

## **Appendix 3 - Aligning the Objectively Assessed Need with the Revised Jobs Target**

### **Introduction**

1. In April 2014 the Council adopted our Housing Strategy, which set out the “Council’s ambitions for housing provision, investments and targets over the next 20 years”. It included strategic objectives and key ambitions but the targets contained within it did not amount to what the Council considered to be its “objectively assessed housing need”. Instead, this was derived from the Strategic Housing Market Assessment, dated November 2014, which was subsequently updated earlier this year.
2. Given that the Strategic Market Housing Assessment 2014 was completed after the Housing Strategy was adopted and has already been updated once and that three years have passed since the adoption of the Housing Strategy, an update is now due. It makes sense for this update to reflect the findings of more recent evidence connected with the examination of the Local Plan during which there has been a rigorous examination of what the borough’s objectively assessed housing need should be and what might be considered a realistic housing requirement having regard to the various sustainability considerations and constraints, including deliverability.
3. Paragraph 158 of the National Planning Policy Framework (NPPF) states that *“Each local planning authority should ensure that the Local Plan is based on adequate, up-to-date and relevant evidence about the economic, social and environmental characteristics and prospects of the area. Local planning authorities should 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”*. On this basis, it is important to ensure that our objectively assessed housing need reflects the likely jobs growth within the borough. This is particularly so as paragraph 182 of the NPPF requires authorities to *“meet objectively assessed development and infrastructure requirements”* in order for the plan to be considered positively prepared.
4. Our approach has always been to meet our objectively assessed need in full within the borough but where this is not achievable it is possible to work with neighbouring authorities to establish if they can accommodate any unmet need. Notwithstanding our approach, in the event that we found ourselves in a position of having to find additional housing sites to meet an increased objectively assessed need, we considered it prudent to pose this question to our neighbours as part of the Duty to Co-operate discussions and all have confirmed that they are unable to accommodate any unmet need from Barnsley.

5. In light of the Inspector's concern that the plan does not sufficiently align objectively assessed needs for employment and housing and that we may not therefore be meeting our objectively assessed housing need in full we have therefore been reviewing both our jobs target and our objectively assessed housing need.

### **The Revised Jobs Target**

6. The note in Appendix 2 sets out in detail the reasons why we have chosen to review the jobs target. The result of this work is highly relevant for assessing the borough's objectively assessed housing need because the annual change in employment is then used by Edge Analytics to develop a range of employment-led scenarios to consider the demographic change and housing growth associated with Barnsley's employment growth targets. These scenarios are derived from a model known as POPGROUP which Edge Analytics devised to assist authorities in ensuring that their assessment of and strategies for housing, employment and other uses are integrated in accordance with paragraph 158 of the NPPF. Both Sheffield and Leeds City Regions and many of the authorities located within use this same POPGROUP forecasting model for calculating population change in recognition of the fact the methodology appears robust albeit accepting the challenges of aligning demographic and economic forecasting.
7. At present the Jobs-Led Scenario produces a requirement for 1,910 homes per year based on the number of full time equivalent posts in the borough increasing by 1,462 a year. These figures were derived from the 33,000 total jobs figure in the original forecast period and translated into full time equivalent posts.
8. In light of our recent work associated with the review of the Jobs and Business Plan, which reflects the market evidence from Mott MacDonald and Colliers and our own work to establish the quantum of jobs likely to be generated in other sectors having regard to the Council and partner interventions, our evidence points to a clear justification for reducing the jobs target from the current figure of 33,000.

### **Increasing the Objectively Assessed Housing Need**

9. When we amended the Strategic Housing Market Assessment earlier this year we presented our objectively assessed housing need as a range, starting with what we considered to be the demographic baseline and rising to the jobs led scenario (with sensitivities applied) developed using POPGROUP.. It was deemed appropriate to consider sensitivity testing in absence of the economic assumptions underpinning the employment forecasts , particularly given that our total jobs figure of 33,000 was based on an assumption that all the employment land proposed to be allocated would be delivered and that this would result in additionality during the plan period to create a

further 3,000 jobs. The more recent evidence from Mott MacDonald stated that:

**The 17,500 net employment target set by BMBC is reasonable and achievable. However, at least 309 hectares of employment land will have to be allocated and developed within the plan period to make this possible, and even then, the Borough will be reliant on employment generation from other land use classes to meet this target.”**

10. This led us to conclude that we would not need as many as 1,389 homes each year because the level of jobs growth on which this was based would not realistically come forward during the plan period, especially as the adoption date for the plan was likely to be later than originally envisaged and that the types of development expected to come forward on our allocated employment sites would be at lower densities than assumed in our employment land review. In retrospect, we could have assisted the Inspector more by setting out our approach more clearly and explaining precisely how we arrived at a figure of 1,100 and so it is not entirely surprising that the Inspector has asked for greater clarity and arrived at a conclusion that the top end of the objectively assessed housing need (1,389 homes per year) represents the minimum.
11. Based on the more recent work undertaken we have now been able to quantify what we consider to be the lower figure produced by the jobs led scenario and this is detailed in Appendix 2. Nevertheless, given the Inspector's concern that we have not assessed a higher level of housing growth within the Sustainability Appraisal we have commissioned ARUP to assess the sustainability implications of a higher level of housing growth. Specifically, we asked them to test the figure of 1,910 homes per year which was the figure derived from the POPGROUP forecasting model without applying sensitivities. We then asked them to test a figure of around 1,600, which aims to look at the sustainability implications of applying one of either the commuting ratio or economic activity sensitivities that Edge Analytics previously applied as well as the figure of 1,389 derived from applying both of these sensitivities. We also asked ARUP to consider of a figure of 1,200 to broadly reflect the existing Core Strategy annual requirement and help us understand the implications of a figure somewhere between 1,100 and 1,389 should the higher figure give rise to significantly adverse sustainability impacts. The results of this work confirm that there would be significant impacts arising from the pursuit of 1,910 homes per year but the impact is less clear by the time this drops to 1,600.
12. In some respects this work lends weight to any decision to increase the objectively assessed housing need but the evidence in relation to likely jobs growth during the plan period does not support such an approach. Moreover, when reviewing the representations and hearing statement from those working within and representing the housebuilding industry,

it is apparent that the lead in times and likely build out rates on sites proposed to be allocated for housing in the plan will be such that it will not be possible to sustain consistent delivery of 1,389 homes per year. They are firmly of the view that large sites with more than one outlet will only deliver a maximum of 120 homes per year and that delivery will only commence after allowing time following adoption of the plan for determination of a planning application and the required preparatory site works. Elsewhere they have suggested a figure of 40 homes a year but again with lead in time applied. These are accounted for in our housing trajectory but this is currently based on delivery averaging 1,100 homes per year rather than a substantially higher figure. Although delivery is not a consideration when calculating objectively assessed housing need, given that we have consistently said that we will meet our objectively assessed need in full when seeking to determine our requirement, it is inevitable that delivery should be considered when deciding on what a realistic objectively assessed housing need figure should be.

13. Where sites are located within close proximity to each other, those arguing for a higher housing requirement are concerned that the market will not be able to sustain two outlets at any one time. One solution they have suggested is to allocate more small sites. Whilst small sites will have a role to play in respect of diversifying the market, it is our view that the same argument rings true i.e. there will only be so many developers willing to bring forward these types of sites at any one time. In addition, small sites would not provide sufficient capacity to support a significant increase in delivery and so we would still be relying on allocating more large sites that would essentially compete with the existing sites. This is a particular concern in respect of our regeneration objectives in some of the weaker housing sub markets because developers would naturally gravitate towards the more lucrative sites first.
14. To reinforce this concern, as well as looking for more small sites, some representors have suggested that delivery could improve by focussing significantly more development in higher value areas of the borough to the west of the M1 and adopting lower densities to reflect what has been delivered in recent years. However, there is insufficient evidence to suggest this would yield a consistently higher rate of delivery, the sustainability of such an approach would also be highly questionable and there would be significantly more harm to the Green Belt as a result of the unrestricted sprawl and encroachment into the countryside. Moreover this approach would result in a fundamentally different spatial strategy to the one already being pursued, which was deemed to be sound when the Core Strategy was adopted and which the inspector examining the Local Plan appears to be broadly satisfied with.
15. To establish how delivery could potentially be increased to a level of 1,389 per year we have reviewed past delivery rates and densities and

what this tells us is that the most likely way of increasing delivery is to build at higher densities. This is unsurprising since higher densities involve less land assembly, less infrastructure and generally less constraints. Build out rates are inevitably shortened because there are fewer materials and higher densities can lend themselves better to modern construction methods which substantially reduce build out rates. The problem in Barnsley is that the densities only tend to be achieved on brownfield sites, usually close to the town centre, which are currently in short supply. Elsewhere the market has been moved away from those densities and based on the representation and hearing statement from those in the housebuilding industry, it is unlikely that densities exceeding 50 dwellings per hectare will ever be delivered in Barnsley on a consistent basis. As such, there appears no obvious way of driving up delivery to levels significantly in excess of our housing requirement. This is particularly relevant as paragraph 154 of the NPPF is clear that Local Plans should be aspirational but realistic.

16. Accordingly, when faced with options for aligning our objectively assessed housing need with our jobs growth target the evidence clearly points to a reduction in the jobs target whereas there is no compelling evidence to substantiate increasing our objectively assessed need to a minimum of 1,389 homes per year. We are nonetheless in the process of completing our sustainability appraisal to establish the precise implications of such an approach.

### **Economic Assumptions & Jobs-Led Sensitivity Scenarios**

17. When calculating the top end of our range for objectively assessed housing need (currently 1,389) Edge Analytics applied two sensitivities and an assumption on unemployment rates all of which have been criticised by those that argue for a higher objectively assessed housing need figure. Based on 33,000 total jobs in the plan period Edge Analytics calculated that up to 1,910 new homes could be required each year based on unemployment being at 4.5%. In recognition of the challenges in aligning demographic and economic modelling and in absence of the associated underpinning assumptions from the economic forecast, Edge Analytics developed two sensitivity scenarios.
18. The first sensitivity that Edge Analytics applied was to assume that commuting patterns in and out of the borough would return to where they were in 2001. Whilst still assuming a net out-commute, this represents an improvement to our commuting ratio primarily because far fewer people living in the borough would have to leave the borough to find work. It would nonetheless still see Barnsley being a significant net exporter of labour, which has been the case for a number of decades given the location of the borough within the Leeds-Sheffield corridor.

19. In light of the substantial number of jobs that are proposed within the borough during the plan period we considered that a return to commuting patterns experienced in 2001 was an entirely legitimate assumption to make and could in fact be on the conservative side. This is demonstrated by experience in other areas within Sheffield and Leeds City Regions where similar and sometimes greater changes have taken place over a 10 year period. In addition to this, it is notable that some inspectors examining plans elsewhere in the county (e.g. North Tyneside) have accepted that the commuting ratio sensitivity can be applied in a scenario where an authority is pursuing significant jobs growth over and above their “policy off” scenario.
20. The other sensitivity that was applied was to assume that economic activity rates will be maintained at their current level, meaning a greater proportion of the resident population have the potential to work. Again, there are very good reasons to apply this sensitivity given the national trend in part associated with the increase in the pension age. Locally we also anticipate a fall in the number of people unable to work because of conditions associated with the borough’s industrial and mining heritage. As with an improvement in the commuting ratio, the implication of applying this sensitivity was that more of the resident population can fulfil the employment growth, therefore there is a reduced need for net in-migration and subsequently additional houses.
21. The assumption that unemployment will be at 4.5% is one that has also been criticised. The reason Edge Analytics chose that particular figure was to reflect the trend of falling unemployment (nationally it is now at 4.2%) and having regard to welfare reforms, the Council’s own Employment and Skills Strategy and the fact that the Local Plan itself makes provision for such a significant quantum of employment land leading to a significant increase in job opportunities. In our opinion, in order to deliver such a significant quantum of jobs within the plan period it follows that the unemployment would need to be relatively low. For the purposes of calculating our objectively assessed housing need it would be perverse to assume a higher unemployment figure because this would mean the jobs would not materialise and in turn there wouldn’t be a need for additional housing to accommodate the workers that would otherwise take those jobs.
22. The latest version of the Regional Econometric Model is more sophisticated than the version which informed the original jobs target in the plan. It now applies its own assumptions on unemployment, economic activity rates and commuting ratios and these will automatically adjust depending on the amount of jobs inputted into the model. The higher the input the greater the adjustments. Importantly, the model cannot be manually manipulated to change these assumptions. As such, although Edge have tested an alternative economic activity rate sensitivity in light of the availability of economic assumptions underpinning the REM and updated OBR labour market analysis, no further sensitivities are being considered or applied to

inform our objectively assessed housing need. Although we maintain that the original approach and the sensitivities subsequently applied by Edge Analytics was a robust one it was subject to significant criticism from representors. By virtue of the fact no further sensitivities are being applied to determine the objectively assessed housing need this updated approach is considered more robust because representors would in effect have to discredit the Regional Econometric Model as opposed to sensitivities subsequently applied.

23. Given that the Regional Econometric Model automatically reduces the commuting ratio based on the inputs we provided we have considered whether it would be possible to pinpoint where people living in the borough were commuting to outside the borough who would instead take new job opportunities available in Barnsley. This would potentially have enabled us to broach this discussion in detail with the authorities affected. However, given Barnsley shares a border with so many authorities and is located with the Sheffield-Leeds corridor where there is so much scope for commuting beyond the borough boundary it is too difficult to pinpoint precisely which authorities would be affected by the commuting ratio output from the model. We also considered the level of growth that other authorities are pursuing in their adopted and emerging plans but this work did not lead us to conclude that their growth would materially affect the output. Notwithstanding this, we did raise the fact we applied this sensitivity with our neighbours during duty to co-operate meetings and none of them raised any objections.

#### **DCLG Consultation: Planning for the right homes in the right places**

24. In considering how to address the concerns identified by the Inspector regarding objectively assessed housing need it is worth noting that the Government has recently consulted on a standard methodology for calculating the figure. This is in recognition of the significant concerns expressed by the Local Plans Expert Group Report in 2016 that the existing approach to assessing housing need is too complex. These concerns were recognised by the Government when they published the Housing White Paper earlier this year. The recent consultation, referred to as “Planning for the right homes in the right places: consultation proposals”, proposes a much simpler methodology for calculating housing need. In short this is based on the published household projections with an adjustment made depending on the relationship between the median house price and the median earning within a local authority. The more expensive house prices are in comparison to earnings, the more housing an authority is expected to provide.
25. This methodology produces a figure of 898 households per year for the period 2016-2026 (excluding a vacancy rate) in Barnsley which implies that our housing need figure should fall substantially from the 1,389 homes per year for the period 2014-2033 (inclusive of a vacancy rate) that the Planning Inspector considers to be the minimum figure based on the jobs target in the Local Plan. However, the figure of 898 has no

regards for jobs growth and is essentially a demographic baseline. It is therefore more comparable with the 967 figure we had calculated to be our demographic baseline earlier this year. The consultation does suggest that where an authority is planning for a figure in excess of that generated by the methodology then Inspector's should assume the plan is sound unless there are compelling reasons to conclude otherwise. In the case of Barnsley, it is difficult to ignore our jobs growth aspirations and to do so on the basis of the consultation would be ill advised, particularly as the report is clear that transitional arrangements apply whereby authorities who have already submitted plans for examination are expected to continue based on the work already undertaken. Indeed, the Inspector wrote to the Council on 2nd October 2017 to confirm that she intends to progress the Examination in accordance with the guidance as currently set out in the National Planning Policy Framework and Planning Practice Guidance and to seek a way forward to deal with the issues raised in her interim findings.

26. The simplified methodology and in particular the relationship between median house prices and median earnings is nevertheless considered to be an appropriate way of establishing whether there has been sufficient delivery in the past and we do consider this to be an important consideration when the Inspector examines whether we should plan to meet any backlog associated with past under-delivery against housing targets. However, paragraph 158 of the NPPF is clear that authorities should ensure that their assessment of and strategies for housing, employments and other uses are integrated, and that they take full account of relevant market and economic signals" and so we cannot ignore the jobs growth targets when assessing our objectively assessed housing need.
27. Based on the reasons given above, it is clear that we have had full regard for relevant market and economic signals when deciding that we should reduce the jobs target and in turn we have sought to align the objectively assessed housing need with this target so that we are having full regard for jobs growth within the plan period. Accordingly, it is recommended that the objectively assessed housing need for the borough is a single figure based on total jobs growth of between 26 & 27,000 in the plan period.

## **Conclusion**

28. Having received the Inspector's initial findings we have now undertaken further work to assess the implications of a higher objectively assessed housing need and at the same time we have commenced a review of our economic strategy as set out in the Jobs and Business Plan. This work has led us to conclude that there is compelling evidence to reduce the jobs target in the Local Plan, which in turn produces a maximum objectively assessed need figure of 1,134 homes per year. Should it result in further housing allocations over and



above those that will be required in the villages to support a more positive approach to the Borough's rural communities, these sites will be agreed by the Cabinet Member for Place in consultation with the Head of Planning & Building Control.