

NORTH EAST DERBYSHIRE LOCAL PLAN EXAMINATION



STATEMENT OF NORTH EAST DERBYSHIRE DISTRICT COUNCIL

22 OCTOBER 2018

Main Matter 4

**Objectively Assessed Need for Housing
and Housing Land Requirement
(Policy SS2)**

BLANK PAGE

Main Matter 4 – Objectively assessed need for housing and housing land requirement (Policy SS2)

Issue – Is the objectively assessed need for housing soundly based and supported by a robust and credible evidence base and is it consistent with national policy?

Question 4.1

Does the plan area represent an appropriate basis for assessing housing need having regard to the North Derbyshire and Bassetlaw Housing Market Area as a whole?

Council's Response:

- 4.1.1 North East Derbyshire is part of the North Derbyshire and Bassetlaw Housing market Area (HMA) that comprises the other authorities of Bolsover, Bassetlaw and Chesterfield. The Council has worked with its partner authorities over a long period, to identify and then assess the housing needs of the HMA. The Strategic Housing Market Area Assessment (SHMA) OAN Update (**EB-HOU4**) provides a breakdown of housing need between the 4 HMA authorities. The Council has discussed issues of distribution of housing provision within the HMA with its partner authorities and each authority is planning to meet its own housing needs.
- 4.1.2 As the Housing Topic Paper indicates (**EB- HOU2**, paras 2.4-11), there is a long-standing basis for the Housing Market Area. This is evidenced by the SHMA of November 2013 (**EB-HOU2**) Chapter 2 (2.4-2.16)
- 4.1.3 The Council however also recognises that there are interactions with adjacent areas outside the HMA, and has engaged with those authorities through the Duty to Co-operate on issues of housing need. Amber Valley, Derbyshire Dales, Rotherham, and the Peak District National Park Authority have all confirmed that they would not be able to accommodate any of the housing need arising within North East Derbyshire in their areas. North East Derbyshire has the closest local housing market relationship with Chesterfield's and Sheffield's urban areas. In both cases there is no justification to accommodate housing need from one authority in its neighbour. These matters are set out in paras 35-40 of the Duty to Cooperate Statement of Compliance, Submission Version: May 2018 (**SD5b**).
- 4.1.4 It is however appropriate for the examination to focus on the District within the context of these broader housing markets.

Question 4.2

Have appropriate adjustments been made to the 2014 based Sub-National Household Projections to arrive at a demographic based housing need figure for the District of 248 dwellings per year in the North Derbyshire and Bassetlaw Strategic Housing Market Area Objectively Assessed Need Update (SHMA OAN Update) (EB HOU4) and Considering NED OAN (EB HOU5) in particular:

- **The use of a 10 year migration scenario;**
- **An uplift to household formation rates in the 25 – 34 and 35 – 44 age groups.**

Council's Response:

- 4.2.1 Yes. **EB-HOU4** took official 2014-based population and household projections as a starting point (Tables 2 and 3) but identified that there had been relatively modest population growth over the input period (2009-14) influenced by housing market circumstances (Para 2.27-2.29) whilst 10 year migration trends provided a reliable basis for drawing conclusions on housing need. This resulted in an upward adjustment to population growth in the District and HMA (Tables 5 and 9).
- 4.2.2 **EB-HOU4** critically appraised household formation rates and found evidence that these had fallen for those aged 25-34 between 2001-11, and were lower for those aged 35-44 than expected based on longer-term projections (Para 2.41). It found a correlation between this and a deterioration in affordability over the 2001-11 period (Chapter 4 analysis) and considered that it was appropriate to uplift household formation rates on this basis (**EB-HOU4** and **EB-HOU5**).
- 4.2.3 In the SHMA OAN Update (**EB-HOU4**) the uplift in formation for 25-24 and 35-44 age groups was justified on the basis that long-term economic recovery would partially reverse the lack of household formation during the recession which had influenced the Government Projections.
- 4.2.4 The approach adopted is consistent with advice in the 2014 PPG (Para 2a-015).

Question 4.3

What would alternative assumptions and inputs for the demographic assessment of need indicate and is there any justification for these?

Council's Response:

- 4.3.1 The Council's approach to alternative assumptions and inputs has been set out in its evidence, and in response to the Main Matter 4 Question 4.2.
- 4.3.2 The case is made in the SHMA documents (**EB-HOU4** and **EB-HOU5**) for a 10-year migration basis for the demographic projections. In general terms it

accounts for an economic cycle & is better related to the 17-20 year plan period (than the 5yr period of the official projections). In addition in the SHMA OAN Update (**EB-HOU4**) an uplift in formation for 25-24 and 35-44 age groups was justified on the basis that long-term economic recovery would partially reverse the lack of household formation during the recession which are incorporated into the Government Projections.

- 4.3.3 Since the preparation of **EB-HOU4**, ONS has published revised Mid-Year Population Estimates for 2012-2016, and these have fed into new 2016-based Sub-National Population Projections, and, in September 2018, new 2016-based Household Projections. The latest household projections would suggest a slightly lower demographic starting point of 196 dpa (rather than 204 dpa, as in **EB-HOU4** Table 15).
- 4.3.4 The Council's consultants have done further work to consider these more up-to-date household projections, deriving projected household growth in the light of the latest ONS data and using the assumptions in the SHMA work set out above. This is set out in **ED19**, is reproduced in **Appendix 1** and is summarised below.

Population growth:

- 4.3.5 Adjusting migration to take account of the latest 10 year migration trends (2007-17) would see a need of 238 dpa over the plan period, using the household representative rates as used in the SHMA sensitivity analysis (**EB-HOU4**). This compares to 248 dpa in the original sensitivity analysis.

Household formation:

- 4.3.6 A sensitivity analysis also using the updated 2016-based ONS household projections headship data points to lower housing need than in the previous modelling. When the 2016-based rates (as published) are applied to the latest 10 year migration projection the outcome would be a housing need of 216 dpa.

Question 4.4

Is an uplift of 10% in the demographic based housing need an appropriate and justified response to the evidence on affordable housing need?

Council's Response:

- 4.4.1 The OAN Update analysis points to an affordable housing need of 172 per annum (**EB-HOU4** Table 48). This is a gross figure which includes existing households as well as those who are newly-forming or concealed. In line with the PPG (Para 2a-029), **EB-HOU4** has considered this within the context of the notional level of affordable housing which might be expected on market-led housing developments (Table 51, p64) but notes that affordable housing delivery is impacted by residential development viability, and parts of the district fall within lower value housing markets. It would not be realistic to meet the affordable housing need in full. It notes that the affordable need itself is

sensitive to market housing costs and incomes and there are other means of delivering affordable housing, such as through Rykneld Homes' own development programme (Paras 5.42).

4.4.2 The SHMA authors considered that a 10% upward adjustment to the demographic need should be made to support affordable housing delivery (Para 9.22).

4.4.3 The SHMA authors and Council however consider it important to recognise that any upward adjustments from the demographic starting point of 204 dpa would deliver additional market and affordable housing. In this context, it is important to recognise that the baseline OAN of 283 dpa would represent a 38% uplift on the demographic starting point; and the final OAN of 330 dpa would represent an increase of 62% - in both cases supporting significant additional market and affordable housing delivery.

Question 4.5

Is any adjustment to the demographic based housing need required to take account of market signals?

Council's Response:

4.5.1 The OAN update analysis (**EB-HOU4**) reviewed market signals and considered that there was comparatively limited pressure from market signals (Para 4.35), and taking account of the adjustments made to migration and household formation rates (Para 4.31), no further adjustment for market signals was warranted.

4.5.2 The analysis showed land values which were notably below regional or national averages (Table 34). It found an LQ affordability ratio which was similarly below the regional and national average at 6.2 (Table 35) but did show affordability pressures particularly in the northern parts of the District where were greater than in other parts of the HMA. The latest data points to an affordability ratio in 2017 of 6.7.

4.5.3 The Government's 2018 Planning Practice Guidance indicates that an affordability uplift in response to the market signals would be required where historical delivery may have constrained migration and household formation. The SHMA methodology addresses these issues specifically. Application of the standard methodology points to a 21% upward adjustment to projected household growth in the District, whereas the adjustments to migration and household formation in the OAN Update (**EB-HOU4**) raised the need from 221 to 273 dpa – a 23.5% adjustment, before consideration was given to economic growth, which raises the OAN further still. The revised Guidance is generally supportive of the approach adopted, and the Council considers that there is no justification for further adjustments on the basis of the market signals evidence.

Question 4.6

Have appropriate assumptions been made in in the SHMA OAN Update and Considering NED OAN in relation to the following factors for the purposes of assessing the number of resident workers necessary to support jobs growth over the plan period:

- **Economic activity rates by age and gender**
- **Commuting ratio (number of workers per job)**
- **Double jobbing (% of people in employment who have a second job)**
- **Unemployment rate over the plan period**

Council's Response:

Economic Activity Rates

4.6.1 The assumptions on economic participation are set out in the OAN Update in Paras 3.45 – 3.48. The consultants considered and triangulated a range of projections from different organisations on future change to economic participation. It found that the assumptions from the OBR Jan 2017 Fiscal Sustainability Report captured changes in State Pension Age but that stronger improvements than this could be expected given improved longevity and health, a shift towards service-based employment and increasing flexible patterns of working. It took the cautious assumption that a midpoint between OBR 2017 and Experian economic participation rates would represent an appropriate modelling position.

4.6.2 OBR has since released more positive assumptions on changes in economic participation in its July 2018 Fiscal Sustainability Report. The impact of these is considered in the Appendix.

Commuting Ratio

4.6.2 A commuting ratio of 1.49 has been used in the modelling based on 2011 Census data (**EB-HOU4** Table 26). This represents the latest reliable information available. The commuting ratio is influenced by the District's geography with larger employment centres such as Sheffield and Chesterfield just beyond its borders. It is not appropriate to adjust this unilaterally.

Double Jobbing

4.6.3 **EB-HOU4** takes locally-specific data for double jobbing from the Annual Population Survey, using an average over the 2004-16 period to reflect the small sample size of the data source. No discernible upward or downward trend is evident in the data (Figure 6).

Unemployment Rate

4.6.4 **EB-HOU4** took data on unemployment changes from the Annual Population Survey between 2014-16. Unemployment levels were held constant thereafter. The unemployment rate at 3.8% at this point was below the national average and at levels representing full employment.

Implications of More Recent Data Releases

- 4.6.5 A remodelling of the economic-led housing need to take account of the latest population and household growth assumptions and OBR 2018 economic participation rates is included at **Appendix 1**. Recognising the sensitivity of the modelling to assumptions on economic participation, the Council does not consider that the updated analysis points to a meaningful change in the level of housing need.

Question 4.7

Having regard to the baseline objectively assessed need of 283 dwellings per year set out in the SHMA OAN Update (Table 92), is the requirement of 330 dwellings per year set out in Policy SS2 justified? If so, why?

Council's Response:

- 4.7.1 The SHMA Update identified that employment growth in the District was uncertain (Para 9.13), and could vary from 1,200 – 3,000 jobs over the 2014-35 period (Table 88). It identified that further analysis to provide a clearer view of employment growth was required (Para 9.14). The Council sought to consider this issue further and commissioned Lichfields to consider this (**EB-EMP3**). The Lichfields Report found that the Regeneration Scenario represented a reasonable assessment of the economic growth prospects of the District, having regard to support from the Government's Industrial Strategy and the LEP Strategic Economic Plans, noting inquiries from businesses and the role of Markam Vale as a driver of economic growth and the then latest Experian econometric forecasts (dated Dec 2017) which showed employment growth of 2,700. Lichfield found a close alignment of the Experian data with the Regeneration scenario in respect of both the overall magnitude of growth and individual growth sectors.
- 4.7.2 The GL Hearn report, *Considering NE Derbyshire's OAN* (**EB-HOU5**) appraised what level of housing provision would need to support this, adopting consistent assumptions to the OAN Update. It identified that 325 dpa would be required to support the Experian 2017 forecasts, and 332 dpa to support the Regeneration Scenario.
- 4.7.3 The Council took account of this evidence in its Housing and Employment Topic Papers (**EB-HOU7 & ED8**). These present the Council's justification for the level of housing provision and the economic growth behind it (**EB- HOU7 s.2.5 & ED8, s5**) . In summary these may be expressed as follows, that the Plan's housing provision will:
- a) Support realistic economic growth in the context of National, sub-regional and local economic circumstances.
 - b) Accord with Government planning policy to ensure that the planning system does everything it can to support sustainable economic growth and to seek to positively and proactively encourage and drive sustainable economic growth.

- c) Meet the Local Plan's objective to support sustainable growth which brings about regeneration.
- d) Be in line with Council's Growth Strategy and the wider LEPs ambitions. The Housing provision aligns with the potential for higher growth in key sectors identified in the Council's Economic Development Strategy, which itself reflects the wider LEP visions.
- e) Help deliver more affordable housing and address affordability as described in the response to Q4.4 and as presented in the SHMA OAN Update (**EB-HOU4**) section 9.

Question 4.8

Overall, is the objectively assessed need for housing aligned with the plan's economic strategy?

Council's Response:

- 4.8.1 Policy SS2 sets out a housing provision of 330 dw. per year and an employment provision of 41ha. These are aligned with one another, and both essentially derive from the Regeneration Scenario set out in the Employment Land Review Update (**EB-EMP2**).
- 4.8.2 The Council Additional work to verify the regeneration scenario as a basis for housing provision was commissioned by the Council. This work: 'Considering North East Derbyshire's OAN' (**EB-HOU5**) concluded that an Objectively Assessed Housing Need in line with updated baseline economic forecasts and Regeneration Scenario and based on the more up-to-date data would give a range of 325-332 dw/yr. The analysis set out in **EB-EMP3** indicates that the Regeneration Scenario is closely aligned with the latest economic prospects of the District (**EB-HOU7** Housing Topic Paper, Section 2.3) and is a realistic scenario for the future performance of the District's economy.



North East Derbyshire Local Plan Examination
Implications of Recent Data Releases on Objectively-Assessed Housing Need

This note examines the implications of data released since the preparation of the OAN Update (EB HOU4) and the Considering NE Derbyshire's OAN report (EB HOU5) on North East Derbyshire's objectively assessed housing need. In particular it considers the implications of:

- Revised Mid-Year Population Estimates (MYEs) 2012-16, released by ONS on 22nd March 2018
- 2016-based Sub-National Population Projections, released by ONS on 24th May 2018
- Office for Budget Responsibility (OBR) 2018 Fiscal Sustainability Report, released July 2018
- 2016-based Household Projections, released by ONS on 20th September 2018.

Considering the Latest Population Data

For North East Derbyshire, the revised MYEs indicate a slightly higher population in 2014, but the 2016-based SNPP show lower population in 2034 and thus lower growth than the 2014-based SNPP over the plan period.

The OAN Update (HOU4) modelled a 10 year migration projection in drawing conclusions on the demographic need for housing. A 10 year migration projection, modelled using adjustments based on the difference in trends in migration 2007-17 relative to the input period to the 2016-based SNPP, would show stronger population than either the 2014- or 2016-based SNPP (Table 1).

Table 1: Population Growth based on Past Trends, 2014-34

NE Derbyshire	Population 2014	Population 2034	Population Growth, 2014-34
2014-based SNPP	99,352	104,644	5,292
2016-based SNPP	99,383	104,540	5,157
10 Year Migration	99,383	104,968	5,585

Household growth has initially been calculated by applying the Stage 1 household formation rates from the 2014-based Household Projections to the projected population growth. The table below also the implications of modelling the part return to trend adjustments to these for the 25-34 and 35-44 age groups. A 2.4% vacancy allowance is included to calculate housing need (consistent to the OAN Update HOU4).

This initial modelling indicates that the revised population growth assumptions in the 2016-based SNPP would result in a reduction in the demographic need from 248 dpa as shown in HOU4 to 238 dpa.

ONS' 2016-based projections expect growth in life expectancy nationally of those born between 1923-38 to increase more slowly. Life expectancy still increases, just not as fast as previously predicted. Holding other factors equal, this will reduce the level of housing need.

This revised data would show a demographic need, based on ten year trends with the headship adjustment of 238 dpa (rather than 248 dpa previously as set out in the OAN Update HOU4).

Table 2: Demographic Led Projections using 2014-based Headship Rates, 2014-34

	Households 2014	2014 Stage 1 HFRs		With Part Return to Trend Adjustment	
		Households, 2034	Dwellings, dpa	Households, 2034	Dwellings, dpa
2014-based SNPP	47,577	47,641	208	47,993	226
2016-based SNPP	43,594	47,187	184	47,542	202
10 Year Migration	43,594	47,892	220	48,242	238

2016-based Household Projections

ONS' 2016-based Household Projections have adopted a different methodology to projecting (age and sex specific) household representative rates. Whereas the 2014-based projections (and previous sets) drew on data from progressive Censuses looking back to 1971, the new projections adopt a different definition of household representatives and project trends based on data from 2001 and 2011. Projections are made on this basis from 2011 to 2021, with the headship rates held constant (and 2021 levels) thereafter. These projections assume slightly lower household formation rates amongst younger households aged 65-74 but higher projected household formation amongst those 45-54 and over 75.

Table 3 shows the results of applying the 2016-based headship rates to the population projections (as shown in Table 1 above). Comparing Tables 2 and 3, the demographic starting point is lower at 196 dpa when using the household formation data from the 2016-based Household Projections; and the demographic need using a 10 year migration scenario would be 216 dpa – notably below the 248 dpa figure shown in HOU4.

Table 3: Demographic Led Projections using 2016-based Headship Rates, 2014-34

	Households, 2014	2016-based Stage 1 HFRs	
		Households, 2034	Dwellings, dpa
2016-based SNPP	43,520	47,344	196
10 Year Migration	43,520	47,744	216

Economic-led Need for Housing

The Plan's evidence base indicates that above trend migration would be expected to support economic growth in North East Derbyshire. As set out in EB-EMP3, Experian economic growth forecasts dated Dec 2017 showed employment growth of 2,700 over the plan period and confirmed the Regeneration Scenario (2,827 jobs) as providing a realistic assessment of future economic growth in the District.

Taking the updated demographic modelling as a baseline, the implications of these scenarios on housing need can be reviewed. In doing so, IcenI has also sought to consider the latest Office for Budget Responsibility assumptions on changes in age/sex specific economic activity rates as set out in the OBR 2018 Fiscal Sustainability Report. The core modelling assumptions in deriving an updated assessment of economic-led housing need are:

- Jobs growth in the Experian forecast and Regeneration Scenario as detailed above;
- Unemployment falling by 700 between 2014-17, taking account of the latest NOMIS data, with unemployment levels held constant thereafter;

- Assumptions on economic participation which sit midway between those derived using the OBR 2018 economic activity rates, and those from Experian;
- Consistent assumptions to the 2017 OAN Report on double jobbing (3.2%) and commuting (1.49).

Table 4 shows the resultant economic-led housing need based on the above assumptions. There is clear uncertainty regarding age/sex-specific trends in household formation and how these might change over the plan period. These affect different age groups in different ways.

Table 4: Economic-led Need using 2014-based Headship Rates, 2014-34

	Per annum need (2014-34)		
	2014 Stage 1 HFRs	2014 Stage HFRs with Part Return to Trend Adjustment	2016 HFRs
Regen Scenario	286	305	281
Experian 2017	280	299	275

The above figures are however sensitive to the assumptions on economic participation. The OBR Fiscal Sustainability Report projects employment growth by applying its participation and employment rate projections to ONS population projections. It takes account of changes to State Pension Age (assuming that labour market exit rates shift in line with these changes¹). Their latest release takes account of new data on age-specific entry and exit rates using averages over the 21 year period up to 2017.

The OBR projects economic participation at a national level to consider how the economy might grow over time and project tax income and government spending. But what its projections for economic participation do not specifically take account of is:

- Evidence that people are not just living longer, but are healthier for longer in life; and
- The changing structure of the economy with a shift towards more service-related activities.

Experian's national forecasts for changes in economic participation have additionally looked at these issues, and consider that they will support higher growth in economic participation amongst those in older age groups than OBR.

A sensitivity analysis which applies simply the assumptions on economic participation from the OBR 2018 Fiscal Sustainability Report to the Regeneration Scenario would

¹ So that for instance a 65-year old when the SPA is 66 has the equivalent exit rate to a 64-year old when the SPA is 65

see a need for 328 dpa. This is very similar to the level of housing need in the submitted plan.

Table 5: Sensitivity Analysis – Economic Participation Assumptions

Regen Scenario, dpa 2014-34	2014 Stage 1 HFRs	2014 Stage HFRs with Part Return to Trend Adjustment
Midpoint OBR 2018 and Experian Economic Activity Assumptions	286	305
OBR Economic Activity Assumptions	309	328