

Response to questions made by Cllr Marcus Fysh on 31st August 2011

1. What are the exact numerical workings used to make the forecast numbers of jobs in the two scenarios described in the Report?

A set of tables is attached which identify the numerical assumptions used in building the scenarios from the aggregated performance of the employment-creating economic sectors in South Somerset, along with information on the performance of these sectors locally, regionally and nationally in the past.

The work that has been done uses economic scenarios as one of the means to identify the possible future housing requirement. This part of the work requires the translation of jobs into households and assumed rates of economic activity are used in this process. These take account of the proportion of full and part time jobs. The work commissioned was not a labour supply study and there is therefore no requirement for this project to distinguish between full and part time jobs in the future.

2. What relevant GDP/GVA growth rate forecasts for South Somerset and the UK are consistent with the forecast number of jobs under the two scenarios described in the Report?

In basic terms, GDP (Gross Domestic Product) is a measure of the total value of goods and services produced by a country in a year. It is a measure of many things, not just jobs growth and is measured in three different ways – output measure, expenditure measure and income measure.

John Baker explained at the workshops how it is difficult to make a direct comparison between the growth scenarios (jobs) and GDP growth. There are no national statistics available that identify the GDP for South Somerset. There are problems with assuming that the South Somerset economy mirrors the national one (it doesn't). Past trends in GDP/jobs growth cannot therefore be used as a guide to what the scenarios mean in GDP terms.

After extensive research and discussions with the Office of National Statistics, it can be confirmed that making a direct comparison between jobs growth and GDP is not easy and would be a complicated undertaking. An example of one of the difficulties in translating jobs growth into GDP growth is the fact that jobs in different sectors of the economy, are 'worth' more to the economy, as they pay more to their employees, therefore detailed sectoral analysis would be required.

3. What is the GDP growth rate that is forecast for the UK by the Office of Budget Responsibility during the future period covered by the Core Strategy?

The Office of Budget Responsibility has only forecast GDP up to 2015:

Current forecast GDP (March 2011)	2011 – 1.7%
	2012 – 2.5%
	2013 – 2.9%
	2014 – 2.9%
	2015 – 2.8%

4. What is the GDP growth rate that is forecast for the UK by Cambridge Econometrics during the period until 2015?

2011 – 1.6%
2012 – 1.9%
2013 – 1.9%
2014 – 2.0%
2015 – 2.0%

5. What productivity growth rates for South Somerset and the UK are consistent with the forecast number of jobs under the two scenarios described in the Report?
See Q2 response.

6. What is the long run UK productivity growth rate used and referred to by the Chancellor of the Exchequer? Is the Office of Budget Responsibility predicting anything different to that for the future period covered by the Core Strategy?

The Chancellor uses the OBR information. He will make his autumn statement on the 29th November following the OBR's latest economic forecasts, which will be released earlier that day.

7. How might past economic trends, and in particular the large expansion of public spending and public and private debt during the period 2002 to 2008, both in absolute terms and in terms of annual GDP, be relevant to the anticipation of future economic and jobs growth, in the UK and in South Somerset?

In terms of output, the UK economy has recently endured its deepest recession since the 1930's with GDP falling by 6%. However, the fall in employment was much milder, with the ILO measure declining by just over 2%, a smaller drop than in either of the previous two recessions where the declines in GDP had been significantly smaller. UK employers were able to maintain higher levels of employment by making cost savings through reducing hours – by substituting part-time workers for full-time staff – and reducing wage settlements, while the governments' fiscal stimulus package helped to create new employment opportunities in the public sector, partially offsetting the impact on overall employment of those private sector jobs which were lost.

Oxford Economics expect by 2015 the public sector to have reduced headcount by around half a million, but over the same period employment in the private sector to grow by 1.5 million, illustrating how public sector spending cuts (hence job losses) will be replaced by a larger private sector. Nationally, the economy is expected to recover.

At a local level, John Baker explained that South Somerset's economy was "bucking general trends" and has been outperforming the UK and South West economy – this is illustrated in the analysis of the ONS Annual Business Inquiry data, which demonstrates the trend in growth of jobs in local, over the period 2002-2008 there was a growth of 6,000 jobs, which equates to a 10.34% growth in jobs compared to 5.52% in the South West and 4.23% in the UK. Locally, there is no evidence to suggest what Baker Associates are predicting is unrealistic.

The Government aspiration is for the economy to grow through private sector and manufacturing related jobs in particular, which bodes well for the Yeovil economy in particular. The extent to which this strategy will be successful will depend on market forces and Government policies.

8. The Minister for Housing has indicated that house prices in the UK tripled between 1997 and 2007. How do you think that is likely to have influenced the level of economic activity and jobs growth in the various sectors of the UK and South Somerset over that past period, and how do you expect the path of house price growth to be and to influence the level of economic activity and jobs growth in the various sectors of the UK and South Somerset in the future period of the Core Strategy?

The Barker Review of Housing Supply (2004) makes clear that a shortage in housing supply can translate into instability in the wider economy. An insufficient supply of housing can restrict labour market mobility, raise business costs and exacerbate inequality – constraining economic growth. The capacity to deliver housing of the right type, in the right place, and to an acceptable standard, is essential to the economic health of a town and its surrounding area. In light of the above, high house prices will have constrained the economy generally as labour market mobility would be restricted by unaffordable housing.

House prices fluctuate over time. Oxford Economics illustrate in their report "How much further have UK house prices to fall?" (July 2011) how it is the state of the economy which influences

house prices - a weak labour market typically undermines both households' ability to take on mortgage debt and lenders willingness to lend, depressing housing market activity and prices.

The key issue for the District Council is housing supply - if the Council fails to deliver the housing required to support the economic potential of the District to 2028, the housing market will be constrained. Constraining the supply of housing will then increase house prices, which will then in turn constrain the District's economic growth (and number of jobs that could be delivered) as labour market mobility and flexibility will be reduced and cost to businesses will increase.

9. What are the "different exceptional factors" that you have stated you expect to be at work in the UK and South Somerset over the period of the Core Strategy, and how have you evidenced, quantified and included them in the numerical calculations of your job growth forecasts? This question is answered at Q1 above together with material included in the report. The assumptions related to the sectors and scenarios are described in the report and these are quantified in the tables now enclosed.
10. In the first, prior, workshop you stated that no change in your anticipation of economic conditions whatsoever would change your mind as to what future scale of jobs growth South Somerset District Council should anticipate and use as evidence. Why would that be? I suspect this is not a very accurate recollection of what I said, but the point remains that the economic component of the integrated approach used in the study uses scenarios built from assumptions about the performance of sectors and the significance of those sectors in the local economy. The product of this part of the work (which is only a part) would change if the assumptions about future performance changed, but this would be on a sector by sector basis rather than as a result of such as changing views on the national economy.

What circumstances might lead you to change your mind as

11. to what future scale of growth South Somerset District Council should anticipate and use as evidence? Once the Core Strategy figure is adopted, the Strategic Monitoring Officer will monitor housing through the Annual Monitoring Report, if this were to indicate a need to change policy, this would be considered.
12. Why are you still recommending that South Somerset District Council use, as evidence, a net population growth forecast for South Somerset of 1,200 for both the next 15 years and the 5 years since 2006, when the actual evidenced growth average has been 484 per annum over the last 5 years, the historic period that ONS has confirmed in writing will be used to extrapolate their 2010 based projections, as communicated with South Somerset District Council? As consistently noted, the demographic work in the study and the report is only one part of a study which seeks to suggest the right level of housing provision to build into an integrated core strategy from several corroborating factors. In the report and in the additional work done for and presented at the workshops, different population and household scenarios have been presented using the most recent data at the time and using various interpretations of what past migration figures suggest could happen in the past. These migration rates have proved to be quite volatile, though the most credible interpretation and use of migration rates remains the use of long time series data.

It is expected that the 2010 household projections from the Office of National Statistics will be available in May 2012. This will be the latest updated information and will inform the Core Strategy process prior to adoption. The information will be reported to Members together with any implications for the Core Strategy growth proposals to inform their further deliberations on the Strategy.

13. Why is your recommended forecast for net population growth in South Somerset 50% greater than that of the South West Observatory, and approximately 50% greater than the actual trend over the last 8 years?
Because its based on economic scenarios not past expectations of growth.
14. Why do you refer to and allege the validity and relevance of Fordham's research into local housing conditions in forecasting a "need" for housing, which you say is unrelated to economic or population growth conditions, when it is clear from that research, as pointed out to you, that the main factor in driving the forecast of need in that research was the 2006 based population projection by ONS, which has now been superseded by more recent, relevant, and contrary, evidential trends?
Fordham's work, which is one piece of evidence, was based on both the then latest household projections and on its own household survey.
15. Why have you asserted as valid and relevant evidence for your Report's recommendations, various studies undertaken by other consultants for South Somerset District Council? How would you know whether they are accurate, or true and fair representations of what they purport to show?
Council Officers supplied Baker Associates with these studies – these where undertaken by professional bodies and signed off by SSDC officers. This statement could be applied to any report, including Government reports.
16. What was the reasoning behind the scale of growth in housing for South Somerset, of 13,300 homes, that was put forward originally into the development of the Regional Spatial Strategies, around 2003?
This is explained in the Draft RSS.
17. What was the reasoning behind the uprating of the scale of growth for South Somerset, to 16,600 homes for the period, that was put forward prior to the Examination in Public of the Regional Spatial Strategy for the South West, around 2006?
The District Council objected to the draft RSS housing figure at the RSS EiP. To support the Council's objection, Somerset County Council and the District Council's in Somerset commissioned Baker Associates to assess the implications of the 2003 based household projections for housing need in Somerset "Implications of ONS Household Projections for Somerset" (January 2007). This study concluded that over the period 2006-2026, based on potential economic growth the District as a whole, could accommodate 16,600 additional dwellings between 2006-2026. SSDC accepted this figure and presented it at the EiP. The Secretary of State did not accept the Council's argument and retained the 19,700 figure contained in the draft RSS.
18. Were other areas in the South West also up-scaled in terms of housing growth for inclusion in the Regional Spatial Strategy for the South West, just prior to the Examination in Public of that Regional Spatial Strategy?
Yes.
19. What was the reasoning and methodology behind the Secretary of State further scaling up housing growth for South Somerset, from the 16,600 as already up-scaled, to 19,700 for final inclusion in the Regional Spatial Strategy, and how would you agree or disagree with that reasoning and methodology?
The reasoning is in the Secretary of States report and appended to this response.
20. Why might a nearby authority, such as Taunton Deane Borough Council, have scaled down its housing growth forecasts so dramatically, and in contrast to the approach you recommend for South Somerset District Council? For example in the Taunton Urban Area the reduction has been from 18,000 as under the Regional Spatial Strategy to 13,000 now (a 28% reduction), despite Taunton retaining a 2.8% GDP growth assumption over the period of their Core Strategy. That growth rate includes a significant premium for optimism about the Taunton

council's desire, policies and conditions for growth, relative to the 2.5% GDP growth forecast over the period which their consultants, Cambridge Econometrics, had forecast and recommended (and relative to the 2.5% and 2.2% annual GDP growth rates for Somerset County and Taunton, respectively, that the South West Observatory via Oxford Economics forecast in March 2011).

The Core Strategy is recommending for Taunton, jobs growth of roughly 11,900 jobs and at least 17,000 new dwellings from 2008-2028. These figures are for 20 years, not 22 years as with the SSDC Core Strategy which is 2006-2028.

Originally the Taunton Deane figure included a figure for a much larger area, Taunton Deane 'Growth Area' which included parts of Bridgwater. The figure for Taunton is now for a much smaller geographical area. Additionally, the Taunton area is much smaller than South Somerset (roughly 2/3rds the size in population terms) hence a smaller housing figure.

21. Why should the previous housing figure for South Somerset of 16,600, as already up-scaled prior to the further application of a regional upgrade by the Secretary of State pursuant to the Examination in Public of the Regional Spatial Strategy mentioned previously, not be down-scaled by a similar amount to that seen in Taunton, in order to take realistic account of new conditions? If it were to be down-scaled, what methodology would you use to calculate the down-scaling? What should be the impact on the housing number in the Core Strategy of the fact that it is now being made for a period of 15 future years, rather than the 20-year period anticipated by Regional Spatial Strategies?

This question is circular, the Council needed to review its housing provision with the demise of the RSS and commissioned consultants with expertise in this field to undertake the review and present their appropriate methodology. The housing number required is for a 20-year period, because 2006 is the base date. The requirement is for a 15-year clear period from adoption, which moves the end date of the plan period to 2028, an extra 2 years provision. Baker Associates have provided the relevant figures, and based on their methodology the housing requirement to 2028 is for 17,200 dwellings.

22. What might be the precise numerical justifications and evidence to support them, with respect to economic sectors and their prospects, for your implication that the economic base of South Somerset is so different as to mean that jobs and housing growth are not at all dependent on any economic conditions regionally, nationally or internationally?

This is dealt with in the response to the similar questions 1 and 9.

(Questions 23 – 28 are considered not directly relevant to the debate, but will be presented to Baker Associates for their decision as whether to respond)

23. For what work and on what basis have you been engaged by South Somerset District Council during the past 15 years, other than for the work concerning the Report?

Council officers are well placed to answer this question should they wish to do so. We would like to think that having been commissioned for several pieces of work demonstrates that the Council has found our work to address the matter in question to a high standard and to withstand scrutiny.

24. For what work and on what basis have you been engaged by Somerset County Council during the past 15 years?

Whilst not relevant to the matters in question, the County Council could presumably provide this publicly available information

25. For what work and on what basis have you been engaged by the South West Regional Development Agency and Regional Assembly during the past 15 years?

Whilst not relevant to the matters in question, the SWRDA and SWRA could presumably provide this publicly available information

26. For what work and on what basis have you been engaged by real estate developers who operate in Somerset during the past 15 years, and which developers have so engaged you?

The earnings of Baker Associates from the private sector are not relevant and are commercially confidential. The only significant point is that the Council has satisfied itself that Baker Associates had no conflict of interest when undertaking the study.

27. In what way, and on what basis, were you involved in preparation of the Regional Spatial Strategy for the South West, for Somerset, for South Somerset and for Yeovil?

This question seeks the same information as questions 23, 24 and 25

28. What has been the approximate revenue to your firm from the sources referred to in questions 23 to 27 above inclusive, separately and in aggregate?

Whilst not relevant to the matters dealt with here, the publicly available part of the answer to the question would be available from the relevant sources referred to in questions 24 and 25. The earnings of Baker Associates from the private sector are not relevant and are commercially confidential.

29. What revenue have you accrued for your work done concerning the Report?

£11,475 (exc VAT).

30. On what basis and with what actual brief were you engaged in work on the Report?

Baker Associates were employed following a competitive tender process, which included Roger Tym & Partners and Atkins. The report is appended.

(13.09.11)

Appendix

Brief: Review of Economic, Population and Household Formation Projections and Implications for Housing Delivery in South Somerset

1) Purpose of the study:

1.1 The Coalition Government has confirmed that Regional Spatial Strategies (RSS) will be abolished in the Decentralisation and Localism Bill, and on the 2nd July 2010 formally revoked the South West RSS. There are a number of policy implications associated with the abolition of the RSS, but the most critical for South Somerset District Council's Core Strategy will be the lack of a housing target to refer to and on which to base the Core Strategy.

1.2 The purpose of the study is to review employment growth and population and household formation projections to 2026. Following this, consultants will be expected to establish the District's housing requirement taking into account the revised economic potential and the number of additional jobs that are likely to come forward in the period to 2026 and the numerical and structural changes in the population and households during the same timeframe.

1.3 A robust housing target for the District as a whole will be required, as will figures split down to Yeovil SSCT, Market Town and Local Service Centre level.

2) Background:

2.1 The draft RSS requires the growth of at least 19,700 new homes in the South Somerset HMA, comprising 11,400 in Yeovil SSCT (6,400 within the existing urban area and a 5,000 urban extension) and the remaining 8,300 to be distributed across the other settlements.

2.2 The District Council has in the past objected to the draft RSS housing figure on the basis that it was founded on an overambitious and unrealistic assumption of GVA growth in the region.

- 2.3 To support the draft RSS EiP, in January 2007, Baker Associates produced on behalf of Somerset County Council and the Somerset Local Planning Authorities¹ a report “Implications of ONSA Household Projections for Somerset” which looked at revised household projections and tested 5 distributional scenarios. This study concluded that over the period 2006-2026 13,500 additional jobs would be generated across the Yeovil TTWA, and that the District as a whole could accommodate 16,600 additional dwellings between 2006-2026.
- 2.4 South Somerset District Council accepted the figure of 16,600 dwellings between 2006-2026 and presented this figure at the EiP into the SW RSS. At the EiP the SWRA presented a revised figure of 19,700 dwellings between 2006-2026, the District Council objected to this figure, but it was supported by the Secretary of State and was retained in the Secretary of State’s Proposed Modifications .
- 2.5 The emerging distribution of employment and housing reflects this 19,700 figure and the demise of the RSS is seen as an opportunity to review this figure and set a realistic local figure.

3) Scope of study:

- 3.1 To review Cambridge Econometrics employment change (and sectoral) forecasts for the South Somerset HMA (2006-2026) and the employment land calculations and assumptions in the South Somerset Employment Land Review (Stages 2&3) to establish the economic potential of South Somerset as a whole, broken down by Yeovil and the rest of the District.
- 3.2 To review ONS population and household formation projections and analyse the likely implications of the demographic and other trends and assumptions underlying the ONS household projections for South Somerset. Of particular importance to South Somerset will be the levels of in-migration, especially the number of people of retirement age and pre-retirement age who move into the District – existing sources of information will need to be examined in relation to this issue, for example the South West Observatory data and SHMAA amongst other information.
- 3.3 To review and analyse the following existing evidence: -
- Implications of ONSA Household Projections for Somerset (Baker Associates, 2007)
 - RSS Employment Land Provision: Spatial Implications (Roger Tym & Partners, 2008)
 - Draft Yeovil Economic Assessment (Ekosgen, 2010)
 - Consider other relevant strategies, databases or bodies of research.
- 3.4 To translate these economic, population and household formation projections into an emerging housing requirement for 2006-2026 to be delivered by the Core Strategy.
- 3.5 To compare the emerging housing requirement with other aspirations, such as maintaining and raising the level of self-containment in settlements, delivering affordable housing, delivering the Yeovil Eco Town and regenerating Chard. With regard the level of self-containment, a range of ‘self-containment options’ for delivering economic growth will be expected.

4) Key Issues to be addressed:

- 4.1 Balancing housing with economic potential in Yeovil SSCT and the wider District. The study should be an economic-led approach, which projects economic growth to 2026 and relates this to population change.
- 4.2 Creating a sustainable mix of uses in our settlements, maintaining and raising the level of self-containment and thereby reducing the need to travel.

¹ South Somerset DC, Taunton Deane BC, Mendip DC, West Somerset DC and Sedgemoor BC

5) Output:

5.1 One CD and 3 hard copies of an illustrated ring-bound report

6) Timescale:

- Tender Submission - By 10am 27th August 2010
- Appointment - 3rd September 2010
- Inception meeting - 14th September 2010
- Report Submission - 26th October 2010

Delivery of both the first and final drafts to be provided as soon as is possible, commensurate with producing a thorough and comprehensive report, as there is some importance attached to the completion of this study as quickly as practicable.

7) Project Management:

7.1 The study is sponsored by the Spatial Policy Manager (Andy Foyne) with project management delegated to Jo Manley, Policy Planner.

7.2 The project team should identify a lead consultant for the project who will be the main point of contact with the project manager.

7.3 The contractor will be expected to maintain regular contact with the Project Manger and to respond in a timely fashion to communications.

8) Cost:

8.1 Components of the study should be costed and timetabled separately as much as practicable. The contractor must provide a breakdown of costs for each of the major elements of the study including expected time spent on the work, personnel involved and rates charged. The contractor should cost in days for attendance at project inception meeting and at a first draft stage meeting.

8.2 The Council will retain 10% of the overall fee for 3 months following the completion of the study to allow for assessment of the quality, completeness and consistency of the work. A project payment plan of 20% payment upon completion of research, 35% upon completion of the draft report and 35% in receipt of the final report is proposed, but can be negotiated on receipt of reasoned argument.

8.3 Fixed price quotes should be all inclusive (VAT charge should be shown separately). The contractor will be responsible for any public indemnity of public liability insurance costs.

9) Submission Details

9.1 Consultants are invited to submit a quotation for this work and are asked to provide a submission providing the following information:

- a) Details of the methodology to carry out the Brief, taking into consideration the relevant aspects of the project;
- b) A detailed timetable for the work;
- c) Details of the consultant project team to be involved, including relevant experience in producing similar studies and the proportion of time that they will spend on the study;
- d) Two contacts for references relevant to the study;
- e) Professional indemnity insurance details and, if appropriate, public liability insurance;
- f) Confirmation that the carrying out of this work would not give rise to conflicts with the other clients' interests.

9.2 No quotation will be considered unless it covers all of the points listed within paragraph 9.1.

9.3 **Three copies** of the Quotation submission must be returned to:

**Jo Manley
Policy Planner
The Council Offices
Brympton Way
Yeovil**

**Somerset
BA20 2HT.**

9.4 Quotations must be submitted in a plain sealed envelope with the words “ **DO NOT OPEN** – Sealed Quotation for 'Review of Economic and Population Projections and Implications for Housing Delivery for South Somerset' and only to be opened by Jo Manley on 27th August 2010.”

9.5 The envelope must be returned by **10am Friday 27th August 2010**. No quotation received after this time and date shall be considered, unless there is clear evidence that it was posted by first class post at least the day before quotations were due to be received.

9.6 The successful Consultants will be notified by **3rd September 2010** and work is expected to start immediately.