BARTON WILLMORE

MATTER 3/19013

SUNDERLAND CORE STRATEGY AND DEVELOPMENT PLAN EXAMINATION

The Strategy and Growth Area of South Sunderland

Response to Inspectors' Matters, Issues and Questions

Made on Behalf of the Church Commissioners of England

Matter 3 - Housing and Employment Objectively Assessed Needs (OAN) and Requirements

Introduction

3.1   Our Client has a land interest at South Ryhope. Representations have been made to each stage of the plan making process which have supported the proposed allocation of South Ryhope for residential-led development as part of the South Sunderland Growth Area (SSGA) (referred to as Phase 1). Representations have also been made to support the release of Green Belt land immediately to the south of this draft allocation for further residential development (referred to as Phase 2). The development of both parcels of land would provide a suitable and sustainable location to deliver up to 615 dwellings, a local centre and associated public open space.

3.2   Phase 1 is a draft allocation and benefits from planning permission which was granted in September 2017 for up to 450 dwellings and a local centre. Phase 1 has been marketed and a preferred housebuilder selected.

3.3   Phase 2 extends to 15.62ha; it remains within the Green Belt and is located immediately south of Phase 1. There is no physical delineation between the two. Ryhope Dene runs partly through the southern boundary, with trees located alongside. This provides a physical and defensible boundary to the remainder of the Green Belt to the south.

3.4   Representations made by our Client have been accompanied by technical work demonstrating the suitability of the Site and an Illustrative Masterplan has also been provided setting out how development within Phase 2 could come forward.

Issue 1: The Housing OAN and Requirement.

1.1: Does the evidence base support the requirement for housing of 745 dwellings per annum (dpa) or 13,410 dwellings for the LP period taking into account demographic and economic factors, market signals and affordable housing need?

Starting point estimate

3.5   Paragraph 2.1 of SD.24 correctly identifies the starting point estimate OAN as being 9,965 households, 2015-2033, (554 <u>households</u> per annum) based on 2014-based MHCLG household projections.   An allowance for vacant and second homes translates this households figure to 10,260 dwellings (570 <u>dwellings</u> per annum), 2015-2033. The Council's evidence base does not recommend any adjustment to this figure.

3.6   Barton Willmore (BW) consider the 2014-based MHCLG household projections should be preferred to more recent 2016-based ONS household projections to incorporate a more representative period of household formation. The ONS incorporate a much shorter period (2001-2011) period for household formation in the 2016 series, whereas MHCLG incorporated trends back to 1971 in all previous series.

3.7   ONS' decision to use the 2001-2011 period means trends are captured over the period when affordability fell quickly nationally and locally.   The lower quartile affordability ratio in Sunderland increased from 2.56 in 2001 to 5.29 in 2007, an increase of 107% in only 6 years. This fell slightly to 4.28 in 2011 but still represented a 67% increase in 10 years.

3.8   This increase in affordability restricted household formation in younger age groups, as identified by Government's Housing White Paper. Furthermore Government decided to revert to the 2014-based projections and ignore the 2016 projections for the purposes of Standard Method due to the ONS' revised methodology and the 2016 projections failure to support Government's target of delivering 300,000 homes by the mid-2020s. The 2016-based projections are not adequate for planning purposes and should not be used.

Demographic adjustments – migration

3.9   Having established the starting point estimate (570 dpa), paragraph ID2a-015 of the Planning Practice Guidance (PPG) states how the official MHCLG household projection should form the 'starting point estimate' of OAN, but that *"The household projection-based estimate of housing need <u>may require adjustment</u> to reflect factors affecting local demography and household formation rates which are not captured in past trends."*

3.10   In this context, document SD.24 (Table 1.1) presents a number of additional scenarios for demographic-led OAN based on alternative periods of migration, and other approaches to

household formation. One of these scenarios suggests that demographic OAN could be as high as 987 dpa.

3.11 These additional scenarios were prepared by Edge Analytics and presented in document SD.21 dated October 2016, hence them not including a 2016-based ONS household projection scenario (these having been published in September 2018). Document SD.24 informed SD.21.

3.12 Table 7 on page 23 of SD.24 summarises the range of demographic scenarios presented by Edge Analytics. It shows how the 2014-based ONS scenario (resulting in 570 dpa) is underpinned by net-migration of 360 people per annum.

3.13 However, reference to the 2016 ONS Mid-Year Population Estimate recorded net-migration of 490 people to Sunderland. The 2013/14 period recorded 553 net-migrants to Sunderland. These figures have been part of a change in migration trends from net out-migration to net in-migration over the past five years. This is illustrated in Table 1 below:

Table 1: Net-migration in Sunderland, 2002/03-2015/16

	2002/ 03	2003/ 04	2004/ 05	2005/ 06	2006/ 07	2007/ 08	2008/ 09	2009/ 10	2010/ 11	2011/ 12	2012/ 13	2013/ 14	2014/ 15	2015/ 16
Net Migration	-732	-694	-285	-363	-132	-627	-37	**278**	-67	-51	**222**	**553**	**262**	**490**

3.14 In this context it is considered that demographic-led OAN based on a level of net-migration in excess of that resulting from the 2014-based MHCLG projection (360 people per annum) should be considered, as the starting point estimate may incorporate an under-estimate of net-migration to Sunderland.

3.15 This has the potential to result in a significantly higher demographic-led OAN.

3.16 The 'SNPP-2014 SENS Zero Mig' scenario is illustrative of this potential for higher demographic-led OAN. Document SD.24 states how this scenario aims to ensure *"net migration balance (inflows equal outflows) over the forecast period"* essentially that the number of people leaving Sunderland balances with the number of people coming into Sunderland.

3.17 Under this scenario the housing need would range between 947 dpa and 987 dpa depending on the approach to household formation. If this scenario is a policy approach of the Council, it should be considered as representing the housing requirement.

Demographic adjustments – household formation

3.18   Paragraph ID2a-015 also states how an adjustment to household formation rates may be necessary to consider factors not captured in past trends.

3.19   Document SD.21 provides this sensitivity testing for Sunderland, and we agree with the approach used by the author of SD.21 in adjusting household formation rates in the 25-34 year age group, albeit we consider the rates should return to 2001 levels by the end of the Plan period (2033) rather than 2024, the reason for which isn't fully explained in SD.21 or SD.24.

3.20   Our Figure 1 illustrates the fall in household formation for the 25-34 age group as affordability in Sunderland worsened between 2001 and 2011, the rate of household formation in this age group clearly declining over the 10-year period based on the 2014-based MHCLG projections (purple line).

Figure 1: Household Formation
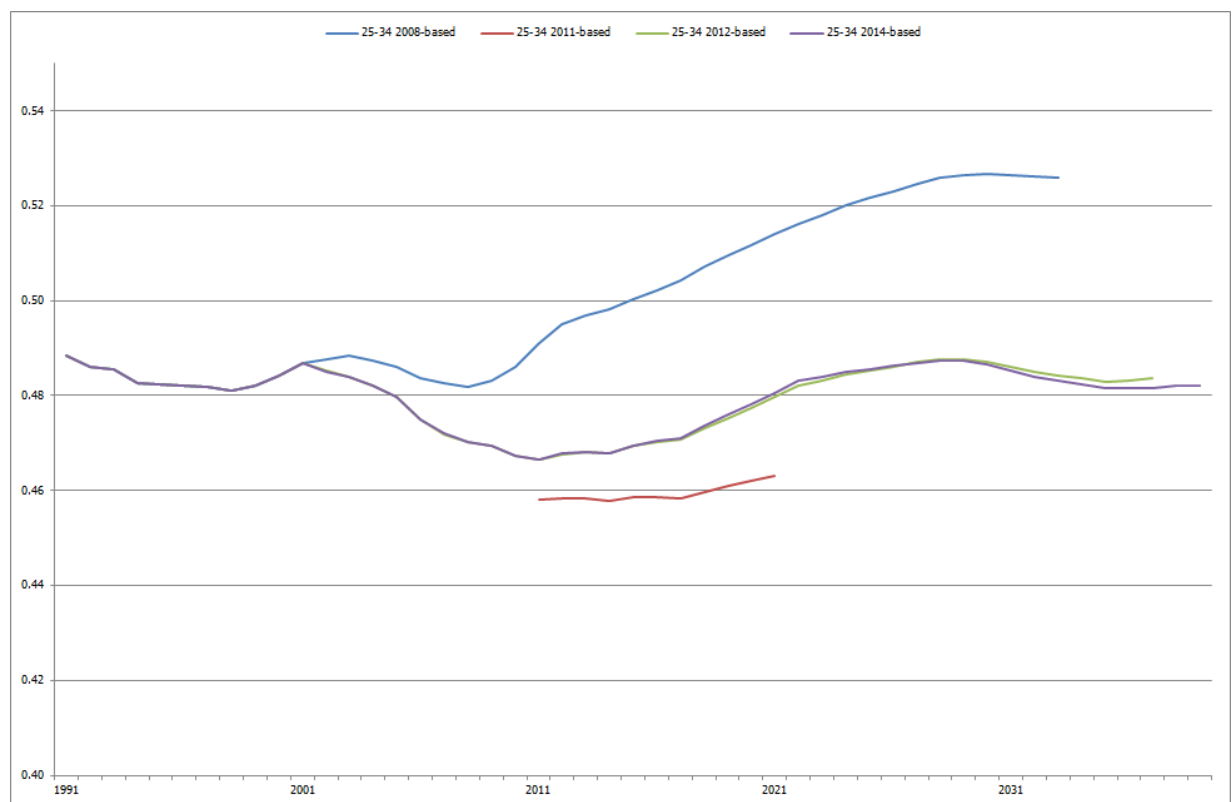
3.21   As Table 1.1 of SD.24 illustrates, this would increase the 2014-based ONS SNPP scenario to 608 dpa, 2015-2033 and we consider this should be the demographic-led OAN if an alternative migration period is not considered to be appropriate.

Economic factors

3.22 Document SD.24 identifies how paragraph ID2a-018 of PPG requires 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'."*

3.23 SD.24 then presents the approach of Edge Analytics in SD.21. Table 9, SD.21, identifies how Edge's approach to economic led OAN results in their demographic OAN (570 dpa) resulting in a <u>decline</u> in job growth (-17 jobs per annum).

3.24 The Council's demographic OAN would result in a decline in job growth in Sunderland, and an adjustment is therefore considered to be required.

3.25 Table 9, SD.21, shows how the 'SNPP-2014 SENS Reducing Mig' scenario (742-782 dpa) would support 199 jobs per annum, and the 'SNPP-2014 SENS Zero Mig' scenario (947-987 dpa) would support 433 jobs per annum.

3.26 In this context, SD.21 obtained a bespoke employment forecast from Experian Economics, which shows growth of <u>317 jobs per annum, 2015-2033</u>. Based on this number of jobs, SD.21 (Table 11, page 34) sets out its 'Jobs-led Experian' scenario, resulting in a dwelling requirement of 812 dpa. A further eight sensitivity scenarios based on 317 jobs per annum show need of between 12 and 745 dpa, 2015-2033.

3.27 BW agree with Edge's approach to economic activity, the assumption which has the biggest impact on the number of homes required to support jobs. SD.21 confirms that Office for Budget Responsibility (OBR) economic activity rates are used and we concur with this approach.

3.28 BW also agree with the use of a constant, unadjusted commuting ratio for the forecasting period. This is because any assumed change in the commuting ratio is considered a 'policy-on' approach, and the OAN should be 'policy-off' unless changes in commuting ratios have been agreed with neighbouring authorities. Only the main scenario, SENS A, and SENS B use this approach.

3.29 Furthermore, SENS C to SENS H assume a *decline* in net <u>out</u>-commuting. A reduction in net out-commuting would result in less people being required to move into Sunderland to support jobs, and therefore less housing need. No scenarios are presented to show higher housing need based on the net out-commute *increasing* and the approach is therefore considered to be constrained.

3.30   SD.21 (paragraph 5.25) also states how SENS B *"would seem to be an unrealistic option"*. This leaves the main jobs-led scenario and SENS A, i.e. 745 – 812 dpa, 2015-2033 for consideration in underpinning the OAN.

3.31   Of these scenarios the main scenario (812 dpa) should be preferred, as SENS A assumes a higher level of economic activity in the resident population than the main scenario. The danger of this approach is to assume that more people will work than is realistic. On this basis it is considered that the **economic-led OAN should be 812 dpa, 2015-2033** and not the SENS A scenario which ultimately forms SD.24's conclusion on what the OAN for Sunderland should be (745 dpa, 2015-2033).

3.32   However, it is also noted how no sensitivity testing for higher household formation in the 25-34 year age group is applied for the economic scenarios. This would increase the economic-led OAN above 812 dpa. Furthermore, it is considered that the OAN should consider **more than one job growth forecast**, and consideration of **historic levels of job growth**.

3.33   It is common practice to consider **more than a single job growth forecast** owing to fluctuations in the forecasts from different sources. This type of approach was endorsed by the South Worcestershire Local Plan Inspector who stated, *"The use of three separate growth forecasts (rather than just one as in the February 2012 SHMA) **adds substantially** to the robustness of Edge's modelling work."* As with Sunderland, the South Worcestershire scenarios were prepared by Edge Analytics, but in the case of South Worcestershire, three employment forecasts were obtained whereas this hasn't been the approach in Sunderland.

3.34   In respect of **historic numbers of jobs**, it is noted how paragraph 4.11 of the submitted Local Plan (SD.1) states *"over the past 18 years (1997-2015) **9,630 new jobs** have been created in Sunderland."* The historic job growth identified by the Plan equates to **535 jobs per annum**. Notwithstanding this neither SD.21 or SD.24 consider how many homes would be required in Sunderland based on this level of job growth.

3.35   Paragraph ID2a-018 of PPG is clear that the economic-led OAN should be based on *"an assessment of the likely change in job numbers based on **past trends and/or economic forecasts** as appropriate"*. BW have consulted the most recent Oxford Economics data (April 2019) which dates back to 1991. This provides robust data from which to consider a future assumption of job growth based on what has happened historically. Figure 2 illustrates the total number of jobs in Sunderland since 1991.

3.36   As Figure 2 illustrates, total job numbers have fluctuated over the 25 years up to 2015. An 'average' job growth figure cannot therefore be calculated using two arbitrary years. For example, using a peak year above the trendline (such as 2014) and a trough year (such as

1995) would result in average of 1,384 jobs per annum. In contrast a 'trough' to 'peak' year calculation (such as 1998-2012) would lead to an underestimate (357 jobs per annum).

3.37   We therefore have to consider a 'peak to peak' and a 'trough to trough' period. The period between 1991 and 2013 provides the longest and therefore most representative 'peak to peak' period, and shows growth of 24,800 jobs, equivalent to 1,172 jobs per annum. The 1994-2015 period represents the trough to trough period and results in 22,800 jobs (1,086 jobs per annum).

Figure 2: Total jobs in Sunderland, 1991-2015
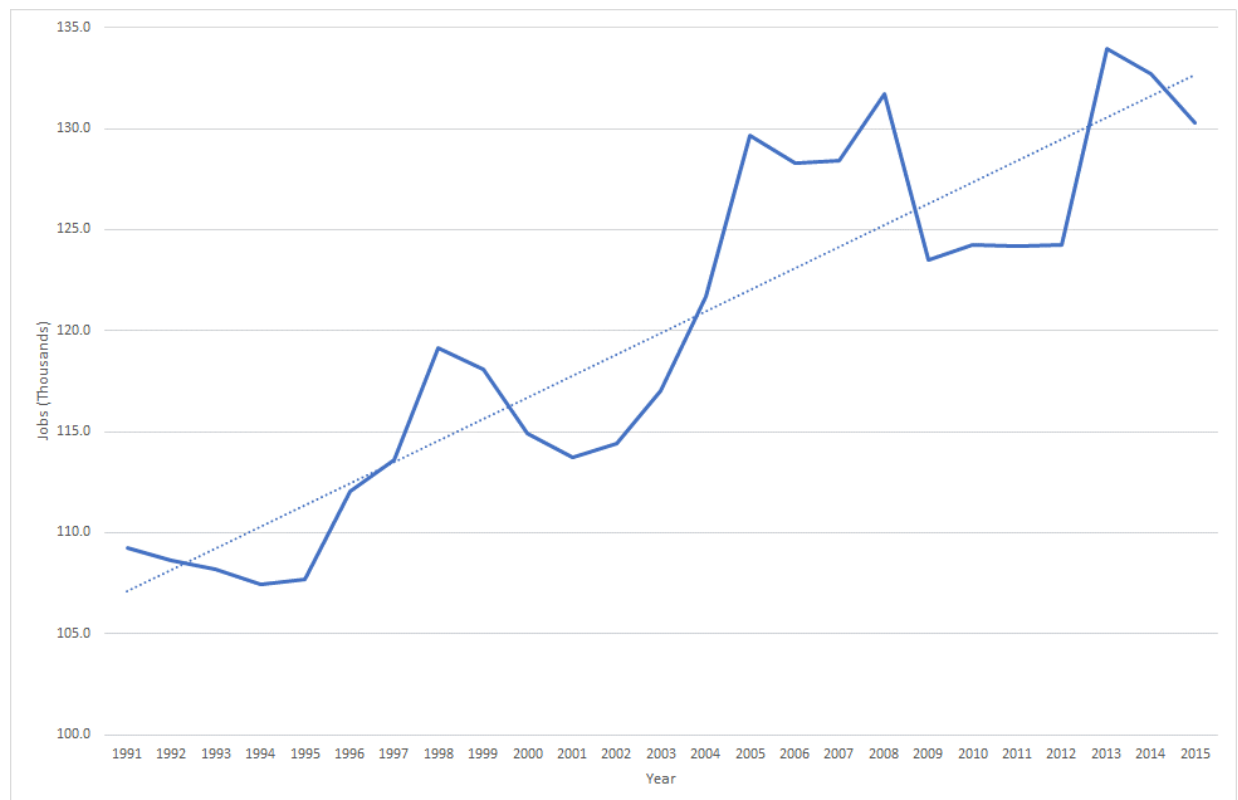
Source: Oxford Economics, April 2019

3.38   Our past trends analysis therefore shows how **an increase of approximately 1,000 jobs per annum would not be an unreasonable** assumption to make in Sunderland. This would lead to a significant increase to the 812 dpa calculated in SD.21 to support only 317 jobs per annum.

3.39   It is considered that this factor strengthens the case for supporting the 'SNPP-2014 SENS Zero Mig' scenario and an OAN of between 947 and 987 dpa 2015-2033 which would support 433 jobs per annum. However this remains short of the historic job growth identified in the Plan (535 jobs per annum) and the circa 1,000 jobs per annum based on past trends identified in this statement.

Market Signals

3.40   SD.24 does not consider there to be merit in adjusting the demographic-led OAN for market signals. Although BW acknowledge that the Standard Method calculation of housing need is not relevant to this examination, the approach to a market signals uplift is. This shows how there would be a need for a 5% uplift to address affordability constraints.

3.41   This 5% would need to be applied to the demographic OAN, which if it was decided should align with the 'SNPP-2014 SENS Zero Mig' or 'SNPP-2014 SENS reducing migration' scenarios would result in need of between 779-994 dpa 2015-2033.

3.42   An adjustment for job growth in line with historical jobs growth would be of a magnitude to consume the market signals adjustment.

Affordable Need

3.43   Although it is not incumbent on local authorities to deliver affordable housing need in full as part of the OAN, it should be noted how paragraph 2.28 of SD.24 identify affordable need of 542 dpa. This is a significant number and would represent 73% of the full OAN identified (745 dpa).

3.44   Policy H2 of the submitted Core Strategy states how 15% affordable housing provision would be required on all developments over 10 dwellings. To deliver the 542 affordable dpa identified in the evidence base would therefore require an OAN of 3,613 dpa, 2015-2033.

3.45   Although this figure is unrealistic, it highlights how the OAN should be increased to contribute to the significant need for affordable housing.

Summary

3.46   In summary, the Council's own evidence in SD.21 and SD.24 suggests that Sunderland's OAN could be as high as 987 dpa 2015-2033, based on demographic assumptions. The economic-led OAN suggests lower need of up to 812 dpa based on meeting growth of 317 jobs per annum.

3.47   In the context of our own analysis of past trends showing circa 1,000 jobs per annum, it is therefore considered that the upper end of the Council's economic-led OAN (812 dpa) provides a reasonable mid-point of the range of scenarios considered in SD.21 and SD.24. This would also address some of the affordable housing need evident in the city.

3.48　Barton Willmore would therefore recommend the Council's OAN is increased from 745 dpa to a **minimum of 812 dpa**. Considering this as a minimum will allow for some flexibility in the number of jobs created in the city towards historic trends.

1.2: Is the approach to calculating the OAN and housing requirement reasonably consistent with other local planning authorities (LPAs) in the region?

3.49　Our Client does not wish to make written representations to this question.

1.3 Should the housing requirement be higher: a. To support job growth, including that at the International Advanced Manufacturing Park (IAMP) and/or b. To support an uplift in Household Representative Rates for 25 to 44 age range and to help address the affordable housing imbalance?

3.50　Yes, our response to question 1.1 identifies how the assumption of jobs growth (317 jobs per annum) in SD.21 and SD.24 may be an underestimate based on historic rates of job growth across two separate recessions between 1991 and 2015. Our analysis shows a reasonable assumption to be circa 1,000 jobs per annum.

3.51　Furthermore our response to 1.1 indicates a requirement to adjust formation rates in the 25-34 age group, and how the high affordable need (52 affordable dpa) would require a significantly higher OAN to be met in full. An upward adjustment to the OAN of 745 dpa would help to address the imbalance.

1.4 Alternatively should the housing requirement be lower taking into account factors such as the impact of Brexit and introduction of the standardised methodology for calculating Local Housing Need?

3.52　The impact of Brexit is difficult to determine at this stage, and nothing is certain. To assume any scenario on the basis of it is therefore very difficult to predict. In respect of job growth, our analysis of past trends covers two recessions and still identifies how job growth could be significantly higher than the number assumed in the OAN.

3.53　The Local Plan was submitted prior to 24 January 2019 and the NPPF is very clear that the Standard Method shall not apply to Plans submitted before this date. The OAN method published in the 2012 NPPF should be the method by which housing need is determined.

Issue 2: The Employment OAN.

2.1: Does the evidence base support the OAN of at least 95 ha of employment land?

3.54　Our Client does not wish to make written representations to this question.

Issue 3: Alignment between housing and employment requirements

3.1. Is there sufficient alignment between housing and employment requirements?

3.55   In our response to question 1.1 (paragraphs 3.22 to 3.38) we have identified how the assumed level of job growth underpinning the Council's OAN (317 additional jobs per annum) falls significantly short of historic rates of job growth in Sunderland.

3.56   This is acknowledged in paragraph 4.11 of the submitted Local Plan (SD.1) which states *"over the past 18 years (1997-2015)* **9,630 new jobs** *have been created in Sunderland."* The historic job growth identified by the Plan equates to **535 jobs per annum**. Notwithstanding this neither SD.21 or SD.24 consider how many homes would be required in Sunderland based on this level of job growth.

3.57   BW's analysis of Oxford Economics data suggests that the Plan's historic job growth figure is a significant underestimate. Job growth over the same period (1997-2015) is recorded by Oxford Economics as **16,700 jobs, or 928 jobs per annum**.

3.58   In this context, the highest demographic OAN scenario presented in SD.21 and SD.24 (between 947 and 987 dpa) would only support 433 jobs per annum.

3.59   It is therefore considered that there is insufficient alignment between homes and jobs based on past trends, as required by PPG.