

## Appendix E

### Response to Growth Issues raised by Cllr Fysh in September and October 2011

Issues raised in italics with responses immediately below

**1. *How many of the 16,600 dwellings identified for South Somerset in the draft Core Strategy will be occupied by those in need***

Ideally we should be achieving around 30% of the total i.e. 4,950 households (our current policy is to seek 35% affordable housing with housing applications). There will, however, be sites below the size for seeking affordable housing and sites which can't deliver the full quota for viability reasons. In the recent past we have achieved 23% and whilst we hope to do better in the future, the lack of grant and financial restrictions within the registered providers may make site viability based on 35% without grant very difficult to achieve.

**2. *How many of the 16,600 dwellings identified for South Somerset in the draft Core Strategy will be occupied by Locals***

Looking at information in the Strategic Housing Market Assessment (SHMA) on household moves undertaken into or from dwellings in South Somerset in the period 2006 – 2008 it can be seen that of a total annualised figure of 10,301 moves, 54% are households moving within South Somerset whilst the rest are either moving out or moving in from elsewhere. On this evidence then 54% or roughly 9,000 households of the 16,600 dwellings provision will be occupied by people from South Somerset with the rest (7,600 dwellings) being occupied from people from elsewhere. Personally I find this to be a very imprecise measure and at best paints only part of the picture. "Locals" move out to follow employment and others move in to follow employment and become "locals". This is a natural part of movement of the UK's labour force. The definition of "locals" is also subjective and the question is asking for an answer that cannot be given. What is local? Is it 1 years residence, 10 years or a lifetime?

**3. *How many of the 16,600 dwellings identified for South Somerset in the draft Core Strategy will be occupied by people migrating from other parts of the UK and from the EU/ non EU.***

This is really the same question as Question 2 but differently expressed. Over the last 7 years (to 2010), Office of National Statistics (ONS) migration data illustrates that on average 92% of the migration into South Somerset is internal (i.e. UK based). Of the UK migrant population, over 50% consistently come from the South West, with the second highest region being the South East including London (ranging between 16-21% since 2002).

Applying these origins to the anticipated movements (taken from the SHMA) would indicate that of the 7,600 households moving into South Somerset (92% from the UK and 8% from international locations) around 3,500 (21% of the 16,600 total dwelling provision) would be households from elsewhere in the South West and especially from neighbouring authorities and 1,300 (8% of the total) households would be from London and the South East. On the basis that 8% of migration into South Somerset is non UK based some 610 dwellings would be occupied by international migrants (approaching 4% of the total number of 16,600 dwellings). The expectation would be that the majority of the international migrants would be from the EU. It has not proved possible to obtain from the ONS a split of this information between EU and non-EU migrants. We must also bear in mind that a proportion of that inward migration would utilise existing housing stock rather than any of the new build.

## **15/9 Email**

### **4. ABI figures are unreliable (para1)**

This is not considered correct nor has any alternative time series data been offered. ABI (Annual Business Inquiry) statistics have been collected over a long time and are in general use. They are no longer collected and have been replaced with Business Register Employment Survey (BRES) data since 2008.

### **5. Classification change between 2007/8 artificially flatters job growth in South Somerset and makes pre and post 2006 figures incompatible (para 1)**

The view of the Office of National Statistics BRES section in Cardiff was sought. Their response was that the abnormal increase between 2006 and 2007 figures for South Somerset was down to two specific companies. Their returns were queried at the time and they both confirmed their figures citing specific reasons for them. This unusual, but confirmed, circumstance does not make pre and post 2007 data incompatible.

### **6. Latest ONS figure shows job decline from 68,300 jobs in Consultants base year of 2008 to 66,000 in 2010 (with self employed falling from 14,000 to 11,100). Suggests more jobs now required above 12,000 job growth suggested by Consultants to 2026 to hit the same end period target of 94,300 jobs (para2)**

The figures quoted by Cllr Fysh (latest ONS figures) are from the Labour Forces Survey The Labour Force Survey (LFS) is a survey of households living at private addresses in the UK whereas ABI and BRES are surveys of businesses, therefore the LFS includes job figures for people living in South Somerset but working outside the District and not the total number of jobs in the District which is supplied by the BRES. It is inappropriate to make a direct comparison as they are not comparable sources of data and indeed the Labour Force Survey is benchmarked against the BRES data. In actual fact BRES also shows a reduction in jobs from 2008 – 2010 and this more appropriate and comparable information issue is addressed below.

Cllr Fysh here and elsewhere refers to 12,000 jobs growth which equates to neither the 11,200 job growth set out in the Baker Associates report on Housing Requirement for the more positive projection for economic growth to 2026 (which is 11,200 jobs) nor the figure provided for the revised Plan end date to 2028 (which is 12,500 jobs)

### **7. Numerical workings behind 12,000 figure kept secret. (para 3)**

Nothing is being kept “secret” and this statement is incorrect. In this instance the numerical workings were forwarded directly to all Members on 26<sup>th</sup> September 2011 immediately following receipt from the consultants Baker Associates who produced the “Housing requirement for South Somerset and Yeovil” report (February 2011). It must be recognised that data and reports have been received from outside bodies throughout the Core Strategy process and in some instances it would be inappropriate to release these on receipt as often they are incomplete and require further clarification. It is the task of the Project Management Board made up of a small number of senior officers and elected members, both Conservative and Liberal Democrat, to consider such reports and such data and determine at what point they are sufficiently complete to be released into the public domain. Information provided out of context or isolated from supporting and complementary information or evidence can lead to false assumptions being made which is damaging to the integrity of the process and can lead to erroneous conclusion being drawn before the full evidence is available upon which key decisions need to be made.

Every document, which will form part of the evidence base, will be made available to all members and placed in the public domain before any decisions are taken. In most instances when reports have been received from outside consultants there has been a need to ask questions, clarify or query statements and often to request additional information before the report is complete and suitable for the public domain.

**8. *Growth assumption of 12,000 jobs equates to a GDP equivalent of greater than 3.4% (the best of a suite of forecasts available at the time of the September SSDC Member Workshop on growth) and is over optimistic (para3 and 7)***

The Baker Associates methodology is a bottom up methodology based on the construction of economic scenarios based upon reasonable assumptions about the prospects for employment in each economic sector of South Somerset in the future. The assumptions were informed by consultations with main employers in the District, and national, regional and local trend reviews especially in employment data. Account was taken of the Somerset Economic Development Strategy, Yeovil Economic Profile report (by Ekosgen), Local Economic Partnership proposals for South Somerset and East Devon and Oxford Economic Projections for South Somerset

The method is not a top down application of national growth projections. The South Somerset economy is very different from the national one in a number of ways not least its high reliance, relatively, on manufacturing and in particular high tech engineering and aerospace. The application of national growth rates is considered inappropriate. A survey undertaken in relation to these points for the Area South Workshop on growth provision on 2<sup>nd</sup> September 2011 revealed that of 73 responding Authorities only 2 used a GDP basis for establishing housing growth requirements. Sectoral analysis of local economies or other methods were the norm.

The Baker Associates method has been applied by Sedgemoor District Council on their Core Strategy. The recent (September 2011) Inspector's report has found the level of growth and the wider basis for it to be sound. A reliance on economic growth projections, given their innate variance from one expert to another, (the point the Spatial Policy Manager was making at the most recent Councillor workshop referred to by Cllr Fysh) rapid change over time and short term timescales (few look beyond 5 years) cannot easily provide a sound basis for a jobs projection over the 16 years to 2028. The HM Treasury's report "Forecasts for the UK Economy – A Comparison of Independent Forecasts (August 2011) identifies 22 assorted economic projectors and projections for the national economy, which vary quite significantly.

Allowing for growth in housing or employment, which may not materialise should forecasts prove to be inaccurate due to emerging factors that could not be accurately forecast, will not damage the existing or future economy of South Somerset. Restricting or making no provision for growth based upon assumptions of a future economic downturn in the South Somerset business sector could do just the opposite.

**9. *Refusal by SSDC to provide growth assumptions until 28<sup>th</sup> September and too close to Area South Committee to allow consideration (para4)***

In the event the Area South Committee was cancelled so this is not relevant. Members of the Project Management Board and I were acutely aware of the need for presenting evidence in a complete form and with sufficient time for it to be properly analysed and considered by members, which is why the decision was made to postpone the meetings scheduled for the late autumn. The series of complex questions placed by Cllr Fysh were delivered by the Consultant within 4 weeks of receipt.

**10. Likelihood of GDP assumptions being downgraded (para5)**

Not a material factor for the reasons set out under question 8 above.

**11. Inappropriate to extrapolate past job growth into future as it is based on unusual (high public spending) times, error strewn ABI information and implying unrealistic GDP growth levels into the future as witnessed by job decline 2008 – 2010 (paras 8 and 9)**

The scale of job growth in the early 2000s broadly reflects a similar scale of growth as in the 1990s. From 2000 to 2008 some 8,258 jobs were created whereas from 1991 to 1999 some 9,859 jobs were created (source ABI for both figures). Responses to ABI information quality and application of GDP are given above

**12. Cllr Fysh asserts that historically Real GDP is split at a ratio of 25:75 jobs/productivity growth and that on the basis of 12,000 jobs growth (which equates to 1.3% pa jobs growth) this would result in a GDP of 5.2%. A jobs growth figure of 9,000 jobs to 2028, equating to 0.7% pa jobs growth (allowing 2.1% growth from productivity), would be more in line with the SW Observatory and SCC growth prediction of 2.8% GDP. Reference to SSDC economic forecasts for the UK economy also made. (para10)**

This assertion is based on evidence provided by Oxford Econometrics for SCC and the SW Observatory and at essence remains a top down assessment at odds with the bottom up approach provided by SSDC's consultants and does not take into account South Somerset's different economy. Oxford Econometrics are but one of several economic projectors.

The South West Observatory was contacted directly. They have stated that they do not produce projections at a district level, the closest is for Somerset. On this basis, at a County level historical data from SW Observatory suggests that in Somerset, real GVA growth (3.5% pa) is comprised of the ratio 54:46 jobs/productivity, illustrating that employment growth has been a greater component of growth, compared to productivity growth, than at a national level.

The South West Observatory projections for the employment/productivity ratio over the period 2011-2030 equates to 51:49 employment/productivity. Therefore on this basis, the Observatory believes that the 800 job growth p.a. relating to the Baker Associate report's more positive scenario for economic growth of 12,000 jobs equates to 1.3% annual employment growth and appears realistic. (In actual fact and providing the correct figure of 12,500 jobs from now to 2028 i.e. 17 years the actual employment growth p.a. proposed by Bakers report is 735 jobs p.a. and so even more realistic!)

On the above employment/productivity ratio, this equates to a GDP of 2.55% over the plan period, which is lower than the figures quoted by Cllr Fysh (i.e. the SW Observatory's forecast for Somerset of 2.8 % GDP growth p.a.).

SSDC (or its Consultants) have not made any assumptions about economic growth with the focus instead on informed scenarios for the local economy. The assertion made in Cllr Fysh's email that job growth from the early 2000s fuelled by massive public expenditure is being projected into the future is clearly unfounded; there were fewer jobs forthcoming in South Somerset in the 2000s than in the 1990s as set out above.

Considering the South Somerset economy as just a % split of Somerset as a whole is a false assumption. The differences across the County are significant with, for instance, a much higher level of public sector jobs in Taunton compared to South Somerset thus the current national reduction in public sector employment will disproportionately affect one area more than another

**13. Assumption of 1200 pa net immigration is at odds with static growth in actual population since 2006. (para 12)**

Migration trends are volatile and Baker Associates in their report took an 8-year horizon into account and adjusted to reflect most recent year's trends. They have updated their findings and projections based on the latest population estimates now available for the Council's consideration and this has had the effect of widening the range of potential dwelling provision for the Council to determine upon. The Consultants maintain that given rate volatility, the most credible interpretation and use of migration rates remains the use of long term time series.

It is expected that the 2010 household projections from the ONS will be available in May 2012. This information when available (and it will be available prior to Examination of the Core Strategy) will inform the process and final outcome on the basis of the latest fact rather than hearsay and presumption.

**14. SW Observatory predicts 800 pop growth per annum not 1200 and more closely reflects latest Office of National Statistics figures for last 8 years and is consistent with 9,000 job growth (paras 13 and 14)**

The SW Observatory projections by their own admission are based on projections that assume that recent (2004 - 2010) trends in fertility, mortality and migration at local authority level will continue. They take no account of local development policy, economic factors, or the capacity of areas to accommodate population. They also caveat their work with the message that there is a greater degree of uncertainty the further ahead the projections are made particularly for smaller geographic areas. The Projections effectively appear to reflect past population growth and do not seem to account for the dynamic nature of the South Somerset population in terms of complex and interacting factors relating to in and out migration, birth rates and mortality rates and age/sex structures and how they influence these rates. It is maintained that the work undertaken locally by Baker Associates is more detailed, local and appropriate.

However even if one were to accept Cllr Fysh's assertion in relation to population growth at 800p.a., this will result in a dwelling requirement figure of 14,911 not 12,000 as he asserts. The 14,900 in general terms would be derived as follows

- dwellings built 2006 –2011 = 3,435 (net) dwellings
- Population growth at 800 p.a. for remaining 17 years of plan period (i.e. 800 x 17 to 2028 i.e. 13,600 population with an occupancy rate of 2.1) = 6,476 dwellings
- Dwellings required for the current population living at the lower occupancy rate of 2.1 at plan end (derived in Baker Report on Housing Requirement for South Somerset and Yeovil) = 5,000 dwellings

If one projects the existing building rate averaged over the first 5 years of the plan period during roughly equal time of boom and bust then a dwelling provision of 15,070 for 2006 to 2028 emerges. This house build within the plan period demonstrates that

- housebuilding in South Somerset has been robust
- the market for houses, both market and affordable has been upheld

- levels of housebuilding higher than previous levels appear sustainable

**15. Implication of 800 pop growth pa and 9,000 total job growth is 12,000 dwellings and 6,000 in Yeovil (para 15)**

See under 14 above. The basis for these assertions are not considered correct as has been demonstrated above in the responses made.

**16. Affordable housing need is not 7,000 households but less than 1,000 because Gold, Silver and Emergency bands of the register desiring location in Yeovil amount to 1,400 and 25% of them are already in social housing. This sort of figure reflects past achievement rates of 25% (para16)**

The figure of 1,400 households in need represents the need for Yeovil at one point in time. It takes no account of the emerging need that will occur over the 16 remaining years of the plan period from new household formation and existing households falling into need. This totals 604 households per annum in net terms for South Somerset. Of this one might expect a quarter of this to be needed in Yeovil to reflect the town's proportion of District population in broad terms or 150 additional households per annum. This equates to an additional 2,550 households (150 households x 17 years) over the existing identified need of 1,400 (Gold Silver and Emergency bands) households or 3,950 households in total for Yeovil overall.

**17. Fordham research figure of 659dw pa is outdated based on 2006 growth projections (para 17)**

The Fordham research figure of 659 dwellings is based on the Household survey the company undertook as part of the commission for the Assessment in 2008. The 2006 growth projections were not used. The figure remains a robust one.

**18. 6,000 dwellings for Yeovil over the next 16 years represents a higher annual rate of build for Yeovil than in the past boom years (para 18)**

The evidence of the first five years of the plan period over boom and bust in roughly equal measure is for a level of growth in South Somerset in excess of the past levels. The Baker report presents strong evidence based on past building rates, existing commitments, discussions with developers on the large Yeovil key sites and assumptions about the urban extension of a deliverable provision of 7,200 to 2026 or 7,720 minimum to 2028. (Paras 8.18 to 8.24). The monitoring year 2010 – 2011 showed a record breaking annual build in Yeovil of 495 dwellings reflecting largely existing social housing build and the build out of the Lyde Rd key site. This construction at a time of limited national housing construction seems to demonstrate that bringing forward social housing and the other key sites and urban extensions of Yeovil will unleash a hitherto unsatisfied demand for housing and a much higher annual build rate.

**19. Out of town employment and retail development encouraged by urban extension would be at the expense of town centre regeneration (paras 19 –20)**

The urban extension would be principally identified for additional housing growth that cannot be accommodated within the town (the Core Strategy presumes that town sites should be developed firstly). Employment and other land uses in the extension directly relate to the numbers of houses proposed for the urban extension. By growing Yeovil the urban extension would be improving the chances for businesses to thrive by increasing the catchment expenditure and potential workforce higher than it would otherwise be.

**20. *Should growth overshoot predictions it would be easy to make an interim amendment to the Core Strategy (para 21)***

There is no such thing currently as an interim amendment. If the Core Strategy were not accommodating growth then it would have to be reviewed and replaced with a new one. Whilst the focus might be constrained down to growth and limited issues, a Development Plan document has to follow a time consuming and engaging statutory process. To date from Issues and Options publication, this Core Strategy has taken 3 ½ years and has another 1 to 1 ½ years to go. It is important to get it as right as possible first time.

**21. *Infrastructure cannot take growth levels proposed and tourism and agriculture/green assets would be lost (para 22)***

The Infrastructure Delivery plan as it emerges is addressing this issue and will inform the final decisions on this (The comprehensive draft report is expected in late November). There is no reason why tourism assets should be lost. Whilst some agricultural grade 1 land might be affected, dependent upon where the decision is made to locate additional growth, the predominance of quality agricultural land around Yeovil means that some loss is inevitable if the scale of growth required for the economy is to be met. Higher agricultural land quality abounds around Yeovil and is protected by Government policy although much of this elsewhere is not necessarily grade 1. Government policy enables development to take place on such land where other overriding sustainable planning reasons are present. These are factors that members will need to consider alongside all other considerations when determining where future growth might be accommodated.

**10/10 email**

**22. *September 2010 job figure is 3200 jobs less than Consultants assumption (email of 10<sup>th</sup> October) meaning 7,200 jobs and 10,000 new homes)***

This point is partially agreed. The assumption made by the Consultants for employment at 2010 from which they then projected growth on the basis of their two economic scenarios does not appear borne out. The Consultants assumed 68,200 employees in employment whereas the BRES figure for employees is 64,100 some 3,900 jobs less rather than the 3,200 quoted by Cllr Fysh.

The implication of this figure, if one applies the Baker economic scenarios and in particular the Consultant recommended scenario, is for the final job provision to be lower by an appropriate amount.

The presumption inherent in the above is that that part of the future South Somerset population coming into South Somerset is economically active and will help meet the future labour demands of the local economy. There is evidence from the Strategic Housing Market Assessment and articulated above, that 46% of the overall growth will be met by in migrating households be they from Sherborne or Sheffield. Of this 46% of households moving into South Somerset some 26% are likely to be pensioner households. One might expect on this basis that pensioner households (roughly a quarter of the 46% in migrant households) would be displacing the equivalent number of economically active households and so requiring an appropriate extra dwelling provision to ensure that the required workforce in overall numbers can be housed in the District. There will of course be a small but increasing number of people of current pensioner age who will be working in the future and this number will need to be reflected in the final adjustment for "in migrant pensioner housing".

## **Summary Conclusion**

As key pieces of evidence emerge, as will be the case with the 2010 household projections from the ONS when they become available in May 2012, the Core Strategy will be adjusted as appropriate. The lower employment provision at the starting point for the Baker Report's economic projections established by the latest BRES figures will be similarly taken into account.

Where data, assumptions and future projections are involved, for every expert supporting one viewpoint, another can be produced prepared to argue a different interpretation or conclusion. Thus far the Project Management board has been satisfied that it is using the best available information (as amended) in the preparation of the Core Strategy and that the Baker report remains an appropriate basis upon which to make a decision. I believe that the Council's position must be based on two key words; prudent and safe. If safety, based upon sound evidence, is our default position, then we must ensure that growth, if needed, will be accommodated. We must not be turning business expansion away because there is no provision for expansion nor losing established firms because they cannot recruit a workforce through lack of accommodation that matches their income. I feel that the economic projection within the report is the key driver within the range of options provided. However the economic projection will be adjusted to reflect the latest BRES data in relation to the two years 2008 - 2010. As that data emerges it is clear that changes to future predictions may be needed and we are currently undertaking a more detailed analysis. Previously we had little choice but to accept the rulings of a higher Authority in the days of the RSS and structure plans. Should they finally disappear through the Localism Bill as the Government intends, then we will necessarily have to increase our expertise in this area and to this end we are already building to meet that requirement. At this stage I cannot predict whether our growth figures will need to be adjusted down or up, but this should become clear over the next few weeks.

Finally, three further points are important to put these arguments into context. In the previous Local Plan period South Somerset generated 20,618 jobs to 2010 (from 1991) and 13,440 houses gross to 2011 (from 1991). In the proposed Core Strategy period for a South Somerset with a bigger economic base (by 36% as evidenced by job growth at 2006) one might expect similar or rather slightly larger figures. The previous Local Plan went from the slump of 89/91 through gradual recovery boom and super boom and slump i.e. a complete cycle. 2010 may well represent a bottom of cycle point comparable to 1991 and the period to 2028 should replicate the economic cycle i.e. recovery boom and recession.

In the last monitoring year of 2010/2011 there were 1059 dwellings net built in South Somerset with 495 in Yeovil. This is the highest figure by some distance since 1991 and is completely countercyclical and provides evidence that the local industry can upgrade its build rate to deliver the provision identified. (High social housing build and the opening up of the Lyde Rd key site were key factors here and are likely to remain so with two other key sites now close to coming on stream).

Should a decision be made erring on the low side for housing and employment provision the main benefit will be that greenfield development associated with continuing growth for Yeovil and its associated impact on countryside and other neighbouring communities will not be required before its' time. The main disbenefits will be that the economy will be stultified by workforce difficulties and/or enhanced congestion associated with a higher proportion of in commuting for work. Housing prices will be higher than would otherwise be the case and there will be reduced opportunities to provide affordable housing for those in need.