

Matter 3 – Spatial Strategy

3.1

1. We detail below our concerns in respect to the Councils' housing and economic strategy. We are concerned that the chosen development strategy fails to appropriately account for likely economic growth and economic aspirations over the plan period; leading to potential labour shortfalls, increased competition in the housing market, increased rental costs, increase in those households in affordable housing need and demographic implications as younger persons are forced to move to more affordable areas. This leads to an unsound development strategy in accordance with the requirements of the NPPF.

3.2

2. We support the Councils' decision to focus development in the most sustainable locations in terms of access to facilities, employment opportunities and alternate transport modes as detailed in the Strategic Approach in the draft Local Plan (paragraph 3.3.4).

3. It is however, important to ensure that the Local Plan allows for appropriate rural growth, as detailed in paragraph 28 of the NPPF and the PPG:

"It is important to recognise the particular issues facing rural areas in terms of housing supply and affordability, and the role of housing in supporting the broader sustainability of villages and smaller settlements" (PPG, ID: 50-001-20140306).

4. We detail in our Pre-hearing Statement to Matter 4 (Housing Policy) our concerns in relation to the Councils' approach to rural housing; notably the failure of Policy HOUS2 to provide an appropriate delivery mechanism to allow for housing delivery to meet rural housing needs.
5. Recognising that these issues will be discussed in Matter 4, we would only indicate that this issue goes to the heart of the Councils' distribution strategy. Whilst the Councils may have selected an appropriate distribution strategy, the development policies do not provide an effective delivery mechanism to support this strategy.

3.3

6. We raise concerns below in respect to the Council's approach to projected employment growth and its implications on the housing target.
7. The SHMA (Part 1) states that the OAN model has applied a reduced out-commuting rate to the labour force projections, thus increasing the local labour workforce without the need for an increase in population to respond to increased labour requirements from projected economic growth (paragraph 5.7). However, it is not evident within the SHMA what commuting ratios have been applied.
8. Without clearly stating the current and projected commuting ratio upon which the model is based, it is not possible to ascertain the effect of the chosen housing and jobs target on reducing commuting pressures.

9. We would draw particular attention to the Examination of North Somerset' Remitted Core Strategy, which has raised significant issues in respect to applying altered commuting ratios to employment projections. The Inspector raised a number of issues within a Preliminary Letter (dated 22/04/2014 – see Appendix A); notably;

“improvement in self-containment would be a worthwhile objective in itself. However, its achievement needs to be balanced against the national objective of meeting the housing, business and other development needs of an area” (paragraph 42).

10. The Inspector further notes that there is *“no clear evidence to persuade me that the predicted reductions (in out-commuting) can be achieved and the Council can deploy no measures to guarantee a reduction. Even if all the jobs proposed..... were delivered, the Council has no means of ensuring that they would be taken by North Somerset residents”* (paragraph 39).

11. It is clear that without detail presented to demonstrate that the Councils' chosen commuting ratios are realistic, it is not possible to consider the effect on the balance of homes and jobs.

12. As noted below, significant concerns have been raised in relation to the Councils' approach to the LEP's economic growth aspirations and the impact this will have on job projections. The PPG clearly indicates (ID: 2a-008-20140306) that the functional economic area is not necessarily the housing market area, and goes further to note that a functional economic area can be defined according to factors such as the extent of an LEP, accessibility between areas and travel to work areas (ID: 2a-012-20140306). It is thus questionable how the Councils can seek increased self-containment in this context. Evidently, consideration of the LEP's SEP and the location of key employment areas (including those noted in Appendix C), accessibility to and from West Dorset and Weymouth, and the attractiveness and feasibility of living in one area and work in another area of the LEP must be considered.

3.4

13. We support the Councils' recognition in paragraph 1.5.2 of the need to undertake a review by 2021, or earlier should monitoring indicators trigger the need for an early review. However, we note that the monitoring indicators do not provide a complete picture of the development context. We would thus encourage the addition of additional monitoring indicators, for examples;

- Monitoring the number of sites which fail to deliver the Local Plan affordable percentage targets;
- Second home and vacant property levels;
- Market indicators, for example lower quartile entry levels for market purchase and private rent;
- Significant changes in employment delivery; and
- Non-economic migration figures.

14. Inclusion of an appropriate review policy does not diminish the requirement to select an appropriate development strategy at the outset. Given the timelines associated with any future review and the timelines associated with the LEP, the failure to account for economic growth could not be appropriately resolved in a future review, with the time lapse resulting in significant issues.
15. Finally, in relation to our comments to Matter 4, we are concerned that the failure of the Councils to appropriately consider the role of cross-subsidy, fails to respond to the changing national context of affordable housing delivery, and does not account for likely future changes in affordable grant funding. The recently announced HCA funding allocations provide an Affordable Homes Programme between 2015 and 2018. It is not clear what will happen to affordable housing grant after this period, and given the national Government's encouragement of cross-subsidy, through the NPPF paragraph 54, there is the potential that post-2018, significant emphasis will be placed on cross-subsidy mechanisms. The Local Plan does not recognise this.

3.5

16. It is noted that the most recent assessment and the basis for the Council's selected housing target is the SHMA (Part 1).
17. We support the SHMA (Part 1) position that the starting point for assessing the OAN is the 2001-2007 based trend; *"because it projects forwards very favourable economic conditions (housing boom) is likely to be the highest credible scenario available"* (paragraph 4.30).
18. However, we are concerned that from selecting the necessary starting point for the OAN, the appropriate adjustments in line with the NPPF and PPG have not been undertaken. pba note that the 2001-2007 projections are trend-based and project forward the conditions, notably in relation to different migration rates, from this period. The PPG clearly indicates that any trend based projection must be considered in more detail as *"they do not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour"* (ID: 2a-015-20140306). It is thus necessary to consider *"the future scenarios that could be reasonably expected to occur"* (ID: 2A-003-20140306).

Economic Growth

19. In particular, we are concerned that the Councils' have failed to appropriately consider the likely changes in economic circumstances over the plan period, and the impact that policy aspirations and interventions will have on development pressures in the plan area.
20. According to the 'Further Proposed Changes' (31 July 2014), the Council have deleted the previously expressed jobs target of 16,100 as detailed in paragraph 3.2.3 of the submitted Local Plan and replaced it with a figure of 2,300 expressed as the projected increase in resident labour force (FPC3).
21. It is not clear where the figure 2,300 is taken from. The reason for change column within the 'Further Proposed Changes' (31 July 2014) indicates that *"further work undertaken on the relationship between housing and jobs during the review of housing needs*

suggests a figure of 2,300 is more likely to be what might be achieved". It is assumed that this is referencing the SHMA.

22. Appendix E of the SHMA (Part 1) contains the Experian Forecast, as customised by pba according to paragraph 5.4. This indicates that between 2011 and 2028, the Baseline Projection would provide for an increase of 1,950 workforce jobs and the alternative scenario some 2,290. It is assumed the Councils have chosen to take the alternative scenario figure and translated this into the Local Plan.
23. The Experian Forecast is a trend based calculation which takes national and regional forecasts and applies these to local industry sector statistics. It is clear that the Experian Forecast represents a 'policy-off' scenario, demonstrating economic growth likely to occur as a result of previous trends, the current local employment market and regional and national projections.
24. It is clear that a policy on approach is now required. The LEP's SEP has been adopted and a number of funding opportunities secured; notably the Dorset Growth Deal (Appendix B).
25. The LEP's aspirations for growth seek to deliver above previous trends, and baseline projections, to provide for significant numbers of new jobs over SEP's plan period. There are a number of LEP documents which pertain information relevant to the Councils' economic strategy.
26. The Dorset Growth Deal (Appendix B) indicates that between 2015 and 2021, an additional 25,000 jobs will be created in the Dorset LEP area (p1). Beyond the Growth Deal, wider projects identified in the SEP combine the Growth Deal with additional investment identified from local partners, the private sector and European funding opportunities (ESIF).
27. The SEP identifies a number of local issues associated with attracting local growth to offset stagnation, and in particular notes concerns in relation to the need to meet both future job growth and 'replacement' demand; with the rapidly ageing population across the LEP area. Page 39 of the SEP explains the implications of this aging population, and projected new jobs; indicating that between 2012 and 2021 there is a net requirement for an additional 192,400 new employees in the local labour market (Appendix D).
28. Appendix 5 of the SEP (Appendix C) details a number of the "*interventions*" identified by the SEP, and includes a number of projects within West Dorset, Weymouth & Portland's plan area. This provides details of the additional FTE jobs envisaged by 2020/21 for each project. Whilst it is recognised that the SEP goes beyond this list of projects, and seeks to provide an enabling economy to attract economic growth beyond those identified, they form an important starting point when seeking to understand the implications of the LEP's economic strategy on the Councils' chosen development strategy of seeking to provide just 2,300 new employees in the labour force.
29. According to an Executive Committee Paper, '*Delivering Priorities for Growth*' (dated 15/07/2014) (Appendix E), the Councils previous job target of 16,100 was a result of a Peer Challenge exercise in response to the "*new framework for economic growth*,

recognising the significant of the Dorset Local Enterprise Partnership, the joint Local Plan and the economic priorities in the agreed Corporate Plan” (paragraph 5.13). According to this document, the exercise was undertaken in October 2013.

30. We have not been able to find any documents pertaining to this exercise in the evidence base.
31. It is clear that based upon selecting an economic growth target using an amended Experian projection is not appropriate given the local economic context, and the interventions which have been identified and, some of which, have funding secured. The Councils must consider the implications of the LEP’s economic growth strategy, to ensure the Local Plan is sound.
32. Failure to consider *“the future (economic) scenarios that could be reasonably expected to occur”* (ID: 2A-003-20140306) could result in significant implications both in respect to a labour shortage, increased migration into the area and thus pressure on the housing market.

Market Signals

33. We disagree with the findings of the SHMA (Part 1) that an adjustment to the housing target is not appropriate to address market signals in accordance with the PPG:

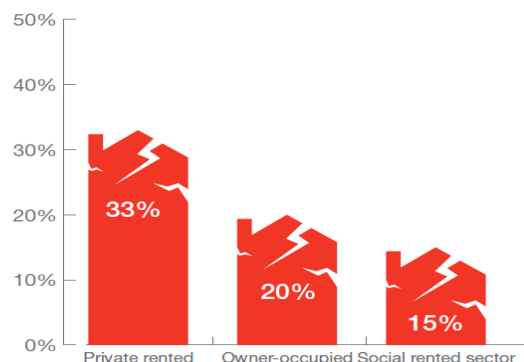
“The more significant the affordability constraints ... and the stronger other indicators of high demand ... the larger the improvement in affordability needed, and therefore, the larger the additional supply response should be.

... [Plan makers] should increase planned supply by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability” (2a-020-20140306).
34. Appendix F includes a number of market signal data.
35. It is noted that Table 1 shows that lower quartile rent has increased by some 4.5% over a two-year period in West Dorset, and 3.8% in Weymouth & Portland; above Dorset (at 3.6%) and England (at 3.3%). Comment is made below in respect to the role of the private rented sector, but it is noted that it is an important measure of affordability in respect to providing a stop gap for those persons unable to afford to purchase property, or secure affordable housing. Given the Councils have indicated that they will not be able to deliver sufficient affordable housing over the plan period (reference), the increasing unaffordability of the tenure is a concern.
36. Following this, Table 2 contains recent research published by Shelter (Appendix K). This sought to explore the position that the unaffordability of property in an area suppresses household formation rates of those between the ages of 20-34. It is clearly demonstrated that across the plan area a significantly greater proportion of working adults (aged 20-34) live with their parents, at 31% and 27% for West Dorset and Weymouth & Portland respectively. West Dorset has the 6th highest percentage across the region. Both Councils have figures significantly above the region, at 23%, and the national figure, at 24%.

37. Finally, greater analysis of the ratio of entry level housing is given in Table 3. This clearly shows that over a 13 year period, the affordability of entry level properties relative to lower quartile earnings has decreased disproportionately more in the plan area than the County and nationally.

Affordable Housing

38. We have previously expressed concerns in relation to the SHMA (Part 2) in our representation to the Further Proposed Changes Consultation, summer 2014 (see Appendix G).
39. In terms of seeking to meet the affordable housing need we have concerns in relation to the Council's approach; namely in respect to affordability measures and the role of the private rented sector.
40. Comment is made in the SHMA (Part 2) that whilst an affordability measure of 30% household income is taken in the SHMA, that *"based on workings of local market a maximum threshold of 30% gross income"* is appropriate (paragraph 5.36). This is an entirely inappropriate position. The CLG (2007) SHMA guidance indicated that affordability should be measured at 25% of gross household income. The Council has already extended its measure to 30%. It is entirely inappropriate to increase this further. Recently published PAS Guidance (Appendix H) notes that in the PPG, a household is considered to need affordable housing if market housing in the area is *"too expensive compared to disposable income"*. The implication is that each planning authority or planning partnership will make its own value judgment about how expensive is too expensive" (Appendix 1). Being *"prepared to pay"* is not the same as being able to afford to pay relative to expected standards of living. Without appropriately justifying this position, and its impacts on affordability and resident's lifestyles, it is inappropriate for the Council to make such an uninformed decision.
41. The Councils believes that an adjustment to the affordable housing need figure may be made on the basis of the role of the private rented sector. This is inappropriate.
42. Numerous recent reports have highlighted the problems with this approach, including Shelter (Appendix I) and Million Homes, Million Lives (Appendix J). These identify, amongst others, issues in respect to the tenure's principal purpose as a stop-gap, its inability to supply secure tenancies, the standards associated with the tenure, and the aspirations of households indicating private rented as the least desirable tenure choice.



Source: Shelter Report March 2014

43. The Shelter report notes that imbalance in the supply and demand for properties at the lower end of the private rented sector has had a significant impact on potential renters, with competition for properties weakening the ability of consumers to bargain for better conditions. The imbalance is particularly distorted because a significant proportion of landlords are unwilling to let their properties to renters in receipt of housing benefit or local housing allowance. The Shelter research revealed that 49% of landlords have a policy of not letting to people on such an allowance, and a further 18% say they occasionally do, but prefer not to. This is problematic given the position in the SHMA that considerable reliance will be placed upon the tenure to meet the housing needs of the future population over the plan period.
44. It is also noted above, see paragraph 37, that lower quartile monthly private rents are higher in West Dorset, and increased at a greater rate in both local authorities, than the region and nationally.
45. In accordance with the NPPG, an upward adjustment of the Council's housing target should be undertaken.

3.6

46. In terms of the phasing regime, it is assumed that the 'Further Proposed Changes' removes the proposed phased housing targets detailed in Policy SUS 1.

3.7

47. The SW HARP Consortium do not make comments on individual sites.
48. It is concerning that the Councils' have not sought to express an affordable housing target, and thus an associated trajectory. Paragraph 47 of the NPPF notes both market and affordable housing should be considered.
49. We support the use of a 20% buffer at this time.

3.8

50. The Councils' have indicated a joint assessment in terms of housing land supply. This approach must be clearly set out so to ensure consistency over the plan period.

End