Housing OAN Council Draft Statement of Points of Disagreement

Matter 2 Lancaster Local Plan EiP

April 2019

Introduction

1. It is the Council's understanding that during the Matter 2 hearing session, the Inspector requested that Turley (as the authors of the Housing OAN evidence commissioned by the Council) and Neil McDonald continue discussions on the evidence before the examination on the OAN for housing outside of the hearing session.

2. Following initial discussion, information requested from both parties has been exchanged to allow each to undertake a review of the information supporting the analysis which has been submitted to the examination. Turley circulated the Experian forecasts used within the 2014 RELP (EM_Elr_02) on the 11th April and Neil McDonald provided spreadsheets of output data from his demographic modelling on the 16th April.

3. The process of review remains ongoing. It is noted by the Council that the modelling data provided by Neil McDonald appears to include further updated information and informing datasets to that referenced within the submitted hearing statement. Neil McDonald provided further clarification on the 18th April to Edge Analytics, who have been reviewing differences between the demographic models on behalf of the Council, as to the modelling approach and input assumptions.

4. This note attempts to set out an initial position as to the key disagreements between the two parties (the Council and Neil McDonald/ Tim Hamilton-Cox) to aid the Inspector.

5. Prior to setting out these points of disagreement, the Council believes that the following represent points of common understanding which have an important bearing on the Inspector's consideration of the housing OAN for Lancaster.

    -   The 2015 IHRS represents the last published full OAN for Lancaster district as published by the Council. This concluded with an OAN range for 650 – 700 homes per annum over the plan period[1] (2011 – 2031). This was subject to a Verification Study in 2018 (Ho_SHMA_04). This study included updated modelling which indicated that the calculated need had reduced (605 – 620 homes per annum) but that the previously concluded OAN range remained broadly reasonable in the context of information available at the time[2].

    -   In supporting the level of job growth identified in the RELP – used to inform the provision of employment land in the submitted Local Plan – the need for housing is increased above that derived from trend-based demographic projections alone. This includes both the

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[1] Paragraph 15 of the Executive Summary in the IHRS 2015

[2] Paragraph 8.40 of the Verification Study 2018

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official projections produced by the ONS / DCLG and other variant trend-based projections which have been modelled both by Turley[3] and Neil McDonald. This recognises that the trend-based projections all assume either a decline or only modest increase in the working age population which is identified as being insufficient to support in full forecast growth in employment.

- There has historically been a high degree of uncertainty in the ONS's estimation of population change in Lancaster. This is reflected in the significant correction made to historic inter-Census estimates following the release of the 2011 Census and more recently in the reduction in the estimated population change over the 2011 – 2016 period in the ONS's revised estimates (March 2018). The revised estimates suggest that the population of Lancaster had grown by 1,794 fewer persons than previously estimated over this period by the ONS, lowering the previous estimate by 1.25%. These revised estimates were released after the 2018 Verification Study was published, and are not therefore reflected in the Council's published evidence on OAN.

- The Council's OAN in the 2015 IHRS used the 2012-based sub-national household projections (SNHP) as its starting point. The 2018 Verification Study used the 2014-based SNHP to inform the updated modelling presented. In 2018, and after the submission of the Draft Plan, the 2016-based SNPP (June) and SNHP (September) were published.

- The 2016-based SNHP project a lower level of household growth over the plan period than either of the two preceding datasets[4].

Table 1:   Projected Household Growth in Lancaster District (2011 – 2031)

	2012-based	2014-based	2016-based
Total change	6,582	8,906	3,003
Change from previous projection	–	+35%	-66%

Source: MHCLG; ONS

- Integrating revised mid-year population estimates (MYE) and the 2016-based SNHP into demographic modelling (comparable to that included in the 2015 IHRS and 2018 Verification Study) would result in a lower projection of household growth, and by association a lower modelled need for housing. This is particularly influenced by the reduced historic population growth implied by the revisions to the MYE and the changed household formation rate assumptions in the 2016-based SNHP.

- The relevant PPG, aligned with the 2012 NPPF, confirms that: *'Wherever possible, local needs assessments should be informed by the latest available information. The National Planning Policy Framework is clear that Local Plans should be kept up-to-date. A*

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[3] In terms of the demographic projections presented in the Council's evidence this is confirmed at Table 5.2 of the Verification Study 2018.

[4] It is noted that the 2015 IHRS presented other preceding datasets to the 2012-based population projections. These also showed significant variance, with all of these preceding datasets suggesting markedly higher levels of population growth (Figure 4.3). The 2008-based household projections were also compared and contrasted with the 2012-based SNHP at Figure 4.4, with the former suggesting a notably higher level of annual household growth over the plan period.

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> *meaningful change in the housing situation should be considered in this context, but this does not automatically mean that housing assessments are rendered outdated every time new projections are issued'[5]*

- The Government has expressed reservations around the use of the 2016-based SNHP for the purpose of calculating housing need[6]. It has expressly not used this latest dataset in the standard method for calculating housing need, as prescribed through the revised PPG. In responding to a technical consultation on this issue, it stated that *'the Government continues to think that the 2016-based household projections should not be used as a reason to justify lower housing need'[7]*.

- Whilst both Turley/Edge Analytics and Neil McDonald use cohort component methodologies for population forecasting – with Edge Analytics using the POPGROUP model – the assumptions applied in the respective models differ. This makes it challenging to directly compare the outputs of both models with a range of different input assumptions contributing towards differences in calculated outcomes.

Identified Points of Difference

6.   Neil McDonald and Tim Hamilton-Cox identified two specific points of difference following the Matter 2 hearing session to the Council in a written submission provided on the 16th April. The first relates to the appropriate official SNHP which should be used in the calculation and the second challenges the extent to which the input economic forecasts were up-to-date / appropriate. These points of difference are included below alongside the Council's view on each to highlight the difference of approach / opinion.

7.   Beyond these specific points of difference, a technical comparison of the two demographic models has been undertaken by Edge Analytics on behalf of the Council. This confirms that the modelling outputs submitted by Neil McDonald / Tim Hamilton-Cox cannot be interpreted as providing a like-for-like comparison with the Council's modelled figures (presented within the Verification Study / IHRS) but with the 2016-based SNHP integrated.

8.   This recognises that alongside the integration of the 2016-based SNHP there are other important differences in the assumptions applied within the Neil McDonald / Tim Hamilton-Cox model compared to those within the POPGROUP model configured by Edge Analytics. These assumptions have a direct bearing on the projected household growth and housing need outputs.

The Official Household Projections

Neil McDonald / Tim Hamilton-Cox

9.   The impact of updating to reflect the latest household projections is to reduce the demographically-based estimate of housing need by between 40% and 60% depending on which estimate is used. These are very large changes which reflect the ONS's updating of its key

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[5] PPG Reference ID: 2a-016-20150227

[6] These are outlined in the Government's *'Technical consultation on updates to national planning policy and guidance'* (October 2018) as referenced at footnote 8 in the *'Modelling the demographic implications of the proposed housing requirement for Lancaster District'* (Turley, March 2019) (LCC7.1.4)

[7] Government response to the technical consultation on updates to national planning policy and guidance (Feb 2019) – HD11

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assumptions based on the most recent data and improvements to address known weaknesses in its methods. Analysis based on the 2014-based projections can therefore no longer be regarded as a sound basis for estimating Lancaster's housing need.

The Council

10.   The Council does not consider that the publication of the 2016-based SNHP necessitates an update to the OAN calculation. This recognises the Government's stated concerns, as referenced above, to the implications of their new methodology in informing the calculation of future housing need.

11.   It also recognises that the demographic inputs associated with the 2016-based SNHP represent only one informing factor in arriving at the concluded OAN, where the methodology set out in the relevant PPG is followed.

The Economic Forecasts

Neil McDonald / Tim Hamilton-Cox

12.   The Experian forecast which is the starting point for estimating the job increase which the Council should plan to accommodate is:

- 5 years old and pre-dates the Brexit vote

- Based on population forecasts which pre-date the 2011 census (now 8years ago) and which overestimate the population of Lancaster by a substantial number.

13.   Given that the number of homes needed to support job growth determines Lancaster's OAN, using such an outdated forecast for such an important purpose cannot be regarded as sound. Up to date forecasts should be obtained from at least two forecasting houses and interpreted using the latest projections and economic activity rates which are consistent with the jobs forecasts.

The Council

14.   The Council considers that the scale of job growth associated with the Experian forecast – presented within its employment land evidence base (RELP) and subsequently informing policies on employment land in the submitted Local Plan – remains reasonable and appropriate. This recognises specifically that:

- The Verification Study considered economic forecasts from December 2017, some 18 months after the EU referendum but before the UK's formal exit (as remains the case). Paragraph 5.25 confirms that this forecast identified that some 5,600 FTE jobs were forecast to be created between 2016 and 2031 (same number of workforce jobs forecast). This sat within the range of job growth presented under the RELP's Baseline and Baseline+ scenarios (4,921 – 5,718) over this same period. It was noted that the latest forecast fell towards the upper end of the range identified.

- The Verification Study (Figure 5.2) references data from the Business Register and Employment Survey (BRES) which confirms that Lancaster district has seen a strong level of job growth, with some 4,850 jobs created since 2011 at an average rate of 970 jobs per

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annum[8]. This aligns very closely with the scale of job growth under the Experian forecast over this period (4,630 jobs). It is of reference that the Baseline forecast assumes a more modest level of job growth over the remainder of the plan period, at an average of 328 jobs per annum.

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[8] Lancaster District's success at creating employment opportunities was also recognised within the Lancaster District Economic Prospects Update Report (EM_Ep_02)

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