

South Somerset's settlement hierarchy workshop discussion paper
April 2011 – Baker Associates' Housing Requirement for South Somerset and
Yeovil and their detailed trajectory

In light of the anticipated demise of the RSS, Baker Associates were commissioned by the District Council to recommend a housing target for South Somerset and Yeovil to 2026. This report summarises the Baker report (and includes their detailed housing trajectory) and makes a recommendation for growth in South Somerset and Yeovil based on their evidence.

Summary of Issues

There have been many consultation responses in relation to Draft Core Strategy Policy SS3: District Wide Housing Provision. They fall into three camps, those who feel the housing target is too high, those who are happy with the target and those who feel it is too low.

Those who feel the target is too high believe that it is based on population estimates that are unrealistically high and was conceived at a time when economic conditions were much better.

Those who feel the target is too low, cite the draft RSS target of 19,700 dwellings and question why we are not seeking to deliver this figure. They state that by providing 16% less than the target, we are in danger of undersupplying housing (and the implications of this) in the long-term and additionally of not being in conformity with the RSS, which is still a material consideration.

Report

The Baker Associates study uses three different approaches to generate housing figures. These are then integrated to provided a recommended housing range for South Somerset and Yeovil.

1. Demographic Projection Based Approach

Uses likely trends in birth and death rates, net migration levels and applies these to household formation trends.

Population & Household Projections: -

- Based on 2008 population and household projections the population of South Somerset could grow to 180,200 people by 2026. The number of households will rise from 68,000 in 2006 to 84,000 in 2026, producing a housing requirement of 16,000 additional dwellings.

Births, Deaths & Net-migration: –

- Over the last eight years, birth rates and death rates have stayed relatively constant with deaths exceeding births by 100-200 people. The natural change over this 8-year period is -60 persons per annum. 2008 based ONS population projections to 2026 make an allowance for a negative natural change of -500, an average of -30 persons per year over the period 2009-2026. This is lower than the natural change.
- Migration rates have fluctuated significantly from year to year since 2001 (ranging from +1000 to +1,800), but since 2007 there has been a dramatic decline in net-migration.
- Despite the fall in migration rates, the 2008 based ONS population projections still assume a net increase of 1,200 people per annum to 2026. However, over the last 8 years actual change has averaged 1,010 per annum (when the last 2 years of migration and a decline in the population are factored in).

Housing Requirements Based on Demographic Projections: -

- Even if 2008 based population projections are taken forward, there is a major discrepancy between the population projections for 2009 and the actual population change in South Somerset for the same year.
- For 2009, population projections estimate an increase of 1,000 persons (due entirely to net migration) but actually the population declined by 300 people. This would mean the average for future years would need to achieve a growth of 1,335 persons per annum - higher than average ONS population projections and higher than growth actually experienced over period of high mobility.
- Three alternative scenarios are put forward, associated with high, medium and low net-migration assumptions, they generate a housing requirement of between 13,600, 15,200 and 15,900 dwellings.

Table 1: Housing Requirements Based on Demographic Projections

	2008 based ONS population projections (+1200 pa)	Actual population change (06-09) + ONS population projections 09-26 (+1200 pa)	Actual population change (06-09) + lower rates of migration 09-26 (+1000 pa)
Total population 2006	156,700	156,700	156,700
Total households 2006	68,000	68,000	68,000
Actual population change (mid 06 – mid 09)		1,500	1,500
Projected population change (mid 09 – mid 26)		20,400	17,000
Projected population increase 06 – 26		21,900	18,500
Total population 2026	180,200	178,600	175,200
Total projected private households population	176,235	174,671	171,346
No of additional households 06 – 26 (based on 2.1 persons per household)	15,921	15,177	13,600

Decreasing Household Size: - Whatever the preferred strategy, the declining household size of the existing population on its own ,would require an extra 5,000 dwellings to support the existing population's shift to smaller households.

2. Economic Potential

Economic changes are a key driver affecting housing demand and household growth. Given the acute uncertainty over economic growth and projections, the report looks at two future economic scenarios:

- **First Scenario** – assumes economic recovery is private sector led, and shows employment growth in construction, hospitality, telecommunications & business services. Manufacturing sees some growth, but public sector experiences losses (no growth in education and growth in health after 2016). Overall growth in employment from 2010 – 2026 would be 13% reflecting past growth levels attained in South Somerset.
- **Second Scenario** – is much bleaker, the recovery in private sector investment and job creation will be much slower, there will be employment growth in construction, hospitality, telecommunications & business services, but not as much as scenario 1. Manufacturing may cease to decline, but the

effects of public sector cuts is much greater. Overall employment growth 2010 – 2026 would be 8.2%.

- Over the plan period, scenario 1 sees a net gain of 11,200 jobs, whereas scenario 2 only sees a net gain of 7,200 jobs.
- Which of these scenarios is more likely to be closer to the actual out-turn will depend very much on the way Government expenditure cuts are achieved, but what is crucial is the compatibility of the scenarios with South Somerset's policy on Economic Development. On the basis of the Somerset Economic Strategy and the emerging Core Strategy, it is considered that the more optimistic growth scenario, scenario 1 is most appropriate with South Somerset's approach to economic development.

Economic Led Housing Requirements: -

- In order to support economic growth, a comparable level of homes will need to be provided to support population growth and the growth of economically active residents.

Table 2: South Somerset baseline data

a. Economically active 2006 (ONS Annual Population survey)	77,700
b. population 2006 (ONS mid year estimates)	156,700
c. households 2006 (ONS mid year estimates)	68,000

Table 3: South Somerset economic led housing requirement (note numbers are rounded to nearest 100)

	Scenario 1: (11,200 jobs)	Scenario 2: (7,200 jobs)
d. Net gain of jobs 2006 - 2026	11,200	7,200
e. Net increase in unemployment 2006 - 2026 <i>(total unemployment 2026)</i>	400	300
f. Economically active 2026 <i>(f = a + d + e)</i>	89,300	85,200
g. Total population 2026 <i>(g = f x 2.02)</i>	180,400	172,100
h. Private households population 2026 <i>(h = g - 2.2%)</i>	176,400	168,300
i. Total number of households 2026 <i>(i = h ÷ 2.1 persons per household)</i>	84,000	80,200
j. Number of additional homes 2026 <i>(j = i - c)</i>	16,000	12,200
k. Population change 2006 - 2026 <i>(k = g - b)</i>	23,700	15,400

- Growth scenario 1 gives rise to a population of 180,400 people, which translated into dwellings gives a need for 16,000 dwellings.

Addressing net out-commuting: -

- South Somerset has a job density ratio of 0.85 - 13,000 people living in South Somerset commute out of the District to work, whilst 13,400 commute into the District for work, giving rise to a fairly balanced commuting situation.
- The level of self-containment is 81%, which would be difficult to raise. The balance between homes and jobs is well matched, and therefore all additional jobs in South Somerset should be matched with the requisite housing requirements.

Affordable Housing Need: - completions data identifies that the number of affordable housing completions across the District was 23% of all housing completions in the last 4 years. 16,000 (Scenario 1) dwellings is likely to yield more affordable housing other things being equal, than the figure of 12,200 (Scenario 2).

Environmental Capacity: - there are a number of physical environmental constraints to housing development within the District, for example the Blackdown Hills AONB. Despite this, the Council's Strategic Housing Land Availability Assessment identifies a total potential housing supply of 26,881 dwellings in the District, of which there is a potential for 10,700 dwellings at Yeovil – enough to meet the need.

Empty Homes: - bringing empty homes back into use has the potential to reduce the number of new homes required to house the population. South Somerset has the lowest proportion of empty homes in Somerset, hence no allowance is made for decreasing the level of empty homes relative to the number of new homes required.

3. Housing Delivery

It is essential that there is confidence that the level of housing envisaged in the Core Strategy is likely to be delivered. The report therefore assesses past and future market capacity in light of existing supply.

Market Capacity: -

- Capacity of the market is the level of housing that can be built and sold or rented by developers, having taken into account planning constraints.
- Past completions are evidence of the minimum market capacity, as they show what developers have built. These rates may be replicated in the future, but the effects of economic cycles must be considered.

District-Wide Market Capacity: -

- Between 1992/93 and 2009/10, 11,811 dwellings were built in South Somerset, at an annual average of 656 dpa¹. As these years cover a recession, as well as years of relative economic prosperity, it represents a typical economic cycle.
- Yeovil Urban Extensions (Local Plan Saved Allocations) have an overall market capacity of 360dpa up to 2018 (when they will be developed out). This is a considerable increase in overall completion rate experienced in Yeovil in past 20 years.
- The Yeovil Urban Extensions coupled with existing sites with planning permission (supply) equates to 530dpa. According to Baker Associates, this is a challenging, but achievable level of growth.
- PPS3 does not allow any allowance for windfalls in the first years, so a windfall allowance of 1,800 units is added between 2022-2026.
- A minimum of 16,570 dwellings are deliverable in the District over the plan period.

Yeovil Market Capacity: -

- 7,219 dwellings deliverable in Yeovil to 2026.

East Coker/Keyford/Barwick Urban Extension Market Capacity: -

- Core Strategy states 3725 dwellings will be developed by 2026. Baker Associates believe this will be difficult to achieve for a number of reasons:
 - The site will not deliver completions until 2015/16,

¹ Dwellings per annum

- The average completion rate will not be high enough, and
 - There are complicated land ownership/assembly issues.
- Baker Associates believe that only 2640 dwellings by 2026.
- Baker Associates believe that increasing the number of urban extension sites post 2016 could raise the overall market capacity for Yeovil.

The trajectory at Appendix A, sets out Baker Associates analysis of market capacity showing that 16,507 dwellings are deliverable over the plan period.

4. Recommended Housing Provision

Household projections show that if past trends were allowed to continue, 16,000 additional homes would be required in South Somerset. If the lower levels of in-migration experienced in 2006-2009 are factored into future scenarios, the requirement is lower, between 13,600 - 15,200 additional homes.

Analysis of the economic potential of South Somerset's economy shows there is potential to deliver between 7,200 and 11,200 jobs over the period 2006 – 2026, which generates a requirement for between 12,200 and 16,000 homes.

In terms of physical constraints, there is environmental capacity to accommodate the recommended 16,000 homes in South Somerset. And this same number of homes is deliverable from a market capacity perspective.

Conclusions

Linking the report back to the comments made during the Core Strategy consultation, a number of issues are raised:

1. Demographic Projection Based Approach

The population projections have been criticised as being too high, and when the 2008 based population projections are compared with actual population changes over the last 8 years, there are differences. The population projections assume a smaller decline in natural growth (i.e deaths rates exceed birth rates), and their assumptions surrounding migration rates are much higher.

The migration rates are the most significant difference, exemplified by the fact that in order to realise the 2008 based population projections, population growth over the remainder of the plan period would need to be higher than the actual migration rates experienced during a period of high migration/mobility.

If the Core Strategy based its growth entirely on population projections, there may be a case for reducing the District-wide target for growth, however, paragraph 33 of PPS3 is clear that the future level of housing should be based on household projections and economic growth forecasts.

2. Economic Potential

Turning to economic growth forecasts, the current economic climate has been cited as a reason for a lower housing target. The economic picture has changed since the recession and the implications of this are still being and will continue to be felt in certain sectors of the economy for some time yet. Having said that, as a District, we are being aspirational in our economic development aims and planning policy is supporting this through spatialising the land use elements of any economic development strategy. The District has a recognised manufacturing, engineering, agricultural and entrepreneurial base, which if promoted and assisted, could place South Somerset in a prime position to take advantage of the low carbon economy.

Evidence also demonstrates that the District currently has good levels of self-containment, and under-providing housing will affect this, leading to unsustainable commuting patterns, rather than the sustainable development we are seeking to achieve.

Baker has estimated two economic growth scenarios, going with the more optimistic growth scenario 1 is logical, as this ties in with our economic development aims, and this will provide an estimated 11,200 jobs. It is estimated that these workers will require **16,000** new homes. On this basis there is a sound link between the amount of jobs and number of homes, this coupled with the household and population projections does suggest that the District wide target could be reduced to 16,000 rather than 16,600 homes.

3. Housing Delivery

Baker Associates note that although the targets are challenging, following their research and discussions with developers, they believe that a minimum figure of 16,000 dwellings is deliverable.

On the basis of the above, a case cannot be made for increasing the District-wide target to reflect the draft RSS figure of 19,700 dwellings, as there is no evidence to support this.

Recommendations

A fundamental aim of the draft Core Strategy is to deliver sufficient housing growth in line with economic growth. The economic benefits of getting the housing offer right are well documented, the Barker Review of Housing Supply (2004) made clear a shortage of housing can translate into instability in the wider economy - an insufficient supply can restrict the labour market mobility, raise business costs and exacerbate inequality, all of which constrain economic growth. With this in mind, the Core Strategy adopts an economic-led growth strategy, in that it seeks to balance the delivery of homes and jobs in an attempt to raise the level of self containment in settlements and deliver overall sustainable development.

The economic growth projections identify a need for 16,000 dwellings to support jobs growth to 2026, and on this basis, it is recommended that the district wide target for housing growth be revised from 16,600 to 16,000 dwellings to reflect this. This is supported by the household projections, which show that if past trends were allowed to continue, 16,000 additional homes would be required in South Somerset.

The split between Yeovil, the Urban Extension and the Rest of District needs to be considered further.

Extension of Plan Period to 2028

The figure of 16,000 will need to be increased to reflect an extension to the plan period from 2026 to 2028, another paper deals with this issue in detail.

Appendix A - Baker Associates estimated housing trajectory on urban extensions 2010-2026

SSDC housing trajectory April 2006 - April 2026																		
year starting April	achievable capacity to 2026	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	total
completions to 2010 (AMR)	2,377																	2,377
under construction April 2010	883	440	443															883
commitments (permissions)	3,129	625	625	625	625	629												3,129
other commitments (allocations)	356				90	90	90	86										292
developable SHLAA sites	39							20	19									39
windfall post 2022	1,800													450	450	450	450	1,800
Yeovil urban village	400									80	80	80	80			80		400
Lufton	620		60	120	120	120	100	100										620
Lyde Road	717	20	80	120	120	120	100	100	57									717
Brimsmore	830		60	120	120	120	110	100	100	100								830
Yeovil CS Urban Extension	2,640						100	200	260	260	260	260	260	260	260	260	260	2640
Chard east	1,700		50	100	110	120	120	120	120	120	120	120	120	120	120	120	120	1,700
Crewkerne Maiden Beech	114		30	30	30	24												114
Crewkerne CLR Key Site	525				10	40	40	40	40	40	40	40	40	40	40	40	35	525
Wincanton	283		40	40	40	40	40	40	43									283
Somerton	158		38	40	40	40												158
SOUTH SOMERSET	16,570	1,085	1,426	1,205	1,335	1,343	700	806	638	600	500	500	500	870	870	950	865	16,507

Developers: Abbey Manor (AM) , Barratt (B), Bellway (Be), Bishop (Bi), Bloor (Bl), David Wilson (DW), LDA – consultants, Morrish (Mo), Persimmon (P), Redrow (Re), Taylor Wimpey (TW)

Notes for Appendix A

Baker Associates have used SSDC's figures to compile their trajectory, however, their interpretation is slightly different from the interpretation in the Strategic Housing Land Availability Assessment (SHLAA) and Annual Monitoring Report of 'developable SHLAA sites' and 'windfalls post 2022'.

Developable SHLAA Sites

The figures given to Baker Associates by SSDC include all the SHLAA sites that are suitable, available and viable, and fall within years 0-5 for availability because they have extant permission, or are in the hands of a known developer (39 sites). These sites should therefore be in years 2010-2015 in the trajectory, not in years 2016 and 2017 as they are in the Baker trajectory.

Potentially, over the plan period, the SHLAA sites coming forward post 2015 could be much higher, but given that there is no agreed direction of growth at the moment, a judgment cannot be made on which ones will come forward where, and in what timescale.

Windfall post 2022

At present this figure comprises two elements, and is not strictly 'windfalls post 2022'. Firstly it includes Suitable, Available & Viable SHLAA sites which are identified as having potential to come forward in years 6-15, these are not true windfalls, as we have identified them (see PPS3 guidance). Secondly, it includes an allowance based on past build rates, which has been reduced as stated (in the Baker report), these are "true" windfalls. These two elements need to be split, the SHLAA figures should be included at years 6-15 yrs in the trajectory, and the remaining will then be windfalls post 2022.