

# Note on Council's Response to Inspector's Questions (Examination Document MF08)

- 1.1 This brief note considers the Council's response to the Inspector's further questions relating to Basingstoke and Deane's OAN, set out in examination document MF08.

## Points 2-9 Economic Activity Rates and Employment Growth

- 1.2 The information on economic activity rates is new to the examination in the sense that it compares the economic activity rates assumed in the different scenarios using the population aged 16+ as the base. In the SHMA (May 2015, PS/02/17) the two scenarios (SENS1 and SENS2) in which different economic activity rates are applied to those in the core scenario are presented in terms of their assumption about economic activity rate changes in 16-74 year olds.
- 1.3 The effect of comparing the economic activity rate assumptions for a 16+ population is to show that, with the exception of the Experian scenarios, rates tail off significantly through the 2020s. This is to be expected with a population that is ageing. As the number of older residents increases significantly, so the overall economic activity rate would be pulled down by the number of residents who have left the workforce.
- 1.4 The new chart provided by the Council underlines the need to carefully consider the different economic activity rate scenarios in terms of whether or not they represent a view of changes that might reasonably be expected to occur. The issue is that the different scenarios must be based on some quite different assumptions about economic activity rate changes.
- In the Oxford Economics scenario, the economic activity rate jumps upwards sharply then maintains a level that is higher than the other scenarios.
  - Experian's modelling shows that the rate remains largely constant throughout the plan period. This suggests that there must be a reasonably significant increase to offset the effect of an ageing population, combined with a falling unemployment rate.
  - In the Council's scenarios, the notable point is the difference between the core projection and SENS1/2.
- 1.5 This is confirmed by reference to Table 8 (PS/02/17) of the SHMA. It shows that, if economic activity rates for the 16-74 age group increase to allow for higher participation rates in older age groups, the borough would still see a slight reduction in the overall economic activity rate. Since the profile of the borough's population will age markedly in the plan period, a point recognised in the SHMA, there will be larger number of residents in older age groups where economic activity rates would be expected to be somewhat lower than rates in younger age groups (eg. 25-49 year olds). It is only in SENS2 that the economic activity rate increases (by 1.8 percentage points from 76.9% to 78.7%).
- 1.6 More detailed analysis of these assumptions in SENS 1 and SENS 2 (eg. by different age groups) is not provided in the SHMA or in the Housing Needs Statement. In this regard it is therefore difficult to assess the realism of these assumptions. It would have been useful, for example, to understand the implications of for different age groups of applying the 2001-11 trend to the projections. We know, for example, that in Basingstoke and Deane the employment rate in 25-39 year old women increased significantly between 2001 and 2011. Over the same period, the number of women citing family caring responsibilities and staying at home for economic inactivity fell significantly by

1,000 or 31%. Since SENS2 is based on trending forward the change in economic activity between 2001 and 2011, the implication is that trends of this type must be expected to continue in the long-term. In the case of women aged 25-39, the questions that arise are:

- Whether or not already high employment and economic activity rates would be expected to increase further. The economic activity rate stood at around 90% for women in this age group at 2011.
- Whether further, continued falls in the number of women moving from economically inactive to active might be expected to occur. There remain, for example, some significant barriers to parents being able to work and care for children, including high childcare costs and inflexible working arrangements. To see the trend 2001-11 continue in the long-term would imply some lifting of these barriers.

- 1.7 On the unemployment rate, the Council notes that unemployment has already fallen at a faster rate than that suggested by Edge Analytics. This may be a figure drawn from the Annual Population Survey, and if so some caution should be exercised since the sample size on which it is based is small. Nonetheless, one implication of this fall in unemployment would be that the labour market has tightened somewhat in the course of the economic recovery. If this were the case, then as employment increased over the next 15 years there may be less surplus labour available in Basingstoke and Deane than that assumed in the Council's modelling. Increases in economic activity rates might be one way in which the labour market responded, but it is possible also that there could be increases in in-commuting (or reduced out-commuting), or a need to accommodate additional in-migrants responding to employment opportunities.
- 1.8 The Council reiterates its view that the integrated Experian and Oxford Economics forecasts support its position. In the Experian analysis, an OAN of 834 dpa (a proxy for 850 dpa) is tested against the jobs growth figure of 1,377 pa in its forecast. The conclusion highlighted by the Council is that the Experian data shows that this level of housing could support the same level of jobs growth. A combination of strong increases in economic activity rates across the spectrum, plus unemployment falling to a low of 2.3% (compared with the pre-recession rate of 3.3% accepted in the Council's evidence) appear to be key factors explaining this.
- 1.9 In the Oxford Economics scenarios, details about the assumptions on changes in employment rates by age group are not given. However, while the population aged 16-64 in the relevant scenario rises by 4,300, the economically active population rises by 12,700 suggesting that the modelling also assumes significant increases in economic activity rates, including in the over 65s.
- 1.10 On the balance of the evidence presented by the Council, it is still not clear that the 850 dpa figure is justified as the borough's OAN. The Council's own evidence has pointed to jobs growth of 700 a year generating housing need of up to 1,004 dpa. It is only with the assumptions about changes in economic activity rates using an aggregate 16-74 assumption that the Council is able to show that the housing need figures are somewhat lower.
- 1.11 In submissions by Gladman Developments, an OAN of 1,040 dpa was suggested. This was based on a figure of 960 dpa to support economic growth, a figure that is effectively the equivalent of the Council's 1,004 dpa figure but which is lower as a result of assuming larger increases in economic activity rates in older age groups. An additional adjustment to headship rates in the 25-34 age group was also included to reflect evidence that household formation rates in this cohort were likely to have been adversely affected by housing market conditions in the 2000s, giving an OAN of 1,040 dpa.

## Affordability and Affordable Housing

1.12 The Council has presented additional commentary on the affordability issue to justify its decision to make no adjustment in response to market signals. Several points arise from this commentary:

- It is not clear why reference to increases in the lower quartile affordability ratio having occurred before 2003 should demonstrate that there is no affordability problem to which a response in the OAN is required. The significant increases in prices that occurred from the mid 1990s were among the factors that have contributed to falling home ownership and household formation rates, particularly in younger people (eg. 25-34 year olds). The Council's own evidence in the SHMA demonstrated that the numbers of single people under the age of 34 on the housing register had increased very significantly. These are symptoms of an affordability problem. While affordability ratios may have been more stable over the past 10 years, the underlying problems remain clearly evident.
- The Council suggests that relatively stable migration flows over the past 10 years suggest that there has been no under-supply problem. This does not tell us whether or not the cost of housing was a push or pull factor for Basingstoke and Deane, nor what the impacts were in different age groups. As such it does not provide an indicator of the impacts of affordability.
- While borrowing costs for mortgages are certainly low, a price to income ratio of around 8.0 clearly puts home ownership out of the reach of many households both in terms of the deposit required to secure a property and the value of mortgage repayments. Again, it is not clear how this issue demonstrates that affordability is not a problem for some cohorts of the borough's population.

1.13 On affordable housing need, the Council presents a series of new figures which reflect both its response to comments about the exclusion of younger people in housing need and changes to its housing register. Key points that arise from this evidence are:

- The updated figures no longer include a scenario in which households not in the most urgent need (Band 4 in the May 2015 SHMA) are included. This scenario pointed to a much more substantial affordable need figure. Although this included households which did not score sufficiently highly to be considered priority (Band 1-3) for affordable housing, they nevertheless represent a group in the population that has identified a need for affordable homes.
- The adjustment to include single people under 35 appears to amount to an additional 47 a year (so an affordable need of 357 pa). At an optimistic affordable delivery rate of 40% this would imply an overall need of around 900dpa based on the same method of calculating this figure as that used by the Council.
- It is clear that the current need figure in the updated analysis based on the new October 2015 housing register does not represent a complete picture. This is acknowledged by the Council on page 7, Appendix 1. The Council asserts that the much lower, current figure on which its new affordable need figure of 296 a year is based, will rise. It asserts that it would not be expected to rise to previous levels as a result of more stringent eligibility criteria. In other words, the figure of 296 a year is an incomplete figure, one which is expected to rise further, and one which is based on tougher criteria for defining a household with an affordable housing need.

## Resulting Implications for the Local Plan

- 1.14 In light of the additional commentary provided above and our previous Examination submissions, Gladman continue to assert that there is now a clear and demonstrable need to identify further deliverable and developable housing sites to meet Basingstoke and Deane’s full objectively assessed needs. To provide the authority with a five year housing land supply and to ensure housing comes forward as expected, we critically submit that the Council must now be looking to direct additional housing to sustainable sites in the borough’s rural towns and villages, such as Tadley and Sherfield on Loddon, to provide a more balanced spatial strategy and create flexibility in the Council’s housing supply position.
- 1.15 Gladman strongly submit that the Local Plan cannot be considered to be positively prepared or justified as currently prepared. The lack of an appropriate housing target goes to the heart of the Council’s strategy, and will result in Plan that fails to meet Basingstoke and Deane’s housing needs in accordance with national planning guidance. Gladman therefore contend that the Local Plan cannot be considered sound in its current form.