

Stafford Local Plan Examination

Response to the Council's Homework on
"Possible Housing Drivers: economic and
social factors" (Document N2.17)

A report by Development Economics

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Contents

1: Response to Council's Homework (N2.17).....	2
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1: Response to the Council's Homework (N2.17)

- 1.1 This report provides a response to additional evidence submitted by the Inspector at the Stafford Local Plan Examination Hearing Sessions.
- 1.2 In particular it is a response to the Council's report entitled: *Possible housing drivers: economic and social factors* (Examination Document N2.17).
- 1.3 The responses are provided under the relevant headings used in the Council's document.

Economic Factors

Policy Context

- 1.4 The Council set out in paragraphs 1 & 2 their understanding of the policy context for the setting of a housing delivery target. Their interpretation is summarised in the following extract:

*The NPPF requires that Plans should meet the full objectively assessed need for housing. NPPF para. 159 indicates that a Strategic Housing Market Assessment (SHMA) should be prepared to assess these full housing needs, and that the SHMA should identify the scale of need, which should meet household and population projections, address the need for all types of housing, and cater for housing demand. Whilst economic factors will be evident within demographic forecasts, and the NPPF indicates the need to take account of economic signals, **there is no explicit recognition in the NPPF itself of the need to take economic factors into account in respect of establishing housing requirements***

(Document N2.17, paragraph 1, emphasis added)

- 1.5 However, NPPF paragraph 159 needs to be read in conjunction with the preceding paragraph 158. There it is clearly stated that:

*Each local planning authority should ensure that the Local Plan is based on adequate, up-to-date and relevant evidence about the economic, social and environmental characteristics and prospects of the area. **Local planning authorities should ensure that their assessment of and strategies for housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals***

(NPPF para 158, emphasis added)

- 1.6 It is clear, therefore, that the NPPF does expect planning authorities take economic signals into account when assessing and devising strategies for housing. There is no other way to read paragraph 158.
- 1.7 The Council are correct in paragraph 2 of their document, where it is acknowledged that current guidance on the production of SHMA evidence requires that SHMAs be based on research on how economic factors are likely to influence future housing demand.

- 1.8 Given that there is a clear requirement for local authorities to take economic drivers into account, the remainder of paragraph 158 also comes into play: i.e. that this evidence should be adequate, up-to-date and relevant.
- 1.9 The point raised in our previous Representations are therefore borne out by an examination of these NPPF extracts: the key problem with the Council's approach is that the economic evidence they are currently relying on – in particular their economic forecasts – is too out-of-date to be a reliable basis upon which to make robust and sound long term planning decisions with respect to housing (and also, of course, employment land).

The Council's Approach: Economic Forecasts

- 1.10 In paragraph 3 the Council concede that they have not commissioned any additional and up-to-date economic forecast for the purpose of plan making. It is also acknowledged that the updated SHMA (2010) still relies on economic forecasts that were used in the first SHMA (2008).
- 1.11 It is also acknowledged (in para 6) that the Council's employment land review is based on economic forecasts that date from 2008, and that they utilise a base data for data that extends back in time to 2006.
- 1.12 Neither the forecasts used in the SHMA or those used in the ELR can be justifiably regarded as up-to-date as required by NPPF paragraph 158.
- 1.13 On this basis, the Council's economic evidence – and the proposed policies that have been formulated upon it – cannot in our view be regarded as compliant with the NPPF and should in our view be regarded as unsound.
- 1.14 In paragraph 4 the Council contend that "*limited reliance can be placed on forecasting*". We do not contend that plans should be wholly based on economic forecasts, but we do consider that the NPPF requires that plan makers take economic forecasts into consideration, and that these forecasts should be up-to-date, and that they be considered along with other evidence with regard to economic signals (such as current data on the performance of the local labour market, etc.).
- 1.15 In paragraph 8 the Council state that the Plan for the Borough is founded on "*relatively cautious economic aspirations*". In our view that is something of an understatement: as we made clear in our representations, the ELR forecasts, for example, are predicated on a loss of 9,800 jobs in total over the 2006-2026 period (as indeed the Council acknowledge in paragraph 10 of document N2.17).
- 1.16 In other words, the expectation appears to be one of substantial net employment losses, rather than any aspiration for growth. It is our contention that none of the recent economic evidence (i.e. ONS employment trend data for the period 2008-2012) show anything like the trajectory of job losses that were expected by the 2008 forecasts.
- 1.17 In paragraph 11 the Council state that:

To date, although there has not been quite the scale of decline that was projected from the forecasts available to the County Council, which were based on data when there was more uncertainty over the depth and scale of the recession, it is

still nonetheless very likely that public sector employment will decline further into the future

- 1.18 The Council thus acknowledges that the scale of job losses haven't reached the levels that their forecasts predicted. However, rather than celebrating the resilience of the local economy, the Council appear to waiting for further losses to emerge, in particular in the public sector.
- 1.19 While we are not denying the potentially painful impacts of public sector 'austerity', it should be recognised by the Council that up-to-date independent forecasts for the local economy – such as the ones we have sourced from Oxford Economics – fully take expected future public sector expenditure cutbacks into account. Despite the adjustments that this sector are expected to make, the job losses there are expected to be more than compensated for by job gains in other sectors.
- 1.20 On pages 2-3 (paragraph 8 and bullets) of document N2.17 the Council provide some additional economic trend information which is based on the Staffordshire/Stoke-on-Trent Economic Review 2013. Although there is nothing incorrect about the data that is reported, it is important to point out that this assessment does not include the latest BRES employment (2012) data for Stafford Borough that was released by Government in October 2013, and to which we have already referred. This is important in the context of NPPF paragraph 158, which stresses the need for plans to be based on up-to-date economic evidence.
- 1.21 The most recent BRES data for 2012, released by ONS in October 2013, indicates that Stafford's employment base is now growing: according to this latest BRES data, between 2011 and 2012 the Borough's employment base grew by around 140 jobs: this is obviously a lower rate of annual growth than the average of 300 jobs p.a. that the Oxford Economics forecasts included in our representations have suggested is a likely long term average over the Plan Period, but it is undeniably a return to a positive growth trend.
- 1.22 It is also interesting to look at the sources of job growth between 2011 and 2012 for Stafford revealed by the latest BRES data. These include:
- Business and professional services: +313 jobs
 - Transport and storage: +160 jobs
 - Manufacturing: +185 jobs
- 1.23 This is not an isolated trend. According to BRES data there has been net growth of nearly 350 manufacturing jobs in Stafford since 2009.
- 1.24 The growth in manufacturing jobs should not be seen as counter-intuitive or a blip: many local authority areas have seen an increase in manufacturing jobs have increased over the past few years, in response to stronger export performance and the 're-shoring' of manufacturing jobs from other global regions, especially Asia.
- 1.25 Furthermore, this trend data undermines the claim made by the Council in paragraph 16 of document N2.17 where it appears that the Council regards manufacturing as a weakness rather than a source of growth.

- 1.26 In paragraph 13 the Council claim that the Plan is consistent with the LEP strategy for balanced growth. While it is acknowledged that the Plan makes provision for employment sites to accommodate growth, it is difficult to understand the Plan is consistent with a growth strategy when the housing delivery proposals remain predicated on substantial job losses that are no longer borne out by recent evidence in the form of BRES data and more up-to-date econometric forecasts from sources such as Oxford Economics.
- 1.27 The Council's conclusions on economic growth factors appears to be summarised in paragraph 16 of N2.17, where it is stated that:

In the case of Stafford, the County Council's forecasts suggest that growth is not likely to be significant to overcome weaknesses, and amount to justification in itself for further housing provision to cater for incoming workers.

- 1.28 The NPPF makes it clear (in paragraph 6) that the purpose of the planning system is to contribute to the achievement of sustainable development. In paragraph 7 it goes on to explain the economic dimension of sustainable development and the role that the planning system needs to perform a number of roles, including an economic role, explained as follows:

***an economic role** – contributing to building a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation; and by identifying and coordinating development requirements, including the provision of infrastructure*

- 1.29 This extract from NPPF paragraph 7 is not confined to employment land, it also includes housing land that is needed to enable business growth to occur, by ensuring adequate supplies of the labour that employers need in order to grow.
- 1.30 Our interpretation of the extract from paragraph 16 of N2.17 is that Stafford Borough Council is not proposing to plan for sustainable development and growth, as is required by the NPPF but instead intends to plan for decline on the basis of out-of-date evidence.

Conclusion

- 1.31 Our conclusion is that the housing delivery target proposed by Stafford Borough Council is unsound as it is based on out-of-date economic forecasts and other dated economic evidence that substantially under-estimates the future employment growth prospects for Stafford.
- 1.32 The problem is that the proposed housing target is likely to be too low to meet future labour needs by business in full, therefore constraining future competitiveness and growth prospects and thereby becoming an impediment to growth.