



## **Harborough Local Plan 2011-2031 Examination**

### **Council Responses to the**

### **Matters and Issues**

### **- Statement 1 -**



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## MATTER 1.1

*1.1 Are the calculations contained in the HEDNA and in the updated analysis contained in Document IC3 an appropriate basis for establishing the OAN for Harborough, having regard to demographic and employment growth calculations and the affordability uplift of 15%? Do the latest affordability indices and trends suggest a different level of uplift?*

- 1.1.1. Both the HEDNA and updated analysis in IC3 follow the approach to calculating OAN set out in the 2012 NPPF and associated 2014 Planning Practice Guidance (PPG). This has involved using the latest official household projections as a starting point, and involved reviewing the demographic need for housing and then considering whether upward adjustments to this are required to support economic growth and/or improve affordability (taking account of the evidence from market signals and the need for affordable housing). Although the HEDNA has previously been endorsed at other Local Plan Examinations, the Council's view is that consideration does need to be given to the latest evidence in drawing conclusions.

### Demographic-based Need

- 1.1.2. The HEDNA took the 2014-based Household Projections as a starting point. These household projections, which were based on the ONS 2014-based SNPP, showed a need for 418 dpa in Harborough over the 2011-31 plan period. A vacancy rate of 3.5% was used in relating household growth to housing need.
- 1.1.1. Since the publication of the HEDNA, ONS has issued revised estimates of components of population change between 2011-16, based on an improved methodology for estimating migration. These have informed the ONS 2016-based Sub-National Population Projections (SNPP), released in May 2016, which represent the latest information available and which the PPG says should be considered.<sup>1</sup>
- 1.1.2. The 2016-based SNPP show stronger growth in population over the plan period in Harborough than the 2014-based SNPP (IC3 Table 5.4) driven by higher numbers of births and net migration to the District (IC3 Table 5.5). But as ONS is expecting life expectancy to grow slightly less strongly, the impact on household growth is moderated by lower growth in the population aged 85+ (IC3 Table 5.6). Applying the headship rate assumptions from the 2014-based Household Projections (which at the current time is the latest available data), a need for 424 dpa is shown. This is marginally higher than that shown from the 2014-based Household Projections (418 dpa, IC3 Table 5.10).

<sup>1</sup> ID 2a-016-20150227

- 1.1.3. The HEDNA noted short-term variability in migration concluding that 10 year migration trends should provide a more stable and robust basis for projecting future demographic growth (HSG8, Para 2.28). This is consistent with advice from the Planning Advisory Service. Taking account of the latest available information, a projection based on 10 year migration trends would show higher household growth across the HMA (4124 dpa) relative to the 2016-based SNPP (4080 dpa). For Harborough the projection based on 10 year migration trends (2007-17) using the latest data would point to a need for 422 dpa (IC3, Table 5.13) which is just 0.5% different to that shown from the 2016-based SNPP.
- 1.1.4. The fall in the need arising from a 10 year migration scenario relative to the HEDNA reflects modestly lower net migration (driven by less international migration) and in particular a higher number of deaths, as ONS is projecting life expectancy to increase more slowly.

Table 1.1.1: Comparison of Components of Population Change in 10 Year Migration Scenario – Harborough, 2011-31

	<b>2014-based</b>	<b>2016-based</b>	<b>Difference</b>
<b>Births</b>	857	856	-1
<b>Deaths</b>	856	896	40
<b>Natural change</b>	1	-39	-40
<b>Internal net</b>	731	742	11
<b>International net</b>	90	53	-37
<b>Total net migration</b>	821	795	-26

- 1.1.5. The HEDNA appraised whether adjustments should be made to household formation rates, concluding that a demographic adjustment would not be warranted taking account of the impact of international migration and increased ethnic diversity on household structures, and evidence that household formation moving forwards has not been suppressed. It noted that adjustments for market signals may support stronger household formation (HSG8, Paras 2.31 – 2.46). The household formation assumptions used in the HEDNA and IC3 are based on long-term trends over the period since 1971.
- 1.1.6. To maintain consistency of approach to the HEDNA, and with evidence that 10 year migration trends points to higher household growth across the HMA than the latest SNPP, the Council considers that 422 dpa is the appropriate demographic need figure to which any market signals adjustment should be applied (IC3 Page 13). The difference between this and the need arising from the 2016-based SNPP of 424 dpa is however marginal.

1.1.7. In conclusion then, the Council considers that 422 dpa is the appropriate demographic need figure to which a market signals adjustment should be applied.

### **Supporting Economic Growth**

1.1.8. The HEDNA included detailed work to interrogate future economic growth potential in the HMA, undertaken by Oxford Economics and GL Hearn. It included demand-based forecasts for economic growth. The baseline scenario expected the Leicester & Leicestershire economy to grow by 2.3% pa which was consistent with that seen over the previous economic cycle and above that forecast across the East Midlands or nationally (HSG8 Summary Para 5.4). A Planned Growth Scenario was also modelled which saw accelerated growth of 2.5% pa with both enhanced employment growth and productivity improvements.

1.1.9. For Harborough, the Baseline economic scenario saw employment growth of 9,200 over the plan period 2011-31; with growth of 9,500 jobs seen in the Planned Growth Scenario (HSG8, Table 20). The size of the Harborough's economy was expected to grow at 2.7% pa.

1.1.10. The HEDNA modelled changes in the resident labour force in different parts of the HMA looking forwards, taking account of commuting patterns shown by 2011 Census data and the expected growth in employment in different areas. It considered different sources of data on changes in economic participation (Oxford Economics, Experian and Office for Budget Responsibility) basing its conclusions on the mid-range results provided by Experian (HSG8, Para 5.27) whose data was developed to provide a realistic forecast for the labour market (HSG8, Para 5.24) and take into account that people will be healthy for longer in life and changes in the structure of the economy. The approach is a cautious one which uses assumptions on increases in participation which are more cautious than those in the Oxford Economics model (HSG8, Figure 33). The Inspector examining the North West Leicestershire Local Plan found the HEDNA approach in modelling the level of housing needed to support economic growth, including both commuting and economic participation assumptions, to be robust.

1.1.11. Taking account of the updated demographic data, the evidence indicates an economic-led need for 435 dpa in Harborough (IC3, Table 5.16). This is derived from the Planning Growth Scenario.

1.1.12. At the HMA level, the analysis in IC3 continues to show that level of housing provision needed to support economic growth at 3,963 dpa (Table 5.17) is below that arising from the 10 year migration scenario at 4,124 dpa (Table 5.14). It continues to be the case therefore that no upward adjustment to support economic growth is necessary across the HMA.

### **Market Signals and Affordable Housing Need**

1.1.13. The HEDNA identified that Harborough had the highest median house price in the HMA, the highest rents (alongside Blaby), the highest land values and the

highest lower quartile house price to income ratio. The level of affordable housing need was notable, but not as severe as in a number of other parts of the HMA. Taking account of both the market signals and affordable housing evidence, it found that it would be appropriate to apply a 15% uplift to the demographic need to improve affordability.

- 1.1.14. The Council has reviewed this in IC3 taking account of the latest information including the latest LQ affordability ratio of 9.75. A benchmarking exercise considering adjustments applied elsewhere points to a 15% adjustment being reasonable. Applied to the demographic need of 422 dpa this would result in a figure of 485 dpa. However this would represent a modest increase on the rate of housing stock growth seen historically (IC3 Table 6.3). As such, a higher adjustment of more than 15% might be warranted to improve affordability. Such a higher adjustment could be justified in order to achieve a more significant increase in rates of stock growth in the District, with the analysis in IC3 finding that the HEDNA OAN of 532 dpa would support an absolute and relative increase in the rate of housing delivery relative to that in the District historically, in the HMA and across the Midlands, and would see the District delivering homes at a rate which would put it in the top 5% of authorities in the Midlands. Indicative analysis therein suggests that on reasonable assumptions this could be expected to improve affordability in Harborough to 2031.
- 1.1.15. IC3 has also updated the analysis of affordable housing need taking account of the latest data, which indicates a need for 179 affordable homes per annum over the 2017-31 period. The evidence in IC3 indicates that there is a reasonable prospect that the affordable need could be met in full, and does not point to pressure to increase the OAN in order to deliver affordable housing.

### Conclusions

- 1.1.16. Taking account of the latest data, the Council considers that 422 dpa represents the appropriate demographic-led figure for housing need to which to apply a market signals adjustment. It considers that taking account of the latest market signals evidence and historical delivery, an adjustment of more than 15% when applied to the 422 dpa figure could be justified to improve affordability in the District. It finds that 532 dpa would still represent an appropriate OAN figure as it would support a meaningful increase on past housing delivery in the District, a rate of stock growth moving forwards which is within the top 5% of authorities in the Midlands and based on the analysis in IC3 could on reasonable assumptions be expected to improve affordability in Harborough to 2031.
- 1.1.17. The Council has drawn conclusions that this is the appropriate OAN figure taking account of the updated analysis in IC3, whereby 532 dpa would represent a 26% uplift on the demographic led need for 422 dpa – an uplift of 2,200 homes over the period to 2031.