
NORTH WEST LEICESTERSHIRE LOCAL PLAN EXAMINATION IN PUBLIC

COMMENTS OF BARTON WILLMORE
(ON BEHALF OF GLADMAN DEVELOPMENTS)

HOUSING AND ECONOMIC DEVELOPMENT NEEDS ASSESSMENT
JANUARY 2017

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Comments on Housing and Economic Development Needs Assessment (HEDNA)

- 1.1 The contents of HEDNA are noted and the most significant points, for the purposes of addressing North West Leicestershire's housing need, identified as follows.
- 1.2 The HEDNA assessment of housing need for North West Leicestershire has been calculated alongside assessments for all districts in the housing market area, whereas the Council's Review of Housing Requirements (H0/01) assessed housing need for North West Leicestershire in isolation.
- 1.3 The level of housing need assessed by HEDNA for North West Leicestershire over the period 2011 to 2031 is 481 dwellings per annum, compared with the H0/01 assessment of need for 519 dwellings per annum.
- 1.4 The demographic OAN for North West Leicestershire presented by HEDNA is the same as presented by H0/01 at c380 dwellings per annum, before any upward adjustment to address suppressed household formation is considered.
- 1.5 HEDNA and H0/01 differ in their approach to suppressed household formation. HEDNA concludes that no adjustment is necessary, whereas H0/01 adds 37 dwellings per annum to address suppressed household formation, increasing the demographic OAN to 417 dwellings per annum.
- 1.6 HEDNA and H0/01 also differ in their approach to market signals, which HEDNA addresses alongside an updated assessment of affordable housing need. HEDNA concludes that an upward adjustment is necessary in all authorities in the HMA to improve affordability and makes a 10% upward adjustment (HEDNA, page 192, paragraph 12.31) to their North West Leicestershire demographic OAN, increasing it to 418; bringing it almost exactly to the demographic OAN arrived in H0/011 of 417 dwellings per annum.
- 1.7 For the avoidance of doubt, we maintain the position set out in our original hearing statement (and accompanying OAN, EX/30), which reflects the PPG HEDNA guidance ID2a 015 to 019 and the need for separate tests and if the evidence merits it, separate and cumulative (as opposed to overlapping) household formation rate adjustments (ID2a 015), and market signals adjustments ID2a 019, 020).
- 1.8 Notwithstanding, the most significant and material change introduced by HEDNA, compared to both H0/01 and the previous HMA wide SHMA (H0/03) relates to the calculation of economic led housing need.

HEDNA planned job growth scenario

- 1.9 HEDNA utilises a new set of job growth projections, reflecting planned growth across the housing market area and within each constituent local planning authority. HEDNA introduces the planned job growth projection, developed by Oxford Economics to reflect local job growth prospects, in Chapter 5 of the HEDNA.
- 1.10 We note the planned growth by different time periods presented at table 24, page 65, for 13,000 additional jobs in North West Leicestershire over the period, part of 54,300 additional jobs created across the housing market area over the same period.
- 1.11 We further note that for North West Leicestershire, this includes job growth associated with East Midlands Gateway and that the level of job growth projected for North West Leicestershire (16,700 from 2011 to 2031) is similar to the level of job growth assumed by Barton Willmore over the same period (16,505). Accordingly, we are content that the job growth projection used by HEDNA to assess economic led housing need in North West Leicestershire is fit for purpose.

HEDNA assumptions used to relate planned job growth to housing need

- 1.12 The conclusions reached by HEDNA is that 481 dwellings per annum are needed in North West Leicestershire to support planned job growth of 16,700 jobs over the period 2011 to 2031. This figure exceeds the HEDNA demographic OAN; 380 dwellings per annum and affordability (market signals) adjusted OAN; 418 dwellings per annum.
- 1.13 It is clear that planned job growth is the key determinant of objectively assessed housing need in North West Leicestershire. However, based on the evidence presented in our original hearing statement and accompanying OAN report, **we conclude that 481 dwellings per annum significantly underestimates economic led housing need in North West Leicestershire.**
- 1.14 Our principal reason for reaching this conclusion is that after i) using the same job growth projection and ii) setting aside the headship rate adjustment, **our assessment of economic led housing need** (which, like HEDNA's. also exceeds demographic and market signals adjusted need is for housing) **as presented in our original hearing statement is for 663 dwellings per annum.**
- 1.15 **The difference between the two assessments of economic led need is 182 dwellings per annum and must arise as the result of using different assumptions to link jobs**

and homes. As is the case in our original hearing statement, addressing H0/01 and the evidence of Mr Gardener, the drivers of the difference relate to i) projected economic activity rates and ii) commuting balance assumptions (the commuting ratio).

The HEDNA economic activity rate assumptions

- 1.16 HEDNA 2017 uses a planned job projection from Oxford Economics, but rejects the economic activity rate outputs from the Oxford Economics planned job growth scenario in favour of a national economic activity rate projection used by Experian in their forecasting model. This approach is justified on the basis that i) the projected Experian rates sit somewhere between the OBR 2015 published projection and those used by Oxford Economics; and ii) they are available at a finer granularity than the Oxford Economics alternative.
- 1.17 Having departed from the economic activity rates used by Oxford Economics, the HEDNA is no longer consistent with the Oxford Economics forecasting model that calculated the future jobs projections used by HEDNA as the basis for calculating economic led housing need. This is perfectly acceptable, so long as the alternatives used are realistic. **For the reasons stated in our OAN report (EX/30, page 67 to 69, paragraph 6.22 to 6.28) we do not find the Experian activity rates to be realistic.**
- 1.18 Furthermore, we do not accept the criticism by HEDNA that the OBR economic activity rate projection 'cannot realistically be used because ... they relate to a completely different set of national assumptions' (HEDNA page 75, paragraph 5.26), when;
- i) HEDNA itself has departed from the national assumptions used by Oxford Economics;
 - ii) The OBR rates have consistently been upheld as an authoritative source, realistic, fit for purpose and preferable to the rates used by Experian;
 - iii) A new set of OBR economic activity rate projections have been published (January 2017) that have not been scrutinised by HEDNA; and,
 - iv) The result of using the OBR rates at HMA level is an economic led assessment of housing need, including household formation uplift (4,755 dwellings per annum) that falls below the level of affordability adjusted demographic need assessed by HEDNA (4,829 dwellings per annum).
- 1.19 For the purpose of addressing the HEDNA planned job growth scenario, the new OBR economic activity rates (January 2017) have been used to inform our response to HEDNA. As is the case with the 2015 vintage (used in our December 2016 OAN report, EX/30), these rates are calculated for are for ages 16-19 years and from then onwards 5-year age group up to the age of 89 years.

- 1.20 The OBR projection seeks to predict what might happen to activity rates in the future, taking account of changes to the state pension age (SPA) and trends in participation including working into old age. It is anticipated that economic activity rates will generally increase over time, as the state pension age increases and people continue to work further into old age.
- 1.21 In broad terms, comparable with the national analysis presented at figure 32, page 74 of HEDNA, the January 2017 OBR economic activity rate projection is for the 16+ activity rate in 2011 of 63.1% to decrease by 1.3% to 61.8% in 2031.
- 1.22 Using the rate of change by age and gender derived from the OBR (2017) economic activity rate projection, and assuming job growth taken from HEDNA table 24, page 65 (13,000 jobs, 2015 to 2031) results in **economic led housing need for 619 dwellings per annum, before a household formation rate uplift is applied (+23 dwellings per annum) and assuming the commuting balance remains as observed by the 2011 Census.**
- 1.23 The difference of 138 dwellings per annum, assessed against exactly the same job growth projection (2015 to 2031) and constraining population to the mid-year estimates for the period 2011 to 2015, in part arises because of the economic activity rate assumptions used by HEDNA, which we find to be unrealistic.
- 1.24 The economic activity rate projection used by HEDNA is not just unrealistic, it presents unnecessarily steep rises in economic activity that result in an economic led assessment of housing need (3,963 dwellings per annum) that is considerably lower than HEDNA's overall OAN assessment (4,829 dwellings per annum). Under the economic activity rate assumptions used by GL Hearn, the overall OAN will presumably result in an excess of unemployed residents; an entirely pointless outcome.

The HEDNA commuting balance assumptions

- 1.25 The second reason for the difference of 138 dwellings per annum is the result of the commuting balance assumption used by HEDNA, which appears to reduce significantly over the plan period, from an already low 0.86 in 2011.
- 1.26 Without access to further information, specifically detailed modelling inputs and outputs, associated with HEDNA, it is not possible to be precise, but from a 2011 Census starting point, the commuting matrix presented at page 71, table 25 (56.6% of jobs in North West Leicestershire taken by employed residents) is consistent with a commuting ratio of 0.86 (after accounting for only 50.5% of jobs in North West Leicestershire being taken by local residents),

which the Barton Willmore assessment holds constant for the reasons stated at page 71, paragraph 6.31 of the Barton Willmore OAN report.

- 1.27 However, on page 72, table 27 of HEDNA, we see that job growth between 2015 and 2031 (13,000) is associated with an increase in employed residents of only 8,495, a ratio of 0.63 employed residents. The implication of this ratio is that the HEDNA assessment assumes a significant fall in the commuting ratio over the plan period, resulting in housing need for North West Leicestershire being exported to neighbouring districts, outside of the HMA, with whom no duty to cooperate arrangements exist.
- 1.28 Our initial working estimate, noting the lack of explanation about the commuting assumptions used by HEDNA, is that the commuting ratio has been programmed to fall to about 0.80 by 2031, accounting for about 50% of the difference between Barton Willmore's economic led assessment of housing need (619 dwellings per annum before a household formation rate adjustment) and the economic led assessment of HEDNA (481 dwellings per annum, no household formation uplift applied).
- 1.29 As is the case with the economic activity rate assumptions used by HEDNA, we find the change in commuting assumption for North West Leicestershire to be both unrealistic and unnecessary, given that an assessment of economic led need using the same job growth projections as HEDNA (2015 to 2031) yields a lower need for dwellings at HMA level, even after an uplift for suppressed household formation, of 4,755 dwelling per annum, than the HEDDA full OAN (demographic need plus affordability adjustment) of 4,829 dwellings per annum.

The housing market area and the duty to co-operate

- 1.30 HEDNA confirms the following eight authorities as a single housing market area;
- i) Leicester
 - ii) Blaby
 - iii) Charnwood
 - iv) Harborough
 - v) Hinkley and Bosworth
 - vi) Melton
 - vii) North West Leicestershire
 - viii) Oadby and Wigston

1.31 The HEDNA housing market assessment area analysis concludes as follows:

“Drawing the analysis together there is a high level of self-containment in Leicester and Leicestershire [comprising the eight districts listed above]. We consider that there is a single housing market centred around the City of Leicester but covering the entire study area [again, a reference to the eight districts]. That said, functional market areas clearly do not precisely fit to local authority boundaries; and at the borders of any area which is defined there are often interactive links mainly with the adjoining areas.

Previous research and also ratified by this report has identified links between parts of North West Leicestershire DC and South Derbyshire DC; and between parts of Melton BC with Rushcliffe DC among others. There are also notable links with Nuneaton and Bedworth BC to the south west. However, at a strategic level; the strongest links remain those between the City of Leicester and the Boroughs and Districts within Leicestershire.

Whilst these external relationships do not affect the definition of Leicester and Leicestershire as a HMA, they should be borne in mind with regard to the Duty to Cooperate.” [HEDNA Appendices, page 37-38, paragraph 1.88-1.90]

- 1.32 It should be noted that there is no duty to co-operate arrangement between North West Leicestershire and its neighbours outside of the HMA, specifically South Derbyshire and Erewash. This means that there are no arrangements to meet the economic led housing needs of North West Leicestershire, exported out of the district and the HMA by assuming a significant reduction in the district commuting ratio over the period 2011 to 2031. This need should be met within North West Leicestershire to ensure that it is met in full. To do otherwise will risk the undersupply of housing to meet planned job growth *and* contribute to unsuitable patterns of commuting; an unsound basis for plan making.