

Stratford-on-Avon District Council

Consolidated Review of Housing Need and Requirement in Stratford-on-Avon District

10 December 2014

Prepared by: ERM

Stratford-on-Avon District Council

Consolidated Review of Housing Need and Requirement in Stratford-on-Avon District

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For and on behalf of Environmental Resources Management
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Date: 10 th December 2014

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1. INTRODUCTION

PURPOSE OF THE REPORT

- 1.1.1 The purpose of this report is to provide a Consolidated Review of Housing Need and Requirement for Stratford-on-Avon District (SoAD). The aim of the Consolidated Review is to ensure that the Core Strategy 'objectively assessed need' and housing requirement for SoAD are robust and in accordance with the National Planning Policy Framework (NPPF) and Planning Policy Practice (PPG).
- 1.1.2 The Consolidated Review provides an up to date summary of the evidence and position on objectively assessed need and housing requirements in the district. It has been submitted alongside the Council's Statement in Response to the Core Strategy Examination Matters.
- 1.1.3 Although issued since work on the Consolidated Review had started, ERM has been aware of and has addressed, as far as possible, relevant questions posed by the Core Strategy Inspector.
- 1.1.4 Where the Consolidated Review relies on existing Core Strategy evidence this is clearly referred to, and where any evidence is superseded, this is noted. The examination document number is provided at the first reference to a document.

RECENT ASSESSMENTS OF HOUSING REQUIREMENT FOR SOAD

ERM Review of Housing Requirements (April 2013)

- 1.1.5 Stratford-on-Avon District Council (SoADC) commissioned ERM in January 2013 to undertake a review of housing need and requirements, to be used in the preparation of the emerging Core Strategy. The scope of the ERM Review of Housing Requirements for Stratford-on-Avon District Council (the ERM Review) [ED.4.3.4] was to review the evidence in the GL Hearn Housing Provisions Options Studies of 2011 [ED.4.3.7] and 2012 [ED.4.3.5] and the Stratford Strategic Housing Market Area Update (the Stratford SHMA) [ED.4.3.6] in the light of national policy and good practice.
- 1.1.6 The ERM Review recommended that SoADC should set a housing requirement of between 9,500 and 10,000 additional dwellings for the then proposed Core Strategy period 2008 to 2028. The estimates of housing numbers used to support these conclusions were derived from the demographic projections set out in the then draft Housing Provision Options Study Update (HPOSU) for SoAD produced by GL Hearn in December 2012. The ERM Review considered that the selection of a housing requirement should be broadly based on a realistic assessment of future migration using the recent ten year average, while aiming to support SoADC's economic aspirations by providing for a modest increase in the resident labour force in the district.

*Coventry and Warwickshire Joint Strategic Housing Market Assessment
(November 2013)*

- 1.1.7 In Spring 2013, five local authorities in Coventry and Warwickshire jointly commissioned GL Hearn to prepare a Joint Coventry and Warwickshire Strategic Housing Market Assessment (CWSHMA) [ED.4.3.3] for their functional housing market area. Although SoADC was not one of the commissioning authorities for the CWSHMA, it was a consultee and partner authority, The Coventry and Warwickshire Strategic HMA has been defined to cover SoAD in its entirety. The Final Report of the CWSHMA was published in November 2013 and included district-wide data, projections and analysis for SoAD, which represented an update of much of the content of the HPOSU.
- 1.1.8 The assessment was for the period 2011 to 2031 and identified an appropriate level of provision to be between 540 and 600 dwellings per annum. In conclusion, the CWSHMA identified an 'objectively assessed need' in SoADC of 570 dwellings per annum, for the period to 2031.

ERM Review Update (December 2013)

- 1.1.9 ERM reviewed the housing provision figures for SoAD in response to new demographic evidence, including the CWSHMA, in the Update to the Review of Housing Requirements for Stratford-on-Avon District Council (the ERM Review Update) [ED.4.3.2], which was published in December 2013. This considered that the projections in the CWSHMA replaced those in the GL Hearn HPOSU of 2012 in providing an appropriate tool for assessing the impact of natural population change and different levels of net in-migration on future housing requirements. Based on the demographic relationships derived directly from the CWSHMA projections, the ERM Review Update advised that the objectively assessed need for SoAD fell in a range of 525 to 540 dwellings per annum.

Coventry and Warwickshire Strategic Economic Plan (March 2014)

- 1.1.10 The Coventry and Warwickshire Local Enterprise Partnership was set up in January 2011. This produced a Strategic Economic Plan (CWSEP) in March 2014 [ED.4.4.4], which sets out the Coventry and Warwickshire LEP ambitions for economic growth, proposals for realising them, the 'offers and asks' of the Growth Deal with Government, and an estimate of Local Growth Fund investment required. The CWSEP endorsed the housing need figure for 2011 to 2031 of 76,000 for the area covered by the CWSHMA, based on demographic and economic evidence.

- 1.1.11 Following the publication by ONS of the 2012-based SNPPs, the six local authorities in the Coventry and Warwickshire Strategic HMA, including SoADC, commissioned GL Hearn to prepare an Addendum to update the CWSHMA to derive an update objectively assessed need for the HMA and its constituent authorities and to consider the potential implications of different levels of employment growth on housing provision within the HMA. The report on the 2012-based Sub-National Population Projections & Economic Forecasts: Implications for Housing Need in Coventry & Warwickshire (the CWSHMA Update) [ED.4.3.1] proposed an objectively assessed need for the HMA of 4,004 dwellings but did not propose specific housing figures for individual authorities, showing instead how these might vary with different assumptions on future employment levels.

The Birmingham, Solihull and Black Country Strategic Housing Needs Study: Stage 2 (November 2014)

- 1.1.12 The Birmingham, Solihull and Black Country Strategic Housing Needs Study: Stage 2 was commissioned by the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) and the Black Country Local Authorities. It covers an HMA defined on the basis of a CLG study, which includes, in addition to the client group authorities, three 'related' authorities: SoAD, North Warwickshire, and South Staffs. However, the study recognises that the case for including SoAD in this HMA is questionable. This Stage 2 study nevertheless includes some demographic projections of housing need for SoAD but does not derive housing requirement figures, which will be considered in Stage 3.

COOPERATION WITH OTHER LOCAL AUTHORITIES

- 1.1.13 The Council's position over future monitoring and review of housing needs and provision has also been clarified in the Core Strategy, as submitted (referred to as the Core Strategy) [ED.1.1]. SoADC has proposed an additional policy (CS.xx) 'Accommodating Housing Need Arising from Outside Stratford-on-Avon District'. The explanatory text sets out how joint studies and monitoring will be undertaken with the other authorities in the Coventry and Warwickshire Strategic HMA and that this will extend to joint policy working, if there are needs, whether from within, or outside Coventry and Warwickshire to be addressed.
- 1.1.14 In October 2014, the Coventry and Warwickshire and South East Leicestershire Economic Prosperity Board (EPB), which brings together the six local authorities in Coventry and Warwickshire, as well as Hinckley & Bosworth Borough Council in Leicestershire, which is closely related to them in economic profile, agreed that the objectively assessed need for the Coventry and Warwickshire Strategic HMA should be confirmed as 4,004 dwellings per annum over the 2011 to 2031 period. The EPB also agreed 'working' housing need figures for the six authorities, acknowledging that

these leave a 'shortfall' which needs further consideration (see *Table 1.1*). SoAD's share of the 4,004 dpa has been agreed as 540 dpa.

Table 1.1 Dwellings per Annum from CWSHMA, CWSHMA Update and EPB Proposed Distribution

Local Authority	CWSHMA Objectively Assessed Need	CWSHMA Update SNPP	EPB 'working' Housing Requirement
North Warwickshire	175	204	175
Nuneaton & Bedworth	495	422	495
Rugby	660	453	660
Stratford-on-Avon	570	508	540
Warwick	720	606	720
Coventry	1,180	1,811	1,180
Shortfall			234
Total	3,800	4,004	4,004
Source: CWSHMA Table 51, CWSMA Update Figure 11, and CWEL EPB			

CORE STRATEGY POSITION

- 1.1.15 The Stratford-on-Avon Proposed Submission Core Strategy was published in June 2014. This document, together with an adopted Schedule of Proposed Modifications [ED.1.1a] was submitted for Examination on 30 September 2014.
- 1.1.16 The Council has adopted the higher end of the 10,500 to 10,800 range recommended by ERM as the basis for the housing requirement set out in Policy CS16 of the Proposed Submission Core Strategy. This translates into an average requirement of 540 dwellings per annum in SoAD over the plan period. Policy CS16 was modified, prior to submission, to refer to the overall provision of 'at least 10,800 additional homes'. Other policies, for example, those relating to the spatial distribution of housing and affordable housing are consistent with this overall requirement.

STRUCTURE OF REPORT

- 1.1.17 The remaining sections of this report are as follows:
- **Section 2** summarises the National Planning Policy Framework and Planning Practice Guidance requirements for objectively assessing housing and economic development needs;
 - **Section 3** sets out a demographic assessment of housing need setting out the principles, critical assumptions and a comparison of housing requirements from various demographic models before drawing conclusions about the 'demographic need' for housing in SoAD;

- **Section 4** sets out an assessment of future employment growth taking into account past employment trends and forecasts. It considers the local and sub-regional economic prospects and, based on the various sources of evidence, provides an Indicative Employment Forecast for SoAD. This is then considered alongside the economic policies and employment land provision in the Core Strategy, in order to establish that these are consistent;
- **Section 5** sets out the implications of employment growth for housing need in SoAD and the case for adjusting housing need to take account of employment growth;
- **Section 6** describes how assessments should respond to market signals focussing in particular on the role of affordability in housing need assessment and how this should be taken into account in setting the objectively assessed need and housing requirement for SoAD; and
- **Section 7** summarises our conclusions in relation to housing need and requirement and the employment land provisions in the Core Strategy.

2 NATIONAL PLANNING POLICY FRAMEWORK AND PLANNING PRACTICE GUIDANCE

INTRODUCTION

- 2.1.1 The National Planning Policy Framework (NPPF) published on 27 March 2012 sets out the Government's planning policies for England and how these are expected to be applied. It seeks to promote sustainable development, not least through the requirement in paragraph 158, that *'local planning authorities should ensure that their assessment and strategies for housing, employment and other uses are integrated'*.
- 2.1.2 The NPPF, whilst providing an overall framework for the assessment of housing need does not provide specific guidance on how to objectively assess housing need, how to set a housing requirement or how to assess economic development need.
- 2.1.3 The NPPF is supported by Planning Practice Guidance (PPG). The guidance provides official advice on what constitutes an assessment of housing and economic development need, and also provides on the five year housing supply. Section 2 of the guidance provides advice on housing and economic development needs assessment. The PPG provides predominantly technical advice and guidance for local planning authorities and others. It should be interpreted accordingly, applying professional planning judgement.
- 2.1.4 In addition, the Planning Advisory Service published a Technical Advice Note, in June 2014, on Objectively Assessed Need and Housing Targets (the PAS Guidance), which provides valuable good practice guidance on these topics.

NPPF POLICIES AND REQUIREMENTS ON HOUSING NEED AND REQUIREMENTS AND ECONOMIC DEVELOPMENT NEED

Housing and Economic Development Need

- 2.1.5 The NPPF provides the national policy framework, within which the planning system should operate. Paragraph 6 of the NPPF sets out that the *'purpose of the planning system is to contribute to the achievement of sustainable development'*.
- 2.1.6 As part of promoting sustainable development, paragraph 7 of the NPPF sees the planning process as having a social role in supporting strong vibrant and healthy communities by *'providing the supply of housing required to meet the needs of present and future generations'*. The economic role of the planning system is to *'contribute to building a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation; and by identifying and coordinating development requirements, including the provision of infrastructure'* (paragraph 7).

2.1.7 In line with paragraph 47, the use of a proportionate evidence base is promoted in paragraph 158 of the NPPF, which requires that local planning authorities ensure *‘that their assessment of and strategies for housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals.’*

Housing Need and Requirements

2.1.8 One of the core land-use planning principles that underpin the plan-making process (as set out in the third bullet of paragraph 17 of the NPPF) is that planning should:

‘proactively drive and support sustainable economic development Every effort should be made objectively to identify and then meet the housing, business and other development needs of an area, and respond positively to wider opportunities for growth. Plans should take account of market signals, such as land prices and housing affordability, and set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities’.

2.1.9 The NPPF sets out the important role of local planning authorities in ensuring adequate housing supply. Paragraph 47 of the NPPF states that in order to *‘boost significantly the supply of housing, local planning 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...*
- *identify and update annually a supply of specific deliverable sites sufficient to provide 5 years worth of housing against their housing requirements’.*

2.1.10 Paragraph 50 of the NPPF promotes the creation of *‘sustainable, inclusive and mixed communities’* by encouraging local planning authorities to *‘plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community’.*

2.1.11 Specifically in relation to assessment of housing needs, paragraph 159 of the NPPF goes on to state that *‘Local planning authorities should have a clear understanding of housing needs in their area. They should:*

- *prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:*
 1. *meets household and population projections, taking account of migration and demographic change;*
 2. *addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as,*

but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes); and

3. caters for housing demand and the scale of housing supply necessary to meet this demand.'

2.1.12 Paragraph 173 of the NPPF expands on the concept of viability, noting that in both plan-making and decision-taking careful attention should be taken in terms of the viability of development.

2.1.13 The NPPF sets out how local plans will be examined and what constitutes a 'sound' plan. Plans should be positively prepared *'based on a strategy which seeks to meet objectively assessed development and infrastructure requirements, including unmet requirements from neighbouring authorities where it is reasonable to do so and consistent with achieving sustainable development'* (paragraph 182).

Economic Development Needs

2.1.14 A core planning principle is to *'proactively drive and support sustainable economic development'* (paragraph 17). *'Local planning authorities should have a clear understanding of business needs within the economic markets operating in and across their area'* (paragraph 160) and use this evidence base to assess the:

- *'needs for land or floorspace for economic development, including both the quantitative and qualitative needs for all foreseeable types of economic activity over the plan period, including for retail and leisure development'; and*
- *'existing and future supply of land available for economic development and its sufficiency and suitability to meet the identified needs. Reviews of land available for economic development should be undertaken at the same time as, or combined with, Strategic Housing Land Availability Assessments and should include a reappraisal of the suitability of previously allocated land'* (paragraph 161).

PPG ON HOUSING AND ECONOMIC NEEDS ASSESSMENT

Housing and Economic Needs Assessment

2.1.15 The primary objective of identifying need is to:

- *'identify the future quantity of housing needed, including a breakdown by type, tenure and size;*
- *identify the future quantity of land or floorspace required for economic development uses including both the quantitative and qualitative needs for new development; and*

- *provide a breakdown of that analysis in terms of quality and location, and to provide an indication of gaps in current land supply*. (PPG Ref: 2a-002-20140306).

Housing Need Assessment

- 2.1.16 The PPG helps to clarify the approaches that should (and should not) be used *'in objectively assessing and evidencing development needs for housing (both market and affordable)'* (PPG Ref: 2a-001-20140306).
- 2.1.17 The PPG begins by stating that the assessment of development needs *'should be proportionate and does not require local councils to consider purely hypothetical future scenarios, only future scenarios that could be reasonably expected to occur'* (PPG Ref: 2a-003-20140306).
- 2.1.18 It goes on to state that:
- 'Plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historic under performance, viability, infrastructure or environmental constraints. However, these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans'* (PPG Ref: 2a-004-20140306).
- 2.1.19 Once 'objectively assessed need' has been identified, it is entirely legitimate for local planning authorities to apply the explicit planning and environmental policy considerations, such as land supply or protective designations, and unmet need from other areas, to set their housing requirement in their local plan (but not, of course, to set constraints on supply where environmental and infrastructure issues can reasonably be overcome). This approach is entirely compatible with the advice in paragraph 4 of the PPG, that the overall objective is to make sure that the *'assessment of and strategies for housing, employment and other uses are integrated'* as required by paragraph 158 of the NPPF.
- 2.1.20 It is clear from the PPG that a number of different methodologies can be employed to assess housing need and it states that:
- 'There is no one methodological approach or use of a particular dataset(s) that will provide a definitive assessment of development need. ... Local planning authorities may consider departing from the methodology, but they should explain why their particular local circumstances have led them to adopt a different approach where this is the case. The assessment should be thorough but proportionate, building where possible on existing information sources outlined within the guidance.'* (PPG Ref: 2a-005-20140306).
- 2.1.21 In terms of the scope of assessments, the PPG draws distinctions between different types of functional area, and acknowledges that these often have different boundaries and rarely fit neatly with local authority boundaries. It notes that *'needs should be assessed in relation to the relevant functional area'* and that *'establishing the assessment area may identify smaller sub-markets with specific features, and it may be appropriate to investigate these specifically in order to create a detailed picture of local need'*. It goes on to

say that in 'some cases housing market areas and functional economic areas may well be the same' (PPG Ref: 2a-008-20140306).

2.1.22 The PPG makes clear that establishing future need is not an exact science, stating that '*No single approach will provide a definitive answer*' (PPG Ref: 2a-014-20140306).

2.1.23 Crucially, this point is reinforced in paragraph 9 of the PPG:

'No single source of information on needs will be comprehensive in identifying the appropriate assessment area; careful consideration should be given to the appropriateness of each source of information and how they relate to one another. For example, for housing, where there are issues of affordability or low demand, house price or rental level analyses will be particularly important in identifying the assessment area. Where there are relatively high or volatile rates of household movement, migration data will be particularly important. Plan makers will need to consider the usefulness of each source of information and approach for their purposes. Local planning authorities can use a combination of approaches where necessary'. (PPG Ref: 2a-009-20140306).

2.1.24 As a starting point for that assessment, the PPG advises that '*household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need*' (PPG Ref: 2a-015-20140306).

2.1.25 In line with paragraph 158 of the NPPF, the PPG acknowledges that these may need to be adjusted in order 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. The assessment will therefore need to reflect the consequences of past under delivery of housing. As household projections do not reflect unmet housing need, local planning authorities should take a view based on available evidence of the extent to which household formation rates are or have been constrained by supply*'. (PPG Ref: 2a-015-20140306).

2.1.26 The PPG further notes in paragraph 17 that:

'The household projections produced by the Department for Communities and Local Government are statistically robust and are based on nationally consistent assumptions. However, plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates. Account should also be taken of the most recent demographic evidence including the latest Office of National Statistics population estimates.

Any local changes would need to be clearly explained and justified on the basis of established sources of robust evidence' (PPG Ref: 2a-017-20140306).

2.1.27 In terms of addressing future employment trends and housing requirements, the PPG states that:

'Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area. Any cross-boundary migration assumptions, particularly where one area decides to assume a lower internal migration figure than the housing market area figures suggest, will need to be agreed with the other relevant local planning authority under the duty to cooperate. Failure to do so will mean that there would be an increase in unmet housing need.'

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 (depending on public transport accessibility or other sustainable options such as walking or cycling) 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'. (PPG Ref: 2a-018-20140306).

Economic Development Need Assessment

- 2.1.28 The definition of economic need should address the *'quantity of economic development floorspace needed based on quantitative assessments, but also on an understanding of the qualitative requirements of each market segment'*. (PPG 2a-003-20140306)
- 2.1.29 As with objectively assessed housing need, the assessment of economic development need should be *'thorough but proportionate'* (PPG 2a-005-20140306) and *'does not require local councils to consider purely hypothetical future scenarios, only future scenarios that could be reasonably expected to occur'* (PPG 2a-003-20140306).
- 2.1.30 The PPG recognises that there is no one methodology approach or use of a particular dataset(s) in determining development need (PPG 2a-005-20140306). *'Needs should be assessed in relation to the relevant, functional economic area in relation to economic uses'. 'Establishing the assessment area may identify smaller sub-markets with specific features, and it may be appropriate to investigate these specifically in order to create a detailed picture of local need. It is important also to recognise that there are 'market segments' ie not all ... economic development have the same appeal to different occupants'* (PPG 2a-008-20140306).
- 2.1.31 It is clear from the guidance that *'no single source of information on needs will be comprehensive in identifying the appropriate assessment area'* (PPG 2a-009-20140306). *'Since patterns of economic activity vary from place to place, there is no standard approach to defining a functional economic market area'* (PPG 2a-012-20140306).
- 2.1.32 Paragraph 30 of the PPG sets out guidance on the factors that should be taken into account when assessing current economic development needs, namely:
- recent patterns of employment land supply and loss to other uses;

- market intelligence;
- market signals, such as levels and changes in rental values, and differentials between land values in different uses;
- public information on employment land and premises required;
- information held by other public sector bodies and utilities in relation to infrastructure constraints;
- the existing stock of employment land and recent statistics on take-up of sites to gain an understanding of the spatial implications of ‘revealed demand’ for employment land;
- the locational and premises requirements of particular types of business; and
- identification of oversupply and evidence of market failure.

2.1.33 From this a *‘simple typology of employment land by market segment and by sub-areas, where there are distinct property market areas within authorities, should be developed and analysed’* (PPG 2a-031-20140306).

2.1.34 *‘Analysing supply and demand will allow plan makers to identify whether there is a mismatch between quantitative and qualitative supply of and demand for employment sites’* (PPG 2a-031-20140306). This allows for an understanding of market segments which are over-supplied and those which are undersupplied. The guidance recognises that *‘employment land markets can overlap several local authority areas’* (PPG 2a-031-20140306).

2.1.35 In terms of forecasting future trends the guidance is clear *that ‘forecasts of quantitative and qualitative need’* should be considered alongside any particular characteristics in order to provide *‘an estimate of the scale of future needs, broken down by economic sectors’*. These forecasts should be based on *‘a range of data which is current and robust’* which takes account of *‘business cycles and make use of forecasts and surveys to assess employment land requirements’* (PPG 2a-032-20140306). The guidance includes a note of caution on the use of national economic trends in labour supply models which *‘may not automatically translate to particular areas with a distinct employment base’* (PPG 2a-033-20140306).

CONCLUSION

2.1.36 Both in the course of this Consolidated Review and in reaching our conclusions, proper account has been taken of the NPPF, the PPG and good practice. We have also examined the robustness of other studies, where these form part of the Core Strategy evidence base. We have also taken account of case law and recent Inspectors’ reports and findings in local plan examinations.

INTRODUCTION

- 3.1.1 Paragraph 159 of the NPPF requires local planning authorities to identify the scale of housing needed to *'meet household and population projections, taking account of migration and demographic change'*. We refer to this scale of housing as 'demographic housing need'. In principle, if all housing market areas and their constituent local planning authorities provide for a level of need indicated by local projections which sum to a control total set by projections at the national scale, all needs should be met. It is only if an area is subject to constraints that make it impractical or undesirable to meet all of its 'own' need that recourse may be had to bilateral agreements with neighbouring authorities to share any shortfall, if this would bring mutual benefits. This section sets out our assessment of the demographic housing need in SoAD, before considering in later sections whether any adjustments may be required to deal with employment growth or market signals.

HOUSING MARKET AREAS

- 3.1.2 The basic principle behind the NPPF/PPG approach to assessing housing need is that each area should, on the whole, aim to meet the housing needs it generates. Paragraph 47 of the NPPF states that local planning authorities should aim to ensure that *'their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area'*. A housing market area is defined in paragraph 10 of PPG as *'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'*.
- 3.1.3 The PPG recognises that there is no hard and fast way to identify a housing market area and that boundaries of different market areas may overlap. Housing market areas often do not match to districts. This is reflected in the split allocation of SoAD between four different Strategic Housing Market Areas in CLG's Geography of Housing Market Areas 2010, which is based on research into journey to work patterns. The three main strategic areas, illustrated in *Figure 3.1*, are centred on Coventry, Birmingham and Oxford respectively. The most appropriate of these for SoAD is Coventry and Warwickshire Strategic HMA, as SoAD's closest economic and commuting connections are with Warwick district which falls within this HMA. SoAD has therefore been included in the Coventry and Warwickshire Strategic HMA and this is now the area for which the 'full, objectively assessed needs for housing' for the five Warwickshire districts (including SoAD) together with Coventry have been assessed in the CWSHMA and the CWSHMA Update.

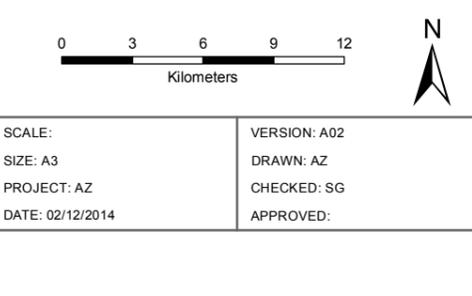
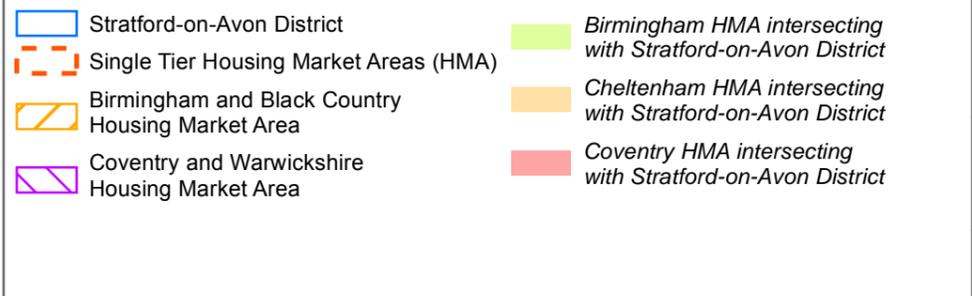
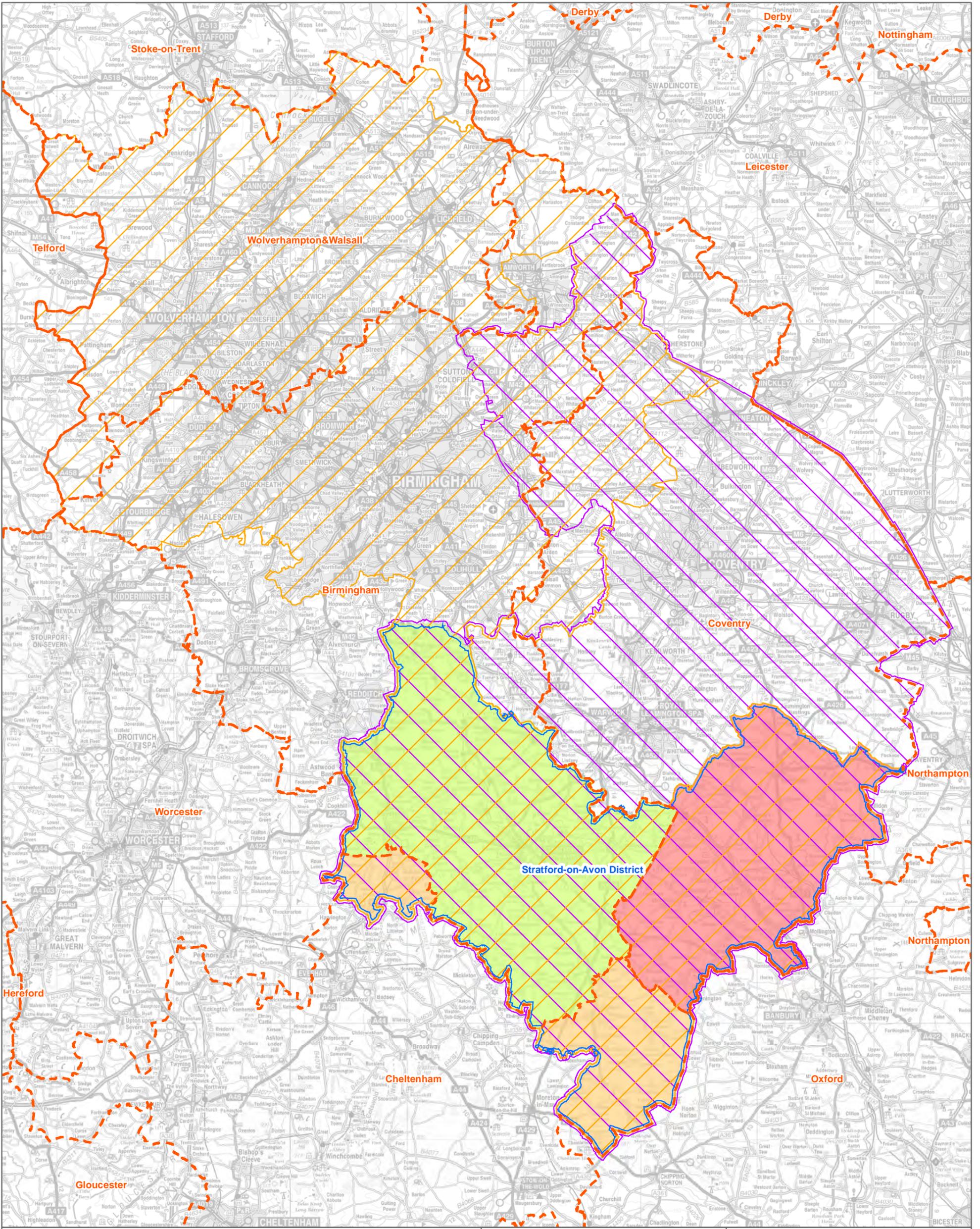


Figure 3.1
Housing Market Areas

CLIENT:

PROJECTION: British National Grid

- 3.1.4 SoAD has also been included in the HMA adopted by the Birmingham and Solihull Local Enterprise Partnership (LEP) and Black Country local authorities, whose Joint Strategic Housing Needs Study Stage 2 report was published in November 2014. However, the Study recognises that SoAD'S connection with Greater Birmingham is very weak and states that *'it is incorrect to consider the district as a whole part of Greater Birmingham HMA'*.

POPULATION AND HOUSEHOLD PROJECTION METHOD

- 3.1.5 Population projections indicate the possible size and structure of the future population, based on assumptions about the continuation of past trends in key factors. The most important elements are the rate of natural population change, comprising the difference between births and deaths, and the net rate of in-migration, ie. the difference between the number of migrants entering and leaving in each period.
- 3.1.6 In order to assess future housing requirements the projected population needs to be divided into the household population and the population that will be living in institutions. The household population has then to be converted into households. The standard approach to estimating household numbers is to apply assumptions on future household representative rates (or household formation rates) for different age groups in order to estimate numbers of heads of household. As a proportion of the housing stock inevitably stands empty at any one time, a vacancy rate has to be applied to the number of households to assess the number of dwellings required to house the non-institutional population.
- 3.1.7 The assumptions adopted at each stage of this process are critical to the outcome in terms of assessed housing need. Different projections will incorporate different judgements about the expected future trajectory, derived from past trends. These may result from considering past periods with different durations or with different start or end dates or from different expectations about how demographic trends will unfold in future. It may be difficult to identify the source of differences between different sets of projections.

AVAILABLE FORECASTS OF POPULATION AND HOUSEHOLDS

- 3.1.8 According to the PPG on Housing and Economic Needs Assessments, the starting point for assessing housing need should be the latest set of Sub National Household Projections (SNHPs) published by the Department for Communities and Local Government (CLG). However, the latter are not always sufficiently up to date for assessing housing need. Other bodies therefore prepare population and household projections either to be more up to date than the SNHP or to allow exploration of the impacts of varying input assumptions such as migration rates or headship rates. The two main recent demographic projections covering the SoAD area are:
- the Office for National Statistics (ONS) Sub National Population Projections (SNPPs) which form the basis for CLG to prepare their Sub National Household Projections (SNHPs); and

- GL Hearn's projections for the CWSHMA and the CWSHMA Update.

3.1.9 Other projections have been carried out and are presented in representations on the Core Strategy. The most comprehensive of these is the Chelmer Model, provided by Cambridge Econometrics, which was used by Pegasus Planning.

3.1.10 The official baseline projections are the SNPP and SNHP. The other projections are used to:

- update or extrapolate the official ONS/CLG projections where these do not take account of the most recent data or cover the whole Local Plan period;
- adjust the official projections to take account of particular local circumstances (paragraph 17 of PPG); or
- test the sensitivity of projections to variations in key factors such as migration levels household formation rates, and other potentially influencing factors such as employment levels.

ONS/CLG SUB NATIONAL PROJECTIONS

3.1.11 The ONS produces biennial projections of population at local authority level built on the base of their latest annual mid-year population estimates. These SNPPs provide annual population figures for local authority areas over an extended period of 25 years. CLG converts these into SNHPs. The SNPPs and SNHPs are intended to indicate the possible size and structure of the future population of English local authorities, based on the continuation of recent demographic trends. They make assumptions on future fertility, mortality, headship rates and, most significantly, migration levels based usually on trends over a five-year period.

3.1.12 The latest, 2012-based SNPPs, covering the period 2012 to 2037, have now replaced the previous 2010-based SNPPs, covering the period 2011 to 2031, and the Interim 2011-based SNPPs for the ten year period, 2011 to 2021, the latter being the first to incorporate data from the 2011 Census. SNPPs and SNHPs are both available with base year 2008

3.1.13 The latest CLG SNHPs are the 2011-based Interim SNHP, published in April 2013, which cover the ten year period, 2011 to 2021. These take on board the findings from the 2011 Census that the total number of households in England in 2011 was significantly lower than had been estimated in the previous, 2008-based household projections, indicating that the household formation rates adopted in those projections had been too high. The 2011-based Interim SNHP therefore showed lower numbers of households for future years than previously projected, implying a reduction in expected housing numbers needed to accommodate any given population growth. However, there are as yet no SNHPs based on the latest 2012-based SNPPs and other demographic models have therefore aimed to fill the gap by attempting to predict the

outcome of the upcoming 2012-based SNHPs, which are expected to be published soon.

- 3.1.14 The 2012-based SNPPs project an increase in population for the whole Coventry and Warwickshire Strategic HMA over the period 2012-2031 of 144,198, compared with a 184,400 increase under the earlier 2010-based SNPPs for the same period. The comparable figures for SoAD given in *Table 3.1* show a halving of the 2010-based SNPP figure of 22,900 to 10,700 under the 2012-based projection for the same period. The increase over the 2012 - 2021 period is similarly halved compared with the results of the interim 2011-based projections. These decreases in the projected population are mainly due to revised projections of rates of future net migration into the HMA, and particularly into SoAD, based on recent trends.

Table 3.1 Population Increase in SoAD from Successive SNPPs

SNPP	Published	Total Population				Population Increase		
		2011	2012	2021	2031	2012 to 21	2021 to 31	2012 to 31
2010-based 21-0	3-12	121,500	122,800	134,700	145,700	11,900	11,000	22,900
2011-based	28-09-12	120,824	121,880	132,330		10,450		
2012-based 29-0	5-14		120,600	125,800	131,800	5,200	6,000	11,200
2011 census		120,485						

OTHER DEMOGRAPHIC PROJECTIONS

GL Hearn

- 3.1.15 GL Hearn has produced a series of population and household projections for both SoAD and the CWSHMA local authorities, each responding to the release of further demographic information from ONS. The most comprehensive of these is contained in the CWSHMA (November 2013), although key elements have been updated in the CWSHMA Update (September 2014), some further unpublished details of which have been made available to SoADC. These two reports present baseline projections of population using similar assumptions on fertility, mortality and migration rates to those in the most recent available ONS SNPPs, but with adjustments to respond to more recent data. While the population figures in the CWSHMA are projected for all years from the start year of 2011, in the CWSHMA Update the population figures for 2011-2013 are fixed by reference to ONS mid-year population estimates. Variants of the projections explore the implications of varying migration rates and other factors, including household numbers arising from the use of different trajectories for future household formation rates.

Chelmer Model

3.1.16 The Pegasus Planning Group has submitted a Planning and Housing Background Paper as part of representations on the Core Strategy. This presents an alternative set of demographic projections produced by the Chelmer Population and Housing Model, which is broadly similar in structure to the SNPP and SNHP models. A baseline projection aims to confirm the model is correctly calibrated by replicating the ONS 2012-based population projections. As with the GL Hearn projections, variants consider the impacts on population and household numbers of different migration rates and household formation rates and variations in other assumptions.

NET MIGRATION ASSUMPTIONS

3.1.17 Assumptions on likely future net migration rates are a key element in assessing housing need (as required by paragraph 159 of the NPPF). Projections can be based on different assumptions about how past trends in net migration may develop over the plan period. There is no 'natural' rate of net in-migration into an area. Levels of net in-migration in the past and in the future are always closely related to house-building rates and are strongly influenced by economic cycles. This is illustrated in *Table 3.2*, which shows that, for SoAD, there was no continuous linear trend during the 2000s but rather a rise to and descent from a peak in 2005-2006. The ten year average rate for the latest ten year period for which data are available, ie. 2004 to 2013 is 956 pa. The latest five year average is 384 pa.

Table 3.2 Annual Net Migrants to SoAD, 2002 to 2012

Period	Annual Net Migrants		
	Internal	International	Total
2002	1,040	-122	918
2003	933	-24	909
2004	755	-98	657
2005	1,202	387	1,589
2006	1,140	972	2,112
2007	1,337	621	1,958
2008	546	778	1,324
2009	134	248	382
2010	533	94	627
2011	803	111	914
2012	-244	0	-244
2013	316	-75	241
2002-2011	total 8,423	2,967	11,390
	pa 842	297	1,139
2003-2012	total 7,139	3,089	10,228
	pa 714	309	1,023
2004-2013	total 6,522	3,038	9,560
	pa 652	304	956
2008-2012	total 1,772	1,231	3,003

Period		Annual Net Migrants		
		Internal	International	Total
	pa	354	246	601
2009-2013	total 1,542		378	1,920
	pa 308		76	384
Source:ONS, 2013 Mid-year population estimates, components of change				

- 3.1.18 The SNPPs use net migration assumptions derived from an analysis of trends in the numbers of persons, by sex and age group, moving between different local authorities over the previous five years. This is a dynamic interpretation of the trend during that period, however, rather than a straight application of the average rate pa. The Components of Change table from the 2012-based SNPP shows a gradual increase in net in-migration from 600 in 2013 to around 1,000 by 2028, with an average net in-migration of 847 pa from 2013 to 2031 (19 yrs). This is substantially lower than the annual figure (and hence 20 year average) over the period 2011 to 2031 of 1,400, from the Components of Change table from the previous, 2010-based, SNPP.
- 3.1.19 The impact of net in-migrants on total population over the plan period is greater than the total number of net in-migrants, as each year's net in-migrants contribute an increment to the resident population and hence to its natural change in later years resulting from the surplus of births over deaths.
- 3.1.20 The CWSHMA Update projection adopts the net in-migration assumptions from the 2012-based SNPP, commencing at the fixed start date of mid-year 2013. The previous CWSHMA projection which aimed at reproducing the 2011-based SNPP (PROJ 1A) assumed an average net in-migration rate of 1,056 pa, based on a 2001 to 2011 period.
- 3.1.21 The Chelmer Model projection which aims at validating the 2012-based SNPP assumes average net in-migration of 847 pa, as in the SNPP, while its preferred baseline demographic projection based on 'long term' migration trends assumes an average net in-migration of 1,031 pa.

HOUSEHOLD FORMATION RATE ASSUMPTIONS

- 3.1.22 Household formation rates (HFRs) are of fundamental importance in estimating housing need from the output of demographic models. The latest CLG 2011-based Interim SNHP, published in April 2013 and covering the ten year period, 2011 to 2021, take on board key findings from the 2011 Census. This found that the total number of households in the UK in 2011 was significantly lower than had been estimated in the previous, 2008-based, household projections. A report produced by the Cambridge Centre for Housing and Planning Research (CCHPR) for the Town and Country Planning Association in September 2013¹, suggested that this slowdown in household

¹ "New estimates of housing demand and need in England, 2011 to 2031" by Alan Holmans, CCHPR (September 2013)

formation rates is likely to be partially due to the recession and its impact on the housing market. At the national level, the report estimates a 'shortfall' of 375,000 households between the 2011 Census and the 2008-based projections for that year, adjusted to take account of the higher than projected population in 2011. It assumes that 200,000 (53%) of this total is due to an over-projection of immigrant households which will not be reversed, and the remainder was due to the state of the economy and the housing market, from which recovery may eventually be expected.

- 3.1.23 The CCHPR report takes the 2008-based household formation rates used hitherto in the CLG's household projections to represent the long term trend, and those used in the latest 2011-based interim projections (to 2021) to represent a trend under 'suppressed' demand. The key issue for any assessment of housing requirements over a twenty year period is the rate at which household formation rates may be expected to recover from their 'suppressed' position. The CCHPR report produces an 'extended official projection', which extends the 2011-based ONS population and household projections at national level from 2021 to 2031, and a 'modified trend projection' which allows for a gradual return toward 2008-based household formation rates from 2016 onwards.
- 3.1.24 The CWSHMA and the Chelmer Model follow a similar logic by producing projections using HFRs intermediate between the 2011-based household formation rates and the 2008-based rates, as well as baseline projections based on the former HFRs only. The intermediate assumptions combine the 2011-based headship rates over the period to 2021, in the case of the CWSHMA (PROJ 1A – Midpoint Headship projection), and to 2016 in the case of the Chelmer Model, with the assumption that over the rest of the period to 2031 rates will recover in line with trends shown in the 2008-based SNHP.
- 3.1.25 The CWSHMA Update includes a new scenario that employs a faster rate of return of household formation rates to 2008-based projected levels, and is called 'part return to trend' (paragraph 2.21). GLH consider this a more 'sophisticated' approach to the recovery of suppressed household formation rates and adopt it as their preferred demographic projection in the CWSHMA Update (paragraph 5.13), representing a 'full adjustment' in relation to any future prospective recovery of household formation rates.

VACANCY RATE ASSUMPTIONS

- 3.1.26 In SoAD, the number of shared households is negligible, so each projected household can be assumed to require a single dwelling. At any one time, however, a certain proportion of the dwelling stock is vacant, partly as a result of activity in the market and partly because some dwellings comprise second homes, which are not normally occupied by a resident household. Vacancy rate assumptions are required to convert the projected number of households to the number of dwellings required to house them.
- 3.1.27 The 2011 census found 2,886 vacant homes in SoAD, out of 54,814 household spaces, a combined rate of 5.3% which is somewhat higher than the equivalent figure of 4.4% from the 2001 census. The 2011 census also found 981 households usually resident outside SoAD with a second address

within the district which they stated was for working (553) or holiday (428) purposes, or 1.8% of the total household spaces in the district. The CWSHMA and CWSHMA Update assume a vacancy rate of 3% in the new housing stock, in line with rates used in many Strategic Housing Market Assessments, including the Birmingham, Solihull and Black Country Strategic HMA, just published.

3.1.28 SoADC's Private Sector House Condition Survey of 2009 estimated that 1,360 dwellings or 2.9% of the private sector housing stock (both owner occupied and private rented), which comprised 87% of the total stock, were vacant at that time (a figure which will have excluded second homes). This suggests that the vacancy rate had probably increased during the recession by the time of the 2011 census, although the data sources are not precisely comparable. It may be assumed that the frictional vacancy rate in the affordable or public rented sector would be no higher than this figure. Furthermore, the existing private sector stock contains a large number of long term vacant dwellings which may potentially be returned to occupation.

3.1.29 The 2009 Survey found 800 of the private sector vacant stock had been empty for six months or more. SoADC's Empty Homes Strategy¹ aims to bring back as many as possible of these 800 long term vacant dwellings into use. Given this potential source of dwellings to accommodate some net additional households, it is reasonable to assume that a total vacancy rate, including second homes, of 3% applied to the net additional housing will be sufficient to cover vacant and second homes in the new stock.

HOUSING NEED OUTPUTS OF DEMOGRAPHIC MODELS

3.1.30 *Table 3.3* sets out the annual housing need for SoAD from 2011 – 2031, derived from the various demographic models.

Table 3.3 Housing Need from Demographic Projections for SoAD, 2011- 31

Projection		Net Migration pa	Population Increase	dpa
ONS	ONS 2010-based SNPP	1,400	24,200	
CWSHMA	PROJ 1A – Midpoint Headship	1,056	15,960	538
ONS	ONS 2012-based SNPP	847	11,200 (2012 -2031)	
CWSHMA Update	2012-based SNPP ('Midpoint HFRs')	847	10,683	463
CWSHMA Update	2012-based revised HFRs ('part return to trend') in CWSHMA Update	847	10,683	508
Chelmer	2012 SNPP	847	10,976	476 ¹
Chelmer	2012 SNPP plus Long Term migration	1,031	18,146	637 ¹
Note 1: Assuming vacancy rate of 3%				

¹ "From Empty Homes to New Homes: 2012 to 2015, SoADC, 2012

- 3.1.31 For SoAD, the PROJ 1A – Midpoint Headship projection in the CWSHMA (Table 48 of the CWSHMA) shows a housing need for SoAD of 538 dpa for the period 2011 to 2031. The equivalent figure associated with the 2012-based SNPP given in the CWSHMA Update is considerably lower at 463 dpa. However, the ‘part return to trend’ projection, with its stronger household formation rates, shows a housing need of 508 dpa (Figure 6 of the CWSHMA Update).

Chelmer Model

- 3.1.32 The Chelmer Model baseline projection, used by Pegasus, intended to replicate the ONS 2012-based population projections, projects a housing requirement of 487 pa using a vacancy rate of 5.3%, or 476 pa assuming a 3% vacancy rate. Pegasus’s second Chelmer Model projection adjusts the net in-migration rate up to 1,031 pa, which is an average for the eleven year years 2002 to 2012 with the highest and lowest years’ figures excluded. This shows a housing requirement of 653 pa using a vacancy rate of 5.3%, or 637 pa assuming a 3% vacancy rate. Adopting the same approach to high and low figures for the more recent twelve year period for which net migration data are now available, ie. 2003 to 2013, as given in *Table 3.2*, the average net in-migration rate would stand at 929 pa, close to but lower than the figure of 956 for the full ten year period 2004 to 2013. The second Chelmer Model ‘long term migration’ projection therefore overestimates the ten year migration average figure by some 100 persons per annum.

CONCLUSION ON DEMOGRAPHIC NEED FOR SoAD

- 3.1.33 In our view, the projections in the CWSHMA Update replace those in the CWSHMA in providing an appropriate tool for assessing the impact of natural population change and different levels of net in-migration on future housing requirements. However, unlike the CWSHMA, the CWSHMA Update does not provide a projection based on a ten year net migration assumption, which we consider would be the most appropriate basis for assessing demographic housing need as it is not unduly influenced by the effects of the economic recession and better reflects the migration levels associated with SoAD’s past and potential employment growth (see *Section 4*).
- 3.1.34 *Table 3.2* indicates an average for the most recent ten years for which there are data, 2004-2013, of 956 persons per annum. This figure is 109 persons higher than the average of 847 pa from the 2012-based SNPP adopted. Comparison of the increments of net in-migrants and housing numbers from the wider set of CWSHMA Update assumptions shows that in broad terms 0.53 additional dwellings are required per additional net migrant. The housing need arising from the additional 109 net migrants can thus be calculated to be around 58 dpa, giving a total housing need, assuming a 10 year migration trend assumption and ‘part return to trend’ HFRs, of close to 565 dpa. The equivalent Chelmer Model projection can be set aside, since its ten year net in-migration assumption is higher than indicated by the data.

- 3.1.35 In our view, the best estimate of housing need in SoAD based on demographic projections of potential future household numbers is 11,300 over the period 2011 – 2031, an average of 565 dpa, as this figure is based on:
- the demographic variables used in the latest ONS 2012-based SNPPs, in terms of birth and death rates, and age structure of net migrants;
 - net migration assumptions derived from the ten year average from the most recent data (2004-2013), rather than based on the lower five year figures used in the ONS 2012-based SNPPs, which were significantly affected by the lower migration levels during the recession years;
 - the ‘part return to trend’ household formation rates adopted in the CWSHMA Update, which represent a ‘full adjustment’ to any future prospective recovery from the suppressed household formation rates of the recession years; and
 - a reasonable long term vacancy rate of 3%.

3.1.36 As the EPB agreed housing numbers for other districts in the HMA set out in *Table 1.1* already vary significantly from the CWSHMA Update district figures, making such an adjustment to the Stratford figure of 540 dpa would not be incompatible with the overall adopted OAN for the SHMA of 4,004 dwellings pa, which shows a shortfall of 234 dwellings, yet to be distributed among the districts.

4 ECONOMIC AND EMPLOYMENT GROWTH PROSPECTS

INTRODUCTION

- 4.1.1 The Core Strategy evidence base contains a substantial set of reports and material that provides an assessment of economic development needs for SoAD, which reflect the advice in PPG.
- 4.1.2 There are a number of other studies and available data which are also relevant to establishing a robust view of the economic development and employment prospects for SoAD in the sub-regional context.
- 4.1.3 Paragraph 18 of the PPG states that plan makers should take employment trends into account in deriving housing requirements, proposing they 'make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area'.
- 4.1.4 This element of the Consolidated Review has reviewed the Core Strategy evidence and other relevant studies and has brought this material together as a summary of employment growth prospects, with a particular focus on the advice in paragraph 18 of the PPG.
- 4.1.5 The Consolidated Review sets out:
- district trends in terms of job numbers by industrial sector in order to identify those sectors which have shown potential for expansion or contraction over the plan period¹;
 - a review of regional and sub-regional assessments of total and sectoral employment growth potential undertaken by government and other bodies²;
 - an assessment of the reliability of recent total and sectoral employment projections that have been undertaken for the CWSHMA area and its constituent districts by Experian and Cambridge Econometrics/Warwick Institute for Employment Research³.
 - to provide a range of job forecasts for SoAD for the period 2011 to 2031, that are appropriate for planning purposes. Given the greater uncertainty of longer term trends and the resultant forecasts, we have

¹ Data sources include Annual Business Survey, Annual Business Inquiry and Business Register Employment Survey.

² The assessments that have been reviewed include The Coventry and Warwickshire Strategic Economic Plan (March 2014), Coventry and Warwickshire Strategic Employment Land Study (October 2014), Coventry and Warwickshire Economic Assessment (March 2011), Stratford Convenience Goods Retail Study Update (April 2012) and Stratford Employment Land Study, Final Report, August 2011)

³ Experian data provided courtesy of GL Hearn. Cambridge Econometrics /WIE data provided courtesy of Warwickshire County Council, who hold a licence with CE/WIE.

presented an interim forecast for 2021 in order to provide a more helpful focus for discussion at the CS Examination. The forecasts are compared to relevant projections produced by others.

LOCAL EMPLOYMENT ESTIMATES

Office for National Statistics

- 4.1.6 The ONS is the UK's largest independent producer of official statistics and is the recognised national statistical institute for the UK. ONS notes about itself that it *'is responsible for collecting and publishing statistics related to the economy, population and society at national, regional and local levels. It also conducts the census in England and Wales every ten years'* (www.ons.gov.uk). ONS plays a leading role in national and international good practice in the production of official statistics and for most purposes is the 'go-to' source for economic statistics in the UK.
- 4.1.7 ONS publishes two sources of employment estimates for local authorities – the Business Register and Employment Survey (commonly referred to as BRES) and the Annual Population Survey (APS). BRES is an annual business survey which asks firms to respond with information about employee numbers, turnover, sites and area of business activities. The APS is a quarterly household survey undertaken with individuals, usually within their homes. It includes the Labour Force Survey (LFS) and enquires about respondents' employment status, industry, hours, travel to work, job(s) etc. Neither of these sources of employment estimates are censuses, instead both are undertaken as samples. There is no UK census of employment.
- 4.1.8 Both these official sources provide valuable information about employment from local level upwards. However, both have their drawbacks. BRES, for example, is a business survey, completed by business owners, and as such, it excludes self-employed people. Likewise, businesses which are not registered for VAT and PAYE (which tend to be quite small) are also excluded, meaning that the owners of these businesses are not counted in the BRES figures. Others, such as armed forces personnel and those on official government training schemes, are also excluded. Thus, while employees are well covered, a small minority of other workers are not. There are also issues with continuity: BRES replaced the Annual Business Inquiry (conducted between 1998 and 2007) which itself developed out of its predecessor the Annual Employment Survey. Time series data from these sources is not available as a single dataset and there are inconsistencies of approach between them.
- 4.1.9 Turning to the APS, this covers all UK adults (with the exception of some living in institutions), and includes the related LFS which focuses on labour and work issues. Because it covers all adults, the self-employed and other missing groups are included. The APS/LFS are personal surveys, undertaken with respondents, usually in their homes. As the questions are asked of the individual rather than the business, there is arguably greater scope for confusion regarding the industrial sectors in which respondents are working. This is particularly the case because the LFS has a high proportion of proxy interviews (c.30%) when compared with other surveys such as the General

Household Surveys (c.5%). Proxy interviews are carried out with another member of the household if the respondent is unavailable.

- 4.1.10 Both BRES and the APS have the advantage of distinguishing between the Standard Industrial Classifications (SICs) in which respondents work¹. However the scope of each does not coincide exactly. Furthermore, one person with two jobs could show up twice on BRES – once in each of their employers' returns.
- 4.1.11 To avoid these issues, another ONS measure of employment at local level is the jobs density dataset. Available from NOMIS (www.nomisweb.co.uk, ONS's official Labour Market Statistics website) this provides a measure of employment with all the self-employed included and is recommended by ONS's Labour Force Survey team as their 'official' job estimate. Unfortunately, it is a measure of total jobs only and does not show the industrial sectors in which people are employed.
- 4.1.12 Therefore, in order to consider employment by industry using official statistics, one or other of the two main sources listed above is preferred. But in putting together a dataset, there is another challenge. SIC codes, which represent categories of economic activity within an economy, are restructured occasionally to accommodate new industrial sectors. In recent years, there have been SIC code revisions in 1980; 1992; 1997; 2003 and 2007. Sometimes changes are relatively minor, with new activities being added under existing headings (eg. in 2007 'manufacture of basic pharmaceutical products and pharmaceutical preparations' was added within manufacturing). However in other cases changes are more significant, such as when, also in 2007, a new section (J), comprising 'Information and Communication' was created. The consequence of these alterations is that generally data composed under different SIC regimes are either not comparable, or perhaps only comparable for one or two transition years, where ONS statisticians have linked together data relating to the original and revised SIC codes. This latter is a complex task, as although there are only 21 industrial sectors, each may have up to four orders of sub-headings underneath them. As ONS notes, *'the introduction of some new concepts at the section level, for example the 'Information' section or the grouping of activities linked to environment, makes easy overall comparison between SIC (2007) and its previous version impossible.'* This has the effect of limiting the length of comparable time series datasets to a few years only.

Alternative Statistics

- 4.1.13 Because of the difficulties in obtaining up to date, reliable and complete statistics over reasonable time periods (especially at a local level), a number of specialist economic and data consultancies have developed products to fill the gaps in economic data, finding there is a ready market up and down the

¹ The Standard Industrial Classification (SIC) was first introduced into the UK in 1948 for use in classifying business establishments and other statistical units by the type of economic activity in which they are engaged. Examples at the highest level include Manufacturing; Construction; Accommodation and food service activities; Education; Transport and storage etc. For a full breakdown, see *UK Standard Industrial Classification of Economic Activities 2007 (SIC 2007), Structure and Explanatory Notes*, Office of National Statistics.

country, especially among local authorities, LEPs and other public agencies or public/private partnerships. Some such products look to alternative sources for data, such as in-house databases assembled over many years of business operation, Companies House or specialist information services companies.

- 4.1.14 One such company, TBR, has been working in recent years with the Coventry and Warwickshire LEP to provide detailed economic data regarding employment, gross value added (GVA), company start ups, firm closures and the number of firms, all of which are available by the main sector headings of the 2007 SIC. TBR describe their approach as 'bottom up', and use their national database of around three million firms to inform their analysis. Their approach is to develop long time series data sets using material submitted on an annual basis to Companies House. This includes information about economic activity, business performance, employment, directors and share capital. Where data is missing, such as in the case of sole traders and limited liability partnerships, TBR impute it based on known patterns, and/or buy it in from Dun and Bradstreet or other core data providers. The result is a detailed set of economic data regarding firms in the Coventry and Warwickshire LEP area, which can be interrogated by local authority area or by rural/urban location, as well as by SIC code.
- 4.1.15 TBR, like ONS, do not produce forecasts, rather the focus is on gaining a better understanding of local labour markets. Furthermore, because their approach is different to that of ONS, estimates of the amount of economic activity (defined by employment, firm numbers or GVA) are not the same as those prepared by ONS, via BRES and the LFS.
- 4.1.16 Beyond the survey methods employed by ONS, and the data sifting undertaken by companies such as TBR, the third and final key technique used for estimating local employment is the tool of econometric modelling. This practice is commonly used and has been applied specifically in the SoAD context, where it is the only approach that includes the provision of a forecast. The econometric modelling approach is discussed further from paragraph 4.1.25.

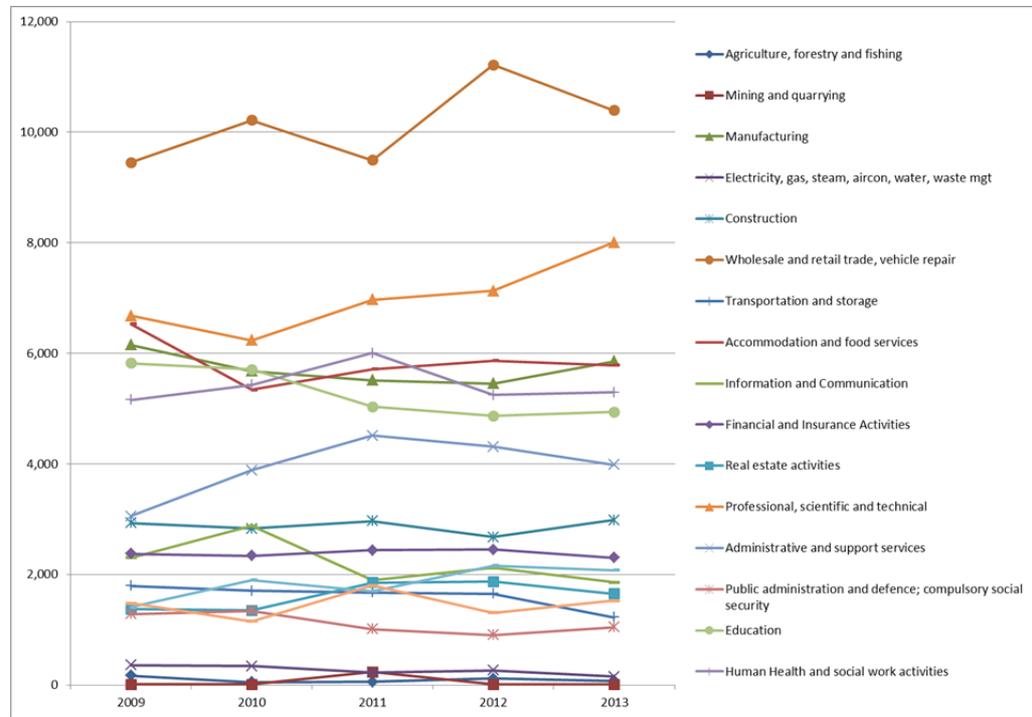
A SUMMARY OF PAST EMPLOYMENT TRENDS IN SUB-REGION AND SoAD

ONS Data by Sector

- 4.1.17 Sectors evolve over time (eg. due to technological progress) and official statistics are generally slow to keep pace, with changes in SIC regimes taking place only occasionally, meaning that some innovative activities may be 'mis-classified'. In addition carefully put together statistics necessarily suffer from a time lag, meaning data is sometimes not as up to date as desired.
- 4.1.18 Past data provides some useful insights as to what is happening in a local, regional or national economy. As has been experienced elsewhere in the UK and in other developed economies, in SoAD there has been a change in the employment structure of the local economy away from manufacturing and towards services, in particular, to retail and also to knowledge intensive services such as finance, professional services and ICT.

4.1.19 As detailed above, in analysing data in detail, long time series of official data present difficulties, so only the recent changes in the employment structure of the SoAD economy are presented in *Figure 4.1*. Observations start in 2009, the first full year of BRES data.

Figure 4.1 Employment by Industrial Sector in Stratford-on-Avon District, 2009 to 2013



Source: ONS, BRES

Sectors in Growth and Decline

4.1.20 Going back to the 1980s, in SoAD, the four leading industrial sectors (based on employment numbers) were manufacturing, wholesale and retail trade (this includes repair of motor vehicles), accommodation and food service activities, and construction - in that order. These sectors were consistently responsible for an estimated 55-60% of all employment in SoAD. Considering the situation now, the most employment intensive industrial sectors are wholesale and retail trade; professional, scientific and technical; accommodation and food service activities and manufacturing. In addition, the sectors of administrative and support and human health and social work both employ comparable numbers to manufacturing, and their growth, together with that of other sectors such as education, has contributed to an increased diversification of the economy.

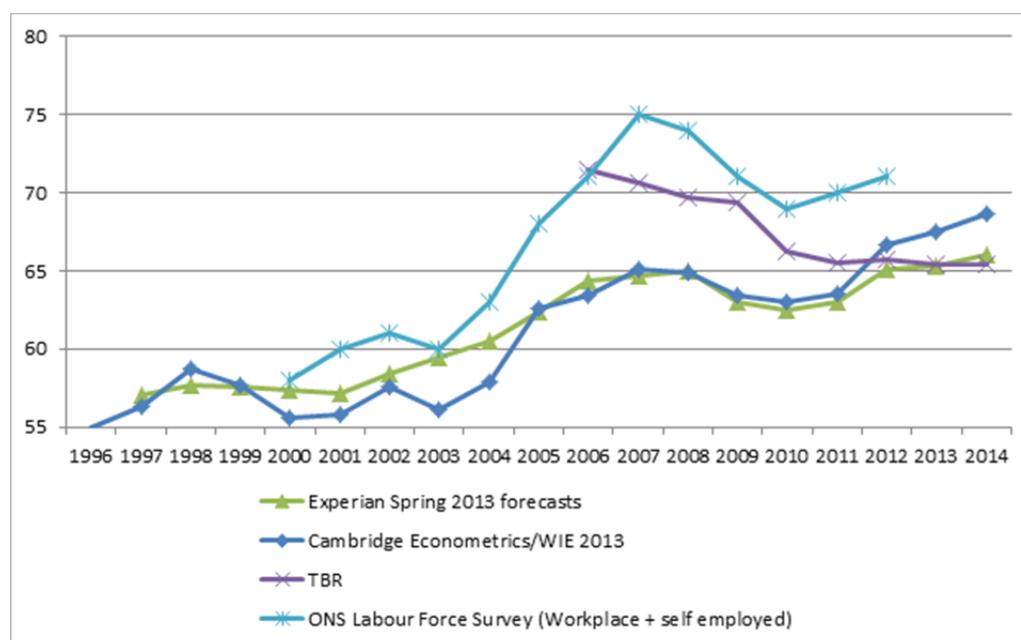
4.1.21 Since the 1980s, according to data put together by Cambridge Econometrics¹, only two sectors have reduced their employment levels – manufacturing, and public administration and defence. However increasing capitalisation and productivity in the former has ensured that GVA for the sector has continued to rise.

¹ Cambridge Econometrics/IER Estimates 2013, data kindly provided by Warwickshire County Council, who have a license with Cambridge Econometrics.

Overview of Past Trends

- 4.1.22 Because of the challenges involved in overcoming the regular SIC code changes and methodological alterations in statistical data collection (see above), there are limited details illustrating long term employment growth to 2011. Different sources suggest different employment changes, and cover different years. From the beginning of the series (with a few exceptions) Experian and Cambridge Econometrics/WIE (based on econometric modelling) and ONS (based on sampling) show annual increases in jobs within the district up until 2007, when job numbers start to fall (or plateau out). All three sources have 2010 as the low point, after which each shows job numbers recovering. TBR job estimates (based on its figures derived from Companies House returns) begin much later than the other streams (starting in 2006) and report consistent year-on-year falls every year to 2011, after which numbers remain constant, but do not recover to previous levels.

Figure 4.2 Historical Changes in Total Jobs within SoAD (000s)



Source: Experian, Cambridge Econometrics, TBR and ONS

- 4.1.23 Average annual percentage changes for the sources shown are presented in Table 4.1.

Table 4.1 Annual Rate of Change in Jobs within SoAD

Series	Years	Average Annual (Compound) Rate of Change (%)
Cambridge Econometrics/WIE	1996-2011 1.0	
Experian 1997	-2011	0.7
ONS Labour Force Survey	2000-2011 1.7	
TBR 2007	-2011	-1.7

Source: Experian, Cambridge Econometrics, TBR and ONS

- 4.1.24 Our analysis takes account of these past trends in estimating likely employment in the future.

PROJECTIONS OF JOB NUMBERS FOR SoAD

Econometric Modelling

- 4.1.25 ONS does not provide any forecasts of future employment, and nor are local forecasts available from TBR. This means that (as is often the case), for SoAD, econometric models are the sole source for detailed forecasts of employment by industrial sector. Econometric models are statistical models used to predict the behaviour of (usually economic) variables. An econometric model is generally predicated on a set of relationships between variables that are believed to hold true, for example, the relationship between economic growth, population, income, expenditure and employment. These relationships are defined by many mathematical equations within the model, which together seek to 'model' or reflect the way in which a real economy functions.
- 4.1.26 Econometric models can be created to reflect a national or macroeconomic view, a regional view or a more local picture. They are often linked together so that some internal consistency is offered. The types of models employed at a local authority district level may be described as local or sub-national econometric models to distinguish them from larger scale macroeconomic or national models.
- 4.1.27 Such models are generally developed by specialist consultancies focusing on economic modelling or data analysis. Of these, Cambridge Econometrics, Experian and Oxford Economics are among the better known, and perhaps of greatest relevance to SoAD, as at varying levels, each have provided employment forecasts either specifically covering the district, or a wider area of which SoAD is part. The following paragraphs consider some of the techniques used by these companies in their modelling, and the resulting employment forecasts.

Purposes and Limitations of Local Economic Forecasts

- 4.1.28 The world is an uncertain place, with just about the only certainty being that it will not stand still. To accommodate this continuous change, many people are involved in planning and forecasting, either in a professional sense, or in a personal sense, to establish how things will be different, what impact this will have, and what decisions can be taken in advance in order to prepare for change and to best capitalise on the opportunities arising therefrom.
- 4.1.29 Cambridge Econometrics and the Warwick Institute for Economic Research (WIE), in the description and user manual accompanying their local economic model, identify the principle purposes of forecast provision as twofold to:
- guide policy decisions made by government and its representatives, so that the institutional framework may be appropriately constructed; and

- act as a general aid to the individual actors operating within the labour market, such as individual students and workers, who will wish to ensure that their own decisions result in the best possible outcomes.

- 4.1.30 Effective econometric models provide a vehicle for bringing together relevant information about the economy, and presenting it in a form which offers some hope of reasonable interpretation. At the same time, they provide a mechanism for drawing out the future implications of a continuation of past trends, as well as enabling 'what if' scenarios to be developed.
- 4.1.31 As regards limitations, no one has a crystal ball. Employment forecasts produced through the use of econometric modelling, while useful in giving a broad indication (or a 'direction of travel') of economic potential in a region or area, are not a reliable source for projecting future demand for labour in an individual local authority area such as SoAD. Some of the evidence supporting this view has already been presented elsewhere^{1,2} but it is repeated here for completeness.
- 4.1.32 Firstly, such models indicate broad potential within a sub-regional context and are not responsive to the local geography and planning context within a district. They are not intended to provide job targets for a 'predict and provide' style of local planning and their reliability is generally considered to be less at a local level than at a regional or national level. In fact local 'benchmark' projections may be intended more as indicative estimates, to be used as a basis for producing specific local area forecasts against local qualitative information.
- 4.1.33 Secondly, they are highly sensitive to their input assumptions, especially on the prospects for the national economy. The forecasts are heavily dependent on current views of long term prospects, which change frequently and often substantially in response to more immediate global, national and regional factors. The impact from alterations in the economic environment that provides the framework for inputs into these models is one of the issues that produces a variation between models in future job forecasts. Another issue that produces variation between models at the end of the period is that even at the beginning of the period, if two different models are set at a given start date, it is most unlikely that they will agree on the same job number to begin with, either in total, or at a lower level, by individual SIC groups. This is because it is not just future job forecasts that are modelled, but also present and past job numbers. As we have seen from the official statistics, there is no absolute consensus on starting positions of job numbers – even once the data has been collected and validated. This is also the case for the econometric modellers, each of whose models tend to suggest different job numbers, even for years for which data is available.

¹ Appeal by Gladman Developments Ltd, Welford on Avon. Rebuttal Proof of Evidence of Ian Gilder in response to Proof of Evidence of Ricardo Gomez, October 8 2014.

² Appeal by A C Lloyd Homes Ltd Against the Non-Determination by Stratford-on-Avon District Council of an Application for Residential Development of 28 Units, at Godsons Lane, Napton-on-the-Hill. Proof of Evidence of Ian Gilder in relation to Objectively Assessed Housing Need and Requirements, 7 October 2014.

4.1.34 Thus, there is often some difficulty establishing the current position, let alone forecasting the future. Furthermore there are other drawbacks to econometric modelling, which may threaten the accuracy of its results. These include:

- within overall social sciences (and especially economics) there are still major gaps in predicting how systems and individuals are likely to behave. Often people and firms may respond to stimuli in apparently irrational ways, or ways which do not meet theoretical expectations;
- past behaviour is not always a good guide as to how things will develop in future;
- there are technical difficulties in forecasting which are often ignored due to data limitations; and
- many events are inherently unpredictable. These include natural events, political events and so forth, but also major one off local investments (for example, on the part of a large local employer such as JLR) which, if not specifically considered by the modellers, would not be predicted by the model's output.

4.1.35 While these issues together amount to severe limitations, it is important also to recognise that with something as complex as forecasting the future, no single method will be flawless. Econometric forecasts are generally intended to provide a 'benchmark projection', initially drawing on the assumption that the local area will perform in line with national or regional trends. There is, and should be, no pretence that the model has 'the answer'. Rather, in the words of the Cambridge Econometrics/WIE manual¹, '*Forecasts are not precise estimates of the future but should provide an indication of the direction, scale and pace of change. Having said that, most forecasters regard their latest forecast as the most likely outcome, given the information in their possession. They may hedge this with some alternative but less likely scenarios around the central view. Forecasts should be regarded as intelligent guesses rather than accurate predictions.*' (page 5).

The Experian Local Economic Forecasting Model

4.1.36 Outputs from employment forecasts provided by Experian, dated May 2013, which were used by GL Hearn, in the CWSHMA and CWSHMA Update, have been made available to ERM. This forecast runs until 2031 and includes each individual local authority covering the Coventry and Warwickshire area – including SoAD. Experian produce modelling outputs at the level of 38 SIC sectors and 12 SIC sectors.

Method and Parameters

4.1.37 To produce regional forecasts, Experian uses a 'heavily customised version' of the National Institute of Social and Economic Research's (NISER) model to produce a core macroeconomic forecast. The resulting Experian national model forecasts multiple variables (including aggregate output, expenditure,

¹ Local Economy Forecasting Model (LEFM) Version 9, Description and User Manual, November 2012, Cambridge Econometrics and the Warwick Institute of Employment Research

income and employment) and draws on UK National Accounts data published by the ONS. Sectoral forecasts are derived through disaggregation of the total into consumption, investment, government spending, stocks, imports and exports, which produces a demand forecast. The demand forecast is split into industrial sectors through use of input-output figures from ONS (input-output tables are matrices which are used to illustrate the links or relationships between industrial sectors – a certain spend in Sector N is associated with quantified expenditure in Sectors X, Y and Z, for example).

- 4.1.38 At the regional level, data on employment tends to be among the better data sets available, and Experian takes advantage of this, making employment one of its key focus areas, and using it to derive the other variables produced in regional models. Employment forecasts depend on two main drivers, the first of which is the number of hours worked. Initially based on the ONS' Annual Survey of Hours and Earnings, this survey breaks hours worked into the main 20 SIC headings (A-T). Experian then uses evidence from ONS' Business Register and Employment Survey (BRES) to extrapolate the 20 SIC headings up to 38 SIC headings. The second key driver, after hours worked, is population, for which official ONS projections are used, at least initially¹. Population feeds into the labour force but also generates its own demand for labour (more people need more haircuts, education, building, retail opportunities and so on). A regional forecast of hours worked (and through this, associated jobs) is obtained from a 'blend' of local population forecasts and national forecasts of hours worked, the latter informing regional hours through a forecasting mechanism which ensures the sum of all regional hours work cannot exceed the total national figure.
- 4.1.39 Local (district) datasets are more restricted than regional datasets and compromises are more often necessary, including the use of techniques to interpolate data and smooth over the data volatility which is more commonly found at local levels. Experian again makes use of ONS' annual BRES to estimate the demand for jobs by industry sector while provisional employment demand forecasts also draw on population and the historical performance of the district relative to the rest of the sub-region. On the supply side, population, working population and participation rates help in the development of a provisional labour supply estimate. Experian's models then derive an equilibrium, based on the interaction between the demand and supply elements, and taking into account the size of labour supply relative to demand, with (historical) levels of commuting also built in.
- 4.1.40 The local and regional models are 'constrained upwards' so that the respective regional and national totals for all key variables act as a 'cap'. The whole methodology is necessarily complex, relying on a range of advanced assumptions and inputs. For this reason, Experian continues to redevelop

¹ ONS Population projections are used to establish a starting population. It is not clear whether either the CE/WIE model or the Experian model (or both) makes use of ONS population projections further into the modelling period, or whether population forecasts are generated within the model. However, Experian in their data guide note that 'Population projections are a key driver in the forecast'. Retrospective revisions to official population projections (which are made by ONS from time to time – eg a recent change in migration figures resulted in a step change in total population) have impacts on the econometric models which are then recalibrated with the revised ONS data

and re-visit its models, so that abnormal events such as those which have taken place in recent years (including, for example, step changes in population produced by ONS revisiting earlier estimates, or macroeconomic changes caused by external shocks) can be accommodated, and recalibrated into local, regional and national models accordingly.

- 4.1.41 The company regularly releases documentation explaining the workings of its model (for example the Experian Data Guide, UK Regional Planning Service, September 2014). However, the exact functioning of the model, and many of the relationships within it, are not, so far as ERM is aware, publicly known, so that there are necessarily elements within the model that remain essentially a 'black box' process which from the outside cannot be fully appreciated.

Cambridge Econometrics/WIE Models

- 4.1.42 Cambridge Econometrics/WIE forecasts (August 2013) have been supplied to us with permission from Warwickshire County Council. Like the Experian forecasts above, the Cambridge Econometrics/WIE's forecasts are for SoAD and are from the Local Economy Forecasting Model (LEFM).

Method and Parameters

- 4.1.43 As in the Experian approach, the LEFM, jointly developed by Cambridge Econometrics and the Warwick Institute for Employment Research, is linked to the more general national and regional forecasts prepared by CE/WIE, which provide the model's key inputs. As in the Experian case, the CE/WIE approach draws on ONS data and ensures that the local/regional/national models are internally consistent. For example, aggregate economic activity in a region's local authority areas cannot exceed total economic activity in the region, and all regional activity combined cannot exceed all economic activity nationally.
- 4.1.44 As with Experian, the CE/WIE methodology follows the standard national accounting structure, considering consumers' expenditure, investment, government spending, investment and trade flows.
- 4.1.45 Locally, assumptions for trends in industries' shares of the local market and of national production inform the model, as do the levels of population. At the regional and local level, there tends to be a concentration on population and employment statistics (where data sets tend to be good), with limited local information on, for example, household expenditure and investment. The latter tend to be imputed from data available at a national level, and/or from the national model.

4.1.46 There is some discussion of data quality in the LEFM Manual, which alludes to the consistency problems mentioned above as well as issues of data availability and timeliness. The discussion confirms that the problematic issues with data described affect not just ONS but the econometric modelling approaches too.

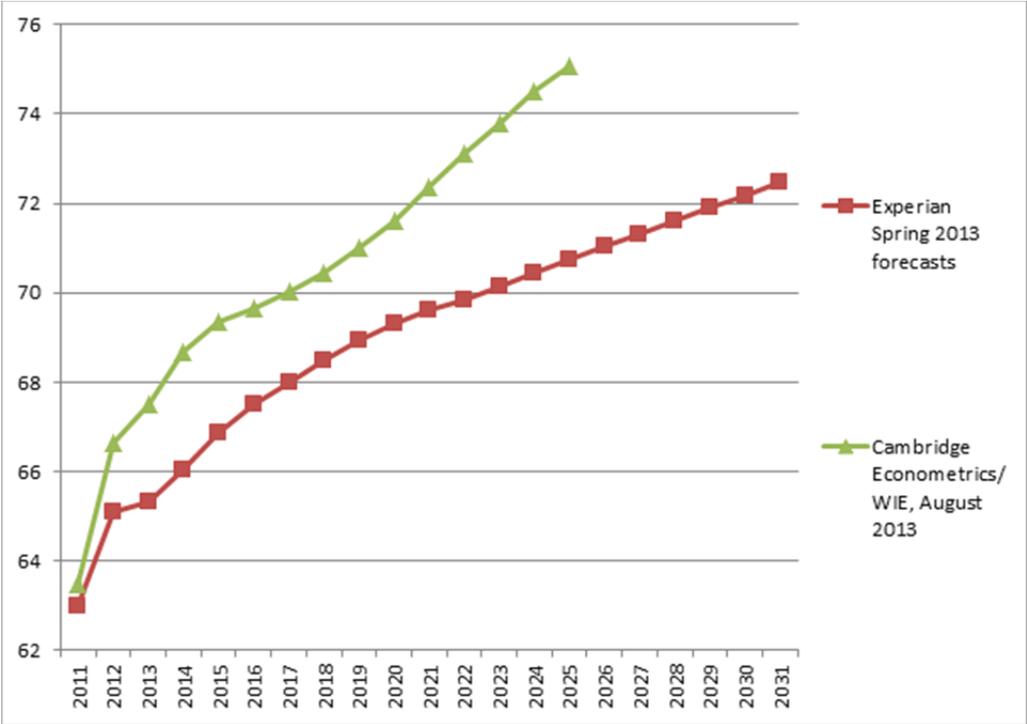
Experian and Cambridge Econometrics/WIE Forecast Job Levels (Workforce Jobs)

4.1.47 *Figure 4.3* indicates the outputs from the Experian econometric forecast for SoAD, as well as that from the Cambridge Econometrics/WIE model. These show all jobs, with no SIC distinctions, or accounting for full-time/part-time or other positions. These are the original forecasts, with the Cambridge Econometrics/WIE forecast extending to 2025, and the Experian estimate running to 2031.

4.1.48 Presenting the two aggregate job totals on the same graph enables differences in the outputs from the models to be seen. The two different starting positions are discernible at the bottom of the chart, with the Cambridge Econometrics/WIE figure starting at around 500 more than the Experian figure and finishing (in 2025) at over 4,000 more.

4.1.49 For comparison, BRES data in 2011 indicated some 59,000 jobs in SoAD, a figure too low to be included on the chart axis. However, this is consistent with reasonable expectations due to the exclusion within the BRES figure of the self-employed as well as certain individuals fitting into other minor categories.

Figure 4.3 Long Term Job Forecasts (000s), SoAD, 2011 to 2031

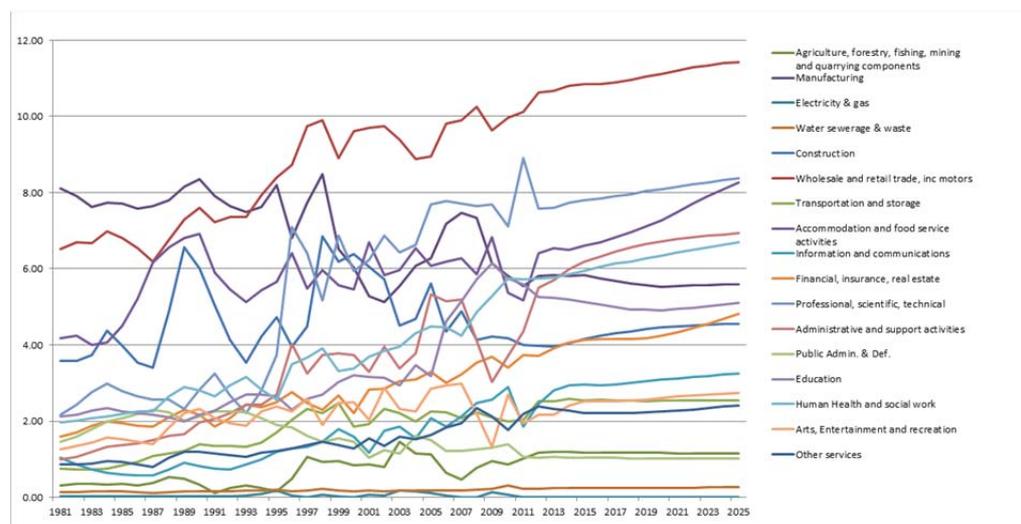


Source: Cambridge Econometrics/WIE August 2013 and Experian, Spring 2013

- 4.1.50 The Experian forecast runs from 2011-2031, with an increase of 9,500 jobs estimated over the period. However, this increase includes a substantial rise of 2,100 taking place between 2011-2012 alone. The Cambridge Econometrics/WIE forecast covers 2011-2025 - six years fewer than the Experian forecast. With this forecast indicated by the green line, the model predicts employment rising by 11,600 over the period to 2025.
- 4.1.51 The Cambridge Econometrics/WIE modelling, as with Experian, contains evidence of a sharp increase in employment between 2011 and 2012, in this case over 3,000 jobs. This rapid 'step-change' represents a recovery in job numbers which, due to the recession of 2008, had fallen to a low of 63,000 by 2009. During 2011-2012, there is evidence from ONS of an increase in the number of employed residents in SoAD and also of a reduction in the claimant count. However, the increase is not as significant as that indicated by Cambridge Econometrics/WIE or Experian, with ONS' jobs density dataset (the LFS 'official' estimate of jobs) indicating a rise of 1,000 in the number of jobs and BRES suggesting a much lower increase of around 500. While one would expect BRES to return a lower estimate than the econometric approaches (because it excludes the self-employed) the recovery in employment predicted by the Cambridge Econometrics/WIE modelling, at three times the rate seen in the official figures, suggests that specific local events beyond the scope of statistical modelling may have intervened, leading to an over-estimation of the rate of short term employment recovery in the model.
- 4.1.52 The Experian data provided is at the 12 SIC level, and includes:
- Agriculture, Forestry & Fishing;
 - Extraction & Mining;
 - Manufacturing;
 - Utilities;
 - Construction;
 - Wholesale & Retail;
 - Accommodation, Food Services & Recreation;
 - Transport & storage;
 - Information & communication;
 - Finance & Insurance;
 - Professional & Other Private Services; and
 - Public Services.
- 4.1.53 The headings do not match the Standard Industrial Classification 2007 (SIC) but a matching table in the Experian published guide enables comparison between sectors, or between Experian's figures and those of other forecasters.
- 4.1.54 The CE/WIE data provided is at a greater level of detail, extending to 45 sectors too numerous to mention. The CE/WIE standard model output is shown in *Figure 4.4*. Having the data at this level of comparative detail has facilitated a more detailed analysis at the level of the sector and for this data to be interrogated against other local employment information. This enabled adjustments to be made reflecting specific local issues. *Figure 4.4* demonstrates the leading sectors for employment in 2014 are wholesale and

retail trade; professional, scientific and technical; accommodation and food services; and administrative and support.

Figure 4.4 Indicative SIC Sector Employment Forecasts, CE/WIE (000s), SoAD, 2011 to 2025



Source: Cambridge Econometrics/WIE 2013

4.1.55 There is considerably volatility in these series, with one of the notable movements being a significant jump in employment in professional, scientific and technical services (this is reflected in an inverted blue 'V' in the blue line, second from the top). This activity reflects an apparent one off increase in employment in the architectural and engineering activities; technical testing and analysis SIC (this sub sector also includes engineering design and technical consulting). This data point shows employment under this heading rising by 900 in 2011 and then promptly dropping back to its original position in 2012. Whether this is an outlier or a reflection of real activity (the former is suspected) it has the effect of creating a high starting point, such that the sector has not recovered lost employment numbers by the end of the plan period.

Other Econometric Forecasts

4.1.56 Oxford Economics is a leading data analysis and forecasting business, which as well as offering national and regional forecasting packages, also offers detailed data, forecasts and analysis on 19 industries in more than 450 local authority districts.

4.1.57 The information below is derived from published sources, the Core Strategy representation and inquiry evidence submitted by Regeneris Consulting.

Method and Parameters

4.1.58 The business provides forecasts generally based on data going back to 1991 for UK local authority districts. This means that their local data does not extend as far back as their regional data, nor as far as the Cambridge Econometrics/WIE data. OE's Local Authority District Forecasting Model sits within the company's suite of forecasting models and, as with the other

econometric models described above, is informed by changes/alterations feeding through from elsewhere, most notably:

- OE's Global Economic Model (this feeds into the LA District Forecasting Model directly and also into Oxford Economics' two national models which are their UK macro model and their UK industry (85 industrial sectors) model);
- OE's regional model for the West Midlands (itself informed by the two national models above, ie. the UK macro model and UK industry model).

4.1.59 Through the interaction with these models, a mechanism for accommodating national and international effects is built into the local models.

OE Forecast Job Levels

4.1.60 We understand that *Table 4.2* indicates the results of a forecasting exercise carried out by OE in respect of SoAD job levels in early 2014.

Table 4.2 Forecast Job Levels (Workforce Jobs), Change 2011 to 2031

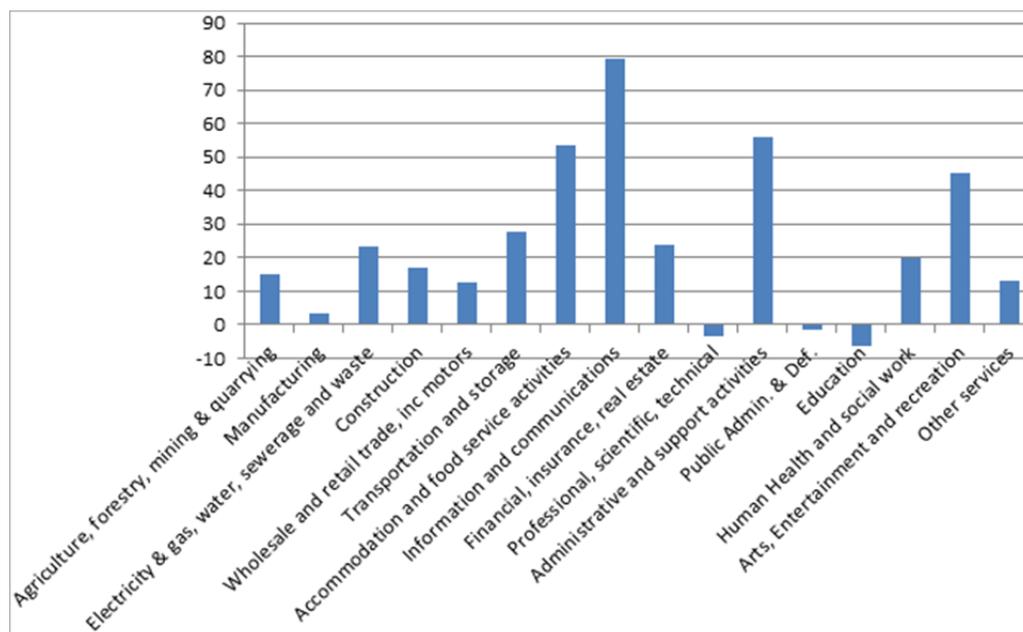
	Change 2011-2031 (000s)	% Change
Agriculture, forestry & fishing, mining, quarrying	-0.41	-18%
Manufacturing	-1.25	-22%
Utilities	0.01	5%
Construction	1.7	39%
Wholesale and retail trade	3.97	39%
Transportation and storage	0.65	34%
Accommodation and food service	1.88	32%
Information and communication	0.91	39%
Financial and insurance, real estate	1.42	35%
Professional, scientific and tech	3.4	42%
Administrative and support	1.85	38%
Public administration and defence	-0.15	-13%
Education	0.37	7%
Human health and social work	0.48	8%
Arts, entertainment and rec	1.82	93%
Other service activities	0.35	14%
Total	17	
Source: Oxford Economics from Regeneris Consulting		

ERM Indicative Employment Forecast

4.1.61 In order to identify an appropriate indicative forecast of employment by SIC, a review was made of all the available historic data sources. Among these were several of the ONS sources (including BRES, APS/LFS and Jobs Density totals), the Experian and Cambridge Econometrics/WIE econometrically modelled series, and the TBR data. Each of these sources was considered at

the geographical level of SoAD. Following this, the available econometric forecasts were examined in detail, both at an aggregated and disaggregated level, to identify predicted future growth in labour demand. In the final analysis the Experian and Cambridge Econometrics/WIE forecasts, together with sector reports, locally prepared documentation (see section on Other Assessments of Economic Prospects for SoAD) and discussions with SoAD officers, the Warwickshire Observatory and Warwickshire County Council, allowed us to develop an understanding of specific factors underlying the local economy and prepare a revised employment forecast the results of which are shown in *Figure 4.5*.

Figure 4.5 ERM Indicative Employment Forecast: % Change by Sector, 2011-2031



Note: Professional, scientific and technical predicted to employ around 8,500 by 2031. This is technically a small percentage reduction, as the comparator year of employment (2011) exhibits an unusually high spike in the Cambridge Econometrics/WIE 2011 starting position (demonstrated in Figure 4.4, blue spike, on chart 'Indicative SIC Sector Employment Forecasts, Cambridge Econometrics/WIE')

Source: ERM estimates/Cambridge Econometrics/Experian

4.1.62 The approach we have taken is in line with the advice in Cambridge Econometrics/WIE in the LEFM manual that *'The economic prospects in any particular local area will however depend on a whole host of local factors which only those 'close to the ground' will know about.* The aim of the LEFM package is to provide a set of benchmark projections, based initially on the assumption that the local area performs in line with national or regional trends. Past relationships between local and national or regional performance are used to produce this initial projection. This basic benchmark can then be supplemented by local level information, often qualitative in nature'.

4.1.63 Having, therefore, the 'basic benchmark', adjustments were made to the forecasts within a number of sectors, reflecting the qualitative findings of our research and discussions. The sharp increase which the Cambridge Econometric/WIE data shows between 2011 and 2012 (effectively, the 'recession bounce-back') was retained, despite the fact that ONS data does not fully support the scale (and even, in some sectors, the direction) of

change. Thus, the initial high level of growth is also included in our forecast – though we also have the view that those re-finding work during this ‘bounce-back’ jobs were for the most part, probably those who were already living locally and had lost similar jobs only a year or so before, and therefore are unlikely to require additional housing (see *Section 5*).

- 4.1.64 Ultimately the revised projection, taking into account additional local issues and circumstances, that in the main are beyond the scope of a more mechanistic statistically driven model, estimated an aggregate jobs growth between 2011-2025 of some 10,200, a reduction in jobs growth of some 1,400 compared to the original LEFM ‘basic benchmark’ figure, and some 2,500 higher than the corresponding Experian estimate in 2025.
- 4.1.65 As regards the 2026-31 period, the CE/WIE estimates do not extend this far into the future. This is an issue that both GL Hearn (in the CWSHMA Update) and Atkins (in the CWSELS) both faced and addressed in different ways. For the CE base scenario, Atkins note that ‘figures for 2026-31 have been extrapolated from the figures for 2011-2025’ but there is no statement of methodology for this and the analysis is conducted at LEP level in any case. GL Hearn’s approach to populating the ‘missing’ 2026-31 period for the SHMA Update was to repeat the growth forecast by CE/WIE for the 2019-2025 period. This results in a compound growth rate of some 3.2% per annum, significantly larger than long term economic growth (in fact one would generally expect employment growth to be lower than economic growth due to productivity improvements). This estimate is also larger than forecasters’ historic growth rates (see *Table 4.1*).
- 4.1.66 The additional GL Hearn forecast of 4,000 or so jobs for the period 2025 to 2031 is therefore not related to any national or regional control total, have no econometric underpinning and cannot be considered robust. They represent twice the level of jobs forecast for 2025 to 2031 by Experian, whose model does cover this period. It would not be justifiable to base a significant element of future housing numbers on such a weakly based assumption.
- 4.1.67 Instead, ERM has used the Experian forecast, based on the company’s methodology detailed in paragraphs 4.1.36 to 41, and drawing on official statistics, as well as national, regional and local data and relationships in a broadly similar technique to that employed by CE/WIE. The Experian forecast does extend to 2031, and offers an indicative forecast not available from any other credible source. Their estimate indicates growth over the period of some 2.5%, which has been added to the ERM Indicative Employment Forecast as a proxy for growth between 2026 and 2031. This then provides an estimated aggregate jobs growth figure of some 12,100 for the 2011-2031 period. Naturally, this assumes that the early period, post recessionary recoveries (which amount to between 3 and 4,000 jobs) were realised.

OTHER ASSESSMENTS OF ECONOMIC PROSPECTS FOR SoAD AND THE SUB-REGION

Coventry and Warwickshire LEP: Strategic Economic Plan and Employment Land Study (March 2014)

- 4.1.68 The Coventry and Warwickshire Strategic Economic Plan (CWSEP), being produced by the LEP, is written from the point of view of the LEP area rather than SoAD. The CWSEP focuses on the development of employment sites (including Gaydon in SoAD); encouraging investment in housing; investing in transport infrastructure and negotiating a Local Growth Deal with the Government.
- 4.1.69 Building on local strengths, there is an emphasis on the Advanced Manufacturing and Engineering (AME) sector, with the document reinforcing the sector's potential and outlining the vision that Coventry and Warwickshire *'will be recognised as a major global centre for research and development in Advanced Manufacturing and Engineering and particularly Automotive Technologies'*. The Coventry and Warwickshire LEP commissioned Regeneris to undertake an economic impact assessment of their vision for the area to be a *'global hub in Advanced Manufacturing and Engineering'*. Regeneris indicated that there would be an increase in direct employment within AME of 8,835 people by 2025. There is also a vision for a *'high performing economy with innovative businesses competing internationally'* and employment opportunities for all residents, the latter being accompanied by support to unemployed residents in skills acquisition and retraining. This reflects an understanding that the sub-region accommodates significant differences in income and opportunity.
- 4.1.70 The Coventry and Warwickshire Strategic Employment Land Study (CWSELS) [ED.4.4.1] was commissioned by the Coventry and Warwickshire LEP with the partial objective of assisting in the preparation of the CWSEP. The work, undertaken by Atkins was completed and published in a final report dated October 2014. The report supports the CWSEP's view that the availability of employment sites is fundamental in supporting the sub-region's competitive edge, highlighting a list of primary sub-regional and secondary sub-regional employment sites. Thus, the CWSELS validates and supports the selection and scale of strategic employment sites across the LEP area, however only one of these, Gaydon, is located in SoAD.
- 4.1.71 The report, in noting that predicting employment land requirements is not an exact science, states *'it is important not to be overly prescriptive in the application of numerical estimates of need'*, but notes that quantitative estimates can provide an important 'rule of thumb' in setting out the potential scale of land needed for future employment.
- 4.1.72 CWSELS notes the high aspirations for growth within the sub-region and stresses the need for flexibility in supply, before concluding that a minimum quantity of additional employment land to be made available should be 129ha, though there should be an aspiration to deliver more (see Table 4.19 of CWSELS). There is no split provided among individual local authority areas.

4.1.73 This recommendation is set out as part of ‘Scenario 2 baseline+’. Atkins defines this as the ‘Cambridge Econometrics Base Scenario’ for the LEP (which runs from 2011-2025) with an additional extrapolation to take the end year to 2031, but the report does not indicate the methodology employed for this. Finally, the scenario also includes an additional 12,570 jobs in the AME sector. 8,800 of these jobs are sourced to the Coventry and Warwickshire City Deal (page 1) and the Coventry and Warwickshire LEP Draft Strategic Economic Plan (page 17) and represent the CW LEP’s ambitions to grow the AME sector. The balance of AME growth jobs is from the extrapolation undertaken by Atkins to get the CE/WIE forecast (which end in 2025) to a 2031 level.

Coventry and Warwickshire Economic Assessment (March 2011)

4.1.74 The Coventry and Warwickshire Economic Assessment, (<http://www.cwlep.com/userFiles/coventrywarwickshireeconomicassessment2011.pdf>), is an objective assessment of the sub-regional economy, taking into account wider issues such as population, income, poverty and housing as well as employment, economic structure and so on.

4.1.75 The report identifies a sub-regional ‘north-south divide’ between the more prosperous southern districts (it cites Warwick and SoAD, in particular) which have stronger local economies and growth rates, and Coventry and the northern part of the sub-region which have seen much slower rates of growth, and are affected by the legacy of their economic past. This results in a ‘mid-table’ performance for the sub-region as a whole, with evidence presented indicating that the sub-region is underperforming with an estimated productivity gap of 9.3% in 2008, or £1.7 billion, compared to the England average. The reason for this is partly because of significant differences in prosperity and deprivation across the sub-region, but also because of lower than average productivity levels, which are reported to be prevalent across the sub-region – and not just in the northern areas.

4.1.76 Looking forward, the report strikes an optimistic note in observing that a national (and international) move towards renewable energy and the low carbon economy, together with a renaissance in advanced manufacturing, could bring benefits across the whole of the Coventry and Warwickshire.

SoADC Retail Study Update (March 2014)

4.1.77 Colliers International (CI) have carried out a series of Retail Studies for SoADC, the most recent of which was a March 2014 further update of the Comparison Goods and Convenience Goods Retail Studies (the Retail Study Further Update) [ED.4.5.1], commissioned partly to take account of revised population forecasts.

4.1.78 Following the 2008 recession which significantly affected retailers nationally, the document highlights Colliers’ general view that ‘*it will be some time before retail floorspace and expenditure across the country return to something like equilibrium*’.

4.1.79 The document cites the now common concern for the health of town centres (which applies across many districts and is not specific to SoAD). On a

positive note, the document does take time to observe that Stratford-upon-Avon town centre itself is perhaps less vulnerable than others, because of its prime position within its own urban area and a rural hinterland, as well as its significant visitor numbers (attracted through the town's tourism destination status).

- 4.1.80 However a key consideration mentioned in the report and which overshadows future retailing in SoAD is the major Banbury Gateway Scheme, which is under construction. Anchored by Marks and Spencer, who are taking 100,000 sq ft, with Primark and Next accounting for a further 60,000 and 40,000 sq ft respectively¹, the development is said to be 90% let, with its completion programmed for late 2015. Colliers note that the scheme, located in a 30 minutes drive time from the town of Stratford-Upon-Avon, is creating *'fundamental uncertainty... for retail planning for Stratford upon Avon town centre.'* In particular the report notes that for non-bulky comparison goods, Banbury Gateway has the potential to absorb all the headroom potential for SoAD in the early years of the Plan and retain a considerable element throughout the Plan period.
- 4.1.81 As regards bulky goods shopping, the report notes that *'it is not considered that specific provision needs to be made for the first half of the plan period'* (ie, to 2021). Meanwhile, regarding supermarkets and superstores, Colliers note that *'the new developments of supermarkets/superstores, consistent with advice in earlier Study reports, have met to a significant degree both quantitative and qualitative needs'*.
- 4.1.82 The Retail Study Further Update notes that relative to previous reports, overall retail growth rates have been moderated, both in the recent past and in projections, and that changes in store productivity are also forecast which suggest that lower rates of growth for all categories are expected.
- SoADC Employment Land Study, Final Report (August 2011)*
- 4.1.83 The latest Employment Land Study for SoAD (Stratford ELS) [ED.4.4.2] was undertaken by GL Hearn and Regeneris Consulting. The Stratford ELS contains a wealth of valuable local material, much of which remains valid, including references to low worklessness, relatively high labour market skills, strong levels of local enterprise, a good base of businesses and employment activity spread across a relatively wide range of sectors.
- 4.1.84 The Stratford ELS identifies Gaydon Proving Ground as a strategic employment site of regional and national significance for specific purposes and recommends that SoADC's planning policy recognises this.
- 4.1.85 The plan period in the report runs from 2008-2028. The report recommends the provision of 25-30ha (net) of employment land over the plan period. Building on the district's strong level of self-employment, the report also recommends that SoADC's planning policy should support the conversion of residential and garage space, as well as the conversion of farm and other rural buildings for employment generating use. Weaknesses in the economy

¹ <http://banburygateway.co.uk/home.htm>

'namely housing supply/affordability and transport infrastructure (highways and public transport)' should also be addressed.

Stratford-Upon-Avon Destination Tourism Strategy 2011-2015 (January 2012)

- 4.1.86 Tourism is a significant contributor to the UK economy and Stratford District is well placed to capitalise and share in the growth of this industry, holding as it does the unique internationally renowned asset of Stratford-upon-Avon, Shakespeare birthplace and home of the RSC, which attracts some 4.9m visitors per annum.
- 4.1.87 The Stratford-Upon-Avon Destination Tourism Strategy (the Stratford Tourism Strategy) [ED.4.14.1] recognises tourism as a vital component within the district's economy which, although it does not constitute a recognised SIC in itself, cuts across many others, including retail, accommodation and food, arts, entertainment and recreation, transport and so on. The Stratford Tourism Strategy identifies a historic 'disconnect' between the public and private sector in local tourism management. To address this, and in so doing, to improve the contribution that tourism makes locally, the strategy implements a move towards a partnership approach of working. This involves establishing a Destination Steering Group made up of stakeholders representing the interests of the wider destination to lead on the development and delivery of destination management.
- 4.1.88 The Stratford Tourism Strategy outlines a vision of a 'world class' destination and sets out some targets, including an increase in sector turnover, the creation of some 1,200 'tourism supported' new jobs, and the re-establishment of Stratford-upon-Avon in the top 20 UK towns and cities list for domestic and international visitors.

ASSESSMENT OF AN APPROPRIATE LEVEL OF JOBS FOR SOAD

Impact of Work Trends – Part time work and 'Multi Jobbing'

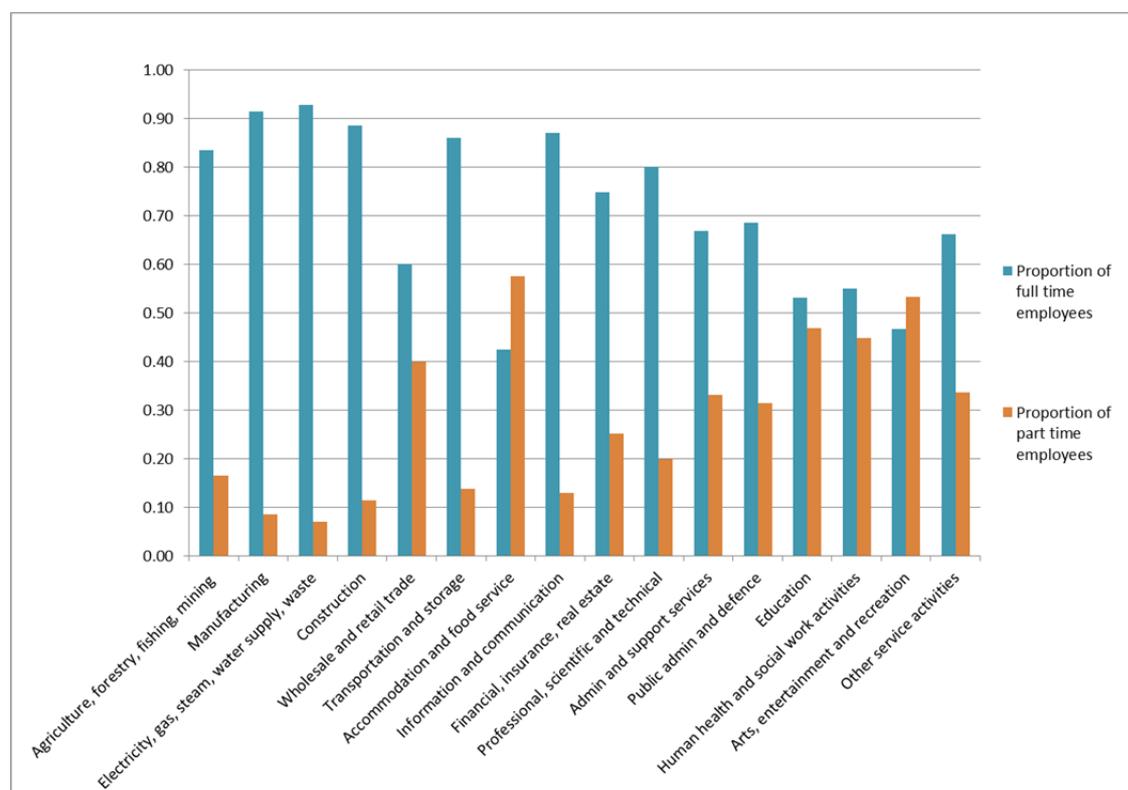
- 4.1.89 The output from the econometric models which predict current and future employment by SIC provide a simple headcount or total job number.
- 4.1.90 This approach is typically favoured because introducing the issue of part time/full time split, and or the number of hours worked by FTE equivalents into these datasets adds an additional layer of complexity which would require to be supported by further (extensive) data. In an already complex modelling task- the objective of which is to provide broad estimates of future employment and income – inclusion of these issues is smoothed over.
- 4.1.91 Thus, while addressing employment in headcount terms is a sensible option in forecasting terms, it also obscures the mix between part time/full time which ultimately is likely to have a significant impact on the number of future additional workers in the district. More 'workforce jobs' may not necessarily mean more workers; an alternative scenario is simply that more jobs means disproportionately more part-time jobs, and an increase in 'multi-jobbing' – the number of workers who have more than one job. This is an important

consideration when seeking to balance the evidence from employment sources with demographic housing need estimates.

4.1.92

Figure 4.6 gives an indicative estimate of the proportion of jobs (by main sector heading) that are part time (PT) or full time (FT). The data shown here is for the West Midlands region. The district data is affected by disclosure issues and potentially by insufficiently large samples providing less representative results. The data indicates that certain sectors are characterised by high levels of part time workers. The top four sectors by proportion of part time workers are Accommodation and food service activities (58% of workers are part time); Arts, entertainment and recreation (53%); Education (47%); Human health and social work (45%) and Wholesale and retail (40%).

Figure 4.6 Proportion of Part Time against Full Time Employees by SIC, West Midlands



Source ONS - Business Register and Employment Survey 2013

4.1.93

While it is not possible to be specific about the future course of FT/PT working mix, evidence suggests that part-time work, and multiple jobbing is on an upward trajectory, and this trend has also been positively influenced by the recent economic slow down.

4.1.94

ERM's Indicative Employment Forecast indicates that some 5,700 (47%) of all of the new jobs predicted for the 2011-2031 period will be in three of these four sectors. Education is not predicted to increase. Thus, nearly half of the new jobs are expected to be accommodated in the one quarter of industrial sectors which tend to make the most use of part-time workers. In quantitative terms, if we take the figures in *Figure 4.6* as being representative of part-time working in each SIC, and assume that this mix remains approximately

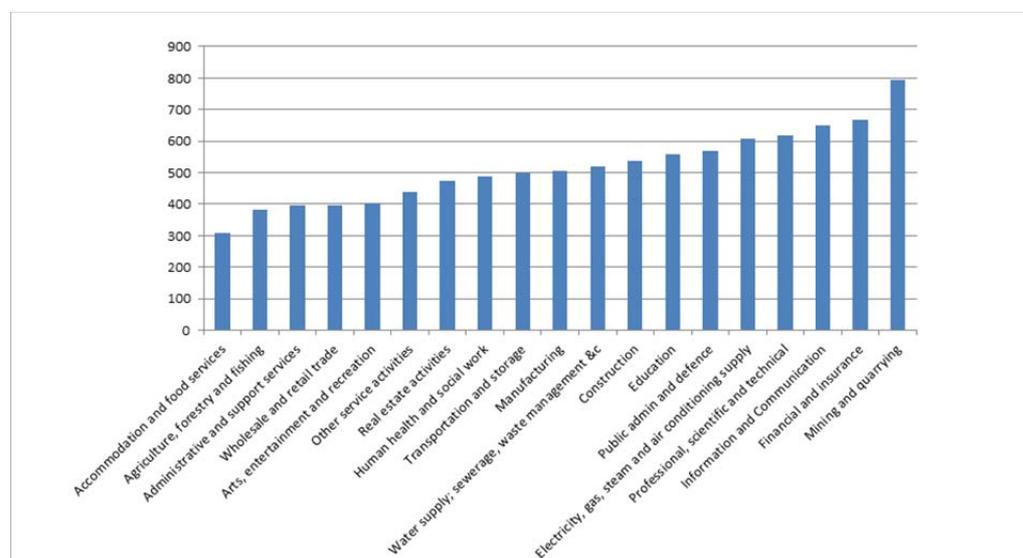
constant for the plan period, this suggests that as many as 4,500 of the total new jobs are likely to be part-time.

4.1.95 In parallel with increases in part time working there is the likelihood that more people will have multiple jobs. The nature and complexity of both these trends will influence not only the number of people working in SoAD (as against a bare forecast of job numbers), but also their choice of housing and its location.

Impact of Work Trends – Low Paid Sectors

4.1.96 The level of income paid in new jobs is likely to have an impact on the amount and nature of in-migration into SoAD. This is because people already living outside SoAD may not be able to re-locate to SoAD if the jobs are low paid, given the high value of residential properties in the area. This will be both a matter of affordability, but also other factors, such as security of housing and the relative costs of housing and travel to work. There is no comprehensive data to address this question, but *Figure 4.7*, provides a summary of typical sector pay nationally.

Figure 4.7 Median Full Time Gross Weekly Earnings by Industry (£)



Source: Patterns of Pay: Results of the Annual Survey of Hours and Earnings, 1997 to 2011, ONS

Note: Full-time employees on adult rates, pay unaffected by absence. Figures based on SIC 2007

4.1.97 The CWSEP and Coventry and Warwickshire Economic Assessment naturally seek to promote higher paid, higher skilled jobs, and there is an aspiration that future job growth across the sub-region will be stronger in the ‘higher level’ occupations (managers, directors, associated professionals and technicians etc). The future local labour market will offer opportunities for high skilled employees across all industrial sectors. Looking at the sector analysis for example, the second fastest growing sector is predicted to be Information and Communications, accounting for 12% of job growth over the period. According to the data in *Figure 4.7*, this sector typically pays well - it is the third best paying sector on average, suggesting these jobs will tend to be good paying jobs. However such jobs will only form part of the new growth in employment.

4.1.98 The two fastest growing sectors are expected to be Accommodation and food services and Administrative and support service activities. Between them these are likely to support over 5,000 jobs – in excess of 40% of all new jobs created. According to the data in *Figure 4.7* these two sectors are respectively the worst paying and joint third worst paying sectors in the list. The next biggest growing sector, with over 1,200 new jobs, is retail, but here too remuneration is typically low, with the sector as a whole ranked joint third from bottom on average pay.

4.1.99 It is not possible to make firm predictions about the likely wage levels of the new jobs, but the data available suggests that over 60% of all new jobs expected in SoAD will be created in the bottom five sectors (ranked by typical pay for adult full time workers). Naturally, these sectors also need managers, strategists and directors, but it appears improbable to expect all - or even the majority - of these jobs, will be the highly paid jobs most sought.

Special Provision in Core Strategy for Gaydon

4.1.100 Gaydon is identified as a Strategic Employment Location in the CWSEP. Jaguar Land Rover (JLR) already have a research and test facility at Gaydon, but are looking to significantly expand operations there, which may well include transferring technical staff from their other research/manufacturing facilities in and around Coventry. JLR has not provided any indication of the scale, nature or timing of the development. The adjacent housing allocation (proposal GLH) is part of the Council's housing requirement and is intended to go ahead whether or not JLR expand at Gaydon.

4.1.101 Policy CS.21 of Core Strategy (with modifications September 2014), identifies that 100ha (gross) of employment land are required to enable the expansion of JLR's activities. Among the uses likely to be required within this land are:

- Research, design, testing and development of motor vehicles and ancillary related activities;
- Other advanced engineering technologies and products;
- Offices;
- Low volume manufacturing and assembly operations;
- Development of associated publicly accessible event, hospitality, display, leisure and conference facilities and marketing infrastructure; and
- Automotive education.

4.1.102 Potential expansion through a significant one-off investment on the part of JLR would create employment opportunities within SoAD which are not implicitly included in the econometric models (beyond an expected growth in the automotive and engineering sector). The Coventry and Warwickshire LEP do have an aspirational target for growth of the AME sector which is referred to in the CWSEP as a 'baseline plus aspirational growth' set of numbers, provided by adjusting upwards the Cambridge Econometrics forecast. This was a particular forecast designed to inform strategic site requirements and are not part of the baseline economic projections for SoAD or other districts in the HMA.

- 4.1.103 SoADC believes it entirely appropriate to include the employment site in this way in the Core Strategy and accepts that once more detail is available and the implications of JLR's expansion are known it will, if necessary review the housing requirements in the Core Strategy.

ADEQUACY OF EMPLOYMENT LAND PROVISION

Context

- 4.1.104 The level of economic development and jobs generated are important factors to be considered in assessing both the SoAD housing requirement over the plan period and whether appropriate employment land provision is being made in the Core Strategy.
- 4.1.105 The focus of this section is on the second of these questions. The proposed employment land allocations in the Core Strategy, which are mainly for B class uses have been examined alongside the ERM Indicative Employment forecast and other employment data to establish that sufficient and appropriate employment sites have been identified in the Core Strategy.

Core Strategy: Strategic Employment Allocations

- 4.1.106 Policy CS.21 of the Core Strategy identifies that provision will be made for an additional 35ha of employment land to serve the employment growth needs of SoAD over the plan period. The primary purpose of this land is to *'provide opportunities for business uses falling within Class B1a (offices) and B1b (research and development)'*.
- 4.1.107 23ha of the 35ha are made up of three specific planning allocations identified in *Table 4.3*. The remaining 12ha will be made up from planning permissions already granted, and other proposals for employment development that may come forward during the plan period.

Table 4.3 Employment Allocations

Allocation	Quantum	Mix of Uses
SUA.2 South of Alcester Road	10ha (gross ¹) <i>excluding relocation from Canal Quarter – see below.</i>	B1(a) office and B1(b) research and development with scope for some B1(c)
ALC.3 North of Arden Road	11ha (gross)	B1, B2 and B8 uses
SOU.1 West of Banbury Road	2ha (gross)	Class B uses
Total	23ha	
Source: Core Strategy, 2014		

- 4.1.108 Additional land (ie. above the 35ha requirement) is allocated for the relocation of existing class B uses from the Canal Quarter, including a further 10ha at SUA.2 (South of Alcester Road), and 9ha at SUA.3 (East of Birmingham

¹ ie. taking into account infrastructure and other non-business land.

Road). Proposal SUA.1 includes 3ha land for either relocation of existing uses or replacement of 'like with like' in allocation SUA.1. As these allocations do not generate additional floorspace, they have not been considered further.

4.1.109 Scope for small scale business and commercial development is referred to elsewhere in the Core Strategy (ie. AS.3 Bidford, AS.4 Henley, AS.5 Kineton, AS.7 Shipston, AS.8 Studley). This may include B Class uses but do not form part of the 35ha employment land total as they will mostly comprise the regeneration of existing industrial estates or commercial uses in town/village centres, and are not considered further.

4.1.110 Core Strategy Policy CS.21 differentiates between the provision of employment land that is to meet the general need for employment land (described above) and that which is for particular purposes. This comprises:

- 19ha land to specifically serve the identified employment needs of Redditch Borough to be accommodated in two allocations at Mappleborough Green on the eastern edge of Redditch – REDD.1 Winyates Green Triangle (12ha gross), and REDD.2 Gorgott Hill (7ha gross).
- Proposal GLH is a strategic allocation that incorporates 100 hectares for the expansion of Jaguar Land Rover's (JLR) activities and would be regionally significant. It is not yet known when this development will come forward, what scale and mix of uses will be promoted, or the likely extent of the relocation of jobs from outside SoAD to the site.

4.1.111 In this section, we have examined the capacity of the Redditch sites, since they are a known proposal, although they are unlikely to have a significant effect on the housing and employment balance in SoAD.

4.1.112 The Gaydon allocation is a strategic allocation. While some of these jobs may be part of the CWELS Baseline 2+ scenario, it has not been sensible to try to include them in the ERM Indicative Employment Forecast. SoADC accepts that the proposed development for JLR at Gaydon will need to be monitored to assess what implications it has on housing need and supply and has already committed itself to bringing forward a review of the Core Strategy if required. Although not highlighted in the Core Strategy, the same approach would be taken to any proposals for any potential expansion of Aston Martin Lagonda's operations at Gaydon, which is also treated as falling outside the employment requirements of SoAD.

Accommodating Local Employment Growth

4.1.113 The numbers of jobs in full-time equivalent (FTE) likely to be accommodated within allocations SUA.2, ALC.3 and SOU.1 (which make up 23ha of the 35ha employment land allocation in Policy CS.21). The employment capacity estimates for each allocation is set out in *Table 4.4*.

Table 4.4 SoAD Capacity Analysis Employment Estimates

Allocation	Quantum (gross ha)	FTE Jobs Estimate
SUA.2 South of Alcester Road	10	2,500
ALC.3 North of Arden Road	11	2,200
SOU.1 West of Banbury Road	2	400
Total	23	5,100

4.1.114 The 23ha land allocated could, if fully developed and occupied, accommodate around 5,100 FTE jobs. Around 2,500 of these jobs would be located on the western edge of Stratford (in SUA.2), 2,200 would be located on the northern edge of Alcester (ALC.3) and 400 would be located on the southern edge of Southam.

4.1.115 This is the number of jobs that are potentially likely to be accommodated on the three identified employment allocations. The remainder of the employment land allocation target is expected to come from existing planning permissions, or other business proposals that come forward during the plan period on smaller sites.

4.1.116 A review of SoADC's Employment Land Schedule and Commentary (April 2014), concludes that the overall net supply of employment land in the District during the plan period to date (ie. 1st April 2011 to 31st March 2014) is 14.4ha¹. This suggests that, in combination with the Core Strategy allocations SUA.2, ALC.3 and SOU.1, there is already sufficient business land identified to meet the 35ha target.

4.1.117 The 14.4ha of permissions are estimated to provide a capacity, if fully developed and occupied, of around 3,000 jobs over the plan period.

4.1.118 Finally, the number of jobs that could be accommodated in the 19ha employment land allocations for Redditch (REDD.1 and REDD.2) is estimated to be around 2,000 FTE jobs.

Adequacy of Core Strategy Provision

4.1.119 ERM's Indicative Employment Forecast suggests that the net growth in jobs in the B Classes which may need to be accommodated in the plan period is approximately 5,000 FTE jobs.

4.1.120 In reality, it is extraordinarily difficult to match these net forecasts with the need for employment land. Even within individual businesses, as well as across sectors, there will be job growth and reductions over the plan period, which may or may not use up existing spare capacity in premises. Apart from any planned relocations as part of the Core Strategy, individual firms already in SoAD may look to relocate to the allocated sites or to other existing

¹ The Employment Land Schedule and Commentary (April 2014) comprises a review of existing planning permissions on a site-by-site basis. It confirms that the supply of employment land in SoADC is 27.2ha (12.3ha already built during the plan period, 4.5ha under construction, excluding Gaydon Proving Ground), and 10.4ha available and likely to be implemented). 12.8ha worth of land has been lost from class B uses during the plan period. The 14.4ha is therefore 'net', taking into account employment land losses.

employment sites. The assessments of capacity are based on the full development and occupation of sites at the Homes and Communities Agency (HCA) average densities. Depending on the business particularly in the industrial sectors, individual firms may not achieve or may exceed those average densities.

- 4.1.121 The employment forecasts, by sector, do not identify the likely firms or even numbers of such firms likely to move into SoAD, who may well represent the key targets for the SoADC's and the LEP's Economic Strategy.
- 4.1.122 The 35ha target, which may well be exceeded, has an identified capacity, subject to the caveats above of around 8,000 jobs. In addition, it is anticipated that small sites will continue to be granted planning permission for B class uses, outside of the allocated areas in order to support the rural economy. There will also be a number of additional jobs created in other use classes within the District (eg. retail development in accordance with Policy CS.22).
- 4.1.123 The Core Strategy seeks to encourage economic growth and, in order to provide an appropriate range and choice of sites and premises over the plan period, for both new and existing employers, it would be reasonable to make a nominal over-provision of employment sites. Our judgement overall is that the Core Strategy target of 35ha is appropriate and will achieve an adequate provision to accommodate likely job growth in the relevant sectors. This level of provision is also broadly comparable to the quantum recommended in the Stratford ELS of up to 30ha (net), taking into account the extension of the plan period from 2028 to 2031 and the post-recession economic context.
- 4.1.124 REDD.1 and REDD.2 allocations are provided to meet the employment needs of Redditch Borough, and although some of the 2,000 FTE jobs may be filled by residents of SoAD, the vast majority would be filled by residents of Redditch Borough. This is because the sites are on the edge of the town and adjacent areas in SoAD are rural in nature.

CONCLUSION

- 4.1.125 We have presented an independent review of the evidence in relation to past employment trends and the prospects for future employment growth in SoAD. In the recent past, since 2001, employment has been increasing by around 1-1.5% pa on average. Having considered a range of sources, including the Experian and Cambridge Econometrics/Warwick Institute for Employment Research forecasts of job growth, also used in the CWSHMA Update, we have provided an ERM Indicative Employment Forecast. This suggests net total job growth in SoAD over the plan period of 12,100 jobs. This increase reflects a fairly buoyant local economy, although a significant proportion of these jobs are likely to be relatively low paid or part time. Furthermore, a substantial number of them, around 3,000, are 'bounce back' jobs lost during 2008-2009, some of which have since been recovered, and for which the labour force was already available in the district in 2011.
- 4.1.126 We have also provided a review of the Core Strategy employment land allocations. SoADC's 35ha target, which may well be exceeded, has an estimated capacity of around 8,000 (FTE) jobs. The Core Strategy seeks to

encourage economic growth and, in order to provide an appropriate range and choice of sites and premises over the plan period, for both new and existing employers, it would be reasonable to make a nominal over-provision of employment sites. Our judgement overall is that the Core Strategy target of 35ha is appropriate and will achieve an adequate provision to accommodate likely job growth in the relevant sectors.

5 IMPLICATIONS OF EMPLOYMENT GROWTH FOR HOUSING NEED AND REQUIREMENTS

INTRODUCTION

- 5.1.1 In this section we have addressed the housing:employment balance and in so doing are responding to particular approaches set out in a number of representations that there should be a 'matching exercise' between housing numbers and econometric projections.

ROLE OF EMPLOYMENT GROWTH IN HOUSING NEED ASSESSMENT

- 5.1.2 Job growth in and around SoAD may be held to generate a demand for labour, some of which may be most appropriately met within the district and thus potentially place additional demands on the district's housing stock. Paragraph 158 of the NPPF states that '*Local planning authorities should ensure that their assessment of and strategies for housing, employment and other uses are integrated*'. This implies that the supply of housing should take into account the future level of jobs expected in the area. This should not, however, be taken to mean that sufficient housing needs to be planned for to provide a labour force equal to the number of jobs forecast for the area. The link between additional job numbers and housing requirements within a district is indirect and cannot be captured by projecting simple assumptions about job to resident and commuting ratios.
- 5.1.3 While the various economic forecasting models discussed in *Section 4* may be helpful in indicating the economic sectors which it would be most worthwhile to support in a Core Strategy through allocations and infrastructure proposals, these job forecasts should not be converted into housing numbers to be provided within a district. Such conversion ignores the large range of labour market adjustments that would be likely to arise in response to an increase in jobs in an area, with or without a concomitant increase in housing supply. These will include changes in employment participation and working practices, in the composition of in-migrants and in commuting patterns.
- 5.1.4 The PPG does not propose that housing needs or requirements should be related directly to projected job growth. Paragraph 18 states that '*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 (depending on public transport accessibility or other sustainable options such as walking or cycling) 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*' (our emphasis).
- 5.1.5 This view is supported in the Inspector's Report on the Winchester District Plan (February 2013), which was found to be 'sound', although subsequently challenged on an unrelated matter. The Inspector commented on a number of proposals for higher housing numbers which '*rely on a specific level of future job growth being required*'. He continued: '*they are essentially based on the premise that the only way of meeting that job growth over the plan period is*

through increased in-migration that would require extra housing'. The Inspector went on to state that 'demographic based projections, largely based on ONS and DCLG methods,... are less dependent on job forecasts and labour force projections that are inherently difficult to produce and affected by many uncertainties in the longer term'.

PROJECTIONS OF RESIDENT WORKFORCE AND HOUSING NEED

5.1.6 The population increase in resident workforce under the CWSHMA Update 'part return to trends' projection would, under the basic assumptions of the demographic model, result in a total increase in the labour force resident in SoAD of 2,188¹. This is significantly higher than the figure of 1,300 under the PROJ 1A – Midpoint Headship of the CWSHMA projection. Both sets of figures take account of expected increases in pensionable age but the CWSHMA Update projection uses more up to date age specific rates from the 2011 census for the 2011 base date than were available for the CWSHMA which relied on rates from the Annual Population Survey (APS). This results in a higher level of economic activity among the older age groups than was assumed in the CWSHMA, as shown in *Table 5.1*.

Table 5.1 SoAD Age Specific Economic Activity Rates from SHMA Update and CWSHMA

Age Group	SHMA Update				CWSHMA			
	Male		Female		Male		Female	
	2011	2031	2011	2031	2011	2031	2011	2031
16_19	56.6%	57.5%	50.7%	51.6%	61.9%	61.9%	62.0%	62.0%
20_24	74.5%	75.8%	75.5%	76.8%	61.9%	61.9%	62.0%	62.0%
25_29	90.1%	91.6%	81.1%	82.5%	90.6%	90.9%	82.1%	89.6%
30_34	92.9%	94.5%	76.5%	77.8%	90.6%	90.9%	82.1%	89.6%
35_39	90.8%	92.4%	79.6%	81.0%	92.7%	94.0%	82.8%	89.9%
40_44	89.4%	90.9%	83.8%	85.2%	92.7%	94.0%	82.8%	89.9%
45_49	89.0%	90.5%	84.7%	86.1%	92.7%	94.0%	82.8%	89.9%
50_54	89.3%	90.9%	89.6%	91.2%	79.7%	85.6%	65.6%	78.1%
55_59	80.7%	82.1%	73.5%	74.8%	79.7%	85.6%	65.6%	78.1%
60_64	59.3%	60.3%	38.9%	53.2%	79.7%	85.6%	65.6%	78.1%
65_69	45.1%	50.5%	22.5%	27.4%	33.2%	45.6%	20.6%	30.0%
70_74	23.6%	24.0%	9.8%	10.0%	33.2%	45.6%	20.6%	30.0%

Source: Unpublished data from GL Hearn

¹ Based on unpublished data from the CWSHMA Update by GL Hearn

5.1.7 *Table 5.2* sets out the population and working population and the numbers of dwellings required to accommodate them under various projections set out in the CWSHMA and the CWSHMA Update. The dwelling numbers in the CWSHMA for all but the ONS-based projection (PROJ 1A – Midpoint) were based on the HFR assumptions in CLG’s 2011-based SNHP rather than those in the Midpoint projection so have been adjusted in *Table 5.2* by applying a factor reflecting the differences between the two sets of rates¹.

Table 5.2 SoAD Population, working population and dwelling numbers, 2011 to 2031 in CWSHMA Update and CWSHMA

Projection	Change 2011 to 2031						
	CWSHMA Update			CWSHMA			
	dw	pop	working pop	dw	dw midpoint	pop	working pop
Zero net migration ¹	2,740	-7,023	-8,038	734	1,730	8,376	-12,137
Zero net employment ¹	8,140	5,848	-498 ²	8,691	9,840	13,502	0
ONS-based	10,160	10,683	2,188	10,758	10,758	15,960	1,301
Experian demand	15,560	23,525	9,452	15,075	16,333	31,082	9,452
Cambridge Econometrics demand	18,760	34,543	15,684	N/A	N/A	N/A	N/A
Note: 1 Unpublished figures from GL Hearn 2 This figure is not zero as the projections incorporate ONS mid-year estimates for years 2011-2013.							

5.1.8 *Table 5.2* shows that, under the CWSHMA Update, partial return to trend projection, some 2,700 dwellings (135 pa) would be required to provide for the needs of the 2011 population with zero net migration. The additional dwellings would be required to take account of natural increase, reduction in average household size, and differences in household size between the assumed equal numbers of incoming and outgoing migrants. All the demographic projections assume that in-migrants and out-migrants will have a similar age structure to those of recent migrants to and from the district respectively. On this basis, a total of 8,140 dwellings, an average of 407 dpa, would be required to bring in sufficient additional population to maintain the labour force at its 2011 level in 2031².

¹ In the CWSHMA, PROJ 1A, using the HFRs from the CLG’s 2011-based SNHP, shows a requirement of 9,580 dwellings, while PROJ 1A – Midpoint shows a requirement of 10,760. The 2011 Census indicates 54,800 dwellings in Stratford-on-Avon. The total dwellings in 2031 under PROJ 1A would therefore be 64,380, while under the PROJ 1A Midpoint they would be 65,560. This represents an increase of 1.8%. Although this value will in practice vary slightly between projections it can be used to give a good indication of how the results from other projections would have been modified if the Midpoint household formation rates had been used.

² The equivalent figures under the CWSHMA’s Midpoint Headship assumptions on HFRs indicate that some 1,700 dwellings would be required to provide for the needs of the 2011 population, with a total of 9,840 dwellings being required to maintain the labour force at its 2011 level to 2031.

5.1.9 As the projected population increases, the ratio of additional working population to net additional dwellings also increases as the incoming population has a higher working age proportion than the already resident population. Between the ONS-based and Experian demand based projections, the working population increases at the average rate of 1.35 working population per new dwelling¹. On this basis, provision of 11,320 dwellings (566 pa) from the demographic projection of housing need as set out in *Section 3* would generate an additional 3,180 dwellings above the number required to maintain the 2011 labour force, housing around 4,300 additional working population. On the same principle, provision of the Core Strategy housing number of 10,800 dwellings would be likely to generate around 3,600 additional working population.

POTENTIAL LABOUR MARKET ADJUSTMENTS TO AN INCREASE IN JOB NUMBERS

5.1.10 In the event of a significant increase in jobs in SoAD, beyond the level that could be met by the projected resident labour force arising from housing numbers to meet the demographic projection of need, there are a number of labour market adjustments that might take place, whether or not higher dwelling numbers are provided. These include:

- an increase in economic activity rates among the resident population;
- higher levels of in-commuting into SoAD from outside the district;
- a reduction in out-commuting from SoAD to take up local jobs;
- changes in working practices such as increased remote working on jobs based in SoAD from outside the district; and
- higher levels of migration into SoAD.

5.1.11 These adjustments do not represent potential policy approaches. They are 'policy off' or 'policy neutral' changes that are more or less likely to take place in the event of substantial job growth in SoAD, particularly given the relatively high cost of housing in the district. Each is discussed separately in the following sections.

Economic Activity Rates

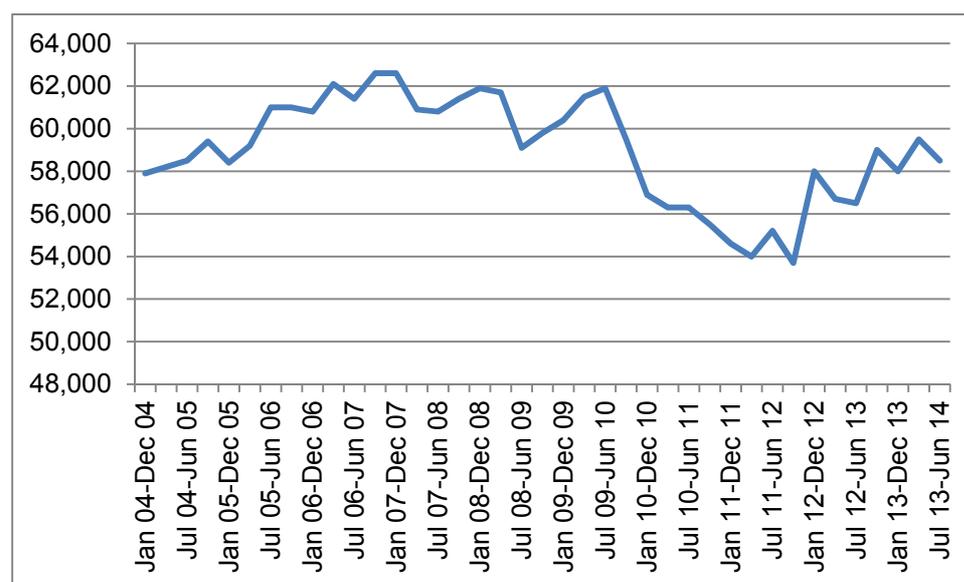
5.1.12 There are two ways in which economic activity rates may increase in response to additional job opportunities in the district. First, there may be a higher take up of jobs by the hitherto unemployed or economically inactive among the population resident in the existing housing stock than envisaged in the projection assumptions. The projections of workforce arising from the future population discussed above already incorporate higher economic activity rates in response to future increases in the age of retirement. However, the matching of future workforce and job forecasts needs to take account of the starting situation in 2011.

5.1.13 Both the Cambridge Econometrics and Experian job forecasts incorporate in their first year, 2011 to 2012, a substantial amount of 'bounce back' of jobs lost in the recession: 3,100 jobs with Cambridge Econometrics and 2,100 jobs

¹ Based on unpublished data from the CWSHMA Update by GL Hearn.

with Experian. This is a conservative estimate as the 'bounce back' effect will extend beyond 2012. These jobs do not require new population (and therefore new dwellings) to deliver their workers as they are essentially replacing jobs lost during the post 2008 recession. According to NOMIS, the employed population of SoAD decreased by over 6,000 between 2009 and 2011 and rose 4,000 between 2011 and 2012, as shown in *Figure 5.1*. This is data from the APS so it relates to overlapping periods rather than fixed dates but it indicates a substantial 'available' labour force already existing in SoAD in 2011 ready to take up most of the 'bounce back' jobs. Additional dwellings should not therefore be needed to accommodate this element of the labour force.

Figure 5.1 SoAD: Employed Residents Aged 16 and Over, 2004 to 2014



Source: Nomis

Note: Employed residents comprise employees plus self-employed.

5.1.14 Secondly, in response to the increased availability of jobs in the district there is likely to be a change in the age structure composition of net in-migrants compared with the assumptions used in the demographic projections under which in-migrants and out-migrants are assumed to have a similar age structure to those of recent migrants to and from the district respectively. However it is very difficult to quantify the potential impact of such changes in terms of take-up of additional jobs.

Commuting

Commuting Catchment

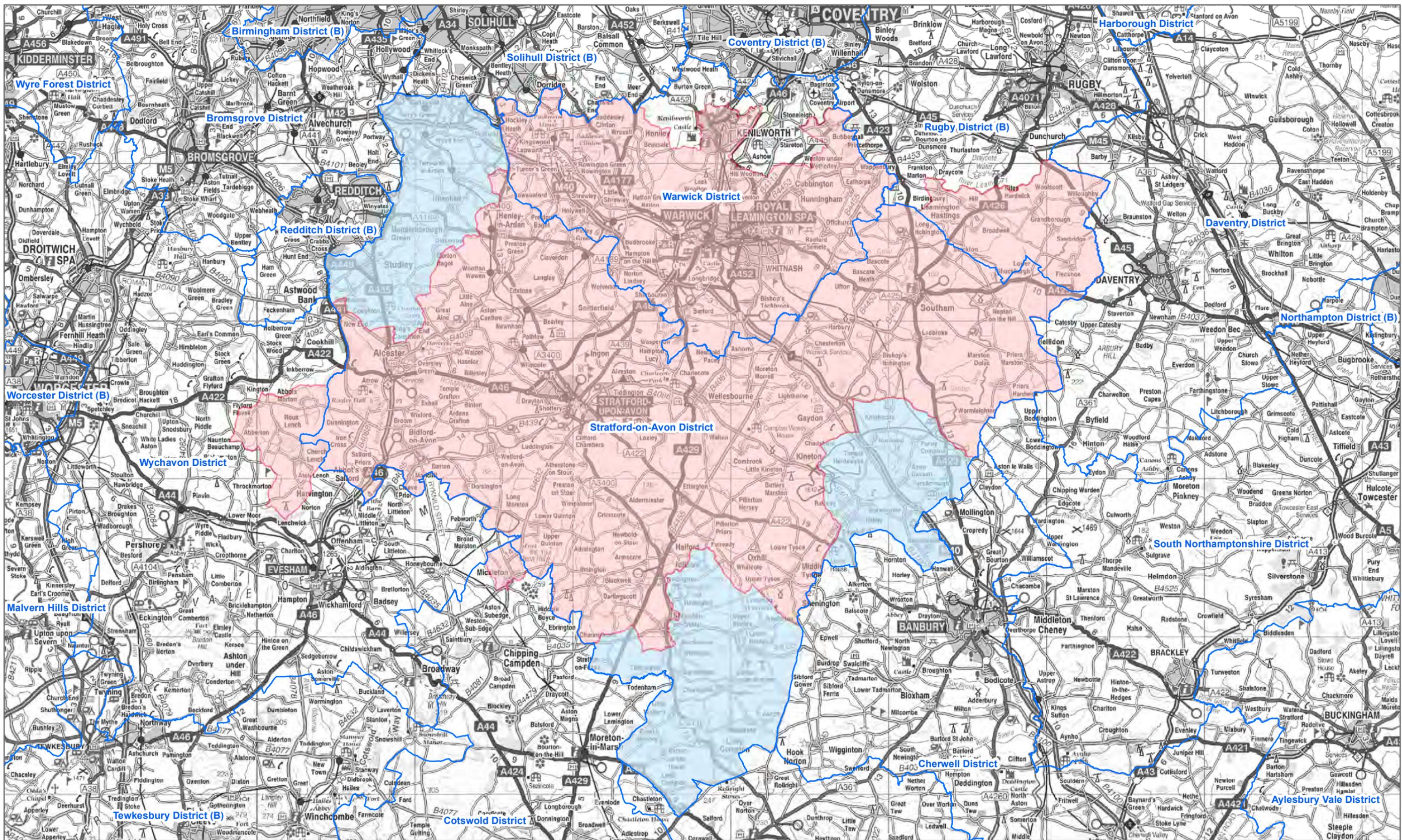
5.1.15 SoAD is an extensive largely rural district of small towns and villages, with a relatively small central town, Stratford-upon-Avon (27k population), but with significant urban centres in neighbouring districts close to its boundary, especially: Redditch (84k population), Leamington Spa/Warwick (79k population), Banbury (44k population). There is also some longer distance commuting to Birmingham and Coventry, particularly from those parts of the district that are closest to them. Commuting patterns in and around the district

are therefore complex and short distance cross-boundary commuting on a significant scale both in and out of the administrative district is to be expected.

- 5.1.16 Local Labour Market Areas (LLMAs) are generally the most appropriate 'functional economic areas' to use for employment analysis, but these often do not coincide with SHMAs (and certainly not with the constituent local authority boundaries). They are usually defined using the ONS Travel to Work Areas (TTWAs), which are helpful in that they summarise revealed choices of residential location and commuting. The current criteria for defining TTWAs is that generally at least 75% of an area's resident workforce work in the area and at least 75% of the people who work in the area also live in the area. Unfortunately none of the historic or projected demographic or economic data are available for TTWAs.
- 5.1.17 TTWAs are re-defined by ONS after each Census, most recently in 2007 using the 2001 Census commuting data. The principal TTWA of relevance as currently defined is Warwick & Stratford-upon-Avon. This is shown on *Figure 5.2*. It is not co-terminous with the two local authorities, but contains a large proportion of both districts' populations. However, the north western part of SoAD is in the Birmingham TTWA and parts of the south and south east are in the Banbury TTWA. ONS plans to publish updated TTWAs in 2015, based on 2011 census data.

Commuting Flows

- 5.1.18 A comparison of commuting statistics from the 2001 and 2011 censuses shows that the commuting balance in SoAD has changed from a net outflow of 3,600 commuters in 2001 to a net inflow of 2,635 in 2011. This has coincidentally improved the balance of residents in employment to jobs in the HMA as a whole from 0.97 to 0.99.
- 5.1.19 The pattern of in- and out-commuting in 2011 from the Census is summarised in *Table 5.3*, which sets out the gross and net flows between SoAD and other districts. While there is net commuting into SoAD (+2,635), only half of this net total (+1,263) results from commuting into SoAD from the rest of the HMA. Commuting into SoAD from the rest of the HMA (8,948) represents only 35% of in-commuting into SoAD, while commuting out of Stratford District into the rest of the HMA (7,685) represents only 34% of out-commuting from SoAD.



- District Boundary
- Warwick & Stratford-upon-Avon Travel to Work Area
- Area of Stratford-on-Avon District Outside of the Warwick & Stratford-upon-Avon Travel to Work Area

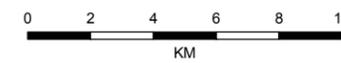


Figure 5.2
Stratford-on-Avon District and the Warwick & Stratford-upon-Avon Travel to Work Area

SCALE: 1:225,000	VERSION: A01
SIZE: A3	DRAWN: AZ
PROJECT: 0268329	CHECKED: IG
DATE: 02/12/2014	APPROVED:



PROJECTION: British National Grid

Table 5.3 Stratford-on-Avon District Council Area: In and Out - Commuting Flows to/from Other Districts 2011 (ordered by scale of inflow)

Local Authority Area	Commuters			Percentage of Total	
	In	Out	Net	In	Out
Warwick	5,248	5,881	-633	21%	26%
Redditch 3,268		1,690	1,578	13%	7%
Wychavon 2,315		938	1,377	9%	4%
Birmingham 2,085		2,356	-271	8%	10%
Coventry	1,976	1,854	122	8%	8%
Solihull 1,612		1,387	225	6%	6%
Rugby	1,027	615	412	4%	3%
Cherwell 899		1,377	-478	4%	6%
Bromsgrove 762		525	237	3%	2%
Cotswold 634		786	-152	2%	3%
Nuneaton & Bedworth	470	177	293	2%	1%
North Warwickshire	153	164	-11	1%	1%
<i>HMA Total</i>	<i>8,948</i>	<i>7,685</i>	<i>1,263</i>	<i>35%</i>	<i>34%</i>
Unlisted districts	4,986	4,876	-64	20%	22%
Stratford-on-Avon DC Total 25,435		22,626	2,635	100%	100%

Source: Location of Usual Residence and Place of Work by Age (Over 16) Census 2011 (Census/2011/WU02UK/Chart/1132462322)
Note: Districts within the Coventry & Warwickshire HMA are shaded blue.

5.1.20 The highest levels of both in- and out-commuting are with Warwick to which there is a net outflow of 633. Warwick accounts for 59% of in-commuting from the rest of the HMA into SoAD and 77% of out-commuting from SoAD to the rest of the HMA. Stratford-upon-Avon is within easy reach of Warwick and Leamington along the A46 and other parts of the district along the M40. The highest net in-commuting into SoAD is from Redditch (1,578) and Wychavon (1,377), which also have the highest gross in-commuting after Warwick. These statistics show the complexity of residential and travel to work choices in an area like SoAD, on the periphery of the West Midlands conurbation. Seeking to plan housing requirements on the basis of maintaining simple commuting ratios at the district level is likely to be flawed and could be seriously misleading.

Commuting as a Response to Job Increases

5.1.21 Any net increase in the number of jobs in SoAD will inevitably tend to attract further commuting into the district, regardless of whether additional housing is provided. The scale of such a potential increase will depend on the types of jobs that might be generated in SoAD, the availability of a suitable labour force within easy commuting distance and the availability of other employment opportunities to that labour force.

5.1.22 As noted in *Section 4*, up to 60% of the likely net additional jobs in SoAD are likely to be in sectors which offer relatively low wages or part time work, including retail and tourism. These jobs are likely to attract further commuters from nearby districts rather than migrants into new housing given affordability issues. It is apparent from the output from the CWSHMA Update on resident workforce projections vis-a-vis job projections that there is expected to be a reservoir of potential commuters in these districts. *Table 5.4* sets out the projected working age population under the CWSHMA Update’s 2012-based SNPP projection and under the two projections aimed at balancing working age population with Experian and Cambridge Econometrics employment forecasts, discussed in *Section 4*.

Table 5.4 HMA Districts: Projected Working Age Population Increase from CWSHMA Update

Local Authority	Working Age Population		
	2012-based SNPP	Experian Labour Demand	CE Labour Demand
Coventry 45,729		22,632	25,318
North Warwickshire	1,038	9,376	13,451
Nuneaton & Bedworth	5,259	4,376	6,336
Rugby 6,977		6,544	10,860
Stratford-on-Avon 2,188		9,452	15,684
Warwick 9,243		10,253	18,863
Total for HMA	70,435	62,633	90,512
Source: GL Hearn unpublished data			

5.1.23 *Table 5.4* shows that the HMA’s resident workforce is projected to increase under the ‘2012-based SNPP’ projection by 70,000 over the period 2011 to 2031, which is more than sufficient to meet the 63,000 required to meet the Experian job growth forecasts at a rate of one resident employed person per job. Converted into annual dwelling requirements, these figures become 4,004 and 3,747 dwellings per annum respectively as shown in *Figure 11* of the CWSHMA Update¹.

5.1.24 However, there are significant imbalances between projected workforce and job numbers at the district level. While SoAD, along with North Warwickshire and Warwick, shows a shortfall in workforce to meet both job forecasts, other districts are projected to have an excess of workers in these terms, particularly Coventry, which is projected to have at least 20,000 more workers than forecast jobs under either job forecast. Under most realistic job forecast scenarios, therefore, there is projected to be a reservoir of potential workers within the HMA available to take up net additional jobs in ‘labour-short’ districts like SoAD and North Warwickshire.

5.1.25 Other reservoirs of potential commuters exist outside the HMA. The Core Strategy allocates 19ha of employment land to help meet an employment land shortfall in Redditch. This allocation will accommodate new jobs in SoAD

¹ Because of its lower economic activity assumptions the CWSHMA’s preferred demographic projection PROJ 1A – Midpoint Headship shows the 3,750 dpa dwellings required to meet demographic need in the HMA are fewer than the 4,168 dpa required to meet the same Experian job growth forecast.

which, to improve the labour force employment balance in neighbouring Redditch Borough, are *intended* to attract in-commuters from outside the district and not in-migrants to new housing in the district. Assuming a reasonable mix of business uses, plot ratios and the HCA Employment Densities Guide, this allocation is likely to have a capacity of around 2,000 jobs. These jobs are not part of the forecast job numbers in SoAD but they will add to net in-commuting levels.

- 5.1.26 Increased commuting into Stratford will be assisted by the sub-regional transport proposals put forward in the CWSEP, particularly improvements to the A46 Corridor and Stratford's connectivity on the rail system.

Impact of In-commuting

- 5.1.27 Short distance commuting to new jobs in SoAD does not in itself pose a problem of balance or sustainability and much of the commuting into and out of SoAD is of this nature. As pointed out in the ERM Review (paragraph 8.7), *'a high level of 'self sufficiency' in jobs may not be an optimum arrangement and therefore not an objective worth striving for'*. This point is strongly supported in para 6.3 of the PAS Guidance, which points out that *'many people travel to work across administrative boundaries, so planning for each district in isolation cannot produce the most efficient and sustainable relationships between the location of houses and jobs'*. The guidance goes on to point out that cross-boundary travel to work may involve shorter distance commuting than might arise within a district.

Reduced Out-commuting

- 5.1.28 In 2011, 42% of the resident workforce, around 23,000 workers, commuted out of SoAD to work. If the net additional jobs in the district are of the appropriate type, it is likely that a proportion of these out-commuters will choose to transfer to such new jobs in preference to continuing to commute out of the district. It is difficult to estimate the potential scale of such a transfer, but taking a conservative estimate of only 0.05% of out-commuters from Stratford transferring to local jobs each year, they would increase the labour force available for local jobs within the district by just over 2,000 by 2031.
- 5.1.29 The PAS Guidance cautions that this type of transfer of commuters to local jobs, which it terms 'recalling commuters' may, if it is purely aspirational, not always be justifiable, unless the economic factors or policy action to bring it about are evidenced and its impacts on other districts have been taken into account. In the case of SoAD, the transfer is not an aspiration but a realistic 'policy off' assessment of how the labour market is likely to respond to increased job provision in the district. Furthermore, given the projected shortage of jobs elsewhere in the HMA, particularly in Coventry, the impact on those areas of current out-commuters from releasing their jobs would be beneficial to them.

Changing Working Arrangements

- 5.1.30 Important changes are currently taking place in working arrangements, including increases in remote and home working, which are not captured at all in conventional workplace employment modelling. There are also significant

changes in the self-employed proportion of the economically active, which increased from 11.8% (8,900 persons) in January/December 2011 to 19.6% (15,900 persons) in July 2013/June 2014 according to the ONS LFS. The fact that a large proportion of jobs in SoAD are projected to be part time (see *Section 4*) also suggests a significant degree of 'double jobbing'. All of these will affect the relationship between employment change and housing need in ways which are almost impossible to predict over the long term.

Impact of Commuting Assumptions on Commuting Levels

5.1.31 *Table 5.5* shows the impact on commuting levels of these assumptions. It should be noted that this analysis relates to workplace jobs as recorded in the 2011 Census and the figures in *Table 5.5* are therefore not directly compatible with other figures given in this report. However, they indicate the general principle that the impact of the proposed housing requirement of 11,300 dwellings is not likely to lead to unsustainable levels of in commuting. There was net in-commuting into SoAD in 2011 of 2,635. With the addition of around 12,100 net additional jobs and a net additional workforce of 4,300 in the 11,300 additional dwellings and 3,000 workers latent due to the recession, net in-commuting could increase by 4,700 to 7,300.

5.1.32 The calculations in *Table 5.5* assume that all the net additional resident workforce would take jobs in SoAD. If a large proportion of this net additional resident workforce were to choose to commute out of the district, they would need to be balanced by additional in-commuters, so the net in-commuting figure in 2031 would still stand at 7,300. However, the percentage of SoAD's local jobs taken by in-commuters and the percentage of SoAD's resident workers commuting out of the district would increase significantly above 2011 levels, as would the aggregate total of in and out commuters.

Table 5.5 SOAD: Indicative Projected Change in Commuting, 2011 to 2031

Category		2011	change	2031
resident workers	working in SoAD	23,266	9,300	32,566
	outcommuters	22,800	-2,000	20,800
	total	46,066	7,300	53,366
jobs	jobs in SoAD	48,701	12,100	60,801
	incommuters	25,435	2,800	28,235
net commuting		2,635	4,800	7,435
resident workers per job in SoAD		0.95	-0.07	0.88
total commuters		48,235	800	49,035
outcommuters as % of resident workers		49%	-11%	39%
incommuters as % of SoAD jobs		52%	+6%	46%

NET NEW JOBS AND MIGRATION

5.1.33 The fifth potential response to a substantial net increase in jobs in SoAD is migration of people of working age into the district to take up these jobs. In the CWSHMA and CWSHMA Update and other projections, the demographic housing need is adjusted to provide an incoming population with a working age component just sufficient to meet various illustrative forecasts of job

numbers in the district. The only allowance made for labour market adjustments in these assessments is to present two projections with different assumptions on commuting rates. The first, termed 'labour supply' in the CWSHMA Update, assumes a 1:1 relationship between new jobs and new residents in employment, and the second, 'labour demand', assumes that inter-district commuting ratios remain unchanged from those in 2011. However, while these projections of housing need present one way of balancing jobs and population in the HMA, they do not consider the plausibility of their distributions in terms of the conditions necessary to bring them about.

5.1.34 Housing is a fixed asset and once built will remain in use for perhaps 100 years. In comparison, employment is relatively transient and the buildings it occupies are re-used or redeveloped over a far shorter period. People make housing choices based not only on market factors, but also taking account of a wide range of personal, social and employment considerations. It cannot therefore be assumed that the provision of dwellings sufficient to accommodate a population that is estimated, using average economic activity rates, to provide a specific forecast labour force will necessarily do so in practice. As pointed out above, there are a number of ways in which labour markets are likely to respond to increased job numbers in SoAD, in-migration being just one of these.

5.1.35 Migration into SoAD comes from a wide range of sources. *Table 3.2* indicated that 32% of net migrants into SoAD between 2004 and 2013 were from outside UK, although the 2012-based SNPP projects this ratio will reduce to about 12% for the period 2012 to 2031. The main sources from inside the UK over the five years 2009 to 2013 according to the ONS APS are set out in *Table 5.6*. Most of these involve short cross-boundary movements from neighbouring districts, including several outside the HMA. Two represent movements out from the major urban areas of Birmingham and Solihull but it is notable that the net movement for SoAD and Coventry is minimal.

Table 5.6 Net In-migrants to SoAD 2009 to 2013 by Source Local Authority

Source Local Authority	Net in-migrants Per Annum
Warwick	168
Birmingham 129	
Solihull 103	
Cherwell 46	
Redditch 33	
Bromsgrove 29	
West Oxfordshire	25
Dudley 16	
Nuneaton and Bedworth	14
South Northamptonshire	13
North Warwickshire	12
Coventry	-2
Rugby	-22
Source: ONS Annual Population Survey	
Note: Districts within the Coventry & Warwickshire HMA are shaded blue.	

5.1.36 Unfortunately it is not possible to distinguish how much of the migration recorded in *Table 5.6* was attracted to SoAD to take up employment, to maintain existing employment, or for other reasons, especially retirement. Nevertheless, there are various factors affecting the likelihood of future in-migration to jobs in the district:

- *Section 4* projects that that some 60% of net additional jobs are likely to be in sectors with lower than average pay, such as retail and tourism. These jobs are unlikely to attract in-migrant workers from outside the district as they are unlikely to be able to compete in SoAD's housing market; and
- a significant proportion of new jobs, are expected to be part-time and therefore likely taken up by second working members of households rather than requiring separate homes. According to data from NOMIS, over the past five years part-time jobs have represented 30% or more of all employee jobs and there is no particular reason to suppose this proportion will decrease in future.

CONCLUSION ON FURTHER ADJUSTMENT FOR EMPLOYMENT NEED

5.1.37 The demographic housing need includes natural change and net commuting based on recent trends. This distinction between trend-based migration as 'demographic' and employment-led migration is artificial and is made for convenience. In reality, employment demands are a major driver of net migration, including that part which is labelled 'demographic'.

5.1.38 The analysis in this section has examined the complex, often indirect, relationship between forecast additional job numbers and future housing requirements in SoAD. The balance to be sought is a matter of judgement, based on the evidence, including that in relation to commuting. The Council will be seeking to avoid unsustainable commuting, but projections based on simple assumptions about job to resident ratios and commuting rates are only a small part of that evidence. In practice, when there is a substantial increase in job numbers, a range of housing and labour market adjustments will come into play.

5.1.39 *Section 4* estimated a total job growth forecast for SoAD of 12,100, between 2011 and 2031. Of these, however, at least 3,000 are 'bounce back' jobs for which the labour force was already available in the district in 2011. By adopting a demographically assessed housing need of 11,300 dwellings between 2011 and 2031, SoAD could accommodate a net additional workforce sufficient to take up 4,300 net additional jobs out of the 9,000 or so forecast to need additional labour. A further 2,000 could be taken up by out-commuters from SoAD transferring to local jobs. As a substantial proportion, around 60% of the net additional jobs, are likely to be in relatively low paid sectors and/or part-time, many such jobs are more likely to be taken up by in-commuters from nearby districts than by in-migrants, who would normally face housing affordability difficulties. These are conservative estimates, which take no account of other factors such as changes in working arrangements including remote working.

- 5.1.40 Our conclusion is that a proposed objectively assessed housing need (and requirement), based on the demographic analysis in *Section 3*, of 11,300 dwellings, is unlikely to lead to unsustainable patterns of in-commuting. However, if housing were to be provided above the demographic need level, which in itself could meet the labour demand of forecast new jobs as shown above, there is a strong likelihood that a higher than planned proportion of new (and existing dwellings) would be taken up by retired people or out-commuters seeking a congenial residential environment. In the latter case, while the net commuting balance may improve, the aggregate amount of in and out commuting would increase. This could lead to a less rather than a more sustainable pattern of commuting.
- 5.1.41 A demographically assessed need of 11,300 dwellings will provide for substantial in-migration for employment and would not constrain the economic growth potential of the district. Taking account of the evidence, it does not need to be further adjusted. This conclusion takes proper account of the guidance in PPG para 018 and does not give rise to any 'unmet need' that would have to be negotiated with neighbouring districts.

GUIDANCE ON MARKET SIGNALS AND OTHER ADJUSTMENTS

- 6.1.1 The NPPF, in paragraph 17, and the PPG, in Section 2a, paragraphs 19 to 21, advise on how local plans should take account of market signals and other market indicators, for example, house prices and rents and affordability. If there is *'a worsening trend in any of these indicators'* a reasonable upward adjustment should be made to *'planned housing numbers compared to ones based solely on household projections'* (PPG Ref: 2a-020-20140306).
- 6.1.2 The PPG advises that 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. Prices or rents rising faster than the national/local average may well indicate particular market undersupply relative to demand'*. (PPG Ref: 2a-019-20140306).
- 6.1.3 Paragraph 19 identifies six relevant market signals: land prices, house prices, rents, affordability, rates of development and overcrowding. Attention should be paid to both absolute indications and trends, making appropriate comparisons across the HMA, similar demographic and economic areas and nationally. Very few of the data sources for market signals, recommended in paragraph 19 of the PPG, with the exception of average house prices, have been collected reliably or over a sufficiently long period to be used for formal projections. This is a point also made clearly in paragraph 5.38 of the PAS Guidance.
- 6.1.4 Reasonably robust house price and earnings data is available at the local level, but rental information, particularly for the private rented sector, is much less reliable. The PPG acknowledges that *'Volatility in some indicators requires care to be taken: in these cases rolling average comparisons may be helpful to identify persistent changes and trends'* (PPG Ref: 2a-020-20140306).
- 6.1.5 In relation to housing affordability, the PPG notes that *'assessing affordability involves comparing house costs against the ability to pay. The ratio between lower quartile house prices and the lower quartile income or earnings can be used to assess the relative affordability of housing'* and this is the most widely used indicator. (PPG Ref: 2a-019-20140306).
- 6.1.6 The PPG suggests that the appropriate response to market signals evidence, in particular in relation to affordability, should be to *'increase planned supply by an amount that...could be expected improve affordability'*. This, in relation to affordability, can, at best, be described as an untested policy mechanism at the local or regional level, although it does reflect a Government policy aspiration.
- 6.1.7 The PPG deals separately with the calculation of 'affordable housing need' on paragraphs 22 to 29, updating previous guidance and bringing it into line with the overall approach to assessing 'objectively assessed need' in the PPG.

- 6.1.8 There are certain other potential adjustments to objectively assessed housing needs proposed in some of the Core Strategy representations, for example, in relation to backlog or current unmet housing need and unmet need from outside SoAD. For completeness, these are also considered in this section.

MARKET SIGNALS AND AFFORDABLE HOUSING NEED EVIDENCE FOR SoAD

- 6.1.9 The CWSHMA contains a comprehensive and up to date analysis of market signals and affordable housing need that accords with the PPG and good practice. Section 5 of the CWSHMA sets out the housing market demand evidence, including house prices and earnings and land prices, with further information on housing supply and stock in Sections 3 and 4. A separate affordable housing need analysis is set out in full in Section 8 of the CWSHMA. This affordable need assessment supersedes that in the Stratford SHMA, which was undertaken using the previous guidance, although much of the data used is the same. The housing needs of specific groups in the population are brought together in Section 10 of the CWSHMA.
- 6.1.10 It has been suggested in some of the Core Strategy representations that the CWSHMA evidence is out of date. Having reviewed the key indicators, for which any more recent data is available, our conclusion is that there have no significant recent changes and the information and conclusions drawn are robust.
- 6.1.11 The CWSHMA's conclusions in relation to these indicators are in paragraphs 5.77 and 5.78 and their more general judgement was that any market signals uplift, in terms of increased housing provision, that was appropriate was already contained in the demographic housing need they had assessed for SoAD. The conclusions reached in the CWSHMA were examined in the ERM Update Review, in paragraphs 1.5.17 to 1.5.20, and were endorsed by ERM.

HOUSING AFFORDABILITY IN SoAD

- 6.1.12 Paragraphs 5.45 to 5.49 of the CWSHMA provide an analysis of lower quartile house price: earnings ratios within the Coventry and Warwickshire Strategic HMA and in comparator areas. The ratio in SoAD in 2012 was 8.79, which had improved by 2% between 2007 and 2012. The ratio is similar to that in Warwick District and in the adjoining districts in Worcestershire, but higher than elsewhere in the HMA, particularly in the northern parts of the HMA. The ratio in SoAD in April 2014 was 8.82, at or just below the 2007 level.
- 6.1.13 Table 21 of the CWSHMA records that lower quartile house prices only increased by 15% in SoAD between 2001 and 2007 and were flat between 2007 and 2012. Between 2012 and 2014, this flat trend has continued.
- 6.1.14 In broad terms, house prices and house price:earnings ratios in SoAD in 2013 were in the same relationship to those in Warwickshire and nationally as they were in 1997. Private sector rents have been consistently fairly high over the last few years, but these are comparable to similar prosperous districts in southern England.

- 6.1.15 While housing is less affordable than is desirable in SoAD, this is a similar situation to that found in comparable authorities and there is no evidence that affordability has worsened in recent years.
- 6.1.16 The Council fully acknowledges the affordability situation in the Core Strategy.

BACKLOG OR CURRENT UNMET HOUSING NEED

- 6.1.17 The CWSHMA, in paragraphs 8.42 to 8.47, assesses this as an estimated 564 households in SoAD, a total which is then taken forward into the overall affordable housing need summarised in Table 66.
- 6.1.18 The CWSHMA derived the figure of 564 households by considering the number of households living in unsuitable housing in 2011, and then taking account of their current tenure and earnings. Predominantly, these are existing households living in overcrowded or other unsuitable conditions, mainly in the private rented sector, who cannot afford to move into market dwellings.
- 6.1.19 Were these households to move from their present housing, they would release an existing dwelling back into the market. Few if any of these dwellings in SoAD could not be '*made fit at reasonable expense*'. These households are not an additional element of housing need, but part of the base population taken into account in the demographic projections.
- 6.1.20 Certain representations in the relation to the Core Strategy have suggested that this backlog should be added to the demographically assessed need. This is neither necessary nor correct. No specific adjustment to the demographic assessment should be made for this current backlog.

AFFORDABLE HOUSING NEED

- 6.1.21 Table 66 in the CWSHMA summarises the affordable housing need, from backlog and newly arising households in SoAD as an average of 133 dpa, allocated over the plan period. The assessment used methods that are fully in accord with the PPG. It calculated affordable housing need that already exists or is likely to arise from the existing population ie. it is based on 'zero net migration'.
- 6.1.22 The great majority of this assessed affordable need consists either of households already resident in housing which is in fit condition for use in the district or of 'concealed' households likely to already be taken into account in the demographically assessed housing need.
- 6.1.23 The CWSHMA in paragraphs 8.71 and 8.72 notes that the 'zero net migration' assessment method does not take account of in-migrants and offers the judgement that, if these were taken into account, the requirement for affordable housing would be around 100 dpa higher than the 133 dpa, recorded in Table 66.

- 6.1.24 For obvious reasons, it is very difficult to predict the extent to which in-migrants will be able to afford market housing or will need affordable housing. This is why this analysis is set out as a tentative conclusion.
- 6.1.25 The Core Strategy, in paragraph 5.3.5, reports this analysis as an affordable housing need for 'around 200 households per year'. With a policy requirement to provide 35% affordable housing in private housing developments, but taking account of some potential for separate affordable housing schemes, small sites and viability considerations, this is, in our view, a realistic target.
- 6.1.26 The SHMA Update did not include any update of this analysis to take the latest 'zero net migration' projections into account. Were this to be done, our judgement is that it would increase the average of 133 dpa, but not by a significant amount. The CWSHMA analysis remains a sound basis for the Council's affordable housing target.
- 6.1.27 Certain representations in relation to the Core Strategy, for example, those by Regeneris and Pegasus, have argued that the CWSHMA affordable housing need of around 230 dpa, or a higher number derived from their own assessments, needs to be matched by an upward adjustment to the overall housing requirement, so that all of the affordable housing need can be shown as likely to be met by the delivery of affordable housing from mixed tenure developments over the plan period.
- 6.1.28 This argument is flawed for a number of reasons. The first is that this need is already accounted for within the demographic assessment. The second is that any calculation of affordable housing need has to be based on a large number of specific assumptions and can only be indicative. The Core Strategy affordable housing policies are seeking to meet as much of the affordable need as they can, taking account of viability, and this is a legitimate policy judgement that SoADC has made.
- 6.1.29 In any event, the best available estimate of 'locally arising need' is likely to be capable of being met by the 35% policy.

THE POTENTIAL IMPACT OF INCREASED HOUSING SUPPLY ON AFFORDABILITY

- 6.1.30 One, in particular, of the Core Strategy representations, that by Regeneris, promotes the view that the Council should uplift the demographically derived housing need specifically to 'drive down' house prices and to return affordability towards a house price: average earnings ratio in SoAD of around 4. Regeneris has provided an indicative analysis that suggests that an increase of only around 200 dpa would be sufficient to achieve this. It is worth noting that this line of argument is not explicitly pursued in other representations.
- 6.1.31 The evidence of ERM and Regeneris, on both sides of this argument, has been explored in some detail at two recent s78 inquiries in SoAD, at Tysoe and Welford-on-Avon.
- 6.1.32 The ERM evidence at these inquiries has been consistent with that taken in the ERM Review Update. In summary, this is that, at the local level, there is

no real evidence that modest, or even considerable, uplifts in the housing land supply would have any discernible effect in improving affordability locally.

6.1.33 All economists recognise that the relationship between house price and supply is highly complex and that there are numerous factors involved in the relationship between the two, many of which cannot reliably be quantified and/or will work against each other.

6.1.34 The Barker Review provided some evidence that, nationally, housing supply would need to be increased by large amounts, in order to deliver significant restraint on house prices and improve affordability. Subsequent research, particularly at Reading University, sought to create an econometric model of housing affordability, which could be applied at a regional (or possibly sub-regional) level. Regeneris have used a regional price elasticity from this modelling to apply at the local level. Despite an exhaustive literature review, they have found almost no other studies which might support this approach.

6.1.35 While many observers accept that this is a plausible relationship and may be true at the national level, none of the subsequent modelling has progressed reliably, even at the regional level. The Reading model is neither designed nor capable of being reliably applied at a local authority or similar spatial scale, a view which is shared by the team that devised it. Many of the key relationships in econometric models, although founded in economic theory, have to be pre-determined and the resulting factors, eg price elasticities, are derived statistically from correlations and cannot just be applied outside the context of that model.

6.1.36 There are numerous reasons why any 'reasonable' uplift in housing requirement, at the local level, will not deliver improved affordability. Our view on this is supported by our experience in planning practice and research over a long period, advising developers, local planning authorities and CLG. Some of the most obvious of that evidence is summarised in the following reasons:

- the overwhelming majority of housing that is brought to market is from the existing stock and this dictates local house prices. As we have seen particularly since 2008, homeowners, for good reasons, normally withhold houses from the market if there are any signs of price falls.
- while there are many drivers of house prices, the availability and cost of mortgage is a key determinant, even in areas of poor affordability.
- new build housing, standardised for size, is always more expensive than equivalent existing houses. Land costs, which are the residual in any valuation of new housing, are a very large component of new house prices in an area such as SoAD.
- local housing market areas, with almost no exceptions, are only nominal areas with open boundaries. Any local uplift in housing supply at a lower price, will be negated by increased numbers of in-movers prepared to pay the original price.
- housebuilders, for entirely logical reasons, manage the supply of housing from their sites. In strong or rising local markets, they have no

incentive to increase the rate of building and many reasons to slow it down and this is what they do, if prices show signs of flattening off or falling.

- the supply of private rented housing, which has grown sharply in recent years, driven by 'buy to let' and other small landlords' investment decisions, has shown no signs that it caps rents in local markets. Rental levels tend to be closely matched to open market house prices, which I would expect.

6.1.37 There is no evidence that adopting a modest or even substantial increase in the housing need or requirement would have any beneficial effects in restraining house prices or rents in SoAD, our considered view is that there is no 'reasonable' adjustment that could be made for affordability.

UNMET NEED FROM OTHER DISTRICTS

6.1.38 At this stage, there are no unmet needs from outside SoAD that have been identified nor any specific requests made by other authorities. New policy CS.xx in the Core Strategy sets out the Council's approach to dealing with unmet need if or when it arises, including the arrangements for joint monitoring and policy consideration across the SHMA. This is, in our view, the only sensible approach that can be adopted.

CONCLUSION ON ADJUSTMENT FOR MARKET SIGNALS AND OTHER ADJUSTMENTS

6.1.39 In relation to market signals and affordable housing need, our conclusion is that no further adjustment to the demographically assessed need of 11,300 dwellings is necessary. No adjustment is required for backlog current or for unmet need from other districts.

7 CONCLUSIONS ON HOUSING REQUIREMENT

- 7.1.1 The aim of the Consolidated Review of Housing Need and Requirement has been to ensure that the Core Strategy evidence on 'objectively assessed need' and the housing requirement is robust and in accordance with the NPPF, PPG and good practice.
- 7.1.2 A particular focus of the Consolidated Review has been on the recent CWSHMA Update, which considered the latest 2012 SNPPs, and on the available employment growth evidence for SoAD. We have also considered relevant representations on the submitted Core Strategy and the Inspector's matters and questions and for the examination.
- 7.1.3 The CWSHMA, in Table 97, identified the objectively assessed need for SoADC as 11,400 dwellings (570 dpa). The ERM Update Review conclusion was that the objectively assessed need should be 525 to 540 dpa. The Core Strategy, as submitted, sets a housing requirement of 'at least 10,800 additional homes' over the plan period.
- 7.1.4 The CWSHMA Update identified a demographically assessed housing need for SoAD, based on the 2012 SNPPs, of 508 dpa. Having reviewed this projection, our view is that, because it was based on the most recent five years of migration into SoAD, this demographic projection should be adjusted upward to take account of migration assumptions derived from the ten year average from the most recent data, which better reflects the migration levels associated with SoAD's past and potential employment growth. This would yield a demographically assessed need projection of 11,300 dwellings over the plan period, an average of 565 dpa. As the EPB agreed housing numbers for other districts in the HMA already vary from the CWSHMA Update figures, making such an adjustment would not be incompatible with the overall adopted objectively assessed need for the SHMA of 4,004 dwellings pa which shows a shortfall of 234 dwellings yet to be distributed among the districts.
- 7.1.5 *Section 4* presents an independent review of the evidence in relation to past employment trends and the prospects for future employment growth in SoAD. In the recent past, since 2001, employment has been increasing by around 1-1.5% pa on average. Having considered a range of sources, including the Experian and Cambridge Econometrics/Warwick Institute for Employment Research forecasts of job growth, also used in the CWSHMA Update, we have provided an ERM Indicative Employment Forecast. This suggests net total job growth in SoAD over the plan period of 12,100 jobs. This increase reflects a fairly buoyant local economy, although a significant proportion of these jobs are likely to be relatively low paid or part time. Furthermore, a substantial number of them, around 3,000, are 'bounce back' jobs lost during 2008-2009, some of which have since been recovered, and for which the labour force was already available in the district in 2011.
- 7.1.6 *Section 4* also provides a review of the Core Strategy employment land allocations. SoADC's 35ha target, which may well be exceeded, has an estimated capacity of around 8,000 (FTE) jobs. The Core Strategy seeks to encourage economic growth and, in order to provide an appropriate range and choice of sites and premises over the plan period, for both new and existing

employers, it would be reasonable to make a nominal over-provision of employment sites. Our judgement overall is that the Core Strategy target of 35ha is appropriate and will achieve an adequate provision to accommodate likely job growth in the relevant sectors.

- 7.1.7 *Section 5* examines the complex, often indirect, relationship between forecast additional job numbers and future housing requirements in SoAD. The balance to be sought is a matter of judgement, based on the evidence, including that in relation to commuting. SoADC will be seeking to avoid unsustainable commuting, but projections based on simple assumptions about job to resident ratios and commuting rates are only a small part of that evidence. In practice, when there is a substantial increase in job numbers, a range of housing and labour market adjustments will come into play.
- 7.1.8 By adopting a demographically assessed housing need of 11,300 dwellings between 2011 and 2031, SoAD could accommodate a net additional workforce sufficient to take up 4,300 net additional jobs out of the 9,000 or so forecast to need additional labour. A further 2,000 could be taken up by out-commuters from SoAD transferring to local jobs. As a substantial proportion, around 60%, of the net additional jobs are likely to be in relatively low paid sectors and/or part-time, many such jobs are more likely to be taken up by in-commuters from nearby districts than by in-migrants, who would normally face housing affordability difficulties. These are conservative estimates, which take no account of other factors such as changes in working arrangements including remote working.
- 7.1.9 Our analysis concludes that a proposed objectively assessed housing need (and requirement), based on the demographic analysis in *Section 3*, of 11,300 dwellings is unlikely to lead to unsustainable patterns of in-commuting. However, if housing were to be provided above the demographic need level, which in itself could meet the labour demand of forecast new jobs as shown above, there is a likelihood that a higher than planned proportion of new (and existing dwellings) would be taken up by retired people or out-commuters seeking a congenial residential environment. In the latter case, while the net commuting balance may improve, the aggregate amount of in and out-commuting would increase. This could lead to a less rather than a more sustainable pattern of commuting.
- 7.1.10 A demographically assessed need, of 11,300 dwellings will provide for substantial in-migration for employment and would not constrain the economic growth potential of the district. Taking account of the evidence, it does not need to be further adjusted. This conclusion takes proper account of the guidance in PPG paragraph 18.
- 7.1.11 The market signals evidence for SoAD and the rest of the HMA, set out in the CWSHMA, is comprehensive and was prepared in accordance with the PPG and good practice. No new evidence has emerged since the CWSHMA that significantly amends that evidence.
- 7.1.12 The assessment of affordable housing need in Section 10 of the CWSHMA, summarised in Table 66, would require an average of 133 dpa, spread over the plan period. The CWSHMA notes that this assessment was based on 'zero net migration' and offers the judgement that if the needs of in-migrants

were taken into account, the requirement for affordable housing would be around 100 dpa higher. The Core Strategy, in paragraph 5.3.5, reports this as an affordable housing need for '*around 200 households per year*'.

- 7.1.13 The SHMA Update did not include an update of this analysis to take the latest 'zero net migration' projections into account. Were this to be done, our judgement is that it would increase the average of 133 dpa, but not by a significant amount. The CWSHMA analysis remains a sound basis for the Council's affordable housing target.
- 7.1.14 In relation to market signals and affordable housing need, our conclusion is that no further adjustment to the demographically assessed need of 11,300 dwellings is necessary.
- 7.1.15 The overall conclusion of the Consolidated Review is that, taking the most recent evidence into account, the objectively assessed need for SoAD is for an additional 11,300 dwellings over the plan period and that this should become the basis for the Council's housing requirement in the Core Strategy.