Gladman Developments Ltd

Basingstoke and Deane Local Plan Examination

Issue 3 – Spatial Strategy and Housing Need

Question 4: Spatial Strategy and Housing Need

4.1 Are the overall vision, objectives and spatial strategy of the Plan, as set out in Policy SS1 and the supporting text, based on a sound assessment of Basingstoke and Deane's demographic and socio economic needs, environmental characteristics, existing and proposed infrastructure and relationships with neighbouring areas, in accordance with national planning policy?

4.1.1 Gladman contend that the spatial strategy outlined through Policy SS1 is not based on a sound assessment of Basingstoke and Deane's demographic and socio economic needs and the borough's environmental characteristics. We particularly assert that the Local Plan fails to provide an adequate supply of homes to meet Basingstoke and Deane's full objectively assessed needs and overlooks the ability to provide further housing in Tadley and the borough's rural villages.

4.1.2 In light of the Local Plan Inspector's Initial Concerns the Council have sought to produce updated evidence to demonstrate that 850 dpa would represent Basingstoke and Deane's full objectively assessed needs. In this regard and as outlined further below, we submit that this revised target is inherently flawed:

- It is based on the lowest of the population growth scenarios generated in the Council's evidence, and assumptions about the rate of future population growth in Basingstoke and Deane that are somewhat lower than the government's starting point projections
- It is unclear from the Council's evidence what it accepts as the level of employment growth it should be planning for. Forecasts it has commissioned point to employment growth of up to 1,377 jobs a year over the plan period, while a figure of 700 a year appears to have been accepted as the basis for its employment land planning. However, the Council instead chooses to suggest only that it needs to plan for

anywhere between 450 and 700 jobs a year. This makes it difficult to assess the soundness of the economic strategy linked to its proposed housing provision

- The Council's evidence points to jobs growth of 700 a year requiring up to 1,004 dwellings per annum. However, its position is that 850 dwellings a year can nevertheless support this level of jobs growth and even higher jobs growth figures.

- Despite acknowledging that there are some significant affordability problems in the borough, no consideration is given to how an increase in the future supply of housing over that implied by demographic and jobs growth might contribute to easing house price inflation.

4.1.3 Tadley represents one of the largest and most sustainable settlements in the Basingstoke and Deane authority area. Identified as one of three higher order Service Centres in the Council's 2008 Sustainability of Settlements report, the town is defined as a District Centre for the purposes of emerging Local Plan Policy and is categorised as one the most appropriate locations for further growth in the borough in the Council's adopted Local Plan proposals. As set out further in response to Examination Issue 4 below, we submit that there is no justification for excluding the town the Council's spatial strategy on the basis

4.1.4 The Local Plan seeks to direct just 150 homes to the authority's rural communities, outside of the named settlements of Bramley, Kingsclere, Oakley, Overton and Whitchurch. Equating to the delivery of just 12 additional homes in the borough's 13 Category 4 villages, we submit that the Council must now recognise that there is clear scope for providing a higher level of development in sustainable settlement such as Sherfield on Loddon. In order to meet Basingstoke and Deane's full objectively assessed needs and ensure a sufficient supply of housing over the Local Plan period, we submit that the Council should now be seeking direct further growth to the borough's rural towns and villages.

4.2 Is the Plan's assessment of the household needs for Basingstoke over the plan period (to 2029), as equating to 850 dwellings per annum (dpa), (i.e. an increase from the submitted Plan figure of 748 dpa) expressed in the amended policy SS1 and in the Strategic Housing Market Assessment (SHMA) (PS/02/17) and Housing Topic Paper (PS/02/18), based on the most up-to-date and robust objective assessment of housing need (OAHN) for the Borough? In particular: (i) Are the Plan's migration, demographic change and household representative rates (HRR) assumptions realistic? (ii) Has an allowance for existing unmet housing need been

factored in? (iii) What are the sustainability arguments for aiming for either the higher or lower end of the range of housing requirements for the Borough?

4.2.1 Gladman submit that the Council's revised housing requirement is not based on a robust assessment of Basingstoke and Deane's full objectively assessed needs.

4.2.2 Of the main demographic scenarios presented in the SHMA and its associated evidence, the Council has now effectively stated that its preferred scenario is the lowest of them in terms of housing need at 850 dpa. The key issues with this element of the Council's approach are that:

- The Council's use of a blended 10 year and 5 year past trends in migration flows approach for domestic and international migration, which mean that assumed migration in its projections is lower than would be the case in either a 10 year or a 5 migration scenario.

- The limited evidence to justify why international migration rates will continue in the long term at the level suggested by the Council. Recent government mid-year estimates show that international in-migration is fuelling population growth at a rate significantly higher than the SNPP 2012 suggests.

- The lack of further consideration of the apparent relationship between housing completion rates in the 2000s and population change which appears to be shown in the Council's evidence.

- The lack of justification for why a downward adjustment to international migration should be made for UPC.

4.2.3 Use of the household formation rates given by the 2012 based household projections implies an approach informed by the most recent available data on the future trajectory of household formation. While the 2012 household projections should certainly be used as a starting point, the PPG (para. Reference ID: 2a-017-20140306) specifies that sensitivity testing alternative household formation rates should be considered where local circumstances suggest it might be appropriate. The PPG (Reference ID: 2a-015-20140306) also states that 'the household projections may reflect past suppression of household formation relating to issues in the housing supply and affordability'.

4.2.4 The 2000s saw a sharp fall in household formation rates in the 25-34 age group in Basingstoke and Deane. Compared with the earlier trend prior to the late 1990s, they fell significantly through the 2000s as growing affordability problems seen across much of the country, later exacerbated by the onset of recession constricted new household formation in this cohort. As the UK economy recovers from recession and there is recognition of the need to improve access to housing for younger people, it is reasonable to consider whether household formation rates in this age group might return towards earlier trends rather than (as the 2012 projections suggest) continuing to fall over the next 20 years.

4.2.5 No specific adjustments are made in the Plan or in the OAN evidence relating to existing, unmet housing need. The Council's data (PS/02/47, para. 4.4.5) shows there was an increase in the number of concealed families in the district between 2001 and 2011. While it has relatively less acute problems than neighbouring, higher priced housing markets, the Council's evidence also points to incidence of homelesseness and residents in temporary accommodation. These are markers of unmet need. Data recently produced by Shelter in 2014 shows that there were 5,900 working people aged 20-34 living at home with parents in 2011. All these indicators suggest that there is unmet need in the borough.

4.2.6 Between 2011/12 and 2013/14, the Council's own data shows that the delivery of housing in the borough fell 1,020 dwellings short in total of its emerging annual need figure of 850 dpa. This points to further, unmet need arising in the borough at current rates of delivery

4.3 Have the 2012-baed household projections brought about any amendments to the OAHN?

4.3.1 The 2012-based household projections, and specifically the data they contain on future household formation rates, are among the factors which have resulted in the revised OAN figure of 850 dpa (compared with the earlier 748 figure).

4.4 In terms of the previous rates of housing delivery and the delivery target(s) that have been in place in recent years, should the appropriate 'buffer' to ensure choice and competition (as set out in the Framework para 47 [2]) be 5% or 20%? Should this buffer be factored in over the first 5 year period or for the plan period as a whole?

4.4.1 It is the case that the Council has only surpassed its identified housing targets on one occasion since 2010/2011 and has persistently failed to meet its proposed housing requirement of 850 dpa in any monitoring year since 2011. On this basis Gladman submit that a 20% buffer should be applied to the Council's five-year housing land supply position.

4.4.2 Paragraph 3-035 of the PPG on Housing and Economic Land Availability Assessments makes clear that any shortfall in housing delivery should made up within a period of five years. A number of recent appeal decision have now also applied the need for a paragraph 47 Framework buffer to both an authority's backlog and requirement. Gladman assert that this would be the correct approach to establishing the Council's five year housing land supply position.

4.5 Are the forecast job growth figures for the Borough realistic? In particular do they predict reasonably strong growth in the last decade of the plan period?

4.5.1 It is not clear what forecast jobs growth the Council regards as a realistic figure for the borough. The Council's position is that the jobs growth for which its OAN should be assessed could be in a range from 450 to 700 jobs a year (PS/02/47, para. 5.3.1) a difference of 35%. The picture is made less clear by the Experian modelling to which the Council refers (PS/02/47, para. 5.3.20) in which it is suggested the OAN figure of 850 could support up to 1,377 jobs a year. Such a large range of employment growth outcomes is unhelpful in assessing the soundness of the economic strategy that underpins the Local Plan and its housing requirement.

4.5.2 The 700 jobs a year figure, which represents the figure most consistent with the positive planning for growth required of local plans by the NPPF, is based on data from a highly respected, independent forecasting house (Cambridge Econometrics). It is used in the Council's own updated employment land review (May 2015). It is this figure against which the borough's employment land requirements are tested in the ELR Update, and is described by the Council (ELR Update, para. 3.2.6) as the higher end of the range for its planning purposes, and is highlighted as being consistent with the EM3 job growth target. This is reinforced by the data presented in the Council's new housing need evidence, in which Experian suggests the borough could see jobs growth as high as 1,377 jobs a year.

4.5.3 The key issue is whether housing provision at 850 dpa would support employment growth of at least 700 jobs a year in Basingstoke and Deane. The Council's modelling suggests at first view that it would not, and that a housing need figure of 1,004 dpa is implied. It is only through a series of additional assumptions about changes in economic activity rates and commuting that the Council is then able to demonstrate that the OAN for 700 jobs a year is somewhat lower at 807 to 926 dpa, depending on the assumptions made.

4.5.4 The Council has also retrospectively produced new evidence to further support its position on economic activity rates in particular, and also commuting. It notes that Experian itself has urged 'caution' (PS/02/47, para. 5.2.22) about interpreting this data, and it demonstrates that substantial falls in unemployment and rises in economic activity rates need to be assumed if a housing need figure of 850 dpa is to be justified. There is little detailed commentary on these assumptions to indicate why they would be expected to occur.

4.6 What other factors should be taken into account in determining the overall housing provision for Basingstoke over the plan period? For example, what weight should

be given to the national Planning Practice Guidance (PPG), covering aspects such as market signals, and historic suppression of household formation rates?

4.6.1 The Council's position is that its evidence points to no justification for a market signals uplift. However, there is evidence of housing market stress in the borough (high affordability ratios, a lack of access to housing) which an increase in the supply of housing could contribute to addressing.

4.6.2 Despite this, the Council's view is that the market signals evidence with comparators in the surrounding area do not suggest that Basingstoke and Deane has seen a relative worsening on the range of indicators than other areas. These comparators include local authority areas of which a majority are higher priced housing markets than the borough, in an area of the country in which strong demand for housing over a long period has resulted in prices and price inflation which has far outstripped that of much of the UK.

4.6.3 The Regeneris OAN report shows the effect of assuming that improving economic conditions, together with an easing of affordability problems and constraints on housing supply, see a recovery in household formation rates in the 25-34 year age cohort, back to the level at which they stood in 2001 by 2029. This adds a further 8% to the housing need figure, so that jobs growth of 700 per annum would point to housing need of around 1,040 dpa. Planning and delivering housing provision at this level would represent a significant boost to the housing supply if it were sustained over a long period, and which may contribute in the long term to an easing of price inflation in the context of increased supply nationally.

4.7 In relation to the Framework para 47 [1], is the Basingstoke and Deane Housing Market Area (HMA), as defined by the Borough boundary, the most appropriate 'building block' for assessing the area's housing requirements? Is there a case for Basingstoke's housing need (and therefore housing provision) to be assessed over a wider area than the Borough boundary, and if so which area?

4.7.1 The Council's position on the HMA is that it is sufficiently self-contained in terms of its travel to work area, and that it exceeds the threshold for household moves (70%) identified by the PPG. On the migration data it presents in the August 2015 housing need assessment, it is difficult to square the data it presents in Appendix 1 with the corresponding maps in Appendix 2.

4.7.2 It appears that the Council's analysis excludes most of the London boroughs, although the maps refer to inflows and outflows of 885 and 804 from London respectively. The implication is that self-containment would be lower were these figures to be included in the tables at Appendix 1 (66% and 71% respectively).

4.7.3 The substantial and, as the Council's evidence suggests, relatively stable migration flows in and out of London, combined with the Council's recognition that London's emerging unmet need for housing may see the borough absorb a share of this need, also points to housing growth in the borough that is likely to be somewhat higher than its OAN figure of 850 dpa.

4.8 In relation to policies CN1 and CN2, does the household needs assessment for Basingstoke and Deane fully take into account the Borough's affordable housing needs? Will the Local Plan maximise the amount of affordable housing delivered? Should the Local Plan include additional requirements, such as percentage dwelling size, which could set a clear strategic marker for the Council in its negotiations to maximise affordable housing delivery which meets needs? Are the affordable housing targets viable or will they compromise the delivery of both market and affordable housing?

4.8.1 The Council has presented new evidence on its affordable housing need in Appendix 9 of its August 2015 Housing Need statement. It gives an affordable need figure of 310 per annum, which compares to figures of 319 and 917 per annum in the May 2015 SHMA

- The assessment of current need (Table 3.1 and footnote 5) appears to exclude all single people on the housing register under the age of 34 on the grounds that they would be expected to share a household. This reduces current need for social housing by a substantial 1,200 (35%). The SHMA suggests that there have been large increases in the number of households in Band 4 of the Council's register in the past few years, a category, and that 53% of those in Band 4 are single people. At best, this seems to give little weight to a key issue facing younger people in Basingstoke and Deane, in a cohort which has evidently seen household formation rates fall sharply during the 2000s

- Simply adding this element of current need back in to the calculation in Table 3.13 would give a gross annual need for affordable housing of 425 dpa. At a delivery rate of 40%, this would point to an OAN figure of 1,060 dpa

- In the Council's May 2015 SHMA, its sensitivity testing of its housing register figures gave an alternative, annual affordable need of 917. It is not clear from the new analysis whether a similar exercise has been carried out or what the Council's view is of this alternative method of identifying affordable needs

- Evidence on affordable delivery since 2001 shows that the borough has delivered an average of 220 affordable dwellings a year, representing 26% of all completions based on the Council's monitoring data. This is well below the 40% rate against which the Council has justified its view that 850 dpa will meet the lower of its affordable need figures (40% of 850 dpa = 340 per annum). At 26%, an 850 dpa OAN would imply only 220 affordable dwellings a year

4.8.2 The Council should ensure that its affordable housing requirements are based on robust evidence, taking account of development viability.

4.9 Regarding Policy CN4, is the provision of specialist housing (e.g. housing for the elderly, disabled and students) a strategic matter for Basingstoke?

4.9.1 We have no specific comments on this question.

4.10 Is Policy SS2 for the regeneration of priority areas within the borough, justified and realistic in terms of viability and resource constraints?

4.10.1 We have no specific comments on this question.

4.11 Should the Local Plan include a policy which states that, should the Plan's monitoring indicates that an ongoing 5 year deliverable and a subsequent 5 year supply of developable housing land can no longer be sustained within the Borough, the Council will review its housing land provision and bring on-stream additional housing areas as required? Should such a policy encourage the reuse of previously developed land?

4.11.1 Gladman would support the principle of a Local Plan review should the Council fail to maintain a five year supply of deliverable housing land. However, we submit that this mechanism should not be used to negate the need to properly identify and allocate sufficient deliverable housing sites for the purposes of the current Examination.

4.11.2 Whilst Gladman recognise the principle of brownfield development, we draw attention to the requirements of paragraph 111 of the Framework that emphasises that the development of brownfield land should only be encouraged and not prioritised. The Council should not be seeking to use brownfield land in preference to sustainable greenfield opportunities.

4.11.3 Gladman submit that a more appropriate approach to maintaining a sufficient supply of deliverable housing land would be to direct further housing to Tadley and the borough's sustainable rural villages.

4.12 In relation to Policy SS4, is the Council confident that the Plan makes provision for a 5 year housing land supply on specific and deliverable sites?

4.12.1 Gladman strongly question whether the Council will be able to demonstrate a five-year housing land supply at the time of the Local Plan's adoption. Correctly addressing the shortfall in housing delivery that has already taken place in the borough over the next five years and applying a 20% buffer for persistently under-delivery, the authority's land supply position would equate to just 3.8 years based on the Council's latest August 2015 Housing Land Supply Statement.

4.12.2 The Council's ability to demonstrate a five year land supply is further reliant on adoption of the authority's Local Plan and the inclusion of emerging allocations in its claimed supply. Gladman strongly question whether this represents an appropriate basis on which to find the Local Plan sound at Examination. We assert that sites without planning permission should only be regarded as available and deliverable where the Council has clear and compelling evidence to support their inclusion in the five-year supply.

4.12.3 Whilst acknowledging the recommendations of the Local Plan Inspector, Gladman note that the Council's total identified land supply of 15,658 dwellings will result in a contingency of just 358 units over the Local Plan period. We strongly question whether this will provide sufficient flexibility should the Plan's housing proposals fail to materialise as expected.

4.13 Is the Plan overly reliant on sources of development land for new homes, such as on the one hand, previously development land and on the other hand, large, peripheral greenfield sites some of which are considered to be remote from the town centre and urban facilities?

4.13.1 Gladman question whether the Local Plan places too much reliance on the delivery of large scale, strategic allocations to meet a significant proportion of Basingstoke and Deane's future housing needs. Whilst recognising the general principle and sustainability benefits of these proposals, schemes of this nature are often problematic to deliver, requiring significant up-front planning and supporting infrastructure to be implemented before housing can be provided on-site. As a result they often fail to provide housing as expected, or only start to deliver housing in the medium to longer term.

4.13.2 The Council's ability to provide a sufficient supply of housing sites over the Plan period is further reliant on the delivery of 1,323 units from urban/brownfield opportunity sites. Whilst recognising the ability for housing to come forward on unallocated sites, we query whether this level of homes will be provided given the uncertainty and lack of guarantees that these sites will be delivered. Gladman question whether this robust and reliable approach to planning for the borough's housing needs.

APPENDIX A

Regeneris Consulting - Basingstoke and Deane Objectively Assessed Housing Need Assessment

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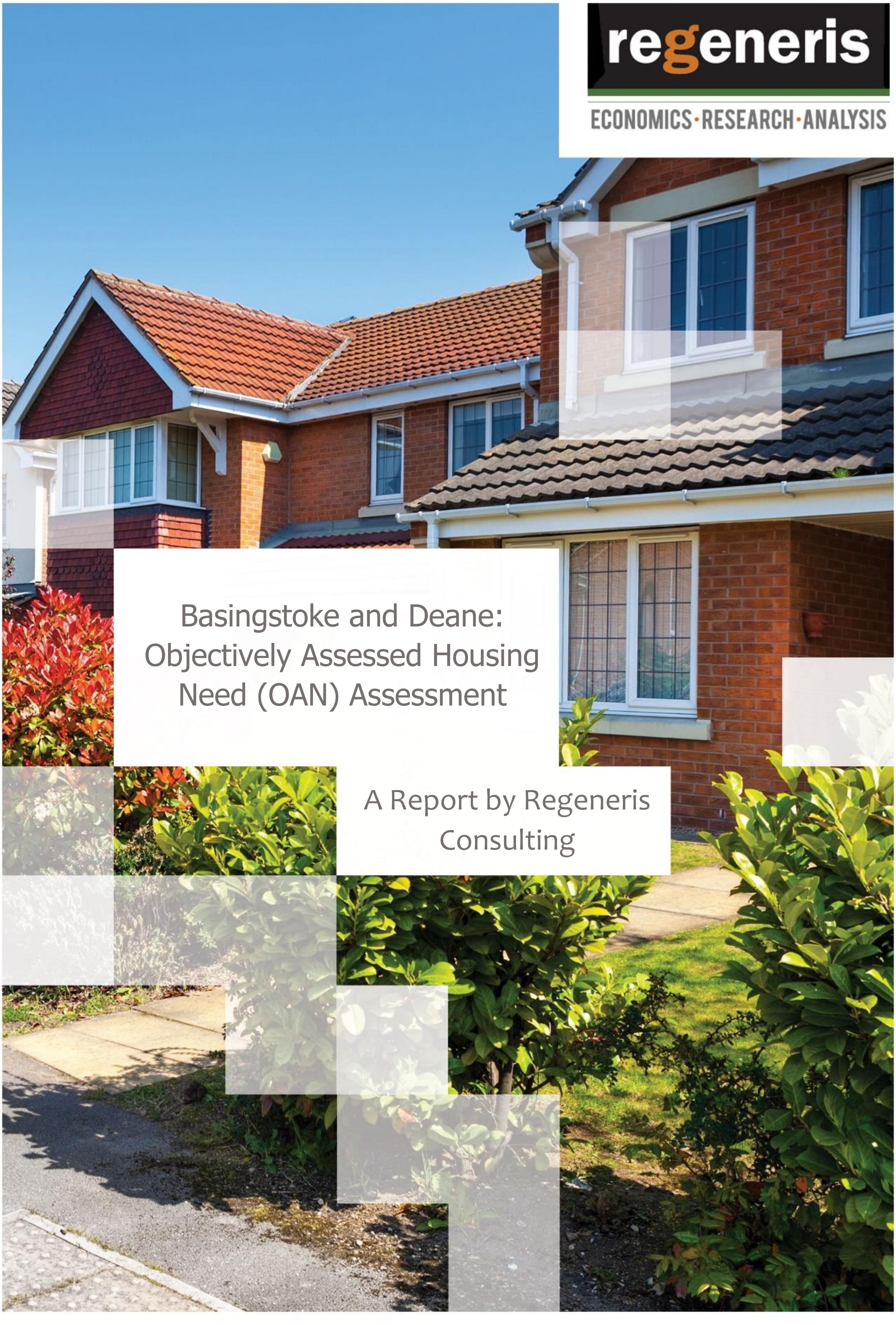
ECONOMICS·RESEARCH·ANALYSIS



Basingstoke and Deane: Objectively Assessed Housing Need (OAN) Assessment

A Report by Regeneris Consulting

Gladman Developments

Basingstoke and Deane: Objectively Assessed Housing Need (OAN) Assessment

12 June 2015

Regeneris Consulting Ltd
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Executive Summary

i. Regeneris Consulting has been commissioned by Gladman Development Ltd to carry out an assessment to identify the housing need for Basingstoke and Deane Council in the period to 2029.

Proposed housing targets for Basingstoke and Deane

ii. Following initial exchanges with the Planning Inspector in the Examination in Public of Basingstoke and Deane's Submission Local Plan, the Council is now proposing a modified housing need/requirement figure of 850 dpa (c. 15,300 homes) over the 2011-29 plan period.

iii. This figure was agreed by the Council as its revised OAN requirement in the early part of 2015. Updated evidence to support 850 dpa was published only in May 2015 in the Strategic Housing Market Assessment, accompanied by updated evidence on economic growth forecasts for the borough and employment land requirements. `

iv. The main OAN scenarios presented in the Council's updated SHMA imply a housing need linked to employment growth (700 jobs a year) in the borough of 1,000 to 1,100 dpa. These are higher figures than the starting point demographic projections, which give OANs of 813-1,021 dpa. These main projections in the SHMA are consistent with the assessment produced by Regeneris in this report, and point to an OAN in the range from 1,000 to 1,100 to support future economic growth in the borough.

v. It is only through a series of sensitivity tests to the main scenarios, in which adjustments are made to assumptions about economic activity rates and commuting, that the Council is able to demonstrate that a lower housing need figure could still support jobs growth of 700 per annum. The assumption that the commuting ratio changes, linked to a rising proportion of residents working in the borough rather than elsewhere, is particularly critical to the adjustments.

vi. However, there is little in the way of robust evidence to show how such a change could reasonably be expected to occur. Change in commuting between 2001 and 2011 (Census data) suggests that the borough has seen more rather than fewer residents out-commuting. In an economically dynamic area of the UK, with major employment centres including Reading nearby and in London's extended travel to work area, there is potential for demand for the borough's resident workforce to increase from other locations.

vii. The SHMA Update and the Council's associated May 2015 Housing Topic Paper are clear that the Council sees no justification for making any adjustment to the OAN to take account of market signals evidence. Regeneris considers the market signals evidence in greater detail in our report, but the Council's own assessment of affordability issues in the borough suggest that this is a priority issue for the Local Plan. Our view is that there are some grounds to consider some adjustment to account for adverse market signals evidence.

Housing needs to meet demographic and economic drivers

viii. The Planning Practice Guidance (PPG, para.015) establishes that government household projections provide the starting point for assessing future housing need. Underpinned by the ONS

2012-based sub-national population projections, the 2012-based DCLG household projections point to a housing need of around 940 dpa for Basingstoke and Deane.

ix. Adjusting these starting point projections to reflect actual population change in 2013 and allowing for higher household formation rates in 25-34 year olds (a return to 2001 household formation rates), the starting point would rise to just under 1,000 dpa. The assumption about 25-34 household formation rates reflects a future trajectory for this age cohort that sees rates recover from factors including high prices and recession which saw household formation fall during the 2000s.

x. The PPG (para. 018) specifies that housing need assessments should consider past employment trends and forecasts in determining whether any adjustment to the starting point projections is required to account for economic growth. Regeneris has tested two alternative scenarios for future jobs growth and related housing need in the borough:

- At 700 jobs a year (2011-29), the forecast figure used by the Council itself, the OAN would range from 960 to around 1,040 per annum.
- At a higher jobs growth figure of 815 per annum based on forecasts produced by Oxford Economics in April 2015, housing need would rise to 1,030 to 1,100 per annum.

xi. These figures are consistent with the Council's own modelling of employment growth in the May 2015 SHMA Update and point to an OAN ranging from 1,000 to 1,100 dpa to support future jobs growth at a level which the Council itself recognises would represent positive planning for growth. Analysis of past employment trends suggests that the borough has generated employment at this rate in the past.

xii. To support its lower housing need figure of 850 dpa the Council has suggested that changes in commuting could enable the borough to sustain jobs growth of 700 per annum with a lower level of in-migration and population growth. However, it is not clear that the assumptions it makes and the way that this informs its revised plan provision have been shared with other local planning authorities in the area. Planned changes in commuting or migration movements linked to jobs growth are likely to have a bearing on the labour force and employment of other LPAs, and issues of this type should be subject to the exercise of the duty to cooperate.

Responding to market signals

xiii. An assessment of affordability issues and market signals is recognised in Planning Practice Guidance (PPG) as an additional 'layer' in estimating housing requirements in any particular area. The PPG (paras 19 and 20) in particular recommends that Local Planning Authorities make reasonable upward adjustments to their housing targets where there is clear evidence of adverse market signals.

xiv. The evidence we present in this assessment provides some grounds for such an adjustment to be considered. It is justified for the following reasons:

- There are substantial affordability issues in Basingstoke and Deane. This is particularly apparent when considering the lowest quartile house price to earnings ratio which currently stands at 7.7. This is over 2 times higher than the ratio of 3.5 recommended as affordable by DCLG. There is evidence that this ratio worsened at a steeper rate than the England or Hampshire average from 1997 to 2013.

- The Council itself recognises in the Local Plan that affordability is a key planning issue, while the 2015 SHMA Update points to a sizeable proportion (41%) of households in the borough being unable to meet their housing needs in the market, either to purchase or rent housing.
- The average house price in Basingstoke and Deane of £240,000 (2014) is higher than the national average. House prices in Basingstoke and Deane are on an upward trend and increased by 40% between 2003 and 2013. Private rents have also risen since 2011, with the rate of increase exceeding the national average for some property types.
- On a number of other indicators including the borough's housing waiting list, overcrowding and concealed families, there is evidence of worsening trends between 2001 and 2011.
- Past delivery rates for housing – both overall net completions and affordable housing completions – have lagged behind recent targets. Despite several years of higher rates of completions from 2006/7, the borough's recent track record shows that it has fallen well short of delivering against assessed need. Net completions have averaged just over 500 a year from 2011, while affordable completions stood at around 120. This is likely to have exacerbated the affordability pressures faced by the borough.

xv. While there is evidence of worsening trends in absolute and relative terms compared to England and the Hampshire averages, some local authorities in the wider area have seen more adverse trends over the last decade and half. This reflects the borough's relatively better affordability compared with higher priced housing markets in an area of England in which demand for housing has been consistently strong. On balance, the evidence therefore presents the grounds to consider whether planning housing provision at a higher level than the starting point projections might contribute to the effort to ease house price inflation and improve affordability.

xvi. The PPG (para. 020) recommends only that any upward adjustment should be reasonable, although its recommendation is based on the assumption that increases in the housing supply can contribute to tackling affordability. By making adjustments to the household formation rates for 25-34 year olds, the Regeneris assessment assumes implicitly that the affordability problems which have hit this age cohort particularly hard are mitigated over the plan period. It points to OAN figures at the higher end of the range shown in the analysis, and reinforces the grounds for an OAN of 1,050-1,100 dpa.

Affordable Housing Need

xvii. The PPG (para. 029) specifies that the overall housing figure should be adjusted upward to reflect the contribution it can make to delivering affordable housing. In a period when public funding for new affordable homes is scarce, market housing developments have an important role to play in meeting affordable need, exemplified by the increase in affordable delivery the Borough saw from 2006/7 to 2008/9 when overall completions rose significantly.

xviii. The Council's most recent evidence on affordable housing need points to an assessed need of 319 to 917 dpa. The lower figure is based on a model for social housing need which excludes a significant proportion of households (Band 4) which appear on the Council's housing register and which have an expressed need for affordable housing. The higher figure includes Band 4 households, which comprise a substantial number of single person households. The Council's own evidence shows that single residents on lower incomes face particularly acute affordability problems in the borough.

xix. The Submission Local Plan sets an affordable requirement of 40% in new development. However, analysis of the borough's affordable completions rate since 2001 shows that it has not achieved this level of delivery historically, and that the figure is under 30%. At 30% affordable, a target of 319 would imply an overall figure of around 1,060 per annum. Seeking to meet the more substantial need reflected in the Council's higher figure also reinforces the case to plan housing provision at a level significantly above the Council's proposed 850 dpa target.

Summary

xx. The overall objectively assessed need for Basingstoke and Deane is considered to be in a range from 1,050 to 1,100 over the period from 2011-29. This is summarised in Table 1 below.

Table 1 Conclusions on OAN for Basingstoke and Deane

OAN Component	**dpa**
Starting Point Projections	920-936 dpa
Adjustment for economic factors	961-1,040 dpa
With market signals adjustment	1,030-1,100 dpa
Meeting affordable need	1,060 dpa
OAN for Basingstoke and Deane	**1,050-1,100 dpa**

1. Introduction

1.1 Regeneris Consulting has been commissioned by Gladman Developments Ltd. to carry out a study of the objectively assessed housing need (OAN) of Basingstoke and Deane over the period 2011 to 2029. Our report is set out as follows:

- Section 2 identifies the current housing requirement targets proposed by Basingstoke and Deane, and summarises the key evidence prepared for the Borough's objectively assessed need (OAN).
- Section 3 examines the demographic drivers of future housing need, identifying the housing requirements linked to population change in the Borough as well as household formation.
- Section 4 considers the economic drivers of Basingstoke and Deane's future housing requirements.
- Section 5 considers market signals and affordability issues.
- Section 6 reviews the Council's evidence on affordable housing need and considers this figure in the context of the overall OAN.
- Section 7 brings the analysis together and makes recommendations on the objectively assessed housing need for Basingstoke and Deane.

1.2 The assessment in this report follows guidance set out in the National Planning Policy Framework (NPPF). The starting point is the NPPF's stipulation that Local Planning Authorities *'use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area'* (para. 47). The report also uses the approach and addresses the considerations set out in the Planning Practice Guidance (PPG). In order to inform this work, we have engaged with Basingstoke and Deane Borough Council. Information provided by the Council has been incorporated into the report.

Policy Frameworks

1.3 The relevant policy framework for assessing housing need is clearly set out in the National Planning Policy Framework (NPPF) issued in March 2012. This is supported by Planning Practice Guidance (PPG) published in March 2014, which sets out a series of recommendations on the objective assessment of future housing need.

National Planning Policy Framework (NPPF)

1.4 The NPPF is clear on the importance of Local Planning Authorities (LPAs) ensuring they have properly assessed housing need. Paragraph 47 states that LPAs should 'use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the market area'.

1.5 Paragraph 158 of the NPPF requires that LPAs 'ensure that their assessment of and strategies for housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals'.

1.6 There is further clarity on what needs to be covered in 'objectively assessing needs for market and affordable housing' in paragraph 159, under the Plan Making heading. The NPPF states that LPAs should 'prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The SHMA should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:

- meets household and population projections, taking account of migration and demographic change;
- addresses the need for all types of housing, including affordable housing and the needs of different groups in the community;
- and caters for housing demand and the scale of housing supply necessary to meet this demand'.

1.7 Core planning principles are established in paragraph 17 of the Framework. These require that planning should:

'Proactively drive and support sustainable economic development to deliver the homes, business and industrial units, infrastructure and thriving local places that the country needs. Every effort should be made objectively to identify and then meet the housing, business and other development needs of an area, and respond positively to wider opportunities for growth'.

1.8 The 12 core planning principles set out in paragraph 17 also include the need to ensure that:

'Plans should take account of market signals, such as land prices and housing affordability, and set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities'.

Planning Practice Guidance (PPG)

1.9 The Government published Planning Practice Guidance in March 2014. There are three aspects of the guidance which are particularly important to the assessment of housing need.

1.10 First, the guidance makes it clear that Government **household projections are a starting point** for identifying housing need, but they may require adjustment by plan makers. Specifically, the guidance says:

'The household projections are trend based, ie they provide the household levels and structures that would result if the assumptions based on previous demographic trends in the population and rates of household formation were to be realised in practice. They do not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviours' (para. 15)[1].

1.11 Second, the guidance is clear on the need to **build economic growth assumptions** into assessments of housing requirements in local areas. On how to factor economic growth into plans it states:

'Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems' (para. 18)[2].

[1] PPG Reference ID: 2A-015-20140306

[2] PPG Reference ID: 2A-018-20140306

'Plan makers should make an assessment of the likely change in job numbers based on past employment trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area' (para 18).

1.12 Thirdly, **affordability issues and market signals** are recognised in the PPG[3] as factors which should be considered in establishing housing requirements. The guidance sets out a series of indicators on prices, (land, house purchases, rent), affordability, overcrowding and development rates (para 19). It recommends (in para. 20) the analysis of these trends and to compare them with other areas. It then states that:

'A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections … in areas where an upward adjustment is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (eg the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be' (para. 20).

The Housing Market Area

1.13 The National Planning Policy Framework (NPPF) states that local planning authorities should, in preparing for a strategic housing market assessment (SHMA) use their evidence to ensure that their Local Plans meet the full, objectively assessed need for market and affordable housing within their housing market area (HMA). It later goes on to suggest that planning authorities should work with neighbouring authorities where the HMA crosses administrative boundaries. It however, does not provide any detail on how the HMA is to be identified.

1.14 The Planning Practice Guidance (PPG), published in March 2014 identifies a HMA as "a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work[4]". The guidance does not identify a single source for defining HMAs, and suggests that these may overlap. It also suggests that a HMA can be defined using three different sources of information, which include:

- House prices and rates of change in house prices
- Household migration data
- Contextual data – including travel to work areas reflecting commuting flows and the labour market, as well as information about areas people move to without changing some of the fundamental aspects of their life (especially where they live).

1.15 The PPG is also clear that no single source of information should be entirely relied upon to identify the appropriate assessment area. It is necessary to consider the usefulness of each source of information, and how different indicators relate to each other.

1.16 Practical guidance on HMA indicators has been provided by the Planning Advisory Service in its 2014 advice note on *Objectively Assessed Need and Housing Targets.*[5] This recognises the importance of migration and commuting flow data in defining an HMA. However, it warns that an approach centred on the relationship between an individual local authority area and its neighbours is problematic. While connections with neighbouring authorities might be strong, so too will be

[3] PPG Reference ID: 2A-020-20140306

[4] PPG Reference ID: 2a-010*20140306

[5] Planning Advisory Service (2014) *Objectively Assessed Need and Housing Targets,* June.

the connection between neighbouring areas and other authorities beyond that. The risk is that several different HMAs might be defined using this type of bottom up approach.

1.17 In the area in which Basingstoke and Deane is located, this problem is compounded by the large number of local authorities on and around the M4 corridor and to the west of London, including significant employment centres such as Reading. In an economically dynamic region, competing employment centres, good transport connections and the presence of London all contribute to giving Basingstoke and Deane wide ranging migration and travel to work connections with other local authority areas.

1.18 To reflect this complex picture, it is good practice to combine 'top down' analysis based on government research on HMAs, existing local definitions of HMAs (for example, from SHMA documents) and up to date local data on the key factors involved in defining an HMA (migration, travel to work, commuting).

Previous Definitions of Basingstoke and Deane's HMA

CLG / CURDS research

1.19 In 2010 the Department for Communities and Local Government, in collaboration with the Centre for Urban and Regional Development Studies (CURDS), published *The Geography of Housing Markets across England*. This defines a three-tier structure of housing market areas:

- Strategic Housing Markets – based on commuting self-containment at 77.5%
- Local Housing Market Areas – based on 50% migration self-containment
- Sub-Markets – based on neighbourhood types and house types.

1.20 This three tier definition meant that local and sub-markets were effectively nested within a strategic housing market area. To address this, the research also identified 'single tier' HMAs in which a single set of housing market areas was defined for the entire country. This definition placed most of Basingstoke and Deane in a Guildford and Basingstoke HMA.

1.21 The CURDS research identified what were described as a 'gold standard' set of housing market areas. These were the most detailed definitions, but reflected the complexities of housing markets in that parts of individual local authorities could lie in different housing market areas. This definition placed Basingstoke and Deane in the Reading strategic HMA.

1.22 However, the CURDS research recognised that, for policy purposes, HMAs based on local authority boundaries should be produced. This 'silver standard' is the definition that the 2014 PAS guidance recommends is used (para. 4.8). The CURDS research essentially identifies two key types of housing market area in this silver standard:

- **Strategic HMA:** Basingstoke and Deane was located in the Reading strategic HMA, which included Reading, Bracknell Forest, West Berkshire, Slough, Windsor and Maidenhead, Wokingham, South Bucks, Wycombe, Hart and Surrey Heath.
- **Single Tier HMA:** In this definition, Basingstoke and Deane was allocated to a housing market area which included East Hampshire, Hart, Rushmoor, Guildford, Runnymede, Surrey Heath, Waverley and Woking. There was some overlap with the Reading strategic HMA, but also districts that were not part of this strategic HMA.

1.23 While the CURDS/DCLG research represents a useful starting point, it is based in part on 2001 Census data which means that in 2015 it is now somewhat out of date. This reinforces the need to consider alternative approaches to identifying the HMA.

Local Studies

1.24 Several local studies have considered the definition of Basingstoke and Deane's housing market area:

- In March 2014 the Council published its **Strategic Housing Market Assessment (SHMA)**. In defining the HMA area the study considered existing national, regional and local evidence including previous HMAs and those of neighbouring authorities, as well as data on migration and travel to work patterns. The SHMA concluded '*it is considered that the current available evidence which has been reviewed in this chapter suggests that the HMA extends to the borough boundary. It is acknowledged however, that there is some overlap across administrative boundaries in relation to internal migration, and this must be fully taken into account in determining housing requirements for Basingstoke and Deane borough'.* To this end, the focus of the SHMA was the borough of Basingstoke and Deane.
- The Council's May 2015 **Strategic Housing Market Assessment Update** makes it quite clear that the borough should be regarded as a 'stand alone' housing market area (p.4). Evidence cited in support of this position includes the relative degree of travel to work self-containment (66%) compared with neighbouring areas, limited migration flows between the borough and other areas (compared with flows within the borough) and its comparatively low property prices.
- The SEP incorporated the findings of the **2004 DTZ Pieda Consulting study commissioned by the South East Regional Assembly** to identify local housing markets. The study included detailed analysis of household migration and travel to work data from the 2001 Census. The patterns that emerged from mapping these data clearly identified the foci of migration movements and employment hubs. These were used to identify housing markets which were then subject to a process of consultation with local authorities and other interested parties.
- Having identified housing markets, the DTZ report then identified which local authorities should work together on SHMAs. According to the SHMA 'it is clear that Basingstoke and Deane lies within the North Hampshire HMA' and Basingstoke is defined as a 'Distinctive Local Area' according to the mapping undertaken by DTZ.
- In 2007, DTZ published a **Strategic Housing Market Assessment (SHMA) for Central Hampshire and New Forest**. This covered the districts of Basingstoke and Deane, East Hampshire, Test Valley, Winchester and New Forest. DTZ found that Basingstoke town had a concentrated pattern of travel to work movements focused upon its urban centre which draws labour from the west and east of the town confirming economic links with:
  - Newbury: jobs exert a strong influence on settlements in the north-west of the borough;
  - Andover: the A303 facilitates labour market connections;
  - Tadley: Aldermaston provides an important source of employment for people living in Tadley, and there are strong commuting flows between Tadley and Basingstoke town.
- Overall, the 2007 SHMA concluded that Basingstoke has a localised housing market with self-contained concentrations of household movement centred upon the town with self-containment rate of 86.6%.
- The **Basingstoke and Deane Rural Housing Study** (2009) was undertaken by DCA consultants and included a household survey to establish housing need and in/out

migration patterns. The study covered the area outside of Basingstoke town but within the borough. Key findings showed:

- Just over half (51.1%) of moves to the rural area in the previous three years had come from either the town (8.9%) or from elsewhere in the borough (42.2%);
- Overall, 83% of households in the rural area, intending to move in the next three years and stay within the rural area wanted to stay in their existing location or parish.

1.25 Turning to the evidence produced by other local authorities neighbouring Basingstoke and Deane, we summarise below the HMA definitions given in a range of studies they have produced.

- The **Berkshire** local authorities have commissioned a joint Strategic Housing Market Assessment. While the results of this study are not yet in the public domain, Basingstoke and Deane is not part of the commissioning group, and our understanding is that the focus of the study is on the Berkshire local authority areas and South Buckinghamshire.
- The **West Surrey** SHMA was published in draft in December 2014. While this covers local authority areas that were identified as part of the CURDS defined local or single tier HMAs which included Basingstoke and Deane, the study concluded that the HMA is Guildford, Waverley and Woking (ie it excludes Basingstoke and Deane).
- A **Hart** SHMA was published in December 2014. This defined the HMA as including Hart, Rushmoor and Surrey Heath.
- **Test Valley's** SHMA was published in January 2014 and treats the local authority area as a stand-alone HMA for assessment purposes whilst recognising its wider linkages with surrounding authorities, particularly centred on the Southampton HMA.
- **East Hampshire's** SHMA was completed in 2013 and assesses the housing requirements for East Hampshire district alone.
- Work for the **Partnership for Urban South Hampshire** was published in 2014. While the study identifies a housing market area including authorities with boundaries with Basingstoke and Deane, the borough is not included as part of the PUSH HMA.

1.26 The key point that emerges from a review of HMA definitions for the area in which Basingstoke and Deane is located is that there is no agreed HMA for the borough. This applies both to the evidence produced by the Council itself, which treats the borough as an HMA in its own right, and to the definitions of other areas in which Basingstoke and Deane does not feature.

Current Evidence

1.27 Given the lack of clarity about the HMA for Basingstoke and Deane, it is important to consider what the most recent evidence available indicates. This focuses on migration, travel to work and house price data, as per paragraph 011 (Reference ID: 2a-011-20140306) of the PPG.

Travel to Work

1.28 Travel to work data from the 2011 Census of population has recently been published, and shows that in 2011 Basingstoke and Deane was a net out-commuting district, experiencing a net daily out-flow of around 5,100 people. Major flows from Basingstoke and Deane include the outflow of 7,700 people to West Berkshire, 2,900 people to Hart District, and around 2,000 people to Reading.

Table 1.1 Commuting Flows					
	In-commuting		Out-commuting		Net flow 000s
	000s	%	000s	%	
Live & work in Basingstoke and Deane	42.9	62.8%	42.9	58.4%	0.0
Hart	2.5	3.6%	2.9	3.9%	-0.4
Reading	1.0	1.5%	2.0	2.7%	-1.0
Rushmoor	0.9	1.4%	1.2	1.7%	-0.3
Test Valley	2.4	3.5%	1.3	1.8%	+1.1
West Berkshire	2.7	4.0%	7.7	10.4%	-4.9
Winchester	1.6	2.4%	1.4	1.9%	+0.2
Wokingham	1.1	1.5%	1.1	1.6%	-0.1
East Hampshire	1.3	5.2%	0.8	2.7%	0.5
Surrey Heath	0.5	1.9%	0.7	2.1%	-0.2
Rest of South East	*8.3*	*12.2%*	*7.0*	*9.6%*	*+1.3*
Rest of England	*4.9*	*7.2%*	*5.8*	*8.0%*	*-1.0*
All areas	*68.3*	*100.0%*	*73.5*	*100.0%*	*-5.1*

Source: ONS, Census of Population, 2011

Household Moves

1.29 The Planning Practice Guidance (para. 011) suggests that a housing market area may be defined as an area in which 70% of household moves occur. Since most moves occur across short distances, the PPG notes that long distance moves should be excluded, where such moves are more likely to occur through lifestyle changes and choices. However, no guidance is given on the distance threshold that constitutes a long distance move.

1.30 Our starting point in considering migration flows is the 2011 Census (Table MMC01UK) which shows the origins and destinations of people moving between 2010 and 2011. The table below excludes local authorities outside a 50 mile radius of Basingstoke and Deane.

Table 1.2 Moves into Basingstoke and Deane, 2010-11		
Originating Local Authority	Number	Percentage of All Moves
Basingstoke and Deane	10,220	64%
West Berkshire	609	4%
Hart	524	3%
Reading	298	2%
Test Valley	288	2%
Wokingham	270	2%
Winchester	242	2%
Rushmoor	232	1%
Southampton	186	1%
East Hampshire	175	1%
Wiltshire	149	1%

Source: ONS, 2011 Census

1.31 Considering moves from those resident in Basingstoke and Deane in 2010 gives a similar result.

Table 1.3 Moves from Basingstoke and Deane, 2010-11		
Destination of Basingstoke Residents 2010	Number	Percentage
Basingstoke and Deane	10220	68%
West Berkshire	612	4%
Test Valley	308	2%
Winchester	261	2%
Hart	256	2%
Wiltshire	186	1%
Reading	169	1%
Southampton	162	1%
East Hampshire	144	1%
Wokingham	137	1%

Source: ONS, 2011 Census

1.32 Neither of these two measures suggest that the borough is self-contained at 70% in terms of household moves. Even excluding the London Boroughs, assuming that London (inner and outer) is treated as an HMA in its own right, the borough does not quite reach the 70% threshold.

1.33 Another way of looking at these flows is to consider how strong they are in comparative terms. The table below shows what the combined flow represents per 1,000 residents in 2011, drawing on those districts in the tables above which have the largest movements of residents to/from Basingstoke and Deane. The data show that the flows are comparatively stronger between Basingstoke and Deane and West Berkshire, Hart and Test Valley than with other areas. Flows are weakest on this measure with Wiltshire, Southampton and East Hampshire.

Table 1.4 Combined Flows Per 1,000 Population		
	Combined Flow	Per 1,000 Joint Population
West Berkshire	1,221	3.80
Hart	780	3.01
Reading	467	1.44
Rushmoor	401	1.53
Southampton	348	0.86
Test Valley	596	2.10
Winchester	503	1.77
Wokingham	407	1.26
Wiltshire	335	0.52
East Hants	319	1.13

Source: ONS, Census 2011

1.34 Regeneris has also reviewed comparative house price data for the area. There are substantial differences in average house prices between Basingstoke and Deane, neighbouring local authorities and others in the wider area with which the borough has travel to work and migration linkages. This reflects the characteristics of these local authorities which combine higher priced rural districts and large urban areas. For this reason, they do not provide a useful additional check on the relationships identified in the migration and travel to work data.

Summary

1.35 Basingstoke and Deane Council has maintained that it represents a housing market area in its own right, and that it has a level of self-containment which is slightly below the 70% migration movements threshold, our report considers the OAN for the borough as an HMA in its own right. The analysis in this report focuses on Basingstoke and Deane borough to reflect the position adopted by the Council.

1.36 However, the evidence presented in this section of the report shows there are several local authorities in a wider area around the borough which have reasonably significant travel to work and/or migration relationships with Basingstoke and Deane. They include parts of Buckinghamshire and Hampshire including Hart, Reading, Rushmoor, Test Valley, West Berkshire, Winchester, Wokingham and East Hampshire.

1.37 This report refers to this wider area both for comparison on issues such as market signals, and in relation to the implications of the approaches adopted by Basingstoke and Deane Council to its OAN and planned housing requirement. Assumptions about population and labour force change, migration and commuting are embedded in both OAN figures and in planned housing requirements. The position taken by Basingstoke and Deane Council may have some implications for surrounding local planning authorities and others in the wider area around it. Issues such as assumed changes in commuting, for example, should be subject to the exercise of the duty to cooperate, and this report highlights where such implications are likely to arise.

2. Local Plan Targets

Key Points

- Basingstoke and Deane's Local Plan proposed modifications to its Submission Local Plan, published in May 2015, identify a housing requirement of 15,000 dwellings (850 dpa) over the period 2011-29. This represents an uplift of 102 dpa on the 748 dpa figure set by the Submission Local Plan.
- The proposed modifications indicate that this level of housing provision would support 8,100 to 12,600 jobs in the district, a range which is very wide indeed and which reflects the approach to modelling the relationship between population, jobs and housing used to derive the updated OAN figures.
- The rationale for adopting the 850 dpa figure stems from initial exchanges between the Inspector and the Council for the borough's Examination in Public and the Council at the end of 2014. Subsequent work has been carried out by the Council to update the evidence on OAN and employment land requirements which it is asserted supports this figure.
- The underpinning evidence (May 2015 SHMA Update) identifies an extensive number of scenarios for housing and jobs growth which produce ranges from a low of 550 dpa to a high of 1,092 dpa, the latter linked to jobs growth of 700 per annum.
- The Council's evidence suggests that 700 jobs per annum represents both a positive approach to future growth in the borough and one that is based on the most up-to-date view about how employment might change in future. This implies a housing need of 1,000 to 1,100 dpa. The lower jobs growth scenarios suggested by the Council (450 or 600) jobs per annum are based in part on evidence which reflects recessionary trends.
- It is only by making alternative assumptions about economic activity rates and commuting that the May 2015 SHMA is able to show that jobs growth of 700 per annum would imply housing need of 800-900 per annum, and thus support the 850 target. There is no strong evidence presented to support these assumptions.
- No adjustments to the OAN are made in the Council's evidence for market signals. Having considered some of the relevant evidence identified by the PPG, the conclusion is that the problems faced by Basingstoke and Deane are insufficiently adverse compared with other areas to warrant such an adjustment. This is despite acknowledgement in the Local Plan that affordability is a key planning issue for the borough.
- On balance, the most robust of the Council's revised figures and those which are most consistent with the NPPF's emphasis on positive plan making point to a housing need in the range 1,000 to 1,100 dpa, and jobs growth of 700 per annum.

Emerging Local Plan Figures

2.1 Basingstoke and Deane Council proposed modifications to its Local Plan OAN/housing requirement figures in May 2015, with the proposed changes now subject to consultation.[6] The modifications identify a 'housing figure' of 15,000 (2011-29) or 850 dpa. This compares to a figure of 748 dpa in the Submission Local Plan.

2.2 Linked to this revised figure is an updated estimate of the number of jobs that the borough is planning for. The proposed modifications identify figures of 8,100 (450pa) to 12,600 (700) pa extra jobs over an 18 year period, a very wide range. This compares to a figure of 7,300 (400 pa) in the Submission Local Plan. The new jobs figures are derived from updated employment land review evidence published by the Council in May 2015.

2.3 The additional and extensive work that the borough has carried out on housing need originated in the examination in public of the Local Plan. Following submission of the Local Plan, the Inspector expressed some initial concerns about its soundness, including the robustness of the 748 dpa proposed figure, the consistency of the housing target with the NPPF's emphasis on the need to significant boost the housing supply (para. 47).[7] The Inspector also expressed concerns about the explanation and detail behind the Council's decision to select a figure of 748 dpa, pointing to OAN evidence that suggested a range from 550 to 1,080 dpa, highlighting that the figure was at the lower end of this range.

2.4 An exploratory meeting between the Inspector and the Council to discuss these initial concerns was held in December 2014. Following this meeting, the Inspector wrote again to the Council inviting it to consider revising its housing figure, citing three main grounds[8]:

- Household formation rate assumptions
- Economic considerations including an improving economic picture and economic activity rates
- International migration estimates and the question of a policy off approach.

2.5 The Inspector also asked for an employment target or range in the Local Plan.

2.6 It is worth noting that in highlighting these issues, the Inspector pointed to evidence produced by the Council itself in January/February 2014 which questioned the robustness of the 748 dpa figure on the same grounds, and led to an officer recommendation to Cabinet that the figure should be revised upwards to 807 dpa. [9] However, this figure was not carried forward into the Submission Local Plan.

2.7 The Council's Cabinet (January 2015) agreed that a figure of 850 dpa should be taken forward. This included new and updated work on the evidence base on housing need and employment growth (employment land) which responded to the initial concerns about the Local Plan figures and which would reflect newly released government household projections at the end of February 2015.

[6] Basingstoke and Deane Borough Council (2015) Proposed Main Modifications to the Local Plan, http://www.basingstoke.gov.uk/content/page/39249/Proposed%20Main%20Modifications%20to%20the%20Submission%20Local%20Plan.pdf

[7] Examination of the Basingstoke and Deane Borough Local Plan 2011 – 2029: the Inspector's initial concerns, 21st October

[8] Basingstoke & Deane Local Plan Examination: Note of the Exploratory Meeting and possible next steps.

[9] Basingstoke and Deane Council (February 2014) *Basingstoke and Deane Annual Housing Requirement,* Report to Cabinet, para. 4.12.

2.8 In reviewing the sequence of decisions and work on the evidence base that have taken place since the Inspector's initial exchange with the Council, it is clear that the decision to move forward with a revised figure of 850 dpa preceded the publication of a substantial body of additional supporting evidence in May 2015. This included an updated Strategic Housing Market Assessment, updated OAN evidence (Edge Analytics) and an employment land review update. In essence, this updated evidence has provided retrospective justification for a figure of 850 dpa to be taken forward in the Local Plan.

The Evidence Base

Rationale for 850dpa

2.9 The rationale for proposing that an OAN of 850 dpa is the appropriate figure for Basingstoke and Deane is found in Section 6.0 of the May 2015 SHMA Update. This says:

'The demographic modelling indicates a housing requirement in the range of 813-936 dwellings per annum giving a mid-point of 874. The range based on all the jobs-led scenarios is 1,004-650 giving a mid-point of 827. It is therefore suggested that a figure of 850 is a reasonable basis for the objectively assessed housing need for the borough...The proposed housing number of 850 dwellings per annum is in the middle of the range identified by the demographic modelling (Section 6.0, introduction).

2.10 At face value, this suggest that the 850 dpa figure has been tested against both demographic need (which provide the starting point for assessing housing need) and economic factors (principally employment growth).

2.11 The scenario modelling on which the SHMA draws is set out in Appendix 1 of the 2015 SHMA Update. This provides an extensive array of scenarios based on different assumptions about population change, migration, household formation rates, jobs and the labour force. For simplicity, the ranges they give are summarised in Table 2.1 below, which also shows what the implied mid-point would be in these ranges.

Table 2.1 Summary of Updated OAN Scenarios, Basingstoke and Deane, Annual Housing Need

	Low	High	Mid Point
Demographic Scenarios	813	1,021	917
Jobs-led scenarios	840	1,092	966
Jobs-led scenarios with sensitivity tests	650	892	771

Source: Basingstoke and Deane Borough Council, Strategic Housing Market Assessment Update, May 2015, Appendix (Basingstoke and Deane Demographic Forecasts, April 2015, Table 5)

2.12 It is immediately clear that, while there is broad consistency between the demographic and jobs-led scenarios, the sensitivity tests carried out by Edge Analytics have a significant downward impact on the OAN figures. The emerging OAN/requirement figure of 850 dpa therefore sits close to the bottom of the range in the demographic and jobs led scenarios, but is towards the higher end of the range in the scenarios to which sensitivity tests have been applied.

Demographic Scenarios

2.13 The demographic scenarios are based on a range of approaches which draw on government population projections and past population trends data. This is a reasonable approach to building a picture of housing need linked to potential demographic change.

2.14 The Planning Practice Guidance (para. 015, Reference ID: 2a-015-20140306) establishes that government household projections provide the starting point in assessing housing need. The most recent set of projections are the recently published DCLG 2012-based Household Projections. In turn, these are based on the ONS 2012-based Sub-national Population Projections.

2.15 Drawing on these starting projections, the Edge Analytics analysis identifies a housing need of 936 dpa (16,850 in total, 2011-29). This is the quantity of housing linked to population growth of 32,300 in the borough over this period, and assumes net migration of around 820 people a year. The Edge Report (Figure 5, p.21) shows that housing provision and population change at this starting point level would support an additional 563 jobs per annum. This compares with a 2015 Employment Land Review Update (discussed below) which suggests that the borough could see employment increase at 700 jobs per annum.

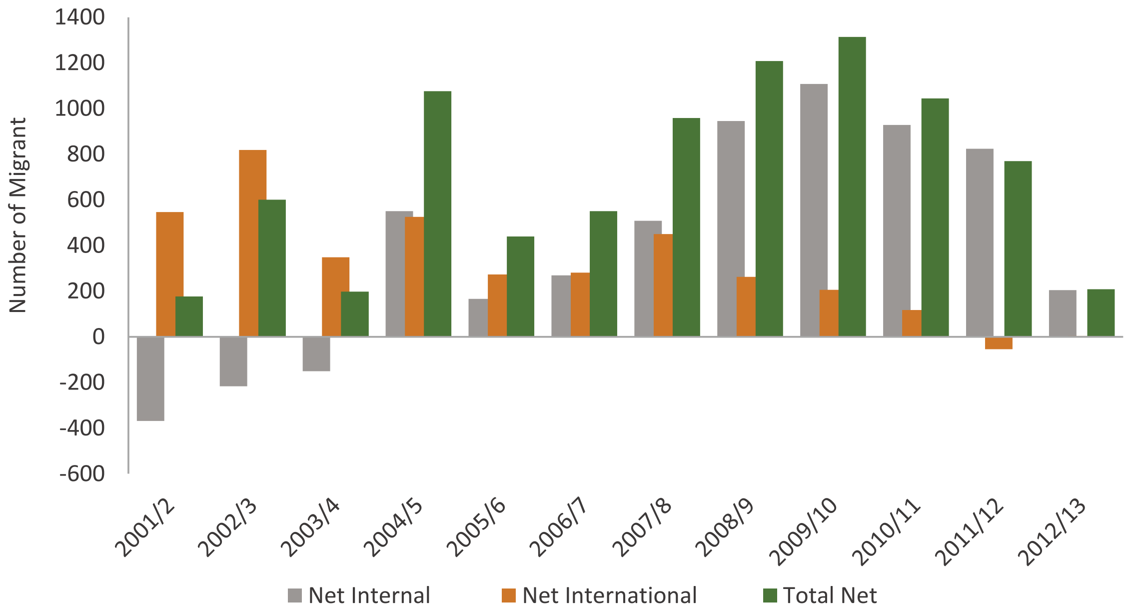
2.16 The alternative demographic scenarios modelled by Edge Analytics respond to the PPG's recommendation (also para. 015) that the starting point projections should be tested against evidence on local demographic trends which may not have been reflected in the government's projections. The PPG indicates that adjustments can be made to the projections to take account of factors such as migration and demographic structures that may provide grounds for alternative assumptions to be made (para. 017, Reference ID: 2a-017-20140306).

2.17 Edge Analytics uses a combination of 5 year and 10 year past migration data (to 2013) to show the implications for population growth and housing need. Essentially, these scenarios assume that future migration happens in a different way to that suggested by the government projections. The headlines from this aspect of the demographic scenarios are that:

- The population growth and housing need yielded by these scenarios are all lower than the 2012-based SNPP and therefore the starting point demographic projections. They range from 813 to 886 dpa.
- The principal reason for this appears to be that the net migration under each of these scenarios is somewhat lower than that assumed in the government SNPP 2012 projections. The differences range from 6% to 41%. As a key component of population change, a lower level of net migration implies lower levels of housing need to meet demand from this element of the future population.

2.18 At first sight, there are reasonable grounds for this alternative view of migration to be tested. As the data on migration 2001/2-2012/13 show, migration flows have fluctuated sharply, with a rise in net migration into the district in the late 2000s driven by internal (domestic migration).

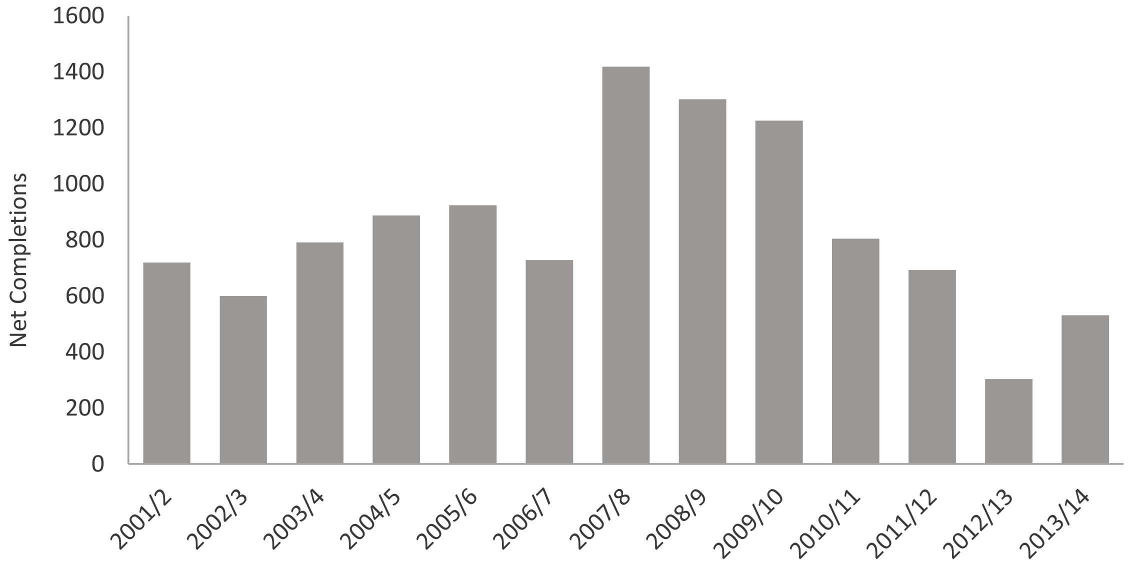
Figure 2.1 Net Migration, Basingstoke and Deane, 2001-13



Source: ONS, Annual Mid Year Population Estimates

2.19 The reference period used by the ONS for SNPP 2012 is the five year period (for internal migration) between 2007/08 and 2011/12. This was a period in which net migration peaked during the 2000s, driven by a combination of 3-4 years of relatively higher inflows, and two years of lower domestic out-migration. As the chart below shows, it was also a period in which net housing completions increased markedly from 2007-2010 compared to the average for the period 2001-14.

Figure 2.2 Basingstoke and Deane Housing Completions, 2001-14



Source: Basingstoke and Deane, Strategic Housing Market Assessment, May 2015 Update, p.69

2.20 The implication is that the period of migration which informed SNPP2012 was therefore higher than (and different from) migration in the earlier years of the 2000s, and the average over a longer 10 year period. As Appendix B, para. B.20 of the May 2015 SHMA Update suggests, the profile of migration is also different to SNPP 2012 if the reference period used is 2008/9 to 2012/13 (as opposed to 2007/8 to 2011/12. Essentially, it is these differences that are tested in the SHMA Update.

2.21 Three key points arise in considering the population and housing figures generated by these alternative migration scenarios:

- In all of the migration scenarios, the number of extra jobs that population growth would support is lower than the SNPP 2012 scenario, with a figure as low as 453 for the 10 year migration scenario.
- For scenario PG-5yr, the effect of what appears to be a more up-to-date reference period than SNPP 2012 has the effect of yielding an almost identical population change (+19% or c.32,000), but a significantly lower housing need figure (886 v. 936 dpa).[10] The explanation must lie in the assumed age profile of the population, the implication being that this age profile must have a lower propensity to form households.
- The PG-5yr scenario appears to show that a reasonably substantial difference in net migration occurs compared to SNPP 2012 (average 773 pa v. 816 pa) if a slightly different reference period is used. The implication is that an adjustment of only one year of data can have a marked impact on assumptions about how the future population will change.

[10] For reference, this commentary draws on the figures on page 21 of the 2015 SHMA Update. The report contains many more variants of these scenarios but the figures referred to here are used for illustrative purposes.

2.22 The differences between the jobs figures and housing need figures in the different scenarios give some indication of what might be happening to the age profile.

Table 2.2 Comparison of Jobs and Housing Need in Edge Analytics Main Demographic Scenarios

	Jobs – Difference with SNPP 2012	Housing Need
PG-5yr	-3.6%	-5.3%
PG-10yr	-7.3%	-10.9%
PG-10yr-5yr	-19.5%	-13.1%

Source: Basingstoke and Deane, Strategic Housing Market Assessment, May 2015 Update, Appendix B, p. 22.

2.23 In PG-5 yr, for example, the jobs implied by the scenario is 3.6% lower than the SNPP 2012 scenario, but the housing need figure is 5.3% lower for almost identical population growth. The inference is that the borough sees its labour force grow at a slower rate than SNPP 2012, but that growth in the number of residents who would be expected to be the head of a household is lower still. This might, for example, mean that this scenario yields a larger number of 20-24 year olds than SNPP 2012, but this is an age group with lower household formation rates.

2.24 The reasons for these differences between the alternative scenarios and SNPP 2012 are not set out in detail in the SHMA Update report. From the methodology notes that accompany Appendix B, they could be attributable to:

- Some significant differences in the assumed age profile linked to differences in the reference periods for migration.
- For domestic in-migration, the use of an alternative (para. B.20) reference population as the population from which future migrants to the borough are drawn. Government projections use the UK population, while it appears that the SHMA Update uses the population of the Enterprise M3 LEP area. It is not clear what differences arise from this approach.

Economic Adjustments (Jobs-Led Scenarios)

2.25 The 2015 SHMA Update follows the Planning Practice Guidance requirement (para. 018 Reference ID: 2a-018-20140306) that plan makers should take account of employment trends in assessing housing need. This is an important component of the analysis which requires housing needs assessments to consider what future jobs growth might be expected to occur, and to consider this in the context of the projected growth in the labour force.

2.26 The key issue to establish is whether any upward adjustment is necessary to housing need identified in demographic-based projections to take account of jobs growth and labour force change. If the supply of labour (resident and commuting) in demographic projections would be insufficient to meet future demand for labour, additional housing might be necessary to enable more working people to move to the area.

2.27 The 2015 SHMA Update sets out three scenarios for future jobs growth in Basingstoke and Deane.

2.28 **450 per annum** – This is described in the 2015 SHMA (Appendix B, para. 3.8) as the figure that is derived from a housing figure of 853 dpa, the figure identified by the Inspector as the potential

OAN figure that the Council should test further.[11] In other words, it is not an objectively assessed potential jobs growth figure instead reflects the jobs growth implied by housing and population growth at a given level.

2.29 However, in the 2015 Employment Land Review Update, it appears (para. 6.3.1) that the 450 figure is consistent with a 3 year rolling average of jobs growth drawn from ONS Business Register and Employment Survey (BRES) data for the 10 years from 2003 to 2013, although the annual jobs growth figure averages at 590 which the Employment Land Review update acknowledges (para. 1.1.7). The details of how this figure has been derived are not provided in the Employment Land Review Update. Three points arise from this:

- It is not clear whether and how the Council has ensured that the BRES data, which is available from 2009-13, is consistent with the earlier Annual Business Inquiry survey data that covers the period from 2003-08. The ONS's warns that caution is needed in treating the data from these two sources to represent a continuous trend, and that the ABI and BRES data should be rescaled.[12] There are discontinuities in the past employment data attributable in part to differences in survey methods.
- The Government's own data on total jobs (all employment in the area) shows that employment increased by 600 per annum between 2003 and 2013.
- The 10 year (2003-13) period which the Council regards as an appropriate time frame to consider past trends is one in which there were several years of recession. At best, close to half the 10 year period covered a recession that was one of the deepest and most prolonged the UK has experienced in recent years. In this regard, it is atypical of an economic cycle and would be expected to show employment growth that is lower than that experienced over a longer term time frame in which an extended period of growth might be followed by a shorter downturn.

2.30 It is therefore unclear whether the 450 jobs growth figure is one that was first derived from a housing number, which was then tested against government jobs data, or whether it is now regarded as an objective view of potential jobs growth based on an interpretation of past trends.

2.31 **600 jobs per annum –** This figure was derived from earlier evidence used by Basingstoke and Deane Council and was the basis for jobs growth based housing need scenarios in the 2013 and 2014 demographic forecasts produced by Edge Analytics. It appears to be based in part on evidence from the 2009 Employment Land Review (Council Housing Topic Paper, October 2014, p. 13). However, in the May 2015 Housing Topic Paper it is described as an 'approximate mid-point) figure between the 450 and 700 a year (see below) jobs growth scenarios tested by Edge Analytics. To this end, it appears to be a figure that is now out of date.

2.32 **700 jobs per annum –** This is presented as the most up-to-date projected jobs growth figure for Basingstoke and Deane. The May 2015 Employment Land Review (Appendix A, Economic Growth Forecast for Basingstoke and Deane) shows that it has been derived from forecasts produced for Hampshire County Council by Cambridge Econometrics, using their local economic forecasting model (LEFM).

2.33 The CE based forecast represents a view of potential jobs growth in the borough that originates from a widely respected, independent forecast house. The ELR Update recognises that growth at this level is higher than past trends (2001-11), although it notes (Appendix A, para. 6.3) that the period included recessionary years. The ELR also points out that it is both consistent with the Local

[11] See Figure 24, p. 45 of the Edge Analytics report (2014) Demographic Analysis and Forecasts Including an addendum on additional scenario analysis.

[12] ONS (November 2014) Information Paper, Quality and Methodology: Business Register and Employment Survey

Enterprise Partnership's growth target for the area (ELR Update para. 3.2.4) and that Basingstoke is identified as one of the area's growth towns in the LEP's Strategic Economic Plan (para. 3.2.6). The ELR also observes that the higher figure would enable the Council to 'aim more proactively for higher growth if at all possible' (para. 11.1.2). This latter point is consistent with the thrust of the NPPF which establishes that Local Plan making should positively support economic growth (para. 17).

2.34 Rather than adopting this higher figure as its jobs growth target, the Council has chosen instead to present the very broad range (450-700) as the target (Local Plan Proposed Modifications, PM18). While there is inevitably some degree of uncertainty involved in projections of future jobs growth in an area, the 55% difference between the low and high figures means that it is difficult to establish what scale of economic growth the Council is actually planning for. As the Council itself acknowledges, the low figure effectively represents a view of growth which is strongly influenced by the recent recession. The high figure is consistent with a positive and proactive plan for growth and with the LEP's economic growth targets.

2.35 The housing need figures implied by each of these jobs growth scenarios are set out in Figure 5 of the 2015 SHMA Update (Appendix B). They are:

- 700 jobs a year – 1,000 to 1,092 dpa
- 600 jobs a year – 936 to 1,026 dpa
- 450 jobs a year – 840 to 926 dpa.

2.36 Regeneris has considered the borough's past economic performance and growth forecasts at greater length in Section 5 of this report. Our conclusion is that jobs growth of 700 per annum would be more consistent than the lower figures with both the borough's long term past performance and recent jobs growth forecasts.

Household Formation

2.37 Assumptions about household formation or headship rates (the propensity of an individual to be the head of a household) link a given population to the number of households that would be expected to occur. The SHMA Update report uses three different approaches to modelling future rates:

- 2012-based DCLG household projections. This represents the most up-to-date set of government projections data currently available in assessing housing need and they have effectively superseded the 2011-based interim projections.
- 2011-based DCLG interim household projections. The SHMA Update has adjusted the projections to reflect the characteristics of households in the borough in 2012, then applied the trend given by the 2011-based projections throughout the period to 2029.
- 2008-based DCLG interim household projections. A similar approach is used, whereby the household formation rates are scaled to be consistent with the actual figures from 2011, then the trend suggested by the projections is applied.

2.38 Section 4 of the Regeneris report considers at greater length the rationale for using different variants of future household formation rates and the use of older sets of projections. The justification offered by the 2015 SHMA Update (para. 6.12) is that they provide a sense check for the newer 2012-based projections. Although the reasons for using these earlier projections are not explicitly given in the SHMA and the May 2015 Housing Topic Paper, there are reasonable grounds for testing alternative scenarios, since the 2012-based household projections in part reflect the impacts that a decade of high house prices and recession have had on household formation rates. Reference to the 2008-based projections in particular has been widely regarded as representing a pre-recession view of how future household growth might occur.

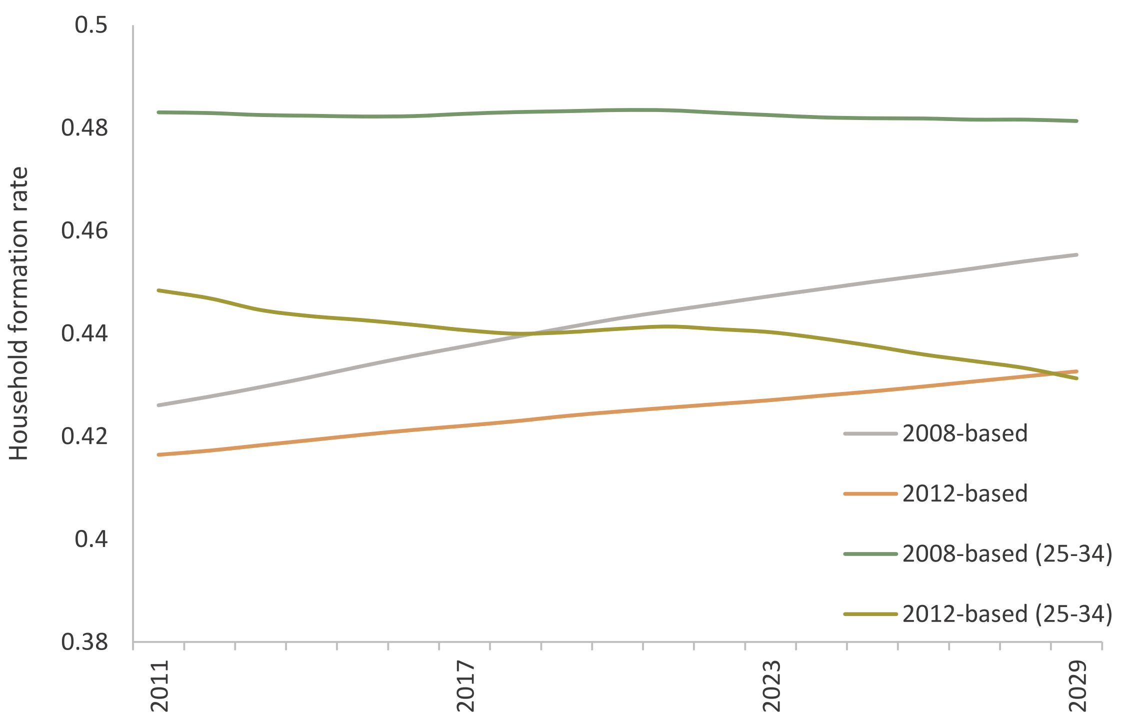
2.39 In practice, a complex mix of factors, including social and cultural change, economic and housing market conditions have shaped the trends in past household growth and future expectations that shape all of the projections. In addition, there are methodological differences between the 2008, 2011 and 2012 projections which also have a bearing on the future path they indicate. Nonetheless, in showing three alternative scenarios, the 2015 SHMA Update recognises that there is inevitably some uncertainty about this aspect of the assessment of housing need.

2.40 The application of different household formation rates clearly has impacts on the housing need implied by the different scenarios in the SHMA. Generally the application of the 2008 based household formation rates gives housing need figures which are 9-11% higher than those based on the 2012 projections. The variation between the scenarios will reflect differences in the characteristics of the population in each scenario.

2.41 The picture is different for the 2011-based projections, where there is little difference from the 2012-based scenario. This is likely to reflect some common ground in the methodology used for both projections but it also points to close similarities in the trajectory of household formation in different age groups.

2.42 The key point that arises from the household formation rate variations is that the 2008-based projections represent in effect a more upbeat view of household formation. The chart below shows how the 2008-based and 2012-based projections compare for the total household formation rate and the rate for 25-34 year olds.

Figure 2.3 2008-based and 2012-based household formation rates compared



Source: DCLG Household Projections

2.43 The overall rates show that household formation rates were projected to increase more strongly in the 2008-based projections, which would contribute to the difference in the SHMA scenarios. However, there is a much more substantial difference in the projections for 25-34 year olds. The 2008-based projections suggested a much more positive picture of household formation at 2011 than the Census proved to be the case. They suggested that the rate would be largely stable over the period to 2029. By contrast, the 2012 based projections show the lower starting point for this age group in 2011 based on the Census results, and indicate a downward trend to 2029.

Sensitivity Tests

2.44 The Proposed Main Modifications to the Local Plan (para. 4.7) make it clear that the Council considers that a housing figure of 850 dpa would support jobs growth of up to 700 per annum. On the face of it, this is not borne out by the scenario modelling in the 2015 SHMA Update, which suggests figures of 1,000 to 1,092 to support this level of growth.

2.45 However, the assertion that the 850 dpa figure is capable of meeting the higher employment growth projection is based on additional sensitivity testing carried out in the 2015 SHMA Update.

Economic Activity Rates

2.46 The first set of sensitivity tests are based on different approaches to economic activity rate changes. Assumptions about economic activity rates for different age groups, and the way these might change, translate a given population into a resident labour force. They are particularly important given the projected ageing of the borough's population (and that of much of the UK). Older people choosing to remain in or re-enter the workforce are likely to be a key source of future growth in the labour force given expectations that there will be limited growth in younger age groups.

2.47 The main approach used in the May 2015 SHMA Update is to assume that there are significant increases in economic activity rates in the 60-69 age group to reflect increases in the state pension age (SPA). This is broadly similar to the approach used by Regeneris, in which increases are assumed in age groups from 55-74 to include SPA related changes.

2.48 However, two additional variants are tested:

SENS1

2.49 This approach assumes that the overall economic activity rate remains fixed at its 2011 level (76.9%). It is not clear what assumptions are made about change in each age group to achieve this overall rate. Since the number of older people in the borough's population must increase in the projections, and economic activity rates in older age groups tend to be lower than the core of the working age population 25-54, the implication is that rates must be increased for some age groups. However, it is not possible to assess how realistic the assumptions are without the data for individual age groups.

2.50 In effect, this variant must see a bigger increase in the borough's resident labour force than the main scenarios indicate. The housing need it generates ranges from 926 to 1,013 dpa for the 700 jobs a year scenario to 753 to 857 for the low growth scenario.

SENS2

2.51 This is a scenario in which the rates of economic activity increase in all age groups (16-74) from 2001 to 2011 are assumed to continue through to 2029. This leads to an overall increase in the economic activity rate from 76.9% to 78.9%, with the increases in younger age groups presumably offsetting the overall reduction in rates that would be expected to occur in an ageing population. The effect of this adjustment is more dramatic, in that the housing need to support the 700 jobs growth figure falls to a range from 839 to 925 dpa, while for the low scenario it falls to 669 to 752 dpa.

2.52 There appears to be no supporting evidence to show why this recent trend in economic activity rates would be expected to continue over the long term to 2029. Evidence presented elsewhere in the SHMA Update refers to the ONS long term economic activity rate projections which clearly do not indicate that the change in economic activity rates will be nearly as substantial as SENS2 implies.

2.53 There is little evidence to support either SENS1 or SENS2 as reasonable alternative views of how economic activity rates might change. For this reason, they should be treated with caution given the substantial impact they have on the OAN figures. This is acknowledged by the Council itself, which states that 'these scenarios reduce the dwelling requirement, in some cases quite considerably, showing the sensitivity of these projections to changed inputs' (May 2015 Housing Topic Paper, para. 4.15).

Commuting Ratio

2.54 The most significant difference in the OAN figures is accounted for by a third sensitivity test (SENS3) which models the impact of a change in the borough's commuting ratio from 2011 to 2029. In this variant, the housing need figures fall substantially by around 20% compared to the main scenarios. In the 700 and 600 jobs led scenarios, for example, the annual housing need is around 200 dpa lower.

2.55 The explanation for this lies in the modelled reduction in the commuting ratio from 1.06 (the Census 2011 figure) to 1.01 by 2029. What appears to be a modest change of only 5 percentage points actually implies a change of several thousand people. The SHMA Update suggests that a smaller proportion of residents would out-commute rather than any increase in the number of people in-commuting to the district.

2.56 Recently published guidance produced by the Planning Advisory Service has suggested that there are risks in strategies in which commuters are assumed to be recalled (para. 6.8).[13] It points to a need to provide evidence on the economic factors or policy actions that would bring about such a shift in commuting patterns. It also cautions that such assumptions should not be made unilaterally, since the potential for a local authority area to retain more of its own resident labour force (reducing out-commuting) or attracting more in-commuters will have a bearing on the labour force of other areas (para. 6.9).

2.57 Even if a commuting shift were to be accepted as the basis for the borough's OAN and its housing requirement, exercise of the duty to cooperate would compel the Council to engage in dialogue with other local planning authorities about the change it is planning for. This should include those authorities with which Basingstoke and Deane has significant travel to work and/or migration relationship.

2.58 While there is no discussion in the May 2015 SHMA Update about why the borough's commuting ratio might change, the Employment Land Review briefly discusses the issue. It is described in the ELR Update both as a policy objective and a 'realistic aspiration' (para. 7.13), citing the number of higher skilled professionals who currently commute out of the borough as an important part of the resident workforce which might choose to work in the borough rather than elsewhere in future. To support this assertion, the ELR suggests that:

[13] Planning Advisory Service (2014) Objectively Assessed Need and Housing Targets

- Higher managerial and professional employment account for the majority of the forecast jobs growth in the CE forecasts (Figure 5, ELR Update).
- The Basing View development is expected to provide high quality office space that would provide the type of employment capable of providing jobs suited to this higher skilled cohort.

2.59 The Proposed Main Modifications document (para. 7.8) also refers to the potential to use skills development and training initiatives to enable more of the existing population to secure jobs in the borough.

2.60 This evidence of the mechanisms that might lead to a change in commuting is limited and amounts to a series of objectives and aspirations rather than sound evidence to suggest that it is reasonable to assume such changes occur. Furthermore:

- The ELR Update itself notes that higher skilled people are more likely to travel longer distances to work, since they are able to exercise greater choice in the jobs market and the financial wherewithal to travel further. In an area of England which is expected to see strong jobs growth as the economy recovers, it would be reasonable to assume that more of the borough's residents might equally choose to work in other employment centres including Reading and London.
- There is no reference to the implications for the borough's resident population of jobs growth elsewhere in the area or in London. Employment growth in these locations could create additional demand for labour which will be met in part by residents of Basingstoke and Deane.
- The period between the 2001 and 2011 Census saw a larger increase in the number of residents in employment than the increase in the number of jobs in the borough according to ONS data. The number of people living and working in the district fell from 55,350 to 53,100. The number of residents working in London rose from 3,500 to around 4,300.
- The 2015 ELR suggests that jobs growth in Basingstoke and Deane is forecast to be slower than that of the Local Enterprise Partnership area (para. 3.4). If local authorities in the area are creating jobs at a faster rate than the borough, this might well be expected to exert a stronger pull on the borough's residents, offsetting any tendency for more people to choose to work in the borough itself.

2.61 On balance, there is little evidence to suggest that a shift in the commuting balance on the scale implied in the May 2015 SHMA can reasonably be expected to occur in Basingstoke and Deane.

Market Signals

2.62 The 2015 SHMA Update and the 2015 Housing Topic Paper conclude that no adjustment to respond to adverse market signals evidence is justified or necessary. The SHMA Update (para. xi) points to the relatively better affordability of housing in the borough compared with some of the other local authority districts in the area, and the extent to which there is evidence of worse trends elsewhere as grounds for this conclusion.

2.63 Regeneris considers market signals evidence at greater length in this report. However, the Council's own evidence in the SHMA shows that there are significant affordability problems for many of the borough's residents, and that a substantial proportion of households cannot afford to buy or rent market homes in the borough. Affordability is also identified as a priority planning issue in the Submission Local Plan.

Conclusions

2.64 Basingstoke and Deane Council has proposed a housing need figure of 850 dpa in its Proposed Main Modifications to the Local Plan. This figure is based on initial exchanges with the Inspector through the examination in public, when the original Plan figure of 748 dpa was considered to be unsound.

2.65 Having effectively adopted 850 as its revised OAN/requirement figure, the Council has since proceeded to publish new evidence on OAN that supports this figure. However, on reviewing this evidence, the most robust figures it presents and those which are consistent with the NPPF's emphasis on positive planning for growth appear somewhat higher than 850 dpa. They suggest a range from 1,000 to 1,100 dpa to support jobs growth of 700 per annum.

2.66 It is only through a series of sensitivity tests of these main OAN figures that the Council is able to show that 850 dpa could support jobs growth of 700 per annum. There is insufficient evidence provided in the 2015 SHMA Update to suggest that these are scenarios that could reasonably be expected to arise in Basingstoke and Deane.

3. Demographic Drivers of Housing Need

Key Points

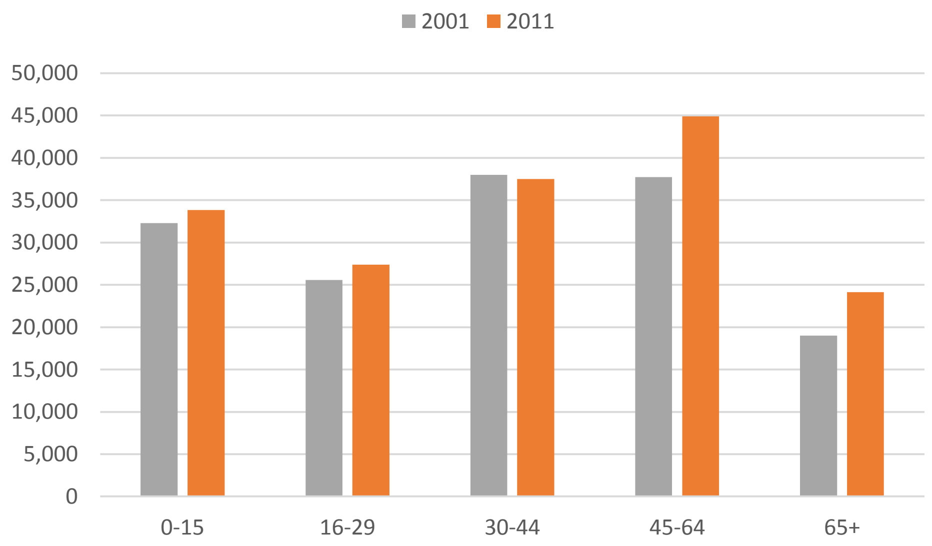
- Government household projections published by the Department for Communities and Local Government provide the starting point for overall housing need (para 015 Reference ID: 2a-015-20140306). For Basingstoke and Deane, the most recent household projections imply housing growth of 18,800 (936 per annum).
- The 2012-based Sub-National Population Projections which underpin the household projections suggest Basingstoke and Deane's population will increase by 32,300 (c. 1,800 a year) between 2011 and 2029. This equates to a 19% increase. For the area as a whole, the projected increase in the population is 139,000 (7,700) or 12% overall.
- These figures represent the starting point of an objective assessment of housing needs. The PPG advises that the assessment of OAN should take account of factors which may have shaped past demographic change and household formation which are not reflected in the government projections.
- Regeneris has modelled a second, starting point scenario in which actual population estimates for 2013 are accounted for. These show a housing need of 920 dwellings per annum for Basingstoke and Deane, and 4,600 per annum for the area as a whole. These figures are therefore largely consistent with the government projections.
- Starting point demographic projections take no account of economic factors which influence either past trends in population and household change, or which may drive future growth. The PPG advises that assessments should consider both change in the working age population (labour force) and employment.
- The government population projections suggest that Basingstoke and Deane will see an 8,700 increase in its population aged 16-64, or 7.9% between 2011 and 2029. Regeneris's adjusted starting point projection suggests that the increase will be 8,100 (7.4%). This compares to an increase of only 8,000 (1%) across the area as a whole, with several districts projected to see this key component of the labour force contract.
- The potential for the area as a whole to see only a slight increase in its 16-64 population is an important issue to consider in assessing future housing need in light of its implications for economic growth. While on the face of it Basingstoke and Deane is set to see reasonable growth in this cohort, the risk for the area as a whole is that there is insufficient growth in the labour force to support new job creation over the 2011-29 period.

Population and Households 2001-11

3.1 According to the Census 2011, the population of Basingstoke and Deane was 167,800. Since 2001, the population has grown by 10%, (15,200 persons), which exceeds the level of growth seen across the wider area as a whole (7.4%) as well as that of the South East (7.9%) and England (7.9%).

3.2 This level of growth in Basingstoke and Deane is largely attributable to strong growth amongst the section of the population that are aged 45 and over. In contrast, the number of people aged between 35 and 44 has decreased over the last decade and the younger age groups have only seen marginal increases in population.

Figure 3.1 Population Change, Basingstoke and Deane, 2001-2011

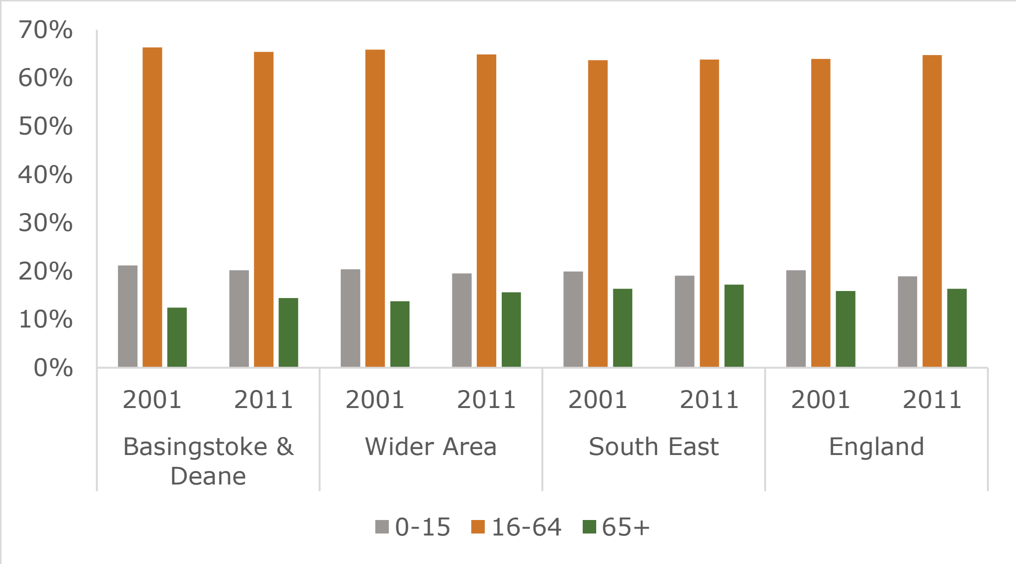


Source; Census 2001; Census 2011

3.3 The trend in Basingstoke and Deane over the last decade for growth amongst the older age cohorts is also reflected across the wider area, the South East and England, albeit to a lesser extent. Between 2001 and 2011 the section of the population aged 65 and over increased by 27.2% in Basingstoke and Deane, compared to an increase of 21.7% across the wider area, 13.3% for the South East and 10.9% for England.

3.4 Growth amongst the working age population (16-64) in Basingstoke and Deane has not been as strong as the older age cohort, but nonetheless there has been an increase of 8.4% over the last decade. This limited growth compared to the stronger growth seen in the older age cohorts means the working age population now accounts for a lower proportion of the total population than in 2001.

Figure 3.2 Nature of Population Change, 2001-2011



Source: Census 2001; Census 2011

Households

3.5 Between 2001 and 2011, the number of households in Basingstoke and Deane increased from 61,800 to 69,600, an increase of 12.6% or a net addition of around 7,800 households. This level of growth exceeds that of the wider area as a whole (8.3%) as well as England (7.7%).

3.6 The rate of increase in households has exceeded that of population growth over the same time period and is reflective of declining household sizes which have reduced from an average of 2.58 in 1991 to 2.40 in 2011.

Table 3.1 Basingstoke and Deane Population and Household Change 1991-2011

Factor	1991	2001	2011
Household population	143,800	151,600	167,200
Decade change		7,800	15,600
Decade change %		5.4%	10.3%
Households	55,800	61,800	69,600
Decade change		6,000	7,800
Decade change %		10.8%	12.6%
Average household size	2.58	2.45	2.40
Decade change %		-4.81%	-2.07%

Source: DCLG 2011-based household projections Tables 406 and 426. Note: rounded estimates

Demographic Starting Point Projections

3.7 The Planning Practice Guidance (PPG) establishes that:

'Household projections published by the Department for Communities and Local Government should provide the starting estimate of overall housing need' (para. 015).

3.8 Government household projections are based in turn on Office for National Statistics population projections. The latest set of official household projections (2012-based DCLG projections) are based on the 2012 ONS Sub-national Population Projections. The PPG is clear (para. 016 Reference ID: 2a-016-20150227) that the new household projections provide 'the most up-to-date estimate of future household growth'.

3.9 The key data from the projections are set out in the table below, which uses the ONS mid year population estimates for 2011 to show how change is projected to occur from 2011-29.

Table 3.2 2012-Based Household and Population Projections, 2011-29

	Population Change	% Change	Household Change	% Change	Annual Household Change	Annual Dwellings Change
Basingstoke & Deane	**32,318**	19%	**16,465**	24%	**915**	**936**

Source: DCLG 2012-Based Household Projections; ONS 2012-Based Sub-national Population Projections; Regeneris Calculations

3.10 Projected population growth in Basingstoke and Deane at 19% over 18 years compares to a 10% increase over the period from 2001-2011, suggesting that the scale of future change 2011-29 is expected to be broadly similar to that of the 2000s. At 24%, projected change in households in Basingstoke and Deane over 18 years compares to 13% between 2001 and 2011, again suggesting that the rate of projected change is broadly in line with that of the 2001-11 period.

3.11 The composition of population change in the starting point projections is set out in the table below. This shows that the projected trend is one of an ageing population, with growth in the population concentrated in older age groups (over 65). This is consistent with the pattern of change in Basingstoke and Deane during the 2000s, when growth in the 16-64 year old population was driven by 45-64 year olds.

Table 3.3 Population Projections by Age Cohort, 2011-29

	0-15	% Change	16-64	% Change	65+	% Change
Basingstoke & Deane	**5,509**	**16%**	**8,717**	8%	**18,097**	**74%**

Source: ONS Mid Year Population Estimates, 2011 and ONS 2012-Based Sub-national Population Projections

3.12 This initial analysis of the government's projections has been translated into annual dwellings change by applying a vacancy rate conversion set out in Table A1, Appendix A. This gives an annual starting point dwellings figure of 936 per annum for Basingstoke and Deane

Adjusting the Starting Point

3.13 The PPG (para. 017 Reference ID: 2a-017-20140306) cautions that:

'The household projections are trend based, i.e. they provide the household levels and structures that would result if the assumptions based on previous demographic trends in the population and rates of household formation were to be realised in practice. They do not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends (para. 015).

3.14 Regeneris has carried out a range of testing of the past and current demographic and household data to establish whether and if so how the starting point projections might need to be adjusted.

Updated Population Estimates

3.15 The first test is to consider the most recent ONS mid year population estimates, which give an updated picture of how the area's population is estimated to have changed by 2013. The table below shows whether the latest Mid Year Estimates suggest a lower or higher overall population than the 2012-based SNPP. For Basingstoke and Deane, the figure is close to 600 lower than projected (0.3%) by the 2012 SNPP. A number of factors are likely to explain this difference, including higher than anticipated migration (eg more in-migration, less out-migration), or issues relating to methodologies for estimating population totals.

Table 3.4 Comparison of Mid Year Estimates and SNPP Figures for 2013			
	Mid Year Estimates 2013	SNPP 2012	Difference
Basingstoke and Deane	**171,852**	**172,430**	**-578**

3.16 It is difficult to justify adjusting the long-term projections simply to reflect different population figures in one year (2013), particularly since the differences may in part be the result of methodological factors. However, the Regeneris modelling takes some account of this difference by using the 'actual' 2013 figures rather than the 2012-based SNPP figures. Migration rates, along with birth and death rates, are applied to each year of age and any difference in one year will filter through into the projected population in later years.

3.17 The results of our starting point demographic assessment are summarised in the table below. The difference that results from the adjustment is marginal. The figure for Basingstoke is marginally lower at 920 dpa versus 936 dpa.

Table 3.5 Regeneris Starting Point Projections, 2011-29					
	Population Change	Household Change	Dwellings Change	Annual Dwelling Change	SNPP 2012 Dwelling Change
Basingstoke and Deane	**31,740**	**16,178**	**16,563**	**920**	**936**

Source: ONS 2012-based SNPP; ONS Mid Year Estimates 2011 and 2013; Calculations Using POPGROUP

3.18 The result of this analysis suggests a starting point range from 920-936 dpa for Basingstoke and Deane.

Household Formation

3.19 The PPG is also clear that factors which have influenced past trends in household formation rates should be considered in establishing whether any adjustment to the government household projections is appropriate (para. 017 Reference ID: 2a-017-20140306). Specifically, paragraph 015 suggests that household formation rates may have been suppressed historically by under-supply and worsening affordability of housing. Where there is evidence of constraints, this is an issue which should be taken into account by plan makers.

3.20 The question of whether household formation rates in the government projections should be adjusted is a complex and much debated matter. In the 2012-based projections (as with all government household projections), the future path of household growth is determined by the propensity of a resident of a given age to be the head of a household of different types (eg. couples, singles). These headship rates are applied to the population and yield an estimate of change in the number of households over the projection period, and change in the composition of households (the household population).

3.21 As the PPG acknowledges, future household formation rates in the government projections are heavily based on past trends. The DCLG projections draw on household formation data from the 1971, 1981, 1991, 2001 and 2011 Censuses. The factors that have shaped household change over this period are multifold, complex and interwoven but include:

- Social trends such as changes in the number of people choosing to delay parenthood or not to have children which has contributed to increases in the number of single person households, and which slowed during the 2000s. Or greater numbers of older people living longer in couple households as male life expectancy has increased and the gap with the life expectancy of women has narrowed.[14]

- International migration and the characteristics of households in some communities. Widely cited research by Alan Holmans suggested that a tendency for international migrants from some backgrounds to live in larger households had influenced both household formation and average household size in England.
- A failure of housing supply to keep pace with demand, with the number of new dwellings completed having seen a downward trend over the past four decades and levels of completions currently far short of projected household growth (in 2014, an estimated 120,000 compared to estimated average household growth of 210,000 a year in the new 2012-based projections). In locations such as London, the impact on household formation is amplified as increases in the number of in-migrants (international and domestic) fuelled by economic growth have outstripped the supply of housing.
- Economic factors, including the reinforcing, combined effects of high house prices, poor affordability generally and latterly the effects of recession which have seen household formation rates tail off or fall in some age groups, with young people and those on lower incomes particularly affected.
- Cohort effects, whereby the trend for a particular age group in one period is carried through into later years. For example, the effect of young people choosing to or being unable to form an individual household until later in life will carry through in this cohort as it ages.

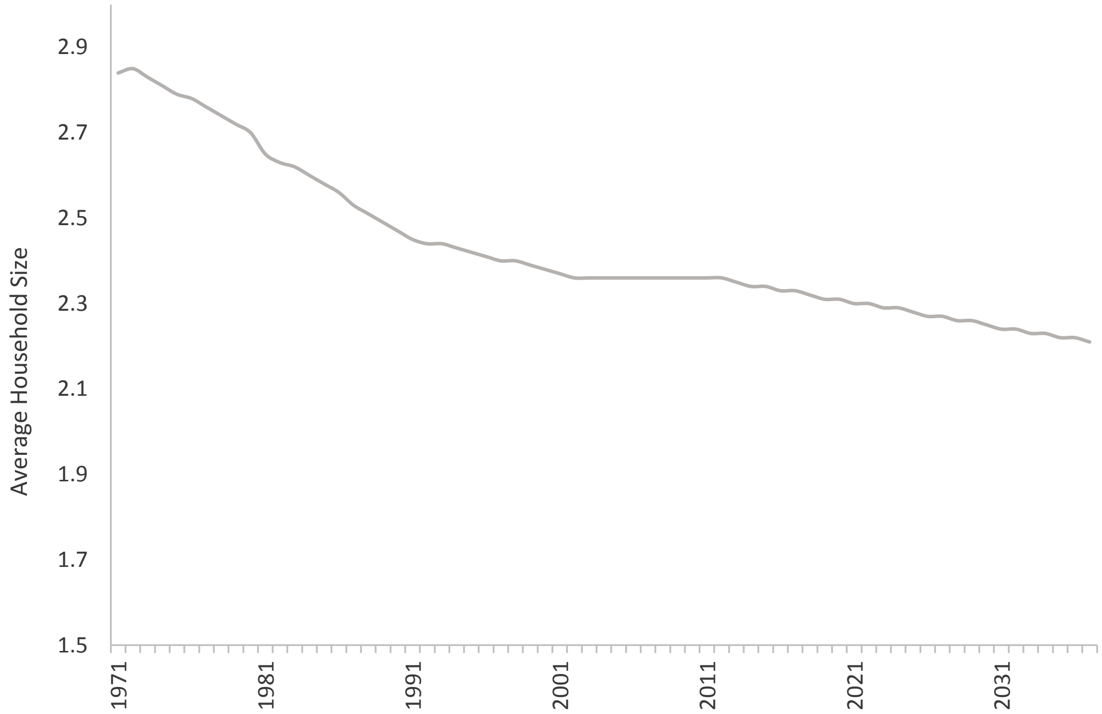
3.22 While the 2012-based projections (and preceding projections) take Census data from 1971, 1981, 1991, 2001 and 2011 as the basis for constructing the past trend, the methodology used for the projections effectively gives additional weight to later years of the past trends data.[15] The implication of this approach is that changes in household formation during the 2000s will have a greater bearing on the future projections than earlier trends.

3.23 This methodological point is an important one, because the 2001-11 period saw household formation rates fall in younger age groups in particular. The result is that the overall trend in household growth has changed markedly over time, illustrated in average household size data for England with the rate at which household size was falling having slowed visibly over the period since 1971.

[14] For discussion of longer term trends, see McDonald, N and Simpson L (2015) *Making Sense of the New Household Projections,* TCPA.

[15] Department for Communities and Local Government (2015) *Household Projections 2012-based: Methodological Report,* p.19.

Figure 3.3 Average Household Size, England, 1971-2011

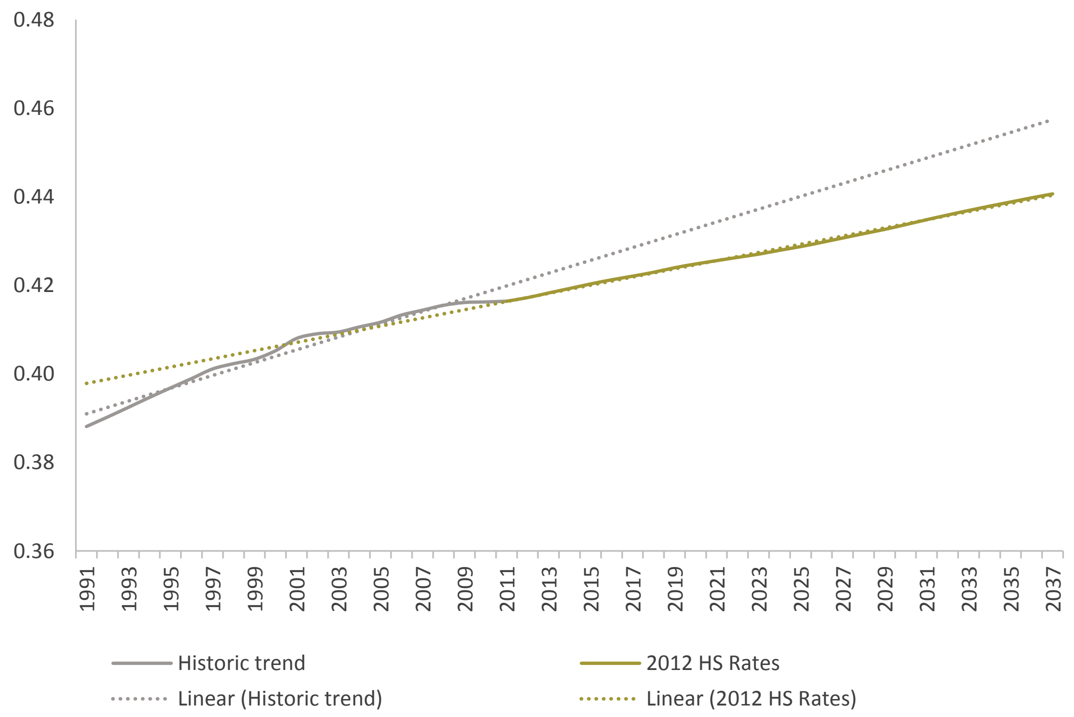


Source: DCLG 2012-based Household Projections

3.24 If there is consensus that household formation rates have been affected by factors which have acted as a constraint for some age groups, the next question is how far these trends are evident in Basingstoke and Deane and the wider area. The DCLG 2012-based household projections do not provide the longer term (1971+) household formation rates for individual age cohorts, but they do show the trend from 1991 to the 2011 Census.

3.25 On the face of it, the pattern of overall household formation rates (ie the percentage of the household population who are the head of a household) during the 2000s does appear to have influenced the 2012-based projections. The rate increased more steeply between 1991 and 2001 before slowing during the 2000s. While the 2012-based projections suggest some degree of recovery, the result is that household formation rates by 2029 are projected to be lower than would have been the case if this earlier trend had continued.

Figure 3.4 Overall Headship Rate, Basingstoke and Deane, 1991-2037



Source: DCLG 2012-based household projections.

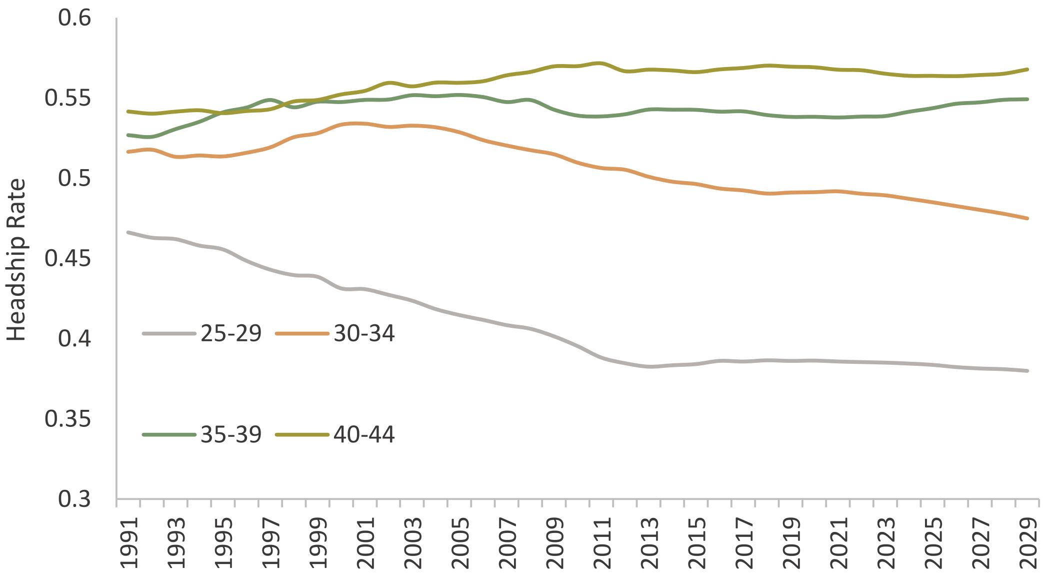
3.26 In its own right, this trajectory does not provide the grounds for adjusting household formation rates in our projections. Many factors will drive the pattern of change in future household formation in different age groups, and some of the components of the projected increases in rates in some age groups (eg. 65-74 year olds) are effectively offset by falls in other age groups.

3.27 Younger age groups are widely regarded as having been more adversely affected by the combined impacts of insufficient new housing development, high market entry costs, high purchase or rental costs and the impacts of recession during the 2000s. The data for 25-44 year olds in Basingstoke and Deane are shown in the figure below and highlight two features:

- Headship rates in 25-29 year olds fell consistently through the 1990s and 2000s. Whilst the projections suggest that the rate will stabilise somewhat to 2029, it is projected to be significantly lower in the long run than would be the case if the 1991-2001 trend had carried forward.
- A rising headship rate during the 1990s in the 30-34 year old age group appears to have reversed during the 2000s. In part this may reflect the knock on effect of rates in 25-34 year olds falling during the 1990s, with the potential for such cohort effects to occur highlighted in recent commentary on headship rates.[16]
- Headship rates rose in the 35-39 age group rose between 1991 and 2005/6 before falling back. Again, there may be a cohort effect here.
- A similar pattern is evident for the 40-44 year old age group with rates rising from 1991 to 2011 before the projections suggest they will fall away.

[16] Simpson, L. (2015) *Wither Household Projections?,* Town and Country Planning December 2014, p. 542.

Figure 3.5 Headship Rates, 25-44 year olds, 1991-2029



Source: DCLG 2012-Based

3.28 Two key points arise from this comparison:

- Headship rates in the 25-29 year old age group fell during the 1990s but this fall accelerated during the 2000s. This pattern would be consistent with a housing market in which price inflation began to increase from the late 1990s through the 2000s and which resulted in growing affordability problems. While social factors such as people choosing to delay forming couples and living together are likely to have played some part, the data point to the impacts of worsening affordability and housing supply which was failing to keep pace with population change and demand.
- A pattern of change in 30-34 year olds in which headship rates either increased or fell only slightly during the 1990s, but which saw headship rates fall in all the districts between 2001 and 2011.

3.29 On the face of it, there is therefore evidence to suggest a case for considering an alternative view of how headship rates might change in the 25-34 year old age group in particular. Headship rates fell in a period when recession compounded the effects of poor housing affordability and a national supply problem. Given that the DCLG's methodology appears to attach greater weight to more recent trends, this pattern of sharply falling headship rates in the 25-34 year old age group will be carried through into the projections for the period to 2029.

3.30 The PPG does not provide clear guidance on how household formation rate projections should be adjusted in light of such evidence. Prior to the publication of the 2012-household projections, it had become widely used practice in housing need assessments to apply different variants of future household formation rates to those given by the 2011-21 DCLG interim household projections. Typically, the assumption was that these interim projections represented a view of household formation rates that reflected the constraints that resulted from affordability problems and the recession during the 2000s, and that a recovery in household formation rates should be tested to reflect earlier, long term trends.

3.31 The most common approaches to making these adjustments were to:

- Simply extend the trend suggested by the 2011-21 projections to the end of the projection period (ie filling the gap). Typically this was regarded as a dampened view of household growth which extended the recessionary trend.
- Apply the rates of change implied by the earlier, 2008-based projections after 2021 to represent a return to trend and to address the absence of data after 2021 in the 2011-based projections. This approach was accepted by the Inspector at the EiP on the South Worcestershire Development Plan, for example.[17]
- Assume that headship rates returned to the level, or at least towards the level, given by the 2008-based projections by the final year. This represents a catch-up or partial catch up approach.

3.32 These approaches generally drew on the DCLG's 2008-based projections to show the implications of a pre-recession trend in household formation. Before the 2012-based projections, these were the most recent long-term view of future household formation produced by the government. However, it is apparent that the 2008-based projections reflected trends that are present in the 2012-based projections, since they also took as part of their reference period the 1971, 1981, 1991 and 2001 Censuses. Furthermore, the 2011 Census showed that, in many areas, household formation rates had not changed in the way suggested by the 2008-based projections.

3.33 To address this issue, Regeneris has modelled the implications for our demographic projections if household formation rates in the 25-34 year old age group returned by 2029 to the level at which they stood in 2001. The purpose of this adjustment is to provide a view of future household change in which the borough sees some easing of the factors which constrained household formation in this cohort during the 2000s, including accelerating price inflation from the early 2000s and recession later in the decade.

[17] Inspector's Interim Conclusions on the Stage 1 Matters, http://www.swdevelopmentplan.org/wp-content/uploads/2013/02/EX-401.pdf

Table 3.6 Regeneris Starting Point Projections, 2011-29, 25-34 year old headship rate adjusted

	Household Change	Dwellings Change	Annual Dwelling Change	Annual Change in Regeneris Starting Point Projections	Annual Change in DCLG 2012-Based Household Projections
Basingstoke and Deane	**17,455**	**17,870**	**993**	**920**	**936**

Source: ONS 2012-based SNPP; ONS Mid Year Estimates 2011 and 2013; Calculations Using POPGROUP

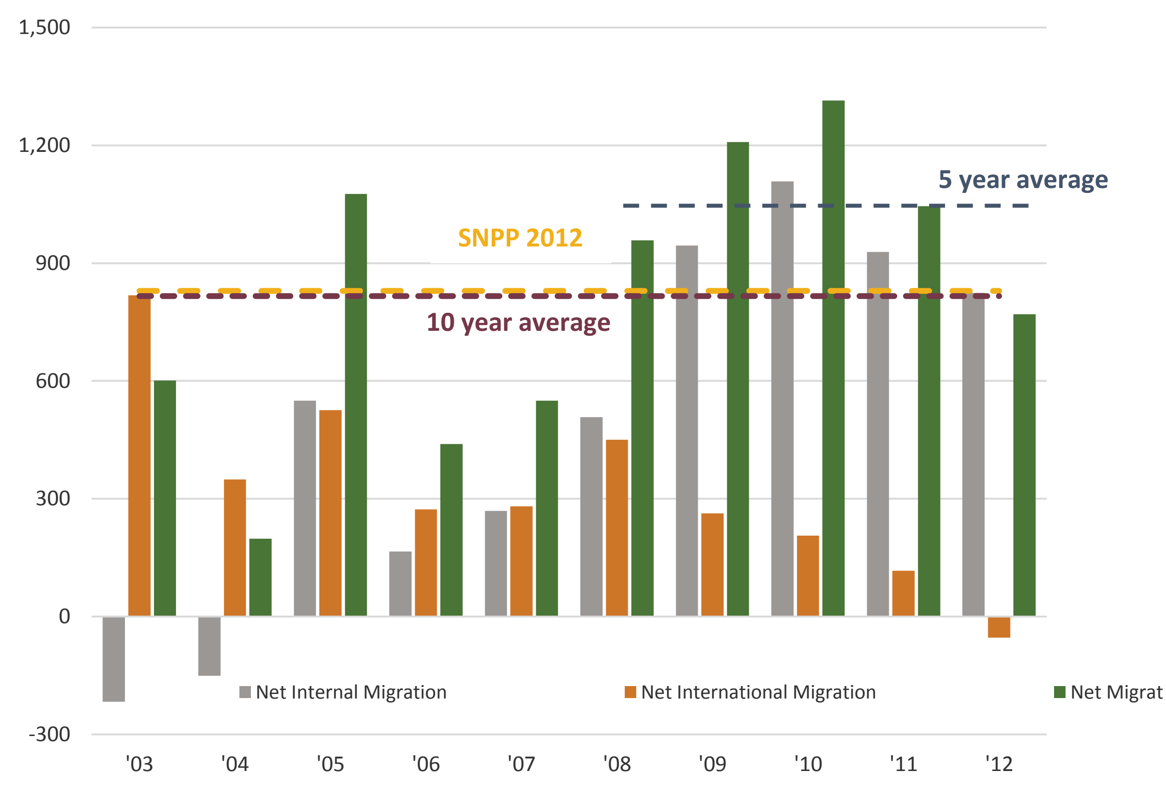
3.34 In this scenario, Basingstoke and Deane's annual housing need rises to 993 per annum, or 8% higher than our starting point projection.

Migration

3.35 The third key factor to consider in adjusting the starting point projections is migration. Assumptions on migration are amongst the more contentious element of any population forecasting. This stems partly from the fact that the measurement of migration is prone to larger margins of error and to uncertainty about the underlying data than births and deaths. The latter is underpinned by a robust system for capturing changes in the population, while migration data are subject both to some estimation and to the complexity of capturing the movement of people within and into the UK. Furthermore, migration is more likely to fluctuate substantially from year to year than these other components of population change.

3.36 The migration component of the 2012-based SNPP draws on migration flows in a 5 year reference period from 2007/8-2011/12 for internal migration, and 2006/7-2011/12 for international migration. The chart below shows how migration flows compare over the 10 years from 2002/3 to 2011/12.

Figure 3.6 Net migration into Basingstoke and Deane, 2003-2012



Source: Revised Mid-Year Population Estimates, Components of Change, ONS; ONS, Sub-National Population Projections, 2012

3.37 The data shows:

- The 2012 SNPP projects average net migration of around +830 a year between 2012 and 2029.
- This compares with a 5 year average from 2008-13 of 1,059. The SNPP 2012 figure is therefore significantly lower (-230 people per annum) than the 5 year average.
- The main differences lie in the domestic out-migration figures in which SNPP 2012 assumes an average of 6,900 per annum compared to 6,700 between 2008 and 2012. International in-migration averages around 810 in SNPP 2012 compared to around 980 between 2008 and 2012.
- However, average net migration in SNPP 2012 is broadly consistent with the 10 year average of 816 (2003-12).

3.38 At first sight, there appears to be a case to consider adjusting the population projections for Basingstoke and Deane to account for the higher average migration figures evident in recent past trends. However, the mid 2000s saw a significant increase in international in-migration to the UK, in part resulting from the accession of new EU member states. The onset of recession (2008-09) also saw the housing market substantially slow, and in some locations this resulted in reductions in out-migration as the rate of housing moves slowed. In some respects, this may be seen as an atypical period, and the grounds for adjusting the starting point projections to reflect this may be questionable for Basingstoke and Deane.

3.39 The closer alignment between SNPP 2012 and the 10 year average suggests that the starting point projections may better reflect longer term trends in migration in absolute terms, although the variations between individual years should be recognised. For this reason, no separate migration adjustment has been made in this report.

Conclusions

3.40 The government's 2012-based household projections provide the most up-to-date source of information to establish the starting point OAN figures for Basingstoke and Deane. These suggest a housing need of around 940 dwellings per annum. Allowing for some return to longer term and more positive trends in household formation rates amongst 25-44 year olds, this figure rises to around 1,000 dpa. In this respect, the starting point projections are consistent with those identified in the Council's May 2015 SHMA evidence.

3.41 The Council's evidence suggests that alternative migration trends would see the OAN figures reduce to reflect lower assumed migration into the borough between 2011 and 2029. These are reasonable scenarios to test, but the implication is that the borough would be able to support fewer additional jobs if the population changed in this way.

4. Economic Drivers of Housing Need

Key points

- The National Planning Policy Framework is clear that plan making should seek to support economic growth (paragraphs 19 and 20) and meet the needs of business. The need for Local Plans to be positively prepared also reflects this emphasis on supporting growth.
- Paragraph 018 (Reference ID: 2a-018-20140306) is clear that plan makers should take account of past employment trends and forecasts, and consider how housing and infrastructure should be located to deal with issues such as insufficient growth in the labour force. The Planning Advisory Service guidance on OAN (June 2014) echoes this advice, setting out the steps necessary to ensure that jobs and housing are aligned.
- Two scenarios are set out for employment growth and related housing need in Basingstoke and Deane. The first is based on the Council's own figure of 700 jobs a year which gives an OAN of 960 to 1,040 dpa, depending on the future path of household formation rates. A second, higher growth scenario is tested for jobs growth of 815 per annum, which gives OAN figures of 1,030 to 1,110 dpa.

4.1 The National Planning Policy Framework (NPPF) is explicit about the need to ***support economic growth***. Paragraph 19 of the Framework states that 'significant weight should be placed on the need to support economic growth through the planning system'. Local authorities are expected to 'plan proactively to meet the development needs of business and support an economy fit for the 21st Century' (NPPF para. 20). Future housing needs therefore need to be set in a manner that fulfils this drive to support economic growth.

4.2 The Planning Practice Guidance (PPG) has underlined the importance the Government has attached to ensuring that Local Plans are supportive of employment growth. Specifically, paragraph 018 of the PPG specifies that plan makers must consider past employment trends and/or forecasts as appropriate in determining whether the full, objectively assessed housing need for the area should be adjusted to reflect economic factors. The PPG also recognises that where the growth of the working age population (ie labour force supply) is less than the projected jobs growth, then plan makers will need to consider how the location of housing provision and infrastructure might address the issue.

Past Trends and the Current Position

4.3 There are some difficulties with assessing past employment trends as a result of a series of changes in the way the government collects and presents business and employment data. To build a picture of how employment has changed in the area, it is necessary to consider both alternative sources of data and different time periods. At a local authority level, employment can change markedly between one year and the next, in some instances as a result of losses or gains in large employers in the area for example. It is therefore prudent to assess the pattern of change from different start and end points, taking account of periods during which economic growth has been strong, and those in which recessionary conditions have prevailed.

4.4 Between 1991 and 2008, the onset of the recent recession, data from Oxford Economics show that Basingstoke and Deane saw growth of around 780 people per annum (+ 13,200) in the number of people working in the borough. This represents a rate of change of around 1% per annum. Change in the total number of jobs was higher at c. 15,600 (or 920 per annum), a figure which includes selfemployed people, government trainees and military personnel, and which also represents a count of the number of jobs rather than the number of people in those jobs. To this end the higher figure does not account for people in more than one job.

4.5 Data on the change in different sectors of the economy from 1991 to 2008 (total employment) show that a wide range of sectors contributed to growth over this period. Together, these sectors accounted for an additional 21,000 jobs. This increase was offset by losses in manufacturing and public administration, giving an overall increase of 15,600.

Table 4.1 Total Employment Change, Key Sectors, 1991-2008

Sector	% Change 1991-2008
Construction	74%
Wholesale and retail trade	14%
Transportation and storage	61%
Information and communication	70%
Financial and insurance	49%
Professional, scientific and tech	54%
Administrative and support	26%
Education	41%
Human health and social work	45%
Arts, entertainment and rec	50%
Other service activities	29%

Source: Oxford Economics, 2015

4.6 An alternative source of past trends data is the government's measure of total jobs growth (ONS Jobs Density). This shows that between 2000 and 2011 the borough saw employment increase by around 640 jobs per annum, although there appears to have been a significant shift between 2000 and 2001 when the number of jobs fell by around 4,000 according to the government's data.

4.7 Looking at more recent change and the current structure of employment in Basingstoke and Deane, the effects of recession are evident in the contraction of construction, transport and financial services between 2009 and 2013. These are industries hard hit by the downturn in property development and consumer spending, with the financial services sector having felt the impact of the global financial crisis. Overall, the data suggest that Basingstoke and Deane saw a slight fall in employment over the period.

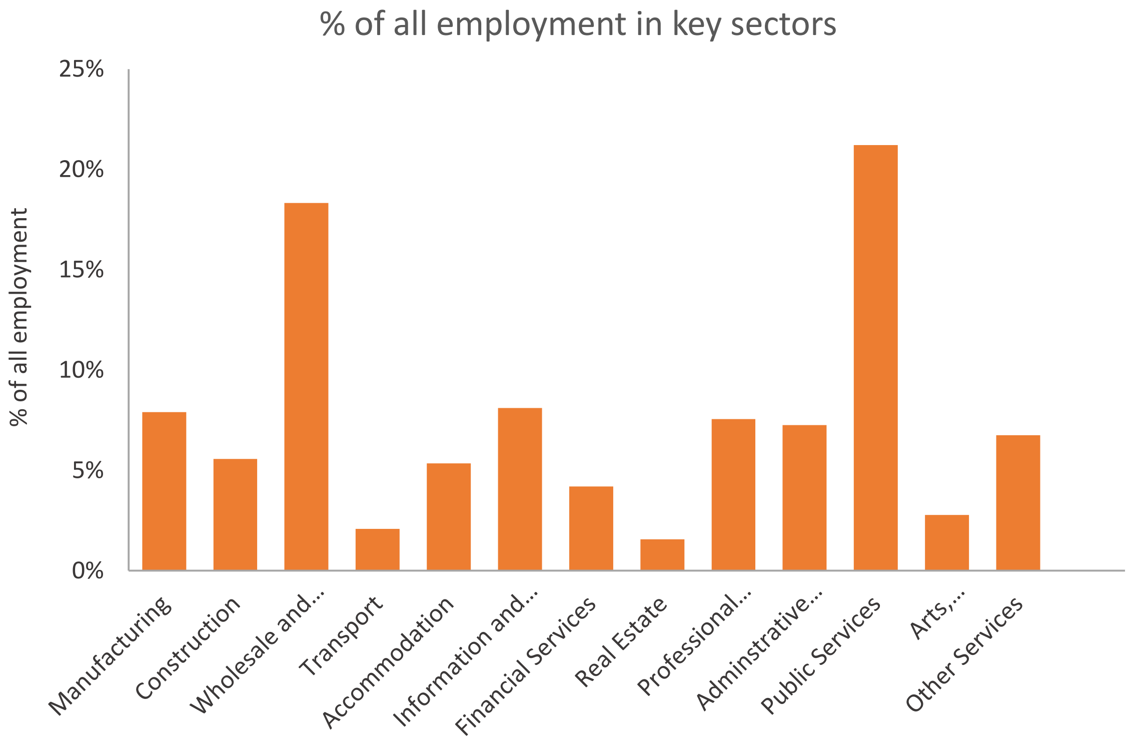
4.8 Some growth has occurred, notably in the information and communication sector where the continued expansion of ICT and digital communications appears to be reflected in Basingstoke and Deane's performance. Modest growth in public sector service employment appears unlikely to be sustained in the short-medium term given public spending constraints. However, the expansion of employment in health and social services is also linked to an ageing population where growing demand requires a response from the public and private sector. Similarly, population change is a driver of demand in the education sector, where increases in the number of children will have an important bearing on employment change in related services including schools and colleges.

Figure 4.1 Employment Change, 2009-13

Source: ONS, Business Register and Employment Survey, 2015

4.9 In terms of the current structure of employment, government jobs data show that Basingstoke and Deane has a broad spread of employment in the service economy, with the wholesale and retail sector standing out as a key source of employment. This is consistent with an area in which a major service centre is located and with a substantial resident population. It is also likely to reflect its accessibility to a much wider population in neighbouring local authority areas.

Figure 4.2 Current Employment Structure in Basingstoke and Deane (2013)



Source: ONS, Business Register and Employment Survey, 2015

4.10 Taking the 20 year period from 1991 to 2011 the data suggests that the borough saw total employment increase by around 690 jobs a year, based on Oxford Economics' analysis. This represents a long term trend that includes both periods of strong growth and the effects of the sharp downturn that began in 2008.

4.11 This analysis of past trends highlights some of the uncertainties involved in drawing on past trends data as a guide to future jobs growth. Different sources of data and different time periods show a broad range of past trajectories, with the impacts of recession clearly influencing the overall trend.

4.12 However, the past employment trends data does not suggest there is any strong justification for the lowest of the jobs growth scenarios (450 per annum) tested by the Council (May 2015 SHMA), which is included in the Proposed Main Modifications Local Plan document as part of the target employment growth range.

Forecast Employment Growth

4.13 Employment forecasts provide the second of the potential adjustment factors the PPG suggests should be considered in housing need assessment (para. 018). It is good practice to consider alternative sources of forecasting data in arriving at a forecast based view of the potential scale and characteristics of future jobs growth. Independent forecasting houses such as Experian, Oxford Economics and Cambridge Econometrics make different assumptions in their modelling of future growth, and may base their analysis on a range of starting points and past trends data.

4.14 To assess the implications of forecast jobs growth our starting point has been three main sources of data:

- Basingstoke and Deane Council's own forecast evidence drawn from the May 2015 Employment Land Review (Appendix A). Based on Cambridge Econometrics forecasts, this shows a growth rate in the borough of 0.7% per annum, 2011-29, equating to 700 additional jobs a year.
- Oxford Economics forecast data obtained by Regeneris in April 2015 which shows total employment growth of 852 jobs a year, 2011 to 2029. This equates to a growth rate of 0.84% per annum. To this figure Regeneris allows for the number of people holding two jobs, which ONS Annual Population Survey data records at 4.4% on average between 2011 and 2014. This gives annual jobs growth of 815 per annum.
- An earlier, higher figure of 1,168 jobs per annum. This is based on the Council's own labour demand scenario in its 2014 Employment Land Review which draws on Experian Local Market Database forecasts (Spring 2013).[18]

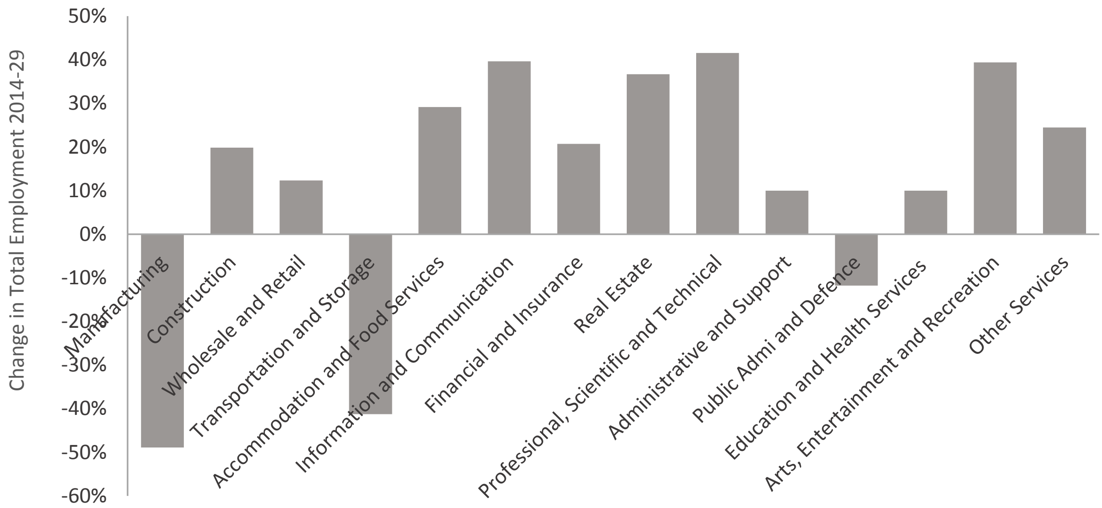
4.15 Forecasts for the key sectors from the Oxford Economics forecasts are shown in the chart below (total employment change). They point to strong growth in a range of service sectors (business and professional services), construction, arts, entertainment and recreation. More modest growth is forecast in accommodation and food services. The forecasts point to the potential for some growth in financial and insurance services, retail, education and health services.

4.16 However, both manufacturing and distribution jobs are forecast to decrease. The latter is perhaps surprising given the borough's strengths as a location for the sector and evidence that the sector is bouncing back from the recession in terms of demand for new floorspace and land.

4.17 These forecasts are consistent with both the diversity of the borough's employment base, and with past growth referred to earlier in this section. They reflect a borough with a growing population which will create demand for a range of private and public services, coupled with national forecasts which suggest that growth generally will be driven by the service economy, with business services expected to be a prominent feature of future growth.

[18] Basingstoke and Deane Council (February 2014) *Employment Land Review (ELR)*

Figure 4.3 Change in Sectors, Total Employment, 2011-29

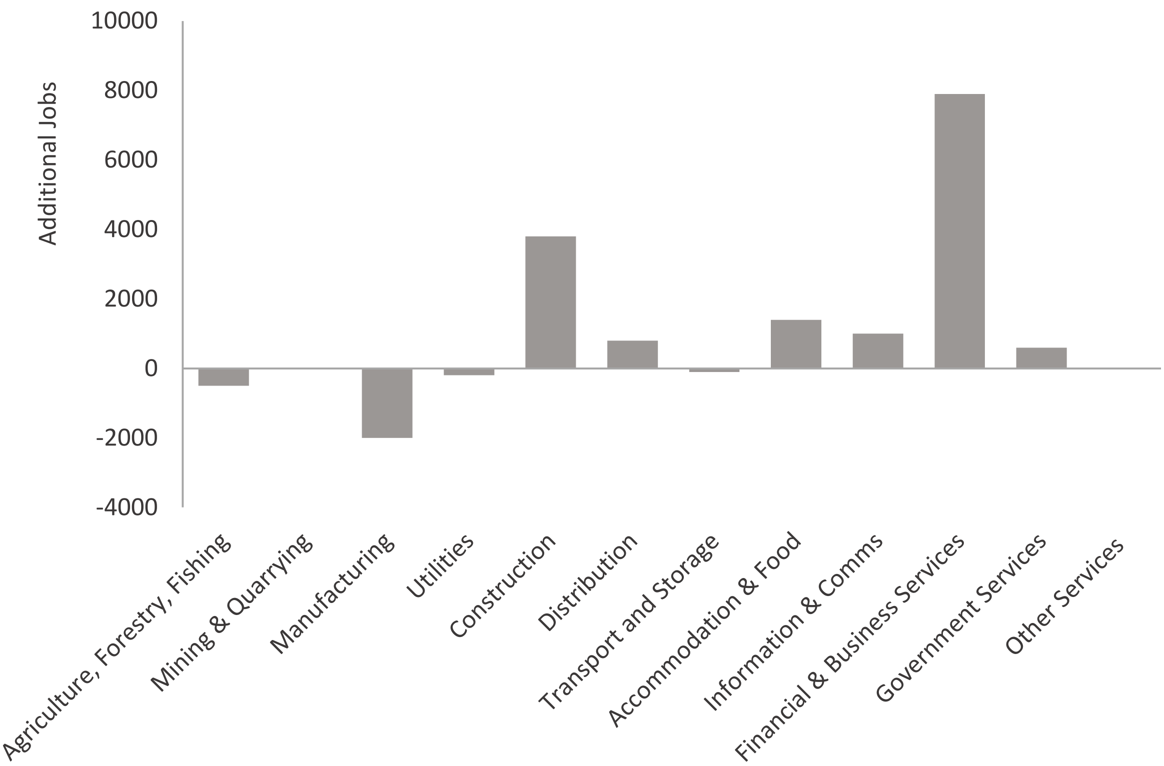


Source: Oxford Economics, 2015

4.18 The recently published Council Employment Land Review (May 2015) presents a new set of employment forecasts for Basingstoke and Deane (appendix 1). They show that the borough is forecast to see total jobs growth averaging 700 per annum from 2011 to 2029 (+12,700) equating to a growth rate of 0.7% per annum (713 jobs).

4.19 The Employment Land Review update does not provide percentage change figures for the employment forecasts. However, it shows the level of growth in 12 sectors. Broadly, these are consistent with the drivers of growth identified in the Oxford Economics forecast. Business and financial services, information and communications, construction and accommodation & food services all see increases in employment, with growth driven by financial and business services.

Figure 4.4 Change in Total Jobs By Sector, 2011-29, Council Employment Land Review update



Source: Basingstoke and Deane Borough Council (2015) *Employment Land Review Update,* Table 4, Appendix 1

4.20 The 2015 Employment Land Review update also suggests that the figure of 700 jobs a year given by the Cambridge Econometrics forecasts for Hampshire is 'broadly consistent' (para. 3.2.6) with the implied figures from the Enterprise M3 Local Enterprise Partnership's target identified in its Strategic Economic Plan. It is not entirely clear how the figure of 700 jobs a year squares with the growth rate of 'just under 1% per annum' (para. 3.2.4). Based on a starting point total jobs figure of 96,000, the implication would seem to be a figure nearer to 900 per annum over the Local Plan period, and one which is not inconsistent with the Oxford Economics figures used in this section of the report.

4.21 What emerges from this analysis of the forecasts is that all three sets of forecasts suggest future employment growth which is well in excess of either of the lower figures (450 jobs a year, 600 jobs a year) tested by the Council in the May 2015 SHMA Update. The CE figure is the lowest of the three at 700 jobs a year, with Oxford Economics (852) and the earlier Experian forecast (1,186) somewhat higher.

4.22 Some caution is needed in drawing on local employment forecasts as a guide to future growth:

- Such forecasts tend to be less reliable at a district level, since they are based in part on national forecasts disaggregated first to a regional, then to a local level.
- Forecasting houses acknowledge that forecasts become more uncertain the further into the future they extend. This reflects the extent to which a complex array of factors influence change in employment, such as the effects of sudden shocks to the economy (for example, the banking crisis), large employers relocating or closing, and structural changes in particular industries in response to competition or technological change. For this reason it is sensible to consider alternative forecast outputs.

4.23 In summary, it is reasonable to consider at least two alternative employment growth scenarios for the borough. The first is the 700 per annum figure used by the Council, which provides an up-to-date view of how employment might change. We have also tested a higher growth figure based on the Oxford Economics forecasts for total jobs growth of 852 a year 2011-29. This figure is then adjusted to take account of double jobbing. Data on this issue are produced by the ONS in the Annual Population Survey, but are based on a small sample so are subject to wide margins of error. For the period from 2011 to 2014 they show that an average of 4.4% of Basingstoke's residents held second jobs, and we apply this to the OE total jobs figure. This gives total jobs growth of 815 per annum, 2011-29.

Modelling Assumptions

4.24 To establish the number of additional dwellings required to support future employment growth, a number of assumptions are made about the relationship between population, the labour force and jobs, and the way these change over the plan period

Economic Activity Rates

4.25 Where demographic projections show that the increase in the borough's labour force is insufficient to support forecast or targeted jobs growth, our modelling like that of the Council assumes that additional in-migration is necessary to provide the extra labour force. The size of this labour force is determined in part by the assumptions about how many people are expected to be economically active. If economic activity rates in some age groups are assumed to increase, one implication is that fewer in-migrants would be required since the borough would be able to meet more of its future labour force needs from within its resident population.

4.26 Regeneris makes adjustments to economic activity rates for all age groups from 55-74. The details of these adjustments are set out in Appendix A. They effectively assume that rates in older age groups will increase significantly over the plan period.

Unemployment

4.27 Changes in the unemployment rate are a second factor determining the number of jobs that the borough's population would support in the future. Any fall in unemployment assumed in the modelling also has an impact on housing need in that it would imply extra working residents from within the borough's resident population. In the modelling this would also reduce the need for additional in-migrants to support jobs growth.

4.28 Regeneris assumes that unemployment, which stood at 4.2% in Basingstoke and Deane 2011 based on the Census results returns to a longer-term historic low of 3.3% by 2018. This is the average rate recorded between 2005 and 2007 (both years included) at the high point in the previous economic cycle according to the Annual Population Survey. After 2018, the unemployment rate in Basingstoke and Deane remains constant.

Commuting Ratio

4.29 To account for the relationship between the size of the borough's resident labour force and the number of jobs in the borough we apply a commuting ratio drawn from the 2011 Census. This gives a ratio of 1.06, a figure consistent with the main scenario used by the Council. In the absence of strong evidence to suggest that this might change significantly in the future, Regeneris has kept it constant throughout the projections.

Housing Need

4.30 The housing need implied by our modelling of the Council's 700 jobs a year figure is shown in the table below. This compares with a range of 1,004 to 1,092 dpa in the Council's main scenario for this jobs growth figure.

Table 4.2 Basingstoke and Deane housing need 2011-29 (+700 jobs per annum)

Total implied employment change		+700 pa	
Population	Economically active (labour supply)	+12,550	
	Total Population	+33,650	
Housing		2012-based rates	Adjusted 25-34 year olds
	Households	16,900	18,215
	Dwellings	17,300	18,650
	Annual Dwellings	961	1,036

Source: Regeneris Consulting, 2015 using POPGROUP

4.31 The higher jobs growth figure of 815 per annum, which is based on the Oxford Economics forecast, generates housing need figures summarised in the table below.

Table 4.3 Basingstoke and Deane housing need, 2011-29 (+815 jobs per annum)

Total implied employment change		+815 pa	
Population	Economically active (labour supply)	+14,500	
	Total Population	+37,040	
Housing		2012-based rates	Adjusted 25-34 year olds
	Households	18,140	19,490
	Dwellings	18,570	19,950
	Annual Dwellings	1,027	1,110

4.32 The focus of this assessment is Basingstoke and Deane. However, it is necessary to consider the implications of future employment growth in the borough and the demand this will generate for labour and housing in the context of its relationship with the wider area in which it is located:

- The Council's 2015 SHMA Update suggests that a fall in the commuting ratio would reduce the amount of additional housing required to support jobs growth of 700 per annum. This implies that the Council considers there to be potential for the borough to claw back out-commuters from the wider area.
- Although the Council's evidence does not discuss the potential for this shift in the ratio to be driven by an increase in in-commuting, some consideration should be given to the potential for other districts to supply labour to Basingstoke and Deane.
- Any potential shortfalls in the housing provision that other areas make in relation to OAN could give rise to additional pressure on housing in Basingstoke and Deane, and vice versa.

4.33 How far Basingstoke and Deane could rely on increased commuting to the borough from other areas, and/or a reduction in out-commuting, are complex questions. The quality and range of future jobs in the borough and elsewhere, the proximity of new jobs to housing, the costs and practicalities of travel to work and the fit between residents' skills and employers' requirements are among the factors that will determine how labour demand and supply play out.

4.34 The figures for Basingstoke and Deane in this section assume that the relationship the borough has with its wider area is broadly stable over the plan period, since there is no clear and robust evidence to suggest that any significant and permanent shift in the commuting balance is likely to occur. It is possible that new job creation in the borough encourages more residents to work close to home and more people to commute to the borough. Conversely, in an economically dynamic area of the country it is conceivable that strong employment growth occurs in Basingstoke and Deane's neighbouring areas, such that they generate more demand for the borough's residents so that out-commuting increases.

4.35 Any assumed change in commuting in the borough's OAN and in the housing requirement the borough sets are matters which should be agreed in dialogue with other local planning authorities through the duty to cooperate.

Conclusions

4.36 The assessment of past employment trends and forecasts suggests that an uplift to the starting point projections is necessary for Basingstoke and Deane. Drawing on the forecast used by the Council itself (700 jobs a year 2011-29), the OAN would range from 961 to 1,036 dpa depending on the assumptions about the future path of household formation rates that are applied. For higher growth of 815 jobs a year, these figures increase to 1,027 to 1,110 dpa.

4.37 Given the emphasis in the NPPF on the need for planning to support economic growth, an OAN which would support a robust rate of jobs growth in the borough should provide the minimum OAN figure. This suggests a range from 1,036 to 1,110 dpa. The Council's own evidence acknowledges that planning on the basis of 700 jobs growth per annum would be most consistent with positive planning, and analysis of past trends data suggests that this is a rate of growth which the borough has achieved previously.

5. Market Signals

Key Points

- Housing need assessments must take account of a range of market signals evidence. The NPPF identifies it as part of the evidence that should be taken into account in plan making (para. 17). The PPG specifies that market signals should be considered (para. 019) and adjustments made to the OAN figures if adverse evidence points to the need for additional housing to assist in easing affordability and other related problems.
- The ratio of lower quartile house prices to gross annual median quartile wages is a key measure of housing affordability. This stood at 7.7 in the borough in 2013, significantly above the ratio of 3.5 considered reasonable by the DCLG and is likely to have worsened further in view of recent higher price inflation. The rate at which this ratio has worsened has been higher than that of England or Hampshire in the long term, but lower than that of some of the districts in the wider area considered in this report.
- On other indicators of affordability, a similar picture is evident. The borough's position is comparatively worse than the England or Hampshire average on some indicators, although some of the higher priced districts in the area have seen their position worsen more substantially than that of Basingstoke and Deane.
- The Council itself has recognised the problem that affordability presents to residents of the borough. The Submission Local Plan (p.17) identifies affordability as one of the key problems to be addressed by the Plan. The May 2015 SHMA shows that a substantial proportion of households earn less than the income necessary to own or rent a home.
- On the balance of the market signals evidence, there are grounds to adjust the starting point housing need figures, as PPG specifies. The evidence reinforces the need to plan housing provision at the levels suggested by the employment led scenarios presented in this report.

5.1 Basingstoke and Deane's future requirements for affordable housing need to be considered as part of its overall requirement. In its own right, this is a core requirement of the objective assessment of future need identified in the NPPF. The recently published Government guidance on the assessment of housing and economic development need states that current, unmet need, estimated future affordable need and the availability of the supply to meet this need should be taken into account in setting the requirement. Planning Practice Guidance (PPG, para. 019) states that:

- "The housing need number suggested by household projections should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings. Prices or rents rising faster than the national/local average may well indicate particular market undersupply relative to demand".
- "A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections".
- "In areas where an upward adjustment is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other

indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be".

Affordability

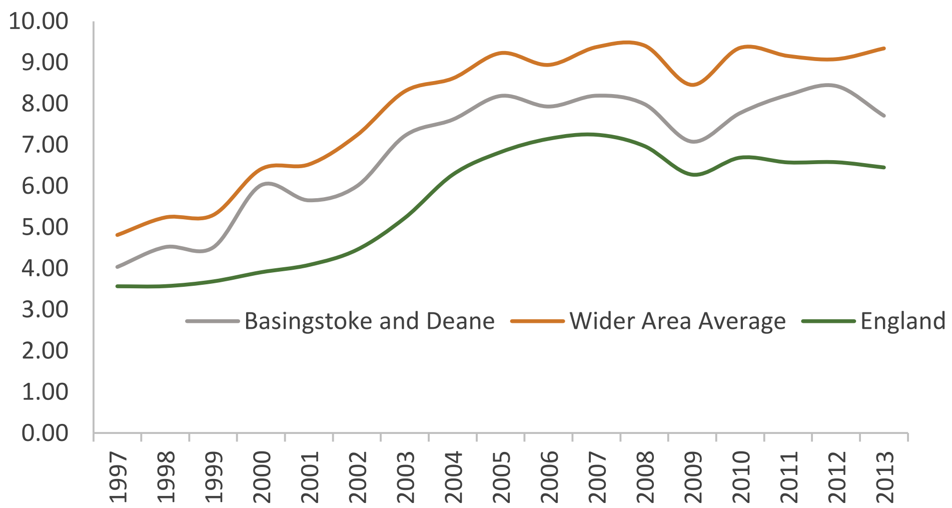
Lower Quartile House Prices to Earnings Ratio

5.2 Affordability ratios give an indication of the accessibility of an area's housing market to local residents. As illustrated in the chart below, Basingstoke and Deane's lower quartile house price to earnings ratio stood at around 7.7 in 2013. This is higher than the national average (6.45) and has been consistently so between 1997 and 2013. Despite being lower than the wider area as a whole, it remains significantly higher than the ratio of 3.5 recommended as affordable by DCLG.

5.3 Over the long term since 1997, the borough's lower quartile affordability ratio has increased by 91%, an increase higher than that of England (81%) and Hampshire, and two of the local authority areas with which the borough shares boundaries (West Berkshire, Winchester). It is a lower increase than that of other local authorities (Reading, Wokingham, Hart).

5.4 In the shorter term, Basingstoke and Deane's affordability ratio has been on a worsening trend since 2009 (+9%) to a greater extent than the national average (+2.3%) and similar to that of the wider area as a whole (10.5%). This upward trend in recent years suggests a worsening of affordability conditions.

Figure 5.1 Lower Quartile House Price to Earnings Ratio, 1997-2013



Source: DGLG Live Tables; table 576

5.5 Lower quartile price:income is amongst the key indicators of affordability in assessing housing need. It represents the segment of the market which should be most accessible to those on lower incomes and market entrants including younger people. Basingstoke and Deane Council's May 2015 SHMA Update puts the issue clearly:

'The minimum household income required to access lower quartile priced owner occupied property would be £32,000. This is not accessible to 41.1% of the borough's population' (para. xi).

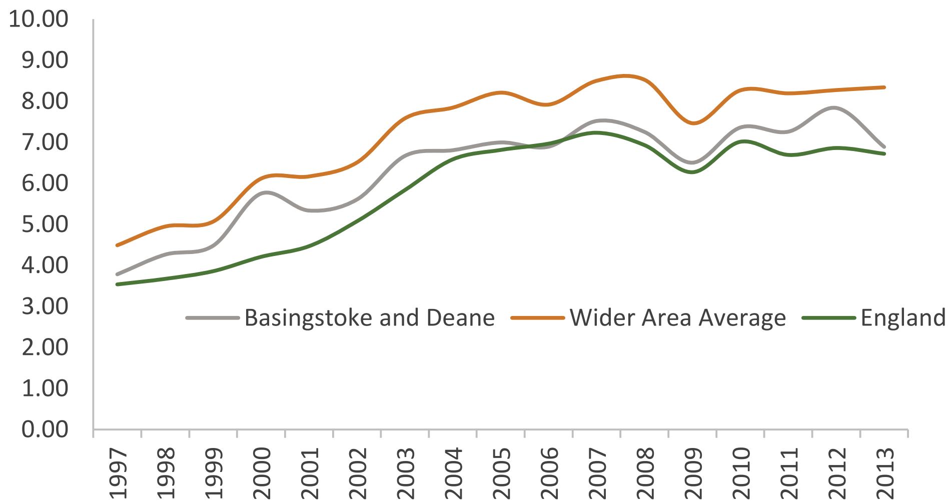
5.6 In affordability modelling in the 2015 SHMA, the Council shows that 28% of the borough's population have a household income below £23,000 (p.105).

5.7 The clear message from this element of the market signals evidence is that, while the borough may not stand out for a trend that is significantly worse than other areas, affordability has worsened and presents a problem in buying homes for a significant proportion of the borough's population.

Median Quartile House Prices to Earnings Ratio

5.8 The ratio of median quartile house prices to gross annual median quartile wages is another key measure of housing affordability. The ratio for Basingstoke and Deane remained above the England average for the large majority of the time period shown, in the figure below and reached a high of 7.8 in 2012. The ratio in Basingstoke and Deane in 2013 (6.9) and the wider area as a whole exceeded the England average of 6.7 and stood significantly above the ratio of 3.5 considered affordable by the Department of Communities and Local Government.

Figure 5.2 Median Quartile House Prices to Earnings Ratio, 1997-2013



Source: DCLG Live Tables, Table 577

5.9 The median house price to earnings ratio in Basingstoke and Deane currently stands higher than that of both Rushmoor and West Berkshire. Standing 67% above the England average with a ratio of 11.3, East Hampshire currently presents the least affordable adjoining authority by this measure. Although there was a brief closing of the affordability gap between house prices and earnings in most areas at the beginning of the economic downturn in 2008, the data shows that the price-to-income ratio has largely climbed back to its pre-recession peak, or in some cases exceeded that level.

5.10 Over the longer term since 1997, the median price-income ratio in the borough worsened by a slightly lower percentage (82%) than the Hampshire average, and was also lower than the England average (90%). On this indicator affordability has not worsened at a sharper rate in the borough than other areas.

Private Rents

5.11 With a sizeable number of households likely to be unable to afford to buy homes in the borough, the private rented sector represents an important market in meeting housing needs. The Council's own evidence suggests that the affordability of private rented property has worsened since 2011, and the key points of its analysis (p.120 and Table 7.7) show that:

- 85% of single people on the Council's housing register could not afford even entry level private rents.
- 52% of couples on the register could not afford to rent a 1-2 bedroom property.
- 34% of all households could not afford to rent a 2 bedroom property at lower quartile prices.
- No data are given on private rents and affordability for 3 bedroom and larger properties. The inference is that affordability must be significantly worse for private rented family homes.

5.12 While the Council's evidence highlights some of the challenges for the borough's residents, it does not indicate whether the borough compares more or less favourably to other areas. Data from the Valuation Office Agency on the private rental market is available from 2011 to 2014 which provides only a relatively recent picture of the private rental market in the area. However, it is a useful indicator of short term trends in the market.

5.13 In all types of housing the increase in lower quartile private rents in Basingstoke & Deane between 2011 and 2014 has outstripped the national average. The highest growth has been in 4 bedroom properties at 20% against a national average of 0.6%, a figure also higher than any district in the wider area considered in this report. However, this could be indicative of a scarcity in this specific property type than a wider issue. Across 1, 2 and 3 bedroom properties, Basingstoke & Deane saw similar rises to those experienced in the wider area with Rushmoor, Reading and Wokingham standing out as the areas which have seen the biggest increases in rental prices.

5.14 Some caution is needed in interpreting a short-term trend as an indicator of worsening affordability. Nevertheless, affordability is clearly recognised as a challenge for the borough's residents in this segment of the housing market.

Housing Waiting Lists

5.15 Local Authorities' housing waiting lists are a good indication of the extent of the shortfall in housing provision. There are a significant number of households waiting for appropriate local housing in Basingstoke and Deane; currently there are over 7,500 households on the Council's waiting list which is the highest number over the last ten years. This figure is the second highest of the areas considered in this report after Reading with almost 9,700 households.

5.16 Government (DCLG) data provide long term data on change in the number of households on local authority waiting lists since 1997. The data shows that the waiting list increased in Basingstoke and Deane by close to 4,000 between 1997 and 2014. This represents a 113% increase, a higher increase than the national and county average, and higher than that of some of the districts in the wider area.

5.17 Although these absolute figures directly represent households that need to be housed, they present the best picture of whether an area has high waiting lists relative to the population as a whole. In 2013 Basingstoke & Deane had 39 households per 1,000 people. Again this is second only to Reading and significantly higher than the England average of 31.

Occupancy Rating

5.18 Occupancy rating data are treated as an indicator of overcrowding. Essentially, this data shows whether a household has a sufficient number of rooms to meet its needs. A rating of -1 or worse implies that a household lacks at least one room it needs, and this is regarded as a sign that a household may be living in overcrowded conditions.

5.19 Census 2011 data reveals that 5.5% of households (3,800 households) in Basingstoke and Deane were classified as having an insufficient number of rooms to meet their requirements. This compares to 4% (2,700) in 2001, showing that the number has increased markedly.

Table 5.1 Occupancy Rating (Rooms), 2001 and 2011, Rating -1 or lower

	2001	2011
England	7.1%	8.7%
Basingstoke and Deane	4.3%	5.5%
Reading	11.0%	13.6%
Winchester	4.1%	5.5%
East Hampshire	4.1%	5.0%
Hart	3.5%	3.9%
Rushmoor	7.1%	10.1%
West Berkshire	4.7%	5.0%
Wokingham	3.4%	3.7%
Test Valley	3.1%	4.0%

Source: ONS, 2001 and 2011 Census

5.20 Comparison with local authorities in the wider area shows that the borough's increase has been higher than some (West Berks, Wokingham, Hart, East Hampshire) but lower than that of others. The scale of the increase is higher than that of England.

Concealed Families

5.21 Concealed families are those that wish to form a separate household but are unable to do so due to the unaffordability of local market housing and an undersupply of affordable housing. Research undertaken for the 2013 UK Housing Review[19] highlights the extent of growth in hidden households and especially among the youngest age brackets[20]. Data from Census 2011 shows that there are around 750 concealed families in Basingstoke and Deane, constituting around 1.5% of all families in the borough. Although the proportion is lower than both the England average of 1.9% and the wider area average of 1.6%, it has grown significantly from 440 families, constituting 1% of all families in 2001. The scale of increase has been slightly higher than the average for England, but lower or higher than the districts in the wider area.

House Prices

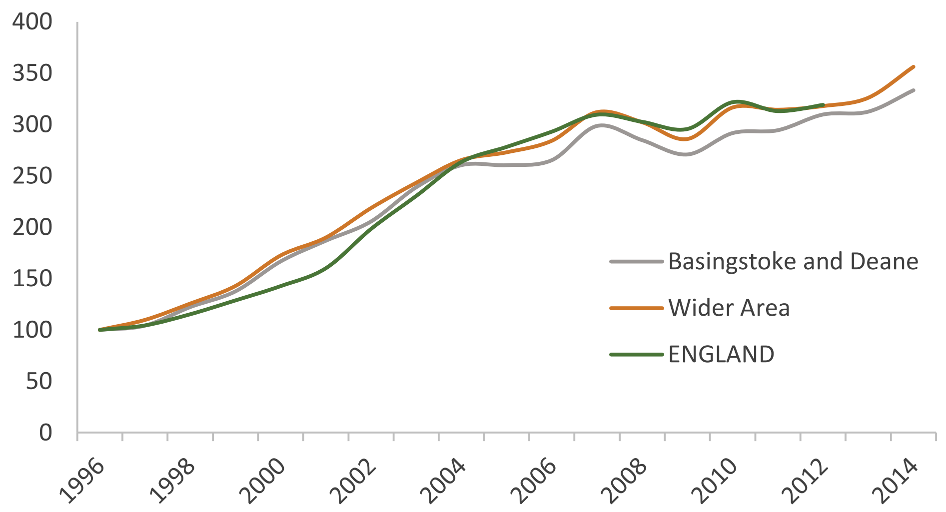
5.22 According to the Land Registry data, the median house price in Basingstoke and Deane stood at around £240,000 in 2014. This represents a 6.3% rise from 2013 which saw relatively slow price growth. Although Basingstoke & Deane's house price growth has been relatively slow over the past

[19] Pawson, H., Wilcox, S. (2013). 'UK Housing Review'. http://www.york.ac.uk/res/ukhr/index.htm

[20] blogs.ft.com/ftdata/2013/03/04/housing-supplydemand-malfunctions-data-reveals-over-1-million-hidden-households/?

10 years (around 40% compared to 85% nationally from 2004 to 2012), the median house price in 2012 was 22% higher than that of England. Figure 5.3 shows that although relative price growth has slowed since 2004, on the current trajectory it is unlikely to make much of an impact on affordability in the area, particularly in lower quartile income groups.

Figure 5.3 Median House Prices (1996=100)



Source: DCLG Live Tables, Median House Prices based on Land Registry Data;
Note: Land Registry Data used for 2013-14

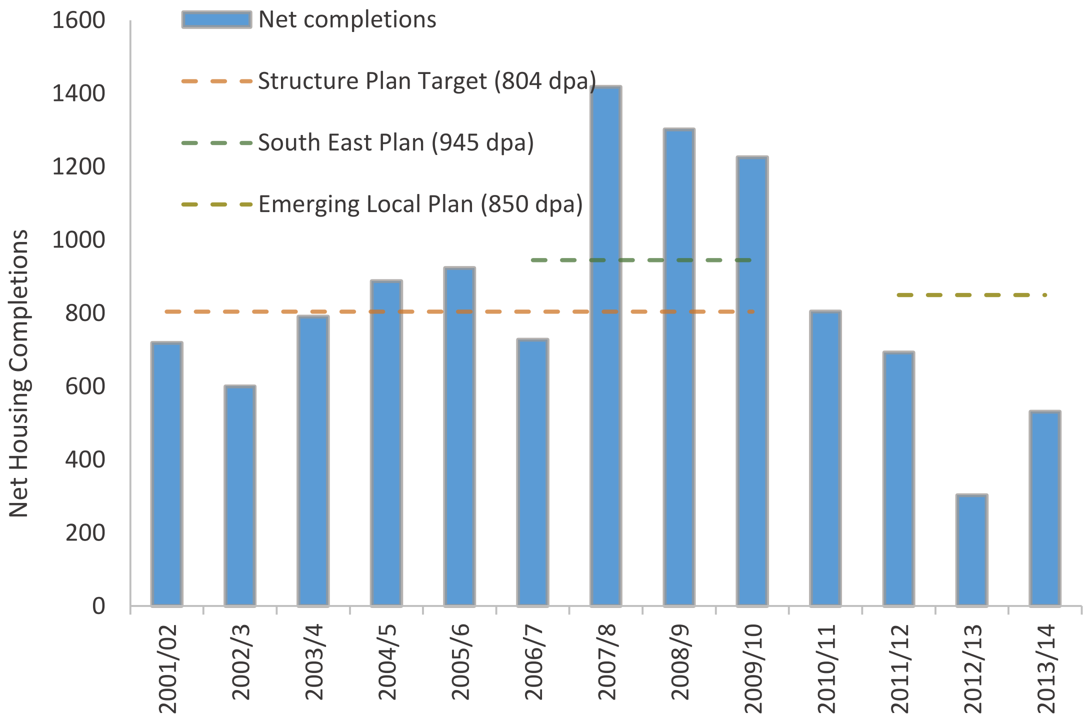
Delivery Rates

5.23 The PPG (para. 020) also specifies that housing development rates should be considered in any assessment of housing need. The data shows that, while the borough exceeded the former Structure Plan target of 804 in several years during the 2000s, its recent track record has been a rate of delivery well below that of its emerging Local Plan figure of 850 dpa. The 5 year average (2009/10 to 2013/14) stood at 711 dpa, while the 10 year average stood at 881 dpa, a figure influenced by a high rate of completions from 2007 to 2009.

5.24 While Basingstoke and Deane has not under-performed against its target to the extent seen elsewhere, it nevertheless appears to have a significant emerging shortfall. Taking only the period from 2011/12 to 2013/14, there would be a shortfall of 1,023 dwellings against the emerging Local Plan figure of 850 dpa.

5.25 Recent delivery rates, which have been well below target, could contribute to a worsening of the borough's affordability problems since they represent a shortfall of supply against assessed demand.

Figure 5.4 Net Housing Completions and Targets, 2001-14



Source: May 2015 SHMA Update, p.69 and Annual Monitoring Reports

Summary

5.26 The market signals evidence is summarised in the table below.

Table 5.2 Market Signals Evidence Summary

Indicator	Comment
Lower quartile price: income ratio	7.7 ratio higher than England average. Worsening of ratio since 1997, with increase higher than that of England or Hampshire, but lower than that of some districts in wider area.
Median price: income ratio	At 6.9, higher than England average but rate at which it has worsened since 1997 slightly lower than England or Hampshire.
House prices	Rate of change has broadly tracked the average for England and Hampshire. Comparatively more affordable than several of the districts in the wider area.
Local Authority Waiting List	Substantial increase of close to 4,000 (113%) since 1997. Increase higher than the England or Hampshire average, but lower or higher than districts in the wider area.
Overcrowding	Increase in number of households with occupancy rating of -1 or worse between 2001 and 2011 and represents 3,900 households (5.5% of all households). Scale of increase worse than that of some districts in wider area and of England.

Concealed Families	Significant increase between 2001 and 2011 (1% to 1.5%) of all families, but figure lower than that of England and Hampshire average.
Delivery Rates	Recent under performance against targets results in indicative shortfall of 1,000 against emerging Local Plan target.

Conclusions

5.27 While the PPG establishes that an upward adjustment to housing need figures should be made in light of adverse market signals evidence, it does not specify how this adjustment should made. Instead, it indicates only that the adjustment should be 'reasonable' (para. 020) and that the worse the problems, the larger the adjustment should be.

5.28 What underlies this recommendation is the understanding of a direct relationship between increases in the supply of housing and price. This was central to the Barker Review (2004) which identified the need for a substantial increase in the supply of housing across England if a worsening affordability problem was tackled. Amongst the report's recommendations was the need to provide an additional 70,000-120,000 homes a year above current delivery rates.

5.29 In the intervening period, it is widely accepted that England has continued to fall short of the levels of house-building that would contribute to easing housing price inflation. The effects of recession had far reaching impacts on both the construction industry and on consumers' ability to buy and rent homes. Delivery of around 130,000 homes compares with an implied need for 220,000 homes from the government's household projections nationally, underlining the persistent gap between the rate at which homes are being completed and indicative housing need.

5.30 The market signals evidence considered in this section presents a mixed picture for Basingstoke and Deane compared with other areas. While there is some evidence that the borough has seen worsening trends in comparative terms with England and Hampshire, it is also clear that some of the local authorities in the wider area have seen a more substantial worsening of affordability ratios, prices and other indicators of housing market stress.

5.31 The PPG (para 020) makes it clear that:

- Market signals evidence should be assessed in terms of absolute levels and rates of change.
- That worsening trends on <u>any</u> of these indicators <u>will</u> require upward adjustment to the numbers given by the household projections.

5.32 There are grounds for considering at least some upward adjustment to the starting point projections to reflect evidence that affordability represents a key challenge for many households in the borough, and that there has been a worsening position. However, given the evidence that other areas are both in a comparatively more adverse position and have seen their position worsen more significantly than that of Basingstoke and Deane, the scale of uplift should reflect this.

5.33 While the PPG is clear about what evidence should be assessed, it is not clear about how any adjustment should be arrived at, only that it should be reasonable. The issue has been considered at length in examinations in public and section 78 inquiries since the publication of the PPG, but no consensus is emerging on how an adjustment should be factored in. There are four ways of considering an adjustment:

- In recent Inspector's conclusions following examinations in public at Eastleigh and Uttlesford, a 10% uplift to the starting point figures was applied to represent a reasonable

regeneris
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adjustment.[21] Applied to Basingstoke and Deane, this would imply a starting point of 1,010 to 1,030 dpa based on the Regeneris starting point projections. This represents a reasonably significant uplift.

- Take account of the uplift for economic factors. The Regeneris assessment points to housing need of 960 to 1,100 to meet employment growth related housing need. These figures represent a c. 3% to 17% uplift on the starting point figures. The lower figure would represent only a very modest increase while the highest figure would provide a significant increase over starting point housing need.
- Adjustments to household formation rates for 25-34 year olds. The adjustments made by Regeneris to the household formation rates in 25-34 year olds give starting point figures of 920 to 990 dpa, and a range of 1,030 to 1,100 dpa with the employment adjustments. These household formation rate adjustments are intended to reflect a situation in which the propensity of people in this age group to form households increases and improves compared to the 2012-based starting point projections. In this respect it assumes that the affordability problems which have been a key factor in recent household trends in this cohort become less acute over the plan period. This may be regarded as a market signals adjustment in its own right.
- Finally, the OAN figures suggested in the Regeneris assessment represent a substantial increase on the delivery rates the borough has achieved in recent years. Even the starting point figures are 4-7% higher than the average rate achieved in the 10 years from 2004-14 (880 dpa), and significantly higher (c.30%) than the rate achieved in the past 5 years. Sustained delivery at these higher levels in relation to past rates might be expected to exert some influence on price inflation, particularly if similar increases are occurring in the wider area.

5.34 On the balance of the evidence, this assessment of market signals evidence reinforces the grounds for planning housing provision at the levels suggested by the employment led figures presented in this report.

[21] The Planning Inspectorate (February 2015) *Report to Eastleigh Borough Council,* para. 41*; Examination of the Uttlesford Local Plan (ULP)*, Inspector's Conclusions, EX 157, para. 1.10

6. Affordable Housing Need

Key Points

- Paragraph 029 of the PPG establishes that affordable housing need should be considered in the context of overall housing need. An uplift in total housing figures (OAN) should then be considered where it would help deliver the required number of affordable homes.
- The most recent Council evidence (May 2015 SHMA) points to two scenarios for affordable need which give figures of 319 to 917 dpa. The higher figure includes a large segment of the borough's population which does not meet the criteria for the most acute needs, but which the Council's evidence recognises has significant difficulties accessing housing.
- Past completions data show that the borough has on average achieved delivery of 25-28% affordable homes of all completions. Recent affordable delivery has increased markedly in years when total completions also peaked. The Submission Local Plan target of 40% affordable delivery in all market led developments therefore appears unlikely to be achieved given past performance and current constraints on funding for affordable development.
- At a delivery rate of 30%, a need of 319 affordable homes a year would point to an overall figure of around 1,060 dpa. This lends further weight to the grounds for planning provision at the level required to meet employment growth and respond to market signals identified in this report.

6.1 Paragraph 47 of the NPPF requires that local planning authorities establish the need for market and affordable housing in the housing market area. The method for assessing affordable need is set out briefly in the Planning Practice Guidance, which follows an approach well established in earlier government guidance.

6.2 Having identified this need, the Planning Practice Guidance (para. 029 Reference ID: 2a-029-20140306) specifies that it:

'… should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes'.

6.3 This section draws on the most recent evidence available on affordable housing need in Basingstoke and Deane. This is set out in the May 2015 SHMA Update, which broadly follows the established guidance on affordable needs assessment.

Local Plan Affordable Housing Figures

6.4 The Submission Local Plan (October 2014) set an affordable housing requirement of 40% for all market led developments (Policy CN1). The Plan recognises affordable need as a key priority (para. 5.5) and that there is clear evidence of a high level of need across the borough (para. 5.9).

The Evidence Base

6.5 The most recent evidence on the borough's current and future affordable housing requirements is set out in the Basingstoke and Deane SHMA Update (May 2015), which is based on the Department for Communities and Local Government's basic needs model and which takes account of the Planning Practice Guidance.

6.6 The key messages that emerge from the SHMA about affordability in the borough are captured in the May 2015 Housing Topic Paper. It notes (para. 7.1) that:

- 41% of all households are unable to purchase a home in the borough.
- Entry level private rented accommodation may be out of the reach of 30% of households, ruling out this segment of the market to a sizeable proportion of residents and putting additional pressure on demand for social housing.
- Intermediate housing is unaffordable to 25-28% of households.

6.7 The Council sets out two variants of its affordable housing need assessment. The differences between the two are highlighted in the table below, but centre on:

- The inclusion in the main scenario of only households in Bands 1-3 on the housing register, that is those households assessed as being highest priority.
- The inclusion in the alternative scenario of Band 4 on the register. This is an important distinction, since the SHMA points to numbers in this band having substantially increased in recent years, and to it having a high proportion of single residents (53%, para. 8.71). Evidence from the SHMA shows that single individuals face particularly acute affordability problems in terms of buying or renting a home in the borough, even at lower quartile prices.

6.8 On the face of it, the exclusion of Band 4 from the main scenario is intended to reflect social housing need in those households facing the most acute problems in accessing housing. However, the allocation of households to bands is determined by a broad range of criteria, it does not necessarily reflect only the impacts of poor affordability.

Table 6.1 Affordable Housing Need, Basingstoke and Deane

Component of Need	Main Assessment	Alternative Scenario
Need		
Current Need for Intermediate Housing (5 years)	565 (113 pa)	565 (113 pa)
Newly Arising Need for Intermediate Housing	156 pa	156 pa
Current Need for Social Housing (5 Years)	705 (141 pa)	3,383 (677 pa)
Newly Arising Need for Social Housing	430 pa	493 pa
Total Need (5 years)		**1,439**
Supply		
Intermediate Resales	37 pa	
Social Re-lets	488 pa	
Total Supply	522 pa	
Net Need/Annual Shortfall	319 pa	917 pa

Source: Basingstoke and Deane Council, SHMA Update, May 2015

6.9 The two scenarios produce substantially different annual affordable need figures. The inclusion of Band 4 in the alternative scenario underlines the extent to which single person households, which generally represent younger people, face significant barriers to accessing housing in the borough.

6.10 As the table below shows, the implication is that the affordable requirement identified in the Council's 2015 SHMA represents between 37% and 105% of its total need based on a figure of 850 dpa. While the lower figure is close to the 40% requirement identified in the Local Plan, the higher figure represents 107% of the 850 dpa figure.

6.11 Set against the past net completions rates, the data show that the borough saw net affordable housing completions average 26% of all net completions between 2001/2 and 2013/14. This figure fell slightly in the past 5 years of data to 25%, with average net affordable completions running at only 180 per annum compared to 220 over the longer period.

Table 6.2 Annual affordable housing requirements and delivery

Annual Requirement	
Proposed Main Modifications Local Plan Figure	850
5 year annual affordable housing need	319-917
Past Delivery	
Average annual net housing completions 2001/2-2013/14	840
Average annual net affordable housing completions 2001/2-2013/14	220
Average % affordable net completions 2001/2-2013/14	26%

6.12 The picture is only slightly different when gross completions are considered. The data shows that the borough achieved affordable completions averaging 262 and total gross completions averaging 926 over the period from 2001/2, representing 28%.

Conclusions

6.13 There is substantial variation in the Council's own assessment of its affordable housing need. The lower of the two figures (319 dpa) accounts for social housing need amongst those households facing the most pressing problems in accessing housing. The higher figure (917 dpa) captures social housing need in a large cohort of the population of the borough (single people) which the Council's own evidence recognises face significant difficulties in buying or renting a home.

6.14 If the Council were to accept that Band 4 households have housing needs which must be met through the provision of affordable homes, the implications is that the affordable need figure could be significantly higher than 319 dpa.

6.15 Past completions data suggests that a 40% target has not been achieved by the borough in the recent past. If the borough saw delivery at 30%, an affordable need of 319 dpa would suggest an overall figure of around 1,060 dpa. This is close to the OAN figures that emerge from the assessment of need in this report.

7. Conclusions

7.1 We have conducted an assessment of housing need which is compliant with the key principles of the National Planning Policy Framework (NPPF) and the specification set out in the Planning Practice Guidance (PPG).

Starting Point Projections

7.2 The starting point projections in the assessment take the most recent household and population projections, and translate these into housing need figures. The different scenarios yield a housing requirement for Basingstoke and Deane of between 920 and 936 dwellings per annum, 2011-2029. The higher figure represents the housing need implied by the 2012-based DCLG household projections.

7.3 To these figures, the assessment makes adjustments to reflect the extent to which household formation rates in the 25-34 age cohort are likely to have been adversely affected by strong house price inflation, the impacts of recession and a lack of access to finance during the 2000s particularly. This gives alternative starting point projections of around 1,000 dpa.

Adjustments for Economic Growth

7.4 The Planning Practice Guidance (PPG, para. 015) establishes that government household projections provide the starting point for assessing future housing need. Underpinned by the ONS 2012-based sub-national population projections, the 2012-based DCLG household projections point to a housing need of around 940 dpa for Basingstoke and Deane.

7.5 Adjusting these starting point projections to reflect actual population change in 2013 and allowing for higher household formation rates in 25-34 year olds (a return to 2001 household formation rates), the starting point would rise to just under 1,000 dpa.

7.6 The PPG (para. 018) specifies that housing need assessment should consider past employment trends and forecasts in determining whether any adjustment to the starting point projections is required to account for economic growth. Regeneris has tested two alternative scenarios for future jobs growth and related housing need in the borough:

- At 700 jobs a year (2011-29), the forecast figure used by the Council itself, the OAN would range from 960 to around 1,040 per annum.
- At a higher jobs growth figure of 815 per annum based on forecasts produced by Oxford Economics in April 2015, housing need would rise to 1,030 to 1,100 per annum.

7.7 These figures are consistent with the Council's own modelling of employment growth in the May 2015 SHMA Update and point to an OAN ranging from 1,000 to 1,100 dpa to support future jobs growth at a level which the Council itself recognises would represent positive planning for growth. Analysis of past employment trends suggests that the borough has generated employment at this rate in the past.

7.8 To support its lower housing need figure of 850 dpa the Council has suggested that changes in commuting could enable the borough to sustain jobs growth of 700 per annum with a lower level of in-migration and population growth. However, how such changes in commuting might occur is not set out in detail in the Council's evidence, and there is little evidence provided to justify the assumption. Furthermore, to plan for any change of this type which has implications forthe labour force and housing of other local authority areas should be the subject of dialogue in the exercise of the duty to cooperate. It is not clear how, if at all, Basingstoke and Deane has explored these implications with other local planning authorities in the area.

Responding to market signals

7.9 An assessment of affordability issues and market signals is recognised in Planning Practice Guidance (PPG) as an additional 'layer' in estimating housing requirements in any particular area. The PPG (paras 19 and 20) in particular recommends that Local Planning Authorities make reasonable upward adjustments to their housing targets where there is clear evidence of adverse market signals.

7.10 The evidence we present in this assessment provides some grounds for such an adjustment to be considered. It is justified for the following reasons:

- There are substantial affordability issues in Basingstoke and Deane. This is particularly apparent when considering the lowest quartile house price to earnings ratio which currently stands at 7.7. This is over 2 times higher than the ratio of 3.5 recommended as affordable by DCLG. There is evidence that this ratio worsened at a steeper rate than the England or Hampshire average from 1997 to 2013.
- The Council itself recognises in the Local Plan that affordability is a key planning issue, while the 2015 SHMA Update points to a sizeable proportion (41%) of households in the borough being unable to meet their housing needs in the market, either to purchase or rent housing.
- The average house price in Basingstoke and Deane of £240,000 (2014) is higher than the national average. House prices in Basingstoke and Deane are on an upward trend and increased by 40% between 2003 and 2013. Private rents have also risen since 2011, with the rate of increase exceeding the national average for some property types.
- On a number of other indicators including the borough's housing waiting list, overcrowding and concealed families, there is evidence of worsening trends between 2001 and 2011.
- Past delivery rates for housing – both overall net completions and affordable housing completions – have lagged behind recent targets. Despite several years of higher rates of completions from 2006/7, the borough's recent track record shows that it has fallen well short of delivering against assessed need. Net completions have averaged just over 500 a year from 2011, while affordable completions stood at around 120. This is likely to have exacerbated the affordability pressures faced by the borough.

7.11 While there is evidence of worsening trends in absolute and relative terms compared to England and the Hampshire averages, some local authorities in the wider area have experienced more adverse trends over the last decade and a half. This reflects the borough's relatively better affordability compared with higher priced housing markets in an area of England in which demand for housing has been consistently strong. On balance, the evidence therefore presents the grounds to consider whether planning housing provision at a higher level than the starting point projections might contribute to the effort to ease house price inflation and improve affordability.

7.12 The PPG (para. 020) recommends only that any upward adjustment should be reasonable, although its recommendation is based on the assumption that increases in the housing supply can contribute to tackling affordability. By making adjustments to the household formation rates for 25-34 year olds, the Regeneris assessment assumes implicitly that the affordability problems which have hit this age cohort particularly hard are mitigated over the plan period. This points to OAN figures at the higher end of the range shown in the analysis, and reinforces the grounds for an OAN of 1,050-1,100 dpa.

Affordable Housing Need

7.13 The PPG (para. 029) specifies that the overall housing figure should be adjusted upward to reflect the contribution it can make to delivering affordable housing. In a period when public funding for new affordable homes is scarce, market housing developments have an important role to play in meeting affordable need, exemplified by the increase in affordable delivery the Borough saw from 2006/7 to 2008/9 when overall completions rose significantly.

7.14 The Council's most recent evidence on affordable housing need points to an assessed need of 319 to 917 dpa. The lower figure is based on a model for social housing need which excludes a significant proportion of households (Band 4) which appear on the Council's housing register and which have an expressed a need for affordable housing. The higher figure includes Band 4 households, which comprise a substantial number of single person households. The Council's own evidence shows that single residents on lower incomes face particularly acute affordability problems in the borough.

7.15 The Submission Local Plan sets an affordable requirement of 40% in new development. However, analysis of the borough's affordable completions rate since 2001 shows that it has not achieved this level of delivery historically, and that the figure is under 30%. At 30% affordable housing delivery, a target of 319 would imply an overall figure of around 1,060 per annum. Seeking to meet the more substantial need reflected in the Council's higher figure also reinforces the case to plan housing provision at a level significantly above the proposed 850 dpa.

Overall Summary

7.16 The overall objectively assessed need for Basingstoke and Deane is considered to be 1,050-1,100 dpa over the period from 2011-29. This is summarised in Table 1 below.

Table 2 Conclusions on OAN for Basingstoke and Deane

OAN Component	**dpa**
Starting Point Projections	920-936 dpa
Adjustment for economic factors	961-1,040 dpa
With market signals adjustment	1,030-1,100 dpa
Meeting affordable need	1,060 dpa
OAN for Basingstoke and Deane	**1,050-1,100 dpa**

Appendix A - Assumptions

Vacancy Rate Assumptions

Table A-1 Vacancy Rate Assumptions and Comparisons

Basingstoke and Deane	2.33%
East Hampshire	3.78%
Hart	2.78%
Reading UA	4.64%
Rushmoor	3.66%
Test Valley	3.13%
West Berkshire UA	3.58%
Winchester	4.68%
Wokingham UA	3.45%

Source: ONS Census 2011

Economic Activity Rate Assumptions

A.1 Economic activity rates among older age groups are likely to increase in the future, owing to rises in the state pension age and to a more general trend relating to an ageing population for staying in work longer and to offset poor pension provision. This will mean that some employment growth can be absorbed in future by those already active in the labour market remaining active for longer, and so the requirement for in-migration and new housing is reduced.

A.2 We have assumed that economic activity rates for the 16 to 54 age group remain at their 2011 level as these long term trends do not directly affect these age groups. This is consistent with the view of all official projections we have seen. It is also consistent with the approach used by Basingstoke and Deane Council in the main scenarios in the May 2015 SHMA Update.

A.3 However, economic activity rates among those aged 55 to 74 are expected to rise, owing to rises in the state pension age and to a more general trend relating to an ageing population for staying in work longer and to offset poor pension provision. This will mean that some employment growth can be absorbed in future by those already active in the labour market remaining active for longer, and so the requirement for in-migration and new housing is reduced.

A.4 We have drawn primarily on forecast activity rate changes for these ages provided in the Office for Budgetary Responsibility's 2014 Fiscal Sustainability Report. The OBR's projections represent the government's view of long term change in economic activity that partly inform UK fiscal planning, and are the most recent such national projections we are aware of. The assumptions applied are detailed below[22]:

- Economic activity rates for 55 to 59 year old women increase in line with the percentage point change in activity rates observed between those born in 1960 and those born in 1980 from OBR (2014) (i.e. applying the past rate of change between the 55 to 59 cohort over a

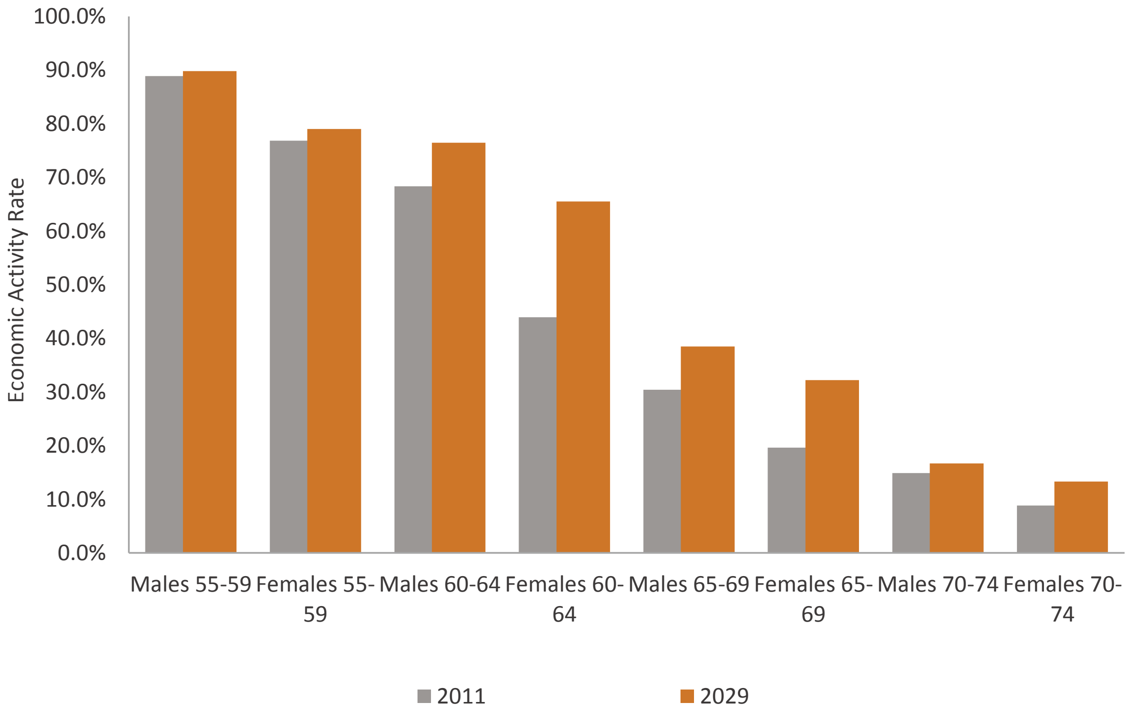
[22] 2011 base economic activity rates are generated using the detailed breakdown at region level applied to district level data broken down across broad age groups.

20 year period)[23]. This suggests activity rates will increase by 0.12 percentage points per annum.

- Equivalent cohort data is not available for 55 to 59 year old men. We therefore apply an increase in line with forecasts for the UK in the EU's 2012 ageing report. These suggest that economic activity rates will increase by 0.7 percentage points per annum between 2010 and 2030[24].
- Economic activity rates for 60 to 74 year old women and men are assumed to rise in line with the OBR (2014) employment rate forecasts[25]. These forecasts account for cohort effects and the rising state pension age.

A.5 The changes applied to Basingstoke and Deane are shown in the chart below.

Economic Activity Rate Changes 2011-29



Source: Regeneris Consulting

A.6 The changes are relatively substantial, particularly for women in the 60-69 year age group. The rate for 60-64 year old women increases by 50%, while the rate for 65-69 year old women rises by 64%.

[23] Office for Budgetary Responsibility (2014). 'Fiscal Sustainability Report'.

[24] European Commission (2012). 'The 2012 Ageing Report: Economic and Budgetary Projections for the 27 EU Member States (2010-2026)'. Per annum rises in the economic activity rate of those aged 55 and above have been applied across the 2011 to 2035 study forecast period.

[25] The OBR's long term assumption is that unemployment will stay constant at its natural rate. These can therefore be seen as equivalent to changes in economic activity.

A.7 The effect of these combined changes is to significantly increase the economically active component of the borough's resident labour force in these older age groups.

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