

LDF Project Management Board

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Housing Provision Review

Report by Andy Foyne, Spatial Policy Manager

Introduction

The Housing Provision for South Somerset is reconsidered in the light of representations made on the Proposed Submission Local Plan, new census data for 2011 and interim 2011 based sub national population projections and the Business Register and Employment Survey for 2010 – 11.

Recommendations

That PMB

- 1. endorse one housing provision figure where overall provision is matched with the sum of individual settlement provision and submission of a topic paper to explain the final figure alongside the Submission plan**
- 2. note potential emerging trends in occupancy rate and economic activity rate and the requirement to await Government projections in 2014 and undertake early Plan review should the new projections differ in a major way from current ones**
- 3. note and endorse the update of the Council's economic projections for growth incorporating the amended assumption on self employed as a proportion of employees in employment (as a consequence of a objection made and considered valid)**
- 4. Endorse a new housing requirement provision of 16,650 dwellings from that set out in the Proposed Submission Local Plan for the period 2006 – 2028 and adjust the settlement provision figures by means of rounding to tally and result in one provision figure. Endorse the reasoning for this adjustment to the Plan Housing provision set out in the conclusions to this report**

Report

Background

The Housing Provision for South Somerset is identified as 15,950 dwellings for 2006 – 2028 in Proposed Submission Local Plan policy SS4 and in Policy SS5 the sum of individual settlement provision is shown as 16,751 dwellings. The 15,950 dwellings provision is derived from an assessment of the outcome of economic projections, Household projections and population projections for the District and this is explained in paras 4.70 – 4.80 of the proposed Submission Local plan. These projections were derived from the report Housing requirement for South Somerset and Yeovil following some updating work. Economic projections were considered to the fore in the determination. Regard was also had to wider policy objectives of the Council, additional provision required for service personnel at Yeovilton, deliverability, land availability and non economic in migration.

Consideration of representations

A significant number of representations have been made on the overall scale of housing growth proposed for the District. These are assessed in detail in appendices 1 (dealing with representations on economic projections) and 2 (those received on household and population projections) and responses given. With the exception of 1 representation on the economic projections none of those received have indicated a change is required to the District provision. This representation and its implications are addressed in the section on economic projections below. Several on household and population projections point to potential changes in demographic trends that can only realistically be assessed in the light of future government projections and this is referred to and points to an early review of the Local plan in the event that future Government projections change significantly from those currently informing the housing provision.

Consideration of comments of Planning Inspector Critical Friend

The Planning Inspector Advisory Visit on the Proposed Submission Local Plan identified the requirement for one District Housing Provision figure not two. This will ensure a match between overall provision and the sum of settlement provision, avoid confusion and present clarity for the figure for use in 5 year land supply determination. This will require a change to the Local Plan (see below). The Inspector also indicated that a Housing Topic paper would be beneficial to explain the Housing Requirement derivation in more detail. This seems desirable given the evolution of the housing requirement over time and its technical nature and it is suggested that this paper and the forthcoming housing trajectory would form the basis of such topic paper

Review of Household and Population Projections in light of census data for 2011 and interim 2011 based sub national population projections

The latest Household Projections remain the 2008 based projections produced in 2010. These show a District requirement to 2028 of 17,000 dwellings. New projections for 2010 are promised for the year end but they will not be based on the 2011 census data although the Office of National Statistics are planning to incorporate as much information as they can of the available census 2011 information in the update, but the details of this are as yet undetermined. This leaves the 2008 based projections as the most recent but increasingly aged. Whilst still relevant they are less material than would otherwise be the case.

The population of South Somerset has risen by 6.8% from the 2001 Census to 161,300 (this is 800 more than projected in the 2010 Population projections). This equates to an average annual increase of 1033 people. This growth is shown in national and county context in the table below

Table 1: Population growth 2001-2011

	Total	% Increase over 2001 total
England	53,012,500	7.88%
Somerset	530,000	6.40%
South Somerset	161,300	6.80%

The Office of National Statistics has now released the Interim 2011 Sub national Population Projections, which indicate a potential population of 172,400 for 2021 from 162,100 (their derived mid point 2011 figure). This equates to an average increase of 1030 per annum, thereby assuming an almost identical continued level of growth to that of the last 10 years. Extending that forward to 2028, gives a potential projected population of 178,810. This is higher than the 2010 Population Projections (173,800) and very close to the benchmark 2008 based ONS projected population figures.

The household projection and revised population projections presented above are used in the reworked demographic growth projection methodology based on that in the Housing Requirement for South Somerset and Yeovil report and used in the Proposed Submission Local Plan (Table 3 page 45). The resultant outcome is set out in table 2 below. Given the primacy of up to date census information and the closeness of past growth with projected future growth (a difference of three persons per annum) only 1 projection for population is shown rather than the 4 shown in table three of the proposed Submission Local plan to provide for the various relevant projection alternatives.

The census has shown that the number of people living in communal establishments is 3,300 representing 2% of the population. This is slightly lower than 2001 Census figure of 2.2% used in the Housing Requirement for South Somerset and Yeovil report and subsequent work on these matters. The reworked demographic growth projection has used the Census 2011 proportion of 2% as more appropriate.

Table 2: Demographic Growth Projections (Table 3 of the Proposed Submission Local Plan)

			Benchmark figure 2008 based on CLG household projection (+1200pa)	Actual population change (06 - 11) + average rate of population change (01 - 11) (1033)
a		Total population 2006	156,700	156,700
b		Total household 2006	68,000	68,000
c		Population change (mid 06 - 2011 census: 161,300 - 156,700		4,600
d	17yrs x growth	Projected population change (11 - mid 28)		17,561
e	c + d	Projected population increase 06 - 28		22,161
f	a + e	Total population		178,861

g		Total projected private household's population (98%)		175,284
h		Number of total households (based on 2.1 per household)	85,000	83,469
i	h - b	No. of additional households	17,000	15,469

The household projection not surprisingly remains at 17,000 dwellings whilst the dwelling requirement based on recent population projections is 15,500 to nearest 100.

Two significant trends are indicated by the 2011 Census data that require further consideration. The first of these relates to occupancy rates. The 2011 Census identifies 69,500 households within South Somerset giving an increase of 5,731 from the 2001 Census. This gives a 2011 census occupancy rate of 2.27 (excluding 2% population in communal establishments).

The 2001 Census occupancy rate was 2.36 and in line with a projected fall in occupancy rates, the 2006 ONS mid year estimates were shown to be 2.25 and continuing to fall after that date. . The Census household rate of 2.27 is more than the projected 2006 rate some 5 years beyond that date. Therefore although the trend of falling household occupancy rates has continued, it has not declined as much as expected.

One explanation of this may be the number of people aged 20 – 34 who are still living with parents (nationally the number of people aged 20 – 34 who live with their parents increased by 20% between 1997 – 2011). It is worth noting that the average first time buyer is now 40 years old and an average deposit is 3 years salary as opposed to 9 months salary 10 years ago. As identified by ONS, this increase in adults living with parents coincides with an increase in the average house price paid by first time buyers of 83% between March 2001 and March 2011. In addition the increasing ratio of house prices to the incomes of first time buyers is well documented and there is a significant increase in numbers of young adults living with parents

What is not clear is whether this is a change in trend or if this is a blip as a result of the current economic climate. The Labour Force Survey data in 2010 suggested 'there had been some steep falls in the household representative rates for some age groups since the 2001 Census. If these shifts in household formation behaviour are sustained in the longer term, the previous projections would be too high'. At that time it was confirmed by CLG, this could only be assessed once the Census results were available. They have since advised that they are 'working to publish an update of the DCLG projections to a 2010 base towards the end of the year. As soon as the publication date is agreed, it will be announced in the Publication Hub. ONS are planning to incorporate as much information as they can of the available Census 2011 information in the update, but the details of how they will do this are yet to be finalised'. In any event it will not be until 2014 when the 2012 based household projections are published fully accounting for Census information that a definitive picture of occupancy rates and future projections will be available.

It is unclear whether the higher occupancy rate will “self adjust” as the recession ends and house price deflation reaches its natural low point to be able to achieve the 2.1 occupancy rate projected for 2028 or whether a pattern changing event is occurring. Clarity will not be available until 2014 at the earliest and in the absence of any other meaningful projections or the prospect of such prior to then the appropriate response should be to stick with known projections for occupancy rates and look, to adjust in an early review of the Plan from 2014 should new projections and circumstances then pertaining point to a significant mismatch with what is currently being proposed.

The second trend relates to the changing demographic of the population. There is an increase in the 40+ age range, compared to a similar drop in the 15 to 39 year olds in South Somerset.

Table 3: key changes to South Somerset Age Structure

Age Band	2011 Census	% change from 2001 Census
Under 15	26,600	-1.50%
15 to 39	43,300	-2.50%
40 to 64	56,400	2.5%
65 and over	34,900	2%

Age Band	% Population 2021 (2011 Projections)	% Population 2011 Census
Under 15	17%	16.5%
15 to 39	25%	27%
40 to 64	32%	35%
65 and over	26%	21.5%

The 2011 Population projections based upon the results of the Census demonstrate this trend over time. With people retiring to South Somerset and current residents living for longer, the ageing population will continue to pose challenges in how to drive the local economy forward to support the growing numbers of people in retirement. This trend data would suggest that housing numbers might need to be enhanced to accommodate the potential increase in economically inactive population, despite higher retirement ages, that will require more dwellings to house the same number of workforce. Clarity from the Census on the issue of economic activity rates is not expected until between November of this year to February 2013 but will not in any event provide projections of economic activity rates and again any significant changes identified beyond current assumptions on activity rate could require an early review of the Local Plan.

Opinion was sought from CLG and ONS sources about these potential trends and how to clarify them and address them but they were unable to offer an opinion.

Review of economic projections in light of BRES data 2010 – 2011 and major objection

With the publication at the end of September of this year of the latest Business Register and Employment Survey statistics for employees in employment for 2010 – 2011 and Annual Population Survey information on self employed in the District at 2011, the economic projections used in the proposed Submission Local plan can be updated from a 2010 base to a 2011 base. The new survey data in general terms

shows a significant bounce back of 3,600 additional jobs (2,000 more self employed and 1,600 more employees in employment) from the 3,400 net job loss from 2006 – 2010.

The starting point to this work is the update of the two job scenario projections of the Housing requirement for South Somerset and Yeovil report namely Positive Private sector led growth and slower (faltering) growth. This is undertaken with explanation in appendix 3.

A representation from Hardisty Jones Associates, on behalf of Abbey Manor Group, criticises the methodology used by Baker Associates (in their January 2011 report) in relation to predicting the proportion of self employed persons in South Somerset economy, and hence the net gain of jobs to 2028.

In their methodology, Baker Associates authors of the Housing Requirement in South Somerset and Yeovil report use the 2010 BRES figure for self-employed persons (which equates to 11.4% of employees in employment), and make the assumption that this proportion will be the same in 2028 as in 2010.

The objector claims that the number of self employed persons as a proportion of employees in employment (11.4%) in the Baker future economic scenarios is low, and that the proportion should be nearer 15%, as the data for 2010 was unusually low. Analysis of Annual Population Survey data for self-employed persons from 2005 to date (see Appendix 4) illustrates that Hardisty Jones Associates have a good argument. Between 2005 and 2011, the average ration of self employed to employees in employment is 15.4%.

The Labour Force Survey and Local Area Labour Force Survey were both in existence before the Annual Population Survey and analysis of these data sets also demonstrates that the 11.4% is a low figure:

Annual Labour Force Survey (1994 -1998) average proportion of self employed to employees in employment in South Somerset:	16%
Local Area Labour Force Survey (1999 -2003) average proportion of self employed to employees in employment in South Somerset:	12.7%

It is considered appropriate in the light of this evidence to adopt the assumption that self employed will represent 15.4% of the total number of employees in employment in South Somerset and rerun the methodology to derive housing requirement from new job provision on that assumption.

Following updating of the employment data to a 2011 basis and adoption of the revised assumption on self employed as a proportion of employees in employment the two scenarios for growth positive private sector led growth and slower (faltering) growth yield a net job growth for the District for the period 2006 – 2028 of 13,500 jobs and 9,450 jobs respectively. When these job figures are placed into the Housing Requirement for South Somerset and Yeovil methodology (Tables 2a and b of the Proposed Submission Local Plan) they yield a housing provision requirement of 18,300 dwellings and 14,400 houses respectively as shown in the table below.

Table 4 Revised Economic-led Housing Requirement for South Somerset and Yeovil

	Housing requirement for SS and Yeovil (Baker Report)	Scenario 1 (positive private sector-led growth)		Scenario 2 slow(faltering) recovery	
		11.4% self employed	15.4% self employed	11.4% self employed	15.4% self employed
a) Economically active 2006 (ONS Annual Population survey)	77,700	77,700	77,700	77,700	77,700
b) Population 2006 (ONS mid year estimates)	156,700	156,700	156,700	156,700	156,700
c) Households 2006 (ONS mid year estimates)	68,000	68,000	68,000	68,000	68,000
d) Net gain of jobs 2006 – 2028	9,200	10,400	13,500	6,500	9,500
e) Net increase in unemployment 2006 - 2028	300	300	400	100	200
f) Economically active 2028 (f = a+d+e)	87,200	88,400	91,600	84,300	87,400
g) Total population 2028 (g = f x 2.02)	176,100	178,600	185,000	170,300	176,500
h) Private households population 2028 (h = g - 2%)	172,200	175,000	181,300	166,900	173,000
i) Total number of households 2028 (i = h ÷ 2.1 persons per household)	82,000	83,300	86,300	79,500	82,400
j) Number of additional homes 2028 (j = i – c)	14,000	15,300	18,300	11,500	14,400
k) Population change 2006 - 2028 (k= g-b)	19,400	21,900	28,300	13,600	19,800

Notes: Red denotes 2006 baseline data - start of the plan period

Communal living in the 2011 Census stands at 2% rather than the 2.2% used in the original Baker report (see demographic appendix)

Housing Requirement:

Revised Scenario 1

(11.4%) = 15,300 dwellings + 300 Yeovilton = 15,600 dwellings

(15.4%) = 18,300 dwellings + 300 Yeovilton = 18,600 dwellings

Revised Scenario 2

(11.4%) = 11,500m + 300 Yeovilton = 11,800

(15.4%) = 14,400 + 300 Yeovilton = 14,700

Discourse with Consultants producing original Housing Requirement in South Somerset and Yeovil report

The Council have been in contact with Baker associates, authors of the Council's Housing Requirement for South Somerset and Yeovil report to peer review key update matters. In particular the assumption on self employed as a proportion of employees in employment, updating undertaken using information from the latest BRES, APS and DEFRA surveys and consideration of the implications of recent trends intimated by the latest census information and how to address these (either now or later when more definitive information is available). The Consultants have endorsed the approach being recommended in this report on these matters as indicated by their response that is set out in detail in appendix 5.

Delivery issues

In determining the housing provision requirement for South Somerset it is essential that there is confidence that the level of housing envisaged is deliverable through the planning and delivery process. The emerging provision figures above need to be tested therefore against past and future anticipated market capacity.

In this regard the housing requirement for South Somerset and Yeovil identified a market capacity for 16,507 dwellings for the 20 year period 2006 – 2026 with a capacity for Yeovil of 7,219 dwellings. This work has now been updated by the Council in its own Trajectory (building on work by Roger Tym and partners in preparing for a South Somerset Community Infrastructure Levy) presented in Table 5 of the Proposed Submission Local Plan on page 55 which shows an overall provision for 16,751 dwellings for the 2006 – 2028 period. This trajectory is to be updated to take into account 2012 monitoring and a recent appeal decision relating to the 5 year land supply for the District and other matters and any conclusion on the delivery must await confirmation through this subsequent trajectory work.

A review of past completions since 2006 taken from the Annual Monitoring Report and the Inspector's view of the Council's 5 year land supply calculations taken from the Appeal decision received in September 2012 on land to rear of Verrington Hospital, Wincanton shows the following

- completions 2006 – 2011 = 3,435 dwellings complete at 687 dwellings pa
- Inspectors assessment of 5 year land supply 2011 – 2016 = 3103 at 621 dwellings pa
- Total completions 2006 – 2016 = 6538 dwellings at 654 dwellings pa

If one assumes the same 10 year completion rate achieved and achievable within South Somerset as evidenced above then a further 7,848 dwellings can be delivered on the basis of past evidence to 2028 (654 dwellings x 12 years). This gives a projected total of 14,386 dwellings.

If one looks however at the 5 year period from 2003/4 to 2007/8 when the South Somerset Housing market was performing over a single 5 year period at its highest level since 1991 then there is evidence that the market can build at an average of 740 dwellings pa (3,701 dwellings divided by 5 years). If one applies this figure that has been achieved in the past to the period from 2016 onwards then an extra 1032 dwellings are achievable resulting in a market capacity expectation based on past performance and potential of 15,418 dwellings. However completions in excess of 740 dwellings pa have been achieved in 5 years out of the last 20. If one applies this average of 843 dwellings pa (4,215 dwellings divided by 5 years) to the period from 2016 onwards then an extra 2,268 dwellings are achievable resulting in a market capacity expectation based on the best of past performance of 16,654 dwellings.

The evidence suggests that between 16,500 – 17,000 dwellings is the achievable market level.

The specific Yeovil provision requirement of 7,815 dwellings, the largest single settlement provision within the Plan is considered achievable based on the following

Housing Requirement (2006 - 2028)	7815
Completions (2006 -2012)	1371
Existing Commitments	2624
Urban Capacity (123.5 x 11.5 years)	1420
	<u>5415</u>
Yeovil Urban Extension	<u>2500</u>
Total supply	<u>7,915</u>

Completions have already occurred, existing completions are expected to be built out within the 5 years and the large key sites within the 16 years to 2028 and the urban capacity build out reflects past rates. Evidence is presented in the Housing Requirement for South Somerset and Yeovil report that a normal expected build out rate for such a site would be 260 dwellings pa based on 5 developers each completing 40 dwellings pa and 60 affordable housing units. A prospective builder with control of land within the prospective extension site to the extent of 73% of the dwelling provision requirement has indicated an early intent to commence on site in his representation on the proposed Submission Local Plan. Even a delayed start to 2016 would still allow time for the whole 2,500 dwellings to be built by 2028. The developer clearly suggests the current limitation within the Plan period is inappropriate. (The associated report on this PMB agenda is calling for a relaxation of this constraint as an appropriate amendment.)

Sustainability Appraisal reconsideration

The Housing Provision Review has established 4 broad figures for assessment from 14,400 to 18,300 dwellings

There have been two sustainability assessments relating to overall scale of growth during the Local Plan process. One at the Issues and Options Stage assessed provision of 13,600 (6,400 for Yeovil); 16,600 (7,400 for Yeovil) and 19,700 (11,400 for Yeovil). The second was considered subsequent to the preferred options being presented in the draft Core Strategy and was an assessment of the provision figures of 15,950 and 16,751 that were to be put forward in the Proposed Submission Local Plan.

The new provision figures suggested by this review all come broadly within the range of these two prior assessments. The conclusions of these two prior assessments are summarised in paras 5.3.7 – 5.3.9 (page 23 and 24) and para 5.5.8 – 5.5.59 (page 39 – 40) of the Local Plan Sustainability Report June 2012. The more detailed assessments are presented in that report's appendices. The main conclusion of these assessments was that a provision around 16,000 – 16,700 dwellings scored well in the sustainability assessments (with around 7,400 at Yeovil) and the further one moved away from this broad provision level either upwards or downwards the less appropriate the provision was in sustainability terms.

Conclusion on overall provision and distribution within the settlement hierarchy

The Review above presents 4 specific figures for consideration emerging from amended projections and in addition the Regional Spatial Strategy figure must be considered until it is withdrawn which the Government has announced is their firm intention. These are

Population projection	14,500 dwellings (rounded)
Economic projections	
Slow faltering growth	14,400 dwellings
Positive private sector led growth	18,300 dwellings
Household projection	17,000 dwellings
Regional Spatial Strategy	21,670 (19,700 dwellings for 2006 – 2026)

The Regional Spatial Strategy figure is discounted from consideration because it is based on evidence that is now too dated and not in accord with the up to date information provided as part of this review. Furthermore the Government statement that

“the proposed revocation of the Regional Strategies may be regarded as a material consideration by decision makers when determining planning applications and appeals”

points to the limited validity a Local Plan would have if based on the Regional Spatial Strategy for the South West.

Key determinants of the Housing Provision sought are identified in the Proposed Submission South Somerset Local Plan. In particular these are

- The primacy of economic projections
- Need to accommodate additional housing provision for service personnel at Yeovilton
- Need to ensure that non economically active incomers are accommodated but not to the detriment of housing provision for the future workforce
- Need to consider economic projections in the context of latest household and population projections
- Consideration of the Council’s overall policies and aims for the District
- Consideration of land availability
- Consideration of market deliverability
- Consideration of sustainability factors through the Council’s Sustainability Appraisal

In relation to these determinants whilst the Council has hitherto advocated adopting the upper range of economic projections and the consequent housing requirement, it is felt that the review indicates an alternative option. Accordingly an additional economic provision figure is suggested at the mid point of job provision and consequent housing requirement. Such an option provides the opportunity to address the ongoing nature of the recession and to take on board the implications of the sustainability appraisal work and the likely market delivery of dwellings. This alternative and preferred option is for 16,350 dwellings.

Any option chosen should have the 300 dwellings requirement for service personnel added as they do not feature in the projections for population, households or jobs. Thus the preferred option is now 16,650 dwellings.

The lower provision suggested by the population based housing requirement suggests that the higher preferred provision provides for some additional housing over and above population growth pressures to ease any potential worker/retiree competition for housing.

The preferred provision figure of 16,650 dwellings sits within a range of provision which is closely arrayed. The household provision is relatively aged now and must be considered with slightly less weight as a result and the importance of the economy and confidence in the validity of the economic projections point to the preferred option rather than the housing provision.

The Council's wider aims as bulleted in para 4.74 of the Proposed Submission Local Plan are best met by the preferred provision figure given the constraints on adopting the higher economic based figure.

The 2010 Strategic Housing Land Availability Assessment shows sufficient land available for the preferred provision. Market delivery and sustainability appraisal factors as set out in this report and referred to above help determine the preferred provision of 16,650 dwellings rather than the higher provision of 18,300 (18,600dw including Yeovilton service provision).

The Housing Requirement for South Somerset and Yeovil report indicated two additional factors relevant in the determination of housing provision namely affordable housing and empty homes. A housing figure required to deliver the affordable housing levels identified in the Strategic Housing Market Assessment would be completely unfeasible and unachievable, so whilst a consideration it is not a determinant in establishing housing requirement for the District. The evidence of low empty homes proportions to total housing stock in South Somerset set out in the original report remains unchallenged and indicates that no allowance should be made for decreasing the proportion of empty homes relative to the number of new homes required.

The preferred provision is some 101 dwellings different from the sum of provision at all settlements. Given this near match and in order to derive one figure only as recommended it is suggested that the settlement provision figures be adjusted by means of appropriate and judicious rounding to tally to the 16,650 dwellings provision. The alternative would be for use of the figure of 16,751 dwellings as derived from the bottom up estimation of individual settlements' housing requirement in that it has resulted in an overall figure that is close to the top down estimation and within the general range for the appropriate provision figure.

The Yeovilton service requirement is expected to be met within the existing settlement provision.

In conclusion, the Council is recommended to adopt a Housing provision for the District of 16,650 dwellings and to adjust the individual settlement provision to match for the reasons set out in this conclusion