STAGE 1 OF THE EXAMINATION OF THE SOUTH WORCESTERSHIRE DEVELOPMENT PLAN

**INSPECTOR'S FURTHER INTERIM CONCLUSIONS
ON THE OUTSTANDING STAGE 1 MATTERS**

Introduction

1. This paper deals with the issues that remained outstanding following the publication of my Stage 1 Interim Conclusions [IC – EX/400b[1]] after the first round of Stage 1 hearings in October 2013. It does not revisit issues which were resolved in the IC. In reaching these further interim conclusions I have taken account of all the evidence submitted during Stage 1 of the examination, including the discussions at the reconvened hearing sessions on 13 and 14 March 2014. My recommendations are in **bold type**.

2. The national Planning Practice Guidance [PPG] was published on 6 March 2014. Participants were notified and invited to raise any relevant points concerning PPG at the reconvened hearing sessions. They were also allowed a fortnight to make written representations on the implications of PPG for the Stage 1 matters. I have taken those representations into account in arriving at my conclusions and recommendations.

The housing requirement (Matter 1)

The objective assessment of housing need over the Plan period

Context

3. My IC concluded that *the analysis in the February 2012 SHMA[2]* [CD090] *does not provide a reliable basis for identifying the level of housing need in South Worcestershire over the Plan period.* I also found that *none of the other analyses of housing need presented to the examination provides a sufficiently firm basis on which to derive an overall housing requirement for the Plan period*.

4. I therefore asked the South Worcestershire Councils ["the Councils"] to undertake some further analysis in order to derive an objective assessment of housing need over the Plan period. My IC set out guidelines for that further analysis, and I gave some additional clarification in a letter to the Councils on 31 October 2013.

5. The further analysis commissioned by the Councils is set out in a report of January 2014 by AMION Consulting, entitled *South Worcestershire Development Plan – Objective Assessment of Housing Need* [EX/415 – "the AMION report"]. The modelling work which

---

underpins AMION's analysis was carried out by Edge Analytics [Edge] using the POPGROUP model. It is reported in their *South Worcestershire Demographic Forecasts* (also dated January 2014) which forms Appendix B to the AMION report.

6. Below I comment on the AMION report and on modelling work carried out by other participants, before setting out conclusions on the level of housing need in the South Worcestershire area over the Plan period.

The assessment of housing need in the AMION report

Addressing my criticisms of the February 2012 SHMA

7. My IC advised that *the SHMA's underlying methodology, which involves modelling a trend-based demographic growth scenario and then modifying it to take account of additional in-migration resulting from forecast employment growth, is essentially sound*. My main criticisms of the SHMA's analysis were to do with the unsound adjustments it made to household representative rates [HRR], the unreliability of the economic forecasts on which it relied, and the lack of convincing evidence to support the increases in older people's economic participation rates which it assumed.

8. The AMION report follows a similar methodology to the February 2012 SHMA while seeking to address those criticisms. In accordance with my advice, demographic projections were based on the ONS 2011 and 2012 mid-year population estimates [MYE] and the revised MYE for 2002-2012, which reflect the results of the 2011 Census. HRR were sourced from the Census and official household projections produced by the Department for Communities and Local Government [DCLG], avoiding the unsound adjustments made in the SHMA.

9. There was some criticism of the approach taken to what the Office for National Statistics [ONS] describe as the "other unattributable" component of the adjustment ONS themselves made to the 2001-2011 MYE in the light of the 2011 Census results. But this approach had no significant effect on the outcome of Edge's jobs-led scenario modelling, which forms the basis for AMION's recommendations on the level of housing need. It is therefore unnecessary to examine that criticism in detail.

10. In carrying out their jobs-led modelling, Edge used employment forecasts from three different, respected analysts: Cambridge Econometrics [CE] (March 2013), Experian (September 2013) and Oxford Economics [OE] (November 2013). Both CE and Experian have since published more recent forecasts showing somewhat higher employment growth than those used by Edge. But some variation from one quarter to another is to be expected as the outlook fluctuates over the economic cycle. The variations are not so significant, when seen in the context of the whole Plan period, as to

call into question the use of the earlier forecasts in Edge's jobs-led scenario modelling.

11.   Much more significant are the differences between each of the three forecasts used by Edge, with the CE forecast predicting job numbers to grow by over 10% in South Worcestershire from 2012 to 2030, compared to growth of around 6% predicted by Experian and OE[3]. Such differences are, of course, not unusual between forecasters each using their own methodology. 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. AMION's review of the three forecasts concludes that all three *provide up-to-date, representative and realistic forecast scenarios for planning purposes*. On the evidence before me I have no reason to disagree.

12.   CE have also developed a *Smart Efficiency and Growth Scenario* which has been informing the Worcestershire Local Economic Partnership [LEP]'s Strategic Economic Plan and Local Growth Deal[4]. At the hearing session I was told that it had not been published in its final form. However, I understand that it envisages employment growth of some 25,000 jobs in the whole of Worcestershire between 2013 and 2025. I have no figures for the distribution of that growth across the districts, and moreover it appears that the level of growth envisaged is dependent, at least in part, on the success of a bid for substantial Government financial support. These various uncertainties mean that the *Smart Efficiency and Growth Scenario* does not currently provide a firm basis on which to project future housing need in South Worcestershire.

13.   The AMION report has thus addressed two of my three principal criticisms of the SHMA. In respect of the third, concerning older people's economic participation rates, no change from the 2011 Census position is assumed in Edge's core scenario modelling. However, changes are assumed in Sensitivity Scenarios 2 and 3, which I consider further below.

The core scenarios

14.   On the basis of Edge's modelling work, the AMION report presents six core scenarios of population and household growth over the Plan period[5]. Three are described as "alternative trend" scenarios and essentially reflect differing assumptions about future migration trends, including a zero-migration "natural change" scenario. As none of these scenarios forms the basis for AMION's recommended level of housing need it is unnecessary to consider them in detail.

---

[3] EX/415, p6, Table 2.4
[4] EX/415, p3, footnote 1
[5] Alongside a seventh core scenario which replicates the official 2010-based sub-national population projections.

15. The other three, jobs-led core scenarios were developed to correspond to each of the three employment growth forecasts discussed above. The population and household growth in each jobs-led core scenario includes the element of additional in-migration that is needed to fill the numbers of jobs that are forecast, assuming no change to commuting, unemployment and economic participation rates over the forecast period. Thus variations in the outputs of the three scenarios largely reflect the differences in the economic growth forecasts which underpin them, with the "jobs-led Cambridge" scenario predicting significantly higher levels of population and household growth than either the "jobs-led Experian" or "jobs-led Oxford" scenarios.

16. Criticisms of the jobs-led core scenarios focussed on two points. First, the base date for the population and household growth projections to 2030 is 2012, rather than 2011 as in the February 2012 SHMA. For 2006 to 2012 the model outputs are constrained to the MYE[6] and do not reflect the changes in employment levels over that period as estimated by each of the three forecasters. This accounts for the fact that the figures for population and household change between 2006 and 2012 are the same in each of these scenarios.

17. It was suggested that the use of 2012 rather than 2011 as the base date for the projections has led to a "lost year" of significant employment growth which should have been taken into account when assessing housing need over the Plan period. But while strong employment growth between 2011 and 2012 is indeed reflected in the three employment forecasts, the same is not true of the whole "historic" period 2006 to 2012. Over those six years, Experian and OE estimate there has been a slight fall in the total number of jobs in South Worcestershire, while CE estimate growth of around 1,200 jobs[7].

18. In the light of this, at best, modest rate of employment growth, it is unlikely that there would have been a significant uplift in job-related in-migration between 2006 and 2012. Thus I find that Edge were justified both in using the trend-based MYE as the basis for assessing population and household growth over that period, and in taking a 2012 base date for modelling their projections to 2030.

19. Secondly, the jobs-led core scenarios were criticised by some participants for using the "index" approach to HRRs when converting population projections to household projections. The "index" approach involves using HRR drawn from DCLG's 2011-based household projections for the period 2011-21. From the point thus reached in 2021, an index of HRR which tracks the rate of change forecast in the 2008-based household projections is then used for the rest of the Plan period. This approach was used by Nathaniel

---

[6] EX/415, Appendix B, p21, footnote 11
[7] EX/415, p6, Table 2.4

Lichfield and Partners [NLP] in their modelling work for the first round of Stage 1 hearings. I recommended its use for the Council's further analysis in my IC, to which reference should be made for a detailed consideration of the rationale behind the approach[8].

20. The view of some participants is that the rate of change in HRR is likely to return to the trend reflected in the 2008-based household projections well before 2021. If that were to happen, it could significantly alter future levels of household growth: the options tested in Edge's Sensitivity Scenario 1 [SENS1] indicate that applying the 2008-based HRR from 2012 to 2030, instead of the "index" approach, would increase the dwelling requirement by around 14% to 16% for each of the jobs-led core scenarios[9].

21. It is undoubtedly true that the number of concealed households has increased substantially over the past decade (both before and after the financial crash of 2008)[10], and it is likely that many younger adults who are currently sharing accommodation with their parents or friends would prefer to have a place of their own. But while a shorter-term return to the 2008-based trend in HRR may be desirable, that does not necessarily mean it will occur. For that to happen will depend not just on housing land supply but also on demand-side factors such as mortgage availability. A recent report for the Royal Town Planning Institute [RTPI] comments that

> … it is by no means inevitable that the availability of mortgage finance will return to the position that existed before 2007. Given the changes to the regulatory regime, the general view is that a degree of structural change has been "hard wired" into the way the system operates (Wilcox, 2013) and that this will have an impact upon access to mortgages and thus to home ownership. However it is not clear at this stage what the scale of these impacts will be … [11]

22. In the absence of conclusive evidence, ultimately it is a matter of judgment if and when the pattern of change in HRR will move back towards the longer-term trend reflected in the 2008-based household projections. In this regard it is interesting to note the attempt made by Professor Alan Holmans, in an influential recent paper for the Town and Country Planning Association [TCPA], to estimate the effects of a recovery in the housing market from 2016 onwards. Prof Holmans posits a "modified trend projection" which, at the national (England) level, indicates that household numbers would be just over

---

[8] See EX/400b, paras 27-32.
[9] EX/415, Appendix B, p33, Table 7
[10] See McDonald, N & Williams, P, *Planning for Housing in England: Understanding recent changes in household formation rates and their implications for planning for housing in England*, RTPI, January 2014, pp 10-11; and ONS: *What does the 2011 Census tell us about concealed families living in multi-family households in England and Wales?*, February 2014, both referred to in RM1/13.
[11] McDonald & Williams, op cit, p11

1% higher in 2031 compared with the situation if the trend reflected in the 2011-based official projection were extended to 2031[12].

23. This is very similar to the difference between the dwelling requirements for South Worcestershire forecast in Edge's SENS1 Option A and Option C jobs-led core scenarios (these two options respectively reflect the "extended 2011-based trend" and "index" approaches in SENS1[13]). While it is in no way conclusive, the similarity in the two outcomes provides further support for the conclusion in my IC that the "index" approach used by Edge is based on reasonable assumptions.

Sensitivity Scenarios 2 and 3

24. In the AMION report, adjustments are made to the jobs-led core scenarios to produce Sensitivity Scenarios 2 and 3 [SENS2 and SENS3]. SENS2 involves adjusting both the unemployment rate from 2013 to 2020 (to reflect a period of economic recovery) and the economic participation rates for men and women aged 60 to 69 between 2012 and 2020. As in the core scenarios and in SENS3, commuting rates remain constant.

25. The unemployment rate is adjusted by assuming that the 2008-13 five-year average rate for each district[14] applies at the start of the forecast period, and then reduces incrementally over the period 2013 to 2020, so that by 2020 each of the district rates is 17% lower than the 2008-13 average. The 2020 rate thus arrived at is then held constant for the rest of the forecast period.

26. 17% was chosen as the reduction factor on the basis that it represents the "average" difference between the 2008-13 five-year average and the 2004-13 nine-year average unemployment rate for each of the <u>six</u> districts that make up Worcestershire. While the discrepancy is not huge, for this method it would have been more logical, in my view, to take the somewhat lower differences for the <u>three</u> South Worcestershire districts as the basis for the reduction factor. On the other hand, SENS2 applies a higher unemployment rate at the start of the forecast period than each of the jobs-led core scenarios, which assume that the nine-year average rate applies constantly from 2012 to 2030.

27. Overall, therefore, the SENS2 adjustment to the unemployment rate to 2020 is not excessive and in any case is unlikely, in itself, to have substantially altered the population and household growth forecasts in the jobs-led core scenarios.

---

[12] Holmans, A, *New estimates of housing demand and need in England, 2011 to 2031,* TCPA, September 2013, pp 10-11 & Table 4, referred to in RM1/10
[13] EX/415, Appendix B, pp 30-35
[14] Derived from NOMIS Annual Population Survey data; see EX/415 Appendix B, p 60, Table 22

28. The SENS2 changes to older people's economic participation rates are intended to take account of changes to the state pension age. They were arrived at by adjusting the corresponding increases in participation rates forecast in a 2006 report by ONS[15]. The forecast increases were rounded up for women (from 33% to 40% for women aged 60-64, and from 16% to 20% for women aged 65-69), and rounded down more modestly for men in the same age groups.

29. These assumed increases in economic activity by older people are different from the assumptions built into Sensitivity Scenario 2 in the February 2012 SHMA, which I found were not supported by clear evidence. It is possible that the new rounded figures for women in the period to 2020 may still be a little optimistic, but on the other hand it is unlikely that the current trend of increased participation by older people will come to a halt in 2020, as SENS2 assumes.

30. There has been more recent work by the Department for Work and Pensions and others, and by the Institute for Fiscal Studies, on the impact of pension changes on economic participation[16]. While both these studies indicate more modest increases in older people's participation rates than SENS2, the *ex-post* work by the IFS reflects only the first two years of pension reform. Moreover, it is not just direct financial incentives but also improvements in health and length of life that are likely to encourage some older people to stay in work longer in future. I have seen no conclusive evidence that older people in South Worcestershire lack the necessary skills to do so.

31. In the context of the forecast period as a whole, therefore, SENS2's assumptions on older people's economic participation rates are reasonable. Overall, SENS2 projects a need for between 28,400 and 33,100 dwellings over the Plan period, depending on which employment forecast is taken[17].

32. In contrast to SENS2, SENS3 applies an adjustment to the unemployment rate for the three South Worcestershire districts over the whole forecast period 2012 to 2030, using an index based on the Experian employment forecast[18]. Some participants criticised the index for a lack of realism in forecasting a steady fall in unemployment throughout the forecast period. But that is not an unreasonable assumption in the context of the almost constant year-on-year increase in jobs over the same period predicted by each of the employment forecasts. Moreover, since Experian, like OE, predicts much lower employment growth than CE between 2012 and

---

[15] ONS, *Projections of the UK labour force, 2006 to 2020*, January 2006

[16] DWP, *Pensions Bill impact assessments*, October 2013; and IFS, *Incentives, shocks or signals: labour supply effects of increasing the female state pension age in the UK*, January 2014, both referred to in RM1/2

[17] EX/415, Appendix D, Table D8

[18] EX/415, Appendix B, p 62, Figure 19

2030[19], it is unlikely that the use of a single, Experian-based index would have artificially exaggerated the effect.

33. Overall, the index's district-level unemployment rates for 2020 do not differ greatly from the rates used in SENS2, and the rates for 2030 are not dissimilar to those achieved towards the end of the previous period of economic growth up to 2008[20].

34. SENS3 also draws on a body of academic evidence to demonstrate that there is a positive correlation between employment growth and economic participation rates[21]. Put simply, as the number of jobs in an area increases, more people are likely to choose to enter the labour market rather than staying at home to care for their families, for example, or remaining in retirement.

35. However, the account in the AMION report of the methodology used to arrive at the SENS3 alterations to participation rates[22] is not wholly transparent. It does not appear to explain, for example, the significant variation between the alterations in the rates for each of the three districts. Nor is it clear that the fact that economic participation rates in South Worcestershire are typically above the regional and national averages[23] has been taken into account.

36. Furthermore, SENS3 assumes increases in participation rates for the 60-69 age groups that, to varying degrees, exceed those used in SENS2. It also assumes significant increases, of up to 41%, in participation rates among the 70-74 age-group. While these increases are from a relatively low starting point, they nonetheless assume that, by 2030, in each district up to 20% of men and up to 10% of women in this age-group will be active in the labour market. These are bold assumptions that, again, do not appear to be fully supported by the evidence.

37. The significance of both SENS2 and SENS3 for the assessment of housing need is that any decrease in the local unemployment rate or increase in local economic participation rates will reduce the level of in-migration needed to match the job growth that is forecast. Thus it is important that the assumptions on which they rely are soundly based. In the context of the positive economic forecasts that underpin the jobs-led core scenarios, I consider that SENS3's index approach to the unemployment rate is a reasonable one, and that there is likely to be some increase in economic participation rates across all age groups over the forecast period. I am not satisfied, however, that the specific economic participation rates used in calculating SENS3 are fully justified by the evidence before me.

---

[19] EX415, Table 2.4
[20] This assessment is based on Tables 22, 23 & 24 and Figure 19 in EX415, Appendix B, pp 60-62.
[21] See EX/415, Appendix C, Annex 1.
[22] See EX/415, Appendix B, pp 55-59, Tables 19, 20 & 21.
[23] See RM1/2, paras 2.28-2.29 & Figure 2-1.

38. SENS3 projects dwelling need of some 25,100 to 29,600 in South Worcestershire over the Plan period, reflecting the range of underlying employment forecasts[24]. Taking the mid-point and the mean of the SENS3 output figures, AMION calculate a "central" and an "average" case. This leads to their recommendation that the range between the "average" and "central" case figures derived from SENS3 – that is, 26,700 to 27,343 – should be considered as the best estimate of housing need for the South Worcestershire Councils to consider when setting their housing targets for the Plan period[25]. The recommendation was supported by the Councils in their evidence to the reconvened Stage 1 hearing sessions.

Other approaches to assessing housing need

39. NLP presented an alternative assessment of housing need, originally devised in connection with a development proposal at Battenhall Farm, Worcester[26]. Using POPGROUP, they modelled three employment-led scenarios. Like Edge's, NLP's scenarios are based on employment forecasts by CE, Experian and OE, albeit that the CE forecast is a later release (November 2013). The base date for NLP's projections was 2011.

40. NLP project an average annual dwelling requirement for South Worcestershire of between 1,389 and 1,809 from 2011 to 2030, depending on the employment forecast used. These figures are broadly comparable with the annual dwelling requirement (2012-2030) forecast by Edge's Option C jobs-led core scenarios, and thus significantly higher than those forecast by SENS2 or SENS3.

41. NLP used the same "index" approach to HRR as Edge, and their assumptions on unemployment and older people's participation rates do not differ greatly from those used in SENS2. Thus I surmise that the principal reason for the discrepancy between their figures and the SENS2 figures is the additional year's worth of employment growth built into the modelling by taking a base date of 2011 instead of 2012.

42. Using the Chelmer model, Pegasus Group modelled an employment-constrained scenario, also from a 2011 base date, drawing on Experian's December 2013 employment forecast[27]. Pegasus used official population projections alongside a modified HRR index which assumes that the rate of change in HRR used in the 2008-based household projections will apply from 2016 onwards, rather than from 2021 as assumed by Edge and NLP. A downward adjustment of 9.8% was then made as a proxy for the adjustments made by Edge to derive their SENS2 figures from their jobs-led core scenarios.

---

[24] EX/415, Appendix D, Table D14
[25] EX/415, paras ES10 & 4.8
[26] RM1/7, Appendix 1
[27] RM1/18a

43. The outcome of Pegasus's Scenario 2, thus adjusted, is a dwelling requirement for South Worcestershire of 28,119 from 2011-2030[28]. This equates to an average annual requirement of 1,480, which again is comparable with the outputs from Edge's jobs-led core scenarios and significantly higher than the corresponding SENS2 and SENS3 projections.

44. As Pegasus have adjusted their original Scenario 2 forecast in line with Edge's SENS2 assumptions, I infer that (as with the NLP figures) the use by Pegasus of a 2011 base date is probably the main reason for the divergence of their figure from the SENS2 Experian-based projection. Additional factors are likely to have been Pegasus's use of a modified HRR index and a later Experian forecast than either Edge or NLP.

45. DLP also used the Chelmer model to project two employment-led scenarios[29]. Although not explicitly stated, it appears that the employment-led scenarios may be based on the CE and Central[30] job growth forecasts used by Edge, but from a 2011 base date. The outcome of DLP's employment-led scenarios is an average annual dwelling requirement of between 1,620 and 1,720 from 2011 to 2031.

46. DLP's use of a modified HRR index involving an adjustment back to the long-term trend from 2016 onwards is likely to be one reason why these figures lie somewhat above Edge's corresponding jobs-led core scenario forecasts. DLP's assumptions that unemployment falls back to its 2004 level and that older people's economic activity rates increase in line with the 2006 ONS forecast[31] also differ somewhat from the assumptions used in SENS2. Once again, however, the main reason for the substantial divergence of DLP's dwelling growth forecasts from Edge's figures is likely to be the use of an earlier base date, reinforced here by the use of a later end date as well.

47. Finally, Peter Brett Associates [PBA] projected two employment-led scenarios[32], again from a 2011 base date, one based on an Experian employment forecast from 2012 and the other on what is described as *the Councils' goal of 25,000 additional jobs in South Worcestershire between 2011 and 2030*. Edge's "index" approach to HRR is used and economic activity rates are based on ONS projections to 2020 and thereafter on work published in a 2011

---

[28] I have calculated this figure by making a 9.8% downward adjustment to the Scenario 2 Total Dwellings figure shown in Pegasus's Table 7. Pegasus themselves apply the 9.8% adjustment to their total dwellings figure for 2006-2030 (Table 10), but the principle is the same.

[29] RM1/10, Appendix 2

[30] The Central forecast is the mid-point between the highest (CE) and lowest (Experian) forecast.

[31] See footnote 14 above.

[32] RM1/19, Appendix 1

technical paper by Kent County Council. No change is assumed in unemployment.

48. The outcomes of the two scenarios are average annual dwelling requirements of 1,342 (Experian 2012 forecast) and 2,160 (based on 25,000 additional jobs) between 2011 and 2030[33]. The discrepancy between the former figure and the SENS2 Experian forecast is, once more, probably mainly due to the use by PBA of an earlier base date. The latter figure is by some distance the highest in the projections before me, reflecting the scale of the job growth on which it is based. By comparison, the most optimistic of the employment growth forecasts used by AMION/Edge, CE's, predicted growth of some 15,000 jobs from 2012 to 2030[34].

49. The goal of 25,000 jobs (for 2006 to 2030) appears in the Councils' *Economic Prosperity Background Paper* (CD070). However, it should be clear from paragraphs 101-102 of my IC that, while I consider the Plan's employment land requirement to be justified in part by the Councils' aspirational jobs target, actual employment growth over the Plan period is likely to be lower than that target. In this regard I have found the three employment forecasts used in Edge's modelling work to be up-to-date, representative and realistic[35]. It follows that there is no basis for preferring PBA's scenario based on growth of 25,000 jobs.

Planning Practice Guidance

50. The methodology used by AMION and Edge to construct their jobs-led core scenarios, and the alternative approaches discussed above, are all consistent with the relevant guidance in the section of PPG entitled *Housing and Economic Needs Assessments*, especially paragraphs 015 to 018. PPG also contains guidance on taking market signals into account, with the underlying premise being that rising prices and rents and worsening affordability ratios will require an increase in housing supply.

51. The available evidence[36] suggests that, while land and house prices in South Worcestershire are rising broadly in line with national averages, rents are rising more quickly. Moreover, affordability ratios are significantly higher than both the national and regional averages. Those findings, however, must be set in the context of the substantial increase in housing supply that would result from any of the needs assessments before me, compared with delivery rates in the first six years of the Plan period[37].

---

[33] Calculated from RM1/19, Appendix 1, Table 3.1
[34] EX/415, p6, Table 2.4
[35] See paragraph 11 above.
[36] See especially RM1/7, Appendix 1, section 5; and RM1/19, Appendix 1, paras 3.30-3.39.
[37] See paragraphs 57-60 below.

52. In this context, I can see no basis for concluding that market signals require a further increase in housing supply at this stage. Rather, it is something that the Councils should keep under review as the Plan is implemented, being prepared to respond appropriately if, for example, affordability ratios remain disproportionately high despite a significant increase in supply.

<u>Conclusions on the assessment of housing need</u>

53. The methodology used to produce the jobs-led core scenarios presented in the AMION report, including the use of a 2012 base date, is sound, and each of the three employment forecasts on which they are based is up-to-date, representative and realistic. The differences in the scale of household growth in each of the jobs-led core scenarios are due to the different levels of employment growth predicted by the three forecasts. There is no reason to presume that any of the employment forecasts is likely to be the most accurate.

54. Thus I consider that a figure which takes account of all three forecasts will give the best estimate of the likely growth in jobs over the Plan period and its effect on housing need. In this respect the "average" case calculated by AMION gives a better representation of the balance of outcomes from the jobs-led core scenarios than the "central" case.

55. Turning to the Sensitivity Scenarios, the "index" approach to HRR used in SENS1 Option C is appropriate. SENS2 applies valid assumptions about older people's economic participation rates. In the context of the employment forecasts, which predict steadily rising employment throughout the rest of the Plan period, SENS3's index approach to the unemployment rate is reasonable, and in principle there is likely to be some increase in economic participation rates across all age groups over the forecast period. However, the significant increases in economic participation rates used in calculating SENS3 are not fully justified by the evidence.

56. It follows that the objectively-assessed need for housing over the Plan period is likely to lie between the SENS2 and SENS3 jobs-led scenario "average" case forecasts. With the material before me, I am not in a position to separate the effects of the various assumptions in SENS2 and SENS3 and recalculate a precise figure. Nor do I think it would be cost-effective or proportionate to recommend that AMION carry out such a recalculation. In view of the number of variables that are already built into SENS2 and SENS3, it would be unrealistic to look for mathematical precision at this late stage in the process.

57. Instead, I consider it would be reasonable to take the mid-point between the SENS2 and SENS3 jobs-led scenario "average" case forecasts as representing the full, objectively-assessed level of

housing need over the Plan period. This gives the following projected dwelling requirement figures for 2006-30[38]:

Malvern Hills	8,590
Worcester City	9,830
Wychavon	9,950
South Worcestershire	28,370

58. After subtracting the 4,909 dwellings built between 2006 and 2012[39], these figures equate to an annual average requirement of 1,303 for South Worcestershire in the period 2012 to 2030. This is broadly comparable with the range of figures arrived at by NLP, Pegasus and PBA (Experian 2012-based), after allowing for the difference in the forecast base date and the other differences in assumptions explained above. It is significantly lower than the range recommended by DLP, but again I am satisfied that the differences are adequately explained by the factors outlined above.

59. I have taken into account the argument of DLP that (in summary), where there is a choice of reasonable alternative assumptions on, for example, future HRR trends or employment growth, guidance in the NPPF indicates that one should choose the highest reasonable assumption when modelling future housing need[40]. Similar arguments were put by other participants who considered the SENS2 and SENS3 figures to be too low.

60. As DLP point out, the NPPF seeks to promote sustainable economic growth and a sufficient supply of housing to meet the current and future needs of the whole community. In this regard its specific requirement in Local Plan preparation is for a full, objective assessment of likely housing need over the Plan period[41]. I have shown why, in my view, the figures set out in paragraph 57 above derive from such an assessment. Annual average provision of about 1,300 dwellings from 2012 to 2030 would substantially exceed the delivery rates achieved in recent years, bringing about the significant boost in the supply of housing sought by the NPPF.

61. **I therefore recommend that the Councils adopt the figures in paragraph 57 above as representing the full, objectively-assessed need for housing over the Plan period, and as the basis for making provision for housing in the Plan in accordance with national planning policy and guidance**.

---

[38] Source: EX415, Appendix D, Tables D8 and D14, Jobs Led Average Scenarios. The district figures are the mean of SENS2 and SENS3, rounded to the nearest 10 in each case, and then summed to give the South Worcestershire figure.
[39] See EX/415, p23, Table 3.5, column C
[40] RM1/10, paras 1.35-1.36
[41] NPPF, paras 47 & 159

Other issues relevant to Matter 1

Windfall allowances

62. The Councils have recalculated the windfall allowance figures from Table 4e of the Plan in accordance with the advice given in my letter of 16 December 2013 responding to their draft proposed modifications [EX/413]. The new proposed figures are set out in the final column of the table at paragraph 3.4 of their reconvened Matter 1 hearing statement [RM1/1b]. I endorse these figures as they are based on the latest available evidence of windfall completions in each district over the period 2006 to 2013 and are calculated using a methodology which I found to be sound in my IC. **Table 4e should be modified accordingly**.

63. I agree with the Councils that no significant windfall provision is likely to come forward in the proposed urban extensions in the Wider Worcester Area, for the reasons given in paragraphs 4.1 to 4.4 of their statement.

Policy SWDP3 I

64. The Councils have put forward proposed modifications to policy SWDP3 I[42] which clarify the relationship between the five-year housing land supply requirement and the sub-area totals set out in Table 4b[43]. However, I find that the inclusion of criteria (i) and (ii) in the policy lead to ambiguity as to whether or not the policy is consistent with national policy guidance on maintaining a five-year housing land supply[44]. Moreover the criteria unnecessarily duplicate other policy provisions in the Plan. **They should be deleted in order to ensure that policy SWDP3 I is effective**.

The requirement for retail provision (Matter 4)

65. The Councils' Matter 4 hearing statement [RM4/1] and the supplementary information provided by them after the hearing session [RM4/1a-c] adequately explain the arithmetic behind the proposed changes to Table 4d in the Plan in the Council's Draft First Schedule of post-hearing main modifications [EX/411].

66. However, it seems that the revised Table 4d in EX/411 (despite its title) does not show the total retail floorspace to be provided over the Plan period, as it does not appear to include all the retail completions and commitments that are included in Table 4e of the submitted Plan. This is out of kilter with Tables 4a and 4b, which show totals for employment land and housing provision for the whole of the Plan

---

[42] In EX/411

[43] Those area sub-totals will need to be modified to reflect my recommendation on the dwelling requirements for the Plan period.

[44] NPPF, para 47

period, including completions and commitments. In the interests of consistency and effectiveness, **this apparent discrepancy should be rectified**.

67. At the original Matter 4 hearing session in October 2013, there was discussion of the fact that the Councils' retail studies make no allowance for expenditure inflow to the study area from shoppers living outside the area, for example commuters and tourists. On the evidence I saw and heard my view, which was not explicitly stated in my IC, is that this is unlikely to alter significantly the overall requirement for additional retail floorspace over the Plan period.

Roger Clews
Inspector
31 March 2014