Considering North East's Derbyshire's OAN

North East Derbyshire District Council

Final Report

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Prepared by

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Limitations

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1   INTRODUCTION

1.1   GL Hearn and Justin Gardner Consulting prepared an OAN Update Report for the four authorities in the North Derbyshire and Bassetlaw Housing Market Area which was finalised in October 2017. This provided an updated figures on the objectively-assessed need (OAN) for housing over the period to 2035. This report defined an OAN for North East Derbyshire of 283 dwellings per annum (dpa) over the 2014-35 period, but set out that this should be regarded as a minimum figure and recommended that Council test the potential to support higher economic growth scenario figures as modelled within that report, in bringing together evidence bases through the plan-making process.

1.2   Against this context, the Council has commissioned Lichfields to prepare an Economic Growth Analysis report which revisits the justification behind the 'Regeneration Scenario' modelled in the Council's Employment Land Review Update; and tests the realism or otherwise of the c. 3.000 net jobs growth (2014-35) arising from it as an assessment of how North East Derbyshire District's economy is likely to perform.

1.3   This report from GL Hearn then takes the findings from the Lichfields' Economic Growth Analysis Report and considers the implications of this further evidence for the Objectively-Assessed Need for housing in North East Derbyshire.

2   THE ELRU AND 2017 OAN UPDATE REPORTS

2.1   The 2017 OAN Update Report considered the objectively-assessed need for housing using the methodology set out by Government in Planning Practice Guidance at the time of writing. The methodology and detailed calculations are set out in that report, but we have sought to summarise how North East Derbyshire's OAN was derived herein.

2.2   The OAN was assessed over the period 2014-35 on a consistent basis for the four authorities within the Housing Market Area (HMA). The starting point was 2014-based Household Projections. These indicated a need for 204 dpa. However given the effects of the recession and housing delivery on these projections, the report concluded that a 10 year migration scenario should be used in deriving conclusions on the demographic need, and an adjustment made to household formation rates for younger households (returning these for households aged 24-34 and 35-44 to the midpoint between 2008- and 2014-based Household Projections by 2035). It concluded that the demographic need on this basis was for 248 dpa.

2.3   The report identified that drawing conclusions on how a local economy may perform in the longer-term is inevitably a difficult exercise, given the multitude of potential influences on future economic performance together with economic uncertainties at both a national and local level. The report examined historical employment growth, baseline (trend-based) forecasts, local economic

evidence/ drivers as well as work undertaken to consider the distribution of jobs growth across the Sheffield City Region by Ekosgen.

2.4   For North East Derbyshire, it identified historical jobs growth of 0.6% pa (Table 24). It considered two baseline forecasts, which showed net jobs growth between 2014-35 ranging from 1,200 jobs using Oxford Economics April 2017 forecasts to 1,900 jobs using the Experian September 2016 forecasts used in the Employment Land Review Update (ERLU). It also considered the 'Regeneration Scenario' defined in the ERLU which saw jobs growth of 3,000 jobs.

2.5   The basis of the Regeneration Scenario is summarised in Lichfields' Economic Growth Analysis Report. This scenario, developed by Lichfields was based on discussions with NEDDC officers who considered that the Experian baseline forecasts were overly suppressed by ongoing manufacturing restructuring and underplayed the likely investment and job growth prospects for the District. The scenario took account of five core growth sectors and modelled growth rates for these sectors similar that to that expected across the East Midlands. In practical terms, it modelled upwards adjustments to performance for certain manufacturing sub-sectors (computing and electronics and machinery and equipment) and to the construction sector, with a modest upward adjustment to jobs in the utilities sector.

2.6   The OAN Update considered what level of housing provision would be needed to support employment growth. It modelled that 283 dpa would be required to support growth in line with the Experian baseline scenario, and drew conclusions on OAN taking this into account. It set out that supporting the Regeneration/ Growth Scenario would require 332 dpa. In drawing conclusions, the report set out the following in Paragraphs 9.12 – 9.14:

> *"GL Hearn's analysis of the baseline forecast against past trends indicates that the baseline forecasts expect relatively modest employment growth across the HMA relative to that seen historically in the area; and to wider benchmarks such as forecast regional and national employment growth rates. Nevertheless these are robust forecasts which take into account the sectoral performance, past performance and expected future economic trends. They provide a strong basis for quantifying minimum OAN figures.*
>
> *There are clearly uncertainties associated with longer-term economic performance, the NPPF sets out that the planning system should seek to positively encourage and drive sustainable economic growth (see Paragraphs 17 and 21). The Growth Scenario should be interpreted in this light as providing an assessment of the impact on housing need should the economy perform more strongly; and providing a basis for considering through the plan-making process how planning for higher housing provision and economic growth could be mutually supportive – with housing provision itself representing investment and helping to support economic growth (including through providing a supply of available labour) and economic growth supporting housing demand, investment and local regeneration.*
>
> *GL Hearn would recommend that the baseline scenario is therefore treated as informing minimum OAN figures and where appropriate quantifying any 'unmet need.,' but that the Councils test the potential to support the higher Growth Scenario figures in bringing together*

evidence through the plan-making process. In drawing conclusions in this respect, it will be important that the economic and housing strategies within local plans are aligned with one another, as Paragraph 158 in the NPPF requires."

2.7   The OAN Update Report went on to analysis market signals and affordable housing need. It concluded that the evidence pointed to very limited comparative pressures from market signals, and that no upward adjustments beyond those made in drawing conclusions on the demographic need were warranted. It identified a need for 172 affordable homes per annum, and that notionally at 30% affordable housing provision this would require 573 dpa to meet the affordable housing need in full. However it was clear that this calculation was indicative, and that adjustments of over 100% in overall housing delivery were neither realistically deliverable nor justified in particular recognising how affordable housing is delivered, the area's low value housing market, the sensitivity of the affordable need to housing costs and incomes and potential for economic regeneration. It recognised that boosting market housing delivery and improving wages locally could boost affordability and reduce the scale of affordable housing need over time. The Report concluded that a 10% upward adjustment to the demographic need to support affordable housing delivery was justified.

2.8   Drawing the evidence together, for North East Derbyshire the economic-led need was higher than the demographic need for housing or the need with the affordability uplift, the report therefore concluding in identifying a minimum OAN of 283 dpa, but setting out that the higher economic growth scenario – the Regeneration Scenario defined in the Lichfields' report – should be considered further.

3   LICHFIELDS ECONOMIC GROWTH ANALYSIS

3.1   The Council has taken forward the above recommendations in commissioning Lichfields to consider further the evidence on likely jobs growth over the plan period and the realism of otherwise of the c. 3,000 net jobs growth derived in the Regeneration Scenario.

3.2   Lichfields' report includes an analysis of policy influences at a national, sub-region and local level. It then considers alongside one another different employment forecasts from Oxford Economics and Experian, alongside scenarios for economic performance in the District derived from the Ekosgen report for Sheffield City Region, and the Regeneration Scenario from the ELRU. These are then compared to past employment trends.

3.3   The review of national economic strategies identifies that all five key target growth sectors identified in the Regeneration Scenario have been specifically mentioned in the Government's Industrial Strategy, with each benefiting from future public investment supporting their growth potential. It

notes increasing enquiries from businesses looking to invest, and the importance of the Markham Vale as a drive of economic growth in the District.

3.4   Lichfields comparison of forecast growth scenarios indicates that these show employment growth of between 0.18% pa (Oxford Economics) to 0.70% pa (Ekosgen). The Regeneration Scenario sits within this range at 0.45% pa employment growth.[1]

3.5   Lichfields analysis of past employment growth rates indicates that employment has grown historically at a rate of 0.81% pa over the 2000-16 period.

3.6   The report then considers an updated set of baseline forecasts from Experian. These show employment growth of 2,800 jobs over the 2014-35 period.[2] It includes a sector-by-sector comparison between this updated set of data and the Regeneration Scenario, identifying that these are closely aligned in respect of the overall magnitude of growth and the individual growth sectors – supporting the realism of the Regeneration Scenario as an assessment of how the District's economy can be expected to perform. They conclude that the Regeneration Scenario appears to be closely aligned with the overall economic prospects of the District.

4   IMPLICATIONS FOR NORTH EAST'S DERBYSHIRE'S OAN FOR HOUSING

4.1   GL Hearn's 2017 OAN Update defined an objectively-assessed housing need for North East Derbyshire which was 'economic-led' based on the level of housing provision which was necessary to support a baseline forecast for employment from Experian (dated Sept 2016).

4.2   The Lichfields Economic Growth Analysis Report provides an updated Experian forecast, dated December 2017. The figure below shows the trend in jobs growth forecast by Experian.

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[1] The report is clear that the Ekosgen scenario should be treated with a degree of caution not least as it relates only to the period to 2024 and is not a 'policy-off' projection

[2] The equivalent figure for the 2014-34 period is 2,700 jobs as quoted in the Lichfields' report. Lichfields have shared the detailed time series data with GL Hearn.

Figure 1:   Forecast Jobs Growth – NE Derbyshire
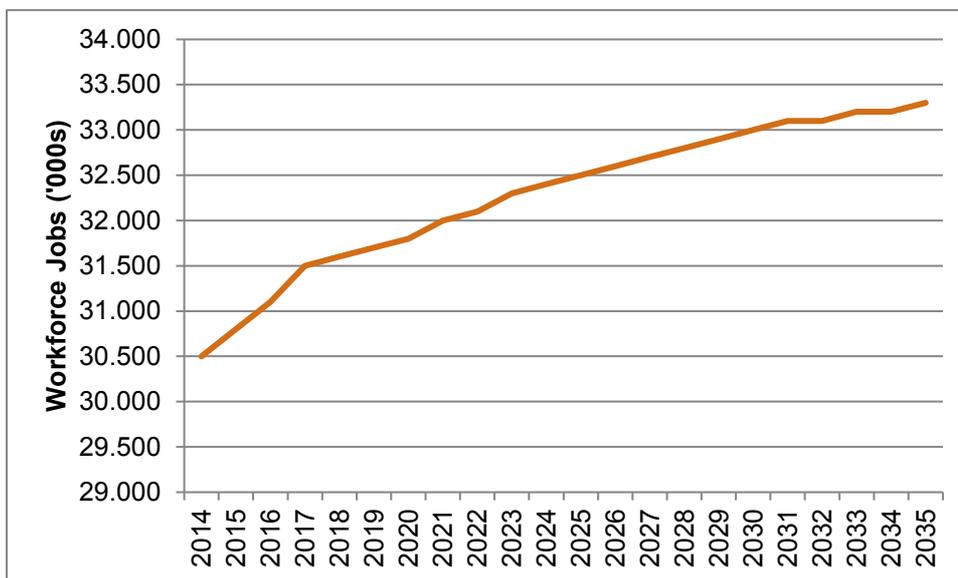
Source: Experian/Lichfields

4.3   GL Hearn has simply re-run calculations on the economic-led need for housing in North East Derbyshire to take this into account. In doing so we have used consistent assumptions as in the 2017 OAN Update report, namely:

- A commuting ratio from the 2011 Census
- 3.2% of persons have more than one job
- Unemployment reduces by 400 between 2014-16, but remains constant thereafter
- Age and sex-specific economic activity rates modelled on the basis of the midpoint between 2017 Office for Budget Responsibility and Experian assumptions.

4.4   We show in the tables below 1 below the updated Experian baseline forecast, alongside the Regeneration Scenario as shown in the OAN Update Report. Table 1 shows the modelled growth in economically-active residents.

Table 1:   Growth in economically-active residents to support Economic Growth

	Job growth	Adjustment for commuting	Adjustment for double jobbing	Adjustment for unemployment
Experian Dec 2017	2,800	4,168	3,995	3,595
Regeneration Scenario	2,960	4,406	4,223	3,823

4.5   Within the modelling, migration is adjusted to support this growth in economically active residents. Table 2 shows the household and dwelling growth necessary to support this. This takes into

account the part return to 2008 household formation rates, and an allowance for vacant homes in drawing conclusions on housing need, using consistent assumptions to the 2017 OAN Update Report.

Table 2: Projected housing need – growth job-led scenario (2014-35) – North Derbyshire & Bassetlaw – part-return to trend HRRs

	Households 2014	Households 2035	Change in households	Per annum	Dwellings (per annum)
Experian Dec 2017	43,577	50,242	6,665	317	325
Regeneration Scenario	43,577	50,397	6,819	325	332

4.6   Adopting a consistent approach to the 2017 OAN Update, the more up-to-date Experian data would increase North East Derbyshire's OAN to 325 dpa.

4.7   As this is simply taking an updated set of Experian job numbers and applying consistent assumptions in relating this to housing need as in the joint OAN Update report in drawing conclusions on the District's OAN, GL Hearn does not consider that it has any particular implications for other authorities within the HMA. It uses a consistent approach to the joint evidence base; and indeed the jobs growth envisaged falls within the parameters for economic growth which were tested in the joint evidence, the 2017 OAN Update showing that housing provision of between 283-332 dpa could be required to support economic growth.

4.8   It is however appropriate to consider the commentary within the Lichfields report on the Regeneration Scenario as well. Whilst it recognises the inherent uncertainties related to economic forecasting, Lichfields conclude that the Experian projections support the realism of the Regeneration Scenario, both in respect of overall employment growth and sector performance. They find that the Regeneration Scenario to be closely aligned with the overall economic prospects of the District. Based on Lichfields detailed analysis, it would therefore be equally reasonable to treat this scenario as a realistic assessment of economic growth in the District, and to base the OAN on this. This would result in an OAN of 332 dpa.

4.9   The variance between the two scenarios – the updated baseline forecasts requiring 325 dpa and the Regeneration Scenario for 332 dpa - is well within the error margins of long-term economic forecasting, and indicates that would be reasonable and pragmatic to treat this (325-332 dpa) as a range in drawing conclusions on OAN taking account of Lichfields' economic growth analysis report.

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