

Note for the Winchester EIP Inspector on the Demographic Modelling undertaken for Winchester City Council by Hampshire County Council and the DTZ note claiming that no additional population growth would be required to meet projected employment growth.

Introduction

During the Winchester Joint Core Strategy public hearings, Winchester City Council (WCC) challenged the assumptions used in Barton Willmore's housing requirement projections. At the time, WCC was not in a position to share the assumptions used by Hampshire County Council (HCC) to derive labour force numbers from the CLG 2008-based household projections on which it based the development strategy for the Joint Core Strategy (JCS). The Inspector requested that WCC provide these for Barton Willmore to review and provided Barton Willmore with the opportunity to respond.

Barton Willmore has now reviewed the 'Note to the Inspector' produced by Winchester City Council (WCC) using DTZ dated 8th December 2012 [*presumably this should be November?*] which includes the economic activity assumptions applied by HCC to the ONS 2008 based Sub-National Population Projections (2008 SNPP), from which estimates of the number of economically active residents, at five year intervals, have been derived.

This note considers the evidence submitted to the Inspector by Winchester City Council (WCC) and confirms, as we asserted through our representations and the public hearings, that:

1. WCC has failed to undertake a credible evidenced based assessment of its development needs as required by the NPPF and therefore the Sustainability Appraisal accompanying the JCS is not able to robustly assess the potential development options as required by legislation.
2. WCC is not planning for growth despite its location in the UK's top performing region.
3. WCC is seeking to constrain housing development below the level of objectively assessed need and relies on in-commuting without assessing the implications of this on planned housing and economic growth in Winchester District and neighbouring authority areas as part of its Duty to Cooperate.

Table 1 provides a summary of the dwelling growth, population growth and labour force growth for the WCC projections compared with the model(s) used by Barton Willmore. WCC presents a dwelling requirement that is calculated directly from the ONS 2008-based sub national population projections (SNPP). Similarly, the labour force estimate is derived from the SNPP. WCC takes no account of projected job growth so the population and the number of households is exactly as the 2008-based projections estimate for each year of the plan period.

In contrast, the model(s) used by Barton Willmore calculate the population change that arises from projected job growth. The level of job growth projected for Winchester District results in a rise in the projected population as some (but not all) of the workers needed to fill those jobs settle in Winchester District.

The critical difference between Barton Willmore's assessment and that of WCC is as follows. Barton Willmore's assessment integrates the impact of projected population growth (effectively the policy neutral position) with that of the impact of projected job growth to create a policy (i.e. growth) based housing requirement projection. Whereas WCC has simply adopted the policy neutral,

population projection driven housing requirement, with no integration of the impact of its own job growth projection.

Table 1

Scenario	Dwelling growth (2011 – 2031)	Population Growth (2011 – 2031)	Labour Force Growth (2011 – 2031)	Assumptions
WCC (2008 SNPP based) Projections with no account for impact of job growth	11,000	16,650	6,550	Economic activity rates varied (unemployment rate, commuting rate not applied)
BW POPGROUP jobs led (2010 SNPP based) Projections with impact of 8,400 job growth	14,800	25,000	7,200	Economic activity rates, unemployment rate and commuting ratio held constant
BW Chelmer jobs led Projections with impact of 8,750 job growth	14,500	30,300	8,750	Economic activity rates held constant (unemployment rate, commuting rate not applied)
BW Chelmer jobs led (adjusted to take account of 2011 census) Projections with impact of 8,750 job growth	14,750	33,350	8,700	Economic activity rates held constant (unemployment rate, commuting rate not applied)

Table 2 summarises the respective positions of WCC and Barton Willmore in relation to compliance with the NPPF.

Table 2

NPPF Requirement	WCC	Barton Willmore
Proactively drive and support sustainable economic growth (para 17)	✘	✓
Meet the full, objectively assessed needs for market and affordable housing (para 47)	✘	✓
Integrated assessment of housing and employment taking full account of relevant market and economic signals (para 158)	✘	✓
Meets household and population projections, taking account of migration and demographic change (para 159)	✘	✓
Local Plan positively prepared (objectively assessed development requirements) (para 182)	✘	✓

The case presented by Winchester City Council

The opinion of DTZ (on behalf of WCC) is that the 2008 based demographic projections will provide sufficient labour to meet projected employment growth.

The crux of DTZ's argument is that the 2008 SNPP projected population growth embodies sufficient capacity to take up new employment opportunities as they arise within the District. DTZ point to the labour force estimates supplied by HCC as evidence of this.

HCC estimates that the number of economically active residents (the labour force) will grow by 6,550 over the plan period and that this is sufficient to supply net growth in workforce jobs of 8,750 over the plan period.

In their note to the Inspector, DTZ maintain that the additional 8,750 workforce jobs are a mix of full and part time jobs, and in their 'Note to the Inspector' estimate that this is equivalent to 7,300 full time equivalent jobs, close enough to additional 6,550 economically active residents and so sufficient to meet projected labour demand.

The shortcomings of WCC's approach

What WCC does not make clear in its 'Note to the Inspector' is that the economically active population includes the following:

- Full time workers (including self-employed)
- Part time workers (including self-employed)
- Full time students
- Unemployed

In order to estimate the total number of full and part time workers, the Council allows for full time students and the unemployed. WCC refer to the 2001 census as a firm basis for projections, which records that full time students and the unemployed accounted for 8% of the economically active population. In order to estimate the impact of accounting for full time students and the unemployed, Barton Willmore has applied this percentage, which may well have risen since 2001. The result of applying WCC's assumption is that a resident workforce in employment of 6,026 (full and part time) falls significantly short of the estimated plan period job growth of 8,750 full and part time jobs.

At the time of the 2001 census about one in four employed residents were in part time employment. If we apply the same part time to full time equivalent (FTE) ratio used by WCC to Winchester's resident workforce in employment (including the self-employed), then the FTE resident employment figure works out as 5,045, that is 2,255 less than projected plan period FTE job growth.

Even through the lens of questionable evidence presented by WCC and DTZ, meeting the 2008 based SNPP demographic projections is self-evidently NOT planning for growth. Winchester benefits from being partially within the PUSH growth area and fully within the South East; "the top performing region in terms of activity and jobs" according to Experian's Autumn 2012 Regional Bulletin¹ which

¹ Experian, Autumn 2012

goes on to report that the South East “will remain among the UK’s best performing regions with output forecast at 1.3% in 2013 and 2.2% in 2014.”

Since 2008, about 1,900 private sector jobs have been added to Winchester’s economy and the public sector has remained resilient, adding some 200 jobs². Barton Willmore explained through its representations and the public hearings that Experian’s local market forecast projected workforce job growth of 16,480 over the plan period. The same data release shows that this equates to growth in FTE employment of 12,590. Considerably higher than the employment growth estimates quoted in the Joint Core Strategy and more than double the FTE employed workforce growth implied by WCC’s own projections.

Barton Willmore has taken the precaution of referring to Experian’s Local Market Forecast November 2012 Update. Again, this projects employment growth significantly above the plan period projections referenced in the Joint Core Strategy. For reference, the updated projection is for net growth of 13,660 FTE employment, or 17,360 workforce jobs.

The implications of the above evidence are clear. WCC is not planning for growth, but is seeking to constrain housing development significantly below the level of objectively assessed need. This is the only conclusion that can be drawn from:

- The perspective of WCC’s own evidence base;
- The assessment produced by Barton Willmore, and;
- With reference to third party employment growth projections.

Barton Willmore Approach and Assumptions

In light of the above, the fact that Barton Willmore holds its activity rates assumptions constant is immaterial. It is important to note that the economic activity rates were prepared by Cambridge Econometrics, and NOT by Barton Willmore contrary to the Council’s note.

The issue at hand is not the work that Barton Willmore has carried out, which is an objective assessment that takes account of both plan period demographic change and economic growth. The issue is rather the shortcomings of WCC’s own evidence which does not represent an objective assessment of demographic change and economic growth. No such assessment has been carried out by WCC and as a result the Joint Core Strategy is fundamentally flawed.

Regeneris Consulting and Oxford Economics³ has recently identified six key housing policy challenges for the current parliamentary term, one of which is fundamental to the issue of planning for growth and highly relevant to Winchester:

“... to explore ways of making new housing supply more responsive to market signals, especially in hotspots of economic growth where housing supply may act as a constraint on economic growth and/or lead to unsustainable patterns of growth.” (Page 19 [our emphasis]).

The housing requirement proposed by WCC will only serve to constrain economic growth or lead to unsustainable patterns of commuting as the emerging workforce is forced to live outside of the

² Nomis, November 2012

³ The Role of Housing in the Economy, Regeneris Consulting and Oxford Economics, HCA, 2010

District and travel to work, predominantly by car. Whilst DTZ point to a number of mechanisms through which jobs *might* be filled without the need to provide for more than 11,000 new households over the plan period, there is no certainty that the mechanisms will work in the desired way.

More fundamentally, no assessment has been carried out that examines whether or not these mechanisms are likely to work ‘in favour’ of the proposed housing requirement as they might just as easily work against it. Crucially, any such assessment would need to consider the implications of planned housing and economic growth in neighbouring authorities given the reliance on increasing net in commuting to satisfy projected labour demand. Without this combined assessment under the Duty to Cooperate, the economic and social implications of under-supply could be compounded even further.

In respect of the assumptions that Barton Willmore have used we offer the following comment.

Unemployment rate

Unemployment in Winchester District is relatively low, and this is assumed to be the case in the POPGROUP scenario. The scope to call labour from the existing population is therefore limited, and we cannot be assured that they have the skills necessary to take up new posts being created, particularly given that the economic strategy involves changing the current sectoral profile from low to high value sectors and simultaneously away from the public sector. Unemployment might reduce as DTZ suggest, but equally it might go up again and fluctuate throughout the plan period as can be observed in the official data and therefore changes in the unemployment rate cannot be relied upon to deliver the level of economic growth anticipated. In the absence of any published projections, taking an assumed average position, tested against past behaviour, is therefore considered to be a prudent and sensible approach.

Economic Activity

Economic activity is relatively high, and this is assumed to be the case in both the POPGROUP and the Chelmer scenarios. Both assume economic activity between the ages of 16 and 74. Therefore relatively little scope exists to call labour from the ranks of the economically inactive and elderly, nor can we be assured that they will have the skills necessary to take up new posts being created.

The only available projections of economic activity are at the national level and are based on 2006 population projections. They are out of date, but do report that whilst the overall number of economically active residents will increase, as a percentage of the population over 16 as a whole, economic activity rates will decrease – irrespective of changes to the state pension age for women. As previously stated, Barton Willmore procured the economic activity rate assumptions from Experian and they offer the following explanation as to their approach:

“The baseline activity rates provided with the Chelmer population and housing model use the latest data for the local area from the Annual Population Survey. There are no up-to-date official activity rate projections (the latest available projections from ONS are 2006-based, for the UK as a whole), and so, for transparency, the rates are held constant over the forecast period. There are various reasons why activity rates may change over time (eg increasing/decreasing employment opportunities, increasing retirement rates), but any alternative projections of activity rates would need to have the underlying assumptions

clearly explained and justified. We feel that holding the activity rates constant is the most transparent method for analysing the potential impact of changes in population on the labour force."

Working students and 'double jobbing'

It is entirely possible that some jobs will be filled by students, but it should not be assumed that this will be the case. This is likely to be confined to 'hotels and catering' and 'other services' which make little contribution to overall job growth (DTZ Review of WCC's Employment Prospects Employment Land and Demographic Projections 2011) and not the type of high level employment anticipated by WCC.

Similarly, it is possible that one person will have more than one job, but again this cannot be relied upon. No assessment of the probable extent of double jobbing in Winchester has been carried out upon which to base any assertion about its impact on the future demand for housing.

However we can be assured that planning for too few homes will constrain growth and produce harmful effects both in respect of upward pressure on affordability and downward pressure on the attractiveness of Winchester to inward investors.

Commuting behaviour

Net commuting might change, but the available evidence suggests that it did not change significantly between 2001 and 2008 (source: Census 2001 and Commute APS 2008). In any event, can changes in commuting patterns be relied upon to meet Winchester's demand for labour? The available evidence indicates that the number of jobs in Winchester will continue to exceed resident employment each year. In Barton Willmore's model, this reduces the impact of job growth on population growth and in-migration. To be clear, the result is less population growth and in migration than would be the case if every new job was matched by one new employed resident.

However, it is entirely plausible that the position of net in-commuting might change to one of net out-commuting. For example out commuting might rise both because Winchester is a desirable place to live and as employment opportunities are created in neighbouring districts and London. At the same time, in-commuting might stay at the same level or fall as employment opportunities are created in neighbouring authorities. That being the case, in-migration and dwelling requirement would need to rise even further than the Barton Willmore work assessment suggests. However Barton Willmore bases its assessment on a balanced assessment of the available evidence, not speculation as WCC appears to do. For example, in WCC's note, the following statement is made:

"...additional in-commuting may well be a good solution to meeting some of the labour demand in Winchester district, particularly if jobs are created in the PUSH part of the District."

Is it likely to be a good thing or not? Will the labour force of neighbouring districts have the capacity to meet demand generated in Winchester and what will the knock on effect be on neighbouring authorities housing requirements? Have any discussions taken place with neighbouring authorities as required by the NPPF on this matter and what is the outcome of their own assessments?

These fundamental questions cannot be answered because no objective assessment has been carried out that takes account of demographic change and economic growth. Given that district

boundaries do not approximate functional economic areas, this would necessitate dialogue with neighbouring authorities and an assessment that takes account of demographic change, economic growth and the associated housing growth projected (and or planned for) within neighbouring authorities.

In the absence of such an approach, and lack of supporting evidence, Barton Willmore has carried out an objective assessment of Winchester's housing requirement that takes account of both demographic change and economic growth. The relationship between the level of employed residents and the workforce (the commuting ratio) is used to approximate what the impact of job growth on Winchester's housing requirement will be. The result is that in-migration will increase above the rate that it was in the five years preceding the CLG 2008-based household projections and a requirement for neighbouring authorities to accommodate some of the labour demand. Barton Willmore's work can now inform discussions with neighbouring authorities, so that planning for growth in Winchester can be put back on track. The outcomes of such discussions are critical to the soundness of the JCS and must be based on an objectively assessed evidence base.

The evidence clearly indicates that in-migration will increase to meet the demand for labour that is not satisfied by the current population (and then become part of that population) provided that Winchester plans for sufficient growth in the number of new dwellings. If the JCS does not plan for the District's evidence based housing and employment needs, it will constrain the District's economic growth or it will promote an unsustainable pattern of economic growth whereby the District must unnecessarily rely on commuters from other areas to meet its labour force requirements.

Conclusion

It is clear that the Local Planning Authority has failed to develop an objectively assessed evidence base to plan for the District's development needs as required by the NPPF. The Joint Core Strategy constrains housing development below the level of objectively assessed need, as submitted by Barton Willmore, and relies on in-commuting without assessing, through a Sustainability Appraisal, the true implications of this on the environment and on social and economic growth and prosperity in Winchester District and neighbouring authority areas. Critically, the enormous financial, environmental and social costs of WCC adopting its apparent strategy of relying on in-commuting principally through the use of the private car, has not been assessed through its evidence base and the Sustainability Appraisal falsely assumes that the costs of the economic-led scenario are greater than the Council's preferred scenario, without any evidence to justify this. Therefore the Sustainability Appraisal submitted alongside the JCS does not (and is unable to) meet the legislative requirements and the Duty to Cooperate has not been met as neighbouring authorities were not provided with a credible evidence base and Plan on which to base their decisions and actions and as a result the LPA has failed to meet the requirements of the NPPF.

In contrast, the Barton Willmore approach provides a robust, integrated and objective assessment of the District's housing and employment requirements which fulfils the requirements of the NPPF.

As a result of the above, and given the LPA's unwillingness to accept an early review of the JCS as a possible option, we believe there is only one option. This is for the Inspector to find the Plan unsound and recommend that the Council reconsider the JCS and the evidence base on which it is founded to ensure that the development needs of the District are planned for in line with the NPPF and that a Sustainability Appraisal be undertaken which assesses the Plan based on evidence that



fully takes into consideration the impact of not providing enough homes to meet the economic needs of the area.

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