# 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



BARTON WILLMORE
PLANNING / DESIGN / DELIVERY

**NORTH WEST LEICESTERSHIRE**

**LOCAL PLAN**

**EXAMINATION IN PUBLIC**

# RESPONSE OF BARTON WILLMORE (ON BEHALF OF GLADMAN DEVELOPMENTS) TO MATTER 3: HOUSING LAND REQUIREMENT

| | |
|---|---|
| **Project Ref:** | 26928/A5/DM |
| **Status:** | FINAL |
| **Issue/Rev:** | 02 |
| **Date:** | 12/12/16 |
| **Prepared By:** | DM/JD |
| **Checked By:** | JD |
| **Authorised By:** | JD |

Barton Willmore LLP
The Observatory
Southfleet Road
Ebbsfleet
Dartford
DA10 0DF

Tel: (01322) 374660
E-mail: research@bartonwillmore.co.uk

Ref: 26928/A5/DM/djg
Date: 12 December 2016

**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 Furthermore, the housing needs evidence base for both NW Leicestershire (**HO/01**) and the HMA (**HO/03**) are out-of-date.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 acknowledges[1]. A preferred approach is to apply a long-term average of migration <u>rates</u>. 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 meet 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

# NORTH WEST LEICESTERSHIRE & LEICESTERSHIRE HOUSING MARKET AREA

# OBJECTIVE ASSESSMENT OF HOUSING NEED

DECEMBER 2016

bartonwillmore.co.uk

BARTON WILLMORE
PLANNING / DESIGN / DELIVERY

**NORTH WEST LEICESTERSHIRE & LEICESTERSHIRE HOUSING MARKET AREA**

**OBJECTIVE ASSESSMENT OF HOUSING NEED**

| | |
|---|---|
| **Project Ref:** | 26928/A5/DM |
| **Status:** | FINAL |
| **Issue/Rev:** | 02 |
| **Date:** | 12/2016 |
| **Prepared by:** | DM |
| **Checked by:** | JD |
| **Authorised by:** | JD |

Barton Willmore LLP
The Observatory
Southfleet Road
Ebbsfleet
Dartford
DA10 0DF

Tel: (01322) 374660
Fax: (01322) 374661
E-mail: research@bartonwillmore.co.uk

Ref: 26928/A5/DM/djg
Date: 12 December 2016

## CONTENTS

# EXECUTIVE SUMMARY

i. This Objective Assessment of Housing Need (OAHN) for North West (NW) Leicestershire and the wider Housing Market Area (HMA) has been prepared by Barton Willmore LLP on behalf of Gladman Developments Limited. The study complies with the National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG) requirements regarding the full Objective Assessment of Overall Housing Need (OAHN).

ii. The assessment contained within this report provides an update to a previous Barton Willmore OAHN assessment for NW Leicestershire and the HMA undertaken in September 2015. This December 2016 update has been produced to take account of:

- the ONS 2014-based SNPP (published 25 May 2016);
- the accompanying CLG 2014-based household projections (published 12 July 2016);
- the ONS 2015 Mid-Year Population Estimates which also allow for an updated 10-year migration trend;
- new approaches to sensitivity testing an adjustment to household formation rates;
- a new approach to projecting economic activity;
- an update to market signals, in particular affordability;
- new evidence published by the Council, namely the April 2016 'Review of Housing Requirements'; and
- to consider OAHN for NW Leicestershire under the proposed Local Plans Expert Group (LPEG) recommendation for assessing housing need.

**Local Plan Housing Policy and Housing Need Evidence Base**

iii. On 4 October 2016 the Council submitted the NW Leicestershire Local Plan for examination. 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. This level of growth is considered to meet the objectively assessed housing need (OAHN) for NW Leicestershire as identified in the 'Review of Housing Requirements' (RHR) report undertaken by Justin Gardner Consulting and published in April 2016.

iv. The April 2016 RHR report is not a full Strategic Housing Market Assessment (SHMA) and does not seek to supersede the previous June 2014 SHMA. The RHR provides a partial update to the 2014 SHMA to update the housing needs evidence base for NW Leicestershire, specifically focusing on the impact of the East Midlands Gateway Rail Freight Interchange (EMGRFI) which was approved on 16 January 2016.

v. The RHR only provides an updated assessment of housing need for NW Leicestershire and not the wider HMA - the last OAHN assessment for the HMA was within the June 2014 SHMA which identified full OAHN as a range between 3,775 to 4,215 (2011-2031).

vi. For this reason there is currently an inconsistent approach to assessing OAHN across the HMA.

*The Starting Point*

vii. The SHMA took account of the DCLG 'interim' 2011-based household projections as the starting point estimate of need, whereas the RHR's starting point was derived from the DCLG 2012-based household projection. However, since the publication of both documents, the DCLG 2014-based household projections have been published, which provide the most recent starting point estimate of housing need.

*Alternative Migration Trends*

viii. The 2012-based starting point is underpinned by the ONS 2012-based Sub National Population Projections (SNPP) which the RHR considers is reflective of suppressed migration trends captured over a recessionary period (2007-2012). For this reason, the RHR proposes an alternative long-term migration scenario based on trends from the period 2001-2014. This has the effect of increasing the starting point for NW Leicestershire from 262 dwellings per annum to 354 dwellings per annum. A long-term trend incorporating Unattributable Population Change (UPC) increases housing need further to 406 dwellings per annum (2011-2031). The RHR presents a mid-point of the two as 380 dwellings per annum.

ix. Barton Willmore 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, the RHR 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 the RHR itself acknowledges. A preferred approach is to apply a long-term average of migration <u>rates</u>. 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 Barton Willmore has been produced using the rates based approach.

x. Furthermore, Barton Willmore 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 the RHR 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.

xi. Since the publication of the RHR the DCLG 2014-based household projections have been produced which provide a new starting point estimate of need. For NW Leicestershire this is considered to be 313 dwellings per annum (2011-31). Barton Willmore's alternative long-term migration trend (2005-2015) suggests housing need would increase to 360 dwellings per annum – slightly higher than the RHR's long-term migration trend (354 dpa).

*Adjustments to Household Formation*

xii. The RHR 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. However, the RHR 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.

xiii. The effect of applying the RHR's HFR adjustment is to increase <u>demographic OAHN from 380 to 417 dwellings per annum over the period 2011-2031</u> (a mid-point of the long-term migration scenario and long-term migration plus UPC scenario).

xiv. Although this is equivalent to a 10% uplift, Barton Willmore do not consider that the uplift applied in the RHR adequately addresses the issue of suppressed household formation for younger people. The RHR 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 years, rather than improve it, the opposite of what is intended. Barton Willlmore believe that such an adjustment should be made only where the 2012-based HFRs are projected to be lower in 2031 than the HFRs in 2001. This would result in an adjustment to the HFRs for males only. Furthermore, Barton Willmore consider an adjustment is also required for those aged 35-44 years.

xv. 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 Barton Willmore also consider an adjustment to the 2014-based household formation rates is required. Barton Willmore 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*

xvi. The RHR considered 'baseline' economic growth for NW Leicestershire derived from the average of five economic scenarios dated between 2013 and 2015. It was estimated that to meet the job growth forecasts there will be a need for provision of between 326 dwellings per annum (to support growth of 340 jobs per annum) and 467 dwellings per annum (to support growth of 596 jobs per annum). A mid-point of this range was taken (401 dwellings per annum) to represent the level of housing need to support 'baseline' economic growth. The RHR 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.

xvii. However, the RHR acknowledges that the approved 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 housing need projections. This conclusion was reached after giving consideration to displacement and additionality which the RHR believes will offset each other.

xviii. Barton Willmore consider that the RHR 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.

xix. In converting the additional jobs into growth in the resident workforce, the RHR 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, the RHR 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.

xx. The RHR concludes that the EMGRFI would uplift the economic baseline requirement to between 444 and 586 dwellings per annum, with a need for 519 dwellings per annum to support the PACEC (2013) economic scenario. 519 dwellings per annum has been taken forward by NW Leicestershire as representing full OAHN. However, the evidence presented in the RHR suggests that economic OAHN could be as high as 586 dwellings per annum.

xxi. Nonetheless, Barton Willmore consider that the level of housing required to support economic growth as presented in the RHR provides an underestimate of need in NW Leicestershire, this is because the economic activity assumptions applied in the RHR are thought to overestimate the future resident labour supply due to a too large reliance on the economic activity of older females.

*Market Signals*

xxii. The RHR 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.

xxiii. The RHR 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, the RHR concludes that no further adjustment to the recommended OAHN is necessary to address market signals issues.

xxiv. The approach applied in the RHR to market signals uplifts is similar to that applied by Barton Willmore and therefore we support the RHR's approach in respect of market signals (albeit we do not support the OAHN recommendations).

xxv. In conclusion, it is evident that there is currently an inconsistent approach to assessing OAHN across the HMA. Whilst the RHR provides the most recent assessment of OAHN for NW Leicestershire which has been carried forward by the Council into the Publication Version of the Local Plan, it is considered that OAHN of 519 dwellings per annum (2011-2031) that has been identified by the RHR falls short of full OAHN.

xxvi. To address these shortcomings, Barton Willmore has undertaken it's own assessment of full OAHN for NW Leicestershire which is outlined below.

**Barton Willmore Assessment of Overall Housing Need**

xxvii. Barton Willmore's assessment makes use of the PopGroup demographic forecasting model to estimate future housing need within NW Leicestershire, taking into account key demographic and economic data inputs including (but not limited to) headship rates, migration trends, employment forecasts and economic activity rates.

xxviii. The narrative below, which should be read alongside the results presented in Table 1 summarises the resulting assessment of housing need.

***Demographic Evidence Based Housing Need***

xxix. **The current starting point estimate of housing need is the 2014-based household projections published by CLG (12 July 2016). These project growth of 303 <u>households</u> per annum (2011-2031) which equates to 313 dwellings per annum** once an allowance of 3.14% has been applied to take account of vacancy and second homes. The starting point for the HMA is 4,166 dwellings per annum (2011-2031).

xxx. PPG permits adjustments to the starting point estimate in relation to the underlying demographic projections and household formation rates (ID2a-015 and 017) to address for example, suppressed household formation and migration trends.

xxxi. Analysis of Household Formation Rates (HFRs) underpinning the 2014-based household projections provides clear evidence of suppression in household formation particularly for those aged 25-44 years of age – when compared against the more positive pre-recessionary 2008-based rates. Barton Willmore therefore consider it necessary to make an adjustment to the 2014-based HFRs to address the issue of suppressed household formation for 25-44 year olds.

xxxii. In the absence of any specific guidance, Barton Willmore has sensitivity tested the application of three different HFR adjustments. The effect of which is to **increase the starting point estimate for NW Leicestershire to between 321 and 364 dwellings per annum (2011-2031)**.

xxxiii. The most recent ONS SNPP series (2014-based) shows population growth of 585 persons per annum over the plan period which is higher than the previous 2012-based SNPP (430 persons per annum).

xxxiv. However, further analysis of historic migration trends for NW Leicestershire provides evidence that net migration to NW Leicestershire significantly decreased during the recession. Whilst the 2014-based SNPP are less affected by the recession than the previous 2012-based SNPP, the period which underpins the 2014-based SNPP (2009-2014) remains characterised by low migration in comparison to historic trends.

xxxv. Furthermore, the 2014-based SNPP are constrained to the 2014-based National Population Projections which assume net international migration of 185,000 people per annum across England. However, the latest quarterly net international migration estimates suggest that net

international migration totalled 335,000 people per annum in the year ending June 2016 – significantly higher than the assumption underpinning the 2014-based SNPP.

xxxvi. On this basis it seems appropriate to consider a longer 10-year trend for NW Leicestershire which incorporates a period of both economic recession and buoyancy. A 10-year migration trend drawn from the most recent 10-year period (2005-2015) indicates average net migration of 488 people per annum (compared to 393 net migrants per annum over the period underpinning the 2014-based SNPP. The long-term migration trend increases housing need in NW Leicestershire to between 367 and 412 dwellings per annum depending on which HFR adjustment is applied.

xxxvii. However, for the HMA as a whole, the long-term migration trend projects lower population growth than the 2014-based SNPP. For this reason, we propose demographic OAHN for NW Leicestershire and the HMA as a range between the 2014-based SNPP and long-term migration trend (2005-2015).

xxxviii. The demographic evidence therefore signals that two adjustments to the starting point estimate of need are necessary (household formation assumptions and alternative migration trends). The result of making the required adjustments is to increase **demographic OAHN for NW Leicestershire to between 321 and 412 dwellings per annum (2011-2031) depending on which HFR adjustment is applied.** Demographic OAHN for the HMA is considered to be between 4,126 and 4,674 dwellings per annum.

***Employment Change Evidence Based Housing Need***

xxxix. Past trends in employment growth and employment forecasts produced by Experian Economics (Sept 2016), Oxford Economics (October 2016) and Cambridge Econometrics (November 2016) have been considered by Barton Willmore. An average of these three forecasts has been taken which is considered to be the most robust approach and reflects policy-off employment forecasts in-line with PPG recommendations.

xl. Past trends indicate average growth of 989 jobs per annum in NW Leicestershire (1997-2015) whereas forecasts indicate much lower growth of 305 jobs per annum (2015-2031). However, each of the forecasts from the three forecasting houses are 'post-referendum' forecasts and therefore project more conservative economic growth in light of leaving the EU, than forecasts produced prior to the referendum. They may be unduly pessimistic.

xli. As the Council's April 2016 housing requirement assessment considered economic growth associated with the EMGRFI, Barton Willmore's economic assessment also considers a scenario to take account of the EMGRFI. However, our assessment assumes the creation of an additional 8,495 jobs as a result of the EMGRFI (based on Steve Lucas' recommendation) in addition to the baseline economic growth projected by the three forecasting houses.

xlii. Barton Willmore's approach to converting the additional jobs into growth in the resident workforce takes account of unemployment, commuting and economic activity.

xliii. 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.

xliv. 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.

xlv. For economic activity, Barton Willmore 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 approach is considered robust. The OBR advises Central Government and is an independent and anti-partisan organisation, advising Government on fiscal policy.

xlvi. Analysis of the labour supply arising from the demographic OAHN assessment indicates that neither the 2014-based SNPP nor the long term migration trend will provide an increase in resident labour to accommodate the 'Projected job growth + EMGRFI' scenario. **In order to support this scenario, growth of between 687 and 727 dwellings per annum are required in NW Leicestershire (2011-2031) depending on which HFR adjustment is applied.** Across the Housing Market Area, there is a requirement for between 4,109 and 4,477 dwellings per annum.

xlvii. Economic OAHN for the HMA is lower than demographic OAHN and for this reason an economic uplift is not considered necessary for the HMA, as is necessary for NW Leicestershire

***Market Signals***

xlviii. Analysis of market signals has been undertaken by Barton Willmore and several adverse market signals have been observed in NW Leicestershire including a worsening of affordability, which has been influenced by increasing house prices/ rents and a significant shortfall of supply. Likewise, overcrowding and the number of concealed households has worsened in NW Leicestershire. According to PPG, a worsening trend in any of the market signals indicators requires an upward adjustment to housing numbers based solely on household projections (ID2a-020).

xlix. OAHN for NW Leicestershire of between 687 and 727 dwellings per annum represents between a 108% and 120% increase against past delivery which is in excess of the Barker Review threshold. Barker estimated an 86% increase in housing supply was required to improve affordability. Given the OAHN for NW Leicestershire exceeds the Barker threshold, it is considered appropriate not to recommend a further uplift.

***Affordable Housing Need***

l. Barton Willmore have not undertaken an assessment of affordable housing need but have considered the findings of the Council's most recent assessment of affordable housing need which is from the June 2014 SHMA. This identified net affordable housing need of 212 dwellings per annum (2011-2031)..

li. Policy H4 of the submitted Local Plan contains affordable housing targets. Delivery of 30% affordable housing would require OAHN of 707 dwellings per annum. The upper limit of Barton Willmore's OAHN range (between 687 and 727 dwellings per annum) would meet full affordable need based on 30% provision. However, following the Inspector's judgment in ELM Park v Kings Lynn and West Norfolk BC, affordable need does need to be met in full by the OAHN. Despite this, Barton Willmore's OAHN of between 687 and 727 dwellings per annum is considered to make a significant contribution towards meeting affordable need in NW Leicestershire which paragraph ID2a-029 of PPG supports.

***Full OAHN***

liii. Based on an assessment of up to date demographic, economic and market signals evidence, full OAHN for NW Leicestershire **ranges between 687 and 727 dwellings per annum 2011-2031**. Full OAHN for the HMA is considered to be between 4,126 and 4,674 dwellings per annum. This OAHN would:

- Accommodate the housing need number implied by the latest demographic evidence;
- Meet projected job demand including the EMGRFI; and
- On reasonable assumptions, improve affordability.

liii. As such, it is considered that the OAHN represents the full, objectively assessed level of housing need for NW Leicestershire and the HMA as currently required by PPG.

**Table 1: 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, Barton Willmore Modelling

**Table 2: Summary of OAHN for the HMA (2011-2031)**

| | | 2011 Sensitivity 25-44 | 50% Return 25-44 | 2014 Constant 25-44 |
|---|---|---|---|---|
| A | DCLG 2014-based SNHP (Households) | 80,753 (4,038 pa) | | |
| | Vacant/Second Homes Adjustment | 3.17% | | |
| | **OAHN STARTING POINT (Dwellings)** | **83,313 (4,166 dpa)** | | |
| B | Starting point with adjusted HFRs (Dwellings) | 93,489 (4,674 dpa) | 89,845 (4,492 dpa) | 85,988 (4,299 dpa) |
| C | 10yr Migration Trend (2005-2015) | 89,865 (4,493 dpa) | 86,289 (4,314 dpa) | 82,518 (4,126 dpa) |
| D | **DEMOGRAPHIC OAHN (range between B and C)** | **Between 89,865 and 93,489 (4,493-4,674 dpa)** | **Between 86,289 and 89,845 (4,314-4,492 dpa)** | **Between 82,518 and 85,988 (4,126-4,299 dpa)** |
| E | Jobs Supported by Demographic OAHN | Between 65,939 and 71,133 (Between 3,297 and 3,557 pa) | | |
| F | Job Demand (projected job growth + EMGRFI)* | 67,719 (3,386 pa) | | |
| G | Labour Surplus/Deficit | Between -1,780 and +3,414 (Between -89 and +171 pa) | | |
| H | **ECONOMIC OAHN** | **89,550 (4,477 pa)** | **85,661 (4,283 pa)** | **82,171 (4,109 pa)** |
| I | Adverse Market Signals Observed? | Yes | | |
| J | Average Annual Delivery Rate 2006–2015 | 3,437 | | |
| K | Subtotal OAHN per annum (row D) | Between 4,493 and 4,674 | Between 4,314 and 4,492 | Between 4,126 and 4,299 |
| L | OAHN vs. Recent Performance (%) | Between 31% and 36% | Between 26% and 31% | Between 20% and 25% |
| M | OAHN vs. Starting Point (%) | Between 8% and 12% | Between 4% and 8% | Between -2.5% and 3% |
| N | **Further Increase Recommended? (Y/N)** | No | | |
| O | **FULL OAHN** | **Between 89,865 and 93,489 (4,493-4,674 dpa)** | **Between 86,289 and 89,845 (4,314-4,492 dpa)** | **Between 82,518 and 85,988 (4,126-4,299 dpa)** |

Source: ONS/CLG, Barton Willmore Modelling
* The job figure is expressed over the period 2011-2031 and therefore differs slightly to the figure presented in paragraph 6.17 which considered growth over the period 2015-2031.

# 1.0 INTRODUCTION

1.1 This study has been prepared by Barton Willmore LLP on behalf of Gladman Developments Limited. It is intended to provide an in-depth understanding of the market dynamics and future needs for housing in North West (NW) Leicestershire District and the surrounding Housing Market Area (HMA). The study has been prepared in accordance with National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG), and the key output is a full, objective assessment of housing need (OAHN).

**Barton Willmore Housing Needs Assessments to Date**

1.2 In September 2015, Barton Willmore undertook a housing needs assessment for NW Leicestershire in the context of the wider HMA, on behalf of Gladman Developments Ltd to support an appeal at Greenhill Road, Coalville.

1.3 The September 2015 study identified OAHN for NW Leicestershire of between 534 and 739 dwellings per annum (2011-2031). This OAHN provided an uplift to the 2012-based 'starting point' to address suppressed household formation and migration trends, and provided a further uplift to support economic growth. The lower of the OAHN range to support job growth projected in the PACEC Leicester and Leicestershire HMA Employment Land Study (481 jobs per annum) and the upper of the OAHN range to support further economic growth of the East Midlands Gateway (803 jobs per annum).

1.4 Barton Willmore recommended a mid-point of this OAHN range, 637 dwellings per annum, for NW Leicestershire (2011-2031). OAHN for the HMA was identified as being between 4,472 and 4,528 dwellings per annum.

1.5 Since Barton Willmore's September 2015 assessment, a number of key data sets have been updated. This December 2016 OAHN study provides the most recent assessment of OAHN for NW Leicestershire and the HMA and has been produced to take account of:

- The ONS 2014-based SNPP (published 25 May 2016);
- The accompanying DCLG 2014-based household projections (published 12 July 2016);
- The ONS 2015 Mid-Year Population Estimates which allow for an updated 10-year migration trend to be considered;
- New approaches to sensitivity testing an adjustment to household formation rates;
- A new approach to projecting economic activity;
- An update to market signals, in particular affordability; and

- New evidence published by the Council, namely the April 2016 'Review of Housing Requirements'.

1.6 In addition, this report also considers OAHN for NW Leicestershire and the HMA following the Local Plans Expert Group (LPEG) recommended methodology. Currently the LPEG methodology is just a proposal and holds no official status but has been included to illustrate OAHN for NW Leicestershire and the HMA if it is to become official guidance.

**Report Structure**

1.7 The report is structured as follows:

1.8 Chapter 2, **National Policy Context and Methodology**, introduces the relevant aspects of national planning policy and guidance, demonstrating how this study meets the required standard for an OAHN. The chapter also sets out the methodological approach taken in carrying out the required analysis.

1.9 Chapter 3, **Assessment Area Definition**, provides the rationale behind analysing the selected authorities, and, more specifically, how published research into HMA boundary definitions has been translated into a functional study area and confirmed through independent analysis of key data sources.

1.10 Chapter 4, **Local Policy Context and Evidence Base Review**, critically evaluates the housing evidence base documents for NW Leicestershire. In addition to this, key information (including housing targets, affordable housing quotas and economic growth aspirations) from adopted/emerging planning policy is summarised.

1.11 Chapter 5, **Demographic Context and Demographic-led Housing Need**, reviews official data sources relating to population and household change, including population/household projections, household formation rates and migration trends. This analysis provides key inputs into the modelling process, which in turn underpins the OAHN. The final part of the chapter summarises the first demographic modelling stages, and establishes the 'Starting Point' estimate of housing need as well as necessary demographic adjustments.

1.12 Chapter 6, **Economic Context and Economic-led Housing Need**, puts the labour force capacity arising from the demographic-led position established in the previous chapter into context by reviewing independent and official trends and forecasts of employment growth for

the HMA. Where necessary, further modelling work is carried out to determine the number of homes needed to supply a labour force of sufficient size to meet anticipated demand.

1.13 Chapter 7, **Market Signals**, provides detailed analysis of how the housing market functions locally, including a review of existing housing stock characteristics and analysis of key market signals (as set out in PPG). The chapter then considers the level of housing supply response needed to positively address any market signals issues, and provides a recommendation of and justification for any uplift to the OAHN (again, as required by PPG).

1.14 Chapter 8, **Objective Assessment of Housing Need**, summarises the evidence, analysis and modelling provided in the preceding chapters and confirms the full OAHN for the District and the HMA. This chapter also considers the OAHN in the context of affordable housing need and establishes the extent to which it could be met by the OAHN.

1.15 Chapter 9, **Local Plans Expert Group (LPEG) calculation**, provides a calculation of OAHN on the basis of LPEG's proposed changes to PPG's OAHN methodology. This is for information purposes.

1.16 Chapter 10, **Conclusions,** summarises the reasons why the Council's evidence is considered to provide an underestimate of full OAHN and concludes with Barton Willmore's recommendation.

# 2.0 NATIONAL POLICY CONTEXT AND METHODOLOGY

2.1 The requirement for all Local Planning Authorities (LPAs) to base their housing targets on objective assessments of need is rooted in national planning policy – specifically the National Planning Policy Framework (NPPF) and the Planning Practice Guidance (PPG).

**National Planning Policy Framework (NPPF, 27 March 2012)**

2.2 NPPF sets out the Government's planning policies for England and how these are expected to be applied. NPPF states that planning should proactively drive and support sustainable economic development to deliver the homes that the country needs, and that every effort should be made to objectively identify and then meet housing needs, taking account of market signals (paragraph 17).

2.3 In respect of delivering a wide choice of high quality homes, NPPF confirms the need for local authorities to boost significantly the supply of housing. To do so, it states that local authorities should 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 (paragraph 47).

2.4 With regard to plan-making, local planning authorities are directed to set out strategic priorities for their area in the Local Plan, including policies to deliver the homes and jobs needed in the area (paragraph 156).

2.5 Further, Local Plans are to be based on adequate, up to date and relevant evidence, integrating assessments of and strategies for housing and employment uses, taking full account of relevant market and economic signals (paragraph 158).

2.6 For plan-making purposes, local planning authorities are required to clearly understand housing needs in their area. To do so they should prepare a Strategic Housing Market Assessment (SHMA) that identifies the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period (paragraph 159).

**Planning Practice Guidance (PPG, 06 March 2014)**

2.7 PPG was issued as a web based resource on 6th March 2014, following the publication of 'beta' guidance in 2013. Guidance on the assessment of housing development needs (PPG ID2a) includes the SHMA requirement set out in NPPF and supersedes all previous published SHMA practice guidance (DCLG, 2007).

2.8 The primary objective of the housing development needs assessment (the SHMA) is to identify the future quantity of housing needed, including a breakdown by type, tenure and need (PPG ID2a 002).

2.9 Housing need refers to the scale of housing likely to be needed in the housing market area over the plan period, should cater for the housing demand in the area and identify the scale of housing supply necessary to meet that demand (PPG ID2a 003).

2.10 The assessment of need is an objective assessment based on facts and unbiased evidence and constraints should not be applied (PPG ID2a 004).

2.11 Use of the PPG methodology for assessing housing need is strongly recommended, to ensure that the assessment is transparent (ID2a 005). The area assessed should be the housing market area (ID2a 008), reflecting the key functional linkages between places where people live and work (ID2a 010).

***PPG Methodology for Assessing Housing Need***

2.12 The full methodology is set out at ID 2a 014 to 029 (overall housing need at ID2a 015 to 020), and is introduced as an assessment that should be based predominately on secondary data (ID2a 014).

***i) Starting Point Estimate of Need***

2.13 The methodology states that the starting point for assessing overall housing need should be the household projections published by the Department for Communities and Local Government, but that they are trends based and may require adjustment to reflect factors, such as unmet or suppressed need, not captured in past trends (ID2a 015).

> **"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. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing."** (2a-015) (Our emphasis)

***ii) Adjusting for Demographic Evidence***

2.14 The PPG methodology advises that adjustments to household projection-based estimates of overall housing need should be made on the basis established sources of robust evidence, such as ONS estimates (2a-017).

### *iii) Adjusting for Likely Change in Job Numbers*

2.15 In addition to taking into account demographic evidence the methodology states that job trends and or forecasts should also be taken into account when assessing overall housing need. The implication is that housing numbers should be increased where this will enable labour force supply to match projected job growth (2a-018).

> **"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 … 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."** (2a-018)

### *iv) Adjusting for Market Signals*

2.16 The final part of the methodology regarding overall housing need is concerned with market signals and their implications for housing supply (2a-019:020).

> **"The housing need number suggested by household projections (the starting point) 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."** (2a-019)

2.17 Assessment of market signals is a further test intended to inform whether the starting point estimate of overall housing need (the household projections) should be adjusted upwards. Particular attention is given to the issue of affordability (2a-020).

> **"The more significant the affordability constraints … and the stronger other indicators of high demand … the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be."** (2a-020)

### *v) Overall Housing Need*

2.18 An objective assessment of overall housing need can be summarised as a test of whether the household projection based starting point can be reconciled with a) the latest demographic evidence, b) the ability to accommodate projected job demand, c) the requirement to address worsening market signals. If it cannot be reconciled, then an adjustment should be made.

2.19 The extent of any adjustment should be based on the extent to which it passes each test. That is,

- It will at least equal the housing need number implied by the latest demographic evidence,
- It will at least accommodate projected job demand; and,
- On reasonable assumptions, it could be expected to improve affordability.

2.20 The approach used by Barton Willmore to objectively assess overall housing need follows the methodology set out in PPG 2a-014:20 and summarised above. The result is a policy off assessment of housing need that takes no account of the impact of planned interventions strategies and policies.

### *vi) Affordable Housing Need Assessment*

2.21 The methodology for assessing affordable housing need is set out at 2a-022 to 029 and is largely unchanged from the methodology it supersedes (SHMA 2007). In summary, total affordable need is estimated by subtracting total available stock from total gross need. Whilst it has no bearing on the assessment of overall housing need, delivering the required number of affordable homes can be used to justify an increase in planned housing supply (2a-029).

> **"The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing 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."** (2a-029) (our emphasis)

### Barton Willmore Methodological Approach

2.22 Barton Willmore's approach to OAHN follows the approach set out in PPG, and is therefore methodologically robust.

### *Stage One – Define the Housing Market Area Boundary*

2.23 Before any assessment can be carried out, the limits of the HMA must be defined. This is vital to ensure that the OAHN reflects the social and economic dynamics of the area, and informs discussions on distribution should a particular LPA within the HMA face insurmountable challenges in accommodating its own demand for housing.

2.24 As a starting point, research from the Centre for Urban and Regional Development Studies (CURDS) at Newcastle University is consulted, and compared against ONS Travel to Work Areas and HMA definitions applied within recent LPA evidence base studies. These definitions are then tested using commuting and migration flow data (plus data on house prices) to determine which is most appropriate for the purpose of assessing housing need, taking account of guidance set out at PPG ID: 2a-009 to 013. The HMA area as defined and used by the LPAs has also been considered within this assessment.

*Stage Two – Identify and Adjust Demographic Starting Point*

2.25 The DCLG 2014-based Household Projections (released 12 July 2016) act as the starting point for assessing housing need (as established in PPG ID: 2a-015). However, these projections alone do not constitute OAHN – in line with PPG guidance, Barton Willmore consider several adjustments are required to the household projections based on further evidence that indicates past demographic and household trends have been affected by past under delivery of housing and the economic recession.

2.26 The first adjustment considered necessary is to account for suppressed household formation inherent in the 2014-based household formation rates. The problem of suppression arises because although formation rate projections are based on a long run trend which takes its bearings from Census points since 1961/71, that trend is distorted by the results of the 2011 Census, taken at a time when formation was greatly constrained by economic factors (supply, affordability and the aftermath of recession).

2.27 A recent Town and Country Planning paper[1] suggests that lower household formation is as a result of the 'policy and economic environment' and therefore refers to this as fixed circumstances that will not be reversed. This includes a 'sustained increase' in younger people not leaving home, which could be related to the introduction of student fees from 1998 and the increase in 'precarious employment'. All of which have resulted in worsening affordability and lower headship rates for younger households. The clear aim of the Government is to afford everyone the opportunity to establish their own home. Co-author of the research, Christine Whitehead stated in a related press release:

[1] T&CP Tomorrow Series Paper 17: New Estimates of Housing Requirements in England, 2012- to 2037, Neil McDonald and Christine Whitehead

> **"One of the biggest concerns is that couples aged between 25 and 34 – at the time when family formation is at its highest – are expected to be less well housed in 2031 than their counterparts in 2011."** [2]

2.28 To plan on the basis of using the 2014-based household formation rates will inevitably lead to a worsening of the current situation and a spiralling in the number of young adults forced into a position where they delay setting up their own home. This does not conform to NPPF's requirement to 'plan positively' (paragraph 182) and 'significantly boost' housing supply (paragraph 47).

2.29 If there is evidence of the 2014-based household formation rates suppressing household formation for 25-44 year olds, then an adjustment to the 2014-based household formation rates is considered necessary and is suggested by paragraph ID2a-15 of the PPG. The extent of the adjustment is a matter of judgement and for this reason we sensitivity test two different approaches to adjusting household formation rates for people aged 25-44 years (presented in Chapter 5 of this report).

2.30 The second adjustment considered necessary is to test alternative assumptions of net migration. The 'starting point' estimate (the DCLG 2014-based household projections) are underpinned by the ONS 2014-based Sub National Population Projections (SNPP). The 2014-based SNPP draw migration trends from the period 2009-2014 which again may have been distorted by the recession effecting the movement of people between places. For this reason, longer term trends, typically drawn from a 10-year period which incorporates a period of economic recession and buoyancy, <u>may</u> provide a more robust guide of likely migration patterns in the future.

### *Stage Three – Assess Labour Force Capacity*

2.31 To identify the extent to which forecast labour demand will be accommodated by the OAHN following the approach described above, a comparison is made between the size of the workforce arising from the adjusted demographic-led modelling and job creation forecasts, taking into account 'policy-off' job growth trends forecasts and potential changes in unemployment and economic activity rates over the plan period. The ratio of residents in employment and workforce jobs (the commuting ratio) is also an important input into this process.

[2] http://www.tcpa.org.uk/resources.php?action=resource&id=1273

2.32 If the size of the arising workforce is less than the forecast number of jobs, it is likely that a further uplift in the dwelling target would be required. Should this occur, additional jobs-led modelling is carried out to identify the population growth (and therefore number of dwellings) required to supply sufficient labour capacity.

*Stage Four - Assess Market Signals*

2.33 Housing costs in all parts of the country are less affordable now than 20 years ago, largely due to a significant decline in the number of homes being built. The extent to which this breakdown between the supply of and demand for housing occurs within the subject HMA is observed through an analysis of Market Signals.

2.34 Several key Market Signals are assessed including House Prices, Private Rents, Affordability, Concealed and Overcrowded Households and Completion Rates. As stipulated at PPG ID: 2a-020, a worsening trend in any of these indicators requires a boost to the planned level of housing supply.

*Stage Five – Bringing the Evidence Together*

2.35 Overall housing need is identified by distilling the analyses discussed above into a single OAHN for the period 2011-2031. This figure, by definition, does not take into account policy considerations which may place constraints on supply or limit the deliverability of housing. Housing need figures are provided for the relevant individual LPAs, but distribution of the overall HMA OAHN will in practice be subject to agreements between LPAs being made, including any constraints in particular areas.

*Stage Six – Affordable Housing Need*

2.36 The extent to which the OAHN arrived at through the previous stages would meet affordable need is also assessed. Where the local authority SHMA has provided a recent and detailed account of affordable need which draws on primary research, this is used as the basis for much of the analysis.

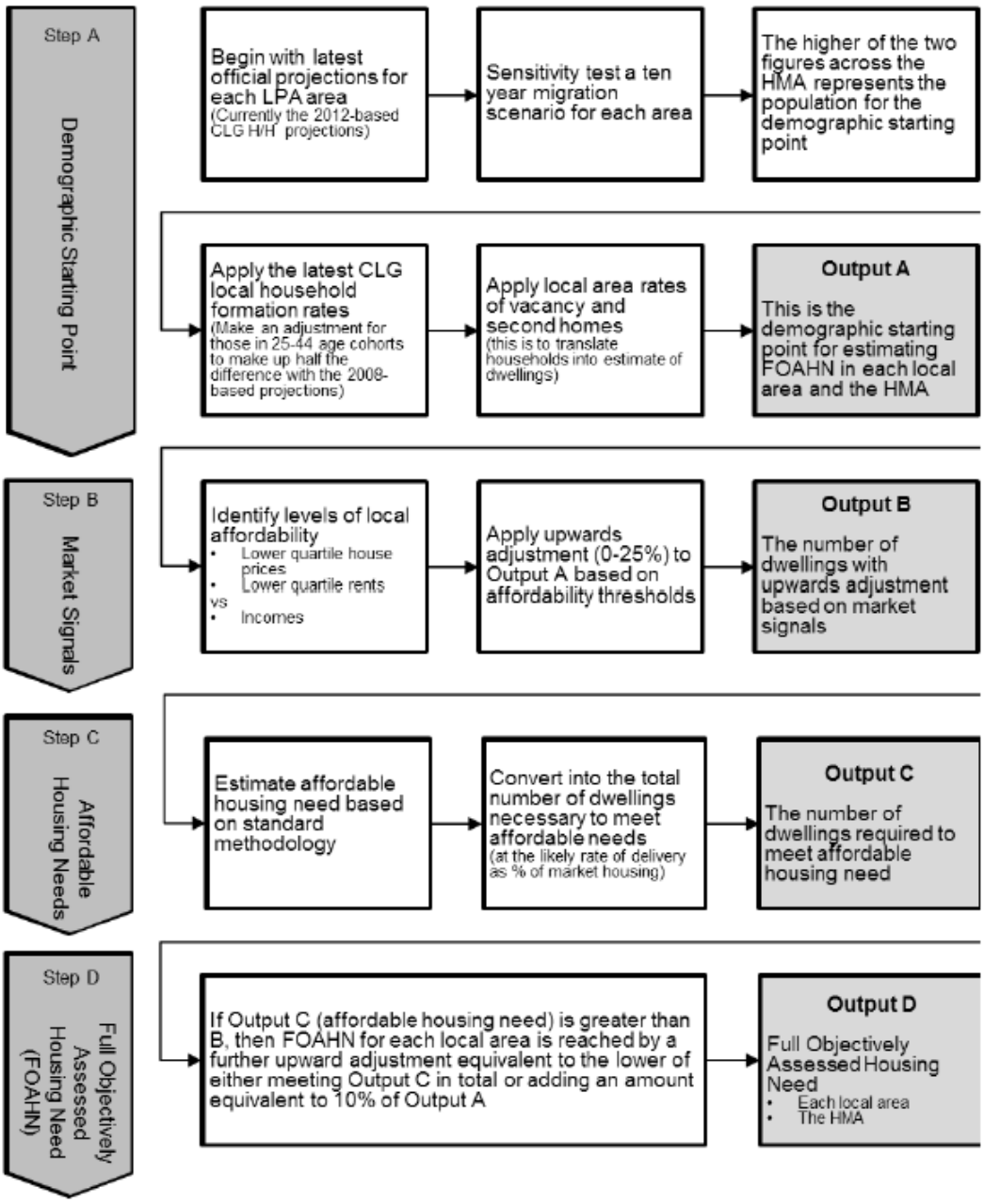
**Local Plans Expert Group (LPEG) – Report to the Communities Secretary and to the Minister of Housing and Planning (March 2016)**

2.37 The LPEG was established by the now former Communities Secretary (Greg Clark) and the Minister for Housing and Planning (Brandon Lewis), in September 2015, with a remit to consider how local plan making can be made more efficient and effective.

2.38 In short, the LPEG identified two main problems for local authorities:

- There is no pre-set determination of the boundaries of Housing Market Areas;
- There is no definitive guidance on the way in which to prepare a SHMA, leading to significant disagreement and uncertainty over housing numbers, which then affects every stage of the plan making progress.

2.39 The LPEG report therefore makes a series of recommended changes to the current Housing and Economic Development Needs Assessment (HEDNA) section of PPG in order to establish OAHN. The recommended methodology is summarised as follows:




Source: Page 22, Local Plans Expert Group Appendices, March 2016

2.40 The LPEG recommendations are currently being considered by the Communities and Local Government Select Committee, and it is important to emphasise how they do not, at the present time, hold any weight in the determination of OAHN. However for completeness and for information purposes only, we have included a calculation of OAHN based on the recommendations of LPEG (see Appendix 8).

### Chapter Summary

2.40 The approach of national policy and guidance clearly states the importance of objectivity and transparency in the assessment of housing requirements. This study has been prepared in accordance with this approach, and uses data and methodologies (where possible) which can be traced and replicated. The ultimate output of this study is a clear, unambiguous recommendation for housing development which is supported by a robust evidence base and sound assumptions.

# 3.0 ASSESSMENT AREA DEFINITION

3.1 This chapter describes the steps taken to define an assessment area, for which an objective assessment of housing need has been carried out. The relationship between this assessment area and surrounding areas (both in functional economic terms and political terms) has also been considered to provide further context.

3.2 As established in the previous chapter, LPAs are required to assess need within their wider HMAs, rather than simply within their own boundaries.

3.3 In defining 'What is a housing market area?', the PPG states:

> **"A housing market area is 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. The extent of the housing market areas identified will vary, and many will in practice cut across various local planning authority administrative boundaries. Local planning authorities should work with all the other constituent authorities under the Duty to Cooperate."** [3]

3.4 However, there is no single definition of where the boundaries for each HMA fall.

**Independent Definitions**

3.5 As a starting point, two sources of information are taken into consideration – one academic led (funded by DCLG) and one from the Office for National Statistics (ONS).

*CURDS/NHPAU – The Geography of Housing Markets in England*

3.6 Research carried out by academics from the Centre for Urban & Regional Development Studies (CURDS) at Newcastle University acts as a good starting point for defining a HMA. The research was funded by the National Housing and Planning Advisory Unit at DCLG, and focuses on creating a robust set of HMA definitions with a tiered structure:

- The upper tier (Strategic) covers the whole country, providing appropriate areas for modelling and analysis relating to strategic housing policy. Strategic HMAs are defined by long distance commuting flows and the long term spatial framework within which

[3] Paragraph: 010 Reference ID: 2a-011-20140306, Planning Practice Guidance, 06 March 2014

housing markets operate. The researchers also state that the Strategic tier is particularly useful for modelling affordability.

- The lower tier (Local) applies primarily to heavily urbanised regions, splitting the Strategic HMA boundaries into smaller areas for detailed monitoring of the balance of housing supply and demand.

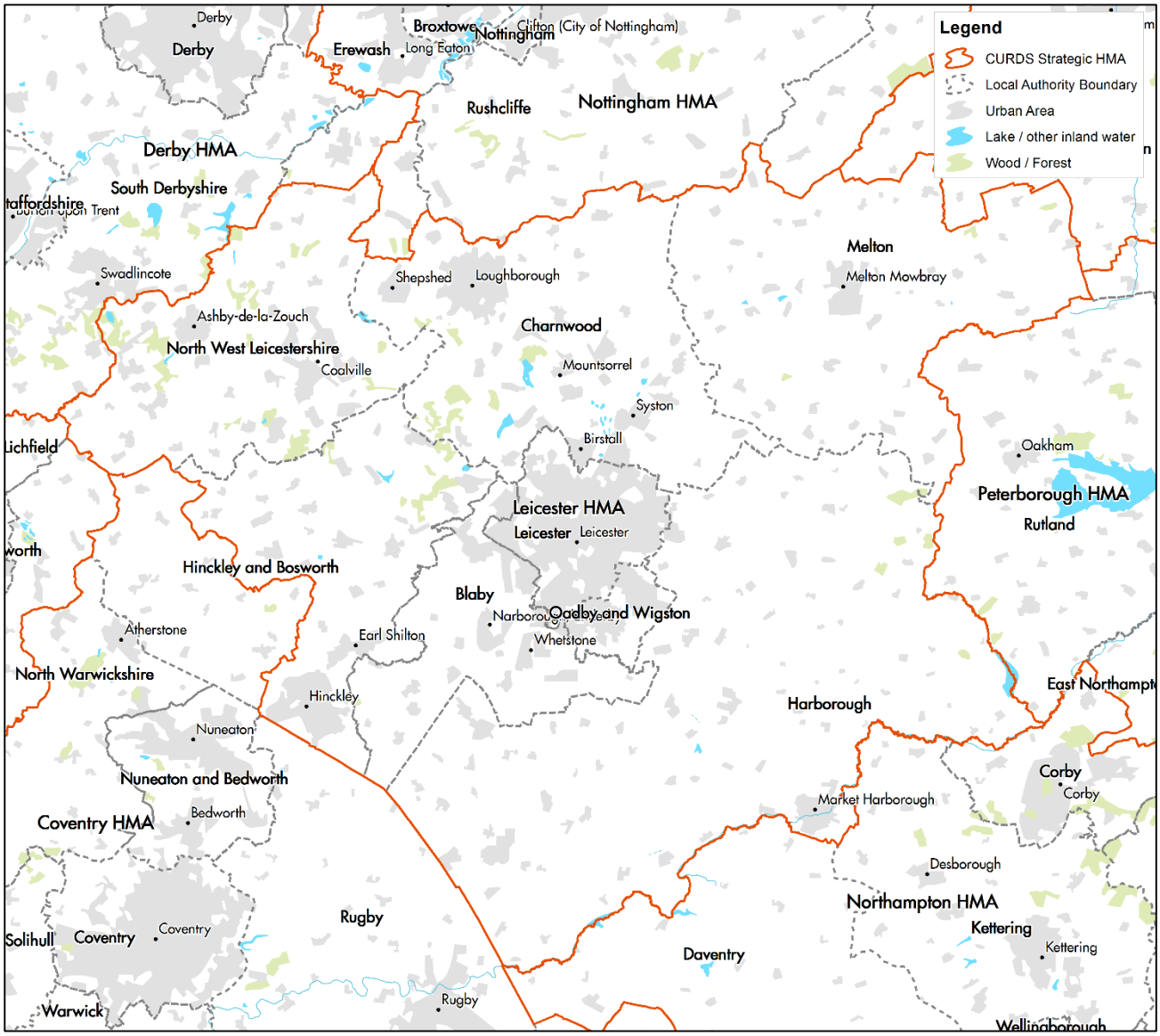
3.7 These sets of HMAs are termed 'gold standard' because their boundaries are defined to the maximum possible level of detail. They are built up from c.9000 wards using detailed migration and commuting statistics, which were made available to the CURDS researchers from the 2001 Census (it is currently unclear whether or not this exercise will be repeated based on the recently-released Census 2011 flow data). Given that this study is primarily concerned with informing strategic housing policy, the Strategic HMA definitions represent the most logical and appropriate option.

3.8 Figure 3.1 (overleaf) shows the Strategic HMA boundaries in the area surrounding NW Leicestershire. On a best-fit basis, NW Leicestershire falls within the Leicester HMA.

3.9 The Leicestershire HMA, defined on the basis of travel to work flows and spatial variations in standardised house prices, comprises the following local authorities on a best fit basis:

- Blaby;
- Charnwood;
- Harborough;
- Hinckley and Bosworth;
- Leicester;
- North West Leicestershire;
- Melton; and
- Oadby and Wigston.

**Figure 3.1: Strategic Housing Market Area Boundaries**




Source: CURDS, Experian, Contains OS/ONS data © Crown Copyright 2015

3.10 The HMA definition based on the CURDS research appears to be conclusive, with a strong fit between the Strategic HMA boundary and the eight LPA boundaries. However, given that the CURDS analysis is underpinned by data from the 2001 Census, it is important to confirm the definition through other data sources to ensure that the linkages remain relevant.

*ONS – Travel to Work Areas*

3.11 Travel to Work Areas (TTWAs), also provide a useful point of reference when determining the correct HMA definition. Although TTWAs do not take housing market factors into account, they do reflect the ways in which people travel between home and work, and are therefore a good

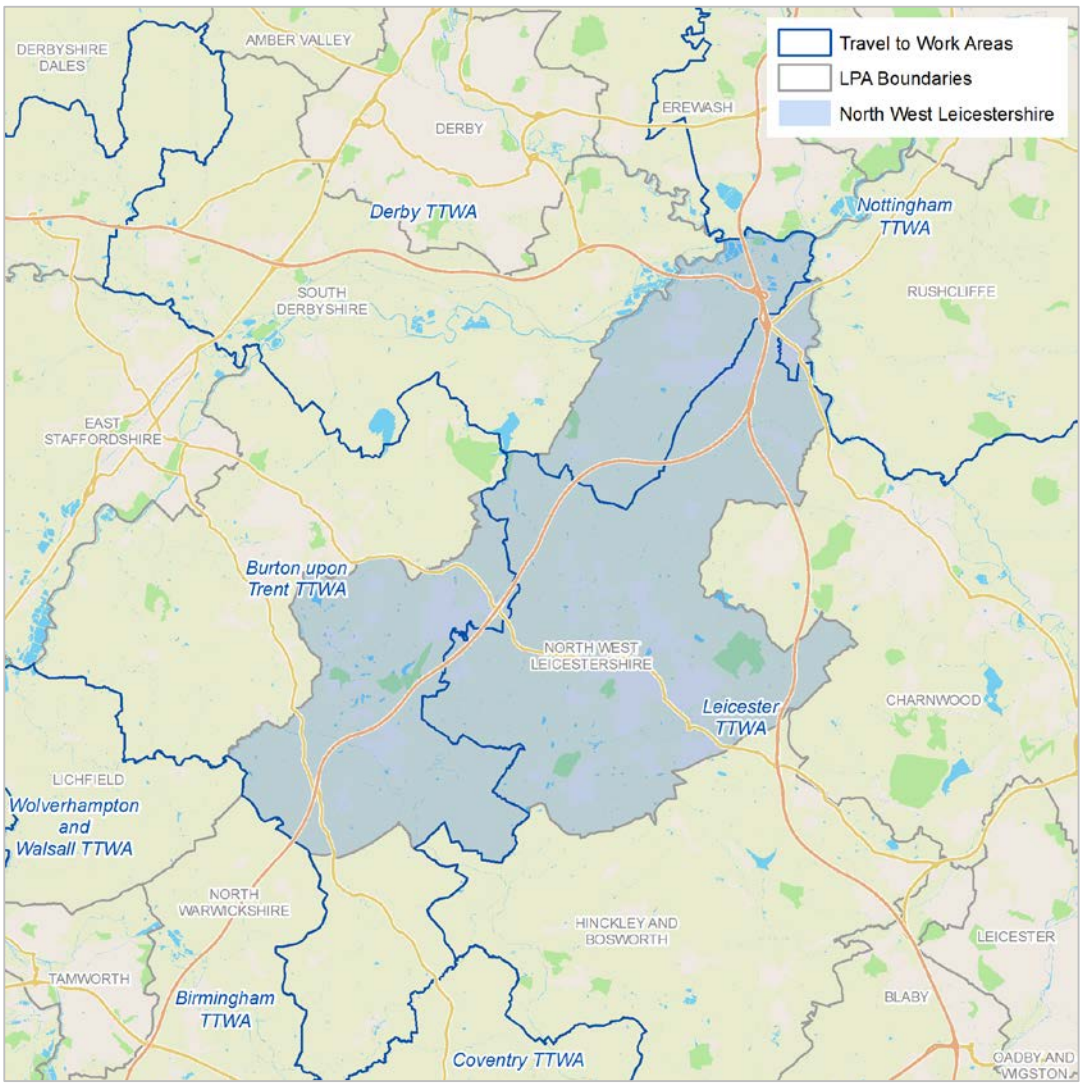
indicator of the Functional Economic Market Area (FEMA), which must be taken into consideration when assessing the need for employment land.

3.12 Travel to work areas are the result of an iterative process, which aims to identify discrete and statistically robust geographical regions within which a large proportion of the resident labour force is contained (i.e. people living and working in the same TTWA). The containment thresholds applied within the 2007 research ranged from 66.7% (for larger areas) to 75%+ for smaller areas[4].

3.13 Figure 3.2 below shows the limits of the various TTWAs in the area surrounding NW Leicestershire.

[4] ONS, 'Introduction to 2001-based Travel to Work Areas', p.2

**Figure 3.2: Travel to Work Areas**




3.14 On this basis, NW Leicestershire falls within three TTWAs – Leicester TTWA; Burton upon Trent TTWA and Derby TTWA.

**Local Authority Definitions**

3.15 The definitions applied by LPAs in their policy and evidence base documents can also provide useful insight into local political dynamics.

3.16 The most up-to-date evidence produced by the Council relating to HMA definitions is contained within the June 2014 Leicester and Leicestershire Strategic Housing Market Assessment (SHMA) undertaken by GL Hearn and Justin Gardner Consulting.

3.17 Through analysis of migration flows (from the ONS internal migration statistics 2006-11), commuting dynamics (from the 2001 Census) and House Prices (from the Land Registry), the

2014 SHMA concluded that combined, the eight authorities show 'a high level of Self-Containment' and therefore the eight authorities are considered to represent the appropriate HMA.

### Definition Testing

3.18 The evidence considered above suggests that combined, the seven authorities of Leicestershire and Leicester Unitary Authority, represent a single HMA. This definition is further tested below.

#### *Travel to Work Flow Containment*

3.19 The first aspect assessed is the containment of Travel to Work flows. Flow data from the 2011 Census is used to estimate the proportion of workers who live and work within the various HMA definitions. In line with the containment thresholds applied during the determination of the TTWAs, retention of at least 67-75% of the workforce is considered an appropriate benchmark.

**Table 3.1: Travel to Work Flow Containment**

| Usual Residence | Place of Work: North West Leicestershire | Blaby | Charnwood | Harborough | Hinckley and Bosworth | Leicester | Melton | Oadby and Wigston | Other |
|---|---|---|---|---|---|---|---|---|---|
| North West Leicestershire | 27,276 | 1,323 | 3,650 | 302 | 1,475 | 2,318 | 217 | 126 | 9,835 |
| Blaby | 747 | 20,551 | 1,400 | 2,439 | 2,310 | 13,849 | 146 | 2,131 | 4,937 |
| Charnwood | 3,263 | 3,452 | 45,203 | 820 | 1,120 | 15,359 | 1,009 | 825 | 8,947 |
| Harborough | 293 | 2,920 | 641 | 22,938 | 857 | 6,397 | 184 | 1,628 | 8,555 |
| Hinckley and Bosworth | 1,870 | 3,901 | 1,443 | 2,067 | 27,094 | 6,251 | 205 | 458 | 10,776 |
| Leicester | 1,620 | 11,508 | 5,496 | 3,737 | 1,962 | 96,656 | 984 | 5,568 | 10,456 |
| Melton | 274 | 566 | 1,454 | 229 | 181 | 1,802 | 16,149 | 103 | 5,622 |
| Oadby and Wigston | 262 | 2,479 | 699 | 1,126 | 396 | 9,930 | 70 | 9,393 | 2,195 |
| Other | 18,370 | 5,508 | 8,273 | 8,841 | 7,429 | 11,321 | 3,334 | 1,034 | - |

Source: ONS, Census 2011

3.20 In isolation, only Leicester Unitary authority is considered to meet the TTWA threshold of 66-75% - all other seven authorities fall below this threshold suggesting that individually they cannot be considered to represent discrete HMAs.

### *Household Move Containment*

3.21 The second aspect considered is the containment of household moves. The analysis is again derived from Census 2011 flow data, this time from the table providing the origins and destinations of people who had moved home in the 12 months leading up to census day (27 March 2011). Unlike commuting flows, PPG provides a useful guideline for household move containment of 70%.

3.22 Although the majority of people tend to move only short distances, certain age groups such as 18-24s (moving to and from university) and over 50s (urban to rural, retirement) can distort the picture. Migration flows for those aged 25-44 are therefore used to limit distorting influences.

**Table 3.2: Household Move Containment**

| | | Previous Residence | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | North West Leicestershire | Blaby | Charnwood | Harborough | Hinckley and Bosworth | Leicester | Melton | Oadby and Wigston | Other |
| Current Residence | North West Leicestershire | 4,285 | 64 | 388 | 22 | 267 | 152 | 26 | 27 | 2,368 |
| | Blaby | 58 | 3,033 | 217 | 306 | 397 | 1,521 | 20 | 308 | 1,244 |
| | Charnwood | 357 | 323 | 12,076 | 122 | 255 | 1,677 | 137 | 127 | 7,014 |
| | Harborough | 22 | 400 | 110 | 3,422 | 146 | 605 | 53 | 291 | 2,046 |
| | Hinckley and Bosworth | 186 | 480 | 219 | 135 | 4,907 | 491 | 28 | 62 | 2,043 |
| | Leicester | 152 | 1,125 | 1,109 | 401 | 375 | 27,359 | 103 | 2,159 | 9,995 |
| | Melton | 44 | 40 | 218 | 47 | 46 | 118 | 2,764 | 29 | 1,459 |
| | Oadby and Wigston | 27 | 289 | 95 | 154 | 58 | 1,086 | 28 | 1,481 | 2,133 |
| | Other | 2,521 | 1,819 | 6,340 | 2,597 | 2,334 | 8,561 | 1,405 | 1,122 | - |

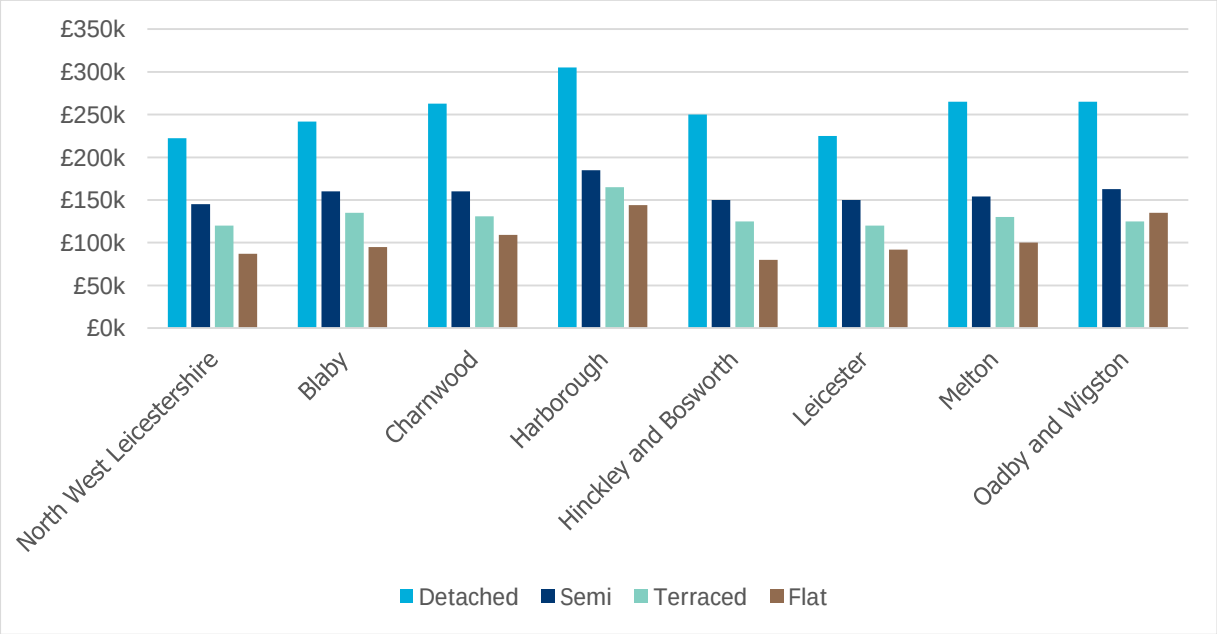
Source: ONS, Census 2011

3.23 With regards to household move containment, none of the Leicestershire authorities meet the 70% threshold set out in PPG. On this basis, none of the LPAs can reasonably be considered to represent separate HMAs.

### *House Price Variance*

3.24 The final aspect taken into account is house price variance. As stated within PPG, areas which have clearly different price levels to surrounding areas are unlikely to be considered to belong to the same housing market. This analysis has been carried out using land registry price paid data for the full calendar year of 2015. Figure 3.3 below shows the median prices paid for different types of property in each of the eight LPAs.

**Figure 3.3: Median House Prices by property type, 2015**




Source: Land Registry

3.25 Based on this analysis, house prices in NW Leicestershire appear to be slightly cheaper than in the rest of the HMA. Detached house prices are on average between 9% and 37% higher in the rest of the HMA than compared to NW Leicestershire. Flats range from between 6% and 66% higher in the rest of the HMA compared to NW Leicestershire. Hinckley and Bosworth is the only authority to have lower median house prices than NW Leicestershire with flats being 8% cheaper than in NW Leicestershire

3.26 However, as shown in Figure 3.3, house prices overall are broadly comparable across each of the eight authorities within the HMA. This serves as further evidence of the eight LPAs belonging to a single HMA.

**Recommended Definition**

3.27 In isolation, the eight authorities do not meet the self-containment thresholds required by PPG to be considered discrete entities.

3.28 This Chapter has provided clear evidence that the seven Leicestershire authorities plus Leicester Unitary Authority have functional relationships with one another with regards to commuting flows, migration flows and house prices.

3.29 It is therefore considered reasonable to assess the need for housing in NW Leicestershire as part of the wider Leicestershire HMA as defined by CURDS – in line with the latest housing evidence produced by the Council.

# 4.0 LOCAL POLICY CONTEXT AND EVIDENCE BASE REVIEW

4.1 This chapter reviews key local planning policy and evidence base documents relating to housing and economic growth for NW Leicestershire. Such analysis leads this chapter to determine whether the identified housing need/ target for the LPA has been objectively assessed in line with PPG recommendations.

**Adopted/ Emerging Local Plans and Core Strategies**

***i) North West Leicestershire Local Plan – Publication Version (June 2016)***

4.2 On 4 October 2016 the Council submitted the NW Leicestershire Local Plan Publication Version to the Secretary of State for Examination. One of the objectives of the submitted Plan is to:

> **"Support the delivery of new homes balanced with economic growth to provide a stock of housing that meets the needs of the community, including the need for affordable housing."[5]**

4.3 The Plan's strategy in relation to economic growth has been informed by work undertaken by the Public and Corporate Economic Consultants (PACEC) on behalf of the Leicester and Leicestershire Enterprise Partnership. This identified that up to 2031 there would be 5,600 employment jobs created (Use Class B).[6] This was then translated into a need for 96 hectares of land for employment, which is carried forward into Policy S1 of the submitted Plan. However, a note to Policy S1 explains that this does not include land for the Strategic Rail Freight Interchange (SRFI).

4.4 A SRFI near to East Midlands airport was approved by the Secretary of State in January 2016 which according to the Plan is estimated to create 7,400 additional jobs. The Plan therefore acknowledges that the PACEC study does make sufficient allowance for jobs in the B8 sector.

4.5 For this reason, the Council has commissioned further work into considering the impact an additional 7,400 jobs would have on housing needs for the District. This work is discussed in more detail later on in this chapter, however, the April 2016 analysis identified a need for an additional 10,400 dwellings over the plan period to 2031. This is higher than the level of housing need identified for NW Leicestershire in the June 2014 SHMA for between 5,700 and 7,000 dwellings.

[5] Objective 2, Paragraph 4.6, page 21, North West Leicestershire Local Plan – Publication Version, June 2016
[6] Paragraph 5.4, page 23, North West Leicestershire Local Plan – Publication Version, June 2016

4.6 Having regard to this new evidence, Policy S1 of the submitted Plan makes provision for 10,400 additional dwellings over the plan period 2011-2031. This is equivalent to an additional 520 dwellings per annum.

4.7 The submitted Plan's target for an additional 520 dwellings per annum is slightly lower than the figure proposed in the draft Local Plan in September 2015 for 535 dwellings per annum. The need for 535 dwellings per annum was calculated by the Council as the number of homes needed to support the SRFI, prior to the most recent April 2016 analysis, but again significantly higher than the level of need identified in the June 2014 SHMA. No supporting technical assessments were published to support the figure of 535 dwellings per annum.

4.8 However, the Council recognises that NW Leicestershire is part of a wider HMA and therefore has jointly commissioned a Housing and Economic Development Needs Assessment (HEDNA) which will identify new housing and employment requirements for all authorities within the HMA. As of December 2016, the new HEDNA has not been published.

**Housing Needs Evidence Base**

4.9 The provision of 520 additional dwellings per annum in NW Leicestershire (2011-2031) as contained in the submitted Local Plan has been informed by the 'Review of Housing Requirements' report undertaken by Justin Gardner Consulting on behalf of NW Leicestershire Council and published in April 2016. This document therefore forms the Council's main piece of housing needs evidence at the current time.

4.10 However, the April 2016 Housing Requirements study only provides an updated assessment of housing need for NW Leicestershire and not the wider HMA. Furthermore, the Housing Requirements study is not a full SHMA and only provides a partial update to the June 2014 SHMA. For this reason the June 2014 SHMA remains the main piece of evidence underpinning the housing needs assessments for the wider HMA.

4.11 These two main evidence documents are reviewed below in order to determine whether the housing need for NW Leicestershire and the HMA has been objectively assessed in line with NPPF and PPG requirements.

### *ii) Leicester and Leicestershire Strategic Housing Market Assessment (June 2014)*

4.30 The most recent Local Authority-prepared Strategic Housing Market Assessment (SHMA) for the HMA was published in June 2014. The study was prepared on behalf of the eight HMA Local Authorities by GL Hearn and Justin Gardner Consulting, and replaces the previous SHMA from 2008.

4.31 The introduction to the SHMA explicitly states that the study responds to the NPPF/PPG and provides a 'policy-off' assessment of future housing need. It is intended to inform future planning policy in the HMA. Section 3 of the study confirms that it was prepared after the publication of the 'final' PPG in March 2014.

4.32 The extent to which the findings of the SHMA can be considered to represent the full, objectively assessed housing needs for Leicester and Leicestershire are discussed below.

*Housing Market Area Definition*

4.33 The SHMA a study area (HMA) comprising the seven districts/boroughs of Leicestershire and the unitary authority of Leicester and this spatial footprint is agreed.

4.34 The HMA definition was confirmed within the SHMA through analysis of migration flows (from the ONS internal migration statistics 2006-11), commuting dynamics (from the 2001 census) and House Prices (from the Land Registry), with the analysis concluding that Leicester and Leicestershire show 'a high level of Self-Containment' (p.26).

4.35 Furthermore, this definition is carried forward into the analysis of housing requirements and affordable need. As such, the HMA definition applied is considered to be appropriate.

*Objective Assessment of Overall Housing Need*

4.36 Although the SHMA provides a considerable volume of information on many aspects of the housing market, of most relevance to this study is the approach taken in identifying the full, objectively assessed needs for housing as set out in the NPPF and PPG.

#### *a) Demographic Starting Point and Adjustments*

4.37 The PPG states how the latest DCLG household projections should form the 'starting point' estimate of overall housing need in an area. The SHMA begins with a review of the 'interim'

2011-based DCLG household projections, which were the latest available projection series at the time the June 2014 SHMA was produced.

4.38 The 'interim' 2011-based household projections showed growth in the HMA of 34,824 households over the 10-year period (3,482 households per annum) covered by the projections (2011-2021). Given that this was the most up-to-date household projections series available at the time, it was considered appropriate to use the 'interim' 2011-based series as the starting point. However, since the publication of the 2014 SHMA there have been two further releases of DCLG household projections – namely the 2012 and 2014-based series. The April 2016 Housing Requirements study took account of the 2012-based series and is reviewed later in this chapter. Furthermore Chapter 5 of this Barton Willmore report explores growth based on all projection series.

4.39 Due to the limited 10-year span of the interim 2011-based DCLG projections, the SHMA extends the projections to 2031 and 2036 to provide a projection period more akin to a Development Plan period. Extending the projections indicates a need for 3,335 homes per annum to 2031 and 3,159 homes per annum is looking to 2036 for the HMA as a whole.

4.40 The SHMA also appraises the 2011-based DCLG projections in the context of the ONS 2012 Mid Year Population Estimates (MYPE), published after the 2011-based Sub National Population Projections (SNPP) which underpin the DCLG 2011-based household projections. Taking account of the 2012 MYPE the SHMA adjusts the migration trends underpinning the DCLG 2011-based household projections using the following method:

- First, average net migration over the short-term (2007-2012) is determined.
- Second, the difference between net migration 2005 to 2010 and projected migration in the first five years of the SNPP 2011 is identified and added (or subtracted) from the short term migration trend described above.
- Third, half of the Unattributable Population Change (UPC) element is added to the combined figure (trends and projections) to provide an average net migration trend for the first five years of the Plan period.

4.41 The result of these modifications is an OAHN underpinned by net in-migration of 3,268 people per annum, 2011-2016 for the HMA.

4.42 Given the period analysed for migration trends (2007-2012) is heavily influenced by the recession, it is considered more appropriate to apply a long term (10-year) net-migration trend, which provides a more stable picture of migration trends incorporating both a period of economic buoyancy and economic recession.

4.43 It is also unclear what purpose the second stage of the methodology, which reduces the migration figure by 749 at HMA level, serves. Without a clear explanation of the rationale, its inclusion cannot be justified.

4.44 Finally, it is recommended that the UPC element should be excluded from the calculation of the net migration trends, in line with the approach taken by ONS in producing the 2012-based and 2014-based SNPP and to provide a full range of possible outcomes based on net migration trends. This would elevate the short-term trend (2007-2012) slightly to 3,383 people per annum.

4.45 In terms of Household Formation Rates (HFRs), the SHMA makes the following adjustments: From 2011, the average rate is equal to the mid-point between the pre recessionary 2008-based and the recessionary interim 2011-based household formation rates. This shows a marginal uplift in housing numbers over the 2011-2031 period, to 3,774 dwellings per annum. The SHMA justifies their approach as follows:

> **"These projections represent what we would consider to be the most robust projections of future housing needs based on the demographic evidence."[7]**

4.46 Furthermore, the SHMA considers that the application of these 'midpoint' household formation rates makes a contribution towards alleviating adverse market signals. However, the adjustment is minimal, and is unlikely to have much of an effect.

4.47 **In summary, the SHMA presents demographic OAHN for the HMA to be 3,774 dwellings per annum (2011-2031). This is an increase of 439 dwellings per annum above the adjusted 2011-based starting point of 3,335 dwellings per annum.**

4.48 **However, it is considered that the analysis on which the SHMA's demographic OAHN is derived is now out of date. Furthermore, although sensitivity tests are applied, it is considered that they do not sufficiently establish the likely level of housing that would be needed should a full return to pre-recessionary household formation rates occur.**

*b) Accounting for Economic Growth*

4.49 In addition to demographic-led scenarios, the SHMA also incorporates two economic-led assessments of need, based on Experian economics forecast data from autumn 2013. **It should be noted that there were at least two further quarterly revisions to the**

[7] Paragraph 5.43, Page 93, Leicester and Leicestershire Strategic Housing Market Assessment, June 2014

**Experian forecasts between autumn 2013 and the SHMA publication date, a period over which the economy improved significantly.**

4.50 The economic led scenarios also assume an increase in economic activity rates (over the age of 50), and assume that current migration patterns (in terms of age and sex) will be maintained with a different level of migration being input into the modelling to meet job targets. **Whilst it is reasonable to assume an increase in economic activity in line with increases to the state pension age, it is questionable whether it is likely (or indeed reasonable) that as many as 41.6% of 65-74 year olds in some parts of the HMA will be in employment by 2036.**[8]

4.51 The result of the economic-led modelling is a requirement for 3,853 dwellings per annum at HMA level 2011-2031, based on the midpoint headship rate assumptions set out above. This represents a slight increase over the SHMA's recommended demographic-led scenario (3,774 dwellings per annum).

4.52 The SHMA concludes that the distribution of this forecast is influenced by abnormal employment growth in certain areas (such as in North West Leicestershire around East Midlands Airport), and instead opts to rebalance the economic forecast in proportion with current job distribution. **This is not considered to align with an objective approach, as a deviation away from the objective evidence indicates that a policy intervention would need to occur.**

4.53 **In addition to this, the economic-led forecast continues to apply the same approach to headship rates as was applied to the demographic-led scenarios. As such, it is considered that these forecasts also reflect recessionary trends.**

### *c) Market Signals Adjustments*

4.54 The PPG requires market signals to be taken into account as part of a full objective assessment of housing need. In this context it is not necessarily appropriate to solely consider population projections based on demographic and economic-led need.

4.55 The SHMA acknowledges the requirement to consider market signals, and in section 4 identifies how house prices are above the East Midlands average at the HMA level. These relatively high house prices have been shown to translate into acute affordability problems, particularly in

[8] Figure B25, page 213, Leicester and Leicestershire Strategic Housing Market Assessment, June 2014

Harborough and Melton. Furthermore in respect of past delivery, housing delivery in the HMA fell significantly below targets, resulting in a deficit of 2,732 dwellings 2006/07 to 2010/11.

4.56 The SHMA concludes how against this context there is some basis for considering a localised upward adjustment to housing provision in order to improve the affordability of market homes across the HMA (particularly in Harborough and Melton).

4.57 However in accounting for market signals it appears that the sensitivity scenario based on the mid-point household formation trends is considered to account in some part for the uplift required, as follows:

> **"Housing supply over the 2006/7-10/11 fell below planning targets by around 2,732 dwellings, although this varied across local authorities with Harborough, Melton and Oadby and Wigston meeting their target. <u>The adjustments to household formation rates in the demographic projections seek to address this</u>."** [9] (Our emphasis)

4.58 Although this would increase supply slightly, the magnitude of increase is relatively small (around 10%).

4.59 Further to this, a number of further uplifts have been recommended at local authority level to account for specific local issues including both Market Signals and Affordable Housing delivery.

4.60 The OAHN is ultimately presented as a range from 3,775 to 4,215, the upper end of the range representing a 54% increase over the past delivery rate set out in the SHMA. This would make a contribution to alleviating adverse market signals, but would be insufficient to reduce house price inflation to 1.1% per annum in line with the recommendations made in the Barker review (which indicates a need for an 86% increase). As such, it is likely that affordability would continue to worsen even if the full amount of housing is delivered.

### *d) Affordable Housing Need Assessment*

4.61 The SHMA provides an assessment of affordable housing need in section 6, and identifies an overall deficit of 1,966 affordable dwellings per annum over a 20-year period, based on the DCLG basic needs assessment model (1,913 per annum over the extended 25 year period). The SHMA identifies the presence of a significant requirement for new affordable housing, as follows:

[9] Paragraph 9.9, page 184, Leicester & Leicestershire SHMA, June 2014

> **"There is thus a significant requirement for new affordable housing in Leicester and Leicestershire and the Councils are justified in seeking to secure additional affordable housing."**

4.62 In accounting for affordable housing provision, the conclusions section identifies the significant level of overall housing need required to meet the slightly lower 25-year requirement (1,913 affordable dwellings per annum), as follows:

> **"such a level of delivery is not likely to be achievable given viability considerations (at current policy rates of delivery this would require 7,648 dwellings per annum). As stated in the NPPG, an increase in the total housing figures should be considered where it could help deliver the required number of affordable homes."**

4.63 In this context the SHMA considers how an upward adjustment to the demographic-led projections are required, stating the following:

> **"The affordable housing needs evidence (see section 6) points to some case for considering higher housing provision levels (relative to the demographic projections) in Leicester, Blaby, Harborough, Hinckley and Bosworth, Oadby and Wigston and North West Leicestershire. There is a particularly acute need in Blaby and Oadby & Wigston and therefore a higher adjustment than the other areas could be justified. This is in order to enhance delivery of affordable homes."**

4.64 In spite of these conclusions, the SHMA's OAHN range is unlikely to accommodate the assessed level of affordable need. At HMA level, the 20-year requirement for affordable housing equates to 47% of the top OAHN figure (4,215 dwellings per annum). It is considered highly unlikely that this could be delivered viably. As such, it is considered that the SHMA's OAHN has not adequately taken full account of affordable need.

### *iii) North West Leicestershire District Council – Review of Housing Requirements (2011-2031) Final Report (April 2016)*

4.65 The Review of Housing Requirements (RHR) was undertaken by Justin Gardner Consulting on behalf of North West Leicestershire Council with the final report published in April 2016. The RHR makes it clear that its purpose was not to supersede the June 2014 SHMA but to specifically particular focus on the impact of the East Midlands Gateway Rail Freight Interchange (EMGRFI) on housing needs in NW Leicestershire.

4.66 Nonetheless, the RHR does provide a partial update to the SHMA because it also takes account of demographic data released after the publication of the June 2014 SHMA. However, the RHR does not provide an update to the housing needs evidence across the entire HMA – it only provides updated evidence for NW Leicestershire.

### *a) Demographic starting point and adjustments*

*Starting point*

4.67 At the time the RHR was compiled, the most recent DCLG household projections available were the 2012-based projections. The RHR presents these as the starting point for assessing housing need in NW Leicestershire. Over the period 2011-2031 there is projected to be an additional 5,067 households in NW Leicestershire and an additional 68,190 households in the HMA according to the 2012-based projections.

*Alternative population projections*

4.68 However, the RHR gives consideration to the assumptions underpinning the starting point and acknowledges that over the time period which fed into the 2012-based starting point (2007-2012), migration levels were quite low in comparison to historic levels.[10] For this reason, the RHR sensitivity tests the following scenarios:

- **2014-based (estimated)** which seeks to update the 2012-based SNPP to take account of the 2013 and 2014 Mid-Year Population Estimates;
- **Long-term migration** based on migration trends from the period 2001-2014;
- **Long-term migration/UPC** which adjusts the long-term migration trend to take account of UPC.

4.69 Barton Willmore support consideration of a long-term migration trend because under this scenario trends are drawn from a period which incorporates of period of economic recession and buoyancy therefore providing a more stable picture of migration to NW Leicestershire.

4.70 However, the RHR states that the long-term migration trend has been created by applying the 'fixed' level of annual net migration from the period 2001-2014 over the projection period. Barton Willmore do not consider this approach to be robust – a point which the RHR itself acknowledges.[11] A preferable approach to considering alternative migration trends is to use the rates based approach - an average of migration rates by age and gender over the selected

[10] Paragraph 3.32, Page 25, NW Leicestershire District Council, Review of Housing Requirements (2011-2031), April 2016
[11] Paragraph 3.40, Page 27, NW Leicestershire District Council, Review of Housing Requirements (2011-2031), April 2016

long-term period. The rates based approach responds to the changing demographic profile over the projection period and is the method ONS adopt when producing the SNPP. Barton Willmore present an alternative long-term trend from the period 2005-2015 using the rates based approach in Chapter 5 of this report.

4.71 Furthermore, the RHR goes on to sensitivity test a long-term migration trend incorporating an adjustment for Unattributable Population Change (UPC). UPC refers to a discrepancy in population statistics that arose between the 2001 and 2011 Censuses. The cause of UPC is unknown and therefore to attribute UPC to migration is considered inappropriate. The ONS decided not to readjust its 2012 or 2014-based SNPP to take account of UPC because it did not introduce any bias in the trend data. Barton Willmore's approach is to also exclude UPC, whether positive or negative, following the approach of ONS.

4.72 Nonetheless, we acknowledge that UPC in NW Leicestershire is positive which means there was an underestimation of NW Leicestershire's population between 2001 and 2011 and for this reason population estimates between 2001 and 2011 for NW Leicestershire have been revised upwards. Therefore the effect of the RHR 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 (16,342 compared to 13,620 additional people, 2011-2031). UPC is discussed in more detail in Chapter 5 of this report.

4.73 The RHR concludes that a 'range between the long-term migration trend and long-term migration trend with a UPC adjustment is probably a reasonable view about future demographic change.'[12] Combining the levels of growth from these two scenarios would suggest population growth of 16% for NW Leicestershire over the period 2011-2031.

*Household Formation Rates*

4.74 The June 2014 SHMA adjusted the 'interim' 2011-based household formation Rates (HFRs) which were the latest available at the time, by taking a mid-point between the rate of change in the 2011-based and 2008-based DCLG household projections. Since publication of the SHMA, the DCLG have published new household projections and new accompanying HFRs which the RHR seeks to take account of. It should be noted, that whilst the DCLG have since published the 2012- and 2014-based household projection series, only the 2012-based projections had been published when the RHR was compiled.

[12] Paragraph 3.48, Page 30, NW Leicestershire District Council, Review of Housing Requirements (2011-2031), April 2016

4.75 The RHR provides an analysis of the 2012-based HFRs and concludes that the rates are 'sound'[13] despite the RHR 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.[14]

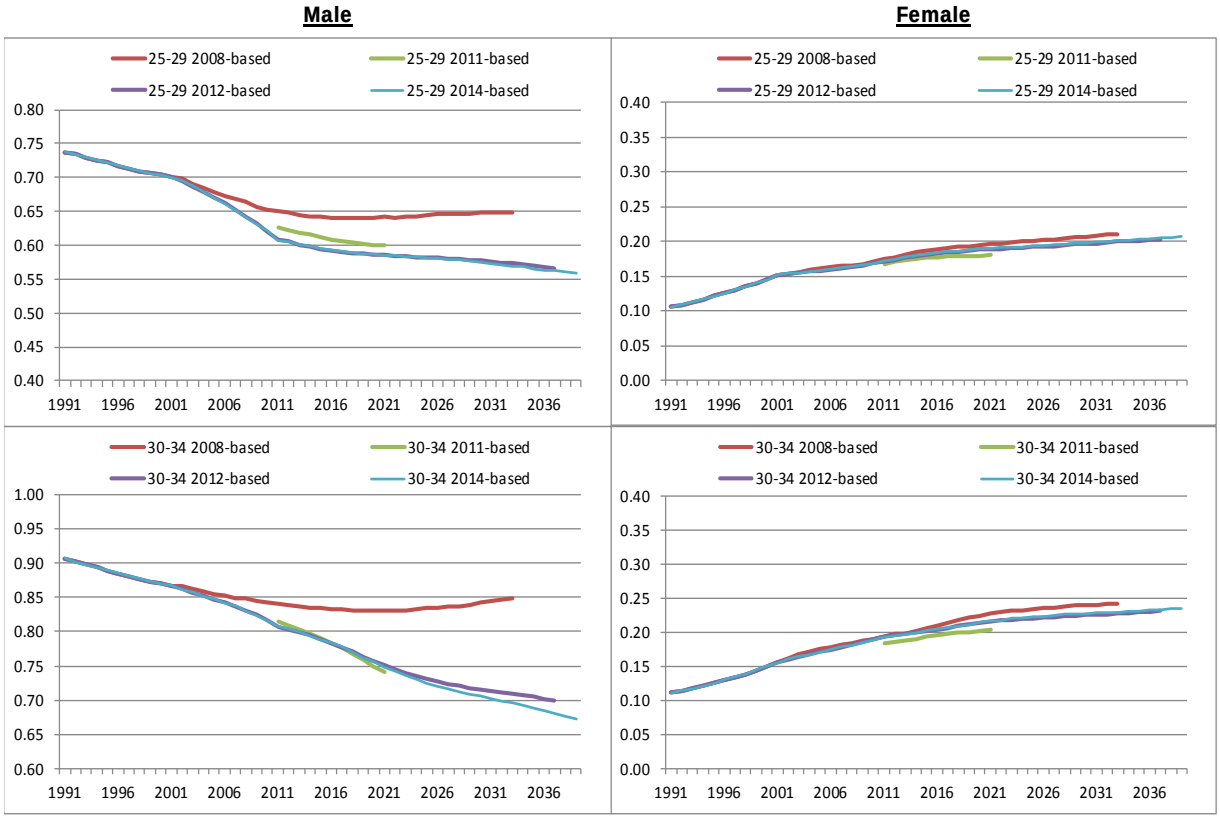
4.76 The RHR is somewhat contradictory because although it considers the 2012-based rates to be 'sound' it then provides sensitivity analysis to identify the level of uplift required to housing provision in order to return the HFRs for 25-34 year olds back to 2001 levels by 2031.[15] This adjustment is taken forward into the recommended OAHN.

4.77 Barton Willmore consider the HFR adjustment applied in the RHR not to be sufficient at addressing suppressed household formation for 25-34 year olds. The effect of the HFR adjustement is to increase housing need under the long-term migration trend scenario by 36 additional dwellings from 342 to 378 (+10%).

4.78 However, the RHR outlines that it has utilised the Stage 1 2012-based HFRs which provide HFRs by age group and gender. In respect of NW Leicestershire, more detailed analysis of the HFRs shows that by returning rates to the 2001 rates for both males and females actually suppresses household formation for females below the 2012 rates. See Figure 4.1.

[13] Paragraph 3.62, Page 34, NW Leicestershire District Council, Review of Housing Requirements (2011-2031), April 2016
[14] Paragraph 3.58, Page 32, NW Leicestershire District Council, Review of Housing Requirements (2011-2031), April 2016
[15] Paragraph 3.67, Page 35, NW Leicestershire District Council, Review of Housing Requirements (2011-2031), April 2016

**Figure 4.1: HFRs for males and females aged 25-34 years in NW Leicestershire**




4.79 Figure 3.18 in the RHR compares 2012-based Stage 1 (aggregated male and female) and Stage 2 (not available by gender) HFRs for NW Leicestershire. The charts clearly demonstrate that the Stage 2 rates project greater suppression in household formation of people aged 25-34 years than compared to the Stage 1 rates. This suggests that the effect of combining the separate male and female rates is to dampen the suppression issue, thereby supporting Barton Willmore's concern over the HFR adjustment applied in the RHR. If such an adjustment was applied to the Stage 2 HFRs, the result would be a greater increase in housing need.

4.80 Barton Willmore has tested the effect of applying a return to 2001 HFRs (Stage 1) for 25-34 <u>and</u> 35-44 year olds by gender, only where the 2014-based HFRs are projected to be lower than the 2001 HFR by 2031. This results in an adjustment to male HFRs only. Results are presented in Chapter 5 of this report, along with two further HFR adjustment sensitivities.

### *b) Accounting for Economic Growth*

4.81 The RHR considered 'baseline' economic growth for NW Leicestershire derived from the average of five economic scenarios dated between 2013 and 2015 . It was estimated that to meet the job growth forecasts there will be a need for provision of between 326 dwellings per annum (to support growth of 340 jobs per annum) and 467 dwellings per annum (to support growth

of 596 jobs per annum). A mid-point of this range has been taken (401 dwellings per annum) to represent the level of housing need to support 'baseline' economic growth. The RHR 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.

4.82 However, the RHR acknowledges that the approved EMGRFI is expected to generate significant job growth in NW Leicestershire in addition to the jobs used within the June 2014 SHMA housing need projections[16]. The RHR has been produced to give particular attention to the level of housing required to support the additional economic growth the EMGRFI is expected to create.

4.83 The analysis in the RHR is based on the creation of 7,317 additional jobs, as per the Environmental Statement for the EMGRFI. This conclusion was reached after giving consideration to displacement and additionality which the RHR believes will offset each other.

4.84 However, Barton Willmore consider that the RHR is likely to be underestimating the level of job creation of the EMGRFI. An independent review by economist Steve Lucas (see Appendix 1 of this report for full review) 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.

4.85 Steve Lucas concludes:

> **"On the basis of this additionality assessment, the Council should be planning for between 8,495 and 9,439 additional jobs over and above the numbers in the SHMA projections. It should also be planning for between 1,178 and 2,122 additional jobs over and above the adjustments suggested by JGC in their April 2016 report to the Council."**

4.86 In converting the additional jobs into growth in the resident workforce, the RHR considers that it would not be appropriate to assume the current commuting patterns given that that EMGRFI is expected to draw in labour from a range of areas, not just NW Leicestershire. The RHR presents that currently 49.5% of local jobs are taken by in-commuters (according to the 2011 Census). Applied to growth of 7,317 jobs, this would mean that 3,619 jobs would be filled by people commuting in from outside of NW Leicestershire. The RHR says 'that it would be unrealistic to expect more than about half of the additional jobs to be undertaken by people resident in the District'[17]

[16] Paragraph 2.9, Page 11, NW Leicestershire District Council, Review of Housing Requirements (2011-2031), April 2016
[17] Paragraph 2.15, Page 12, NW Leicestershire District Council, Review of Housing Requirements (2011-2031), April 2016

4.87 The RHR also considers double-jobbing referring to figures from the Annual Population Survey (APS) which suggest that 3.3% of workers in NW Leicestershire have a second job. The RHR considers that it is appropriate to apply an allowance for double-jobbing on this occasion because 12% of the EMGRFI jobs are expected to be part-time. 3.3% is considered a minor adjustment that wouldn't materially change the assessment.

4.88 Taking into account commuting and double-jobbing the RHR models the impact on housing need in NW Leicestershire on the basis of the number of residents in employment increasing by 3,576 over the period 2011-2031. The RHR states that the assumptions made are 'more likely to over- rather than under-estimate the required growth in the resident workforce'[18] This conclusion is unsubstantiated as the RHR provides no evidence to support this conclusion.

4.89 In translating growth in the resident workforce into additional population growth and in turn housing need, the RHR makes what it claims to be a number of 'improvements' to the assumptions applied in the SHMA with regards to economic activity and household formation rates.

*Projecting Economic Activity*

4.90 The RHR makes reference to the 2014 SHMA's assumptions on economic activity as being 'conservative' – a conclusion reached by the Inspector of the Lower Packington Road appeal.[19] For this reason, the RHR reconsiders the methodology for projecting economic activity.

4.91 The economic activity of two broad population groups is considered - the working age population (16-64 years) and population of pensionable age (65+). Change in the economic activity of these two groups over the period 2004-2014 is analysed and used to project forward future assumptions on economic activity. The RHR concludes that there is no evidence to suggest that the economic activity rates of the working age population will increase in the future and therefore the 2011 Census assumption that 82.7% of the NW Leicestershire working age population are economically active is held constant over the projection period.

4.92 However, for people of pensionable age the assumption is that economic activity will increase by half of the rate seen between 2004 and 2014 – this means that economic activity of pensionable age people increases from 14% in 2011 to 18% in 2031. Half of the increase is an arbitrary figure – a point which the RHR itself acknowledges.[20]

[18] Paragraph 2.16, Page 12, NW Leicestershire District Council, Review of Housing Requirements (2011-2031), April 2016
[19] APP/G2435/A/14/2217036
[20] Paragraph 4.42, Page 49, NW Leicestershire District Council, Review of Housing Requirements (2011-2031), April 2016

4.93 The RHR applies the same economic activity rates to both males and females and yet economic activity of females is known to be significantly lower than males (a point which is explored in more detail in Chapter 6 of this report). The effect of applying the same economic activity rates to both genders is to increase the resident labour supply and in turn reduce the level of housing need required to support economic growth.

4.94 The approach taken by the RHR to projecting economic activity is considered unfounded.

4.95 Barton Willmore's approach is to obtain age and gender specific economic activity rates for NW Leicestershire from the 2011 Census and project them forward following the Office for Budget Responsbility (OBR) November 2015 projection. The RHR discounts the use of the OBR rates. However, Barton Willmore consider the OBR rates to provide a robust basis on which to project economic activity – they are from independent source and are used to inform the Government's wider fiscal planning.

4.96 The RHR concludes that the EMGRFI would uplift the economic baseline requirement to between 444 and 586 dwellings per annum, with a need for 519 dwellings per annum to support the PACEC (2013) economic scenario. 519 dwellings per annum has been taken forward by NW Leicestershire as representing full OAHN. However, the evidence presented in the RHR suggests that economic OAHN could infact be as high as 586 dwellings per annum.

### *c) Market signals and affordable housing need*

*Market Signals*

4.97 The RHR 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.[21] This would suggest an uplift is required to address market signals issues in NW Leicestershire.

4.98 However, given PPG does not provide any guidance in respect of the level of adjustment that should be applied, the RHR has considered this within the context of how much of an uplift both the demographic and economic OAHN provides to the starting point (assessed in the RHR as the DCLG 2012-based household projections).

[21] Paragraph 5.26, Page 67, NW Leicestershire District Council, Review of Housing Requirements (2011-2031), April 2016

4.99 The RHR 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.[22] On this basis, the RHR concludes that no further adjustment to the recommended OAHN is necessary to address market signals issues.

4.100 The approach applied in the RHR to market signals uplifts is similar to that applied by Barton Willmore and therefore we support the RHR's approach in respect of market signals (albeit we do not support the OAHN recommendations).

*Affordable housing need*

4.101 The RHR does not undertake a new assessment of affordable housing need and therefore draws on information presented in the June 2014 SHMA.

4.102 The RHR states that affordable housing need of 212 dwellings per annum represents 41%-81% of the need arising through the demographic projections. The RHR acknowledges that OAHN is not required to meet affordable housing need in full citing various judgments.[23]

**d) Conclusion on full OAHN**

4.103 The RHR presents full OAHN for NW Leicestershire as being 519 dwellings per annum (2011-2031) based on the PACEC (2013) economic projection with an uplift to support the EMGRFI. A summary of the steps to reaching this OAHN is as follows:

- Starting point estimate = 262 dpa (2012-based household projection);
- Alternative migration trend = 380 dpa (long-term migration trend 2001-2014);
- HFR adjustment = 417 dpa (return to 2001 HFRs);
- EMGRFI scenario = 519 dpa (based on the assumption of 7,317 additional jobs).

***iv) Chapter Summary***

4.104 The NW Leicestershire Publication Plan makes provision for 520 additional dwellings per annum in the District over the period 2011-2031. This provision has been informed by the findings of the April 2016 RHR and is considered to meet the full OAHN. However, the level of OAHN identified in the RHR is considered to provide an underestimate of housing need in NW Leicestershire for the following main reasons:

[22] Paragraph 5.30, Page 68, NW Leicestershire District Council, Review of Housing Requirements (2011-2031), April 2016
[23] Satnam Millennium Limited v Warrington Borough Council (Feb 2015); Oadby and Wigston v Bloor Homes (July 2015); and Kings Lynn v Elm Park Holdings (July 2015)

- OAHN of 519 dwellings per annum is derived from the RHR's EMGRFI economic scenario which assumes the EMGRFI will create 7,317 additional jobs in NW Leicestershire over the period 2011-2031. Independent economic advisor Steve Lucas suggests the EMGRFI could be expected to create 8,495 jobs in NW Leicestershire taking account of displacement and multiplier effects;

- The economic activity assumptions applied in the RHR are considered to overestimate the future resident labour supply due to a too large reliance on the economic activity of older females. The effect of this is to reduce the level of housing need required to the support the EMGRFI economic scenario;

- The RHR does not adequately address the issue of suppressed household formation for younger people (particularly aged 25-44 years). Although an adjustment is applied, the adjustment suppresses household formation for females beyond that already projected in the starting point;

- Although the RHR recommends full OAHN for NW Leicestershire as being 519 dwellings per annum (2011-2031) the economic evidence presented in the RHR suggests that economic OAHN for NW Leicestershire could be as high as 586 dwellings per annum if an alternative economic projection is observed.

4.104 Furthermore, the RHR has only sought to provide an updated assessment of housing need in NW Leicestershire and not the wider HMA which PPG requires needs to be assessed for.

4.105 Since the publication of the RHR the ONS have published the 2014-based SNPP and the DCLG have published the accompanying 2014-based household projections. Both data sets provide an updated starting point for assessing housing need, in addition to providing updated demographic datasets on migration, fertility and mortality.

4.106 The following chapters of this report address the concerns raised with the Council's evidence base in order to arrive at an alternative OAHN for NW Leicestershire and the HMA over the period 2011-2031.

# 5.0 DEMOGRAPHIC CONTEXT AND DEMOGRAPHIC-LED HOUSING NEED

5.1 Demographic projections and estimates from the Office for National Statistics (ONS) and Department for Communities and Local Government (DCLG) underpin much of the OAHN, providing information on population change, age structure, household formation, fertility/mortality and migration.

5.2 This chapter begins with an overview of the population profile in the base year (2011), according to the 2011 Census. Next, a summary of the most recent population and household projections from ONS/DCLG is provided, with comparisons made against other recent series. Key modelling inputs are then discussed, drawing on the population/household projections plus ONS Mid-Year Population Estimates.

5.3 The final part of the chapter summarises the results of the initial demographic-led modelling, setting out the starting point (as described in PPG) plus any required adjustments.

## i) Base Year Population Profile – 2011 Census

5.4 Table 5.1 below shows the total population of NW Leicestershire and each of the other seven LPAs within the HMA. Regional and national comparators are also provided. Population density (number of people per hectare) and the proportion of people living in areas classed as urban are also shown.

**Table 5.1: Population – 2011 Census**

| | Population (usual residents) | Population Density (people per hectare) | % of population in Urban Areas |
|---|---|---|---|
| **NW Leicestershire** | **93,468** | **3.3** | **55.2%** |
| **Blaby** | 93,915 | 7.2 | 80.5% |
| **Charnwood** | 166,100 | 6.0 | 85.6% |
| **Harborough** | 85,382 | 1.4 | 32.8% |
| **Hinckley and Bosworth** | 105,078 | 3.5 | 67.8% |
| **Leicester** | 329,839 | 45.0 | 99.8% |
| **Melton** | 50,376 | 1.0 | 53.9% |
| **Oadby and Wigston** | 56,170 | 23.9 | 100.0% |
| **HMA average** | **980,328** | **4.5** | **79.7%** |
| **East Midlands** | **4,533,222** | **2.9** | **73.3%** |
| **England** | **53,012,456** | **4.1** | **82.4%** |

Source: ONS, Census 2011

5.5 Around 93,468 people were living in NW Leicestershire at the time of the 2011 Census. Approximately 55% of these people were living in urban areas, which is a lower proportion compared to the HMA average, indicating that NW Leicestershire is relatively rural in nature. NW Leicestershire is also less densely populated than the average for the East Midlands region, and nationally.

5.6 Table 5.2 below shows the number of dwellings and households within NW Leicestershire on Census day (2011).

**Table 5.2: Dwellings and Households – 2011 Census**

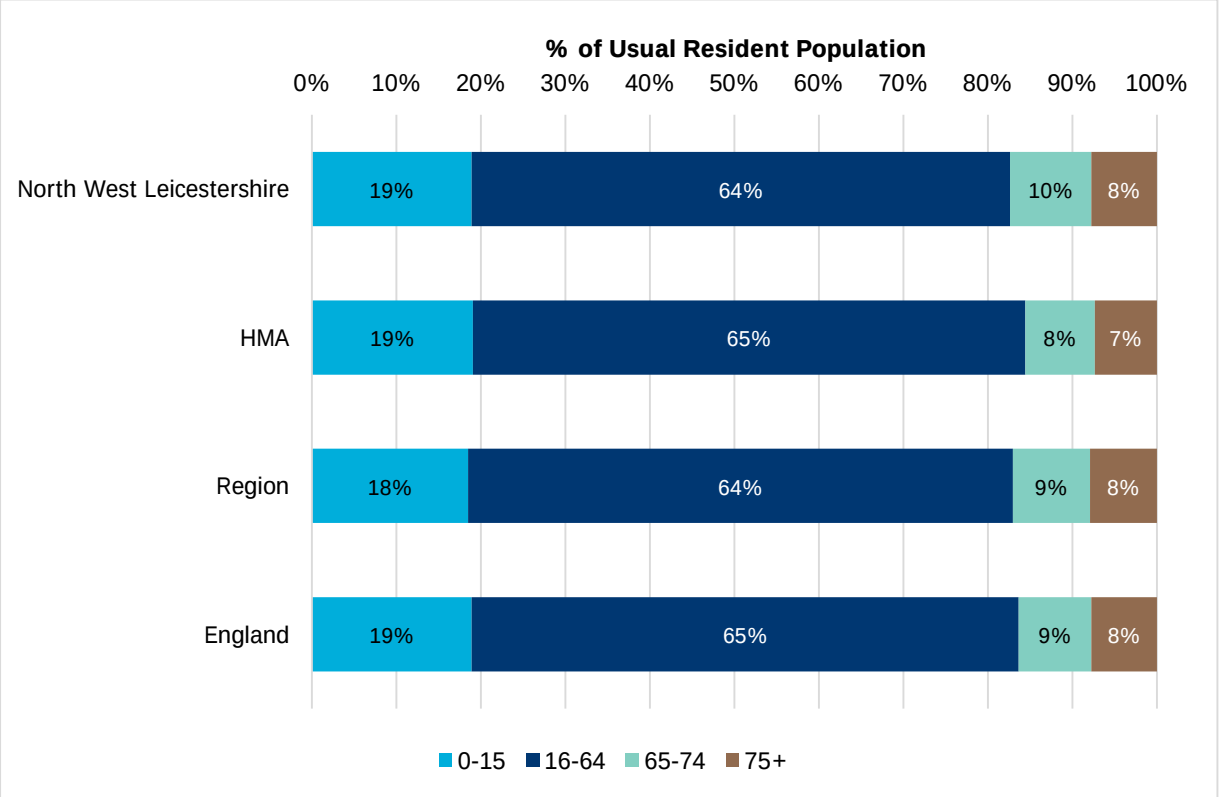
| | Total Dwellings | Household Spaces - Occupied | Household Spaces - No Usual Residents |
|---|---|---|---|
| **North West Leicestershire** | 40,463 | 39,128 | 1,344 |
| **Blaby** | 39,669 | 38,686 | 985 |
| **Charnwood** | 69,220 | 66,516 | 2,789 |
| **Harborough** | 36,101 | 34,898 | 1,212 |
| **Hinckley and Bosworth** | 46,909 | 45,377 | 1,549 |
| **Leicester** | 126,703 | 123,125 | 4,258 |
| **Melton** | 22,185 | 21,490 | 722 |
| **Oadby and Wigston** | 22,481 | 21,339 | 1,143 |
| **HMA** | **403,731** | **390,559** | **14,002** |
| **East Midlands** | **1,971,514** | **1,895,604** | **78,224** |
| **England** | 22,976,066 | 22,063,368 | 980,729 |

Source: ONS, Census 2011

5.7 The number of dwellings in NW Leicestershire totalled 40,463 according to the 2011 Census, the vast majority of which were occupied by a single household. Across NW Leicestershire around 1,340 household spaces with no usual residents were recorded. These households tend to be either vacant or only occupied for part of the year (such as holiday homes) and in NW Leicestershire around 3.3% of household spaces had no usual residents – lower than the regional (4.0%) and national averages (4.3%).

5.8 Figure 5.1 below summarises the age structure of NW Leicestershire according to the 2011 Census.

**Figure 5.1: Age Structure – 2011 Census**

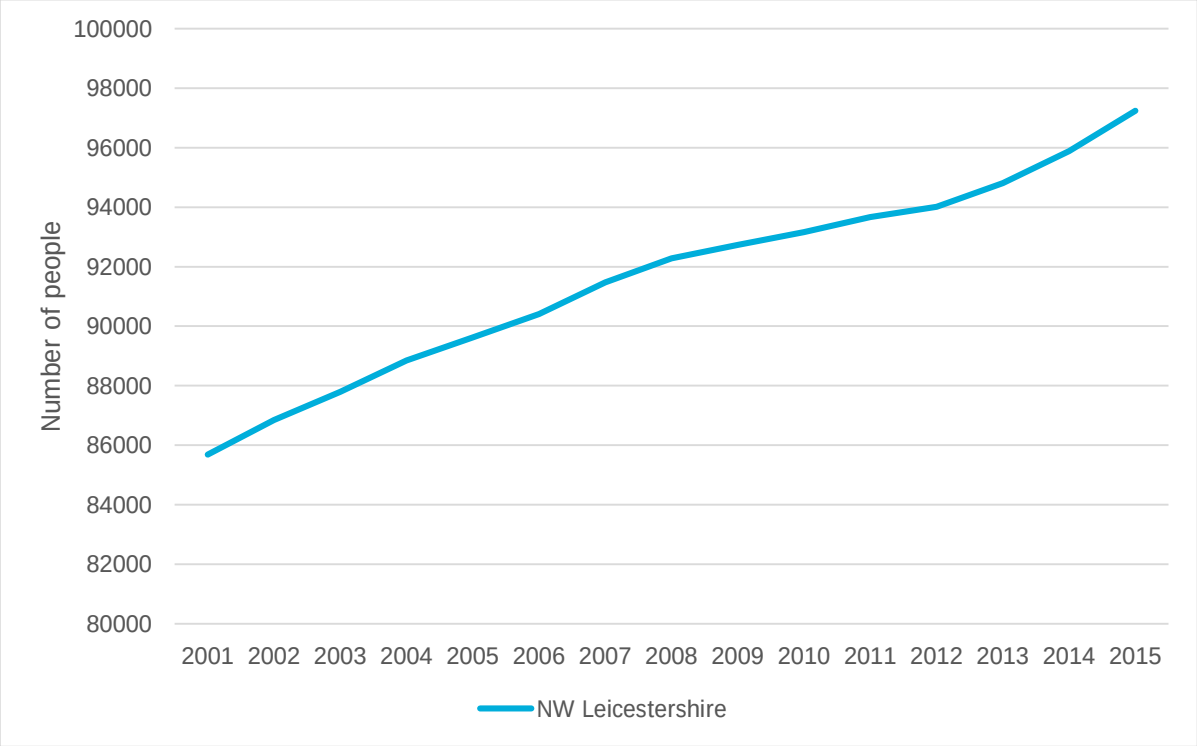



Source: ONS, Census 2011

5.9 NW Leicestershire's age profile is similar to the regional and national profile. However, it has a slightly older population profile than the average for the HMA, with a higher proportion of its population aged 65+ years old. The median age of a resident in NW Leicestershire was 42 years – higher than the HMA average (38), regional average (40) and national average (39).

5.10 Since 2011, the population of NW Leicestershire has increased by an additional 3,577 people (+3.8%) resulting in a total population estimate of 97,247 people according to the 2015 Mid-Year Population Estimates (MYPE). This is a higher rate of population growth than the national average (+3.2%)

**Figure 5.2: Mid-Year Population Estimates (2001-2015)**




Source: ONS

### ii) Office for National Statistics (ONS) Population Projections

5.11 The Office for National Statistics produces population projections for all local authority areas in England. These are referred to as the Sub National Population Projections (SNPP) and are published by the ONS usually every two years.

5.12 The ONS SNPP are trend-based projections. That is, they project forward past demographic trends in births, deaths and migration. They do not take account of any future changes to government policy which may affect these past trends.

5.13 Table 5.3 sets out the official ONS SNPP in chronological order from the 2008-based series to the most recent 2014-based SNPP (25 May 2016) for NW Leicestershire and the HMA. Equivalent data for each of the individual authorities within the HMA are presented in Appendix 2.

**Table 5.3: ONS SNPP series – NW Leicestershire and HMA**

| | Series | 2011 | 2021 | 2031 | | 2011-2021 (per annum) | 2011-2031 (per annum) |
|---|---|---|---|---|---|---|---|
| NW Leicestershire | 2014-based | 93,670 | 99,831 | 105,375 | | 6,161 (616) | 11,705 (585) |
| | 2012-based | 93,760 | 98,035 | 102,271 | | 4,365 (436) | 8,601 (430) |
| | 2011-based (interim) | 93,670 | 99,911 | | | 6,241 (624) | |
| | 2008-based | 92,300 | 99,600 | 106,200 | | 7,300 (730) | 13,900 (695) |
| | | | | | | | |
| HMA | 2014-based | 980,806 | 1,063,615 | 1,140,431 | | 82,809 (8,281) | 159,625 (7,981) |
| | 2012-based | 980,806 | 1,043,814 | 1,102,731 | | 63,008 (6,301) | 121,925 (6,096) |
| | 2011-based (interim) | 980,806 | 1,055,535 | | | 74,729 (7,473) | |
| | 2008-based | 970,800 | 1,052,600 | 1,132,600 | | 81,800 (8,180) | 161,800 (8,090) |

Source: ONS

5.14 The most recent 2014-based SNPP projects the population of NW Leicestershire to grow by an additional 585 additional people per annum over the period 2011-2031. This level of growth is higher than projected by the previous 2012-based series but lower than 2008-based series. The pattern is similar across the HMA as a whole.

5.15 In common with the 2012-based ONS SNPP it is important to note that the 2014-based projections are based on demographic trends captured over a largely recessionary period between 2009 and 2014. The previous 2012-based projection was underpinned by trends over a similar period (2007-2012).

5.16 Whilst the 'interim' 2011-based projections also reflect a recessionary period it is important to understand that whilst this series was the first to take account of 2011 Census findings in terms of the population age structure, it did not take account of updated fertility, mortality

and migration trends in light of the 2011 Census findings. Although similar they are not therefore directly comparable with the 2012 and 2014-based SNPP.

5.17 These latest 2014-based SNPP represent an important piece of information in determining future population growth, and associated demands on housing. There are, however, two fundamental issues which cast doubt on the reliability of these projections:

- They are based upon recent trends in population change which have been heavily influenced by the recent recession. The extent to which the projections are representative of longer term population change over a series of economic cycles is questionable;

- They reflect the 2014-based national projections in assuming net international migration of 185,000 people per annum across England. However, as a consequence of the recently revised international migration estimates, both the 2014-based national and sub national population projections are considered to significantly underestimate net international migration trends. The latest quarterly net international migration estimates suggest that net international migration totalled 335,000 people per annum in the year ending June 2016.

5.18 It is therefore necessary to consider in more detail the migration trends underpinning the 2014-based SNPP and how these compare to trends drawn from a longer period (which incorporate a period prior to the recession and the recession itself) and a more recent period.

***Migration Flows***

5.19 The economic downturn has led to atypical net migration patterns in some areas. The difficulties in using data which covers the recession are well documented in the PAS Technical advice note – Objectively Assessed Need and Housing Targets produced by PBA in July 2015. Paragraph 6.23 of the advisory note states that:

> **"The base period used in the latest official projections, 2007-2012, is especially problematic. The period covers all of the last recession, in which migration was severely suppressed as many households were unable to move due to falling incomes and tight credit. Therefore the official projections may underestimate future migration – so that they show too little population growth for the more prosperous parts of the country, which have been recipients of net migration in the past. If so, by the same token the projections will also overestimate population growth for areas with a history of net out migration."**

5.20 To cancel out fluctuations in migration trends, the PAS Guidance suggests sensitivity testing a longer trend.

> **"In assessing housing need it is generally advisable to test alternative scenarios based on a longer reference period, probably starting with the 2001 Census (further back in history may be unreliable). Other things being equal, a 10-15 year base period should provide more stable and more robust projections than the ONS' five years. But sometimes other things will not be equal, because the early years of this long period included untypical one-off events as described earlier. If so, a shorter base period despite its disadvantages could be preferable."** [24]

5.21 Table 5.4 summarises the key components of population change for NW Leicestershire between 2001/2 and 2014/15, based on detailed data from the ONS Mid-Year Population Estimates. Appendix 3 provides equivalent data for all authorities withn the HMA.

[24] Paragraph 6.24, Planning Advisory Service (PAS) Objectively Assessed Need and Housing Targets Technical Advice Note, produced by Peter Brett Associates, July 2015

**Table 5.4: ONS components of population change for NW Leicestershire**

| | Natural change | Net Migration | Other changes | | Total change |
|---|---|---|---|---|---|
| | | | Total | Of which UPC | |
| 2001/02 | 97 | 902 | 165 | 171 | 1,164 |
| 2002/03 | 97 | 687 | 168 | 172 | 952 |
| 2003/04 | 175 | 706 | 170 | 169 | 1,051 |
| 2004/05 | 103 | 511 | 164 | 177 | 778 |
| 2005/06 | 150 | 454 | 179 | 182 | 783 |
| 2006/07 | 176 | 730 | 164 | 176 | 1,070 |
| 2007/08 | 217 | 403 | 187 | 184 | 807 |
| 2008/09 | 190 | 67 | 188 | 190 | 445 |
| 2009/10 | 205 | 50 | 182 | 185 | 437 |
| 2010/11 | 175 | 135 | 195 | 194 | 505 |
| 2011/12 | 193 | 152 | 3 | 0 | 348 |
| 2012/13 | 142 | 649 | 5 | 0 | 796 |
| 2013/14 | 95 | 981 | -8 | 0 | 1,068 |
| 2014/15 | 108 | 1,254 | 3 | 0 | 1,365 |
| **Total 2001-15** | **2,123** | **7,681** | **1,765** | **1,800** | **11,569** |
| **Average 2001/15** | **152** | **549** | **126** | **129** | **826** |
| **Average 2007/12** | **196** | **161** | **151** | **151** | **508** |
| **Average 2009/14** | **162** | **393** | **75** | **76** | **631** |
| **Average 2010/15** | **143** | **634** | **40** | **39** | **816** |
| **Average 2005/15** | **165** | **488** | **110** | **111** | **762** |

Source: ONS

5.22 It is evident from Table 5.4 that net migration flows for NW Leicestershire decreased significantly during the recession. In the 5-year period 2007-2012, which is the period from which the ONS 2012-based SNPP trends are drawn, net migration averaged 161 net migrants per annum. A more recent 5-year trend drawn from the period 2009-2014 which underpins the 2014-based SNPP generates an average of 393 net migrants per annum. The periods which underpin both the 2012 and 2014-based SNPP are therefore characterised by a trend of net outward migration. However, to a lesser extent over the period 2009-2014 which explains why the 2014-based SNPP project higher population growth than the 2012-based SNPP.

5.23 Given migration trends for NW Leicestershire appear to have been affected by the economic recession, it seems appropriate to consider a longer 10-year trend for NW Leicestershire which incorporates a period of both economic recession and buoyancy. Table 5.4 indicates a long term trend drawn from the most recent 10-year period (2005-2015) indicates average migration of 488 net migrants per annum.

5.24 The analysis of migration trends set out above indicates that the continuation of long term (10-year) trends in net migration could require an uplift in the number of homes planned for, as it is likely that population growth would exceed the level indicated by both the ONS 2012 and 2014-based SNPP. However, in the context of the most recent 5-year trend (2010-2015) which shows even higher net migration, we consider it reasonable to sensitivity test demographic OAHN on the most recent 10-year migration trend.

*Unattributable Population Change*

5.25 The aforementioned PAS Technical advice note also recognises the problem of Unattributable Population Change (UPC) in relation to migration data. UPC is a discrepancy in population statistics that arose between 2001 and 2011 Censuses. The UPC is likely to be the result of miscounted population in one or both of the Censuses, and possibly also due to unrecorded migration between the Censuses.

5.26 The level of UPC in NW Leicestershire was illustrated in Table 5.4 (above). For NW Leicestershire, UPC was a marginal positive figure, equating to approximately 1,800 people over 10 years, which means there was underestimation of the population between 2001 and 2011 and the Mid-Year Population Estimates for the last decade have therefore been revised upwards.

5.27 ONS decided not to readjust its 2012 or 2014-based SNPP to take account of UPC because it did not introduce any bias in the trend data. Furthermore, the ONS considered that UPC was unlikely to be seen in continuing subnational trends because:

- **"it is unclear what proportion of the UPC is due to sampling error in the 2001 Census,**
- **adjustments made to population estimates following the 2001 Census, sampling error in the 2011 Census and/or error in the intercensal components (mainly migration)**
- **if it is caused by either the 2001 Census or 2011 Census, then the components of population change will be unaffected**

- **if it is caused by international migration, it is likely that the biggest impacts will be seen earlier in the decade between 2001 and 2011 and will have less of an impact in the later years when improvements were introduced to migration estimates"[25]**

5.28 Barton Willmore's approach is to also exclude UPC, whether positive or negative.

5.29 Notwithstanding this position, it is considered that UPC in NW Leicestershire is positive, and if any of this can be attributed to in-migration, it would suggest that the 2014-based SNPP, and therefore the existing starting point estimate of OAHN could provide an underestimate.

*Working Age Population*

5.30 The 2014-based SNPP projects the working age population (16-74 years) of NW Leicestershire to grow at a much slower rate than the population as a whole as is shown in Table 5.5. Table 5.6 presents equivalent data for the HMA as a whole with Appendix 4 presenting equivalent data for each individual authority within the HMA. Given the extension of State Pension Age, there will be an increasing number of people working beyond the age of 64 years and therefore it is also important to consider the projected growth of the 65-74 year old population.

**Table 5.5: Working Age Population Change - NW Leicestershire, 2011-2031**

| Age Group | 2012-based SNPP | 2014-based SNPP |
|---|---|---|
| 16-64 | -1,871 (-3.1%) | 466 (0.8%) |
| 65-74 | 3,774 (41.1%) | 4,066 (44.2%) |
| **Total (16-74 years)** | **1,903 (2.8%)** | **4,532 (6.6%)** |
| **Total (all ages)** | **8,601 (9.2%)** | **11,705 (12.5%)** |

Source: ONS

**Table 5.6: Working Age Population Change - HMA, 2011-2031**

| Age Group | 2012-based SNPP | 2014-based SNPP |
|---|---|---|
| 16-64 | 9,678 (1.5%) | 40,294 (6.3%) |
| 65-74 | 37,927 (46.6%) | 39,030 (47.9%) |
| **Total (16-74 years)** | **47,604 (6.6%)** | **79,324 (11.0%)** |
| **Total (all ages)** | **121,925 (12.4%)** | **159,625 (16.3%)** |

Source: ONS

[25] Page 7, ONS Quality and Methodology Information: Subnational population projections, 10 September 2015

5.31 It is evident from Table 5.5 that for NW Leicestershire, the growth in the working age population of NW Leicestershire (+6.6%) projected by the 2014-based SNPP is significantly lower than projected growth for the population as a whole (+12.5%). Furthermore, the 2014-based SNPP project the working age population (aged 16-74 years) to increase by an additional 4,532 people over the 20-year period 2011-2031. However, the majority of this increase is accounted for by an increase in the working age population aged 65-74 years (4,066 people). The pattern of projected working age population growth is similar for the HMA as whole.

5.32 Although it is important to consider growth in the population aged 65-74 years, it would be wholly unrealistic to expect the majority of this age group to remain economically active, particularly given the relative affluence of the area and people in this age group being able to retire and be financially secure. Therefore the ability of the 2014-based ONS SNPP to support job growth of any magnitude in NW Leicestershire is therefore questionable and will be tested further in Chapter 6 of this report.

5.33 For each major release of SNPP, DCLG produces an accompanying set of Sub-National Household Projections (SNHP) by applying household formation rates (the likelihood that a person of a given age and gender will become the notional head of household) to the ONS SNPP. The next section considers the four most recent series of DCLG household projections.

**Communities and Local Government (DCLG) Household Projections**

5.34 According to PPG, DCLG household projections should provide the 'starting point' estimate of overall housing need (ID 2a-015). Table 5.7 sets out the official DCLG household projections for NW Leicestershire and the HMA in chronological order from the 2008-based series to the most recent 2014-based series (published 12 July 2016). Appendix 5 presents equivalent data for all remaining individual authorities within the HMA.

**Table 5.7: DCLG Household Projection series – NW Leicestershire and HMA**

| | Series | 2011 | 2021 | 2031 | | 2011-2021 (per annum) | 2011-2031 (per annum) |
|---|---|---|---|---|---|---|---|
| NW Leicestershire | 2014-based | 39,225 | 42,305 | 45,297 | | 3,080 (308) | 6,072 (304) |
| | 2012-based | 39,230 | 41,726 | 44,297 | | 2,496 (250) | 5,067 (253) |
| | 2011-based (interim) | 39,192 | 42,289 | | | 3,097 (310) | |
| | 2008-based | 38,635 | 42,681 | 46,375 | | 4,046 (405) | 7,740 (387) |
| | | | | | | | |
| HMA | 2014-based | 390,889 | 431,699 | 471,667 | | 40,810 (4,081) | 80,778 (4,039) |
| | 2012-based | 390,865 | 425,257 | 459,055 | | 34,392 (3,439) | 68,190 (3,410) |
| | 2011-based (interim) | 390,954 | 425,778 | | | 34,824 (3,482) | |
| | 2008-based | 395,992 | 443,209 | 487,545 | | 47,217 (4,722) | 91,553 (4,578) |

Source: DCLG

5.35 The 2014-based household projections project growth of **304 <u>households</u> per annum** in NW Leicestershire over the period 2011-31 (4,039 households per annum for the HMA). As with the SNPP, the level of household growth projected by the 2014-based household projections is higher than projected by the previous 2012-based SNPP but lower than the 2008-based series following the same pattern as the SNPP. However, this is expected given the household projections are underpinned by the SNPP.

5.36 According to PPG growth of 304 households per annum is the **'starting point' estimate** of overall housing need. It is clear that the underlying population projections are having a key impact on the household projections. However, PPG also permits consideration to be given to the underlying household formation rates and where there is evidence of the rates being suppressed, PPG permits an adjustment to be made (ID2a-015 and 017). The next section provides an in depth analysis of the household formation rates underpinning each of the household projections series in order to determine whether any adjustment is required.

### *Household Formation Rates*

5.37 With each release of household projections, the DCLG publish the underlying assumptions related to household formation. Household Formation Rates (HFRs) by age and gender for the HMA are presented in Figure 5.3 and provide a comparison of the HFRs used to derive the last four series of DCLG household projections. Appendix 6 presents equivalent charts for all local authorities within the HMA.

5.38 The 2014-based HFRs are near identical to the 2012-based HFRs which have been acknowledged by Local Plan Inspectors as incorporating recessionary trends in household formation in comparison to the more positive 2008-based HFRs.

5.39 Figure 5.3 illustrates that whilst the 2014-based HFRs begin to alleviate suppression in household formation overall, for the younger age groups (in particular those aged 25-34 and 35-44 years) the gap between the 2014-based and 2008-based HFRs is increasing. The trend for declining household formation in this age group is likely to be caused in part by worsening affordability.

5.40 Planning for housing on the basis of a continuation of these suppressed HFRs is not supported by PPG which recommends adjustments to HFRs to reflect factors not captured in past trends (ID 2a-015). Furthermore, planning on the basis of the 2014-based HFRs is not considered to be in accordance with the principles of positive planning, and would likely place significant pressure on housing supply as the economy improves. Recent Planning Inspectorate decisions concur with this view. [26]

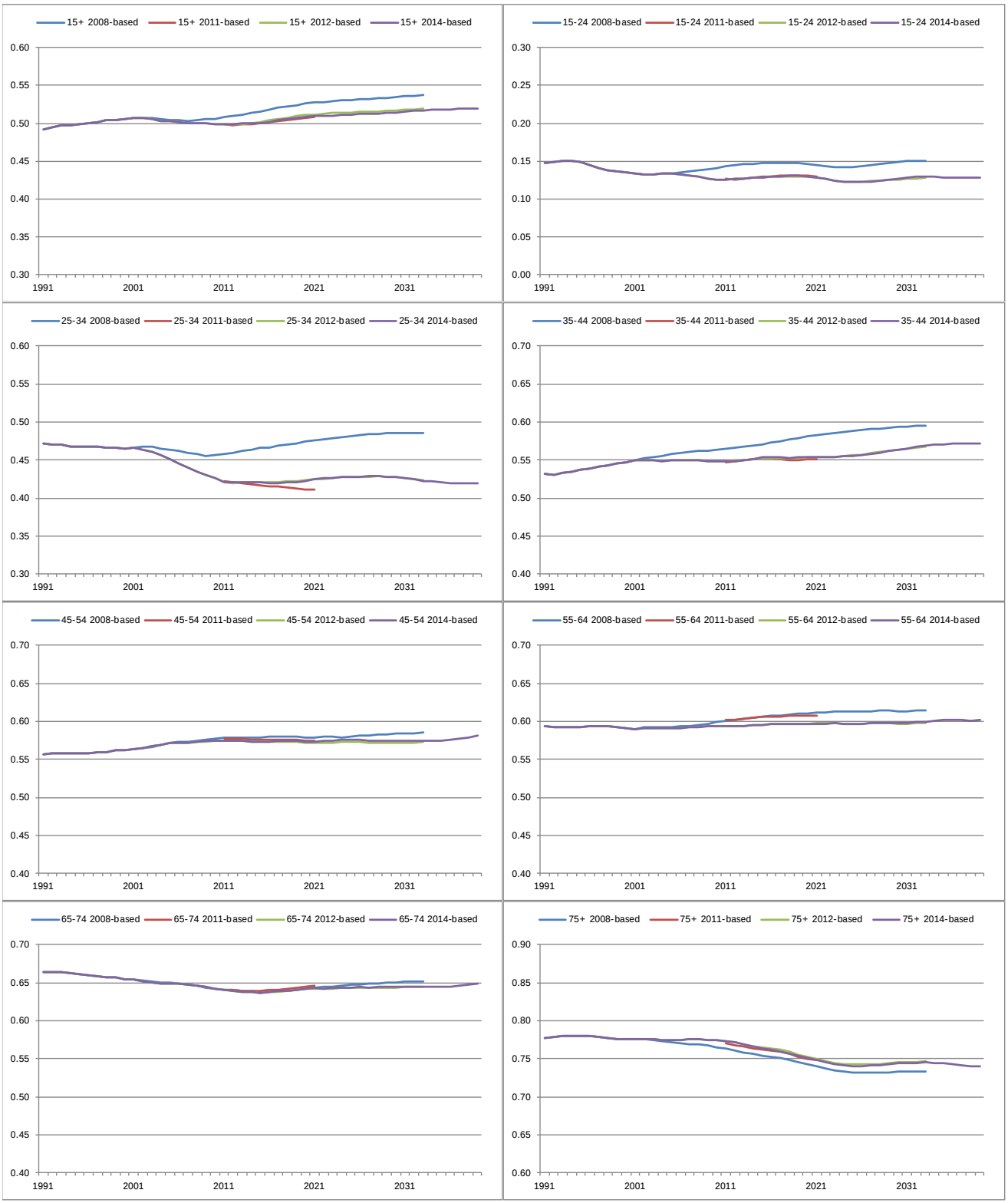
5.41 The PPG therefore states the following in respect of household formation rates:

> **"The household projection-based estimate of housing need <u>may require adjustment</u> to reflect factors affecting local demography and household formation rates which are not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing."** [27] (our emphasis)

[26] Paragraph 3.8, page 7, Cornwall Local Plan Strategic Policies – Examination: Preliminary findings following the hearings in May 2015; and Paragraph 29, page 6, Appeal Decision APP/G2435/W/15/3005052

[27] Paragraph: 015 Reference ID: 2a-015-20140306, Planning Practice Guidance, 06 March 2014

## Figure 5.3: Household Formation Rates, Leicestershire HMA



5.42 Given the recommendation set out in PPG concerning the adjustment of household formation rates, Barton Willmore considers that a more positive approach to HFRs is required in the 25-34 and 35-44 year old age groups, to improve affordability and make it possible for younger people to form their own households. This would comply with the National Planning Policy Framework's (NPPF) clear policy to 'boost significantly' the supply of housing, 'promote economic growth' and 'positively prepare' Local Plans. Planning on the basis of the 2014-based formation rates across all age groups would only serve to compound the suppression identified above, over a 20-year plan period.

5.43 Barton Willmore have undertaken sensitivity analysis to consider the effect of three different approaches to adjusting the 2014-based HFRs.

- The '**Blended HFRs 50%**' adjustment gradually adjusts the 2014 HFRs for 25-34 and 35-44 year olds, so that by 2033 they recover half of the difference between the 2008 and 2014 rates. This adjustment is only applied where the 2014 HFRs is projected to be lower than the 2008 HFRs in 2033. All other age groups would remain at the 2014-based projected rates. This 'partial return' is the approach which has been recommended by the LPEG in their proposed changes to the OAHN methodology in the PPG.

- The '**HFR Sensitivity – 2001**' gradually returns the 2014 HFRs for males and females aged 25-44 years back to the 2001 rates by 2031, only where the 2014 HFRs are projected to decline below the 2001 rates. All other age groups remain at the 2014-based projected rates.

- The '**HFR Sensitivity - 2014 constant'** keeps the 2014 HFRs for 25-34 and 35-44 year olds constant over the projection period where the rates are projected to decline by 2033. All other age groups remain at the 2014-based projected rates. This sensitivity is intended to reflect no further deterioration of household formation for younger people.

5.44 Applying either of the three HFR adjustments would increase household formation assumptions beyond that projected by the 2014-based household projection and would therefore necessitate a higher figure than the 304 households per annum (2011-2031), which according to PPG is the 'starting point' estimate of housing need in NW Leicestershire (4,039 households per annum for the HMA as a whole).

### iii) OAHN Starting Point and Demographic Adjustments

5.45 Having assessed the base year population profile, reviewed the most recent official population and household projections and analysed household formation and net migration behaviour, it is possible to arrive at an estimate of demographic-led housing need.

*Starting Point*

5.46 As stated in PPG, the starting point of OAHN is the DCLG 2014-based household projections. In order to convert the official projections into a housing need figure, it is first necessary to adjust for vacant and second homes. This reveals the total number of dwellings that would need to be built to accommodate the basic projection. Table 5.8 below summarises the adjustments applied for NW Leicestershire and each of the other LPAs within the HMA.

**Table 5.8: Households-to-Dwellings adjustment factors**

| | Second Homes | | Vacant | | Adjustment |
|---|---|---|---|---|---|
| **North West Leicestershire** | 0.34% | + | 2.81% | = | 3.14% |
| **Blaby** | 0.21% | | 1.90% | | 2.11% |
| **Charnwood** | 0.67% | | 2.17% | | 2.84% |
| **Harborough** | 0.49% | | 2.55% | | 3.04% |
| **Hinckley and Bosworth** | 0.25% | | 2.56% | | 2.80% |
| **Leicester** | 0.74% | | 2.84% | | 3.59% |
| **Melton** | 0.23% | | 1.77% | | 2.00% |
| **Oadby and Wigston** | 0.26% | | 2.60% | | 2.87% |

Source: DCLG, CTB 2015 (Second Homes); DCLG Live Table 125/615 2015 (Vacant)

5.47 The OAHN starting point for NW Leicestershire and the HMA can therefore be summarised as follows:

**Table 5.8: OAHN Starting Point (2011-31 growth)**

| | Population Growth (per annum) | Household Growth (per annum | Dwelling Growth (per annum) |
|---|---|---|---|
| **NW Leicestershire** | 11,705 (585) | 6,064 (303) | 6,261 (313) |
| **HMA** | 159,621 (7,981) | 80,753 (4,038) | 83,313 (4,166) |

Source: ONS, DCLG, Barton Willmore calculations. Note that figures may not match exactly those noted in the context section above, due to the use detailed unrounded data supplied for modelling purposes.

### *Demographic Adjustments*

5.48 As discussed previously in this chapter, it is necessary to consider the implications of applying alternative demographic assumptions, particularly surrounding Household Formation Rates and Net Migration Flows. These implications have been tested by producing alternative demographic projections through the POPGROUP demographic forecasting model. POPGROUP is the industry standard tool for carrying out such analysis, and is widely used by public and private sector researchers and demographers.

5.49 Details of key modelling assumptions can be found in Appendix 7, including base year population, fertility, mortality and migration assumptions. Assumptions relating to the economic activity and the labour force are also summarised, and discussed in greater detail in Chapter 6.

5.50 The first adjustment made is to account for the suppression in HFRs discussed previously in this chapter. This adjustment must be made first, as it is of relevance to each subsequent adjustment made throughout the assessment process.

5.51 Using the POPGROUP and Derived Forecast demographic forecasting model, the adjusted HFR scenarios are applied to the ONS 2014-based SNPP by age and gender. Table 5.9 below summarises the impact of assuming the three HFR sensitivity scenarios outlined above.

**Table 5.9: 2014-based SNPP with HFR adjustments (2011-31)**

| | Population Growth | | Dwelling growth | | |
|---|---|---|---|---|---|
| | | | 2011 Sensitivity 25-44 | 50% Return 25-44 | 2014 Constant 25-44 |
| **NW Leicestershire** | 11,705 (585) | | 7,280 (364) | 6,426 (321) | 6,792 (340) |
| **HMA** | 159,621 (7,981) | | 93,489 (4,674) | 89,845 (4,492) | 85,988 (4,299) |

Source: ONS/DCLG; Barton Willmore modelling

5.52 The result of applying the HFR sensitivity adjustments is an increase in the number of households forming from the same base population growth. The overall housing need figure for NW Leicestershire increases **between 8 and 51 dwellings per annum** indicated by the starting point estimate so that total demographic-led need with a HFR adjustment is **between 321 and 364 dwellings per annum** over the period 2011-2031. This is an increase of between 3% and 16% from the starting point. For the HMA as a whole the HFR adjustment increases dwelling need by between 183 and 508 dwellings per annum resulting in total growth

of between 4,299 and 4,674 dwellings per annum. This is equivalent to between a 4% and 12% increase from the starting point.

5.53 **The second adjustment** made is to address uncertainty in the migration trends that underpin the ONS 2014-based SNPP. As discussed earlier in this chapter, migration flows to/ from NW Leicestershire appear to have been affected by the recession. The use of a long-term migration trend flattens out any fluctuations caused as a result of the economic recession or boom years. Table 5.10 summarises the impact of a continuation of long-term trends (based on the 10-year period 2005-2015) in migration flows on population and housing need (dwellings). This scenario constrains to the ONS Mid-Year Population Estimates up to 2015 and also demonstrates the impact of the different HFR adjustments described above.

**Table 5.10: Long-term Migration Trend incorporating HFR Adjustments (2011-31)**

| | Population Growth | | Dwelling growth | | |
|---|---|---|---|---|---|
| | | | 2011 Sensitivity 25-44 | 50% Return 25-44 | 2014 Constant 25-44 |
| **NW Leicestershire** | 13,482 (674) | | 8,248 (412) | 7,587 (367) | 7,752 (388) |
| **HMA** | 146,730 (7,336) | | 89,865 (4,493) | 86,289 (4,314) | 82,518 (4,126) |

Source: ONS/DCLG; Barton Willmore modelling

5.54 The result of projecting forward the long-term trend in migration flows is an increase in population growth over the period 2011-2031 compared to the 2014-based SNPP for NW Leicestershire. The long-term migration trend results in an increase from the 2014-based ONS SNPP (585 people per annum), to 674 people per annum.

5.55 However, for the HMA as a whole, the long-term migration trend results in lower population growth (and household growth) than the 2014-based SNPP. The 2014-based SNPP projected growth of 7,981 people per annum whereas the long-term migration trend projects growth of 7,336 people per annum.

5.56 For this reason, and given the uncertainty over migration in NW Leicestershire and the HMA, we propose demographic OAHN as a range between the 2014-based SNPP and LTM trend (2005-2015).

### v) Chapter Summary – Demographic-led Housing Need

5.64 In summary, this section has considered official ONS and DCLG projections for NW Leicestershire and the HMA which PPG acknowledges should provide the 'starting point' estimate of housing need. The analysis has given consideration as to whether any adjustments are necessary to the 'starting point' estimate of need (the DCLG 2014-based household projection) to address indicators that may have been affected by past trends.

5.65 The main points to note are as follows:

- The 'starting point estimate' of overall housing need for NW Leicestershire is 304 households per annum over the period 2011-2031, equating to **313 dwellings per annum** once an allowance of 3.14% has been applied to take account of vacancy and second homes. The starting point for the HMA is 4,166 dwellings per annum;

- However, growth of 313 dwellings per annum in NW Leicestershire (4,166 dwellings per annum for the HMA) could represent an <u>underestimate</u> due to the recessionary based 2014-based household formation rates the projections are underpinned by;

- Barton Willmore consider an adjustment to the 2014-based HFRs is required. The result of the three household formation rate sensitivities suggest an increase in housing need above the 'starting point' estimate ranging between **321 to 364 dwellings per annum** over the period 2011-2031 (increasing to between 4,299 and 4,674 dwellings per annum for the HMA);

- Furthermore, analysis of trends in net migration indicates that the 2014-based SNPP may provide a conservative estimate of population growth for NW Leicestershire given that the ONS 2014-based SNPP draws on data from the 5 years prior to the beginning of the series (i.e. 2009-2014) – a period in which there was an economic recession;

- An alternative migration trend incorporating longer term trends from the 10-year period 2005-2015 projects higher population growth for NW Leicestershire which leads to an increase in housing need of between 367 and 412 dwellings per annum (2011-2031). However, across the HMA as a whole, the long-term migration trend projects lower population growth (and thus housing need) than the 2014-based SNPP;

- For this reason, and given the uncertainty in migration trends for this area, we propose demographic OAHN as a range between the 2014-based SNPP and long-term migration trend.

**Table 5.11: Summary of Demographic 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) |
| = | **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)** |

Source: ONS/CLG, Barton Willmore Modelling

**Table 5.12: Summary of Demographic OAHN for the HMA (2011-2031)**

| | | 2011 Sensitivity 25-44 | 50% Return 25-44 | 2014 Constant 25-44 |
|---|---|---|---|---|
| A | DCLG 2014-based SNHP (Households) | 80,753 (4,038 pa) | | |
| | Vacant/Second Homes Adjustment | 3.17% | | |
| | **OAHN STARTING POINT (Dwellings)** | **83,313 (4,166 dpa)** | | |
| B | Starting point with adjusted HFRs (Dwellings) | 93,489 (4,674 dpa) | 89,845 (4,492 dpa) | 85,988 (4,299 dpa) |
| C | 10yr Migration Trend (2005-2015) | 89,865 (4,493 dpa) | 86,289 (4,314 dpa) | 82,518 (4,126 dpa) |
| = | **DEMOGRAPHIC OAHN (range between B and C)** | **Between 89,865 and 93,489 (4,493-4,674 dpa)** | **Between 86,289 and 89,845 (4,314-4,492 dpa)** | **Between 82,518 and 85,988 (4,126-4,299 dpa)** |

Source: ONS/CLG, Barton Willmore Modelling

5.57 Having determined the OAHN starting point and made necessary adjustments for suppressed household formation and migration trends, **demographic OAHN for NW Leicestershire is considered to be between 321 and 412 dwellings per annum (2011-2031) with demographic OAHN for the HMA ranging between 4,126 and 4,674 dwellings per annum**. These ranges are based on the 2014-based SNPP and long-term migration trend incorporating the three HFR sensitivity adjustments.

5.58 Establishing demographic-led housing need is, however, only the PPG's first step in assessing full OAHN. The extent to which the demographic-level of population and housing growth would support policy-off employment forecasts and respond to adverse market signals is analysed in the following chapters.

# 6.0 ECONOMIC CONTEXT AND ECONOMIC-LED HOUSING NEED

6.1 Economic growth and housing provision are inextricably linked; if insufficient housing is provided to accommodate workers, economic growth is put at risk. It is therefore vital that employment growth is balanced with housing provision.

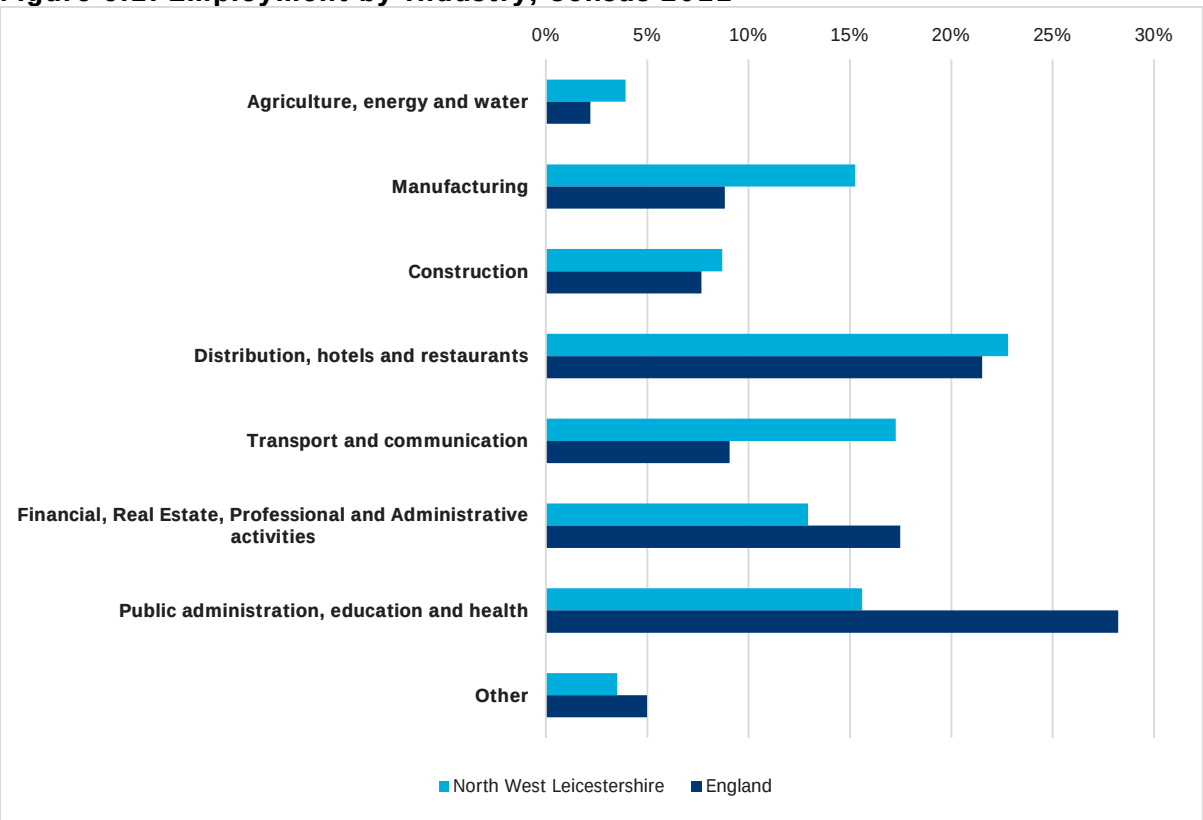
6.2 This chapter begins with a brief overview of the economic profile of NW Leicestershire - highlighting the key industry sectors, identifying commuting relationships and determining base year unemployment and economic activity rates. Next, the likely change in number of jobs over the plan period is determined, drawing on econometric forecasts and trends from a number of independent sources. Finally, the number of homes required to balance with forecast employment growth is estimated, taking into account reductions in the unemployment rate and increases in economic activity associated with people working further into old age.

## i) Economic Profile

### *Employment by Industry*

6.3 Figure 6.1 summarises the profile of employment by industrial class for NW Leicestershire according to the 2011 Census. A national benchmark is also shown for comparison.

**Figure 6.1: Employment by Industry, Census 2011**




Source: ONS, Census 2011 (Workplace Statistics)

6.4 The industry employing the most people within NW Leicestershire is Distribution, Hotels and Restaurants, with this industry employing a higher proportion than the national average. The Transport and communication sector is also large within NW Leicestershire accounting for 17% of all NW Leicestershire employment. This is significantly higher than both the average for the HMA (8%) and England (9%). Employment by industrial sector is considered in more detail in the appended economic report by Steve Lucas (see Appendix 1 of this report).

### *Commuting Balance*

6.5 Table 6.1 below summarises the commuting ratio (the number of residents in employment per workforce job) for NW Leicestershire and the HMA.

**Table 6.1: Commuting Ratios, Census 2011**

| | Residents in Employment | Workforce Jobs | Ratio |
|---|---|---|---|
| **NW Leicestershire** | 46,522 | 53,975 | 0.86 |
| **HMA** | 464,425 | 467,212 | 0.99 |

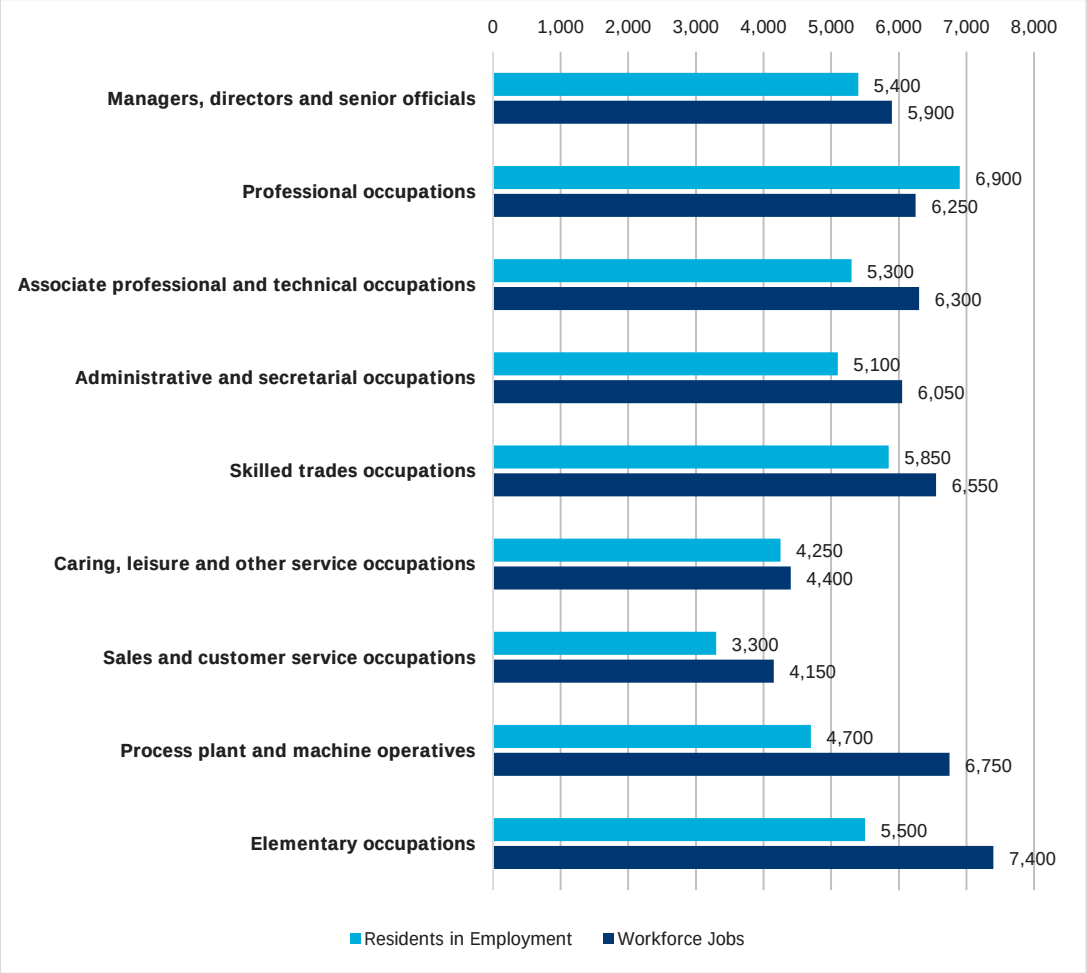
Source: ONS, Census 2011 (Origin-Destination Tables); Analysis includes home workers, workers with no fixed place of work (assumed to work within home LPA), workers with workplaces overseas and offshore workers.

6.6 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. Assuming that these commuting relationships continue unchanged, it is likely that some housing development in neighbouring authorities will be in support of economic growth in NW Leicestershire.

6.7 Figure 6.2 below shows the commuting balance by occupational class (based on the SOC2007 specification and derived from the 2011 Census) for NW Leicestershire.

6.8 Although there is a net deficit of Residents in Employment (relative to jobs) overall (as summarised by the commuting ratio of 0.86), the biggest deficit is in Process Plant and Machine Operatives (net inflow of approximately 2,050 workers) and Elementary Occupations (net inflow of approaximately 1,900 workers). The only occupation in which there is no deficit of workers is Profession Occupations (net outflow of approximately 650 workers).

**Figure 6.2: Commuting Balance by Occupation – NW Leicestershire**

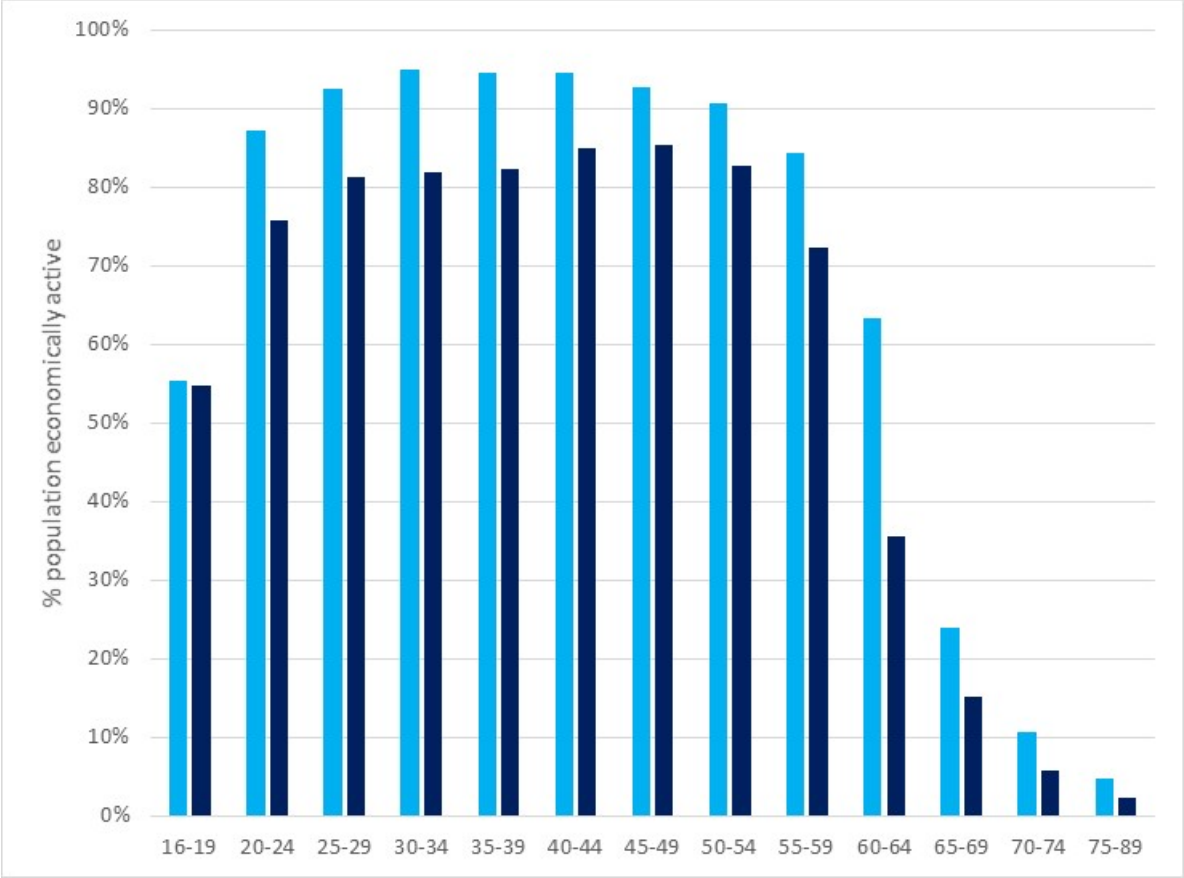



Source: ONS, Census 2011

### *Economic Activity and Unemployment*

6.9 According to the 2011 Census, there were 49,234 economically active people (65%) aged 16 and over within NW Leicestershire. However, the proportion varies by gender with 71% of males and 59% of females aged 16 and over being economically active. Figure 6.3 presents economic activity rates by age and gender for NW Leicestershire.

**Figure 6.3: Economic activity rates by age and gender – NW Leicestershire**

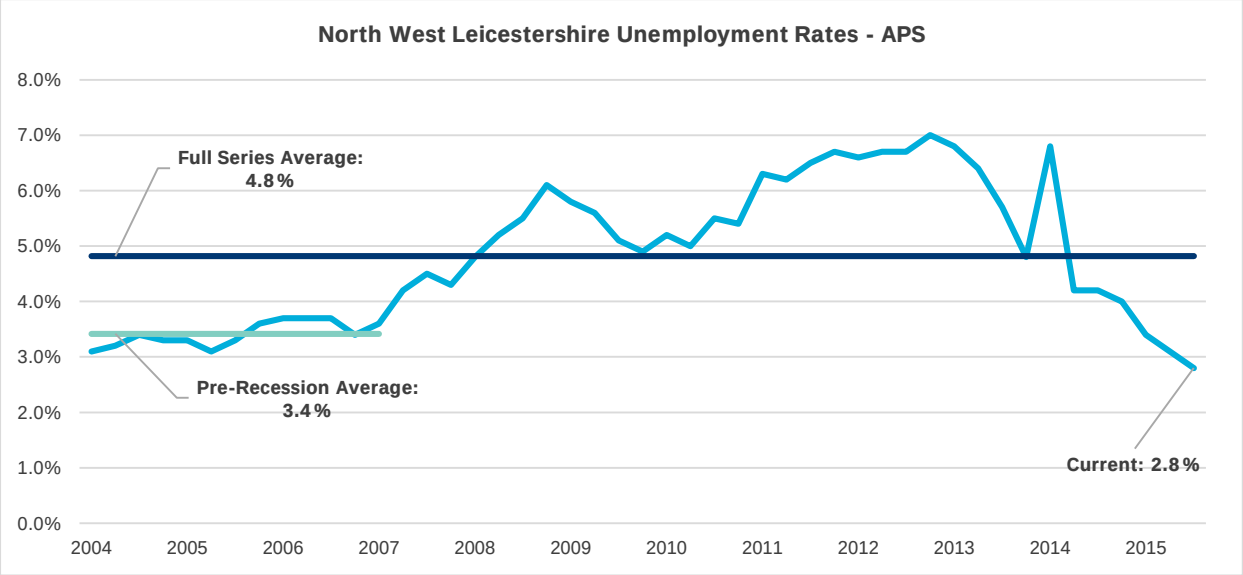



Source: 2011 Census

6.10 The economically active population provides an indication of the resident labour supply. However, not all of the economically active population will be in employment – a proportion will be unemployed.

6.11 Figure 6.4 summarises unemployment rates for NW Leicestershire, based on data from the Annual Population Survey model-based estimates of unemployment.

**Figure 6.4: Unemployment Rates – Annual Population Survey**




Source: ONS, Annual Population Survey Model-based Estimates of Unemployment

6.12 Unemployment rates in NW Leicestershire in 2011 (5.5%) were higher than the typical levels seen prior to the recession (3.4%). However, at 2.8% currently, the unemployment rate in 2016 has already fallen below the pre-recession average.

6.13 It is necessary to consider how economic activity and unemployment will change over time when determining economic-led housing need. This is discussed later in this chapter.

***Past employment trends and future growth prospects***

6.14 PPG requires economic growth to be considered in the context of past trends and/ or economic forecasts. Past trends in job growth and future job growth for NW Leicestershire and the HMA have been considered using latest economic forecasts from Cambridge Econometrics (November 2016), Oxford Economics (October 2016) and Experian Economics (September 2016). Each of these forecasts from the three forecasting houses are 'post-referendum' forecasts and therefore project more conservative economic growth in light of leaving the EU, than forecasts produced prior to the referendum. Table 6.3 presents past trends in job growth over the period 1997-2015 and Table 6.4 presents projected job growth over the period 2015-2031.

**Table 6.3: Historic job growth per annum (1997-2015) in NW Leicestershire and the HMA**

| | NW Leicestershire | HMA |
|---|---|---|
| Cambridge Econometrics | 856 | 3,625 |
| Oxford Economics | 951 | 3,018 |
| Experian Economics | 1,161 | 4,233 |
| **Average of three forecasts** | **989** | **3,625** |

**Table 6.4: Projected job growth per annum (2015-2031) in NW Leicestershire and the HMA**

| | NW Leicestershire | HMA |
|---|---|---|
| Cambridge Econometrics | 184 | 1,405 |
| Oxford Economics | 418 | 1,130 |
| Experian Economics | 313 | 2,563 |
| **Average of three forecasts** | **305** | **1,699** |

6.15 Due to the fluctuation between economic forecasts, it is recommended that the most robust approach would be to take a simple average of the past and projected job growth from the three independent employment forecasts.

6.16 The period 2015-2031 has been considered for future job growth rather than the full plan period of 2011-2031. This is thought to provide a fair approach as it excludes relatively high growth projected by the forecasting agencies in years 2011-2015 as we move out of the recession. However, in order to provide an assessment of need over the plan period (2011-2031), the modelling undertaken by Barton Willmore has constrained the economic assessment to each annual ONS MYPE between 2011 and 2015 and from then onwards to past and projected job growth estimates presented in Tables 6.3 and 6.4 above. Given the significant difference between past trends and post referendum forecasts (which may be unduly pessimistic) we have sensitivity tested past trends.

6.17 As the Council's April 2016 housing requirement assessment has considered economic growth associated with the EMGRFI, Barton Willmore's economic assessment also considers a scenario to take account of the EMGRFI. However, as discussed earlier in this report, the Council's assessment is based on the creation of an additional 7,317 jobs in NW Leicestershire which according to independent economic advisor Steve Lucas (see Appendix 1) does not appropriately take account of displacement and multiplier effects. 8,495 additional jobs is presented as a more appropriate reflection of future job creation in NW Leicestershire from the EMGRFI.

6.18 For this reason, Barton Willmore also model an economic scenario across the HMA which is founded on the average job growth projected by the three forecasting houses but uplifted in NW Leicestershire to reflect additional growth of 8,495 jobs (2015-2031).

6.19 To summarise, Barton Willmore are modelling three economic growth scenarios:

- **Past trends job growth** (average annual past job growth estimated by the 3 forecasting houses);
- **Projected job growth** (average annual projected job growth from 3 forecasting houses);
- **Projected job growth + EMGRFI** (average annual projected job growth from 3 forecasting houses plus growth of an additional 8,495 jobs in NW Leicestershire.

### ii) Balancing Jobs and Homes

6.20 Having established key base year information from the 2011 Census, and having formed a robust view on future employment prospects for NW Leicestershire, it is now possible to determine whether or not an uplift to the demographic-led assessment of housing need (set out in the previous chapter) is required to ensure that sufficient homes will be built to support economic growth.

6.21 As part of the modelling process it is necessary to estimate potential increases in economic activity and/or decreases in unemployment, as this latent supply of labour has the potential to accommodate some of the forecast employment growth.

#### *Projecting Economic Activity*

6.22 The Barton Willmore approach to modelling economic activity rates is to take 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.

6.23 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.

> **"We [the OBR] adjust participation rates for changes in the SPA. Although most individuals will choose to exit the labour market before or after they reach the SPA, exit rates do spike around that point. In order to capture the effect on participation rates of raising the SPA, we assume in effect that exit rates move with changes in the SPA, so that a 65 year old when the SPA is 66 has the equivalent exit rate to a 64 year old when the SPA is 65. As in last year's report, we smooth this transition over earlier periods, as individuals would be expected to adapt their labour market participation choices over a longer period."[28]**

6.24 The use of the OBR projection is considered a robust approach because the OBR projections:

> **"…capture cohort effects and a rising SPA. Modelling these two factors alone would suggest that employment rates for men aged 60 to 64 years will continue rising over time, although slightly more gradually than in the recent past, and ending the period below the level seen in the 1970s.**
>
> **Employment rates for women of the same age are projected to pick up more significantly over the next five years, as the SPA is equalised. And SPA changes are also projected to raise the shares of both men and women working into their late sixties. We do not assume that this pace of change continues into later life."[29]**

6.25 The use of OBR rates has also been endorsed by the Planning Inspectorate in a recent section 78 appeal decision, during which the use of economic activity rates was discussed at length and on which determination of OAHN relied. In commenting on the robustness of using the OBR rates, the Inspector commented as follows:

> **"the OBR was set up in 2010 to provide independent economic forecasts to central government. It has a duty to report on the sustainability of public finances under the National Audit Act 2011. It updates its economic activity forecasts roughly annually, but nevertheless looks at the longer term. In arriving at his OAHN figure of 355 dpa, (the appellant) has used the latest set of OBR economic activity forecasts issued in November 2015. Those forecasts are very recent and I accept, in the words of Mr Williamson's closing submissions for the appellant, that the "OBR figures are used by the Government in the most important activities of the State."[30]**

[28] Paragraph 3.25, Page 63, Fiscal Sustainability Report, June 2015, OBR
[29] Paragraphs A26 and A27, Appendix 1 of Fiscal Sustainability Report (FSR), June 2014, OBR
[30] Paragraph 20, page 6, Appeal Ref: APP/V0728/W/15/3018546, Longbank Farm, Ormesby, Middlesbrough, TS7 9EF, 09 March 2016

6.26 The Inspector concluded as follows:

> **"I attach greater weight to the OBR projections. They give me cause to seriously doubt the markedly higher activity rates assumed by Experian."** [31] (our emphasis)

6.27 Further justification for their use comes from the recently published 'Local Plans Expert Group' (LPEG) report to the Communities Secretary and to the Minister of Housing and Planning (March 2016). The LPEG report has been prepared for Government and its remit has been to consider how local plan making can be made more efficient and effective. Although the LPEG report excludes employment growth from the calculation of OAHN, it is included in establishing a 'policy on' housing requirement that is based on employment growth. In respect of economic activity rates Appendix 6 of the LPEG report recommends the following change to the Housing and Economic Development Needs Assessment (HEDNA) section of the PPG:

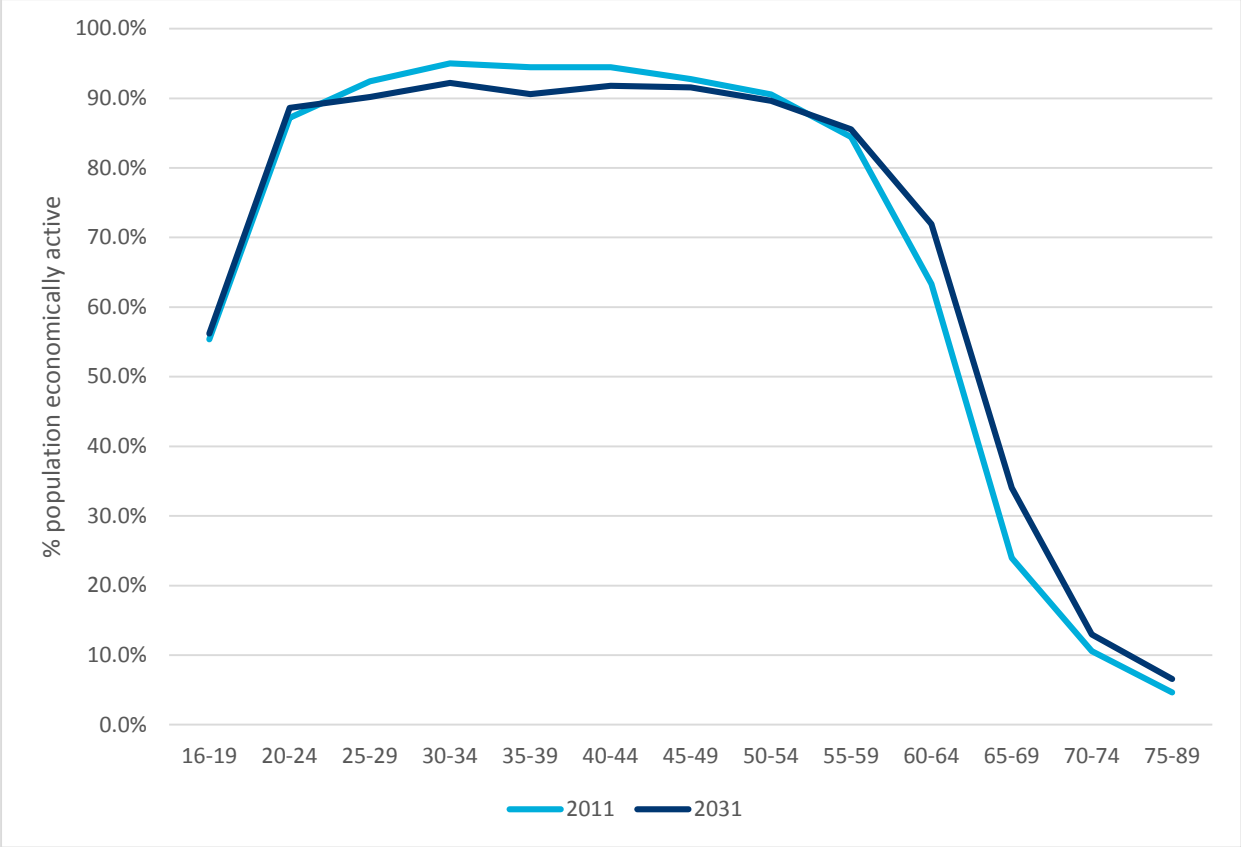
> **"Where plan makers choose to set a 'policy on' housing requirement in excess of the FOAHN, based on employment growth, this should be based on applying the changes in economic activity rates that are projected in estimates produced annually by the Office for Budget Responsibility, applied to the local baseline rates of economic activity."** [32] (Our emphasis)

6.28 Figures 6.5 and 6.6 compare economic activity rates from the 2011 Census alongside the projected economic activity rates for males and females in NW Leicestershire by 2031 following the OBR November 2015 projection.

[31] Paragraph 21, page 7, Appeal Ref: APP/V0728/W/15/3018546, Longbank Farm, Ormesby, Middlesbrough, TS7 9EF, 09 March 2016

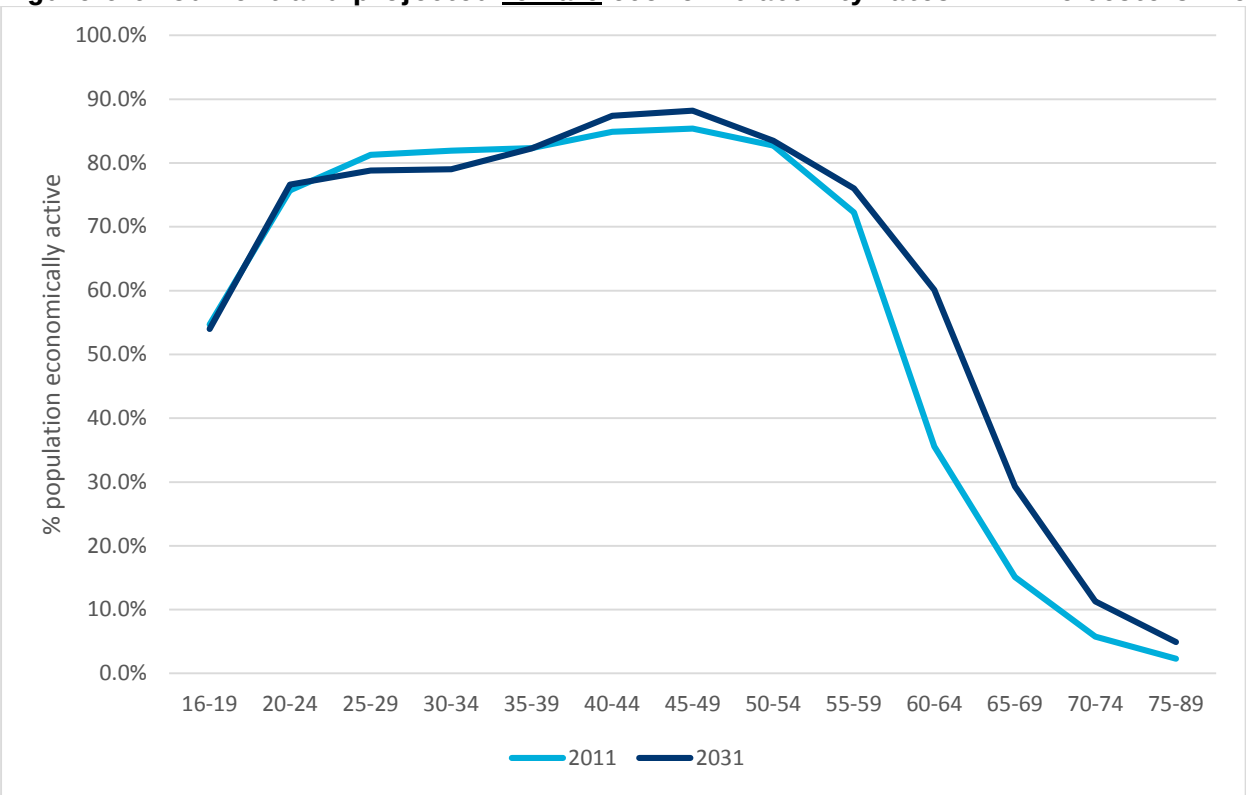
[32] Page 25, Appendix 6, Local Plans Expert Group report, March 2016

**Figure 6.5: Current and projected male economic activity rates - NW Leicestershire**




Source: OBR/ Barton Willmore

**Figure 6.6: Current and projected female economic activity rates - NW Leicestershire**




Source: OBR/Barton Willmore

*Projecting Unemployment*

6.29 For unemployment, APS modelled based estimates as shown in Figure 6.3 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.

6.30 For NW Leicestershire this assumes an unemployment rate of 5.5% at the start of the plan period reducing to 2.8%.

*Projecting commuting flows*

6.31 The 2011 Census commuting ratio is held constant throughout the entire plan period. As the PAS Guidance states:

> **"Another risky approach is to plan for recalling commuters, so the ratio of workplace jobs to resident workers – and hence to population and number of dwellings – is assumed to rise over the plan period. Like increasing activity rates, this assumption means that more jobs can be accommodated for a given number of dwellings, or a given number of jobs needs fewer dwellings. But the expected shift in commuting should be believable, and acceptable to the other local authorities affected by it. Strategies of recalling commuters should not be adopted unilaterally; they require cross-boundary agreement in line with the Duty to Cooperate."[33]**

6.32 For NW Leicestershire the 2011 Census commuting ratio is 0.86 which assumes that NW Leicestershire is a net importer of labour as discussed earlier in this chapter.

### iii) Jobs Supported by Demographic Scenarios

6.33 Table 6.5 summarises the potential number of jobs that can be supported by the 2014-based SNPP and the long-term (2005-2015) migration trend.

[33] Paragraph 8.16, page 36, Planning Advisory Service (PAS) Technical Advice Note: Objectively Assessed Need and Housing Targets, July 2015, 2nd edition

**Table 6.5: Jobs supported by the demographic scenarios (2011-2031)**

| | NW Leicestershire | | HMA | |
|---|---|---|---|---|
| | **2014-based SNPP** | **LTM trend (2005-2015)** | **2014-based SNPP** | **LTM trend (2005-2015)** |
| Population growth | 11,705 (585 pa) | 13,482 (674 pa) | 159,625 (7,981 pa) | 146,730 (7,336 pa) |
| Growth in economically active population | 3,152 (158 pa) | 4,419 (221 pa) | 54,401 (2,720 pa) | 48,816 (2,441 pa) |
| Jobs supported* | 5,097 (255 pa) | 6,526 (326 pa) | 71,133 (3,557 pa) | 65,939 (3,297 pa) |
| Job demand** | Between 8,009 and 16,505 (400 and 825 pa) | | Between 59,223 and 67,719 (2,961 and 3,386 pa) | |
| Job surplus/ deficit | Between -2,912 and -11,408 (-145 and -570 pa) | Between -1,483 and -9,979 (-74 and -499 pa) | Between +3,414 and +11,910 (+171 and +596 pa) | Between -1,780 and +6,716 (-89 and +336 pa) |

Source: ONS/DCLG, Barton Willmore Modelling.
*Adjusted for commuting, reduced unemployment and increased economic activity
** Lower end of the range based on average projected job growth from the three forecasting houses and the upper end of the range the same scenario but with an uplift in NW Leicestershire for the EMGRFI. The job demand figures are expressed over the period 2011-2031 and therefore differ slightly to the figures presented in Table 6.4 and paragraph 6.17 which considered growth over the period 2015-2031.

6.34 Across the HMA as a whole, both of the demographic scenarios would provide the resident labour supply to support economic growth in line with average projected growth, and the development of the EMGRFI (the only exception is the long-term migration trend for the HMA would not be able to support the Projected Job Growth + EMGRFI scenario). On this basis, for the HMA as a whole, no further uplift to the demographic OAHN is required to support economic growth in line with the two scenarios tested.

6.35 For NW Leicestershire, the number of jobs that could be supported by the starting point estimate (the 2014-based SNPP) is 255 jobs per annum (2011-2031). However, under the long-term migration trend scenario the number of jobs that could be supported increases to 326 per annum. However, both demographic scenarios fall short of projected job demand suggesting additional dwellings will be required in NW Leicestershire to allow the labour supply to grow in-line to support projected job growth.

### iv) Housing Need to Support Projected Job Growth

6.36 Table 6.6 below summarises the number of dwellings required in NW Leicestershire to provide the resident workforce (after taking account of unemployment, commuting and economic activity) to support each of the three economic growth scenarios. Table 6.7 presents equivalent results for the HMA as a whole. These table represent economic-led housing need. The range of housing need is based on the three approaches to alleviating household formation suppression in the 25-34 and 35-44 age groups discussed in Chapter 5 of this report.

**Table 6.6: Economic-led Housing Need – NW Leicestershire (2011-2031)**

| | Past trends job growth Scenario | Projected job growth Scenario | Projected job growth + EMGRFI Scenario |
|---|---|---|---|
| Jobs* | 18,953 (948 pa) | 8,009 (400 pa) | 16,505 (825 pa) |
| Economically active population | 15,439 (772 pa) | 5,734 (267 pa) | 13,268 (663 pa) |
| Total resident population | 33,432 (1,672 pa) | 16,223 (811 pa) | 29,588 (1,479 pa) |
| Households | Between 14,676 and 15,592 (Between 738 and 780 pa) | Between 8,185 and 8,853 (Between 409 and 443 pa) | Between 13,302 and 14,091 (Between 665 and 705 pa) |
| Dwellings | Between 15,247 and 16,098 (Between 762 and 805 pa) | Between 8,451 and 9,140 (Between 423 and 457 pa) | Between 13,733 and 14,548 (Between 687 and 727 pa) |

Source: ONS/DCLG, Barton Willmore Modelling.

*The job figures are expressed over the period 2011-2031 and therefore differ slightly to the figures presented in Table 6.4 and paragraph 6.17 which considered growth over the period 2015-2031.

**Table 6.7: Economic-led Housing Need – the HMA (2011-2031)**

| | Past trends job growth Scenario | Projected job growth Scenario | Projected job growth + EMGRFI Scenario |
|---|---|---|---|
| Jobs* | 90,055 (4,503 pa) | 59,233 (2,961 pa) | 67,719 (3,386 pa) |
| Economically active population | 72,212 (3,611 pa) | 42,394 (2,120 pa) | 49,928 (2,496 pa) |
| Total resident population | 187,611 (9,381 pa) | 135,364 (6,768 pa) | 148,729 (7,436 pa) |
| Households | Between 94,736 and 102,289 (Between 4,737 and 5,114 pa) | Between 74,560 and 81,621 (Between 3,728 and 4,081 pa) | Between 79,701 and 86,859 (Between 3,985 and 4,343 pa) |
| Dwellings | Between 97,585 and 105,369 (Between 4,879 and 5,268 pa) | Between 76,862 and 84,142 (Between 3,843 and 4,207 pa) | Between 82,171 and 89,550 (Between 4,109 and 4,477 pa) |

Source: ONS/DCLG, Barton Willmore Modelling.

*The job figures are expressed over the period 2011-2031 and therefore differ slightly to the figures presented in Table 6.4 and paragraph 6.17 which considered growth over the period 2015-2031.

6.37 To support economic growth in line with average projected growth excluding the EMGRFI, NW Leicestershire requires growth of between 423 and 457 dwellings per annum (2011-2031). However, housing need in NW Leicestershire increases to between 687 and 727 dwellings per annum in order to support growth of the EMGRFI, and increases even further to support past job trends (between 762 and 805 dwellings per annum). Regardless of which economic scenario is adopted, the analysis indicates that an uplift to demographic OAHN is required in NW Leicestershire to support economic growth.

6.38 Across the HMA, the analysis indicates that only the past trends job growth scenario would require an uplift to demographic OAHN – the two economic scenarios based on projected job growth and the EMGRFI could be supported by demographic OAHN presented in the previous Chapter.

6.39 There is clearly a large variation in future economic growth assumptions for NW Leicestershire and the HMA. Past trends indicate significantly stronger economic growth for both NW Leicestershire and the HMA in comparison to current projections. However, the creation of the EMGRFI will serve to boost economic growth in NW Leicestershire and thus the HMA.

6.40 For this reason, Barton Willmore consider **economic OAHN should be based on the 'Projected job growth + EMGRFI' scenario which indicates a need for between 687 and 727 dwellings per annum in NW Leicestershire and between 4,109 and 4,477 dwellings per annum across the HMA (2011-2031)**.

### v) Chapter Summary - Economic-led Housing Need

6.41 NW Leicestershire is particularly reliant on employment within the Distribution, Hotels and Restaurants industrial sector, also employing a higher proportion of people in this industry compared to the national average.

6.42 NW Leicestershire is a net importer of labour and therefore there are more workforce jobs in the area than there are residents in employment in the same area. For the purpose of this OAHN, it has been assumed that commuting patterns will remain unchanged from the 2011 Census.

6.43 However, to reflect the contribution that a reduction in relatively high unemployment rates can make to satisfying job demand, account has been taken of unemployment rates over the period 2011-2016 and given the 2016 unemployment rate is already below the pre-recession average, the 2016 rate has been held constant throughout the remainder of the projection period.

6.44 Economic activity rates have been projected following the OBR national projection (November 2015). This approach takes into account changes in the state pension age and increased economic activity in older age groups over the Plan period. The OBR advises Central Government and is an independent and anti-partisan organisation, advising Government on fiscal policy. The OBR is therefore considered to be the most robust source available. The economic activity rates have been used to convert the projected population growth of our PopGroup demographic forecasting scenarios into the economically active labour force. This in turn has enabled us to determine the number of homes that will be required to support job growth.

6.45 Past and projected future job growth has been considered based upon the average of three independent and well-respected sources of employment forecasts: Cambridge Econometrics (November 2016), Oxford Economics (October 2016) and Experian Economics (September 2016). Current projections show significantly lower economic growth than past trends in NW Leicestershire and across the HMA. However, current projections reflect the post-referendum position and therefore may be unduly pessimistic. Given the EMGRFI has been approved this will result in higher economic growth than currently projected by the three forecasting houses. For this reason, Barton Willmore consider economic OAHN should be based on the 'Projected job growth + EMGRFI' scenario.

6.46 Analysis of the labour supply arising from the demographic OAHN assessment indicates that neither the 2014-based SNPP or the long term migration trend will provide an increase in resident labour to accommodate the 'Projected job growth + EMGRFI' scenario. **In order to support this scenario, growth of between 687 and 727 dwellings per annum are required in NW Leicestershire (2011-2031) depending on which HFR adjustment is applied**.

6.47 Across the Housing Market Area, there is a requirement for between 4,109 and 4,477 dwellings per annum.

6.48 Tables 6.6 and 6.7 summarise the recommended economic OAHN for NW Leicestershire and the HMA.

**Table 6.6: Summary of Economic OAHN for NW Leicestershire (2011-2031) based on 'Projected Job Growth + EMGRFI' Scenario**

| | | 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 (D) | 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)** |

Source: ONS/CLG, Barton Willmore Modelling
* The job figure is expressed over the period 2011-2031 and therefore differs slightly to the figure presented in paragraph 6.17 which considered growth over the period 2015-2031.

**Table 6.7: Summary of Economic OAHN for the HMA (2011-2031)**

| | | 2011 Sensitivity 25-44 | 50% Return 25-44 | 2014 Constant 25-44 |
|---|---|---|---|---|
| A | DCLG 2014-based SNHP (Households) | 80,753 (4,038 pa) | | |
| | Vacant/Second Homes Adjustment | 3.17% | | |
| | **OAHN STARTING POINT (Dwellings)** | **83,313 (4,166 dpa)** | | |
| B | Starting point with adjusted HFRs (Dwellings) | 93,489 (4,674 dpa) | 89,845 (4,492 dpa) | 85,988 (4,299 dpa) |
| C | 10yr Migration Trend (2005-2015) | 89,865 (4,493 dpa) | 86,289 (4,314 dpa) | 82,518 (4,126 dpa) |
| D | **DEMOGRAPHIC OAHN (range between B and C)** | **Between 89,865 and 93,489 (4,493-4,674 dpa)** | **Between 86,289 and 89,845 (4,314-4,492 dpa)** | **Between 82,518 and 85,988 (4,126-4,299 dpa)** |
| E | Jobs Supported by Demographic OAHN (D) | Between 65,939 and 71,133 (Between 3,297 and 3,557 pa) | | |
| F | Job Demand (projected job growth + EMGRFI)* | 67,719 (3,386 pa) | | |
| G | Labour Surplus/Deficit | Between -1,780 and +3,414 (Between -89 and +171 pa) | | |
| H | **ECONOMIC OAHN** | **89,550 (4,477 pa)** | **85,661 (4,283 pa)** | **82,171 (4,109 pa)** |

Source: ONS/CLG, Barton Willmore Modelling
* The job figure is expressed over the period 2011-2031 and therefore differs slightly to the figure presented in paragraph 6.17 which considered growth over the period 2015-2031.

# 7.0 MARKET SIGNALS

7.1 This chapter analyses in detail the key housing market characteristics and trends relating to NW Leicestershire, and identifies the extent to which the supply of dwellings over recent years has kept pace with demand. Where appropriate, and for the purposes of context, NW Leicestershire data will be compared with the overall Leicestershire HMA which comprises the districts of NW Leicestershire; Blaby; Charnwood; Harborough; Hinckley and Bosworth; Leicester; Melton and Oadby and Wigston.

7.2 The problems arising from historic under-delivery of housing across the country can be observed locally through analysis of market signals. Five key market signals have been taken into consideration – Rate of Development, House Prices, Affordability, Residential Rents and Overcrowding.

7.3 The findings of this analysis inform the extent to which the OAHN may need to be adjusted to take into account market dysfunction observed through analysis of market signals.

### i) Rate of Development

7.4 The PPG states how a meaningful period should be used to measure supply. If the historic rate of development shows that actual supply falls below planned supply, future supply should be increased to reflect the likely under-delivery of a plan. Table 7.1 sets out the annual net completions recorded by NW Leicestershire Council over the period 2006/07 to 2014/15 against the housing target, identifying any surplus or shortfall.

**Table 7.1: NW Leicestershire - Net Completions Vs Housing Targets**

| Year | Housing Target | Net Completions | Surplus / Deficit |
|---|---|---|---|
| 06/07 | 510# | 336 | -174 |
| 07/08 | 510# | 353 | -157 |
| 08/09 | 510# | 237 | -273 |
| 09/10 | 510# | 228 | -282 |
| 10/11 | 510# | 186 | -324 |
| 11/12 | 350## | 234 | -116 |
| 12/13 | 350## | 366 | 16 |
| 13/14 | 350## | 442* | 92 |
| 14/15 | 350## | 585* | 235 |
| **Total** | **3,950** | **2,967** | **-983** |

Source: NW Leicestershire Annual Monitoring Report, 2013

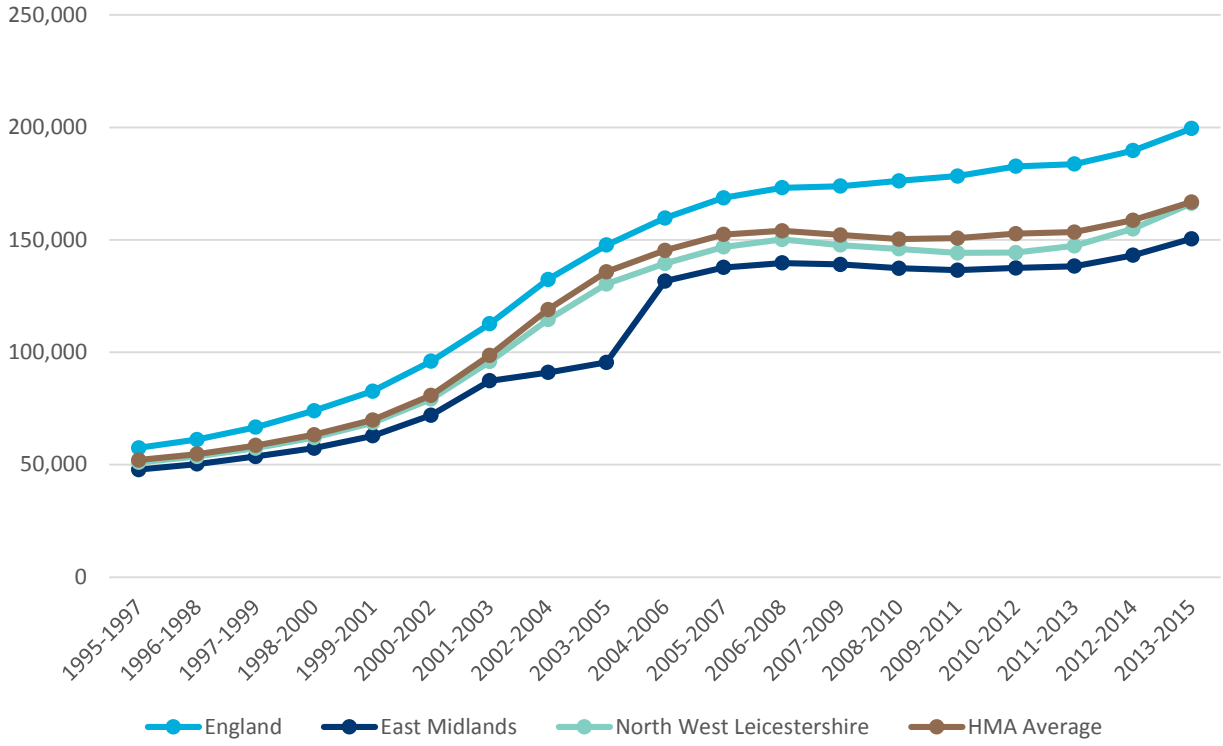
* projected completions; # RSS target; ## 5-year land housing land supply April 2015 (with 20% buffer)

7.5 Within NW Leicestershire there has been an increasing shortfall in completions over the six-year period between 2006 and 2012. Completions for the year 2012/13 and the projected net completions (available from the most up-to-date Annual Monitoring Report of 2013) for the years 2013/14 and 2014/15 marginally reverse this trend but the latter figures are considered less robust than actual completions as their delivery is not guaranteed. The overall lack of supply will have had an impact on household formation potentially resulting in an increase in overcrowding/concealed households.

### ii) House Prices

7.6 The second indicator taken into account is median house price. House prices are influenced by a wide variety of factors and can vary significantly within a district; the median house price has been used to limit the influence of extreme high and low values. Figure 7.1 tracks the median house price over the period 1995-2015 (demonstrated as a three year rolling average), whilst Table 7.2 summarises absolute and rates of change over the same period.

**Figure 7.1: Median House Price 1995-2015**




Source: Office for National Statistics/ House Price Statistics for Small Areas, Dataset 9

**Table 7.2: Increases in Median House Price 1995-2015**

| | Average House Price 1995 | Average House Price 2015 | Absolute Change 1995-2015 | Index (England = 100) | % Change 1995-2015 | Index (England = 100) | Peak | Peak Year |
|---|---|---|---|---|---|---|---|---|
| England | 55,000 | 212,500 | 157,500 | 100 | 286% | 100 | 212,500 | 2015 |
| East Midlands | 45,950 | 160,000 | 114,050 | 72 | 248% | 87 | 160,000 | 2015 |
| NW Leicestershire | 49,000 | 172,500 | 123,500 | 78 | 252% | 88 | 172,500 | 2015 |
| Blaby | 52,000 | 176,000 | 124,000 | 79 | 238% | 83 | 176,000 | 2015 |
| Charnwood | 51,925 | 179,950 | 128,025 | 81 | 247% | 86 | 179,950 | 2015 |
| Harborough | 59,000 | 232,750 | 173,750 | 110 | 294% | 103 | 232,750 | 2015 |
| Hinckley & Bosworth | 47,750 | 172,250 | 124,500 | 79 | 261% | 91 | 172,250 | 2015 |
| Leicester | 39,500 | 135,000 | 95,500 | 61 | 242% | 84 | 135,000 | 2015 |
| Melton | 50,000 | 172,500 | 122,500 | 78 | 245% | 86 | 172,500 | 2015 |
| Oadby & Wigston | 52,000 | 167,000 | 115,000 | 73 | 221% | 77 | 167,000 | 2015 |

Source: Office for National Statistics/House Price Statistics for Small Areas, Dataset 9

7.7 Median house prices have increased by 252% in NW Leicestershire over the 20-year period. This represents a lower rate of change than the national average (286%) but a higher rate of change than the regional average (248%). NW Leicestershire did not, however, experience the highest increase in median house prices of all of the authorities assessed; this was Harborough which underwent a percentage increase of 294% over the period, higher than both region and national average.

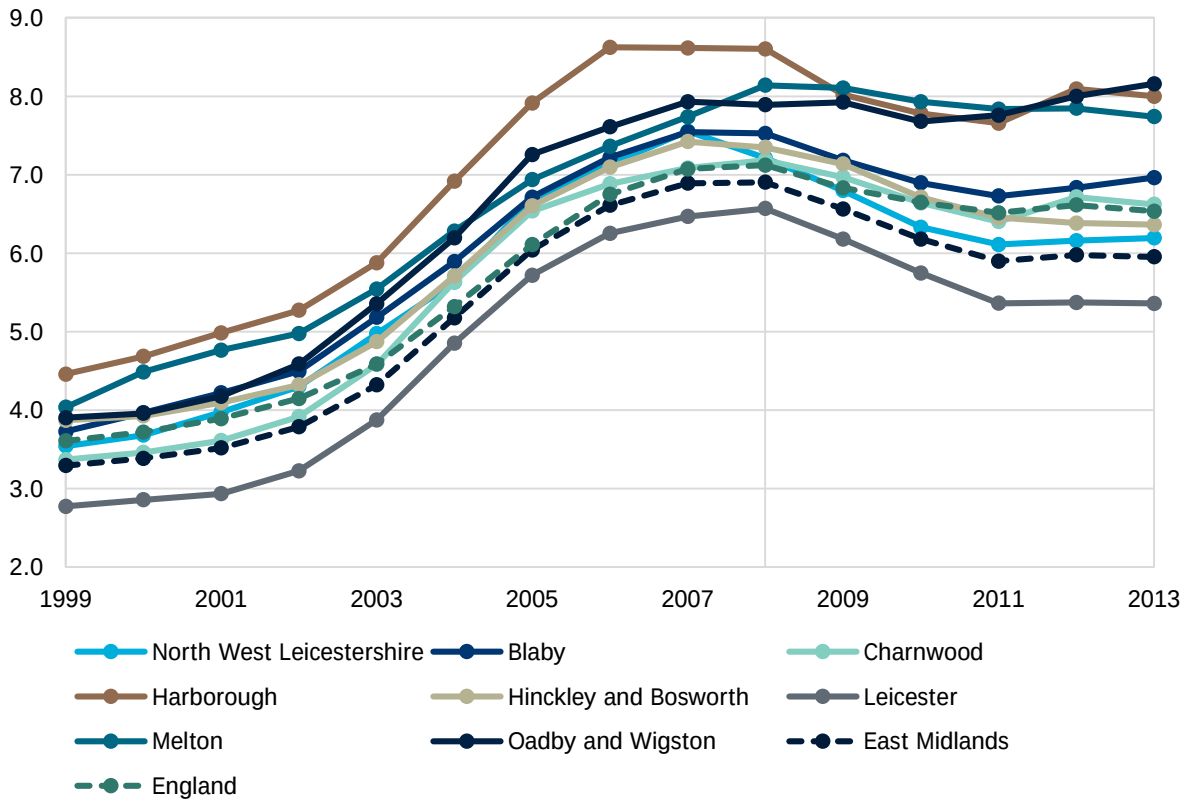
7.8 Alongside the rate of change, PPG requires the absolute levels of change to be analysed. NW Leicestershire's median house prices have increased by £123,500 over 20 years. This again is lower than the national average (£157,500) but higher than the regional average (£114,050). Of the districts comprised within the overall HMA, Harborough experienced the greatest absolute rise in median house price, increasing by £173,750 over the period, notably above national average.

### iii) Affordability – Lower Quartile

7.9 The third indicator taken into account is affordability, assessed using the ratio between lower quartile house prices and lower quartile earnings. This indicator is particularly salient given the well-publicised barriers to ownership faced by many first time buyers and low-earners.

7.10 Figure 7.2 tracks the affordability ratio over the period 1997-2013. Given that the ratio is a product of two independent data sources, a three year rolling average has been used to limit the effects of volatility in either data source.

**Figure 7.2: Lower Quartile Affordability, Absolute Change 1997 to 2013**




Source: Office for National Statistics/Land Registry, via DCLG Live Table 57

7.11 In 1997, the affordability ratio for NW Leicestershire (3.5) matched the typical mortgage borrowing multiplier of 3.5, meaning that for many buying a house was affordable. However, by 2007 (the pre-recession peak in many areas) the affordability ratio had reached 7.7 in NW Leicestershire, an unattainable level for many newly forming households, and higher than the regional peak (7.1) and HMA peak (7.4) in 2007. In 2013, NW Leicestershire's affordability ratio had decreased slightly to 6.4, which was again higher than the regional average (5.9) and slightly higher than the HMA average (6.3).

7.12 The affordability ratio has worsened over time for all areas assessed, including England as a whole. This is the result of lower quartile house prices rising more quickly than lower quartile earnings. Within the HMA, the situation is most acute in Oadby and Wigston which at a 2013 average of 8.0 is significantly above the average for the HMA overall.

7.13 In terms of the tests required by PPG (absolute levels and rates of change), Table 7.3 shows how the affordability ratio has increased by 82% between 1997 and 2013 in NW Leicestershire. This rate of change is marginally higher than the national average (81%), and matches the regional average (82%). However, the average rate of change across the whole HMA is notably higher at 89%. This is due to exceptionally high percentage rates of change experienced by

all districts other than Harborough and Hinckley and Bosworth, peaking in Melton where the rate of change between 1997 and 2013 was 117%.

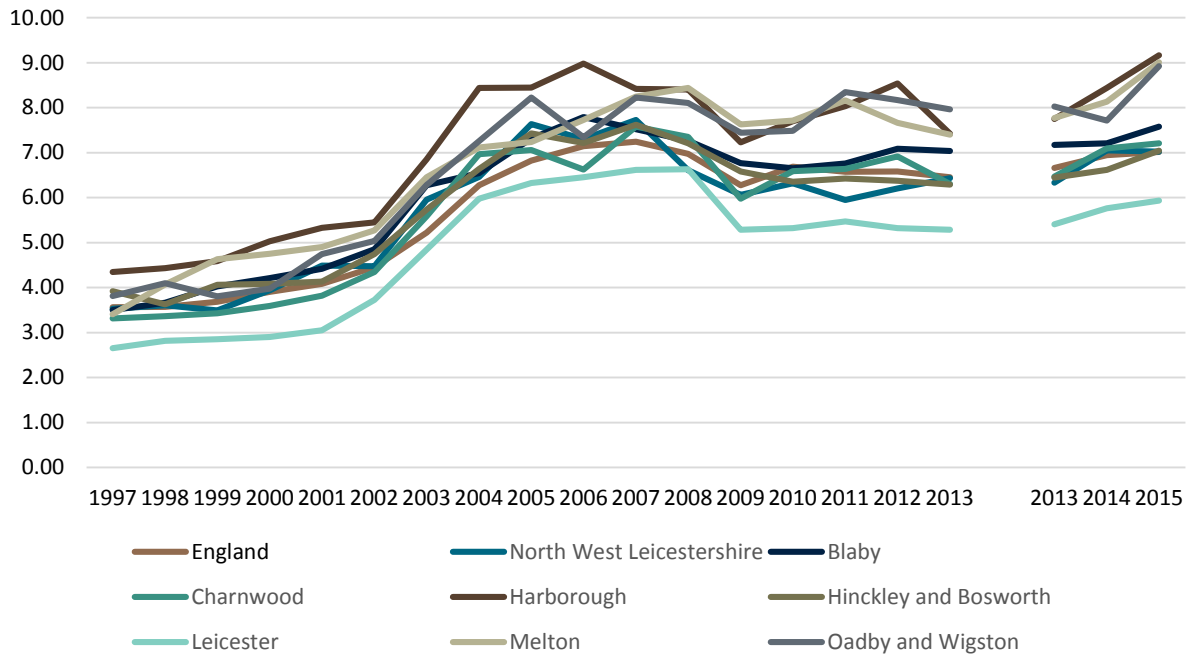
**Table 7.3: Affordability ratio change 1997-2013**

| | Absolute Change 1997-2013 | Index (England = 100) | % Change 1997-2013 | Index (England = 100) | Peak | Peak Year |
|---|---|---|---|---|---|---|
| **England** | 2.9 | 100 | 81% | 100 | 7.2 | 2007 |
| **East Midlands** | 2.7 | 92 | 82% | 101 | 7.1 | 2007 |
| **Leicestershire HMA** | 3.0 | 103 | 89% | 110 | 7.4 | 2007 |
| **NW Leicestershire** | 2.9 | 101 | 82% | 102 | 7.7 | 2007 |
| **Blaby** | 3.5 | 123 | 101% | 125 | 7.8 | 2006 |
| **Charnwood** | 3.0 | 104 | 90% | 112 | 7.6 | 2007 |
| **Harborough** | 3.1 | 106 | 71% | 87 | 9.0 | 2006 |
| **Hinckley & Bosworth** | 2.4 | 82 | 61% | 75 | 7.6 | 2007 |
| **Leicester** | 2.6 | 91 | 100% | 123 | 6.6 | 2008 |
| **Melton** | 4.0 | 138 | 117% | 145 | 8.4 | 2008 |
| **Oadby & Wigston** | 4.1 | 144 | 109% | 134 | 8.3 | 2011 |

Source: Office for National Statistics/Land Registry, via DCLG Live Table 576

7.14 The ONS have published more recent affordability ratios for years 2013, 2014 and 2015 using a different source of house price data to that used to produce the ratios presented in Figure 7.2 and Table 7.3 above. New methodology leads to slight differences in the distribution of affordability ratios over time. Accordingly, the affordability time series shown is presented in 2 blocks, the first (old method) up to 2013 and the second (new method) from 2013.

**Figure 7.3: Lower Quartile Affordability, Absolute Change 1997 to 2015**




Source: Office for National Statistics/Land Registry, via DCLG Live Table 576

7.15 Over the period 2013 to 2015, the NW Leicestershire affordability ratio has increased from 6.3 to 7.0 and has changed from being below national average to matching national average.

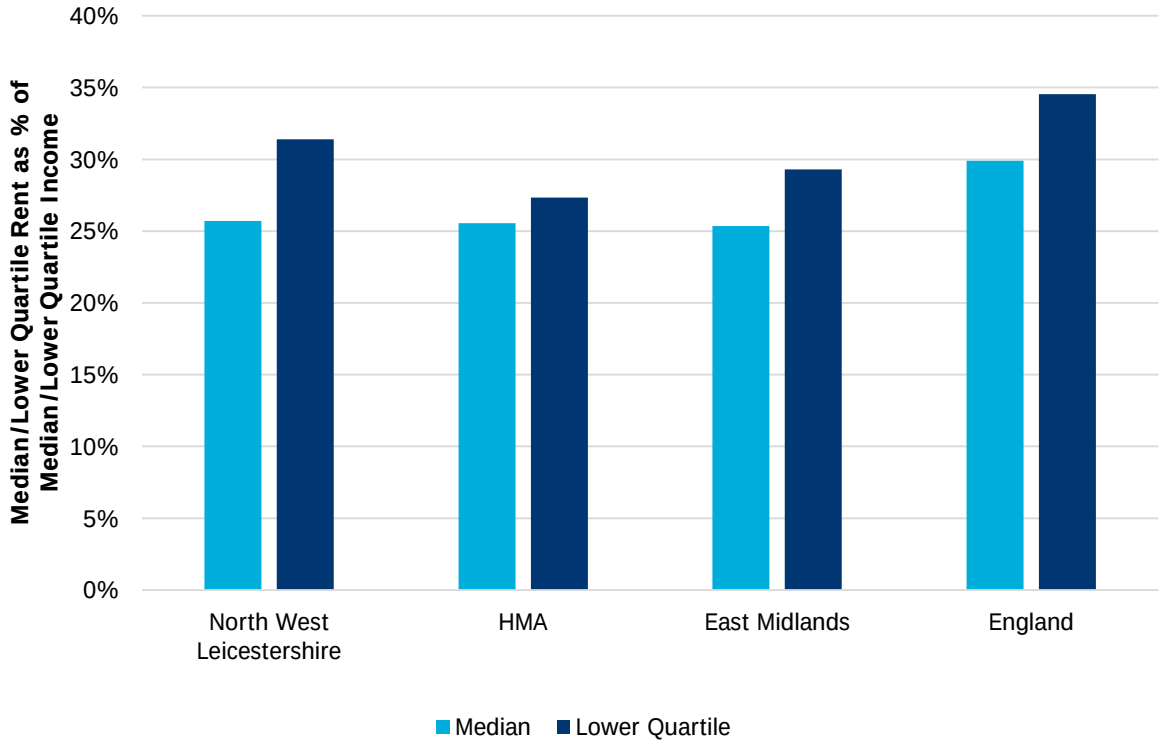
7.16 However, in the context of recommendations made by the Local Plans Expert Group (LPEG) that market signals are based on median affordability over the most recent 3 years, the 2015 affordability ratio for NW Leicestershire would be 6.8.

### iv) Residential Rents

7.17 The fourth indicator taken into account is residential rent. Figure 7.4 shows the ratio between Median/Lower Quartile personal income and Median/Lower Quartile private rent, both annualised.

7.18 In NW Leicestershire, a Lower Quartile private rented property costs (on average) 31% of Lower Quartile Earnings (on the same basis as the purchase affordability calculation shown in Figure 7.2) – higher than the HMA and regional average but lower than the national average. Median rents in relation to median earnings in NW Leicestershire follow a similar trend but are a closer match with the region and HMA average. Table 7.4 analyses growth in lower quartile/median residential rents between 2010/11 and 2014/15.

**Figure 7.4: Median/Lower Quartile Rent as % of Median/Lower Quartile Income**




Source: Valuation Office Agency

**Table 7.4: Residential Rents Change (£) 2010/11 – 2014/15**

| | Median | | | | Lower Quartile | | | |
|---|---|---|---|---|---|---|---|---|
| | 2010-11 | 2014-15 | Change 2010-11/ 2014-15 | | 2010-11 | 2014-15 | Change 2010-11/ 2014-15 | |
| North West Leicestershire | 500 | 535 | 35 | 7% | 450 | 475 | 25 | 6% |
| Blaby | 550 | 600 | 50 | 9% | 500 | 525 | 25 | 5% |
| Charnwood | 475 | 495 | 20 | 4% | 350 | 395 | 45 | 13% |
| Harborough | 550 | 598 | 48 | 9% | 475 | 525 | 50 | 11% |
| Hinckley and Bosworth | 495 | 515 | 20 | 4% | 425 | 450 | 25 | 6% |
| Leicester | 495 | 475 | -20 | -4% | 400 | 335 | -65 | -16% |
| Melton | 495 | 525 | 30 | 6% | 400 | 450 | 50 | 13% |
| Oadby and Wigston | 550 | 575 | 25 | 5% | 475 | 525 | 50 | 11% |
| HMA | 499 | 508 | 9 | 2% | 409 | 404 | -5 | -1% |
| East Midlands | 495 | 525 | 30 | 6% | 400 | 425 | 25 | 6% |
| England | 570 | 600 | 30 | 5% | 450 | 475 | 25 | 6% |

Source: Valuation Office Agency, Private Rental Market Statistics – All property types, data for year ending 30th September.

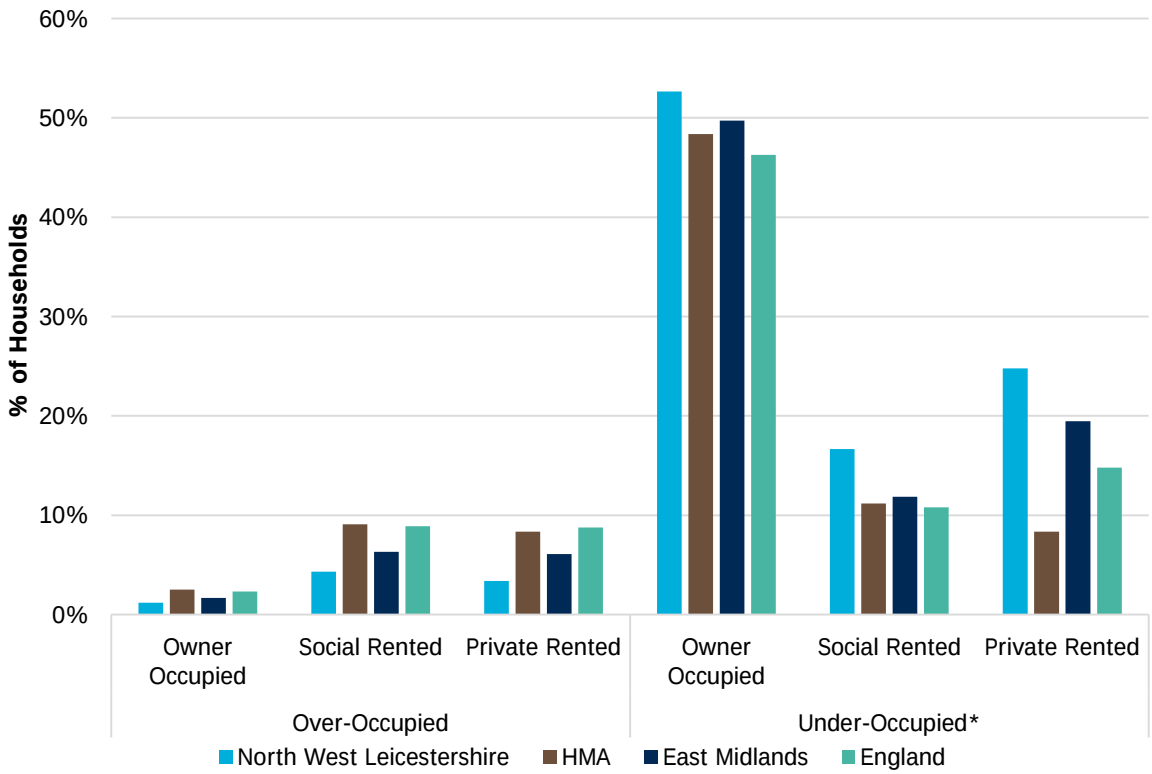
7.19 The comparison set out in Table 7.4 shows that, with the exception of rents in Leicester, all districts examined have experienced increases in rentable values based on both median and lower quartiles. In addition, the overall HMA has experienced a minor decrease in rentable values based on lower quartile. The districts that have experienced the greatest rent increases are Charnwood and Melton where both have seen rents increase by 13% over the period. NW Leicestershire rent increases have kept pace with national average based on lower quartile but have undergone a higher than national average increase based on median data.

### v) Overcrowding

7.20 The final indicator is overcrowding, taking into account the proportion of households which are over-occupied (i.e. having fewer rooms than required for the number of usual residents) and concealed households (multiple households living in a single dwelling). This market signal is considered to illustrate the problems created by the worsening affordability situation indicated earlier in this section of the study.

7.21 Figure 7.5 below compares the proportion of households classified as over and under occupied in the 2011 Census.

**Figure 7.5: Over and Under-Occupation, 2011**




*Under-occupied by 2+ bedrooms

Source: Office for National Statistics, Census 2011

7.22 As Figure 7.5 shows, the NW Leicestershire level of over-occupation – where there are fewer bedrooms than required – is proportionally lower than the HMA, regional and national averages. The level of over-occupation is relatively comparable with the majority of districts within the HMA with the most noticeable exception being Leicester where the level of over-occupation is far higher than HMA, regional or national averages. Most notable is the high level of over-occupation in both social rented and private rented properties in Leicester, these being 13% and 14%, respectively compared to 6% of over-occupation in owner occupied properties.

7.23 In terms of overcrowding, the ONS have recently published data to show a 71% increase in concealed households across the country between 2001 and 2011. Table 7.5 summarises the number of concealed families within NW Leicestershire compared with the other authorities in the HMA, the region and nationally.

**Table 7.5: Concealed Households, 2001-2011**

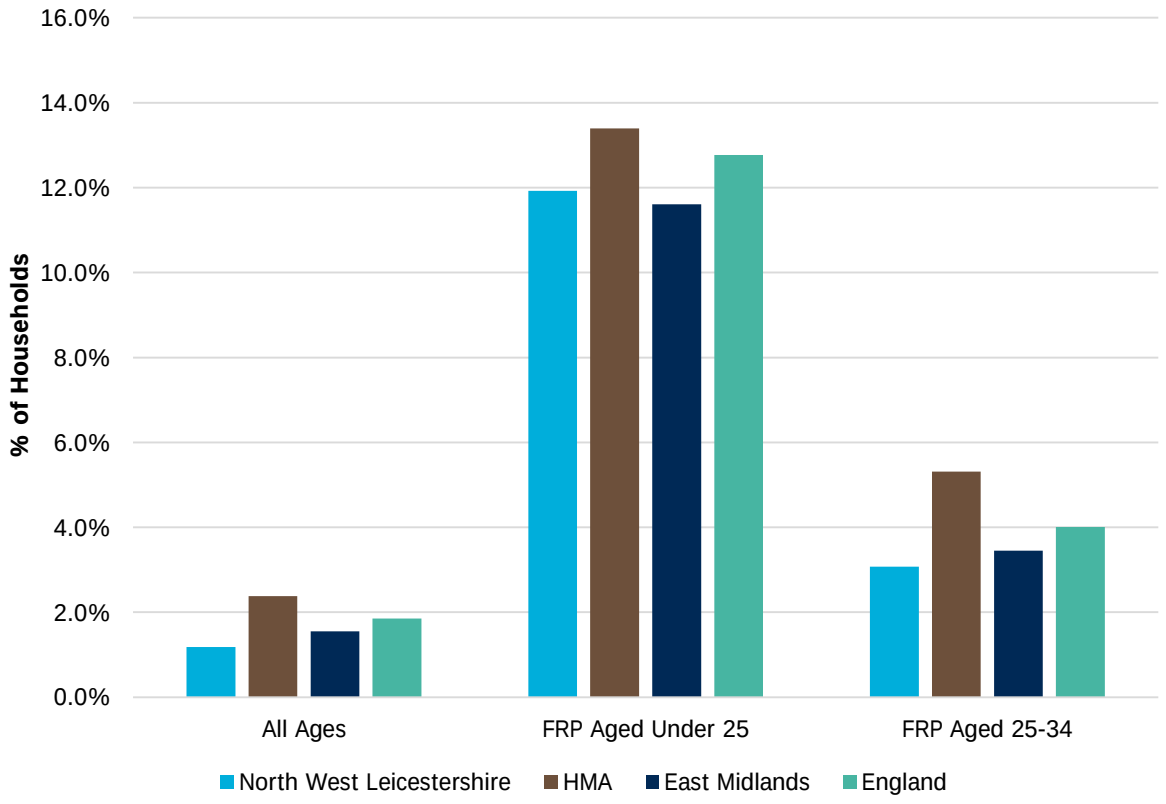
| | Concealed Families 2001 | Concealed Families 2011 | % Change | Absolute Change |
|---|---|---|---|---|
| **England** | 161,254 | 275,954 | 71% | 114,700 |
| **East Midlands** | 11,708 | 20,403 | 74% | 8,695 |
| **HMA** | 3,837 | 6,535 | 70% | 2,698 |
| **North West Leicestershire** | 185 | 334 | 81% | 149 |
| **Blaby** | 261 | 440 | 69% | 179 |
| **Charnwood** | 459 | 740 | 61% | 281 |
| **Harborough** | 175 | 295 | 69% | 120 |
| **Hinckley and Bosworth** | 267 | 358 | 34% | 91 |
| **Leicester** | 2,084 | 3,734 | 79% | 1,650 |
| **Melton** | 93 | 161 | 73% | 68 |
| **Oadby and Wigston** | 313 | 473 | 51% | 160 |

Source: ONS, Census 2001/11

7.24 The number of concealed families in NW Leicester has increased by 81% between 2001 and 2011, which vastly exceeds the percentage increases in the overall HMA, East Midlands or England as a whole; in fact, NW Leicestershire has experienced the greatest percentage increase in concealed households compared to all areas examined. In absolute terms the number of concealed families in NW Leicestershire has increased by 149 between 2001 and 2011.

7.25 Figure 7.6 provides more detail in respect of the proportion of concealed households by age.

**Figure 7.6: Concealed families, 2011**




Source: ONS

7.26 Figure 7.6 illustrates how the highest proportion of concealed families in NW Leicestershire is within younger households where the age of the family reference person is under the age of 25 years. 12% of all households where the FRP is under 25 years are concealed in NW Leicestershire, which is only 0.9% below the national average.

7.27 The worsening affordability of housing is leading to a much larger number of people having to share with others, and not being able to form their own households. This is particularly so in younger age groups where the housing market is inaccessible to first time buyers.

7.28 In addition to concealed families, there are many concealed individuals who would like to form their own household but have not been able to due to the recession. Whilst it is not possible to derive the number of these individuals from the Census, research by Bramley et al. (2010) suggests that single adults account for around half of concealed households[34].

[34] Bramley et al. (2010), Estimating housing need, Department for Communities and Local Government

### vi) Summary of Market Signals

7.29 The market signals issues within NW Leicestershire are summarised in Table 7.6.

**Table 7.6: Summary of market signals when compared with NW Leicestershire**

| Worsening trend? | | | Market Signal | | | | |
|---|---|---|---|---|---|---|---|
| | | | Rate of development | House prices | Affordability | Residential rents | Overcrowding / concealed |
| Absolute | NW Leicestershire | | Y | Y | Y | Y | Y |
| | More acute worsening than comparison with | Blaby | n/a | X | X | = | X |
| | | Charnwood | n/a | X | X | X | X |
| | | Harborough | n/a | X | X | X | Y |
| | | Hinckley & Bosworth | n/a | X | Y | = | Y |
| | | Leicester | n/a | Y | Y | Y | X |
| | | Melton | n/a | Y | X | X | Y |
| | | Oadby & Wigston | n/a | Y | X | X | X |
| | | HMA | n/a | n/a | X | Y | X |
| | | East Midlands | n/a | Y | Y | = | X |
| | | England | n/a | X | = | = | X |
| Rate | NW Leicestershire | | Y | Y | Y | Y | Y |
| | More acute worsening than comparison with | Blaby | n/a | Y | X | Y | Y |
| | | Charnwood | n/a | Y | X | X | Y |
| | | Harborough | n/a | X | Y | X | Y |
| | | Hinckley & Bosworth | n/a | X | Y | = | Y |
| | | Leicester | n/a | Y | X | Y | Y |
| | | Melton | n/a | Y | X | X | Y |
| | | Oadby & Wigston | n/a | Y | X | X | Y |
| | | HMA | n/a | n/a | X | Y | Y |
| | | East Midlands | n/a | Y | = | = | Y |
| | | England | n/a | X | Y | = | Y |

7.30 Worsening trends have been observed in NW Leicestershire in relation to PPGs market signals indicators. They can be summarised as follows:

- **Housing completions:** Over a nine-year period, there was a steady decline in household completions until 2012/13 where a small reversal in trend was experienced. Whilst the final three years saw a surplus of dwellings completed against target the figures are expected to be low (and only provisional as partly measured against projected completions). Over the nine-year period assessed, there has been an overall deficit of -983 dwellings;

- **House prices:** Prices have risen significantly in NW Leicestershire between 1995 and 2015; higher in both absolute and real terms than experienced across the region as a whole;

- **Affordability:** Housing is now significantly less affordable than in the late 1990s, which has caused some suppression in household formation. The affordability ratio in NW Leicestershire is currently[35] 7.0 meaning that a lower quartile priced house costs 7.0 times more than lower quartile earnings. This is unsustainable. Between 1997 and 2013 the NW Leicestershire affordability ratio increased by 2.9 (+82%) which is marginally higher than the region in absolute terms but matches in percentage;

- **Private Rents:** Both lower and median quartile private rents in NW Leicestershire have experienced increases by 6% at lower quartile and 7% at median;

- **Overcrowding and Concealed Families:** NW Leicestershire has experienced a notably higher percentage increase (81%) in the number of concealed families between 2001 and 2011 than any other area examined.

### vii) Uplift for Market Signals?

7.31 In light of the market signals analysis and the identification of a worsening trend in several market signals indicators, there is considered strong justification for a market signals increase to demographic projections in order to improve affordability in NW Leicestershire.

[35] As at 2015

7.32 PPG states:

> **"The housing need number suggested by household projections (the starting point) 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."** (PPG ID: 2a-019)
>
> **"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 as a level that is reasonable … should increase planned supply by an amount that, on reasonable assumptions and consistent with the principles of sustainable development, could be expected to improve affordability"** (PPG ID: 2a-020)

7.33 A 'reasonable' adjustment is not quantified in the PPG and therefore in the absence of clear guidance from Government on how much of an uplift to OAHN should be applied to account for adverse market signals Barton Willmore has given consideration to this in respect of:

- Inspectors recommendations for market signals uplifts; and
- The Barker Review threshold, which identified an 86% increase in housebuilding would be required to bring house price inflation down to the European average (1.1%).

*Inspector's Recommendations*

7.34 There have been a number of Inspectors recommendations for a market signals adjustment ranging from between 10 and 20%.

7.35 The Uttlesford Local Plan Inspector (December 2014) concluded that an uplift for market signals was required to the Council's proposed housing number and considered it 'appropriate to examine an overall increase of around 10%' [36]. <u>This was to be applied alongside the headship rate adjustment</u>.

7.36 The Eastleigh Local Plan Inspector (February 2015) recommended a 10% increase to the demographic-led OAHN figure to address the 'modest' pressure of market signals:

> **"I consider a <u>cautious</u> approach is reasonable bearing in mind that any practical benefit is likely to be very limited because Eastleigh is only a part of a much larger HMA. <u>Exploration of an uplift of, say, 10%</u> would be compatible with the "<u>modest</u>" pressure of market signals recognised in the SHMA itself."** [37] (Our emphasis)

[36] Paragraph 1.10, page 3, Examination of the Uttlesford Local Plan: Inspector's conclusions, December 2014
[37] Paragraph 41, page 12, Eastleigh Borough Local Plan, Inspector's Report February 2015

7.37 In this example the affordability ratio had increased by 97% (Eastleigh Borough) and 92% (HMA). NW Leicestershire has seen an 82% increase in its affordability ratio which is lower than Eastleigh rates. However, the lower quartile affordability ratio has reached 7.0 (or 6.8 based on median data) by 2015, meaning that house prices are unaffordable for most.

7.38 Furthermore, the more recent EiP decision in Canterbury (August 2015) suggested a 20% uplift for market signals, with the Inspector concluding as follows:

> **"An uplift of 10% to reflect a modest pressure of market signals has been used by Inspectors in other examinations. However, here NLP conclude that the scale of market signal pressure is greater than modest, such that on reasonable assumptions the uplift should be <u>more than 10% with 20% used by way of illustration</u> to give a need figure of 744 dpa."** [38] (Our emphasis)

7.39 In Canterbury the affordability ratio increased by 89%. In this context it is considered that an uplift of <u>at least 10%</u> is required to help alleviate the worsening affordability.

*LPEG Recommendations*

7.40 When establishing how plan makers should respond to market signals LPEG state that, based on the data published by DCLG, LPAs should apply an upward adjustment to the demographic starting point dependent on the median House Price Ratio average ofr the last three years. This ratio equates to 6.6 for NW Leicestershire which LPEG recommends requires a <u>10% uplift to demographic OAHN</u>.

7.41 On the basis of this calculation, it would be necessary to plan for at least between 6,426 and 8,248 dwellings (this being 110% of the demographic OAHN of between 7,069 and 9,073 dwellings) over the period 2011–2031.

*The Redfern Review*

7.42 The Redfern Review into the decline of home ownership was published in November 2016. The independent review sought to identify the causes of falling homes ownership, and associated housing market challenges. The Review was informed by a macroeconomic model of the UK housing market built by Oxford Economics[39]. The remit of Oxford Economics work was threefold, being to 1) establish the drivers of trends in declining home ownership; 2)

[38] Paragraph 20, Canterbury District Local Plan, Note on main outcomes of Stage 1 hearings, August 2015
[39] Oxford Economics, Forecasting UK house prices and home ownership, November 2016

understanding the prognosis for home ownership and house prices; and 3) identify what would need to happen to change the outlook for both.

7.43 In understanding this third point, Oxford Economics simulated the impact of boosting the annual housing supply figure by a further 100,000 per year above the rate of household formation, it states this to be around 310,000 new dwellings per year on its household growth assumptions (of 210,000 dwellings per annum). Figure 27 of the Oxford Economics Report[40] demonstrates the outcome of such a scenario, whereby over the study period (2016 – 2026) prices will be 5% below that of the baseline forecast (the baseline anticipated price growth of 11% over the next decade).

7.44 Paragraph 33 of the Redfern Review states that:

> **"looking forward, if the number of households in the UK were to grow at around 200,000 per year, new supply of 300,000 dwellings per year over a decade would be expected to cut house price inflation by around 5 percentage points (0.5 percentage points a year). This could be further reinforced by changing house price expectations (not modelled). In other words, boosting housing supply will have a material impact on house prices, but only if sustained over a long period."**

7.45 The adoption of a figure of 310,000 dwellings per annum, as tested by Oxford Economics, would represent a 44.2% uplift over the demographic baseline suggested by the 2014-based projections.

7.46 On the basis of this calculation we calculate that to affect such a reduction in house price growth within NW Leicestershire, it would be necessary to plan for at least 9,016 dwellings (this being 144% of the 2014-based household projection of 6,261 dwellings) over the period 2011–2031.

[40] Ibid

*he Barker Review Threshold*

7.47 The Barker Review of Housing Supply (2004) indicated that an 86% increase in house building would be required to bring house price inflation down to the European average (1.1%):

> **"Achieving the desired improvement in the housing market would, it was asserted, require an additional 120,000 housing starts per year on top of the 140,000 in 2002/3, taking the annual total to 260,000. According to the Review's modelling, this scenario would see between 5,000 and 15,000 newly formed households priced into the market in each year between 2011 and 2021."** [41]

7.48 Barton Willmore have considered how much of an uplift the proposed OAHN (in this instance the starting point, plus adjustments for HFRs and an adjustment to accommodate employment growth) provides compared with the starting point (see Table 7.7) and recent delivery performance (see Table 7.8).

**Table 7.7: Proposed OAHN vs. Starting Point (2011-2031)**

| | Starting Point* (dwellings) | Proposed OAHN** (dwellings) | Uplift (%) |
|---|---|---|---|
| **NW Leicestershire** | 6,261 (313 pa) | Between 13,733 and 14,548 (Between 687 and 727 pa) | Between 119% and 132% |
| **HMA** | 83,313 (4,166 pa) | Between 82,518 and 93,489 (Between 4,126 and 4,674 pa) | Between -2.5% and +12% |

Source: ONS/DCLG, Barton Willmore modelling

* 2014 based Household Projections

** For NW Leicestershire this is economic OAHN, for the HMA this is demographic OAHN

[41] Home Builders Federation (2014), 'Barker Review – a decade on', p.7

**Table 7.8: Proposed OAHN vs. Past Delivery Performance (2011-2031)**

| | Delivery Performance (dwellings)* | Proposed OAHN** (dwellings | Uplift (%) |
|---|---|---|---|
| **NW Leicestershire** | 2,967 (330 pa) | Between 13,733 and 14,548 (Between 687 and 727 pa) | Between 108% and 120% |
| **HMA** | 29,851 (3,437 pa) | Between 82,518 and 93,489 (Between 4,126 and 4,674 pa) | Between 20% and 36% |

Source: ONS/DCLG, Barton Willmore modelling

* Average completions over the period 2006/07 – 2014/15. Completions for Leicester only available up to 2013/14.

** For NW Leicestershire this is economic OAHN, for the HMA this is demographic OAHN

7.49 An OAHN for NW Leicestershire of between 687 and 727 dwellings per annum provides between a 119% and 132% uplift against the starting point and between a 108% and 120% uplift against past delivery performance in NW Leicestershire.

### viii) Chapter Summary

7.50 The analysis undertaken by Barton Willmore has identified worsening market signals within NW Leicestershire that warrants an upward adjustment to the starting point estimate (the DCLG 2014-based household projections).

7.51 However, given the proposed OAHN for NW Leicestershire provides between a 108% and 120% uplift against past delivery performance, which is considerably in excess of the Barker Review benchmark of 86%, it is considered that no further uplift to address market signals issues is recommended.

7.52 On this basis, the OAHN range identified above represents a significantly accelerated rate of growth compared against recent delivery performance. As a result, it has potential to create downward pressure on house prices within NW Leicestershire, which in turn will begin to address market signals issues.

# 8.0 FULL OBJECTIVE ASSESSMENT OF HOUSING NEED

8.1 This final chapter draws together the evidence presented on housing need to determine the full OAHN for NW Leicestershire and the HMA. Table 8.1 below summarises the steps taken towards reaching a recommendation for OAHN in NW Leicestershire. Table 8.2 summarises the assessment for the HMA.

**Table 8.1: 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, Barton Willmore Modelling
* The job figure is expressed over the period 2011-2031 and therefore differs slightly to the figure presented in paragraph 6.17 which considered growth over the period 2015-2031.

**Table 8.2: Summary of OAHN for the HMA (2011-2031)**

| | | 2011 Sensitivity 25-44 | 50% Return 25-44 | 2014 Constant 25-44 |
|---|---|---|---|---|
| A | DCLG 2014-based SNHP (Households) | 80,753 (4,038 pa) | | |
| | Vacant/Second Homes Adjustment | 3.17% | | |
| | **OAHN STARTING POINT (Dwellings)** | **83,313 (4,166 dpa)** | | |
| B | Starting point with adjusted HFRs (Dwellings) | 93,489 (4,674 dpa) | 89,845 (4,492 dpa) | 85,988 (4,299 dpa) |
| C | 10yr Migration Trend (2005-2015) | 89,865 (4,493 dpa) | 86,289 (4,314 dpa) | 82,518 (4,126 dpa) |
| D | **DEMOGRAPHIC OAHN (range between B and C)** | **Between 89,865 and 93,489 (4,493-4,674 dpa)** | **Between 86,289 and 89,845 (4,314-4,492 dpa)** | **Between 82,518 and 85,988 (4,126-4,299 dpa)** |
| E | Jobs Supported by Demographic OAHN | Between 65,939 and 71,133 (Between 3,297 and 3,557 pa) | | |
| F | Job Demand (projected job growth + EMGRFI)* | 67,719 (3,386 pa) | | |
| G | Labour Surplus/Deficit | Between -1,780 and +3,414 (Between -89 and +171 pa) | | |
| H | **ECONOMIC OAHN** | **89,550 (4,477 pa)** | **85,661 (4,283 pa)** | **82,171 (4,109 pa)** |
| I | Adverse Market Signals Observed? | Yes | | |
| J | Average Annual Delivery Rate 2006–2015 | 3,437 | | |
| K | Subtotal OAHN per annum (row D) | Between 4,493 and 4,674 | Between 4,314 and 4,492 | Between 4,126 and 4,299 |
| L | OAHN vs. Recent Performance (%) | Between 31% and 36% | Between 26% and 31% | Between 20% and 25% |
| M | OAHN vs. Starting Point (%) | Between 8% and 12% | Between 4% and 8% | Between -2.5% and 3% |
| N | **Further Increase Recommended? (Y/N)** | No | | |
| O | **FULL OAHN** | **Between 89,865 and 93,489 (4,493-4,674 dpa)** | **Between 86,289 and 89,845 (4,314-4,492 dpa)** | **Between 82,518 and 85,988 (4,126-4,299 dpa)** |

Source: ONS/CLG, Barton Willmore Modelling
* The job figure is expressed over the period 2011-2031 and therefore differs slightly to the figure presented in paragraph 6.17 which considered growth over the period 2015-2031.

### i) Starting Point Estimate

8.2 The starting point, derived from the CLG 2014-based household projections (the 2014-based SNPP with 2014 household formation rates (HFRs) applied) indicates growth of 303 households per annum in NW Leicestershire over the period 2011-2031. Once an adjustment for vacant and second homes has been applied, the starting point estimate of housing need is equivalent to **313 dwellings per annum**.

8.3 The starting point for the HMA is 4,166 dwellings per annum (2011-2031).

### ii) Demographic Adjustments

8.4 Consideration has then been given as to whether an adjustment to the starting point estimate of housing need is necessary to address demographic factors affecting past trends, in particular, suppressed household formation rates and migration trends.

8.5 Analysis of HFRs identified that the 2014-based HFRs project suppressed household formation for younger people between the ages of 25-44 years. This would not be a prudent basis on which to plan housing need in respect of the NPPF's (paragraph 182) requirement to ensure Local Plans are 'positively prepared' and to afford everyone the right to establish their own home. On this basis, an adjustment to address suppressed household formation is required. Barton Willmore has sensitivity tested three different HFR adjustments which suggest the starting point estimate of housing need increases to **between 321 and 364 dwellings per annum** (2011-2031). The starting point for the HMA increases to between 4,299 and 4,674 dwellings per annum over the same period.

8.6 Analysis of migration trends has indicated that the recession did suppress migration trends for NW Leicestershire but to a lesser extent across the HMA as a whole. For this reason demographic OAHN is considered as a range between the 2014-based SNPP and a long-term migration drawing migration trends from the period 2005-2015.

8.7 On this basis, Barton Willmore have established **demographic OAHN for NW Leicestershire to be between 321 and 412 dwellings per annum (2011-2031) depending on which HFR adjustment is applied.** Demographic OAHN for the HMA is considered to be between 4,126 and 4,674 dwellings per annum.

### iii) Supporting economic growth

8.8 Analysis of labour supply and demand has revealed that the demographic OAHN for NW Leicestershire would only support growth of between 255 and 326 jobs per annum (2011-2031) and therefore there will be a shortfall in the number of workers available to take up jobs in NW Leicestershire to support all three of the economic growth scenarios considered in this report. An uplift to demographic OAHN is therefore considered necessary in NW Leicestershire to support economic growth.

8.9 There is a large variation in the future economic growth scenarios for NW Leicestershire and the HMA. Past trends indicate significantly stronger economic growth for both NW Leicestershire and the HMA in comparison to current projections. However, the creation of the EMGRFI will serve to boost economic growth in NW Leicestershire and thus the HMA.

8.10 For this reason, Barton Willmore consider **economic OAHN should be based on the 'Projected job growth + EMGRFI' scenario which indicates a need for between 687 and 727 dwellings per annum in NW Leicestershire and between 4,109 and 4,477 dwellings per annum across the HMA (2011-2031)** depending on which approach to addressing suppressed household formation is applied.

8.11 Economic OAHN for the HMA is lower than demographic OAHN and for this reason an economic uplift is not considered necessary for the HMA, as is necessary for NW Leicestershire.

### iv) Market Signals Assessment

8.12 A worsening trend in several market signals indicators has been observed in NW Leicestershire as outlined in Chapter 7 of this study. This includes housing completions falling short of targets over the last 9 years; worsening affordability, increasing house prices and an increase in concealed families.

8.13 In the absence of any official guidance on how an appropriate response to market signals issues should be calculated, the subtotal OAHN (taking account of the starting point, demographic adjustments and economic-led uplift) was compared against past delivery performance and the OAHN starting point.

8.14 OAHN for NW Leicestershire of between 687 and 727 dwellings per annum represents between a 108% and 120% increase against past delivery which is in excess of the Barker Review threshold. Barker estimated an 86% increase in housing supply was required to improve

affordability. Given the OAHN for NW Leicestershire exceeds the Barker threshold, it is considered prudent not to recommend a further uplift.

8.15 It is considered that OAHN of between 687 and 727 dwellings per annum represents a significantly accelerated rate of growth compared against recent delivery performance. As a result, it has potential to create downward pressure on house prices within NW Leicestershire, which in turn will begin to address market signals issues.

**v) Bringing the evidence together**

8.16 Taking into account all of the evidence presented above, it is concluded that **the full OAHN for NW Leicestershire ranges between 687 and 727 dwellings per annum 2011-2031**. This OAHN will:

- Accommodate the housing need number implied by the latest demographic evidence;
- Meet projected job demand including the EMGRFI; and
- On reasonable assumptions, improve affordability.

**vi) Relationship with Affordable Housing Need**

8.17 As stated within NPPF, LPAs are required to ensure their local plans meet OAHN for both market and affordable housing. The Satnam v Warrington BC High Court Judgment discussed in Chapter 4 provides useful guidance on the proper exercise that needs to be undertaken to assess affordable need. That is:

> **"(a) having identified OAHN for affordable housing, that should then be considered in the context of its likely delivery as a proportion of mixed market/affordable housing development; 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;**
>
> **(b) the Local Plan should then meet the OAHN for affordable housing, subject only to the constraints referred to in NPPG, paragraphs 14 and 47."** [42]

[42] Satnam Millennium Limited vs. Warrington Borough Council, Judgment, dated 19th February 2015

8.18 However, the ELM Park v Kings Lynn and West Norfolk BC High Court Judgment (July 2015) outlined that affordable need did not have to be met in full when determining OAHN but rather:

> **"This consideration of an increase to help deliver the required number of affordable homes, rather than an instruction that the requirement be met in total, is consistent with the policy in paragraph 159 of the Framework requiring that the SHMA "addresses" these needs in determining the FOAHN. They should have an important influence increasing the derived FOAHN since they are significant factors in providing for housing needs within an area."** [43]

8.19 The latest assessment of affordable housing need for NW Leicestershire is from the 2014 SHMA which identifies net affordable housing need of 212 dwellings per annum (2011-2031). Delivery of 30% affordable housing[44] would therefore require OAHN of 707 dpa, meaning the RHR conclusion of full OAHN (519 dpa) would not provide for full affordable need.

8.20 The upper limit of Barton Willmore's OAHN range (between 687 and 727 dwellings per annum) would meet full affordable need based on 30% provision. However, following the Inspector's judgment in ELM Park v Kings Lynn and West Norfolk BC, affordable need does need to be met in full by the OAHN. Despite this, Barton Willmore's OAHN of between 687 and 727 dwellings per annum is considered to make a significant contribution towards meeting affordable need in NW Leicestershire which paragraph ID2a-029 of PPG supports.

**Local Plans Expert Group (LPEG)**

8.21 The LPEG OAHN recommendations do not have any official status at the current time. However, based on the proposal, OAHN for NW Leicestershire would be approximately 400 dwellings per annum (see Appendix 9 for the summary of Barton Willmore's calculation). This is lower than full OAHN presented in the report for between 687 and 727 dwellings per annum (2011-2031). The reason for the difference is because the LPEG recommendation requires the higher of the 2014-based SNPP or most recent 10-year trend across the HMA to represent demographic OAHN. For NW Leicestershire the 10-year migration trend projects higher population growth but across the HMA the 2014-based SNPP projects higher growth. Furthermore, the LPEG recommendation doesn't give consideration to economic growth as part of the OAHN calculation whereas the current PPG HEDNA guidance does. However, LPEG does require economic growth is required to be taken into account when setting the housing requirement.

[43] Paragraph 33, Elm Park Holdings Ltd vs. Kings Lynn and West Norfolk BC, Judgment, dated 9th July 2015
[44] Policy H4, page 48, North West Leicestershire Local Plan – Publication Version, June 2016

**Overall Conclusions on Full OAHN**

8.22 The council's most recent evidence relating to objectively assessed housing need identifies a need for 519 dwellings per annum in NW Leicestershire (2011-2031) to support economic growth of the EMGRFI. The NW Leicestershire Local Plan (Publication Version) makes provision for this level of OAHN in Policy S1.

8.23 Barton Willmore do not consider 519 dwellings per annum to represent full OAHN for NW Leicestershire for the following reasons:

- OAHN of 519 dwellings per annum is derived from the RHR's EMGRFI economic scenario which assumes the EMGRFI will create 7,317 additional jobs in NW Leicestershire over the period 2011-2031. Independent economic advisor Steve Lucas suggests the EMGRFI could be expected to create 8,495 jobs in NW Leicestershire taking account of displacement and multiplier effects;

- The economic activity assumptions applied in the RHR are considered to overestimate the future resident labour supply due to a too large reliance on the economic activity of older females. The effect of this is to reduce the level of housing need required to the support the EMGRFI economic scenario;

- The RHR does not adequately address the issue of suppressed household formation for younger people (particularly aged 25-44 years). Although an adjustment is applied, the adjustment suppresses household formation for females beyond that already projected in the starting point.

8.24 This report has set out an alternative OAHN, closely following the methodology described by PPG. Adjustments made to official projections are justified and in keeping with the principles of positive planning.

8.25 The Barton Willmore assessment has taken account of the most recent starting point according to PPG (the 2014-based household projections) and made adjustments to address suppressed migration and household formation trends inherent in the starting point estimate.

8.26 The Barton Willmore assessment concludes that no fewer than **13,733 net additional dwellings need to be built within NW Leicestershire over the period 2011-2031 – an average of 687 dwellings per annum. However, housing need could increase to 14,548 net additional dwellings (727 per annum)** with the application of an alternative

adjustment to address suppressed household formation for younger people. This level of housing growth is considered to support growth of projected job growth plus the EMGRFI in NW Leicestershire.

8.27 Barton Willmore's OAHN of between 687 and 727 dwellings per annum (2011-2031) as set out in this report is considered a more realistic assessment of economic OAHN than the Council's OAHN of 519 dwellings per annum.

8.28 **OAHN for the HMA is considered to be between 4,126 and 4,674 dwellings per annum (2011-2031**). This is demographic OAHN underpinned by the 2014-based SNPP and a long-term migration from the period 2005-2015. An uplift to support economic growth in line with projected job growth plus the EMGRFI was not deemed necessary, as the demographic OAHN will provide the resident supply to support economic growth across the HMA.

8.29 The findings of this analysis therefore suggests that whilst demographic OAHN is sufficient to support projected job growth plus the EMGRFI across the HMA as a whole, to plan on this basis 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 meet within each of the eight local authority districts of the HMA.

# APPENDIX 1

## STEVE LUCAS ECONOMIC REPORT

**Technical Note**

**Potential future employment trends in North West Leicestershire**

**December 2016 Update**

## Introduction

This report considers trends in employment in North West Leicestershire, based on ONS data. It also considers:

- the potential future trajectory of employment growth in the district, based on forecasts produced by PACEC in the Leicester and Leicestershire HMA Employment Land Study (2013);
- an alternative assessment of the potential future trajectory of job growth in the district, based on independent employment forecasts produced by Oxford Economics (dated October 2016); and
- the additional impact on local employment of East Midlands Gateway strategic rail freight interchange, which was permitted by the Secretary of State in January 2016.

## Historic trends in workforce jobs and employee jobs: North West Leicestershire

The first aspect to consider is the trend in workforce jobs in North West Leicestershire based on the latest available ONS data for employment.

The latest (2015) ONS data shows that there has been growth of approximately 7,350 employee jobs in North West Leicestershire since 2011 (the start of the plan period). This represents overall growth of 15.2% (and average annual growth of 3.6%) since 2011.

According to the latest ONS data, in annualised terms the average increase in employment in the district since 2011 has been about 1,830 jobs per year.

Calculating a longer term trend in job growth is complicated owing to a discontinuity in the relevant ONS data sets between 2008/2009. This discontinuity is due to several changes in the methods used by ONS to count local area employment through the Business Register and Employment Survey (BRES) and the predecessor Annual Business Inquiry survey.

However, ONS do supply data in a common format for 2008-2010, allowing the construction of an indexed series (where 1998=100.0). The longer term trend for job change in North West Leicestershire since 1998 based on this indexed data is overall growth of about 16,100 employee jobs. This represents overall growth of about 43% in employee jobs over the 1998-2015 period.

The long term average trend since 1998 based on ONS data has therefore been around 945 employee jobs per annum, and an average annual growth rate of 2.14% p.a.

By accessing historic Census of Employment data for the District, it is also possible to consider a longer term average trend for employee numbers in North West Leicestershire. Overall growth in employee jobs over the 1984-2015 period amounts to 21,990 jobs, representing overall growth of around 71% and a compound annual growth rate of 1.80%.

**Forecasts - PACEC**

A set of employment forecasts were produced for North West Leicestershire by consultants PACEC as part of their 2013 study of employment land needs for the Leicester and Leicestershire HMA area.

The methodology used by PACEC included a detailed assessment of workplace jobs (employees and the self-employed) in the area extended back to 1971, with raw employment data extracted from the following Office for National Statistics data series:

- Census of Employment – 1971 to 1991
- Annual Employment Survey – 1991 to 1998
- Annual Business Inquiry – 1998 to 2008
- Business Register and Employment Survey – 2008 to 2010
- Labour Force Survey and the Census of Population (for self-employment).

The growth assumptions that underpin the PACEC forecasts are based on forecasts for the UK economy published by HM Treasury. The Treasury forecasts are based on a comparison of 24 independent forecasts over the period 2012-2013 and 13 forecasts over the longer period 2012-2016. PACEC extended these short-to-medium term forecasts to fit the study period by assuming that growth for the 2013-16 period is representative of the long-term economic cycle.

The result of the PACEC assessment is that the number of workplace jobs in North West Leicestershire is anticipated to grow by a total of 9,600 workplace jobs over the 2012-2031 period. This represents anticipated growth of 17.1% over the 2012 base position. It also represents an expected annual average growth rate of 0.84%.

Because the PACEC forecasts were produced for the purpose of an employment land study, the breakdown of the jobs is presented in Use Class terms rather than by business/industrial sectors. The breakdown is as follows.

**Table 1: PACEC, 2013 Workplace Job Forecasts for NW Leicestershire), 2012-2031 ('000s)**

| | 2012 | 2031 | Total Change | Change Per annum | Overall % change | CAGR |
|---|---|---|---|---|---|---|
| B1 a/b Office | 8.7 | 13.7 | 5.0 | 0.26 | 57.5% | 2.42% |
| B1c/B2 Industrial | 8.2 | 5.7 | -2.5 | -0 | -30.5% | -1.90% |
| B8 Warehousing | 10.3 | 13.2 | 2.9 | 0.15 | 28.2% | 1.31% |
| Other | 28.8 | 33.1 | 4.3 | 0.23 | 14.9% | 0.74% |
| **NW Leicestershire** | **56.0** | **65.6** | **9.6** | **0.51** | **17.1%** | **0.84%** |

*Source: Oxford Economics, July 2015 forecasts for North West Leicestershire*

However, the PACEC forecasts do not include all of the jobs associated with the proposed development of a strategic rail freight interchange in the district located near to East Midlands airport. This is confirmed in the draft North West Leicestershire Local Plan (Draft Local Plan paragraph 5.8, page 24). Moreover, in a Local Plan Advisory Committee report dated 19 June 2015, the Council identify that 5,000 of the jobs projected for the development would be additional to the number of jobs forecast by PACEC.

**Forecasts – Oxford Economics**

Forecasts of potential future employment growth in North West Leicestershire are also available from Oxford Economics (OE), a respected independent source of sub-national economic forecasts.

OE employment forecasts dating from October 2016 predict overall employment growth amounting to 15,400 jobs in North West Leicestershire between 2011 and 2031. This represents 27.5% growth over the 2011 baseline, and an average annual growth of 1.22% per annum.

Importantly, these forecasts post-date the June 2016 EU membership referendum outcome: they therefore factor in the potential economic consequences of the UK's decision to leave the EU.

In annualised terms, the October 2016 OE forecasts anticipate an additional 770 jobs per annum arriving in North West Leicestershire over the 2011-2031 period.

**Table 2: Oxford Economics, October 2016 Forecasts for NW Leicestershire), 2011-2031 ('000s)**

| | 2011 | 2031 | Total Change | Change Per annum | Overall % change | CAGR |
|---|---|---|---|---|---|---|
| **NW Leicestershire** | 56.0 | 71.3 | 15.4 | 0.77 | 27.5% | 1.22% |

*Source: Oxford Economics, October 2016 forecasts for North West Leicestershire*

When the October 2016 forecast is disaggregated (as is done in the table set out overleaf), it is notable that the OE anticipates that the expected employment growth over the 2011-2031 period in North West Leicestershire will be concentrated in three broad sectors:

- Professional services (5,000 jobs, 32% of the overall growth)
- Business support services (also 5,000 jobs, 32%)
- Construction (2,800 jobs, 18%).

It is important to note that the OE forecast does not expect any overall growth in jobs that are related to transportation and logistics. This is particularly important in connection with the recent decision by the Secretary of State to permit the EMG scheme.

The conclusions from the OE forecast with respect to transportation & storage jobs (i.e. a predicted decline of around 300 jobs, equivalent to a fall of about 3% between 2011 and 2031) appears to reflect two separate assumptions with respect to trends in this sector:

1) There would be no significant amount of new logistics-related development in the District over the Plan period
2) There would be productivity gains from among existing businesses located in the area that would result in a reduced employment base by 2031 compared to 2011.

While it is correct to assume that there would very likely be productivity gains in the sector over the Plan period, an assumption that there would not be any significant new development in the sector should be challenged, given the recent decision to permit the strategic EMG scheme.

**Table 3: Oxford Economics, October 2016 Workforce job forecasts by sector (NW Leicestershire)**

| Sector | 2011 (000s) | 2031 (000s) | Change (000s) | Change (%) | Contribution to overall change (%) |
|---|---|---|---|---|---|
| Agriculture, forestry & fishing | 0.6 | 0.5 | 0.0 | -8% | 0% |
| Mining & Quarrying | 0.1 | 1.1 | 1.0 | 829% | 6% |
| Manufacturing | 8.0 | 6.8 | -1.3 | -16% | -8% |
| Electricity, gas, water | 0.7 | 0.7 | 0.0 | -3% | 0% |
| Construction | 3.9 | 6.6 | 2.8 | 71% | 18% |
| Wholesale and retail trade | 9.6 | 10.4 | 0.7 | 8% | 5% |
| Transportation and storage | 9.3 | 9.0 | -0.3 | -3% | -2% |
| Accommodation and food service | 3.1 | 3.3 | 0.2 | 7% | 1% |
| Information and communication | 1.1 | 1.7 | 0.6 | 51% | 4% |
| Financial and insurance | 0.6 | 0.7 | 0.1 | 27% | 1% |
| Real estate activities | 0.4 | 1.0 | 0.5 | 117% | 3% |
| Professional services | 3.9 | 8.9 | 5.0 | 128% | 33% |
| Administrative and support | 5.3 | 10.3 | 5.0 | 95% | 33% |
| Public administration & defence | 0.8 | 0.7 | -0.1 | -9% | 0% |
| Education | 3.7 | 3.4 | -0.2 | -7% | -2% |
| Human health and social work | 2.6 | 2.9 | 0.3 | 10% | 2% |
| Arts, entertainment and recreation | 1.1 | 1.7 | 0.6 | 58% | 4% |
| Other service activities | 1.2 | 1.7 | 0.5 | 39% | 3% |
| **Total** | **56.0** | **71.3** | **15.4** | **27%** | **100%** |

**Sub-regional analysis of Job Growth and Forecasts**

We have also undertaken an analysis of the recent and expected future job growth performance of North West Leicestershire in the context of the wider Leicester & Leicestershire sub-region: i.e. the wider Housing Market Area. In order to not disrupt the main flow of the assessment of impacts on North West Leicestershire, this analysis is provided as an appendix to this document.

**East Midlands Gateway – Strategic Rail Freight Interchange**

In January 2016 the Secretary of State permitted the development a new Strategic Rail Freight Interchange (SRFI) on a site north of East Midlands Airport located in North West Leicestershire. The scheme – known as East Midlands Gateway (EMG) – is being developed by Roxhill (Kegworth) Limited.

According to the developer:

> *East Midlands Gateway would provide large-scale warehousing together with an intermodal rail freight interchange. This would provide the facilities to enable large volumes of freight to be transferred to and from road vehicles and freight trains. In simple terms, it would operate as an inland port. It would therefore directly support a wide range of economic sectors within the UK,*

*and form part of increasingly significant flows of international cargo movements. The proposal is expected to generate* ***around 7,000 direct jobs*** *once operational, and including training opportunities and integrated public transport facilities, as well as further employment through the construction phase.*[1] (emphasis added)

The EMG project was supported by both the Local Enterprise Partnership and North West Leicestershire District Council. Moreover, the project is viable and does not require any public subsidy to be built.

It is understood that the project could be built and fully operational within 3-4 years following the receipt of permission.

Evidence submitted to the Examination on behalf of the project estimates that when built and operational, the scheme would be capable of supporting just over 7,300 direct jobs. [2]

***Assessment of the implications of EMG undertaken by JGC for the Council***

In April 2016 consultants JGC produced an updated assessment of housing requirements for North West Leicestershire that factored in an assessment of the local economic growth implications of the EMG scheme.

The assessment of EMG undertaken by JGC acknowledged that the scheme had the potential to create 7,317 direct jobs, as per the environmental statement for the scheme. The JGC assessment also proceeded to introduce two further concepts to its analysis, namely the consideration of displacement and 'additionality', where the two concepts are defined by JGC as follows:

- *Displacement – the extent to which people may move between different companies and sectors and therefore not provide any additional jobs (for example a self-employed person might take up a job at EMGRFI or someone might move from an existing business and not be replaced. In such circumstances there would be no additional 'job' created); and*
- *Additionality – the extent to which the EMGRFI will further increase jobs, such as through supply chains or as a result of new workers spending money in the local area, this could see new businesses started or existing businesses providing additional employment.*

The conclusion reached by JGC is that the effects of displacement and 'additionality' will more or less exactly offset each other. JGC therefore conclude this part of their assessment by stating that:

> *"…the Council should be looking at planning for 7,317 jobs over and above the numbers in the SHMA projections".*[3]

It may be noted, however, that the definition of displacement used by JGC is not the one that is routinely used in assessing the economic impacts of major infrastructure or other developments. The usual definition of displacement is the one used in the Homes and Communities Agency's *Additionality*

---

[1] http://www.eastmidlandsgateway.co.uk/

[2] Environmental Statement for the East Midlands Gateway SRFI, Chapter 4 – Socio-economic aspects, Table 4.8, page 30

[3] JGC: NWLDC Review of Housing Requirements (2011-31), page 11, paragraph 2.10

*Guide*, a very widely used document in assessments of major projects and other developments, and which utilises the following definition:

> ***Displacement****: the proportion of intervention outputs or outcomes accounted for reduced outputs/outcomes occurring elsewhere in the target area.*[4]

Displacement can be measured at a local level, a regional level, or at a national level. Displacement normally increases in scale the wider the spatial area is that is being considered. In other words, while displacement is often low at a local level, it is usually very high at a national level.

In the case of the EMG, given the national importance of the scheme and the lack of an existing or proposed scheme of an equivalent scale or nature, the normal approach to an assessment of additionality of such as scheme would be to assume a low level of displacement. In my judgement, the level of displacement that should be expected would lie between 0% and 10%.

It is also necessary to take into account the potential indirect and induced effects of the scheme. The HCA's additionality guide suggests that a reasonable value for a composite multiplier effect (combining both indirect and induced effects) for a B2/B8 scheme for a local spatial area is 0.29.[5] That is, for every 100 jobs created directly, a further 29 jobs could be expected to be supported locally through supply chain effects and multiplier effects acting in combination.

Given the potential uncertainty about the correct scale of displacement to apply to the scheme, the table below sets out the conversion of gross jobs into net jobs using two alternative plausible assumptions for local displacement (i.e. at the spatial level of North West Leicestershire):

1) Local displacement assumed to be zero
2) Local displacement assumed to be 10%

**Table 4: Estimated Employment Impacts of East Midlands Gateway (NW Leicestershire)**

| **Effect** | **No displacement scenario** | **10% displacement scenario** |
|---|---|---|
| Direct | 7,317 | 7,317 |
| ***Displacement (%)*** | ***0%*** | ***10%*** |
| Displaced jobs | 0 | 732 |
| Jobs after displacement accounted for | 7,317 | 6,585 |
| ***Composite multiplier*** | ***0.29*** | ***0.29*** |
| Multiplier effects | 2,122 | 1,910 |
| **Jobs after adjustment for displacement and multipliers** | **9,439** | **8,495** |

*Source: Development Economics, based on project details for EMG plus assumptions based on 2011 Census and the HCA Additionality Guide(2014)*

In both cases the number of direct jobs expected is 7,317: the same number which is assumed by JGC in their assessment for the Council. However, when displacement and multiplier effects are properly

[4] HCA Additionality Guide, Fourth Edition, 2014, page 28
[5] [5] HCA Additionality Guide, Fourth Edition, 2014, Table 4.12, page 35

accounted for, the net additional number of jobs to be expected at a local (North West Leicestershire) spatial level would lie between 8,495 jobs and 9,439 jobs.

Therefore, on the basis of this additionality assessment, the Council should be planning for between 8,495 and 9,439 additional jobs over and above the numbers in the SHMA projections. It should also be planning for between 1,178 and 2,122 additional jobs over and above the adjustments suggested by JGC in their April 2016 report to the Council.

The main issue to consider with respect to the scale of additional effects likely to be cause by the EMG scheme is what level of local displacement is likely to occur at the spatial level of North West Leicestershire.

In our view, the main reason why local displacement is likely to be low (10% or less) is that the ambition for the EMG scheme is for it to be infrastructure of national and regional significance, meaning that the scheme would not be competing with other local distribution and warehousing developments: rather, EMG would be competing with other national and regional rail freight schemes, such as the strategic rail freight facilities at Daventry in Northamptonshire.

In the remainder of this report we test the potential implications of the EMG scheme for local employment forecasts. In doing so we adopt the more conservative (i.e. the lower end) of the range of estimates for net additional employment set out above. That is, we proceed by assuming that there will be for 10% local displacement of employment from EMG at the spatial level of North West Leicestershire. In our view this is a cautious assumption, and the actual level of displacement could well be lower.

***Implications of the EMG scheme for local Forecasts***

The PACEC forecasts do not take the proposal for the EMG fully into account, and the OE forecasts (October 2016) do not take the EMG project into account at all.

On this basis:

- A proportion of the additional direct and locally occurring indirect and induced jobs that are expected to be created across North West Leicestershire as a result of the EMG can be regarded as entirely additional to – i.e. can be added to – the PACEC forecast for the district. On the evidence of the Local Plan Advisory Committee report of 10 June 2015, the number of extra direct jobs to be added is 5,000; and

- the additional direct and locally occurring indirect and induced jobs that are expected to be created across North West Leicestershire as a result of the EMG can be regarded as entirely additional to – i.e. can be added to – the overall local OE forecast for the district.

The result is that an alternative PACEC and OE based growth scenarios for the district can be developed, with the results of each set out as follows.

First, with respect to the PACEC forecast, the table below sets out the steps needed to make the adjustment to the PACEC forecast:[6]

**Table 5(a): Additional jobs expected in NW Leicestershire by 2031**

| Source of jobs | Additional Jobs by 2031 | Jobs per annum over the plan period (2012-2031) |
|---|---|---|
| PACEC baseline trajectory (2013 forecast) | 9,600 | 505 |
| Direct – EMG (proportion not accounted for in the PACEC baseline trajectory) | 5,000 | 263 |
| Less 10% displacement | -500 | -26 |
| Indirect – EMG (local to NW Leicestershire only) | 675 | 36 |
| Induced – EMG (local to NW Leicestershire only) | 621 | 33 |
| **Total additional workplace jobs (NWL)[7]** | **15,396** | **810** |

*Source: Development Economics, based on project details for EMG plus assumptions based on 2011 Census and the HCA Additionality Guide as well as the baseline PACEC forecasts*

Under this variant of the PACEC forecast, the expected average annual increase in jobs is 810 workplace jobs per annum.

Note: if the potential for local displacement is assumed to be zero (instead of 10%) then the number of average additional jobs per annum would increase to 837.

Secondly, with respect to the OE forecast the table below sets out the steps needed to make the adjustment to the OE October 2016 forecast:

**Table 5(b): Additional jobs expected in NW Leicestershire by 2031**

| Source of jobs | Additional Jobs by 2031 | Jobs per annum over the plan period (2011-2031) |
|---|---|---|
| OE baseline trajectory (October 2016 forecast) | 15,400 | 770 |
| Direct – EMG | 7,317 | 366 |
| Less 10% displacement | -732 | -37 |
| Indirect – EMG (local to NW Leicestershire only) | 988 | 49 |
| Induced – EMG (local to NW Leicestershire only) | 909 | 45 |
| **Total additional workplace jobs (NWL)** | **23,882** | **1,194** |

*Source: Development Economics, based on project details for EMG plus assumptions based on 2011 Census and the HCA Additionality Guide as well as the baseline Oxford Economics forecasts (October 2016)*

Under this variant of the OE forecast, the expected average annual increase in jobs is 1,194 workplace jobs per annum.

[6] Note: the number of indirect and induced jobs in this table has been calculated only with respect to the 5,000 EMG jobs that are addition to those included in the baseline PACEC forecast. It is assumed that the indirect and induced effects associated with the 2,300 or so jobs that are included in the PACEC baseline trajectory are already factored into their model.

[7] The assumed multiplier for indirect effects is 0.15. The assumed multiplier for induced effects is 0.12. These values in combination imply a composite multiplier of 0.29, which is the value for B2/B8 schemes recommended by the HCA's *Additionality Guide*.

Note: if the potential for local displacement is assumed to be zero (instead of 10%) then the number of average additional jobs by 2031 increases to 1,230.

**Experian and Cambridge Econometrics forecasts**

Further sources of recent employment forecasts can also be obtained from two other sources:

1. Experian
2. Cambridge Econometrics

In this sub-section we briefly consider the scale of employment change in North West Leicestershire under each of the two additional forecasts, and also the potential adjustment that would be made to take account of the EMG development.

*Experian*

Independent employment forecasts for North West Leicestershire were obtained from Experian dated September 2016. These forecasts predict a total increase in workforce jobs in the district as follows:[8]

- 2011 level – 58,400 jobs
- 2031 level – 68,700 jobs

Therefore an overall predicted increase of 10,300 jobs between 2011 and 2031, and an average annual increase of 515 jobs p.a. over this period.

The potential effects of EMG can be accounted for in the same way as per the method used to adjust the OE forecasts earlier in this report. That is:

- The starting point is the 7,317 direct jobs predicted to be delivered by the scheme once it is built and operational.
- It is also assumed that there will be 10% displacement (-732 jobs)
- But local indirect and induced effects should be added to the sub-total (amounting to +1,897 jobs in total).

On this basis, in order to account for the full effects of the EMG it is necessary to add a (rounded) total of 8,500 jobs to the base Experian forecast (10,300 jobs).

Therefore, the overall increase under this adjusted Experian forecast is 18,800 jobs over the 2011-2031 period (equivalent to 940 jobs p.a.).

*Cambridge Econometrics*

The Cambridge Econometrics (CE) forecasts for North West Leicestershire date from November 2016. These forecasts predict a total increase in workforce jobs in the district as follows:

- 2011 level – 54,670 jobs
- 2031 level – 63,650 jobs

[8] Note: unlike the OE and Cambridge Econometrics forecasts, those from Experian are rounded to the nearest 100 jobs.

Therefore an overall predicted increase of 8,980 jobs between 2011 and 2031, and an annual average increase of 449 jobs p.a. over this period.

As for the other forecasts, the CE forecasts can be adjusted to include the expected effects of the EMG scheme.

- The starting point is the 7,317 direct jobs predicted to be delivered by the EMG scheme once it is built and operational.
- It is also assumed that there will be 10% displacement (-732 jobs)
- But local indirect and induced effects should be added to the sub-total (amounting to +1,897 jobs in total).

On this basis, in order to account for the full effects of the EMG it is necessary to add a (unrounded) total of 8,482 jobs to the base CE November 2016 forecast (8,980 jobs).

Therefore, the overall increase under this adjusted CE forecast is 17,458 jobs over the 2011-2031 period (equivalent to an average of 873 jobs p.a.).

**Conclusions**

The underlying trajectory of employment growth expected under the 2013 employment forecasts produced by PACEC for the HMA Employment Land Study is for an additional 9,600 workplace jobs over the 2012-2031 period, at an average rate of growth of 505 jobs p.a.

The underlying trajectory of employment growth expected under the October 2016 OE forecasts is for an additional 15,400 workplace jobs over the 2011-2031 period at an average rate of growth of 770 p.a.

However, neither forecast fully takes into account the likelihood of a major new strategic rail freight interchange at a site in North West Leicestershire adjacent to East Midlands airport. This project – East Midlands Gateway – is expected by the developer to create 7,317 new direct jobs. The PACEC assessment takes around 2,300 of these jobs into account, but the OE does not take this development into account at all.

It is important to note that the EMG development has been permitted (as of January 2016), does not require any public funding support and is viable. It is also worth noting that North West Leicestershire Council was supportive of the application.

As well as the direct jobs, the EMG scheme can also be expected to create substantial numbers of additional local jobs through supply chains and the spending of a portion of employees' earnings in local shops and other outlets (i.e. through indirect and multiplier effects).

Together, these indirect and induced impacts can be expected to support an additional 1,900 or so jobs located in North West Leicestershire. The PACEC forecasts are assumed to take some of these indirect and induced jobs into account, but the OE forecast does not.

The overall number of jobs expected under a 'with EMG variant' of the respective baseline forecast scenarios considered in this paper are:

- **PACEC**: 15,396 additional jobs occurring in North West Leicestershire over the period 2012-2031, at an average rate of 810 jobs p.a. over the period 2012-2031.
- **Oxford Economics**: 23,882 additional workplace jobs occurring in North West Leicestershire by 2031, at an average rate of 1,194 p.a. over the full Plan period (2011-2031).

However, it is perhaps worth noting at this point that the recent employment growth trend for North West Leicestershire over the 2011-2015 period has been greater than either of these two predictions. The latest data for employee numbers in the district, released by the ONS in late September 2016, revealed that there has been an increase in employee numbers amounting to just over 7,300 jobs over the 2011-2015 period. Hence, the recent annual growth average has been around 1,830 employee jobs per annum.

In addition, it is also possible to make adjustments to two other sources of independent employment forecasts for North West Leicestershire.

- **Experian**: 18,800 additional workplace jobs occurring in North West Leicestershire by 2031, at an average rate of 940 p.a. over the full Plan period (2011-2031)
- **Cambridge Econometrics**: 17,458 additional workplace jobs occurring in North West Leicestershire by 2031, at an average rate of 873 p.a. over the full Plan period (2011-2031)

## Appendix: Assessment of Sub-regional Job Growth and Forecasts

This appendix places the recent job change in North West Leicestershire in the context of the changes that have occurred in the wider Leicester & Leicestershire sub-regional area. It also provides the latest (October 2016) Oxford Economics employment forecasts for the district in the context of the expected changes for the wider sub-regional area.

### Recent job growth

The table below summarises the recent (2011 to 2015) trend in employee numbers across the sub-region, with benchmark data also provided for the East Midlands region and for GB. Note: data has been rounded to the nearest 100 as required by the terms of the BRES licence.

**Table A-1: Trends in employment: 2011-2015**

| Area | Change in number of employees 2011-2015 (000s) | % of total change | Change in number of employees 2011-2015 (%) | Annual growth rate 2011-2015 (% p.a.) |
|---|---|---|---|---|
| Blaby | 4.9 | 14.2% | 10.2% | 2.45% |
| Charnwood | 6.3 | 18.2% | 10.9% | 2.61% |
| Harborough | 2.3 | 6.6% | 6.5% | 1.58% |
| Hinckley & Bosworth | 1.0 | 2.9% | 2.6% | 0.65% |
| Leicester | 12.1 | 35.2% | 7.8% | 1.91% |
| Melton | 1.5 | 4.3% | 7.7% | 1.88% |
| North West Leicestershire | 7.3 | 21.3% | 15.2% | 3.60% |
| Oadby & Wigston | -1.0 | -2.9% | -5.4% | -1.38% |
| Leicester & Leicestershire | **34.4** | **100.0%** | **8.2%** | **1.99%** |
| **East Midlands** | | | **4.9%** | **1.20%** |
| **GB** | | | **7.3%** | **1.77%** |

*Source: ONS Business Register & Employment surveys, 2011-2015*

The ONS data reveals that North West Leicestershire is a very strong performer both on a sub-regional and regional basis and also compared to national averages. Altogether, North West Leicestershire accounted for 21.3% of all of the growth in employee jobs across the sub-region between 2011 and 2015. The only local authority area where employment grew more strongly in absolute terms was the City of Leicester, where employment grew by 12,100 jobs, accounting for 35.2% of the overall change.

However, in relative terms, North West Leicestershire grew most strongly, with the overall change in employment (7,300) between 2011 and 2015 representing growth of 15.2%.

This growth rate was nearly double the rate of change across the sub-region as a whole (8.2%) over the same period. It was also more than three times the regional average (4.9%) and more than double the national (GB) average (7.3%) over the same time period.

The other district where employee numbers grew reasonably strongly in relative terms were Blaby (10.2% growth over the 2011 position) and Charnwood (10.9%).

On the other hand, job growth was comparative weak in Hinckley & Bosworth, where growth amounted to just 2.6%. And employee numbers actually decreased in Oadby & Wigston, by around 1,000 (-5.4%).

**Latest OE Forecasts**

The table below summarises the latest (October 2016) employment growth forecasts for the Leicestershire local authorities sourced from Oxford Economics. The forecasts set out in the table below cover the period 2015 to 2031.

**Table A-2: OE October 2016 employment forecasts (workforce jobs) – 2015 to 2031**

| Area | 2015 jobs ('000s) | 2031 jobs ('000s) | Change ('000s) | Change (%) | Contribution to total change (%) | CAGR (%) |
|---|---|---|---|---|---|---|
| Blaby | 60.6 | 66.4 | 5.9 | 9.7% | 31.7% | 0.58% |
| Charnwood | 75.9 | 78.6 | 2.6 | 3.5% | 14.3% | 0.21% |
| Harborough | 46.0 | 49.4 | 3.4 | 7.5% | 18.7% | 0.45% |
| Hinckley & Bosworth | 47.1 | 49.7 | 2.5 | 5.4% | 13.8% | 0.33% |
| Leicester | 187.0 | 183.8 | -3.2 | -1.7% | -17.3% | -0.11% |
| Melton | 25.8 | 26.2 | 0.5 | 1.8% | 2.5% | 0.11% |
| North West Leicestershire | 64.4 | 71.3 | 6.9 | 10.7% | 37.3% | 0.64% |
| Oadby & Wigston | 20.5 | 20.4 | -0.2 | -0.9% | -1.0% | -0.06% |
| **Leicester & Leicestershire** | **527.3** | **545.3** | **18.5** | **3.5%** | **100.0%** | **0.22%** |

*Source: ONS Business Register & Employment surveys, 2011-2015*

According to these latest forecasts, overall employment growth amounting to 18,500 jobs is expected between 2015 and 2031. Of these, 6,900 jobs are expected to be found in North West Leicestershire, which is 37.3% of the overall growth expected across the sub-region.

The other districts expected by OE to grow very strongly are Blaby (9.7% growth between 2015 and 2031) and Harborough (7.5%).

Together, North West Leicestershire, Blaby and Harborough are expected to account for nearly 88% of the overall employment growth expected in the sub-region between 2015 and 2031.

The OE forecasts expect the overall number of jobs to fall in two areas: City of Leicester (-1.7% change) and Oadby &Wigston (-0.9%).

# APPENDIX 2

## SNPP SERIES SUMMARY

| | Series | Total Population | | | | 2011-2021 (per annum) | 2011-2031 (per annum) |
|---|---|---|---|---|---|---|---|
| | | 2011 | 2021 | 2031 | | | |
| Blaby | 2014-based | 94,132 | 100,335 | 106,501 | | 6,203 (620) | 12,369 (618) |
| | 2012-based | 94,132 | 99,151 | 103,669 | | 5,019 (502) | 9,537 (477) |
| | 2011-based (interim) | 94,132 | 102,208 | | | 8,076 (808) | |
| | 2008-based | 94,800 | 101,800 | 108,900 | | 7,000 (700) | 14,100 (705) |

| | Series | Total Population | | | | 2011-2021 (per annum) | 2011-2031 (per annum) |
|---|---|---|---|---|---|---|---|
| | | 2011 | 2021 | 2031 | | | |
| Charnwood | 2014-based | 165,876 | 187,191 | 205,578 | | 21,315 (2,132) | 39,702 (1,985) |
| | 2012-based | 165,876 | 183,667 | 198,736 | | 17,791 (1,779) | 32,860 (1,643) |
| | 2011-based (interim) | 165,876 | 187,576 | | | 21,700 (2,170) | |
| | 2008-based | 168,000 | 180,100 | 194,500 | | 12,100 (1,210) | 26,500 (1,325) |

| | Series | Total Population | | | | 2011-2021 (per annum) | 2011-2031 (per annum) |
|---|---|---|---|---|---|---|---|
| | | 2011 | 2021 | 2031 | | | |
| Harborough | 2014-based | 85,699 | 92,988 | 99,815 | | 7,289 (729) | 14,116 (706) |
| | 2012-based | 85,699 | 92,238 | 98,007 | | 6,539 (654) | 12,308 (615) |
| | 2011-based (interim) | 85,699 | 93,335 | | | 7,636 (764) | |
| | 2008-based | 84,600 | 92,100 | 99,600 | | 7,500 (750) | 15,000 (750) |

| | Series | Total Population | | | | 2011-2021 (per annum) | 2011-2031 (per annum) |
|---|---|---|---|---|---|---|---|
| | | 2011 | 2021 | 2031 | | | |
| Hinckley and Bosworth | 2014-based | 105,328 | 113,007 | 119,997 | | 7,679 (768) | 14,669 (733) |
| | 2012-based | 105,328 | 112,173 | 118,061 | | 6,845 (685) | 12,733 (637) |
| | 2011-based (interim) | 105,328 | 112,758 | | | 7,430 (743) | |
| | 2008-based | 106,500 | 114,400 | 121,800 | | 7,900 (790) | 15,300 (765) |

| | Series | Total Population | | | | 2011-2021 (per annum) | 2011-2031 (per annum) |
|---|---|---|---|---|---|---|---|
| | | 2011 | 2021 | 2031 | | | |
| Leicester | 2014-based | 329,627 | 360,678 | 387,501 | | 31,051 (3,105) | 57,874 (2,894) |
| | 2012-based | 329,627 | 349,001 | 367,659 | | 19,374 (1,937) | 38,032 (1,902) |
| | 2011-based (interim) | 329,627 | 344,936 | | | 15,309 (1,531) | |
| | 2008-based | 315,400 | 349,300 | 378,700 | | 33,900 (3,390) | 63,300 (3,165) |

| | Series | Total Population | | | | 2011-2021 (per annum) | 2011-2031 (per annum) |
|---|---|---|---|---|---|---|---|
| | | 2011 | 2021 | 2031 | | | |
| Melton | 2014-based | 50,495 | 53,040 | 55,992 | | 2,545 (254) | 5,497 (275) |
| | 2012-based | 50,495 | 53,504 | 56,285 | | 3,009 (301) | 5,790 (289) |
| | 2011-based (interim) | 50,495 | 53,607 | | | 3,112 (311) | |
| | 2008-based | 49,000 | 51,100 | 53,600 | | 2,100 (210) | 4,600 (230) |

| | Series | Total Population | | | | 2011-2021 (per annum) | 2011-2031 (per annum) |
|---|---|---|---|---|---|---|---|
| | | 2011 | 2021 | 2031 | | | |
| Oadby and Wigston | 2014-based | 55,979 | 56,546 | 59,672 | | 567 (57) | 3,693 (185) |
| | 2012-based | 55,979 | 56,046 | 58,043 | | 67 (7) | 2,064 (103) |
| | 2011-based (interim) | 55,979 | 61,205 | | | 5,226 (523) | |
| | 2008-based | 60,200 | 64,200 | 69,300 | | 4,000 (400) | 9,100 (455) |

# APPENDIX 3

## HISTORIC COMPONENTS OF POPULATION CHANGE

## BLABY

| | Natural change | Net Migration | Other changes Total | Other changes Of which UPC | Total change |
|---|---|---|---|---|---|
| 2001/02 | 259 | 653 | -48 | -82 | 864 |
| 2002/03 | 260 | 156 | -49 | -76 | 367 |
| 2003/04 | 273 | -38 | -163 | -73 | 72 |
| 2004/05 | 244 | -89 | -98 | -82 | 57 |
| 2005/06 | 329 | 282 | -66 | -73 | 545 |
| 2006/07 | 266 | 285 | -76 | -75 | 475 |
| 2007/08 | 337 | 253 | 10 | -49 | 600 |
| 2008/09 | 297 | -45 | -82 | -58 | 170 |
| 2009/10 | 246 | 248 | -70 | -49 | 424 |
| 2010/11 | 279 | -39 | -43 | -77 | 197 |
| 2011/12 | 290 | 203 | -32 | 0 | 461 |
| 2012/13 | 258 | 262 | -21 | 0 | 499 |
| 2013/14 | 223 | 521 | 15 | 0 | 759 |
| 2014/15 | 233 | 525 | -65 | 0 | 693 |
| **Total 2001-15** | **3,794** | **3,177** | **-788** | **-694** | **6,183** |
| **Average 2001/15** | **271** | **227** | **-56** | **-50** | **442** |
| **Average 2007/12** | **290** | **124** | **-43** | **-47** | **370** |
| **Average 2009/14** | **259** | **239** | **-30** | **-25** | **468** |
| **Average 2010/15** | **257** | **294** | **-29** | **-15** | **522** |
| **Average 2005/15** | **276** | **250** | **-43** | **-38** | **482** |

## CHARNWOOD

| | Natural change | Net Migration | Other changes Total | Other changes Of which UPC | Total change |
|---|---|---|---|---|---|
| 2001/02 | 184 | 270 | -577 | -561 | -123 |
| 2002/03 | 138 | 701 | -606 | -590 | 233 |
| 2003/04 | 237 | 1,396 | -557 | -574 | 1,076 |
| 2004/05 | 213 | 1,404 | -589 | -584 | 1,028 |
| 2005/06 | 195 | 1,791 | -601 | -595 | 1,385 |
| 2006/07 | 400 | 1,714 | -600 | -586 | 1,514 |
| 2007/08 | 488 | 1,935 | -581 | -588 | 1,842 |
| 2008/09 | 387 | 2,047 | -613 | -600 | 1,821 |
| 2009/10 | 560 | 2,108 | -652 | -637 | 2,016 |
| 2010/11 | 479 | 1,651 | -600 | -635 | 1,530 |
| 2011/12 | 441 | 2,445 | 17 | 0 | 2,903 |
| 2012/13 | 354 | 1,492 | 20 | 0 | 1,866 |
| 2013/14 | 340 | 2,562 | -2 | 0 | 2,900 |
| 2014/15 | 436 | 2,735 | 4 | 0 | 3,175 |
| **Total 2001-15** | **4,852** | **24,251** | **-5,937** | **-5,950** | **23,166** |
| **Average 2001/15** | **347** | **1,732** | **-424** | **-425** | **1,655** |
| **Average 2007/12** | **471** | **2,037** | **-486** | **-492** | **2,022** |
| **Average 2009/14** | **435** | **2,052** | **-243** | **-254** | **2,243** |
| **Average 2010/15** | **410** | **2,177** | **-112** | **-127** | **2,475** |
| **Average 2005/15** | **408** | **2,048** | **-361** | **-364** | **2,095** |

## HARBOROUGH

| | Natural change | Net Migration | Other changes | | Total change |
|---|---|---|---|---|---|
| | | | Total | Of which UPC | |
| 2001/02 | 64 | 1,302 | 42 | 48 | 1,408 |
| 2002/03 | 139 | 715 | 38 | 41 | 892 |
| 2003/04 | 195 | 389 | 158 | 35 | 742 |
| 2004/05 | 70 | 499 | 57 | 30 | 626 |
| 2005/06 | 182 | 770 | 54 | 39 | 1,006 |
| 2006/07 | 178 | 809 | 114 | 19 | 1,101 |
| 2007/08 | 187 | 606 | 31 | 39 | 824 |
| 2008/09 | 127 | 438 | 150 | 57 | 715 |
| 2009/10 | 160 | 505 | 52 | 34 | 717 |
| 2010/11 | 115 | 737 | -2 | -3 | 850 |
| 2011/12 | 64 | 591 | 35 | 0 | 690 |
| 2012/13 | 8 | 1,046 | 7 | 0 | 1,061 |
| 2013/14 | 74 | 490 | -6 | 0 | 558 |
| 2014/15 | 41 | 1,224 | 11 | 0 | 1,276 |
| **Total 2001-15** | **1,604** | **10,121** | **741** | **339** | **12,466** |
| **Average 2001/15** | **115** | **723** | **53** | **24** | **890** |
| **Average 2007/12** | **131** | **575** | **53** | **25** | **759** |
| **Average 2009/14** | **84** | **674** | **17** | **6** | **775** |
| **Average 2010/15** | **60** | **818** | **9** | **-1** | **887** |
| **Average 2005/15** | **114** | **722** | **45** | **19** | **880** |

## HINCKLEY AND BOSWORTH

| | Natural change | Net Migration | Other changes | | Total change |
|---|---|---|---|---|---|
| | | | Total | Of which UPC | |
| 2001/02 | 61 | 320 | -101 | -96 | 280 |
| 2002/03 | 28 | 783 | -83 | -86 | 728 |
| 2003/04 | 63 | 764 | -84 | -87 | 743 |
| 2004/05 | 74 | 510 | -106 | -99 | 478 |
| 2005/06 | 115 | 539 | -89 | -89 | 565 |
| 2006/07 | 121 | 426 | -93 | -89 | 454 |
| 2007/08 | 209 | 619 | -99 | -105 | 729 |
| 2008/09 | 219 | 189 | -114 | -105 | 294 |
| 2009/10 | 172 | 185 | -96 | -93 | 261 |
| 2010/11 | 261 | 418 | -85 | -87 | 594 |
| 2011/12 | 298 | 429 | -9 | 0 | 718 |
| 2012/13 | 179 | 361 | 27 | 0 | 567 |
| 2013/14 | 189 | 921 | -1 | 0 | 1,109 |
| 2014/15 | 142 | 903 | 2 | 0 | 1,047 |
| **Total 2001-15** | **2,131** | **7,367** | **-931** | **-936** | **8,567** |
| **Average 2001/15** | **152** | **526** | **-67** | **-67** | **612** |
| **Average 2007/12** | **232** | **368** | **-81** | **-78** | **519** |
| **Average 2009/14** | **220** | **463** | **-33** | **-36** | **650** |
| **Average 2010/15** | **214** | **606** | **-13** | **-17** | **807** |
| **Average 2005/15** | **191** | **499** | **-56** | **-57** | **634** |

## LEICESTER

| | Natural change | Net Migration | Other changes | | Total change |
|---|---|---|---|---|---|
| | | | Total | Of which UPC | |
| 2001/02 | 1,424 | -1,177 | 2,291 | 2,207 | 2,538 |
| 2002/03 | 1,368 | -477 | 2,462 | 2,140 | 3,353 |
| 2003/04 | 1,791 | 1,309 | 2,379 | 1,908 | 5,479 |
| 2004/05 | 1,808 | 3,080 | 2,528 | 1,776 | 7,416 |
| 2005/06 | 2,122 | 490 | 2,393 | 1,529 | 5,005 |
| 2006/07 | 2,370 | 21 | 2,364 | 1,446 | 4,755 |
| 2007/08 | 2,662 | -853 | 2,361 | 1,364 | 4,170 |
| 2008/09 | 2,699 | -800 | 2,336 | 1,302 | 4,235 |
| 2009/10 | 2,750 | 500 | 1,954 | 1,149 | 5,204 |
| 2010/11 | 2,991 | 517 | 1,207 | 1,236 | 4,715 |
| 2011/12 | 3,089 | -1,111 | 1 | 0 | 1,979 |
| 2012/13 | 2,644 | -506 | 68 | 0 | 2,206 |
| 2013/14 | 2,731 | 1,085 | 25 | 0 | 3,841 |
| 2014/15 | 2,626 | 2,406 | -58 | 0 | 4,974 |
| **Total 2001-15** | **33,075** | **4,484** | **22,311** | **16,057** | **59,870** |
| **Average 2001/15** | **2,363** | **320** | **1,594** | **1,147** | **4,276** |
| **Average 2007/12** | **2,838** | **-349** | **1,572** | **1,010** | **4,061** |
| **Average 2009/14** | **2,841** | **97** | **651** | **477** | **3,589** |
| **Average 2010/15** | **2,816** | **478** | **249** | **247** | **3,543** |
| **Average 2005/15** | **2,668** | **175** | **1,265** | **803** | **4,108** |

## MELTON

| | Natural change | Net Migration | Other changes | | Total change |
|---|---|---|---|---|---|
| | | | Total | Of which UPC | |
| 2001/02 | 27 | 128 | 50 | 15 | 205 |
| 2002/03 | 78 | 267 | 4 | 17 | 349 |
| 2003/04 | 5 | 168 | 16 | 35 | 189 |
| 2004/05 | 4 | -45 | 28 | 25 | -13 |
| 2005/06 | 57 | 44 | 18 | 16 | 119 |
| 2006/07 | 70 | 330 | 29 | 22 | 429 |
| 2007/08 | 42 | 65 | 27 | 27 | 134 |
| 2008/09 | 72 | 110 | 12 | 17 | 194 |
| 2009/10 | 129 | 461 | 6 | 4 | 596 |
| 2010/11 | 111 | 281 | 26 | 14 | 418 |
| 2011/12 | 118 | 144 | 13 | 0 | 275 |
| 2012/13 | 66 | -17 | 17 | 0 | 66 |
| 2013/14 | 51 | 60 | 22 | 0 | 133 |
| 2014/15 | 39 | -96 | 0 | 0 | -57 |
| **Total 2001-15** | **869** | **1,900** | **268** | **192** | **3,037** |
| **Average 2001/15** | **62** | **136** | **19** | **14** | **217** |
| **Average 2007/12** | **94** | **212** | **17** | **12** | **323** |
| **Average 2009/14** | **95** | **186** | **17** | **4** | **298** |
| **Average 2010/15** | **77** | **74** | **16** | **3** | **167** |
| **Average 2005/15** | **76** | **138** | **17** | **10** | **231** |

## OADBY AND WIGSTON

| | Natural change | Net Migration | Other changes | | Total change |
|---|---|---|---|---|---|
| | | | Total | Of which UPC | |
| 2001/02 | 12 | 434 | -458 | -363 | -12 |
| 2002/03 | -17 | 710 | -311 | -270 | 382 |
| 2003/04 | -133 | 649 | -223 | -325 | 293 |
| 2004/05 | 16 | 163 | -415 | -453 | -236 |
| 2005/06 | -2 | 574 | -271 | -419 | 301 |
| 2006/07 | -5 | 273 | -312 | -509 | -44 |
| 2007/08 | 36 | 195 | -486 | -590 | -255 |
| 2008/09 | 2 | 161 | -783 | -480 | -620 |
| 2009/10 | -34 | 242 | -622 | -97 | -414 |
| 2010/11 | 19 | 642 | 132 | 118 | 793 |
| 2011/12 | 92 | 36 | -4 | 0 | 124 |
| 2012/13 | 56 | -28 | -6 | 0 | 22 |
| 2013/14 | -11 | -180 | -6 | 0 | -197 |
| 2014/15 | -52 | -50 | 7 | 0 | -95 |
| **Total 2001-15** | **-21** | **3,821** | **-3,758** | **-3,388** | **42** |
| **Average 2001/15** | **-2** | **273** | **-268** | **-242** | **3** |
| **Average 2007/12** | **23** | **255** | **-353** | **-210** | **-74** |
| **Average 2009/14** | **24** | **142** | **-101** | **4** | **66** |
| **Average 2010/15** | **21** | **84** | **25** | **24** | **129** |
| **Average 2005/15** | **10** | **187** | **-235** | **-198** | **-39** |

# APPENDIX 4

## WORKING AGE POPULATION CHANGE

## 2012 AND 2014-BASED SNPP

**BLABY**

| Age Group | Population change (2011-2031) | |
|---|---|---|
| | **2012-based SNPP** | **2014-based SNPP** |
| 16-64 | -1,549 (-2.6%) | 707 (1.2%) |
| 65-74 | 3,334 (36.2%) | 3,328 (36.1%) |
| **Total (16-74 years)** | **1,784 (2.6%)** | **4,053 (5.9%)** |
| **Total (all ages)** | **9,537 (10.1%)** | **12,369 (13.1%)** |

**CHARNWOOD**

| Age Group | Population change (2011-2031) | |
|---|---|---|
| | **2012-based SNPP** | **2014-based SNPP** |
| 16-64 | 10,042 (9.1%) | 16,289 (14.8%) |
| 65-74 | 6,512 (44.9%) | 6,984 (48.1%) |
| **Total (16-74 years)** | **16,554 (13.3%)** | **23,273 (18.7%)** |
| **Total (all ages)** | **32,860 (19.8%)** | **39,702 (23.9%)** |

**HARBOROUGH**

| Age Group | Population change (2011-2031) | |
|---|---|---|
| | **2012-based SNPP** | **2014-based SNPP** |
| 16-64 | -840 (-1.6%) | 849 (1.6%) |
| 65-74 | 4,747 (55.4%) | 4,563 (53.3%) |
| **Total (16-74 years)** | **3,907 (6.3%)** | **5,412 (8.7%)** |
| **Total (all ages)** | **12,308 (14.4%)** | **14,116 (16.5%)** |

**HINCKLEY AND BOSWORTH**

| Age Group | Population change (2011-2031) | |
|---|---|---|
| | **2012-based SNPP** | **2014-based SNPP** |
| 16-64 | -1,730 (-2.6%) | 110 (0.2%) |
| 65-74 | 4,407 (41.4%) | 4,616 (43.3%) |
| **Total (16-74 years)** | **2,677 (3.4%)** | **4,726 (6.1%)** |
| **Total (all ages)** | **12,733 (12.1%)** | **14,669 (13.9%)** |

**LEICESTER**

| Age Group | Population change (2011-2031) | |
|---|---|---|
| | **2012-based SNPP** | **2014-based SNPP** |
| 16-64 | 10,599 (4.8%) | 25,603 (11.5%) |
| 65-74 | 10,965 (57.8%) | 11,137 (58.7%) |
| **Total (16-74 years)** | **21,564 (8.9%)** | **36,740 (15.2%)** |
| **Total (all ages)** | **38,032 (11.5%)** | **57,874 (17.6%)** |

**MELTON**

| Age Group | Population change (2011-2031) | |
|---|---|---|
| | **2012-based SNPP** | **2014-based SNPP** |
| 16-64 | -1,597 (-5.0%) | -1,528 (-4.8%) |
| 65-74 | 2,568 (51.3%) | 2,474 (49.5%) |
| **Total (16-74 years)** | **971 (2.6%)** | **945 (2.6%)** |
| **Total (all ages)** | **5,790 (11.5%)** | **5,497 (10.9%)** |

**OADBY AND WIGSTON**

| Age Group | Population change (2011-2031) | |
|---|---|---|
| | **2012-based SNPP** | **2014-based SNPP** |
| 16-64 | -3,377 (-9.6%) | -2,202 (-6.2%) |
| 65-74 | 1,620 (30.4%) | 1,862 (35.0%) |
| **Total (16-74 years)** | **-1,756 (-4.3%)** | **-339 (-0.8%)** |
| **Total (all ages)** | **2,064 (3.7%)** | **3,693 (6.6%)** |

# APPENDIX 5

## DCLG HOUSEHOLD PROJECTION SERIES SUMMARY

| | Series | Total households | | | | 2011-2021 | 2011-2031 |
|---|---|---|---|---|---|---|---|
| | | 2011 | 2021 | 2031 | | (per annum) | (per annum) |
| Blaby | 2014-based | 38,769 | 41,611 | 44,344 | | 2,842 (284) | 5,575 (279) |
| | 2012-based | 38,777 | 41,500 | 43,891 | | 2,723 (272) | 5,114 (256) |
| | 2011-based (interim) | 38,774 | 42,949 | | | 4,175 (418) | |
| | 2008-based | 39,037 | 42,879 | 46,512 | | 3,842 (384) | 7,475 (374) |

| | Series | Total households | | | | 2011-2021 | 2011-2031 |
|---|---|---|---|---|---|---|---|
| | | 2011 | 2021 | 2031 | | (per annum) | (per annum) |
| Charnwood | 2014-based | 66,445 | 76,252 | 85,282 | | 9,807 (981) | 18,837 (942) |
| | 2012-based | 66,432 | 74,630 | 82,268 | | 8,198 (820) | 15,836 (792) |
| | 2011-based (interim) | 66,565 | 75,364 | | | 8,799 (880) | |
| | 2008-based | 66,972 | 74,522 | 82,155 | | 7,550 (755) | 15,183 (759) |

| | Series | Total households | | | | 2011-2021 | 2011-2031 |
|---|---|---|---|---|---|---|---|
| | | 2011 | 2021 | 2031 | | (per annum) | (per annum) |
| Harborough | 2014-based | 35,070 | 39,345 | 43,158 | | 4,275 (428) | 8,088 (404) |
| | 2012-based | 35,073 | 39,135 | 42,701 | | 4,062 (406) | 7,628 (381) |
| | 2011-based (interim) | 35,018 | 39,249 | | | 4,231 (423) | |
| | 2008-based | 35,204 | 39,786 | 44,128 | | 4,582 (458) | 8,924 (446) |

| | Series | Total households | | | | 2011-2021 | 2011-2031 |
|---|---|---|---|---|---|---|---|
| | | 2011 | 2021 | 2031 | | (per annum) | (per annum) |
| Hinckley and Bosworth | 2014-based | 45,498 | 49,382 | 53,113 | | 3,884 (388) | 7,615 (381) |
| | 2012-based | 45,505 | 49,151 | 52,553 | | 3,646 (365) | 7,048 (352) |
| | 2011-based (interim) | 45,464 | 49,499 | | | 4,035 (404) | |
| | 2008-based | 45,247 | 50,204 | 54,536 | | 4,957 (496) | 9,289 (464) |

| | Series | Total households | | | | 2011-2021 | 2011-2031 |
|---|---|---|---|---|---|---|---|
| | | 2011 | 2021 | 2031 | | (per annum) | (per annum) |
| Leicester | 2014-based | 123,031 | 137,767 | 152,549 | | 14,736 (1,474) | 29,518 (1,476) |
| | 2012-based | 122,996 | 134,178 | 145,975 | | 11,182 (1,118) | 22,979 (1,149) |
| | 2011-based (interim) | 123,104 | 130,111 | | | 7,007 (701) | |
| | 2008-based | 126,587 | 144,726 | 161,540 | | 18,139 (1,814) | 34,953 (1,748) |

| | Series | Total households | | | | 2011-2021 | 2011-2031 |
|---|---|---|---|---|---|---|---|
| | | 2011 | 2021 | 2031 | | (per annum) | (per annum) |
| Melton | 2014-based | 21,562 | 23,128 | 24,668 | | 1,566 (157) | 3,106 (155) |
| | 2012-based | 21,564 | 23,319 | 24,873 | | 1,755 (176) | 3,309 (165) |
| | 2011-based (interim) | 21,532 | 23,518 | | | 1,986 (199) | |
| | 2008-based | 20,863 | 22,543 | 24,030 | | 1,680 (168) | 3,167 (158) |

| | Series | Total households | | | | 2011-2021 | 2011-2031 |
|---|---|---|---|---|---|---|---|
| | | 2011 | 2021 | 2031 | | (per annum) | (per annum) |
| Oadby and Wigston | 2014-based | 21,289 | 21,909 | 23,256 | | 620 (62) | 1,967 (98) |
| | 2012-based | 21,288 | 21,618 | 22,497 | | 330 (33) | 1,209 (60) |
| | 2011-based (interim) | 21,305 | 22,799 | | | 1,494 (149) | |
| | 2008-based | 23,447 | 25,868 | 28,269 | | 2,421 (242) | 4,822 (241) |

# APPENDIX 6

## HOUSEHOLD FORMATION RATES

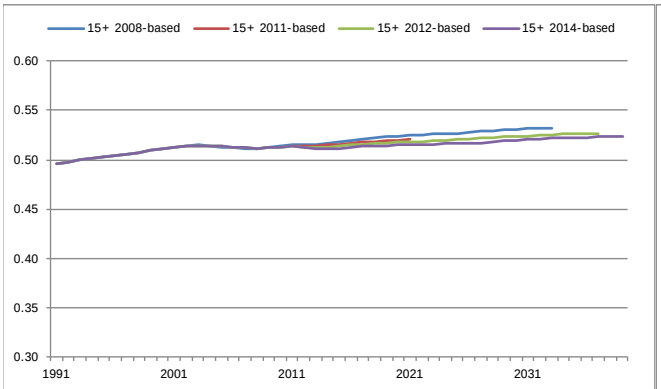
## ALL PEOPLE BETWEEN AGES 15 AND 75+ YEARS

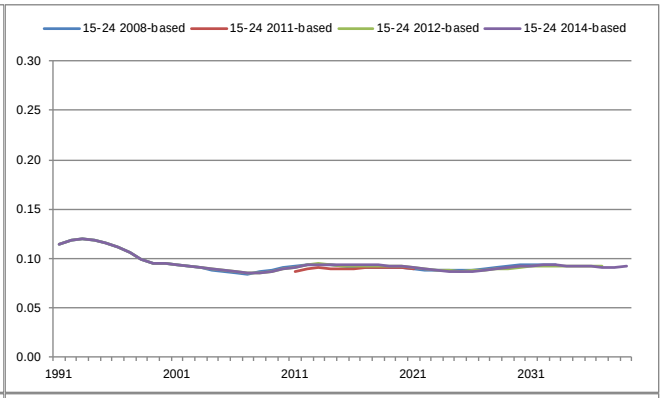
## Analysis of Household Representative (HR) Rates

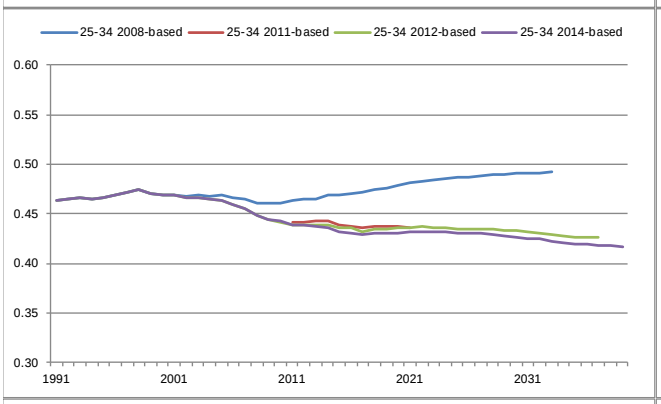
**Comparison of HR rates for persons aged 15+, by 10 year age band, 15 to 74 and for persons 75+** is presented in the panels below. The HR rates shown are taken from the DCLG 2008-based (blue line), interim 2011-based (red line), 2012-based projections (green line) and 2014-based series (purple line). Although the position on a scale of 0 to 1 (0 to 100%) varies, the range on each left hand axis is the same (0.3 or 30%) so that like for like comparison can be made.

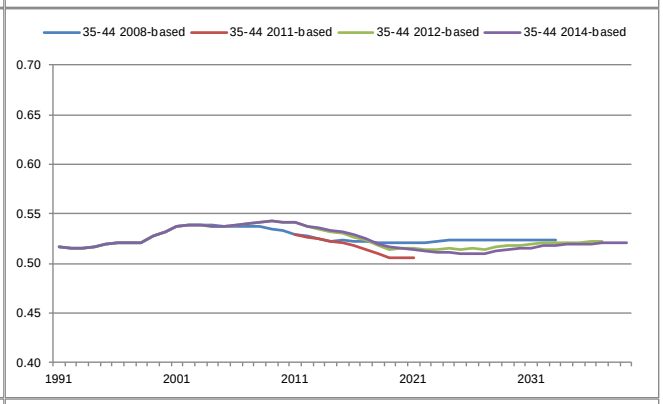
By way of explanation, a rate of 0.5 means that 50% of persons in that age group are said to represent a household, so that a hypothetical 100 persons is assumed to represent 50 households.

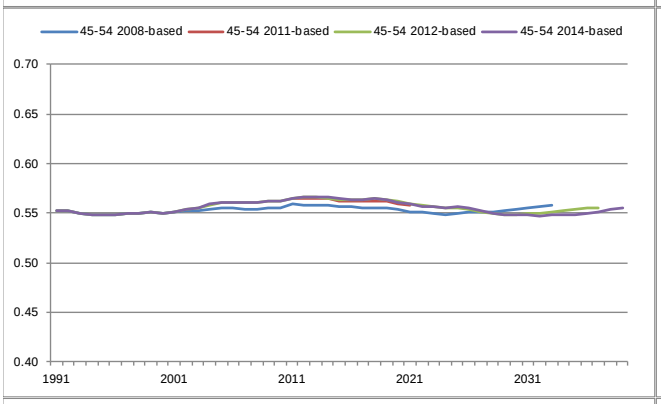
**Local Authority: North West Leicestershire**

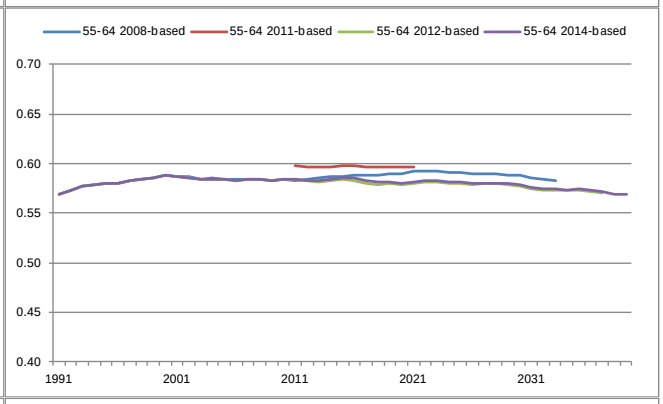


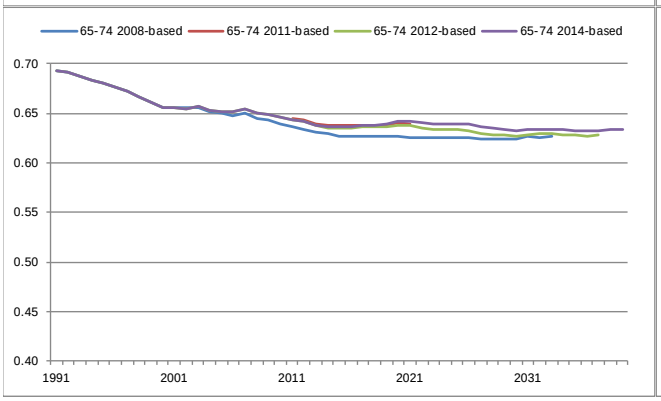



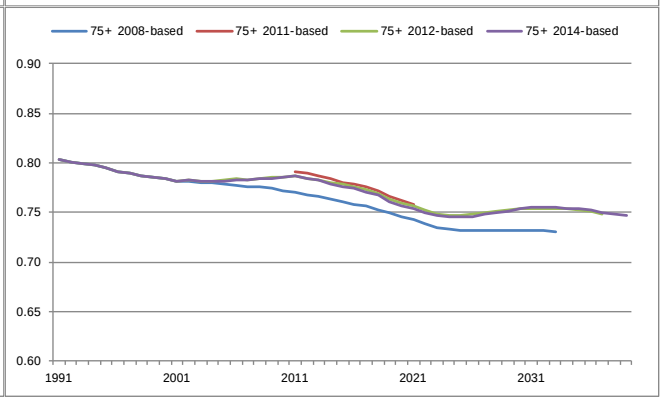



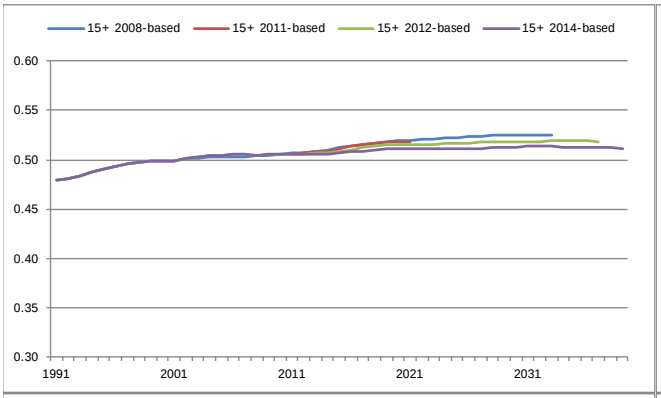



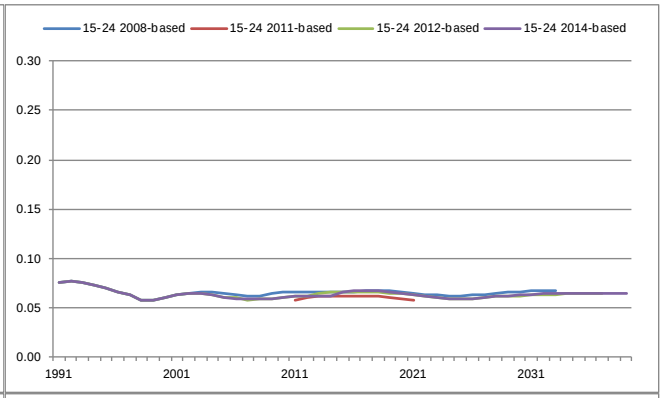
## Analysis of Household Representative (HR) Rates

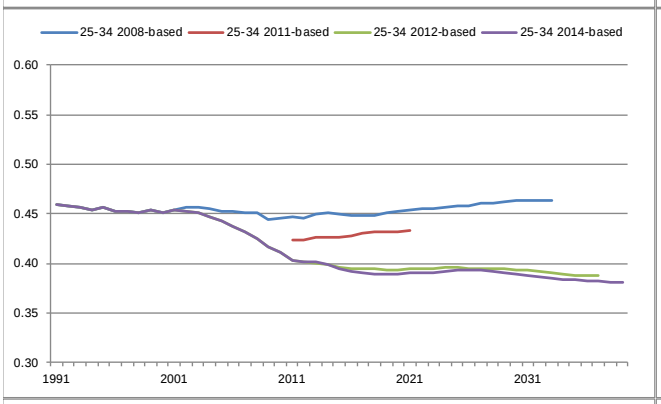
**Comparison of HR rates for persons aged 15+, by 10 year age band, 15 to 74 and for persons 75+** is presented in the panels below. The HR rates shown are taken from the DCLG 2008-based (blue line), interim 2011-based (red line), 2012-based projections (green line) and 2014-based series (purple line). Although the position on a scale of 0 to 1 (0 to 100%) varies, the range on each left hand axis is the same (0.3 or 30%) so that like for like comparison can be made.

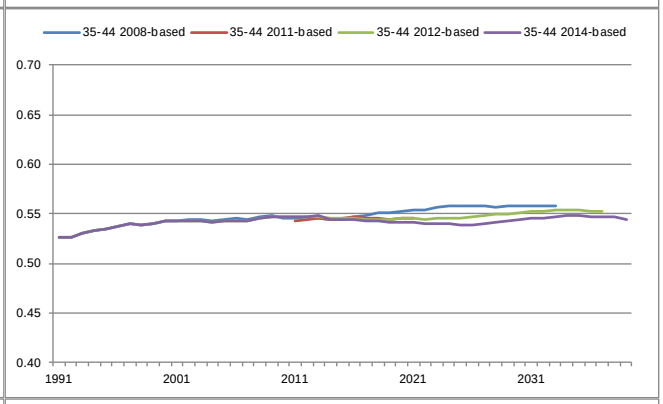
By way of explanation, a rate of 0.5 means that 50% of persons in that age group are said to represent a household, so that a hypothetical 100 persons is assumed to represent 50 households.

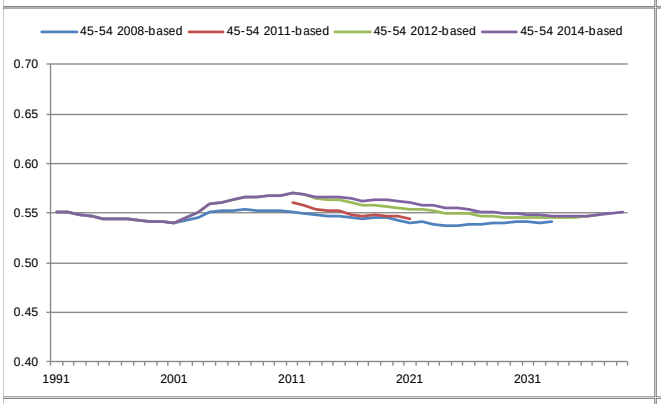
**Local Authority: Blaby**

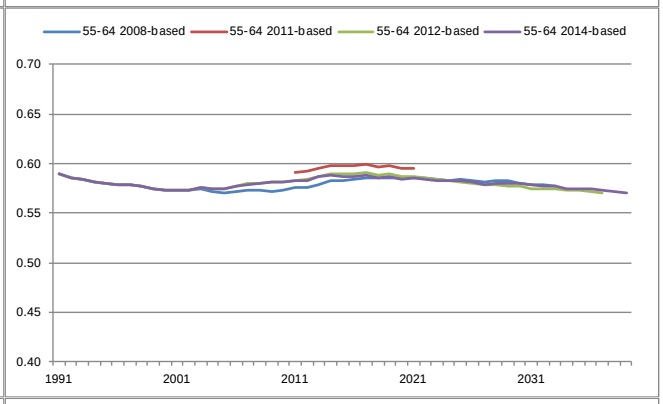


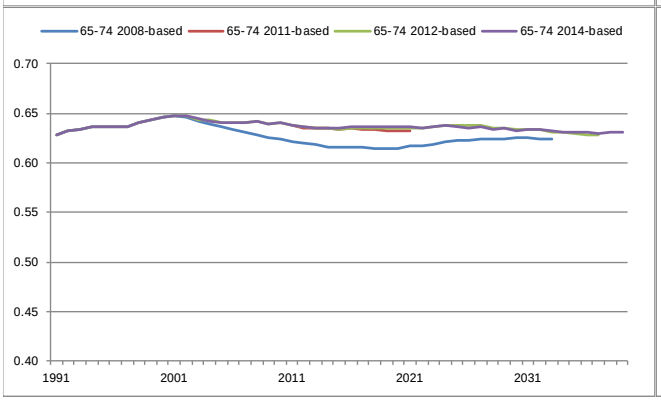



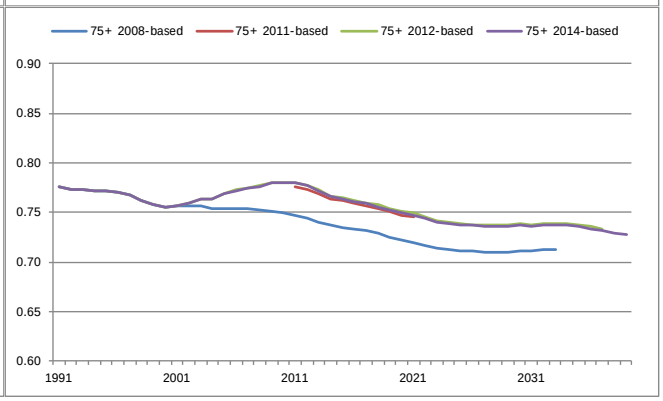



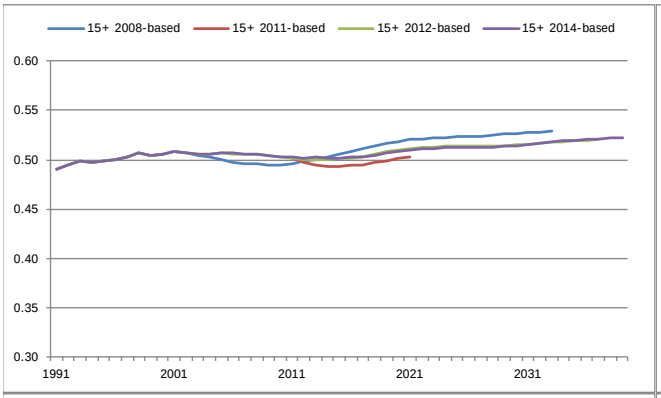



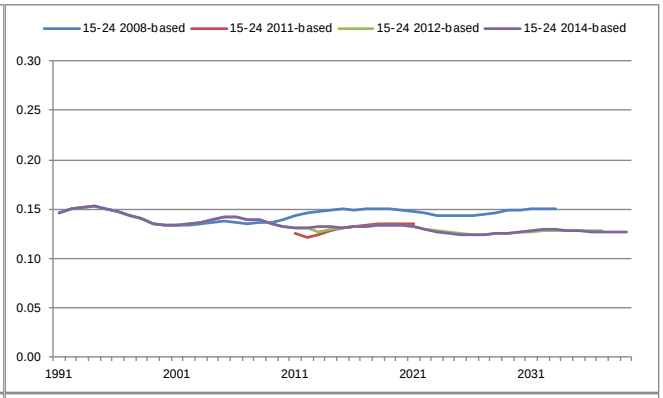
## Analysis of Household Representative (HR) Rates

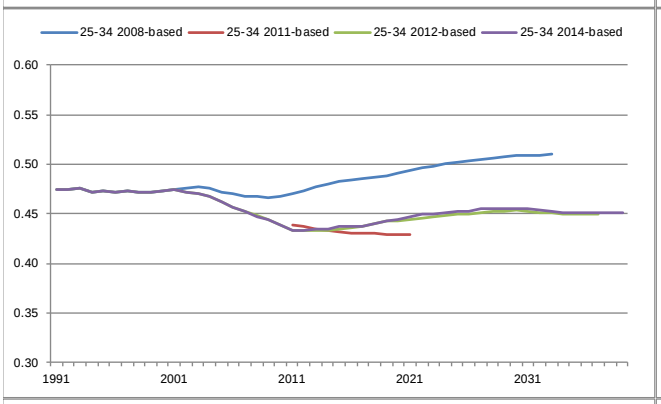
**Comparison of HR rates for persons aged 15+, by 10 year age band, 15 to 74 and for persons 75+** is presented in the panels below. The HR rates shown are taken from the DCLG 2008-based (blue line), interim 2011-based (red line), 2012-based projections (green line) and 2014-based series (purple line). Although the position on a scale of 0 to 1 (0 to 100%) varies, the range on each left hand axis is the same (0.3 or 30%) so that like for like comparison can be made.

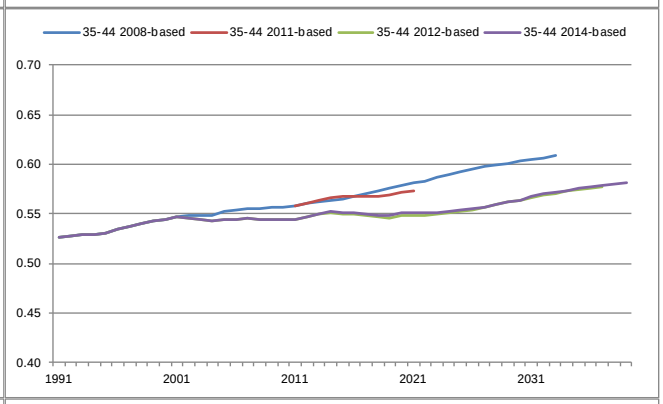
By way of explanation, a rate of 0.5 means that 50% of persons in that age group are said to represent a household, so that a hypothetical 100 persons is assumed to represent 50 households.

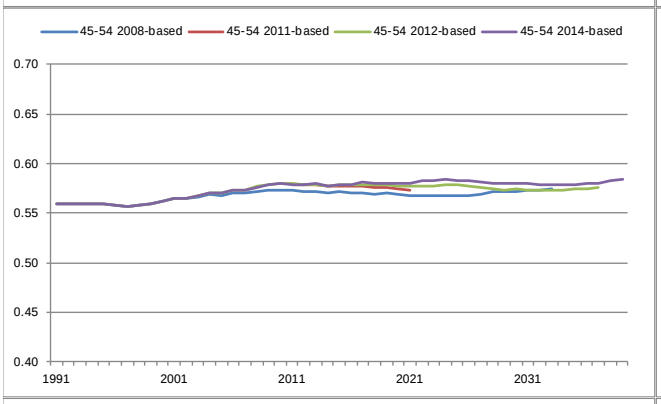
**Local Authority: Charnwood**

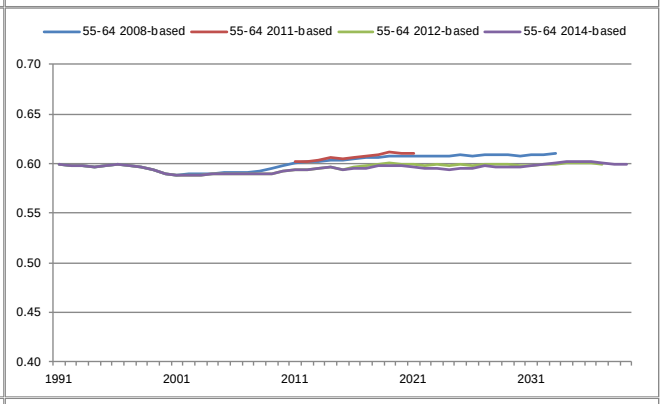


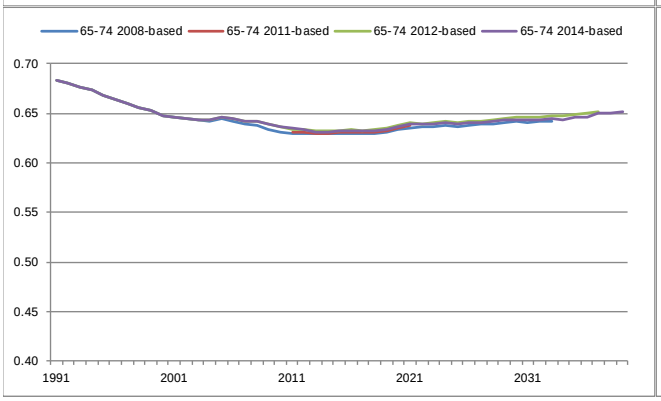



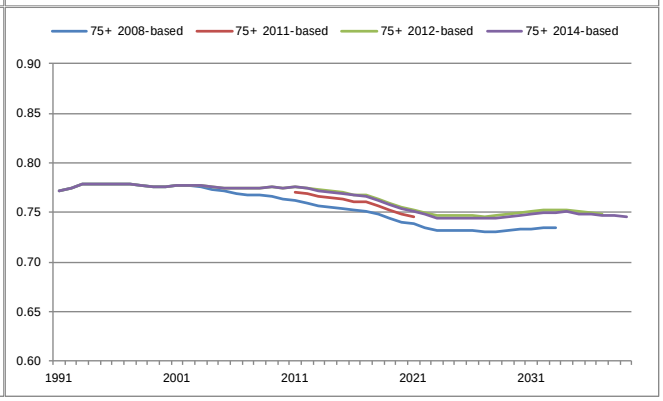



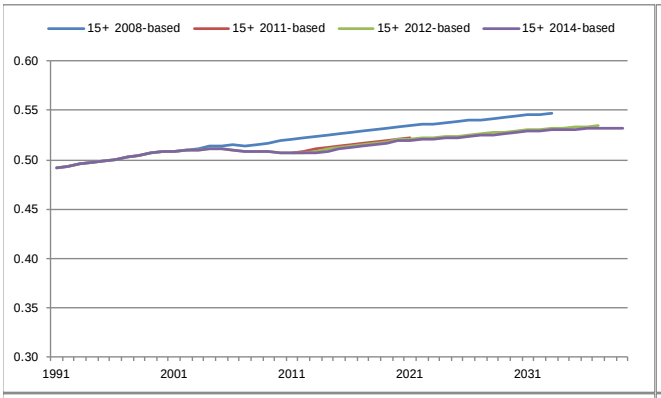



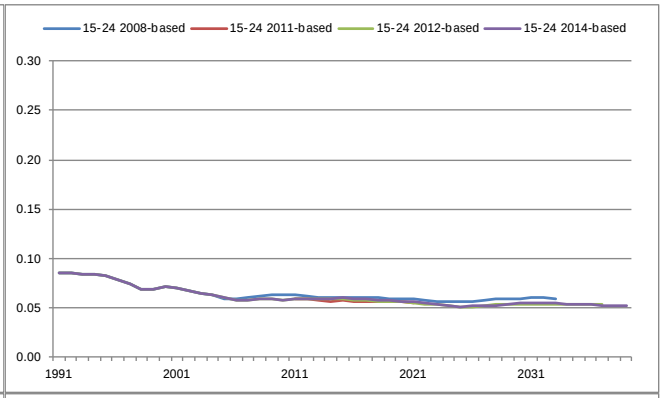
## Analysis of Household Representative (HR) Rates

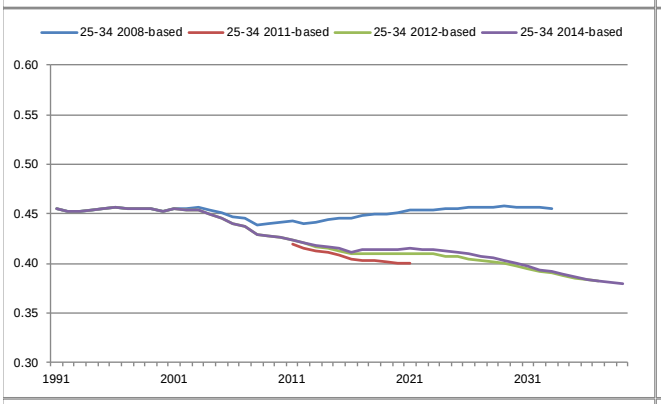
**Comparison of HR rates for persons aged 15+, by 10 year age band, 15 to 74 and for persons 75+** is presented in the panels below. The HR rates shown are taken from the DCLG 2008-based (blue line), interim 2011-based (red line), 2012-based projections (green line) and 2014-based series (purple line). Although the position on a scale of 0 to 1 (0 to 100%) varies, the range on each left hand axis is the same (0.3 or 30%) so that like for like comparison can be made.

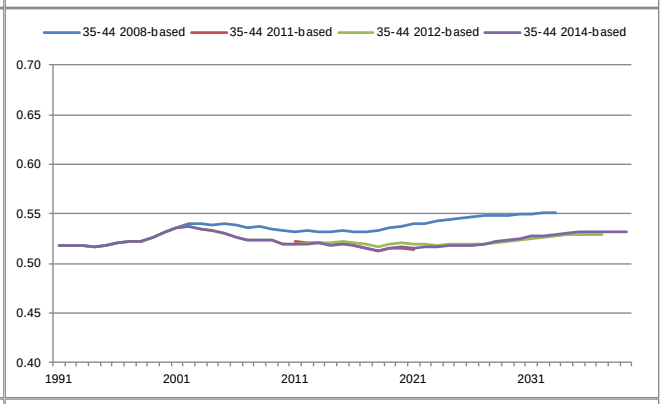
By way of explanation, a rate of 0.5 means that 50% of persons in that age group are said to represent a household, so that a hypothetical 100 persons is assumed to represent 50 households.

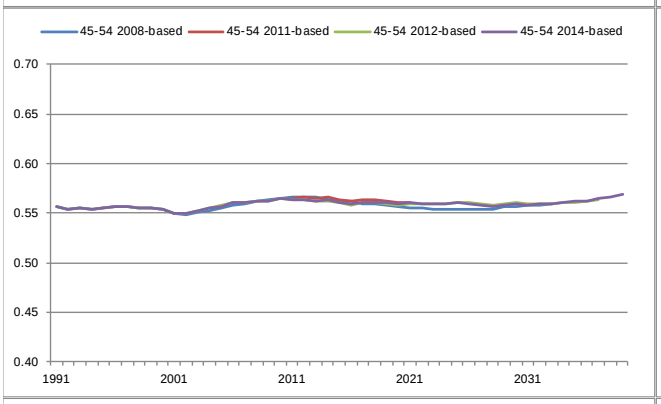
**Local Authority: Harborough**

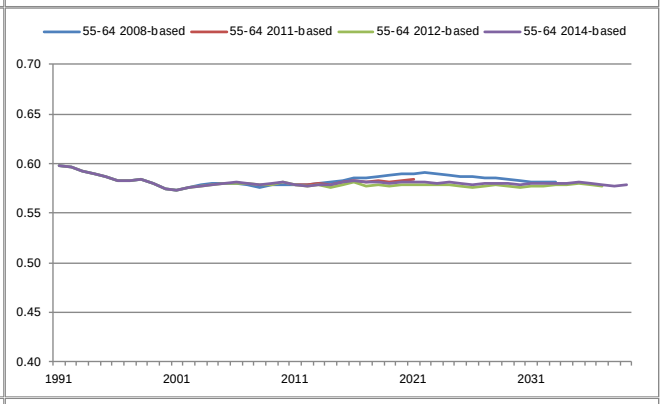


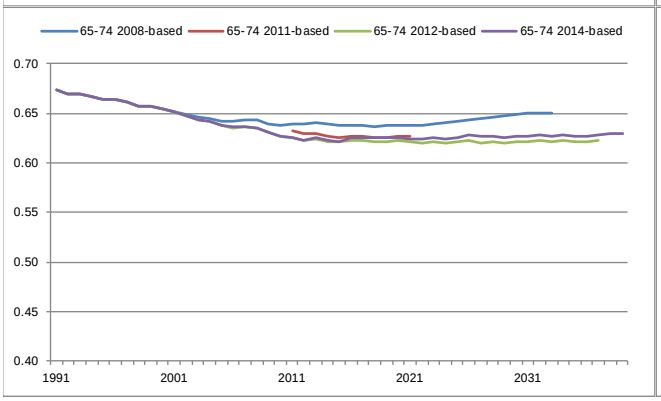



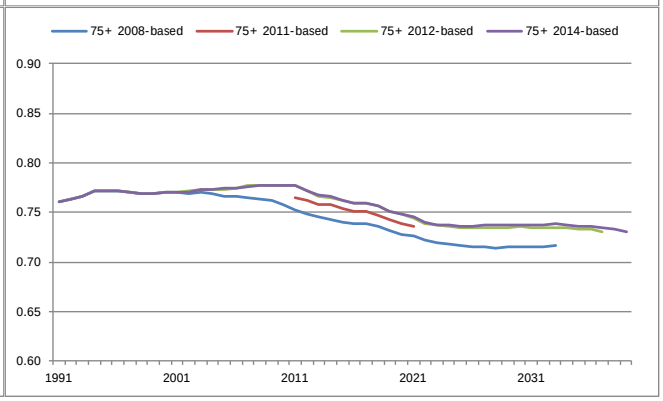



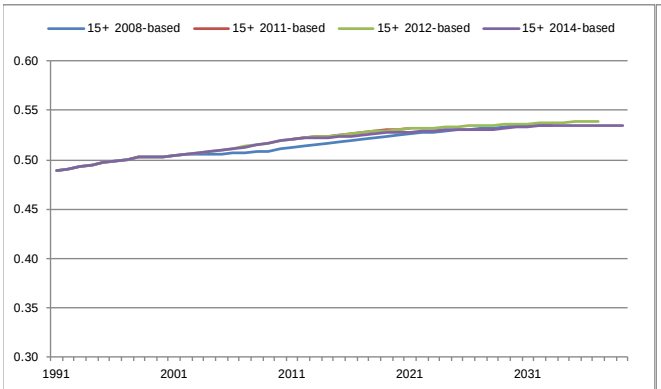



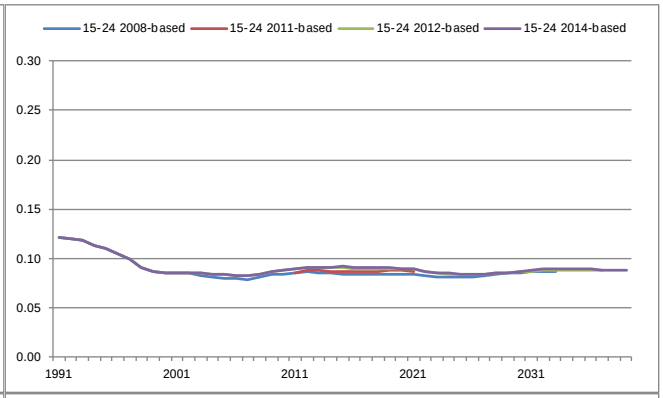
## Analysis of Household Representative (HR) Rates

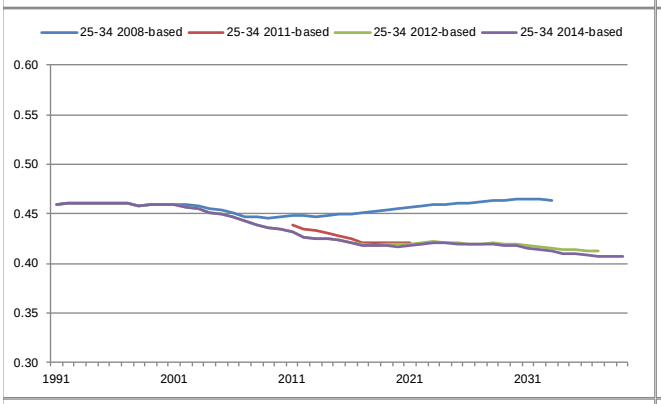
**Comparison of HR rates for persons aged 15+, by 10 year age band, 15 to 74 and for persons 75+** is presented in the panels below. The HR rates shown are taken from the DCLG 2008-based (blue line), interim 2011-based (red line), 2012-based projections (green line) and 2014-based series (purple line). Although the position on a scale of 0 to 1 (0 to 100%) varies, the range on each left hand axis is the same (0.3 or 30%) so that like for like comparison can be made.

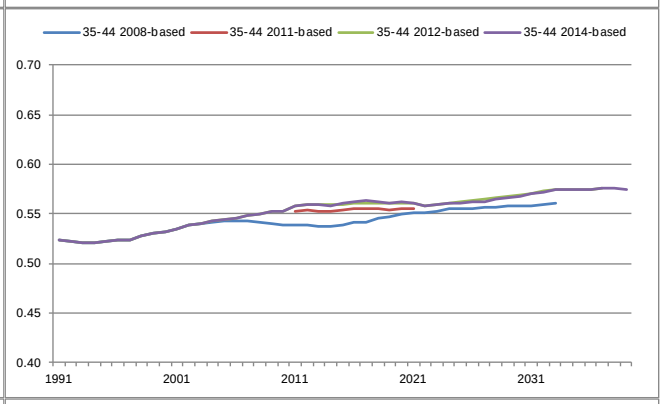
By way of explanation, a rate of 0.5 means that 50% of persons in that age group are said to represent a household, so that a hypothetical 100 persons is assumed to represent 50 households.

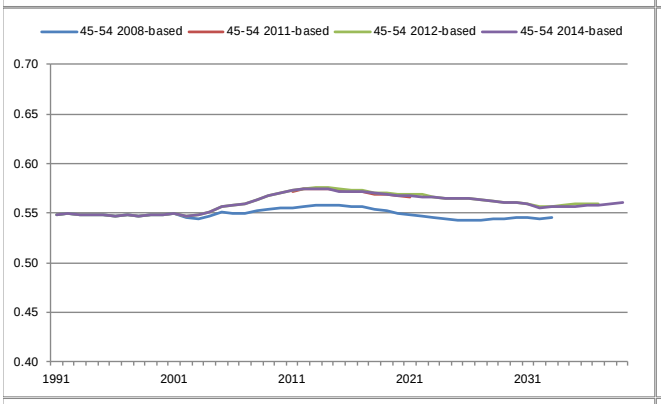
**Local Authority: Hinckley and Bosworth**

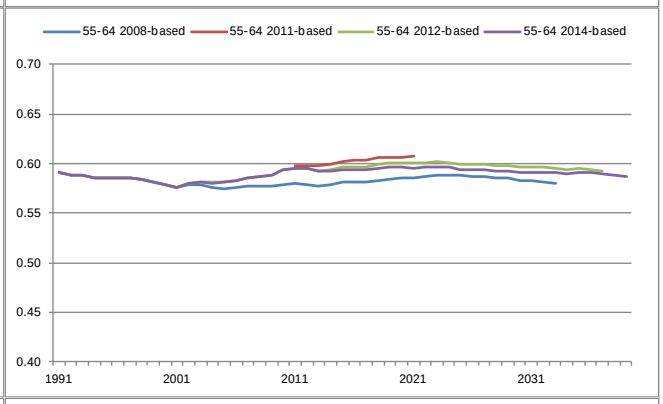


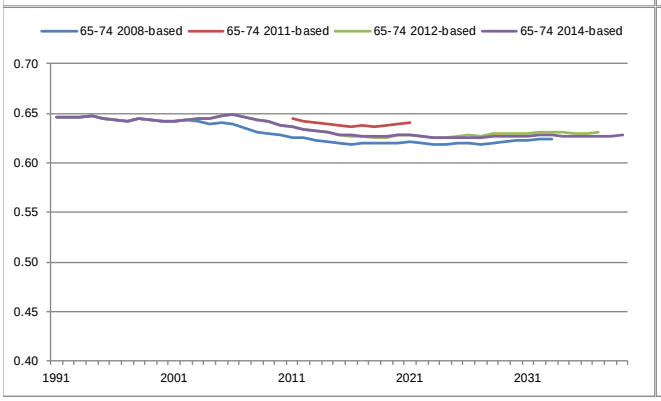



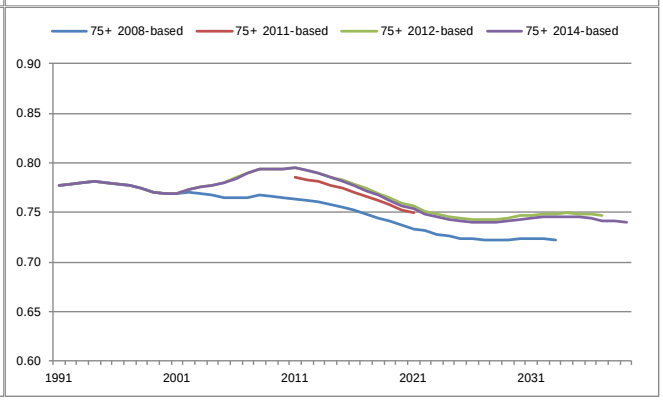



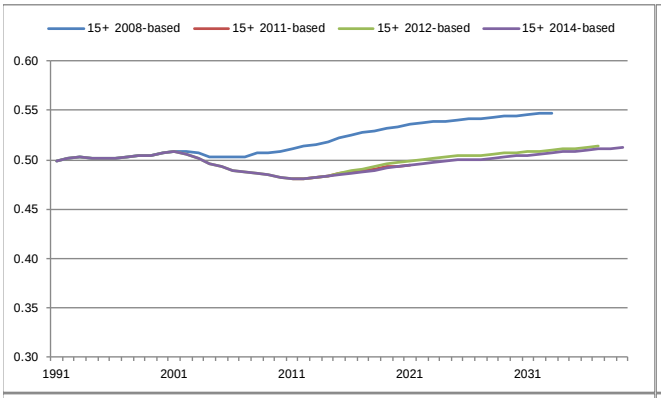



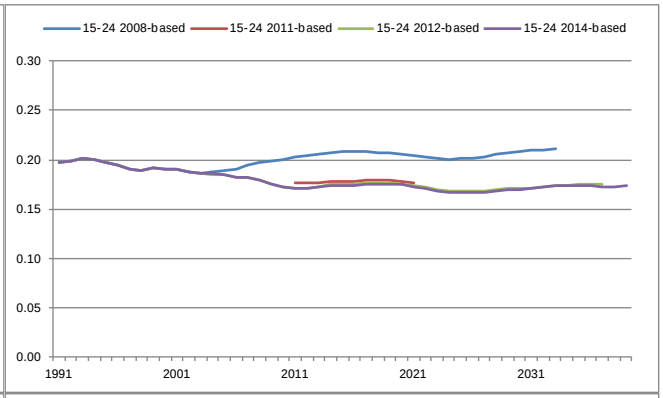
## Analysis of Household Representative (HR) Rates

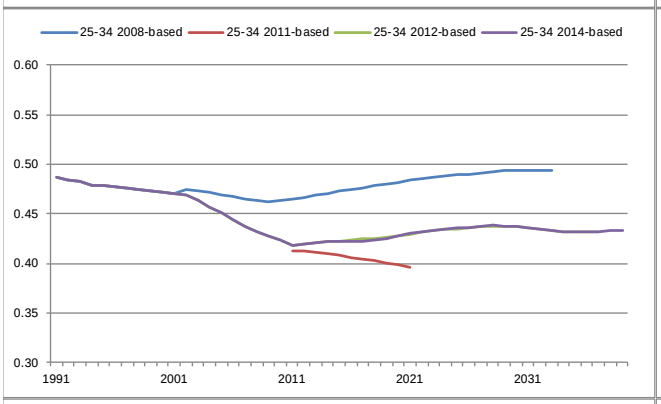
**Comparison of HR rates for persons aged 15+, by 10 year age band, 15 to 74 and for persons 75+** is presented in the panels below. The HR rates shown are taken from the DCLG 2008-based (blue line), interim 2011-based (red line), 2012-based projections (green line) and 2014-based series (purple line). Although the position on a scale of 0 to 1 (0 to 100%) varies, the range on each left hand axis is the same (0.3 or 30%) so that like for like comparison can be made.

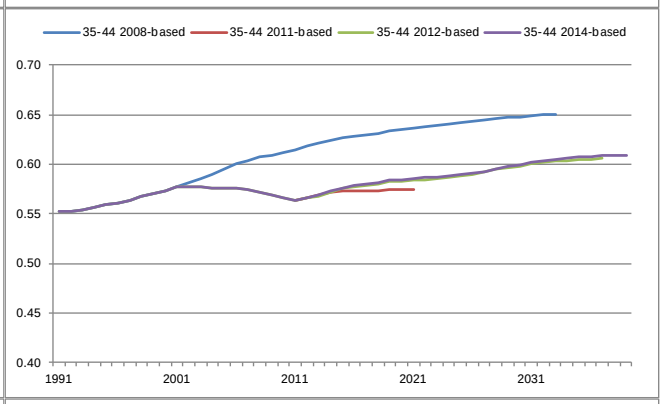
By way of explanation, a rate of 0.5 means that 50% of persons in that age group are said to represent a household, so that a hypothetical 100 persons is assumed to represent 50 households.

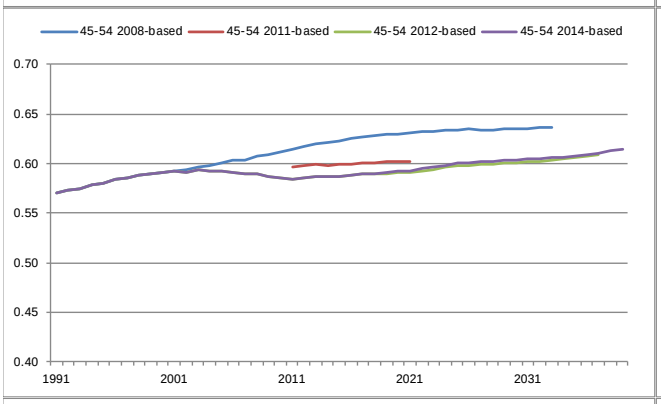
**Local Authority: Leicester**

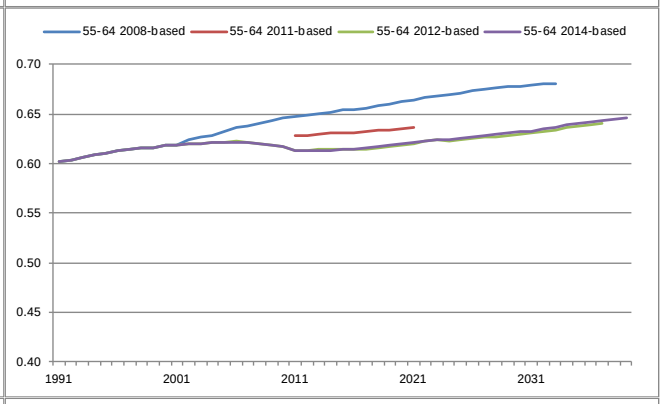


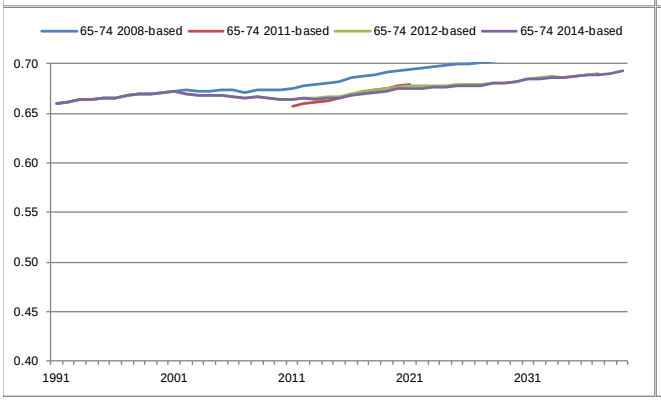



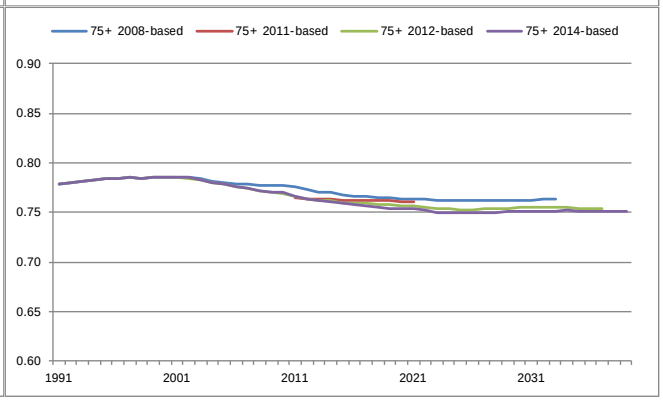



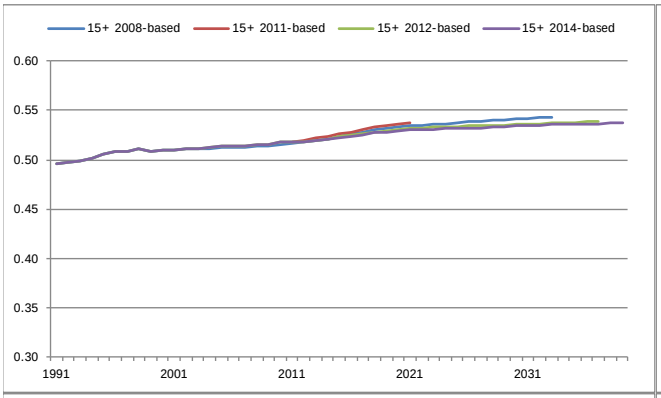



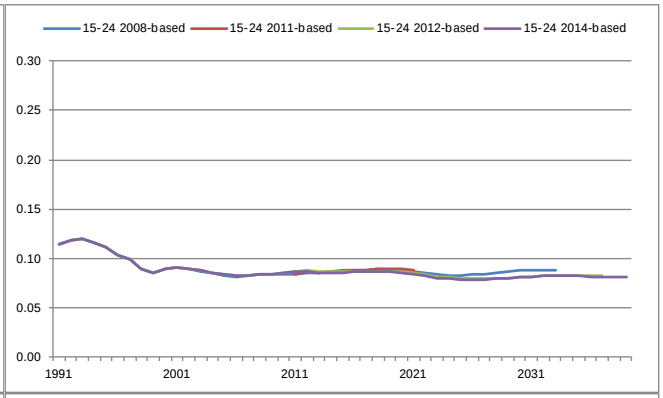
## Analysis of Household Representative (HR) Rates

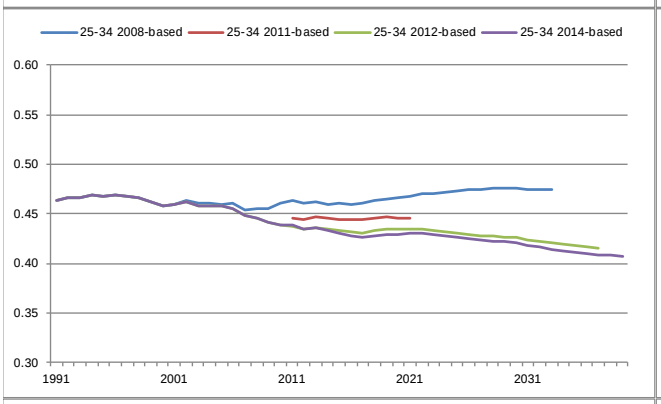
**Comparison of HR rates for persons aged 15+, by 10 year age band, 15 to 74 and for persons 75+** is presented in the panels below. The HR rates shown are taken from the DCLG 2008-based (blue line), interim 2011-based (red line), 2012-based projections (green line) and 2014-based series (purple line). Although the position on a scale of 0 to 1 (0 to 100%) varies, the range on each left hand axis is the same (0.3 or 30%) so that like for like comparison can be made.

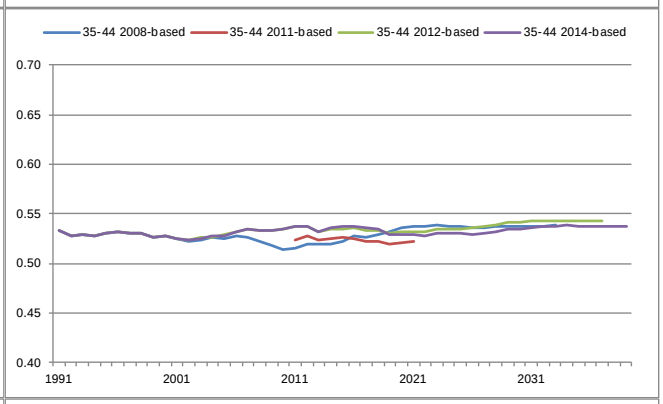
By way of explanation, a rate of 0.5 means that 50% of persons in that age group are said to represent a household, so that a hypothetical 100 persons is assumed to represent 50 households.

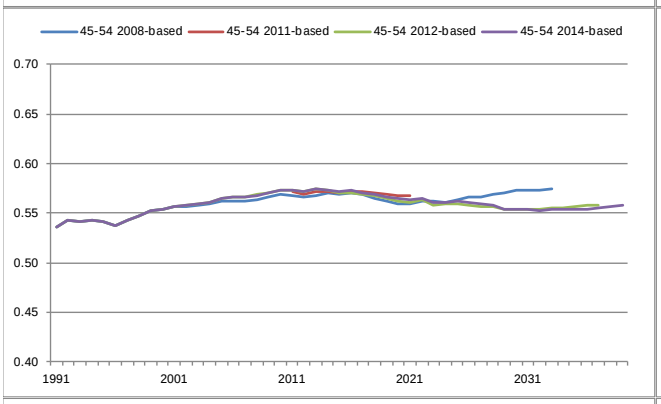
**Local Authority: Melton**

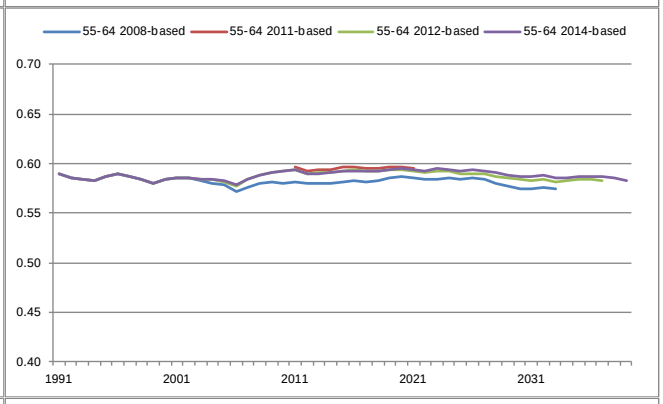


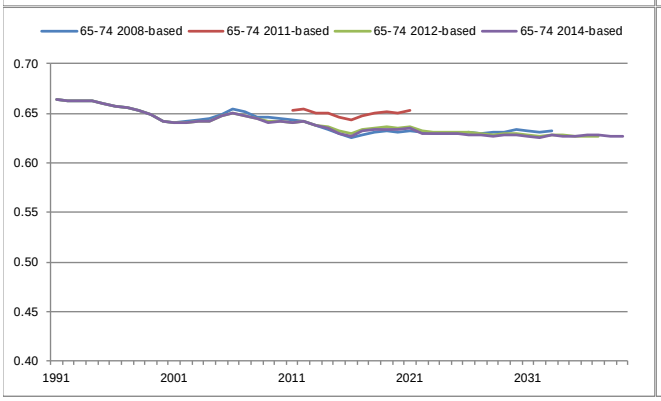



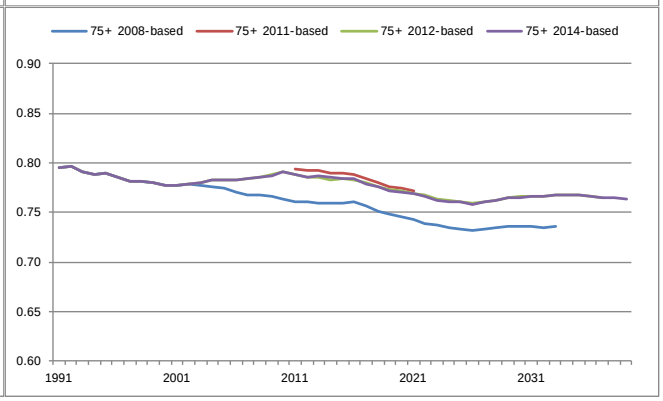



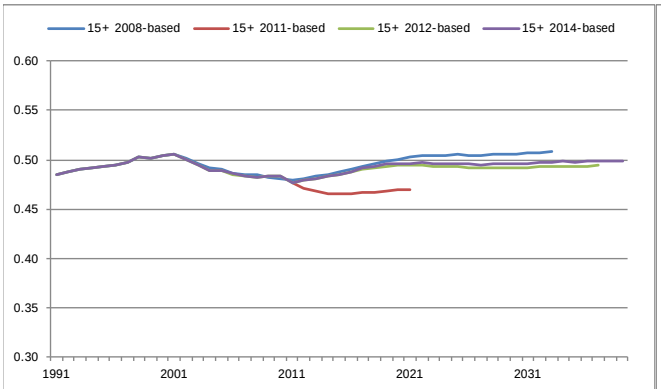



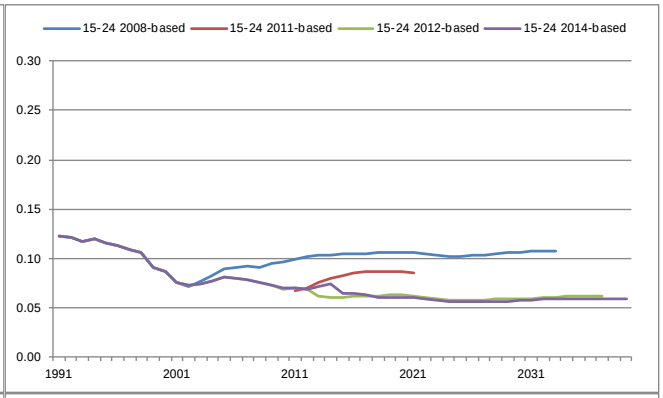
## Analysis of Household Representative (HR) Rates

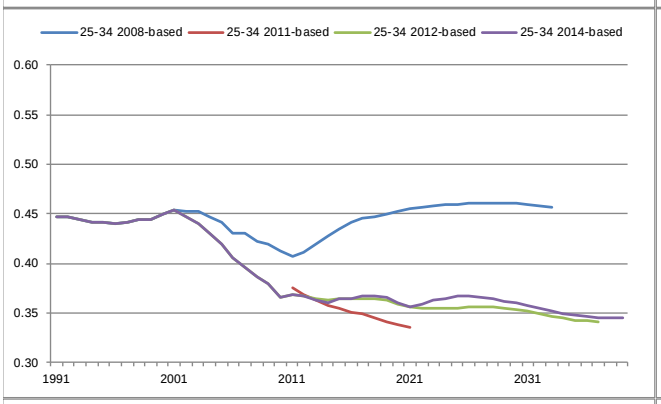
**Comparison of HR rates for persons aged 15+, by 10 year age band, 15 to 74 and for persons 75+** is presented in the panels below. The HR rates shown are taken from the DCLG 2008-based (blue line), interim 2011-based (red line), 2012-based projections (green line) and 2014-based series (purple line). Although the position on a scale of 0 to 1 (0 to 100%) varies, the range on each left hand axis is the same (0.3 or 30%) so that like for like comparison can be made.

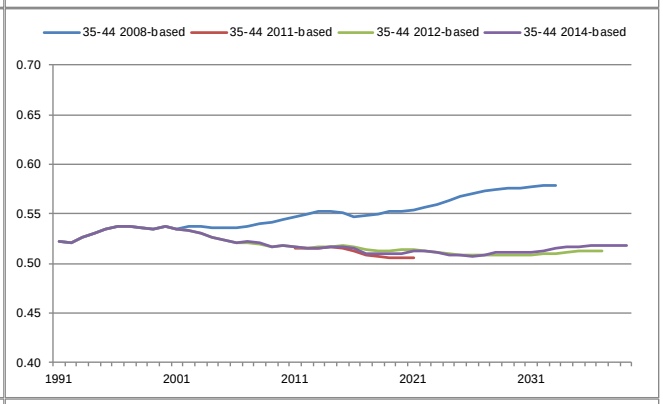
By way of explanation, a rate of 0.5 means that 50% of persons in that age group are said to represent a household, so that a hypothetical 100 persons is assumed to represent 50 households.

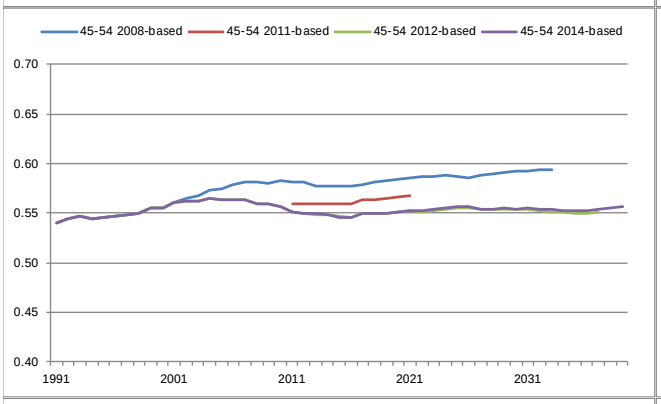
**Local Authority: Oadby and Wigston**

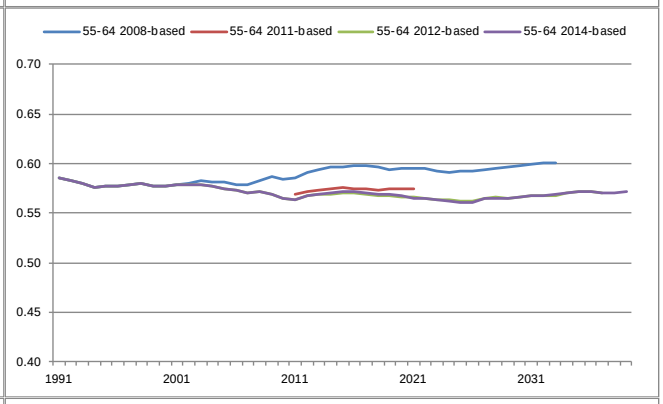


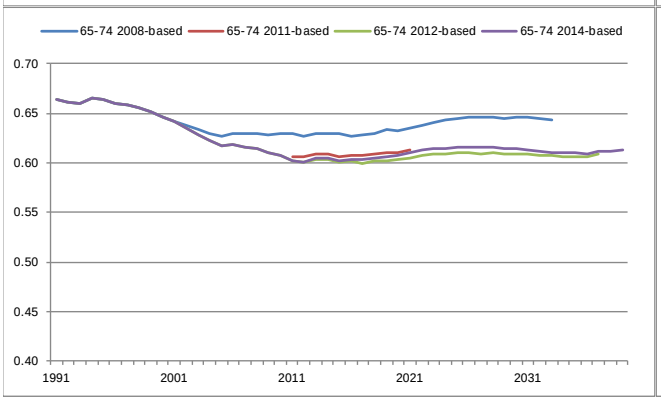



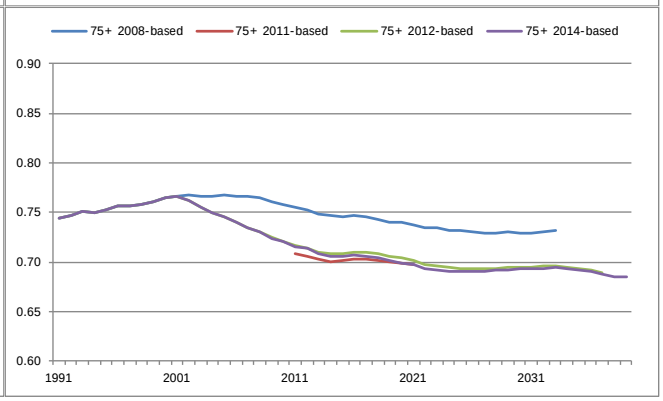



# APPENDIX 7

## POPGROUP MODELLING INPUT ASSUMPTIONS

**POPGROUP Modelling Input Assumptions**

| Variable | Data Set | Source |
|---|---|---|
| Base population | Population Estimates by single year of age and gender specific for each local authority in the HMA | 2011 Mid-Year Population Estimates, Office for National Statistics (ONS). |
| Fertility rate | Age specific fertility rates for each local authority | ONS 2014-based Sub National Population Projections |
| Mortality rate | Age standardised mortality ratios by gender for each local authority | ONS 2014-based Sub National Population Projections |
| Standard Migrant profile | Age and gender specific migration rates for each local authority broken down by in-migrants from overseas, in migrants from elsewhere within the UK, out-migrants to overseas, out-migrants to elsewhere in the UK | ONS 2014-based Sub National Population Projections |
| Alternative Migrant profile/ trends | Age and gender specific migration rates for each local authority broken down by in-migrants from overseas, in migrants from elsewhere within the UK, out-migrants to overseas, out-migrants to elsewhere in the UK | ONS Mid-Year Population Estimates 2004/05-2014/15 detailed components of change. Also constrained to 2012-2015 Mid-Year Population Estimates |
| Communal establishment population | Age and gender counts of people living in communal establishments for each local authority. For ages 75+ proportions rather than counts are used to reflect the ageing population. | DCLG 2014-based household projections |
| Household representative rates | Household representative rates by age and gender for each local authority | DCLG 2014-based household projections (Stage One) with sensitivity tests using |

| | | |
|---|---|---|
| | | 2008-based rates and rates as at 2001. |
| Vacancy/ Second home rate | Proportion of dwellings vacant and second homes. Combined rate specific for each local authority. See Table 5.8 of main report. | 2015 Council Tax Base (DCLG) |
| Commuting ratio | Ratio based on residents in employment divided by workplace jobs specific for each local authority. See Table 6.1 of main report. | 2011 Census Travel to Work Statistics (Table WU01UK), ONS |
| Unemployment rate | APS model-based unemployment estimates for 2011 to 2016. Where 2016 rate already below pre-recession average, 2016 rate held constant for remainder of plan period. If not, then unemployment assumed to fall to pre-recession average (2004 to 2007) by 2021 Rate specific for each local authority. See Table 6.2 of main report. | Annual Population Survey (APS), ONS |
| Economic activity rates | Economic activity rates by age and gender are applied to the resident population to calculate resident labour force | 2011 Census (ONS) and projected following OBR November 2015 projection. |

# APPENDIX 8

## LPEG OAHN CALCULATION FOR NW LEICESTERSHIRE

**LOCAL PLANS EXPERT GROUP (LPEG) – RECOMMENDED OAHN (2011-2031)**

| Stage | Step | OAHN Process | NW Leicestershire |
|---|---|---|---|
| A. Demographic Starting Point | 1. | Latest CLG household projection population (2014-based ONS SNPP) | 11,705 (585 pa) |
| | 2. | 10-year migration trend (2005-2015) scenario population | 13,482 (674 pa) |
| | 3. | Highest population (CLG projection or 10-year Migration across HMA) | 11,705 (585 pa) |
| | 4. | 2014-based SNPP (2014 HFRs unadjusted) households | 6,064 (303 pa) |
| | 5. | 2014-based (50% 25-44 HFR return to 2008-based HFRs) households | 6,426 (321 pa) |
| | 6. | Vacant and second homes adjustment | 3.14% |
| | **7.** | **OUTPUT A: Demographic starting point (Dwellings)** | **6,635 (332 pa)** |
| B. Market Signals | 1. | Ratio of median quartile house prices to median earnings (3 year average) | 6.6 |
| | 2. | Upward adjustment required to Output A | 10% |
| | **3.** | **OUTPUT B: Demographic starting point plus market signals adjustment - dwellings** | **7,299 (365 pa)** |
| C. Affordable Housing Need | 1. | Estimate affordable need based on standard methodology (dwellings) | 4,240 (212 pa) |
| | 2. | Total number of dwellings necessary to meet affordable needs (as the likely rate of delivery at 30% of market housing) dwellings. | 14,133 (707 pa) |
| | **3.** | **OUTPUT C: Number of dwellings required to meet affordable housing need (dwellings)** | **14,133 (707 pa)** |
| FULL OAHN | 1. | Lower of meeting either 1) Output C in full, or 2) Output B plus 10%? | Output B + 10% |
| | 2. | Output B plus 10% = Total Dwellings 2011-2031 | **8,029 (401 pa)** |
| | **3.** | **FULL OBJECTIVELY ASSESSED HOUSING NEED FOR NW LEICESTERSHIRE 2011-2031** | **8,029 (401 pa)** |