

Employment-led Demographic Forecasts

1.0 Introduction

- 1.1 At the Examination hearings it was agreed that the Council should supplement its objective assessment of local housing and employment need with an employment-led housing projection to reconcile its proposed housing target (Spatial Principle SP4) with expected jobs-growth (Spatial Principle SP5). This additional projection was commissioned from Edge Analytics, who had produced the Richmondshire Scrutiny of Population Projections and Estimates (2012, TE012). The purpose of this note is to consider these results in the context of national policy and guidance and their impact on the Submission Draft Local Plan Core Strategy (LPCS).

2.0 National Policy and Guidance

- 2.1 The National Planning Policy Framework (NPPF, March 2012) sets out the government's commitment to ensure that Local Plans secure economic growth. In particular, paragraphs 18- 22 set expectations for economic policy and paragraph 28 relates this to rural areas like Richmondshire. Central to these is the aim to positively and proactively encourage sustainable economic growth.
- 2.2 The National Practice Guidance (NPPG, March 2014), now provides guidance on how different growth scenarios, including economic prospects should be considered in arriving at an objectively assessed housing target for the Local Plan Area. In its approach to assessing need NPPG advises that:

“Assessing development needs should be proportionate and does not require local councils to consider purely hypothetical future scenarios, only future scenarios that could be reasonably expected to occur.”

Paragraph: 001 Reference ID: 2a-001-20140306

In addition, when taking employment trends into account:

“Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area. “

Any cross-boundary migration assumptions, particularly where one area decides to assume a lower internal migration figure than the housing market area figures suggest, will need to be agreed with the other relevant local planning authority under the duty to cooperate. Failure to do so will mean that there would be an increase in unmet housing need.

Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems.”

Paragraph: 018 Reference ID: 2a-018-20140306

3.0 Sustainable Economic Growth in Richmondshire

- 3.1 The Submission draft LPCS encourages sustainable economic growth in this very rural setting, where the dominant sectors are service and land-based rather than traditional employment classes. The pattern of local businesses reflects this pattern with a very high proportion of very small businesses that tend to be located away from conventional employment areas. Central to the economic strategy is the proposed Catterick Garrison Town Centre, which will address deficits in the local retail and leisure offer and provide modern facilities than cannot be delivered elsewhere. These shortcomings are indicated in the high leakage of local income to more distant centres. The prospect of significantly improved local junctions on the upgraded A1 complements the Garrison Town Centre development by providing enhanced access to and from the strategic road network. It also provides the longer-term opportunity for economic growth related to the motorway junctions. This adds to the opportunities available in existing employment areas. Beyond these established areas, the LPCS encourages the flexible use of buildings in the countryside and enables businesses with a need to locate in the countryside to identify appropriate sites for their needs.

Employment projection

- 3.2 The Employment Land Review (2012, TE005) is based on the Regional Econometric Model forecast dated October 2011. This was a positive projection whose assumptions had not been seriously affected by the economic downturn. The overall projected growth in local jobs would be 2,200 by 2026 if expected trends are realised. The figure of 3,000 cited in para 3.1.39 of the Submission draft Core Strategy was incorrect. This projection sees the range of service sectors coming forward at the same time as the public sector services begin to retreat in line with current expectations. Prospects for agriculture are improved, but overall industrial growth prospects are greatly reduced. The REM projection does indeed reflect the land and service sector dominance of the local economy.
- 3.3 All projections are dependent upon their underlying assumptions and two important factors need to be considered when using the REM results in the objective assessment of local needs, which may overestimate the projected level of growth. This is through its underlying population growth assumptions and its inclusion of military households in the base workforce estimates.
- 3.4 Projected growth in non-B-class job sectors is closely related to the consumption economy and is driven by assumptions in the Regional Econometric Model (REM) concerning population growth. This presents a circular problem for the interpretation of local employment projections since employment growth is directly related to household growth. In other words different housing targets will directly influence the modelled employment growth.
- 3.5 The military population in Richmondshire presents a perennial problem for both employment and population projections. Although an institutional population, it leaks into the local estimates and forecasts in a number of ways. The main problem is the presence of a large amount of Service Families' Accommodation (SFA), which accounts for around 8% of the District households and is difficult to differentiate from other forms of housing. The Labour Force Survey LFS is an important component of employment projections and informs the base estimates of the local workforce. Although ONS excludes population in communal establishments from the LFS, it does not treat SFA in the same way. Households are identified in the LFS through the Postcode Address File (PAF), which does not distinguish between SFA and private households. In most areas this is an insignificant problem, but in Richmondshire adds approximately 1,500 households into the calculation of workforce estimates, which should be treated as institutional population.

4.0 Household growth projections

4.1 The employment-led demographic forecast (Employment-led Demographic Forecasts, 2014, TE026) is at Appendix 1. It extends the range of population growth scenarios considered in the LPCS. Before examining these in detail, NPPG requires consideration of the latest national population and household projections. At the time of writing these are the interim mid-2011 population projection and household projection (CLG, April 2013). The most important result from these projections was an expected household growth of just 80 homes each year. Like other projections these are trend based and reflect demographic trends over the preceding 5 years and are influenced by the recession and global financial crisis. The population projection relied on a hybrid methodology using available Census data and, where this was not available rolled over assumptions from before the Census. Reflecting this, they only cover a 10 year period rather than the usual 25 years. The Council's review of the Submitted Core Strategy development target (August 2013, PSD001), contained within Spatial Principle SP4, highlighted the following issues:

- The Richmondshire plan area is predominantly rural with a high quality landscape. Richmond, its major town is very constrained, limiting choice for strategic development
- Local strategic objectives seek to address local affordable housing issues and promote a sustainable rural economy, which can begin to take advantage of the better access offered by the A1 upgrade and the proposed town centre development at Catterick Garrison.
- Population change, now framed in the mid-2011 interim household projections, paint a picture of modern rural decline, in which high house prices have encouraged sustained out migration and population ageing.
- The proposed housing target of 180 homes each year seeks to address growth and affordability requirements, within the rural context. The mid 2011 interim household projections infer a level of development that would limit growth to that required to meet household formation arising out of an ageing population. Higher development targets would cause disproportionate pressure on smaller settlements and present difficulties for infrastructure delivery.

The first population projection fully based on 2011 Census is expected in May 2014. Although this may be more reliable than the mid-2011 interim household projections, it will still be based on the recessionary trends of the preceding 5 years. This suggests that we can expect very low modelled growth.

4.2 The employment-led household projection is based on the same set of assumptions as the migration and dwelling-led projections that have informed the production of the LPCS. The table below summarises the range of results from all modelled scenarios based on the mid 2008 Sub national population projections, modified to account for international migration errors (Richmondshire Scrutiny of Population Estimates and Projections 2012, TE012).

Scenario	Change 2011 - 2028				Annual change		
	Population change		Household change		Net Migration	Dwellings	Jobs
	N	%	N	%	N	N	N
Jobs-led High (3,000)	7,365	14.6	4,596	23.6	396	293	176
SNPP – 2008	7,265	13.7	3,983	19.4	344	254	134
Jobs-led Central (2,200)	5,539	11.0	3,939	20.2	304	251	129
Jobs-led Low (1,000)	3,363	6.7	3,138	16.1	185	200	71
Dwelling-led	2,808	5.6	2,947	15.1	166	188	59
Migration-led 2008 revision	2,461	4.9	2,805	14.4	140	179	48

4.3 All of these projections show growth, which requires an increasing amount of net in migration to deliver the modelled growth in the workforce. They divide into two groups, a higher range which tends towards a housing target approaching 270 dwellings and 150 jobs each year and a lower range approaching 190 dwellings and 60 jobs each year.

4.4 The Jobs-led central projection is based on the results of the REM projection used to inform the Employment Land Review (2012, TE005). It has been used in the submission draft LPCS to indicate the direction of economic growth in Richmondshire and as the basis for estimating the likely need for employment land. This projection sits in the higher range of scenarios considered above and its results are similar to the 2008 sub national population projection (SNPP), particularly in terms of the level of migration required to deliver it. The mid 2008 SNPP was demonstrably inflated through incorrect international migration assumptions (Richmondshire Scrutiny of Population Estimates and Projections, 2012, TE012). It is also likely that data underpinning the underlying REM projection may be inflating employment growth through inclusion of military households and household growth assumptions.

4.5 Current migration trends have seen a reversal from net in-migration to net out-migration over the past ten years (Richmondshire Internal Migration Patterns and Trends, 2012, TE013). The main exchange of population is with immediate neighbours, including Durham, Darlington and Hambleton, which is likely to reflect the strengthening house price within the District. The difference between the upper and lower range projections is striking. The lower range indicates net in-migration of about 180 persons each year compared with about 375 required by the upper range projections. The migration increases required by higher levels of jobs growth is a product of the current population structure, which has only a limited amount of capacity for supporting local employment growth.

5.0 Sustainable growth?

5.1 A fundamental question is the extent to which each of the levels of growth set out in the employment-led household forecast (Employment-led Demographic Forecasts 2014, TE026) is sustainable (NPPF para 21). NPPG also poses the question whether the forecast employment growth can be reasonably expected to occur? These questions require consideration of:

- Past economic trends
- Delivery of key economic drivers
- Workforce trends
- Development trends

5.2 A similar conclusion is reached with respect to employment growth, but this may need to be looked at more closely because it is based on the REM projection described above. If the REM projection has overestimated growth in employment for the reasons given, then the LPCS may be providing for an excess of employment land. Much of which is already committed, for example the Garrison Town Centre permissions and land at Scotch Corner.

Past economic trends

5.3 Trend based data on employment growth presents difficulties in Richmondshire. Small sample sizes in the source employment data give large confidence intervals around the estimates and often prevent publication. The conventional job density figure (NOMIS) shows for most of the past decade a higher ratio of jobs to the local population of working age than regionally or nationally. Unfortunately it includes the Army, which is not easily disaggregated and obscures the changing nature of local employment. The estimate of employee jobs (NOMIS, APS) is free of the Armed Forces problem and shows little change in the number of these jobs in Richmondshire. Unfortunately it does not provide information on self-employed jobs, of which there are a substantial number in the District.

- 5.4 Long standing market signals about employment land show that Richmondshire has not been a priority for developers, even with a substantial land supply. Where employment facilities have been built, for example at Colburn Business Park, these have struggled to attract the target businesses, even during times of previous economic growth. In response the Council has promoted the reuse of longstanding employment land allocations (Employment Land Review, 2012, TE005). Despite this, the LPCS maintains capacity for growth to enable choice in this market.

Delivery of key economic drivers

- 5.5 The LPCS economic strategy is being delivered at a time of economic uncertainty and in an area where conventional economic developments have struggled to attract their target businesses. The A1 upgrade and the Catterick Garrison Town Centre provide crucial drivers for economic growth. Their impact on growth is only likely to be seen following their completion suggesting that the potential modelled in the REM is likely to be postponed and would support an accelerating rate of growth once in place. Assuming nothing delays these developments, this point is likely to be reached in over two years time.

Workforce trends

- 5.6 It is evident, from the household projections that changes in the local workforce require an increase in net in-migration to address the deficit in the local population. This is a result of the ageing of the Richmondshire population, although this is mitigated to some extent by the rising pension age over the projection period. In the employment led-forecasts this deficit is made up by increasing net in-migration, which migration trends suggest would come from neighbouring areas.

Development Trends

- 5.7 Past development trends in Richmondshire, for both housing and employment would suggest that the level of household growth modelled in the employment-led household projection is unlikely to occur and would require a doubling of the long-term local housing development rate. Although the A1 upgrade and Catterick Garrison Town Centre promise new economic drivers in Richmondshire this needs to be set against a background of poor market signals despite a substantial supply of allocated employment land that has been reviewed in the Employment Land Review (2012). Significant employment sites to the north, in Darlington and to the south, at Leeming Bar, have attracted substantial investment over several years and have benefitted from earlier motorway upgrades on the A1.

- 5.8 In summary, the full level of employment growth provided by the REM and modelled in the employment-led household forecast is unlikely to occur in full. Any step change in local economic growth is directly linked to the delivery of the A1 upgrade and the proposed Catterick Garrison Town Centre development. The modelled level of economic growth is affected by the military population and also driven by internal growth assumptions. Nationally published employment trends present an unclear picture, which is affected by the statistical reliability of the estimates produced affected by the very small sample sizes available from this rural area. They are further affected by the presence of the large military population. The required uplift over past housing and employment development trends is substantial and the level of market interest in local development suggests that improvement would, at best, be gradual.
- 5.9 The projected level of employment growth modelled in the employment led-household projection can only be met through increased net in-migration. The increased migration requirement has the potential to impact on neighbouring growth strategies. In reality, this will remain relatively small for the larger neighbours in the Tees Valley and Durham, but increases in proportion for smaller neighbours like Hambleton. These higher projections, therefore, raise a Duty to Cooperate issue. Although neighbours have not challenged the migration assumptions behind the proposed housing target, it cannot be assumed that they would agree to a doubling of the expected level of in-migration, despite the relatively small numbers concerned. Further work would be required to revisit these assumptions and update existing agreements. Should employment growth occur at the modelled level and housing growth did not keep up with it, then this would lead to increased levels of in-commuting. This would need to be monitored effectively to ensure that any change in commuting behaviour did not have a detrimental effect on the local area, through congestion, pollution and poor energy use.
- 5.10 Although the military population causes a number of problems for understanding the local economy, its presence does also contribute significantly to the local economy. This is mainly through the disposable income of personnel based in Richmondshire (Impact of the Military Presence in North Yorkshire, 2010, TE021), but the presence of a large number of dependants increases the available workforce. The LPCS provides for an additional 500 military homes in addition to its local housing target. MoD considers that these homes will enable it to consolidate its existing housing stock and reduce its dependence on houses leased in the local housing market. This contributes two things to the delivery of the local strategy. The first is to increase the likely available workforce through local employment of dependants. The second is that it will release additional housing back into the open market, which will further increase the local workforce.

6.0 Impact on Core Strategy

- 6.1 Is the employment led-household projection a reasonable basis for setting the LPCS housing target? On balance it is not, because it would need an unprecedented increase in housing and economic development to satisfy it; the delivery of key economic drivers and a substantial reverse in local migration trends or a similar increase in commuting patterns. It would only be realised if assumptions underpinning the projection are realised, but some of these inflate the projection.
- 6.2 These conditions do not suggest a major reworking of the housing target. It does, however, suggest that the LPCS is made more sensitive to the actual pattern of economic growth as it unfolds and has the flexibility to respond should its growth potential be realised. The management of the LPCS requires the monitoring of economic growth through relevant economic indicators and development measures. This requires the setting of triggers for target re-evaluation. The figure below illustrates the range of housing and economic development outcomes that could face the implementation of the LPCS. Development monitoring would provide the base information for assessing local employment growth. This would need to be supplemented with data from local business rates and nationally published business demography rates to provide an estimate of local employment growth.

