

Our ref:  
Your ref:

Ms Carmel Edwards  
Programme Officer  
C/O North West Leicestershire District Council

3<sup>rd</sup> March 2017

Dear Carmel

## **HOUSING AND ECONOMIC DEVELOPMENT NEEDS ASSESSMENT**

This letter seeks to respond to the queries regarding the Leicester & Leicestershire Housing & Economic Development Needs Assessment (HEDNA) raised in a letter from Craig Alsbury of GVA Grimley, dated 17th February 2017 (EX/81). Mr Alsbury's letter sought additional clarification regarding the relationship between employment and population growth in the HEDNA Planned Growth Scenario, the approach to commuting and to identifying adjustments to improve affordability.

### **Question 1**

Question 1 seeks data on population, employment and unemployment year-on-year for authorities within the HMA. The Oxford Economics model forecast outputs for the Planned Growth Scenario include information on:

- Total population
- Total employment
- People-based employment
- Residence-based employment
- Claimant Count unemployment (% 16-64, residence-based).

We have provided these outputs as requested in an enclosed spreadsheet.

We have also provided outputs from the HEDNA demographic modelling relating to the Planned Growth Scenario on:

- Total population
- Total employment
- Economically-active residents
- Model-based unemployment.

Key information is summarised in the table below for North West Leicestershire and the HMA as a whole.

## Key Modelling Outputs

	North West Leicestershire			Housing Market Area		
	2011	2015	2031	2011	2015	2031
<b>Oxford Economics Modelling Outputs – Planned Growth Scenario</b>						
<b>Total population</b>	93,620	96,737	112,433	981,012	1,014,175	1,099,054
<b>Total employment</b>	55,530	59,206	72,201	485,451	523,095	577,397
<b>People-based employment</b>	53,716	57,201	69,526	464,729	497,614	544,102
<b>Residence-based employment</b>	46,291	45,651	53,475	462,069	490,908	544,966
<b>Claimant unemployment</b>	1529	684	231	21,747	9,149	6,197
<b>Claimant unemployment rate</b>	2.6%	1.1%	0.4%	2.6%	1.1%	0.8%
<b>GL Hearn/JGC Modelling Outputs – Planned Growth Scenario</b>						
<b>HEDNA population</b>	93,670	97,247	114,093	980,806	1,017,936	1,128,043
<b>HEDNA economically-active residents</b>	49,277	51,354	59,571	500,865	520,417	569,214
<b>HEDNA unemployment</b>	2943	1771	1771	39,300	23,086	23,086

The HEDNA takes a cautious approach and assumes stronger population and workforce growth than Oxford Economics in both North West Leicestershire and the HMA to support the jobs totals forecast.

It should be noted that Claimant unemployment is a sub-set of overall unemployment. The HEDNA holds unemployment constant moving forwards from the 2015 baseline.

### Question 2

Question 2 seeks clarity between the assumed jobs growth, which is measured based on where people work, and growth in residents in employment, which is based on where people live.

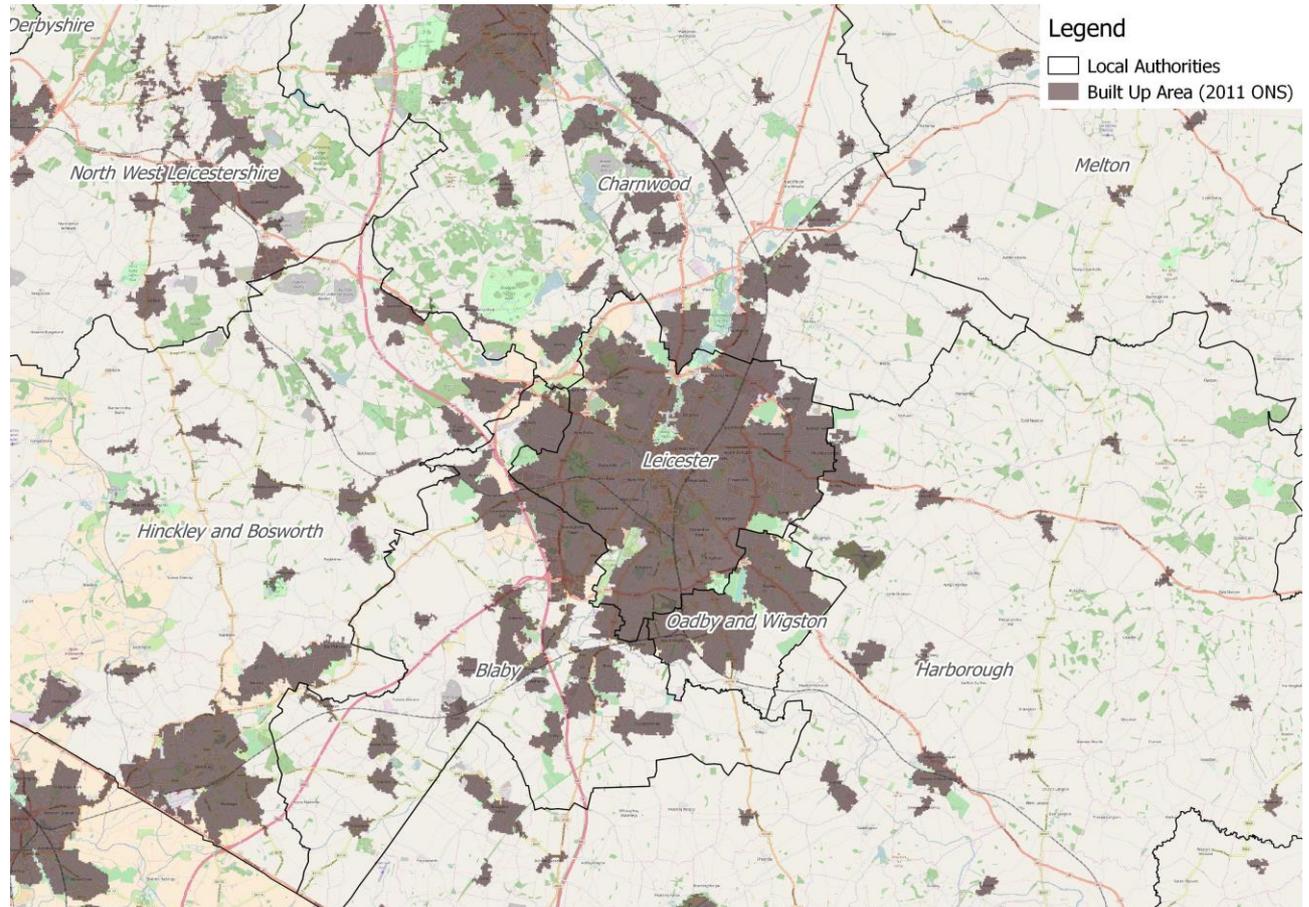
The HEDNA models changes in residence-based employment based on the outputs from the Oxford Economics Model. Oxford Economics models residence based employment using a commuting matrix taken from the 2011 Census. This matrix shows where employed residents of an area work, and where the workforce lives. Each available job is allocated to a resident of a given authority based on this commuting matrix.

The modelling approach does not seek to change commuting relationships between areas: the same proportion of the workforce is drawn from different local authorities as shown in the 2011 Census data. The proportions of commuting do not change over time. However commuting flows can be influenced by differences in economic performance (the scale of economic growth) between areas.

The data presented by GVA in the letter for Leicester presents a partial picture. What the OE outputs show is net in-commuting to Leicester of 26,300 in 2015. This is expected to fall slightly to 24,200 in 2031. The net flow is influenced by Leicester's relative economic performance compared to a number of its immediate neighbours, particularly Blaby, which relates strongly to the Leicester Principal Urban Area. The HEDNA envisages employment growth in Blaby (1.1% pa to 2031) which is over twice that in Leicester (0.5% pa) in the Planned Growth Scenario (HEDNA Table 19).

If for instance Leicester, Blaby and Oadby and Wigston (as an approximation for the Leicester Urban Area authorities) are considered together, net commuting remains relatively stable. In 2015 it stood at a net inflow of 23,500 persons. In 2031 it is modelled to be 23,200 persons. The change is equivalent to c. 20 persons pa. What we are seeing is in effect a fairly consistent level of in-commuting to the Leicester Urban Area.

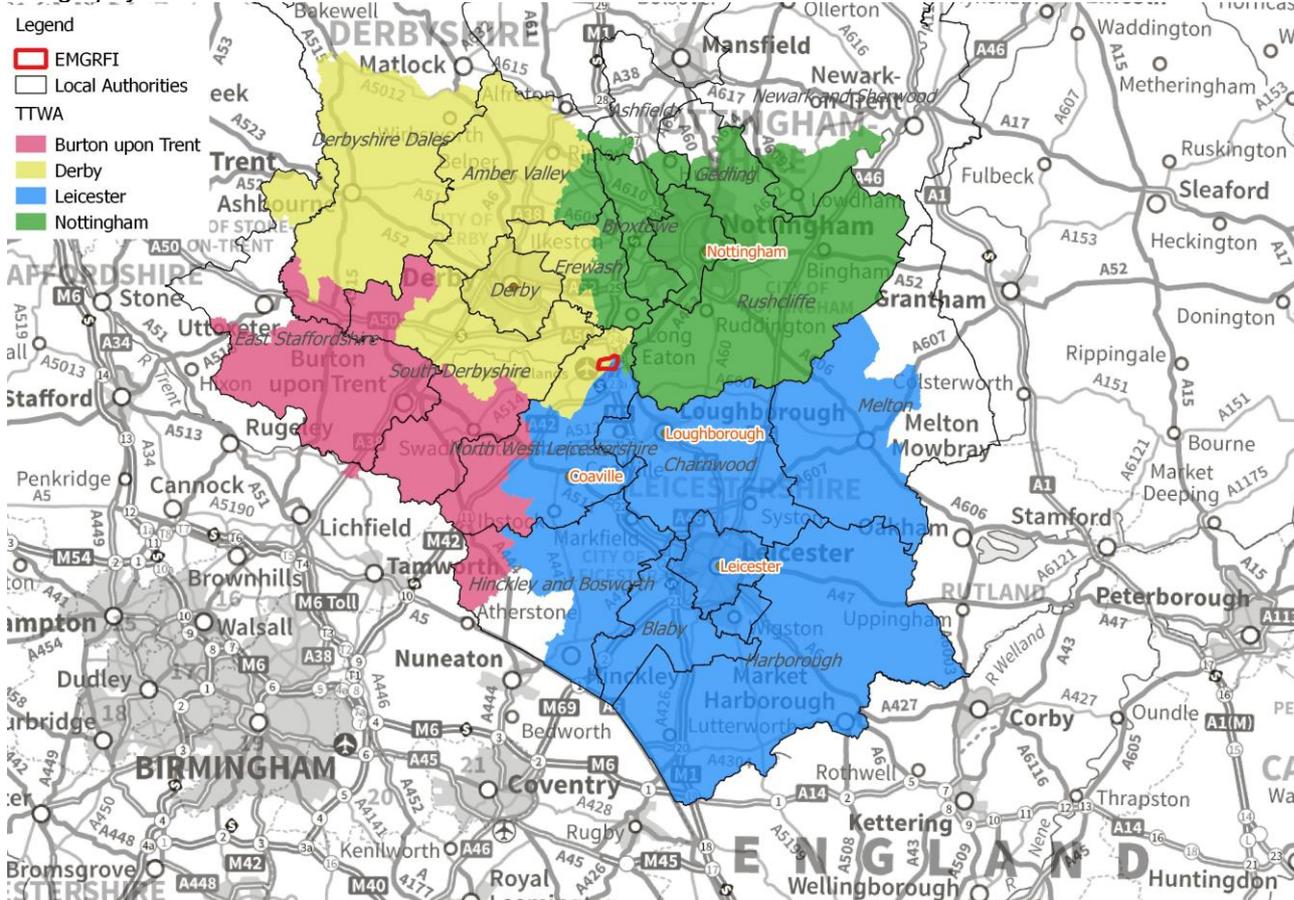
### Leicester Urban Area and Administrative Boundaries



Looking more specifically at North West Leicestershire, it should be borne in mind that the District cuts across a number of Travel to Work Areas (TTWAs), is expected to see significant employment growth, particularly in the very north part of the District at the apex of three travel to work areas. Different parts of the District are covered by three separate TTWAs, focused on Leicester; Burton-on-Trent; and Derby.

People are likely to commute from a number of directions to key employment sites in this area, including the East Midlands Gateway SFR1 which is in the north-east of the District, and current commuting patterns see inflows from adjoining authorities including South Derbyshire. The HEDNA assumes an increase in in-commuting of 4,500 to North West Leicestershire (and 3,400 at an HMA level) between 2015-31 on this basis. This is considered reasonable given the major economic growth which is expected right on the HMA boundary, and indeed outside of the Leicester TTWA.

### Geography of Travel to Work Areas and District Boundaries



### Question 3

Question 3 seeks clarification as to whether higher % adjustments to improve affordability have been tested in terms of physical capacity and the ability of the market to support them; and why a 10% adjustment has been applied instead of say 20%, 30% or 40% for instance.

The affordability adjustment responds to the evidence of market signals and affordable housing need. Planning Practice Guidance (2a-020-20140306) is clear that plan makers should set such adjustments at a level which is reasonable; reflects the affordability constraints (such as widening prices or rents or a worsening affordability ratio) and other indicators of higher demand (such as land prices); and should, on reasonable assumptions, be expected to improve affordability.

Case law has established that assessing OAN will involve elements of judgement and interpretations, including in respect of the extent and nature of adjustments for market signals. The HEDNA's conclusions on appropriate adjustments to apply in different areas are based on professional judgements, informed by:

- The analysis of market signals
- The benchmarking of authorities against comparable areas and nationally
- The affordable housing needs analysis

GL Hearn considers that the evidence in respect of North West Leicestershire does not justify the application (or testing) of higher % adjustments, given:

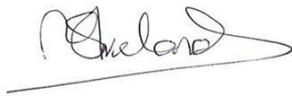
<sup>1</sup> Kings Lynn and West Norfolk v Elm Park Holdings [EWHC 2464 (Admin)] Para 31

- The District has the lowest land values in the HMA, which are 40% below the national average (excluding London). The PPG identifies that land values provide direct information on the shortage of land.
- North West Leicestershire has lower house prices than other Leicestershire authorities (albeit prices in the City are lower); and has seen long-term price growth which has been on a par with regional or national trends. There is no evidence of a widening of price differentials.
- The scale of affordable housing need relative to the demographic projections in the District is consistent with that across the HMA.
- The lower quartile house price ratio is consistent to the national average across England, and below the HMA average. Similarly rental affordability is on a par with the national average.
- Past housing delivery, which has averaged 369 dwellings per annum over the last decade (and 403 dpa over the last 20 years).

Paragraph 2a-004-20140306 in the PPG is clear that constraints related to physical capacity are not relevant to establishing the OAN.

It should be borne in mind that any upward adjustments from the demographic starting point will support delivery of additional market and affordable housing. The HEDNA's conclusions of an OAN for 481 dpa represent a 53% upward adjustment on the starting-point (2014-based) demographic projections; and a 25% upward adjustment on the conclusions on the demographic need. The OAN will support delivery of almost 20% above the long-term average.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nick Ireland', with a long horizontal line extending to the right from the end of the signature.

**Nick Ireland**  
Planning Director

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