
NORTH WEST LEICESTERSHIRE
LOCAL PLAN
EXAMINATION IN PUBLIC

RESPONSE OF BARTON WILLMORE
(ON BEHALF OF GLADMAN DEVELOPMENTS)

TO MATTER 3: HOUSING LAND REQUIREMENT

DECEMBER 2016

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Matter 3: Housing Land Requirement

3a) Is the future housing development requirement of the Plan, stated in Policy S1, derived from a full objective assessment of need (OAN) within an appropriately defined housing market area (HMA) unconstrained by local considerations? [BP/01, HO/01, HO/03]

- 3.1 No. The submitted Plan contains a dwelling requirement for 10,400 dwellings over the plan period (2011-2031) which equates to an additional 520 dwellings per annum (dpa). This is the level of housing need for NW Leicestershire identified in the 'Review of Housing Requirements' (HO/01).
- 3.2 However, HO/01 only provides an updated assessment of housing need for NW Leicestershire and not the wider HMA as required by NPPF (paragraph 159) and PPG (ID2a-008). The last OAHN assessment for the HMA was within the Leicester and Leicestershire Strategic Housing Market Assessment (SHMA) June 2014 (HO/03).
- 3.3 For this reason there is currently an inconsistent approach to assessing OAHN across the HMA. Furthermore, the housing needs evidence base for both NW Leicestershire (HO/01) and the HMA (HO/03) are out-of-date. In the absence of an up-to-date OAHN assessment, Barton Willmore (BW) on behalf of Gladman Developments, has undertaken an OAHN assessment for both NW Leicestershire and the wider HMA which has identified full OAHN of between 687 and 727 dpa for NW Leicestershire and between 4,126 and 4,674 dpa for the HMA (2011-2031). The full assessment has been appended to this Statement.

3b) Is the future housing land requirement of Policy S1 robustly based on appropriate adjustments to the OAN to take account of:

i. the latest practically available national population and household projections

ii. headship rates

iii. affordability

iv. economic growth

v. other market signals and

vi. national policy to boost housing supply? [HO/01, HO/03]

- 3.4 No. Growth of an additional 520 dpa is considered to provide an underestimate of housing need in NW Leicestershire. The reasons for which are outlined below.

The Starting Point

- 3.5 **HO/01**'s starting point has been derived from the DCLG 2012-based household projection and is presented as being 262 dpa (2011-2031). However, since the publication of **HO/01**, the DCLG 2014-based household projections have been published, which provide a more up to date starting point estimate of housing need for NW Leicestershire of 313 dpa (2011-2031).

Alternative Migration Trends

- 3.6 The 2012-based starting point is underpinned by the ONS 2012-based Sub National Population Projections (SNPP) which **HO/01** considers is reflective of suppressed migration trends captured over a recessionary period (2007-2012). For this reason, **HO/01** proposes an alternative long-term migration trend based on trends from the period 2001-2014. This has the effect of increasing the starting point for NW Leicestershire from 262 to 354 dpa. A long-term trend incorporating Unattributable Population Change (UPC) increases housing need further to 406 dpa (2011-2031). **HO/01** presents a mid-point of the two as 380 dpa.
- 3.7 BW agree with the use of an alternative long-term migration trend in NW Leicestershire because this incorporates a period of both economic recession and buoyancy providing a more stable trend of migration on which to assess demographic need. However, **HO/01** has derived this alternative trend by applying a fixed count of average annual net migration from the period 2001-2014 throughout the entire projection. This approach is not considered robust – a point which **HO/01** itself acknowledges¹. A preferred approach is to apply a long-term average of migration rates. The rates based approach responds to the changing demographic profile over the projection period and is the method ONS adopt when producing the SNPP. The alternative long-term trend presented by BW has been produced using the rates based approach.
- 3.8 BW's alternative long-term migration trend (2005-2015) suggests housing need would increase to 360 dwellings per annum – slightly higher than **HO/01**'s long-term migration trend excluding UPC (354 dpa).

¹ HO/01 paragraph 3.40

- 3.9 BW do not agree with the inclusion of UPC within the alternative migration trends. We acknowledge that UPC in NW Leicestershire is positive. Therefore, the effect of incorporating a UPC adjustment is to increase net migration to NW Leicestershire which in turn leads to higher population growth than projected by the long-term migration trend scenario not incorporating the UPC adjustment. However, given the uncertainty over the cause of UPC, we do not feel it is appropriate to attribute UPC to migration.

Adjustments to Household Formation

- 3.10 **HO/01** also gives consideration to the underlying household formation rates (HFRs) of the DCLG 2012-based household projections stating that the rates are 'sound' despite acknowledging that from 2011, the 2012-based HFRs are projecting a decrease in the HFRs for 25-34 year olds, suggesting that some additional suppression is built into the projections. **HO/01** then goes on to provide sensitivity analysis to identify the level of uplift required to housing provision in order to return the HFRs for 25-34 year olds back to 2001 levels by 2031. This adjustment is taken forward into the recommended OAHN.
- 3.11 The effect of applying the HFR adjustment is to increase demographic OAHN from 380 to 417 dwellings per annum over the period 2011-2031 (a mid-point of the long-term migration scenario and long-term migration plus UPC scenario).
- 3.12 Although this is equivalent to a 10% uplift, BW do not consider the uplift adequately addresses the issue of suppressed household formation for younger people. The adjustment is applied to all males and females aged 25-34 years. The effect of this is to further suppress household formation for females aged 25 to 34, rather than improve it, the opposite of what is intended. Such an adjustment should only be made to the HFRs for males only. Furthermore, BW consider an adjustment is also required for those aged 35-44 years.
- 3.13 The more recently published 2014-based HFRs project a similar level of household suppression for 25-44 year olds to the 2012-based HFRs and therefore BW also consider an adjustment to the 2014-based household formation rates is required. BW has sensitivity tested the return to 2001 adjustment, along with two further adjustments, to the 2014-based HFRs within its alternative OAHN assessment for NW Leicestershire and the HMA.

Supporting Economic Growth

- 3.14 **HO/01** considers 'baseline' economic growth for NW Leicestershire derived from the average of five economic scenarios dated between 2013 and 2015. **HO/01** estimates that to meet the job growth forecasts there will be a need for provision of between 326 dpa (to support growth of 340 jobs per annum) and 467 dpa (to support growth of 596 jobs per annum). A mid-point of this range was taken (401 dpa) to represent the level of housing need to support 'baseline' economic growth. **HO/01** concludes that this level of housing need is consistent with the demographic OAHN insinuating that no further uplift to demographic OAHN is required to support baseline economic growth.
- 3.15 However, **HO/01** acknowledges that the approved East Midlands Gateway Rail Freight Interchange (EMGRFI) is expected to generate significant job growth in NW Leicestershire. The analysis notes an increase of 7,317 jobs, as per the Environmental Statement for the EMGRFI, in addition to the jobs used within the June 2014 SHMA (**HO/03**) housing need projections. This conclusion was reached after giving consideration to displacement and additionality which **HO/01** believes will offset each other.
- 3.16 BW consider that **HO/01** is underestimating the level of job creation of the EMGRFI. An independent review by economist Steve Lucas considers that even with no displacement, 7,317 direct jobs could in fact be expected to create 8,495 additional jobs once multiplier effects are properly accounted for. Assuming 10% displacement and multiplier effects, 7,317 direct jobs could be expected to create an additional 9,429 jobs.
- 3.17 In converting additional jobs into growth in the resident workforce, **HO/01** makes assumptions about commuting, double-jobbing and economic activity. A 3.3% adjustment for double-jobbing is applied which is considered a minor adjustment that wouldn't materially change the assessment. With regards to projecting economic activity, **HO/01** considers economic activity of those aged 16-64 years and 65+ years. These two groups are considered too broad and do not allow for a distinction between the economic activity of males and females. Furthermore, the projection of economic activity is unfounded being based on Justin Gardner's own assumptions rather than being based on supported evidence.
- 3.18 **HO/01** concludes that the EMGRFI would uplift the economic baseline requirement to between 444 and 586 dpa, with a need for 519 dpa to support the PACEC (2013) economic scenario. 519 dpa has been taken forward by NW Leicestershire as representing full OAHN. However, the evidence presented in **HO/01** suggests that economic OAHN could be as high as 586 dpa.

- 3.19 Nonetheless, BW consider that the level of housing required to support economic growth as presented in **HO/01** provides an underestimate of housing need in NW Leicestershire, because the economic activity assumptions applied are thought to overestimate the future resident labour supply due to a too large reliance on the economic activity of older females.

Market Signals

- 3.20 **HO/01** undertakes an assessment of the market signals indicators as identified by PPG and concludes that the analysis does point towards some affordability pressures in NW Leicestershire, although modest when compared to other authorities within close proximity. This would suggest an uplift is required to address market signals issues in NW Leicestershire.
- 3.21 **HO/01** states that demographic OAHN of between 401 and 417 dwellings per annum would provide a 59% uplift to the starting point and economic OAHN of 519 dwellings per annum would provide nearly a 100% uplift. On this basis, **HO/01** concludes that no further adjustment to the recommended OAHN is necessary to address market signals issues.
- 3.22 The approach applied in **HO/01** to market signals uplifts is similar to that applied by BW and therefore we support the approach in respect of market signals (albeit we do not support the OAHN recommendations).

***3c) Is the future housing land requirement of Policy S1 robustly based on appropriate adjustments to the OAN to take account of the employment generation potential of the East Midlands Gateway Strategic Rail Freight Interchange (SRFI) and evidence of the likely residential locations and travel patterns of its workforce?
[HO/01]***

- 3.23 No. OAHN of 520 dpa is derived by applying an uplift for the EMGRFI to the PACEC 2013 employment projection. The assumption in **HO/01** is that the EMGRFI will generate an additional 7,317 jobs. As described above, independent economic advisor Steve Lucas considers the EMGRFI can be expected to create 8,495 additional jobs once multiplier effects are properly accounted for. Assuming 10% displacement and multiplier effects, 7,317 direct jobs could be expected to create an additional 9,429 jobs.

- 3.24 BW has modelled an alternative EMGRFI scenario that assumes the creation of 8,495 jobs from the EMGRFI in addition to the average projected job growth of 305 jobs per annum from the three forecasting houses (Experian – September 2016, Oxford Economics – October 2016, and Cambridge Econometrics – November 2016) over the period 2015-2031. The period 2011 to 2015 has been constrained to the annual ONS Mid-Year Population Estimates.
- 3.25 BW's approach to converting the additional jobs into growth in the resident workforce takes account of unemployment, commuting and economic activity.
- 3.26 For unemployment, Annual Population Survey (APS) modelled based estimates for years 2011 to 2016 have been applied. Given the 2016 estimate of 2.8% is already below the pre-recession average of 3.4%, the 2016 unemployment rate estimate is held constant throughout the remainder of the plan period.
- 3.27 For commuting, the 2011 Census commuting ratio of 0.86 for NW Leicestershire is held constant throughout the entire projection period. This indicates that NW Leicestershire is a net importer of labour and is therefore reliant, to an extent, on labour from nearby authorities to support the economy of NW Leicestershire. The assumption is that for every 100 jobs created, resident employment will need to increase by 86 within NW Leicestershire.
- 3.28 For economic activity, BW apply the 2011 Census profile of economic activity by age group and gender for NW Leicestershire and project this forward following the Office for Budget Responsibility (OBR) national projection of economic participation rates (November 2015). The OBR projections are for ages 16-19 years and from then onwards 5-year age group up to the age of 89 years. 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. The OBR advises Central Government and is an independent and anti-partisan organisation, advising Government on fiscal policy. The OBR approach is considered robust and should be preferred over the approach applied in **HO/01** which is unfounded.
- 3.29 Analysis of the labour supply arising from BW's demographic OAHN assessment indicates that neither the 2014-based SNPP nor the long term migration trend will provide an increase in NW Leicestershire's resident labour supply to accommodate the 'Projected job growth + EMGRFI' scenario. **In order to support this scenario, growth of between 687 and 727 dpa are required in NW Leicestershire (2011-2031) depending on which HFR adjustment is applied.** Table 1 summarises BW's OAHN assessment for NW Leicestershire.

- 3.30 BW has assessed housing need across the HMA on a consistent basis to NW Leicestershire. Economic OAHN of between 4,109 and 4,477 dpa to support the 'Projected job growth + EMGRFI' scenario, is lower than demographic OAHN range of between 4,126 and 4,674 dpa (2011-2031) based on the 2014-based SNPP and a long-term migration from the period 2005-2015) indicating that no uplift to demographic OAHN to support economic growth is required for the HMA as a whole.
- 3.31 However, planning on this basis of the HMA's demographic OAHN for individual districts within the HMA would lead to a shortfall of provision in some districts, for example NW Leicestershire. Therefore, the distribution of growth across the HMA is fundamental to ensuring the adequate provision of housing across the HMA to ensure all local needs are met within each of the eight local authority districts of the HMA.

Table 1: BW's Summary of OAHN for NW Leicestershire (2011-2031)

		2011 Sensitivity 25-44	50% Return 25-44	2014 Constant 25-44
A	DCLG 2014-based SNHP (Households)	6,064 (303 pa)		
	Vacant/Second Homes Adjustment	3.14%		
	OAHN STARTING POINT (Dwellings)	6,261 (313 dpa)		
B	Starting point with adjusted HFRs (Dwellings)	7,280 (364 dpa)	6,426 (321 dpa)	6,792 (340 dpa)
C	10yr Migration Trend (2005-2015)	8,248 (412 dpa)	7,587 (367 dpa)	7,752 (388 dpa)
D	DEMOGRAPHIC OAHN (range between B and C)	Between 7,280 and 8,248 (364-412 pa)	Between 6,426 and 7,587 (321-367 pa)	Between 6,794 and 7,752 (340-388 pa)
E	Jobs Supported by Demographic OAHN	Between 5,097 and 6,526 (Between 255 and 326 pa)		
F	Job Demand (projected job growth + EMGRFI)*	16,505 (825 pa)		
G	Labour Surplus/Deficit	Between -9,979 and -11,408 (Between -499 and -570 pa)		
H	ECONOMIC OAHN	14,548 (727 pa)	13,733 (687 pa)	13,924 (696 pa)
I	Adverse Market Signals Observed?	Yes		
J	Average Annual Delivery Rate 2006–2015	330		
K	Subtotal OAHN per annum (row H)	727	687	696
L	OAHN vs. Recent Performance (%)	120%	108%	111%
M	OAHN vs. Starting Point (%)	132%	119%	122%
N	Further Increase Recommended? (Y/N)	No		
O	FULL OAHN	14,548 (727 pa)	13,733 (687 pa)	13,924 (696 pa)

Source: ONS/CLG, BW Modelling

APPENDIX 1

**BARTON WILLMORE'S OAHN ASSESSMENT FOR
NW LEICESTERSHIRE AND LEICESTERSHIRE HMA**