

Paper 2: Technical Review of the Proposed Housing Requirement

Peel L&P Holdings (UK) Limited

November 2021

Turley

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Client

Peel L&P Holdings (UK) Limited

Our reference

PEEM3056

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Executive summary

1. This report has been prepared to inform the response of Peel L&P Holdings (UK) Limited ('Peel') to the consultation on the updated Proposed Submission Version of the Warrington Local Plan ('the draft Plan'), which reduces the proposed housing requirement – compared to the previous draft – from 945 to 816 homes per annum such that it now aligns precisely with the minimum need suggested by the standard method.
2. This decision has clearly been based on the conclusions reached in the recent update to the Local Housing Needs Assessment (LHNA) which presents modelling to suggest that simply meeting this minimum need for housing will provide more than enough labour to fill 874 newly created jobs each year, this being the midpoint of two baseline employment forecasts for Warrington. The modelling actually suggests that as few as 696 homes per annum could provide sufficient labour to support such a level of job growth.
3. This is, however, considered to **severely underestimate the number of new homes needed to support even this level of job growth**, with the latest LHNA having fundamentally and unjustifiably departed from the approach of earlier versions as well as best practice.
4. It surprisingly draws **assumptions on future household formation from the unreliable 2018-based household projections**, despite them being almost identical to the 2016-based projections that were roundly criticised on their release – not least by the Government – and rightly disregarded in the previous iteration of the LHNA to avoid building in the suppression of younger households that has been caused by a long-term worsening of affordability. The LHNA contradicts the previous 2019 study by attempting to argue that there is limited evidence of such suppression in Warrington, but the very same could have been said then – with reference to the seemingly identical 2016-based projections – had they not been wholly disregarded due to valid concerns about their reliability for the purposes of assessing housing need. There has been no shift in guidance or best practice in the intervening two years, and Peel is not aware of any comparable study that has opted to align with the 2018-based projections in this way. On this basis Peel considers, in accordance with the conclusions of the 2019 LHNA, that the calculation should continue to use the 2014-based household projections and apply positive adjustments to address the historic suppression of younger households in the borough.
5. The LHNA also **wrongly assumed that there are nearly 4,000 newly unemployed residents who will be able to fill roughly a quarter of the new jobs forecast**, in doing so minimising the implied need to attract and retain extra people in Warrington. This is, however, based on growth in the number of benefits claimants to a point in time – since having halved – with the underlying dataset also never intended to measure how many people are actually unemployed and available to work, proving to be a particularly unreliable measure of this in the unique circumstances of the pandemic when many have claimed benefits without being unemployed in the traditional sense. Other recent data, more aligned to the internationally accepted definition of

unemployment, indicates that there are only around 4,200 residents out of work *in total* – this remaining very close to the average of recent years, consistent with national evidence of an increasingly strong labour market – with the LHNA’s assumption that nearly 4,000 of these residents fill newly created jobs thus implicitly and implausibly assuming that unemployment will fall to nearly zero.

6. This report has presented modelling to suggest that **some 1,057 dwellings per annum could actually be needed to support the level of job growth assumed in the Council’s evidence base, some 52% more than estimated by the LHNA (696dpa) and 30% more than the minimum need suggested by the standard method.** This modelling takes a more realistic approach to unemployment which is comparable to that used in the previous LHNA and assumes that the rate will align with the average recorded over the past five years, implicitly allowing for the slight rise from historic lows that has already materialised to date. It also draws assumptions on household formation from the 2014-based projections that were used in the previous LHNA and continue to be used in similar studies, with adjustments applied as necessary to address the impact of worsening affordability.
7. Even this modelling is considered likely to underestimate the full housing needs of Warrington, given that there is **a very strong prospect of more jobs being created in the borough than the 874 assumed annually in the Council’s evidence base.** Part of the Council’s stated rationale for using this midpoint of two baseline forecasts is that they are respectively too optimistic or pessimistic, but this is considered to be unfounded where even the higher forecast – supposedly overoptimistic in suggesting that an average of 1,023 jobs will be created annually – would more than halve the rate of job growth recorded in Warrington over the past decade. This starkly illustrates the limitations of baseline forecasts that were previously found to require adjustment in the last iteration of the LHNA, where planned investment was taken into account and the forecast level of job growth increased by approximately half as a result. These adjustments overcame concerns about the understating of growth potential in certain sectors like logistics, as well as the inherent contradiction between a forecast slowing of employment growth and an evidenced need for additional employment land, this having only increased since. The assumed slowing also contrasted with the Council’s economic growth ambitions which are undimmed and continue to be articulated not only in the draft Plan but also in other documents, like Warrington Means Business. It is therefore inexplicable that similar adjustments to the baseline forecasts now presented in the Council’s evidence base have not even been contemplated, seemingly in the misguided belief that such an exercise is no longer necessary despite Planning Practice Guidance (PPG) continuing to require deliverable growth strategies and strategic infrastructure improvements to be taken into account when assessing housing needs, and the National Planning Policy Framework (NPPF) still requiring planning policies to positively and proactively contribute towards a clear economic vision and strategy.
8. The Council’s approach therefore puts it at risk of underestimating future job growth, this report having identified that **some 1,360 jobs could be created annually** if even three sectors – all assumed by the forecasts to create substantially fewer jobs than they have in the past – perform closer to their past trend, as notably appears to be the intention given the draft Plan’s approach to employment land provision. Further

modelling suggests that some 1,360 dwellings per annum could be needed to support such a level of job growth, far above the minimum need suggested by the standard method and justifiably so where it openly makes no attempt to predict the impact of changing economic circumstances.

9. The above clearly challenge the notion expressed by the Council in the draft Plan that a housing requirement aligned to the outcome of the standard method will provide sufficient labour to support future job growth in Warrington, with the number of homes needed to do so having been significantly underestimated by its evidence base. **The proposed housing requirement is therefore not justified and nor will it be effective in meeting the borough's housing needs in full**, meaning – in the context of the NPPF – that the draft Plan is not sound in its present form.
10. The evidence presented in this report indicates that in order to establish consistency between the Plan's economic and housing policies, **a minimum of 1,057 homes should be provided for each year**. This level of need is more closely aligned with the level of provision previously suggested by the Council in earlier iterations of its draft Plan, aligning with its consistent vision and objectives for the sustainable economic growth of Warrington.

1. Introduction

- 1.1 This report has been prepared by Turley to inform the response of Peel L&P Holdings(UK) Ltd ('Peel') to the consultation on the updated Proposed Submission Version of the Warrington Local Plan ('the draft Plan') and the accompanying background documents published by Warrington Borough Council ('the Council'). It builds on evidence and representations submitted at each previous stage of the plan-making process.
- 1.2 The report provides a technical review of the proposed housing requirement and the latest update to the Local Housing Need Assessment¹ (LHNA) on which it is based. This includes an assessment of its compliance with national policy for the purposes of determining soundness, in the context of paragraph 35 of the National Planning Policy Framework² (NPPF).
- 1.3 The report specifically challenges the conclusion of the evidence base that it is appropriate and justified to reduce the annual housing requirement from 945 homes, as was proposed in the previous Proposed Submission draft, to only 816 homes, this being based on the current outcome of the standard method.

Report structure

- 1.4 This report is largely structured according to what are considered to be the key deficiencies of the Council's approach, introduced in section 2, with the concluding section 6 drawing together this analysis to robustly demonstrate that the proposed housing requirement is not sound.
- 1.5 It is therefore structured as follows:
 - **Section 2:** Overview of the Council's evidence on housing need
 - **Section 3:** Recognising the consequences of worsening affordability
 - **Section 4:** Aligning housing need with forecast job growth
 - **Section 5:** Prospect of stronger employment growth
 - **Section 6:** Summary and implications

¹ GL Hearn (August 2021) Warrington Local Housing Needs Assessment Update

² MHCLG (July 2021) National Planning Policy Framework

2. Overview of the Council's evidence on housing need

2.1 The Council has been clear to highlight in the presentation of its draft Plan that the decision to significantly reduce the proposed housing requirement is based on an updated assessment within its evidence base. In answering the question as to why the planned provision has been reduced, it has described its reasons as including *inter alia*:

- *'That the Council no longer considers this scale of jobs growth to be realistic';*
- *'The Council recognises that its growth aspirations need to be re-considered following the onset of the pandemic and the UK's withdrawal from the European Union'; and*
- It will minimise *'the impact on the Borough's Green Belt compared to the previous proposed target'*³.

2.2 Given the weight placed on the latest iteration of the Council's evidence base for assessing housing and employment needs, this section presents a concise overview of the evidence, with an explanation as to how it departs from the previous iterations. Subsequent sections then proceed to raise technical evidence-based challenges to key assumptions made, which where relevant build upon previous submissions.

Overview of the 2021 Local Housing Needs Assessment

2.3 An update to the Local Housing Needs Assessment (LHNA) was completed by GL Hearn in August 2021, this being intended to replace the studies previously undertaken by them on behalf of the Council which informed earlier iterations of the Plan⁴. The notable differences between the conclusions reached in the most recent assessment and previous iterations are summarised later in this section.

2.4 The LHNA correctly applies the standard method to establish that there is a minimum need for 816 dwellings per annum in Warrington. This incorporates a 14% uplift linked to the current ratio between house prices and earnings.

2.5 The LHNA does, like earlier versions, proceed to consider whether economic growth could generate a greater need for housing in Warrington than implied by the standard method, as is required by national policy. It does so with reference to two employment forecasts from Oxford Economics (OE) and Cambridge Econometrics (CE), which are likewise used in the latest version of the Economic Development Needs Assessment⁵ (EDNA) – also updated in August 2021 – and respectively suggest that 725 or 1,023 jobs could be created annually in Warrington over the plan period (2021-38).

³ <https://www.warrington.gov.uk/draft-local-plan-2021-faqs>

⁴ This includes: 2016 Mid-Mersey SHMA, 2017 LHNA for Warrington, 2018 Liverpool City Region SHELMA, 2019 LHNA for Warrington

⁵ BE Group (August 2021) Warrington EDNA Refresh

- 2.6 The LHNA indicates that its authors, and those of the EDNA, were *‘in agreement that the CE forecasts are too optimistic while the OE forecasts are unduly pessimistic’*, with the LHNA stating that a midpoint between the two was therefore taken as *‘a reasonable forecast of future employment growth’*⁶. It is of note that the EDNA initially appears less equivocal in this regard, where it suggests *‘there is some rationale to consider a mid-point between the two forecasts although both have been provided to allow comparison’* and furthermore that *‘it could be advisable to take a midpoint between the two’*⁷.
- 2.7 The midpoint between the two forecasts equates to 874 jobs per annum, or 14,858 jobs in total over the plan period (2021-38). The LHNA presents modelling to suggest that as few as 696 dwellings per annum could be needed to grow the labour force and support such a level of job creation, based on a series of assumptions around labour force behaviour, rising to 765 dwellings per annum when assumed that the borough does not rely on in-commuters from elsewhere to fill any of these newly created jobs. Both figures fall below the minimum need for 816 dwellings per annum suggested by the standard method, leading the LHNA to conclude that there is *‘no justification’* for a greater level of housing need⁸.

A departure from preceding evidence

- 2.8 This conclusion that the outcome of the standard method provides a reliable and complete estimate of Warrington’s housing needs fundamentally departs from that reached in the previous version of the LHNA, in 2019.
- 2.9 Like the latest version, the 2019 iteration of the LHNA started by calculating the minimum need for housing then implied by the standard method, this at the time being higher – at 909 dwellings per annum – due to a higher baseline (calculated from 2017, rather than 2021) and a slightly more pronounced affordability adjustment. It importantly then concluded that the economic growth strategy of the Council and its economic objectives, as articulated in the draft Plan, could necessitate planning for a higher level of housing need.
- 2.10 This at least partially resulted from the earlier LHNA assuming a more ambitious level of future job growth, where this directly informed the modelling of housing need. This analysis did not simply rely on baseline forecasts, as the current version does, but instead took account of the Council’s growth strategy by adjusting a baseline forecast from Oxford Economics⁹ – under which the borough would create an average of 635 jobs per annum between 2017 and 2037 – and incorporating the *additional* growth that was previously considered likely to result from the implementation of the Strategic Economic Plan (SEP). This added the equivalent of 319 jobs per annum, or 6,830 jobs in total over the period then covered, with the LHNA confirming that this was meant to be a *‘reflection of the intended consequences of investment’*¹⁰. This resulted in a scenario where some 954 jobs would be created annually in Warrington

⁶ GL Hearn (August 2021) Warrington Local Housing Needs Assessment Update, p50

⁷ BE Group (August 2021) Warrington EDNA Refresh, paragraph 8.43

⁸ GL Hearn (August 2021) Warrington Local Housing Needs Assessment Update, p64

⁹ The LHNA confirms that these were produced in January 2018 and are “2017-based” at paragraph 3.11

¹⁰ GL Hearn (March 2019) Warrington Local Housing Needs Assessment, paragraph 8.31

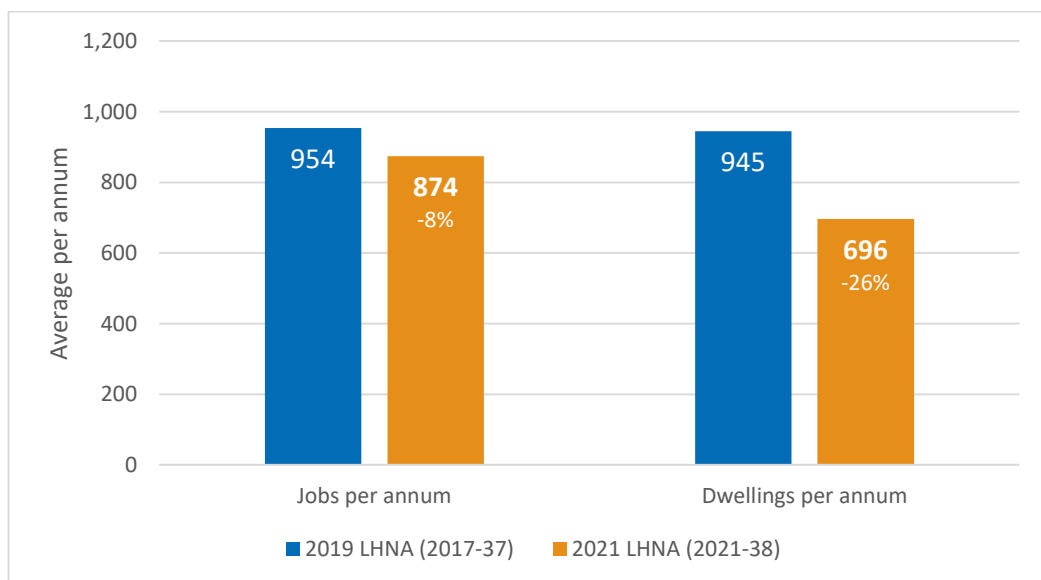
between 2017 and 2037, with modelling presented to suggest that this could generate a need for 945 dwellings per annum. This is around 4% more than suggested by the standard method at that time, such a departure being – and remaining – acceptable where Planning Practice Guidance (PPG) is clear that the standard method makes no ‘attempt to predict the impact that...changing economic circumstances...might have on demographic behaviour’ and therefore openly accepts that there will be circumstances where ‘actual housing need is higher than the standard method indicates’¹¹.

2.11 Peel has previously noted the Council’s apparent acceptance that the SEP could generate an even higher level of job growth over the same period. In consulting on its Preferred Development Option in autumn 2017, it estimated that the SEP could lead to some 24,800 jobs being created in Warrington between 2017 and 2037, equivalent to 1,240 per annum on average. The Strategic Housing Market Assessment (SHMA) then presented modelling to suggest that some 1,113 homes per annum could be needed to support such a level of job growth.

Key failings of the 2021 LHNA

2.12 It is accepted that the latest iteration of the LHNA seeks to incorporate updated evidence where appropriate, and also covers a different plan period. It is nonetheless of note, when comparing the modelling presented in 2019 and 2021, that the implied reduction in annual housing need is *over three times* greater than the reduction in the input assumption on job growth (26/8%). This suggests therefore that, according to the updated evidence, far fewer homes are needed to support what is a comparatively modest downgrading of the economic forecast underpinning the Local Plan evidence. This is illustrated at Figure 2.1 below.

Figure 2.1: Comparing Modelling in 2019 and 2021 LHNA



Source: GL Hearn; Turley analysis

¹¹ PPG Reference ID: 2a-010-20201216

- 2.13 The reasons for such a pronounced difference are considered in detail through the subsequent sections of this report, but it is immediately apparent that it results from the updated LHNA fundamentally changing the approach taken in 2019 with inadequate justification. Such changes are particularly surprising where Planning Practice Guidance (PPG) has not changed from the perspective of the Council, and both reports were produced by the same authors who have simply made different interpretations and judgements.
- 2.14 In considering the points of departure from both the previous iterations of the evidence base and widely observed best practice in comparable studies, Peel is particularly concerned by:
- The application of **regressive assumptions on household formation which fail to address – and in fact build in – the historic impact of worsening affordability**. There is no explanation as to why such an approach is now preferred when compared to the more positive and justified approach of the last LHNA. This is considered further in **section 3**;
 - The **exaggeration of the number of unemployed residents**, who are excessively relied upon to support future job growth, with the LHNA therefore failing to recognise the need to attract and retain more people in Warrington. This is considered further in **section 4**; and
 - The **failure to meaningfully interrogate the baseline employment forecasts** presented in both the LHNA and EDNA, where a midpoint is taken without any consideration of how this compares to past trends, future growth ambitions and associated infrastructure investment. This again represents a regressive and unjustified departure from the approach previously taken, and contrasts with the stated objectives of the draft Plan and importantly its approach to providing land to accommodate business investment and associated employment growth. This is considered further in **section 5**.

3. Recognising the consequences of worsening affordability

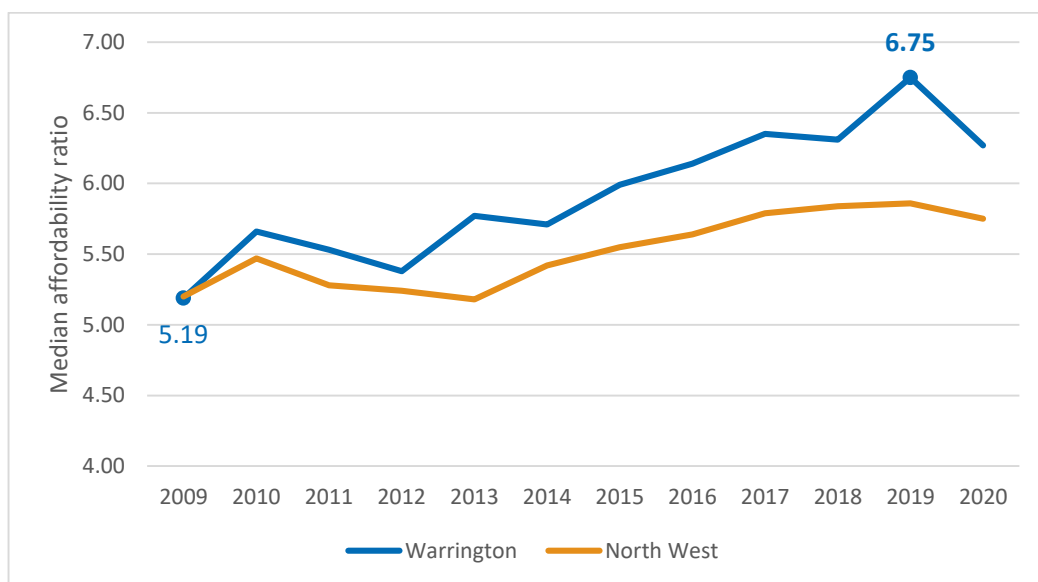
3.1 The LHNA suggests that simply meeting the minimum need for housing in Warrington, as indicated by the standard method, will provide more than enough labour to support future employment growth. This conclusion does, however, appear to be fundamentally undermined by the use of very unreliable assumptions on the rate at which households will form in future, which serve to exaggerate the number of jobs that could be supported through a minimal level of housing provision and fail to address the consequences of an historic worsening in affordability.

A long-term worsening of market conditions

3.2 The draft Plan explicitly acknowledges that Warrington is ‘*encountering housing affordability issues*’, which it describes as ‘*a particular problem for younger people and young families*’¹².

3.3 The scale of this issue is shown, for instance, in the relationship between house prices and earnings, with a mid-market home in Warrington costing the average worker the equivalent of as many as 6.75 years’ earnings in 2019. This was some 30% more than a decade earlier, the ratio having increased in this time at more than double the rate recorded across the North West (13%) despite having started from an almost identical base¹³.

Figure 3.1: Median Affordability Ratio in Warrington and the North West



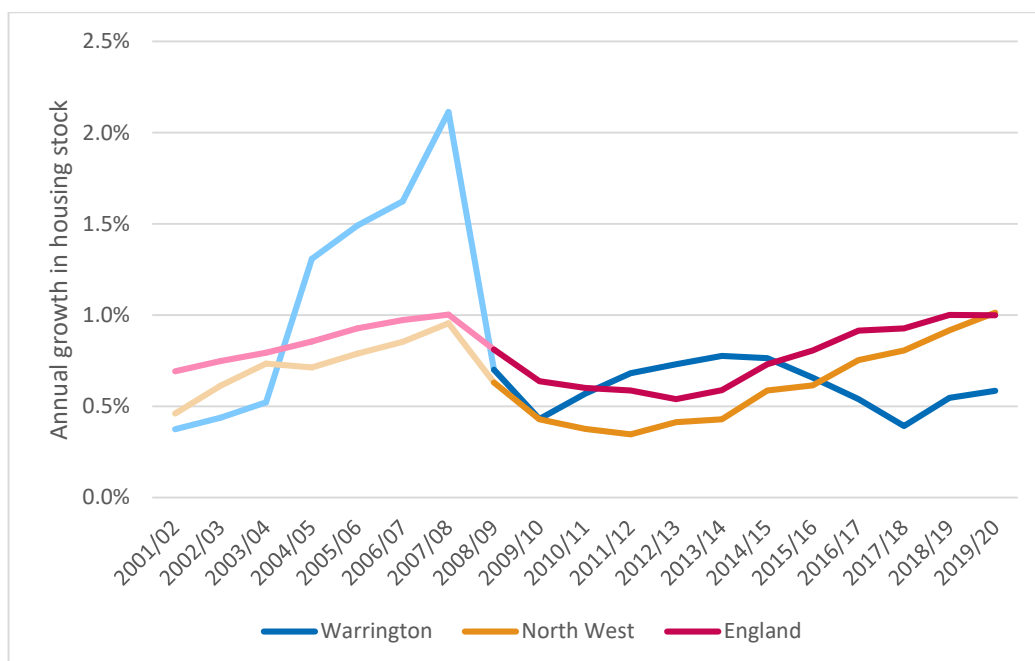
Source: ONS

¹² Warrington Borough Council (2021) Updated Proposed Submission Version Local Plan, paragraph 2.1.12

¹³ ONS (2021) House price to workplace-based earnings ratio, median

- 3.4 It is acknowledged that the ratio has fallen from the record high seen in 2019, but the resultant figure of 6.27 years remains higher than recorded in all but the three latest of the past ten years, and is still around 9% above the regional average. The ratio – currently based on sales in the year to September 2020 – also appears likely to rise once again when recognised that the median price paid in Warrington during the year to September 2021 was around 11% higher than the equivalent period last year, with median earnings – the other part of the ratio – provisionally estimated to have risen by only 2%.
- 3.5 This worsening of affordability over the past decade is a clear sign of imbalance between supply and demand, and is likely one of the consequences of the marked slowdown in new housing supply which is explicitly acknowledged in the draft Plan¹⁴ and further illustrated through comparison of the annual growth in housing stock at Figure 3.2 below¹⁵. This shows that the borough, having previously grown its housing stock by as much as 2.1% in a single year, has seen growth of as little as 0.4% per annum since 2009, both in the depths of recession (2009/10) and again in 2017/18. The latter is particularly notable coming as it did after four years of falling delivery, in direct contrast to the regional and national trend of consistent growth in that time.

Figure 3.2: Comparing Proportionate Growth in Housing Stock (2001-20)



Source: MHCLG; Turley analysis

- 3.6 The draft Plan appears to recognise the consequences of such a situation continuing, stating that:

¹⁴ Warrington Borough Council (2021) Updated Proposed Submission Version Local Plan, paragraph 2.1.36

¹⁵ MHCLG (2021) Table 125: Dwelling stock estimates by local authority district: 2001 – 2020

“A lack of housing supply over the longer term is likely to increase house prices, making housing less affordable for Warrington’s residents, in particular young people looking to get on the housing ladder”¹⁶

- 3.7 This emphasises why the Council must ensure that it plans for a sufficient level of new housing provision over the plan period, taking care to address the particular challenges faced by younger people.

An unjustifiably regressive approach in the LHNA

- 3.8 The draft Plan continues, like the previous draft, to recognise that:

*“Affordability issues are linked to **suppressed household formation rates** and this is a particular problem for young people and young families. This is becoming an increasingly urgent issue which the Local Plan aims to tackle for the longer-term”¹⁷* (emphasis added)

- 3.9 This statement appears to have been based on the previous iteration of the LHNA, produced in 2019, which identified a ‘*clear and considerable deterioration*’ in the rate of younger household formation over both the long-term and since 2001 specifically¹⁸.

- 3.10 In response, this LHNA opted not to use the household formation rate assumptions that underpinned the then-latest 2016-based projections, acknowledging that they have:

“...come under some heavy criticism...largely because they are based only on data in the 2001-11 Census period and arguably build in the suppression of household formation experienced in that time”¹⁹

- 3.11 This ‘*criticism*’ came even from the Government itself, which preferred – and indeed continues – to retain the previous 2014-based household projections as the baseline for its standard method and specifically warned that:

“Reducing the historic period of household formation on which the projections are based from five census points to two...focuses it more acutely on a period of low household formation where the English housing market was not supplying enough homes”²⁰

- 3.12 The Office for National Statistics (ONS) also explicitly acknowledged, at the time, that the methodological changes implemented with the 2016-based household projections could ‘*result in a downward trend in household formation for the younger age groups, which in turn would downplay the need for housing for younger people*’²¹.

¹⁶ Warrington Borough Council (2021) Updated Proposed Submission Version Local Plan, paragraph 3.4.14

¹⁷ *Ibid*, paragraph 2.1.39. This is notably identical to the wording of paragraph 2.1.4 of the previous draft in 2019

¹⁸ GL Hearn (March 2019) Warrington Local Housing Needs Assessment, paragraph A1.8

¹⁹ *Ibid*, paragraph A1.7

²⁰ MHCLG (October 2018) Technical consultation on updates to national planning policy and guidance, paragraph 11

²¹ ONS (2018) Methodology used to produce household projections for England: 2016-based

- 3.13 Within this context, the 2019 LHNA instead drew assumptions on household formation from the 2014-based household projections, described as drawing from ‘a longer time-series’ and therefore covering ‘a wider housing market cycle’²². It also, however, presented a sensitivity in which a positive adjustment was made to allow for improved formation rates amongst younger people, accepting that to do otherwise would mean ‘that the objective of the affordability adjustment would not be met as households in these age groups would still not be able to form in the way that they once did and arguably should’²³. This sensitivity within the 2019 LHNA suggested a need for around 4% more homes than implied when applying unadjusted rates to the same population.
- 3.14 The principle of and rationale for such an adjustment continues to be strongly supported by Peel, and indeed is viewed as critical in addressing the impact of worsening affordability described earlier in this section. It continues to be fully justified in the context of the PPG, which emphasises that:
- “...household growth on its own is insufficient as an indicator of future housing need because household formation is constrained to the supply of available properties – new households cannot form if there is nowhere for them to live”²⁴*
- 3.15 It is therefore very difficult to understand why the latest version of the LHNA wholly dispenses with the previous approach, choosing instead to apply household formation rates drawn from the 2018-based household projections with zero adjustment. It does so despite continuing to recognise that recent official projections ‘have come under some criticism’, by often building in the ‘suppression of household formation’ experienced over the decade to 2011²⁵.
- 3.16 The latest version of the LHNA ignores this criticism and surprisingly attempts to argue that ‘the evidence of suppression is fairly limited’ in the case of Warrington, pointing to the ‘very modest decline’ seen amongst those aged 25 to 34 which is not assumed to continue²⁶. This is extremely misleading, however, because the very same could have been said in 2019 – with reference to the seemingly identical assumptions in the 2016-based rates, shown in the right of the charts presented overleaf – had they not been rightly and completely disregarded due to valid concerns about their reliability for the purposes of assessing housing need.

²² GL Hearn (March 2019) Warrington Local Housing Needs Assessment, paragraph A1.8

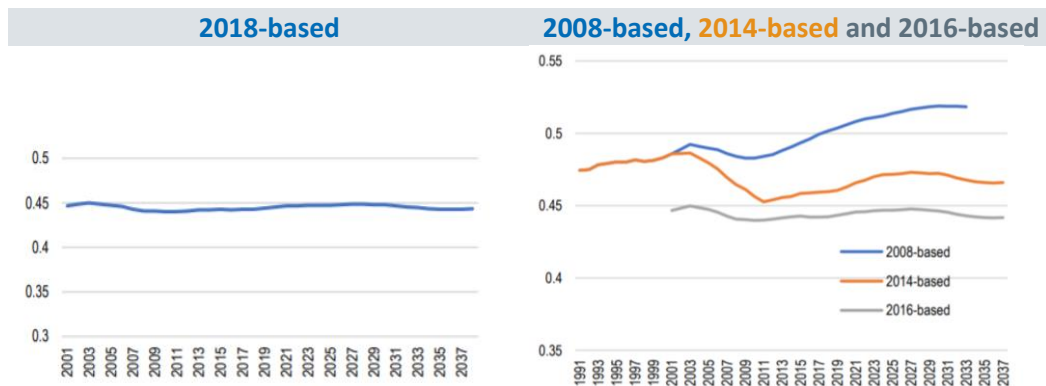
²³ *Ibid*, paragraph A1.9

²⁴ PPG Reference ID 2a-006-20190220

²⁵ GL Hearn (August 2021) Warrington Local Housing Needs Assessment Update, paragraph 11.23

²⁶ *Ibid*, paragraph 11.24

Figure 3.3: Comparing Headship Rate Assumptions in Warrington (25-34)



Source: 2021 LHNA, p243

Source: 2019 LHNA, p100

- 3.17 There has been no shift in guidance or best practice in the intervening two years between the last LHNA opting to disregard the 2016-based rates, in 2019, and the updated version choosing to apply 2018-based rates that are just as flawed, with the ONS having explicitly made ‘no significant methodological changes’ in producing them²⁷. Peel is not aware of any comparable study that has even attempted to do likewise.
- 3.18 The Council must therefore disregard all modelling that unjustifiably incorporates 2018-based household formation rates, in conflict with official guidance and best practice, and revert to a more robust approach that applies and adjusts the 2014-based rates, which continue to be widely used in studies of this nature. As established in the 2019 LHNA, to do so will ensure that the impacts of worsening affordability in suppressing the formation of younger households in particular are not ignored. The following sub-section presents up-to-date modelling which illustrates the impact of taking a more robust and responsive approach.

Impact of reverting to a more positive approach

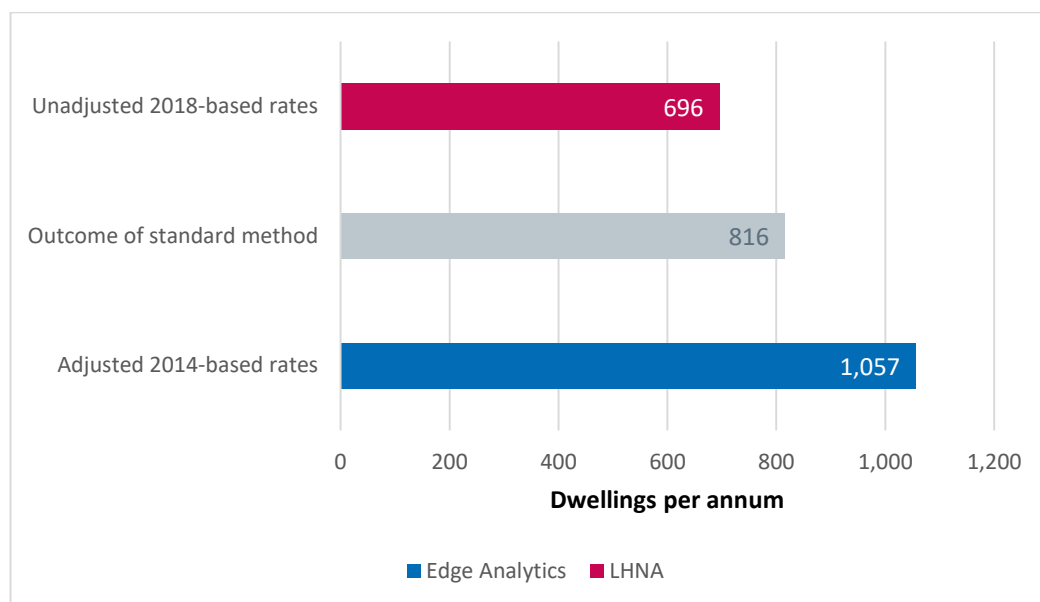
- 3.19 The LHNA implies that delivering as few as 696 dwellings per annum in Warrington could provide the labour needed to support the creation of 874 jobs each year, this being the midpoint of two presented forecasts (the appropriateness of this job growth figure is addressed later in section 5 of this report).
- 3.20 This does, however, assume that all households – including younger households – form at the rate suggested by the unreliable 2018-based household projections. The same cannot be said when taking a more positive approach, comparable to that taken in the previous iteration of the LHNA, which applies and as necessary adjusts 2014-based household formation rates.
- 3.21 Modelling by Edge Analytics – commissioned to inform this report – indicates that some **1,057 dwellings per annum** would be needed to support the creation of 874 jobs in every year of the plan period, when applying household formation rates drawn from

²⁷ ONS (29 June 2020) Household projections in England: Quality and Methodology Information (QMI)

the official 2014-based projections and making positive adjustments for younger households to respond to worsening affordability. These adjustments allow for a gradual recovery in the rate at which younger people form households, with the aim of returning to the situation recorded in 2001 by the end of the plan period where such a return is not already projected²⁸. The year of 2001 is reasonably used as a reference point in this modelling, where the Census of that year comprehensively recorded trends in household occupancy and the relationship between house prices and earnings at the national level was then much closer to the long-term trend²⁹.

- 3.22 This modelling therefore indicates that some 52% more homes than suggested by the LHNA will be needed to support the stated level of job growth, albeit with the difference not entirely due to the use of more positive assumptions on household formation but also resulting from a different approach to unemployment that is explained in further detail in section 4.
- 3.23 Such a level of housing need is also around 30% above the minimum of 816 dwellings per annum currently implied by the standard method, which forms the proposed housing requirement as explained in section 2. Further modelling produced by Edge Analytics, using the same assumptions on household formation and labour force behaviour, notably suggests that the level of housing provision proposed in the draft Plan could support **only 490 jobs per annum**, equivalent to only 56% of the additional jobs forecast at the midpoint.

Figure 3.4: Modelling Housing Needed to Support Forecast Job Growth (874pa)



Source: GL Hearn; Edge Analytics

²⁸ This approach results in adjustments being made for those aged 25 to 34

²⁹ Nationwide (2021) Nationwide Affordability Indicators: First time buyer house price to earnings ratios by region. Since Q1 1983, the average first time buyer in the UK has spent the equivalent of 3.8 years' earnings, rising to 5.6 years – a new record – in Q3 2021, but the situation was clearly more sustainable in 2001 when an average of 3.1 years' earnings were spent in Q4 of that year

Summary

- 3.24 The LHNA indicates that simply meeting the minimum need for 816 dwellings per annum – as implied by the standard method – will provide more than enough labour to support the stated target of 874 jobs per annum, with its modelling suggesting that this could be supported with as few as 696 homes per year.
- 3.25 The validity of this conclusion is, however, significantly undermined by the unjustified decision to draw assumptions on future household formation rates from the 2018-based household projections. This is despite them being almost identical to the 2016-based projections that were roundly criticised on their release – not least by the Government – and rightly disregarded in the previous iteration of the LHNA, to avoid building in the suppression of younger households that has been caused by a long-term worsening of affordability.
- 3.26 The update surprisingly contradicts the previous study and attempts to argue that there is limited evidence of such suppression in Warrington, but the very same could have been said in 2019 – with reference to the seemingly identical assumptions made in the 2016-based projections – had they not been rightly and completely disregarded due to valid concerns about their reliability for the purposes of assessing housing need. There has been no shift in guidance or best practice in the intervening two years, and Peel is not aware of any comparable study that has opted to align with the 2018-based projections in this way.
- 3.27 The Council must therefore disregard all modelling that unjustifiably incorporates 2018-based household formation rates, in conflict with official guidance and best practice, and revert to an approach that applies and – as necessary – adjusts the 2014-based rates, which continue to be widely used in studies of this nature. Doing so suggests that **around 1,057 dwellings per annum** could be needed to support the forecast creation of 874 jobs per year, some 52% more than suggested by the LHNA, albeit with a differing approach to unemployment – explained in the following section – responsible for some of this variance.
- 3.28 This modelling also suggests that delivery in line with the proposed housing requirement would provide the labour to support only 490 jobs per annum, well short of the targeted midpoint between the two forecasts and thus clearly demonstrating the lack of integration between these two important strands of the draft Plan. It is therefore unjustified and will be ineffective, meaning – in the context of the NPPF – that the draft Plan is not sound.

4. Aligning housing need with forecast job growth

- 4.1 The previous section introduced modelling to suggest that some 1,057 dwellings per annum could be needed in Warrington to support the Council’s favoured forecast, in which 874 jobs are created each year. This markedly differs from the modelling presented in the LHNA, which estimated that such a level of job growth could be supported with as few as 696 new homes per annum.
- 4.2 This difference is partly due to the use of more justified assumptions on household formation, explained in section 3, but the respective models also make different assumptions on how residents that are currently unemployed may support job creation in future. This section confirms that the approach adopted in the updated LHNA does not stand up to scrutiny and is flawed in its application.

Approach of the LHNA

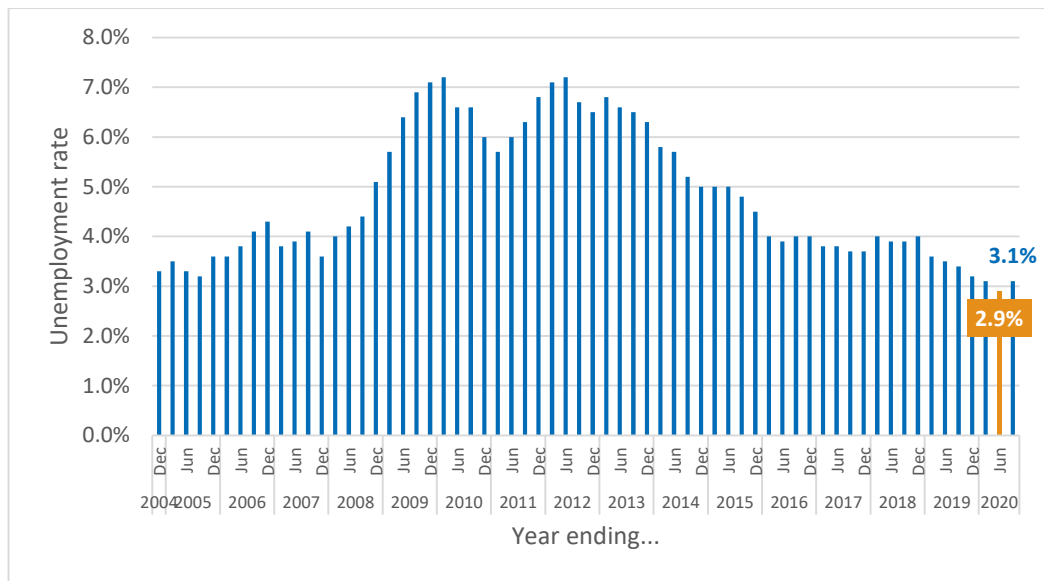
- 4.3 The updated LHNA fairly describes unemployment as ‘*a consideration*’ in exploring ‘*the link between jobs and resident labour supply*’, stating that ‘*the presence of any latent labour force that could move back into employment to take up new jobs should be taken into account*’³⁰. It suggests that this is ‘*particularly important given the assessment takes a 2021 base*’, reflecting ‘*a time where there is likely to have been notable increases in unemployment due to the pandemic*’, but it crucially accepts that ‘*it will be difficult to be precise about numbers, particularly as the impact of the ending of the furlough scheme are unknown*’³¹.
- 4.4 The LHNA does acknowledge the longer-term trend, highlighting ‘*a clear increase in unemployment until about 2011*’ with the number since having ‘*dropped notably*’³². It presented the then-latest data from the Annual Population Survey (APS), covering the year to September 2020 when there were an estimated 3,500 unemployed people living in Warrington. This equated to circa 3.1% of the economically active adult population, which Figure 4.1 overleaf shows was the joint-second lowest rate on record since 2004 with the lowest rate (2.9%) having been recorded three months earlier.

³⁰ GL Hearn (August 2021) Warrington Local Housing Needs Assessment Update, paragraph 6.35

³¹ *Ibid*, paragraph 6.35

³² *Ibid*, paragraph 6.36

Figure 4.1: Unemployment Rate in Warrington (Years to Dec 2004 – Sep 2020)



Source: ONS; Turley analysis

- 4.5 The LHNA expresses concern that the data available, for the year to September 2020, did not account for ‘any change or increase as a result of COVID-19’³³. It cites a separate ONS dataset, measuring the claimant count to February 2021, and observes:

“...a clear increase in the number of claimants (presumably as a result of COVID-19) – rising from a little over 3,000 to approaching 7,000 from early 2020 to early 2021”³⁴

- 4.6 The LHNA suggests, in this context, that almost 4,000 people have been made unemployed since the start of the pandemic, and subsequently confirms that:

“For the purposes of the modelling, it is assumed that this is the level of latent labour supply that can move back into work in the future (effectively over the period to 2038)”³⁵

- 4.7 The modelling in the LHNA consequently makes what is considered to be a critical but flawed assumption, that the 4,000 individuals believed to be detached from employment as a result of the unique circumstances arising from the pandemic can fill roughly a quarter of the 14,858 new jobs forecast in Warrington over the full plan period. This assumption does not stand up to reasonable economic logic with regards their potential re-entry into an employment market, nor does it adequately appreciate the context in which the 4,000 workers were classified as claimants and not actively participating in the labour force during the pandemic. Relying on this segment of the labour market in this way therefore threatens to understate the need to attract and retain extra people if forecast job growth is to be achieved, and fails to account for their housing needs.

³³ *Ibid*, paragraph 6.37

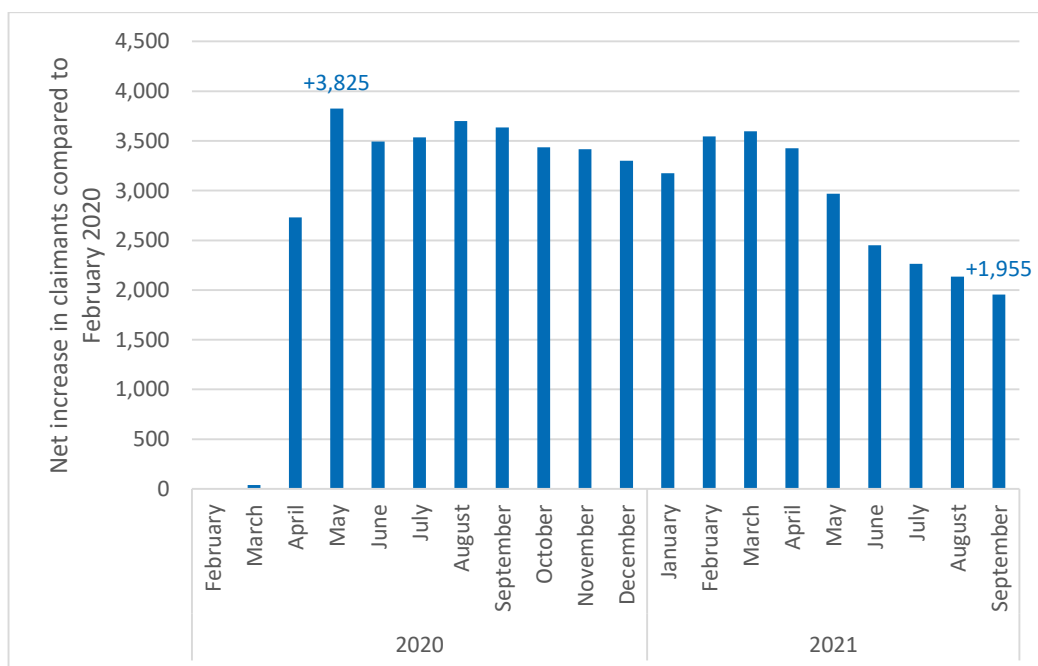
³⁴ *Ibid*, paragraph 6.39

³⁵ *Ibid*, paragraph 6.41

Undue reliance on claimant count data

4.8 It is not disputed that there has been a significant increase in the claimant count in Warrington – and indeed nationally – since the start of the pandemic, with Figure 4.2 showing that there were as many as 3,825 more claimants in a single month than there were in February 2020, taken here to represent the pre-pandemic situation. It is of note, however, that this peak came very early in the pandemic, last May, with the number of claimants in Warrington since generally declining – aside from in February and March this year – to a point where there were only 1,955 net additional claimants in September 2021, roughly half as many as suggested by the LHNA. This in no small part reflects the interventions of the Government through the furlough scheme in particular to manage the shocks to the economy, with the intention of minimising the number of workers unemployed as the longer-term consequences of the pandemic unravelled.

Figure 4.2: Net Increase in Claimants in Warrington from February 2020 Onwards



Source: ONS

4.9 It cannot be assumed, as the LHNA does, that these additional claimants – nor indeed the 5,200 claimants recorded in all as of September 2021 – are unemployed and will be available to start work. This is because there is national evidence since the start of the pandemic of people claiming unemployment-related benefits who do not classify themselves as being unemployed, as proven by the claimant count more than doubling while the rise in the official measure of unemployment has been much smaller³⁶. It has been suggested in Government publications that this may be because:

- People had a job but were temporarily away from work due to the pandemic;

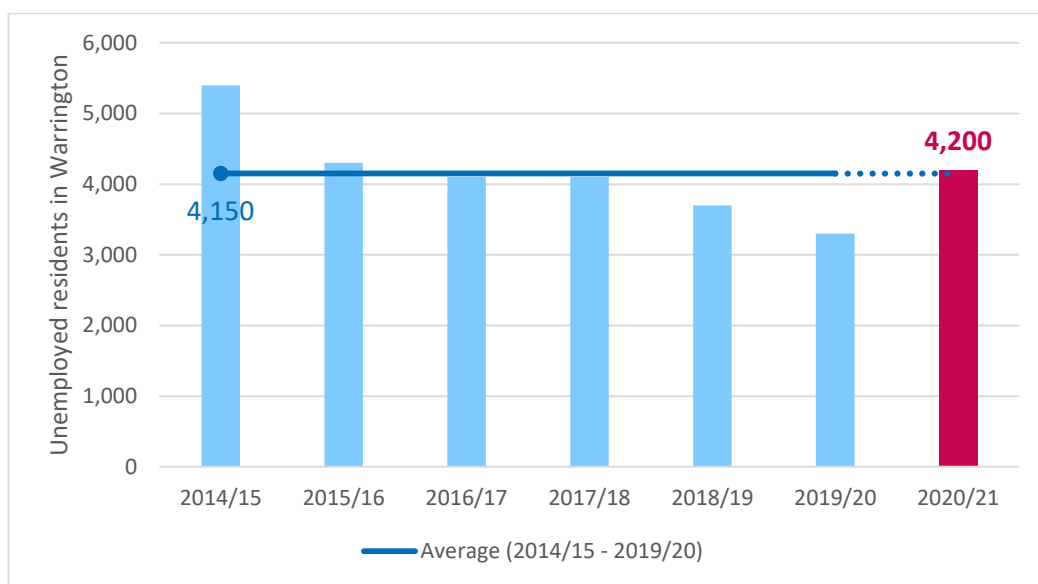
³⁶ House of Commons Library (October 2021) Coronavirus: impact on the labour market, p12

- People were in employment but were also able to claim unemployment benefits, if their income was below a certain threshold, with the job retention scheme and reduction in working hours growing the size of this group; and
- People were temporarily inactive so were not actively looking for work³⁷.

4.10 The ONS has itself long made clear – even prior to the pandemic – that *‘the claimant count is not an alternative measure of unemployment’*, giving greater prominence to metrics that align with the internationally accepted definition³⁸.

4.11 The aforementioned data from the APS – presented at the earlier Figure 4.1 – is understood to do so, and has also been updated since the LHNA was prepared to reveal more on the local impact of the pandemic in Warrington. It suggests that in total around 4,200 residents were unemployed over the year to June 2021, only 900 – or roughly a quarter (27%) – more than in the equivalent period of the previous year (2019/20), this having been an historic low as noted earlier. The current number of unemployed people, using this metric, very closely aligns with the average over the past six years back to 2014/15 as shown at Figure 4.3.

Figure 4.3: Unemployed Residents in Warrington (Year to June 2014 – June 2021)



Source: ONS; Turley analysis

4.12 The above all suggests that the pandemic has had a considerably more modest effect on unemployment than the LHNA assumed, having conceded that it was *‘difficult to be precise’* at the time of its preparation. This is consistent with national evidence – recently cited in the Autumn Budget – of *‘a strong recovery in the labour market’* that has been driven by a *‘rebound in economic activity’*, with the number of employees identified for instance as having grown for ten consecutive months, the number of paid employees surpassing the level recorded before the pandemic and vacancies being at a

³⁷ *Ibid*, p12

³⁸ ONS (January 2015) Labour Force Survey (LFS) Quality and Methodology Information

record high. It is of note, in this context, that the Office for Budget Responsibility (OBR) now expects the pandemic to have a smaller lasting effect on the economy than previously forecast, with it having:

*“...reduced its previous scarring estimate of 3% to 2%. Less scarring means a larger economy in the medium term with higher tax revenues, **lower unemployment and higher wages**”³⁹ (emphasis added)*

- 4.13 The LHNA was therefore wrong in estimating, with reference to claimant count data, that almost 4,000 people had been made unemployed in Warrington since the start of the pandemic and could be assumed to return to work, with the reality – based on a more conventional measure of unemployment – being that there are only around 4,200 people out of work *in total*, only 900 more than in the year before which was itself considerably lower than recorded on average since 2014. Relying on nearly 4,000 of these residents to fill newly created jobs, as the LHNA does, is to implicitly and implausibly assume that unemployment will fall to nearly zero. This represents a significant error in the modelling approach taken in the LHNA, which fundamentally undermines its conclusions.
- 4.14 In contrast, Edge Analytics’ modelling – in suggesting a need for around 1,057 dwellings per annum to support the same level of job growth as assumed in the LHNA – takes a more realistic approach which draws on the unemployment rates illustrated at Figure 4.1. It assumes that the unemployment rate will align with the average recorded over the past five calendar years⁴⁰ (3.7%) with this implicitly allowing for a slight rise from the historically low rates recorded in 2019 and 2020, as appears to have been the case based on the latest quarterly data⁴¹. This is considered to be a reasonable approach that is consistent with best practice, and also more closely aligns with the approach of the previous LHNA which assumed that there would be no change in the number of unemployed residents⁴².

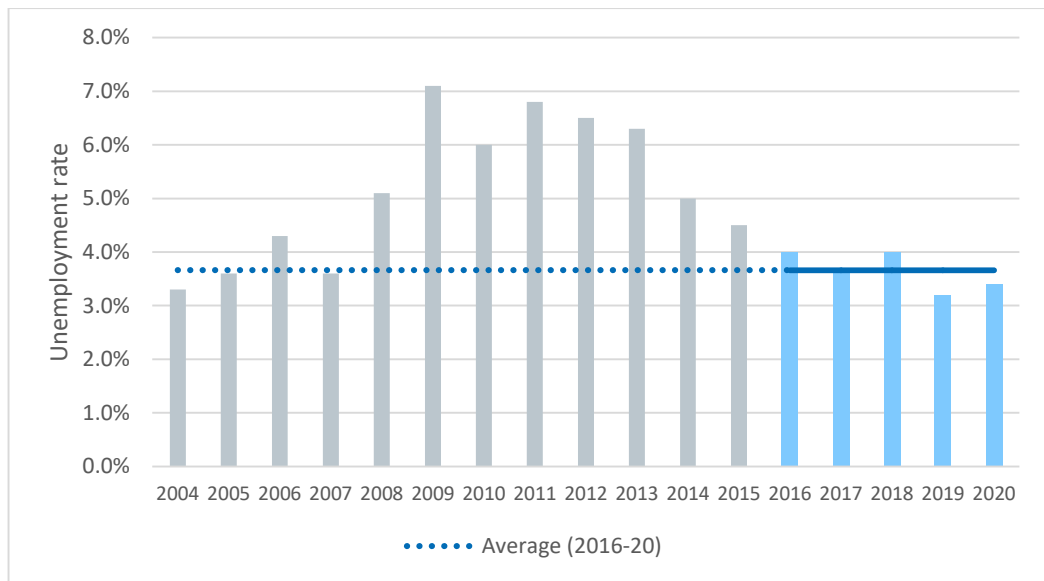
³⁹ *Ibid*, paragraph 1.21

⁴⁰ January to December

⁴¹ The unemployment rate in Warrington was estimated to stand at 3.6% over the year to March 2021, and 3.8% over the year to June 2021

⁴² GL Hearn (March 2019) Warrington Local Housing Needs Assessment, paragraph 8.13

Figure 4.4: Benchmarking the Unemployment Rate Assumed by Edge Analytics



Source: ONS

- 4.15 The above seriously challenges the LHNA’s assertion that the creation of 874 jobs could be supported every year by the labour force that will be accommodated through the provision of only 696 homes per annum. It suggests that greater weight should be given to Edge Analytics’ modelling, and its estimate that closer to **1,057 dwellings per annum** would be needed to support the same level of job growth.

Summary

- 4.16 The previous section introduced modelling which indicates that some 1,057 dwellings per annum could be needed in Warrington to support the forecast creation of 874 jobs per year, this markedly differing from the LHNA which estimates that as few as 696 new homes per annum could do the same. The difference is partly due to varying assumptions on household formation, but the respective models also make different assumptions on how residents that are currently unemployed may support job creation in future.
- 4.17 The LHNA expresses concern about the timeliness of conventional unemployment data, arguing that this did not properly capture the impact of the pandemic, so it instead referenced the rising number of people claiming benefits for the principle reason of being unemployed – officially termed the claimant count – and suggested that almost 4,000 people had been made unemployed since the start of the pandemic, this reflecting the number of additional claimants in early 2021 compared to the same point a year earlier. It assumes that these individuals will return to work over the plan period, effectively filling a quarter of the new jobs forecast.
- 4.18 This section has shown that this is a wholly flawed assumption, which obscures the need to attract and retain extra people in Warrington – meeting their housing needs in the process – if forecast job growth is to be achieved.

- 4.19 It unduly relies on claimant count data that has never been intended to act as a measure of unemployment and has also been subject to fluctuation since the start of last year, peaking in May 2020 but generally declining since with only 1,955 more claimants at the last reported count than there were prior to the pandemic – around half the number suggested by the LHNA.
- 4.20 Aside from exaggerating the current number of additional claimants, the LHNA also assumes that that they are all unemployed and available to work which is not necessarily the case, with the unique circumstances of the pandemic known to have resulted in people claiming these benefits without being unemployed in the conventional sense.
- 4.21 The ONS has long focused on metrics that align with the internationally accepted definition of unemployment, the latest of which indicate that the total number of unemployed people living in Warrington over the year to June 2021 actually remains very close to the average recorded since 2014. This is consistent with national evidence of a labour market that is recovering strongly, to the point where unemployment is no longer expected to rise as much as once feared.
- 4.22 The LHNA was therefore wrong in assuming that almost 4,000 people had been made unemployed in Warrington since the start of the pandemic and could be assumed to return to work, with the reality being that there are only around 4,200 people out of work *in total*. Relying on nearly 4,000 of these residents to fill newly created jobs, as it does, is to implicitly and implausibly assume that unemployment will fall to nearly zero. This represents a significant error in the modelling approach taken in the LHNA which fundamentally undermines its conclusions and means that the resultant proposed housing requirement is not justified, in the context of the NPPF, and as a result the draft Plan is not sound in its present form.
- 4.23 Edge Analytics’ modelling takes a more realistic approach, assuming that the unemployment rate will align with the average recorded over the past five years and thus implicitly allowing for the slight rise that has already materialised to date. It is therefore considered to be more reliable than the LHNA in its estimate that some **1,057 dwellings per annum** are needed to support the level of job growth referenced in the Council’s evidence base.

5. Prospect of stronger employment growth

- 5.1 The preceding sections have shown that there is likely to be a considerably greater need for housing than the LHNA indicates, even if Warrington is assumed to create 874 jobs per annum. There is equally, however, considered to be a very strong prospect of *more* jobs being created in the borough over the plan period, with an even greater need for housing as a result.

Setting the Council's forecasts in context

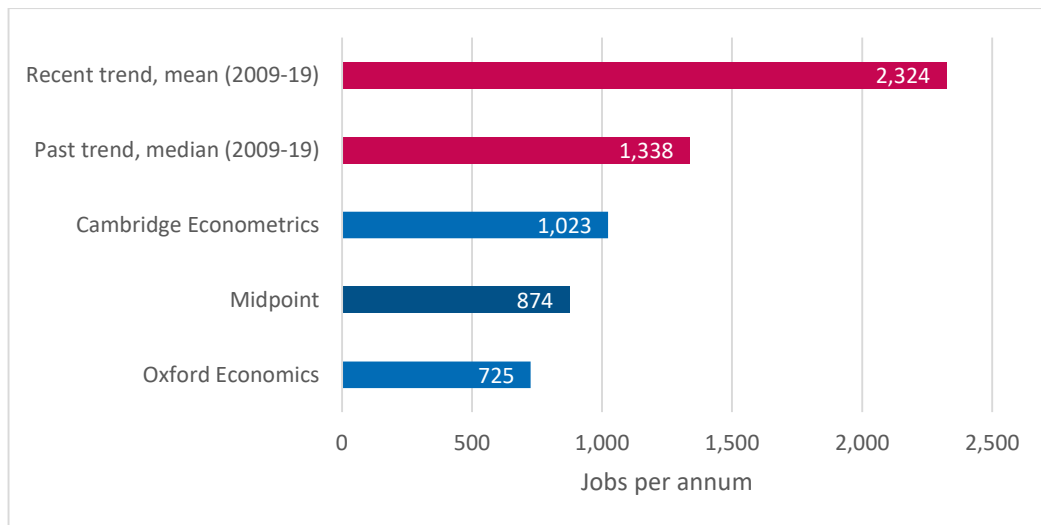
- 5.2 The level of job growth referenced in the LHNA, as well as the EDNA, represents the midpoint of two baseline employment forecasts from Cambridge Econometrics and Oxford Economics. There is implied to have been '*agreement*' between the studies' authors that the former were '*too optimistic*' in suggesting that 1,023 jobs could be created annually in Warrington over the plan period, while the latter were '*unduly pessimistic*' in their forecast of only 725 new jobs per annum over the same period⁴³.
- 5.3 Neither study details the process that was followed to reach these conclusions, noting – as identified in section 2 – that the EDNA seems less equivocal in its recommendation in this regard. The apparent absence of a detailed critique of each forecast fully undermines the assertion that the higher forecast – from Cambridge Econometrics – is '*optimistic*', particularly when Figure 5.1 shows it to equate to less than half (44%) of the job growth achieved annually on average in Warrington over the past decade for which official data is available⁴⁴ (2009-19). This average is admittedly skewed by the very strong job growth recorded in one year⁴⁵ (2015/16) but even the median level of job growth, less affected by this exceptional year, is nearly a third (31%) higher than the supposedly '*optimistic*' forecast.

⁴³ GL Hearn (August 2021) Warrington Local Housing Needs Assessment Update, paragraph 6.15

⁴⁴ ONS (2020) Business Register and Employment Survey, 2019. This is regarded as '*the official source of employee and employment estimates by detailed geography and industry*'.

⁴⁵ BRES recorded circa 13,000 additional jobs in Warrington in 2016, compared to 2015

Figure 5.1: Benchmarking Forecasts Against Past Trend



Source: Oxford Economics; Cambridge Econometrics; BRES; Turley analysis

- 5.4 Neither the LHNA or the EDNA appear to acknowledge that their favoured midpoint would represent a stark departure from the recent trend in Warrington, being almost two thirds (62%) lower than the recent average and more than a third (35%) lower than the median level of job growth achieved over ten years.

A regressive and contradictory approach

- 5.5 These negative outcomes appear to have been simply and uncritically accepted in the Council’s evidence base, which gives undue weight to baseline forecasts that are widely known to have limitations. They are significantly influenced by the forecasters’ views on the national and indeed global economy at the time of production, and can fail to recognise or reflect the important features of local economies. This means that even ‘state-of-the-art techniques’ can often result in ‘projections for employment growth’ that fall below ‘the actual outturn by a significant margin’⁴⁶.
- 5.6 The giving of such weight to baseline forecasts represents a marked shift from the approach taken in earlier versions of the evidence. Section 2 highlighted how the previous LHNA, produced in 2019, referred to but did not solely rely on similar baseline forecasts, opting instead to adjust one such forecast from Oxford Economics – under which an average of 635 jobs per annum could have been created in Warrington between 2017 and 2037 – to reflect the additional growth that was considered likely to result from the investments described in the Strategic Economic Plan (SEP). This added the equivalent of 319 jobs each year, elevating the baseline by approximately half.
- 5.7 The LHNA notably confirmed that this approach had been subject to ‘peer review’ by the authors of the EDNA, who found it to be ‘justified on the basis that the baseline...forecast underestimates the likely ongoing growth of distribution, transport and storage uses in Warrington’⁴⁷. The adjusted forecast was clearly felt to ‘balance the

⁴⁶ Cambridgeshire and Peterborough Independent Economic Review (September 2018) p68

⁴⁷ GL Hearn (March 2019) Warrington Local Housing Needs Assessment, paragraph 3.25

baseline forecast’s apparent view that jobs growth will slow in the future with the wider findings [of successive EDNAs] of **a strong ongoing need for economic development land**’ (emphasis added), while addressing an inconsistency whereby:

*“The more general long-term reduction in rates of jobs growth for Warrington, forecast in the Oxford Baseline to 2037, also run counter to the broader study findings and **wider policy aspirations** for the Warrington New City. The Policy-On SEP Scenarios...added to the Oxford Baseline, are thus a more realistic indications [sic] of the numbers of jobs likely to be created”⁴⁸ (emphasis added)*

- 5.8 Within the context of these specific emboldened points, it is of note that there continues to be evidence of a significant need for employment land which the draft Plan intends to meet in full, describing this as ‘*essential...to sustain and enhance Warrington’s economic prosperity*’⁴⁹. Indeed, the updated version of the EDNA actually concludes that need has *increased* on an average annual basis as shown by Table 5.1 overleaf. This is a direct consequence of the growing rate at which employment land is being developed in Warrington, given that future need has been consistently estimated on the basis of past take-up trends and the latest version simply incorporates two additional years. In seeking to meet this need, therefore, the draft Plan is planning for more employment land than previously, but simultaneously suggesting that there will be fewer jobs.

Table 5.1: Evidenced Need for Employment Land in Warrington

EDNA	Total need	Period	Years	Average annual need
2019	361.7ha	2017-37	20	18.1ha
2021	316.3ha	2021-38	17	18.6ha

Source: BE Group; Turley analysis

- 5.9 There also remains a clear ambition for economic growth in Warrington, which continues to be articulated within the draft Plan. It confirms, for instance, that ‘*the Council is working with the Local Enterprise Partnership to promote growth and has its own economic development programme in Warrington Means Business*’, which is subsequently described as setting out ‘*the Council’s ambitious plans for economic growth*’⁵⁰. It is actually unequivocal in stating that ‘*Warrington has ambitions for economic growth*’, also describing a clear vision that would see the town ‘*consolidate its position as one of the most important economic hubs in the UK and...see the development of major new employment locations*’⁵¹. The vision also acknowledges that:

“Warrington’s central position within the Northern Powerhouse provides businesses with unrivalled access to the Manchester and Liverpool conurbations, the Manchester Ship Canal and the national road and public transport networks. The future intersection

⁴⁸ *Ibid*, p15-16

⁴⁹ Warrington Borough Council (2021) Updated Proposed Submission Version Local Plan, paragraph 3.1.6

⁵⁰ *Ibid*, paragraphs 3.1.6 and 4.2.1

⁵¹ *Ibid*, paragraph 4.2.7 and page 20

of two new major national rail routes, HS2 and Northern Powerhouse Rail, in Warrington will further enhance the Town's strategic connectivity"⁵²

- 5.10 The critical role of housing is explicitly recognised within the vision of the draft Plan, making clear that *'new housing development will support Warrington's economic growth and will be focused on creating attractive, well designed, sustainable and healthy communities'*⁵³.
- 5.11 The scale of the economic ambition is also clear from other documents, some of which – like Warrington Means Business – have had to be refreshed, most recently weeks before the start of the pandemic, to reflect *'the pace of successful delivery and change in Warrington'*⁵⁴. It continues to *'plot the biggest transformation to Warrington since the New Town was designated in 1968'*, describing the town as *'one of the UK's most successful economic engines and a driver of growth at the heart of the Northern Powerhouse'*⁵⁵ before concluding that:

*"Warrington continues to lead the UK through its powerful economic performance. Several independent research studies rank it as one of the UK's best performing 'cities' particularly in the North of England. Investment and market interest in Warrington is strong and is getting stronger. Warrington's economic future looks very bright"*⁵⁶

- 5.12 The document does, however, also identify a range of challenges⁵⁷. It accepts that *'Warrington is not building enough new homes'* – with house prices having *'risen dramatically'* as a result – and also refers to the *'real problems'* faced by employers looking to recruit *'staff with the right skills'*, no doubt exacerbated by the town's *'problems retaining and attracting young people'*. Furthermore, while it describes Omega, Gemini, Woolston and Birchwood as *'major successes as employment areas'*, it notes that *'these sites are almost full'* with *'a realisation that Warrington will run out of suitable new sites for business development'*. It is clearly and rightly intended that Warrington Means Business *'addresses these challenges'*, while more generally aspiring to:

*"Unleash the potential of Warrington's people, its businesses, its connectivity, and its place, to accelerate economic growth and reinforce Warrington as a strong national driver of prosperity"*⁵⁸

- 5.13 With the above showing that the Council's ambition is undimmed, there is no valid reason or justification for the draft Plan to be based on a level of job growth that is some 8% lower than the previous version, which anticipated that around 954 jobs would be created annually over the plan period then proposed.

⁵² *Ibid*, p20

⁵³ *Ibid*, p21

⁵⁴ Warrington Borough Council (2020) Warrington Means Business: Warrington's Economic Growth and Regeneration Programme, foreword

⁵⁵ *Ibid*, p7

⁵⁶ *Ibid*, p8

⁵⁷ *Ibid*, p9

⁵⁸ *Ibid*, p10

- 5.14 The support given by the Council to a lower level of anticipated job growth clearly flows from the decision to uncritically rely on two baseline forecasts, which were previously uplifted by approximately half to reflect the investment projects that were summarised in the SEP but spanned a range of documents, as remains the case. There is clearly a belief that such an exercise is no longer necessary, the EDNA for example dismissing the SEP and claiming that it is of *'reduced significance in the present economic and policy climate'* before stating that:

*"...post-Brexit and as a result of the Covid-19 pandemic such growth strategies have been down-played and the LEP is now considering Covid-19 recovery plans and seeking to mitigate employment loss"*⁵⁹

- 5.15 This is an extremely misleading and unfounded statement. The Cheshire and Warrington Local Enterprise Partnership (LEP) may have understandably been focusing on recovery but its ambition is still to become *'the most healthy, sustainable, inclusive and growing economy in the UK'*, according to the Recovery Plan published in June 2021 which describes how investment in key programmes *'will help get our economy back onto its pre pandemic growth trajectory'*⁶⁰. It references an intention to publish a longer-term strategy before the end of the year, and also notably states that:

*"Despite the economic challenges created by the pandemic, new trading relationships as a consequence of Brexit, and the accelerating pace of change of new technologies and climate change, **the Cheshire and Warrington economy is resilient**, with a strong and diverse business base, and highly skilled workforce. Whether it be energy or life sciences, advanced manufacturing or services, or the visitor economy, **Cheshire and Warrington is well placed to bounce back strongly** as the country emerges from lockdown"*⁶¹ (emphases added)

- 5.16 It is also not the case that growth strategies have been downplayed in official planning policy and guidance. The PPG continues to expect deliverable growth strategies and strategic infrastructure improvements to be taken into account when considering whether there is likely to be a greater need for housing than implied by the standard method⁶². The NPPF, recently updated in July 2021, also still requires planning policies to be underpinned by *'a clear economic vision and strategy which positively and proactively encourages sustainable economic growth, having regard to Local Industrial Strategies and other local policies for economic development and regeneration'*⁶³. They are also still expected to *'address potential barriers to investment, such as inadequate...housing'*⁶⁴.

- 5.17 The suggestion that it is no longer important or necessary to account for growth strategies and investments when assessing the need for housing, in the manner of the

⁵⁹ BE Group (August 2021) Warrington EDNA Refresh, paragraph 7.94

⁶⁰ Cheshire and Warrington LEP (2021) Building a Better Future Together: Supporting Recovery in Cheshire and Warrington, foreword and executive summary

⁶¹ *Ibid*, executive summary

⁶² PPG Reference ID 2a-010-20201216

⁶³ MHCLG (2021) National Planning Policy Framework, paragraph 82a

⁶⁴ *Ibid*, paragraph 82c

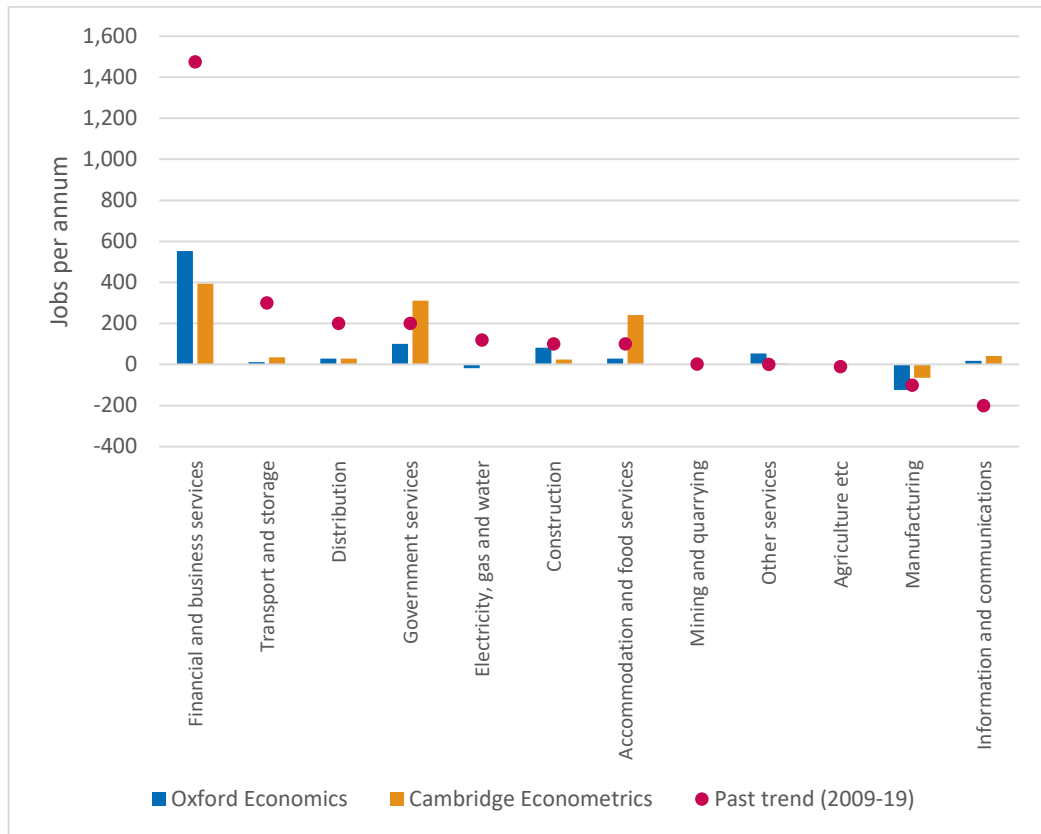
previous LHNA, is therefore strongly challenged by Peel. The extent to which such an approach threatens to underestimate housing need as a result is considered below.

Illustrating the housing need generated through a stronger level of job growth

5.18 It was earlier shown that the midpoint of the two forecasts presented in the Council’s evidence base represented a level of job growth that is some 62% lower than the recent average. This is a particularly surprising approach where the draft Plan is implicitly aiming to sustain the rate at which employment land has been recently delivered, basing its approach to providing such land on trends in past take-up.

5.19 Further analysis shows that this disconnect between the past trend and the forecasts is particularly stark in certain sectors. This analysis is summarised at Figure 5.2 overleaf, which compares the recent annual trend in each sector with the average annual job growth suggested for that sector by each forecast⁶⁵.

Figure 5.2: Benchmarking Forecast Job Growth Against Past Trend by Sector



Source: Oxford Economics; Cambridge Econometrics; BRES; Turley analysis

5.20 The forecasts can be seen to suggest, for example, that between 394 and 553 jobs will be created annually in the financial and business services sector, whereas around 1,475

⁶⁵ BE Group (August 2021) Warrington EDNA Refresh, Table 27

jobs – roughly three times as many, or more – have been created on average in each of the past ten years for which official data is available (2009-19).

- 5.21 A similar disconnect can be seen in the transport and storage sector, where – as noted earlier – there is precedent for baseline forecasts underestimating likely job growth in Warrington according to the previous version of the LHNA⁶⁶. The forecasts anticipate only 12 to 35 new jobs per year in this sector, when it has actually created an average of 300 jobs per annum in recent years. Distribution is similarly forecast to see the creation of only 29 jobs per annum, this being consistent across the two but well short of the 200 jobs created annually on average over the decade to 2019.
- 5.22 If these sectors create jobs at a rate closer to the past trend, it could conceivably result in around 1,360 jobs being created in every year of the plan period, this having been illustratively estimated by taking an average of the two forecasts *and* the past trend for these sectors only, with a view to narrowing the scale of their divergence. While illustrative, this is not considered to be overly optimistic, aligning almost exactly with the median annual growth over the past ten years (1,338) and remaining proportionate to the Council's original estimate – in 2017 – that around 1,240 jobs per annum will be created through the programme of investment that was described in the SEP⁶⁷.
- 5.23 Modelling by Edge Analytics notably suggests that such a level of job growth could generate a need for **circa 1,360 dwellings per annum**, when taking the reasonable approach to household formation and unemployment described in the previous sections. This coincidentally aligns almost exactly with the input assumption on job growth, as indeed was the case in the last LHNA when circa 945 dwellings per annum were implied to be needed in Warrington to support the creation of 954 jobs each year. It represents a level of housing need that is some 67% higher than the minimum set by the standard method, showing the extent to which a housing requirement aligned to the latter risks failing to meet the housing needs of those working in a growing economy.

Summary

- 5.24 The preceding sections have shown that there is likely to be a considerably greater need for housing than the LHNA indicates where Warrington is assumed to create 874 jobs per annum, this representing the midpoint of two baseline forecasts that were individually deemed to be too optimistic or pessimistic. There is a notable lack of clarity on the process that was followed to reach these conclusions, with inadequate explanation as to why the higher forecast was dismissed as overoptimistic. This is particularly important when Warrington has successfully created more than twice as many jobs on average, than the "overoptimistic" forecast, over the past ten years.
- 5.25 The simple taking of a midpoint of the two forecasts belies their recognised limitations, and also represents a shift from the approach taken previously in the Council's evidence base. The last LHNA, for instance, opted to substantially adjust one such forecast to reflect the additional growth considered likely to result from the implementation of the Strategic Economic Plan, increasing the associated level of job

⁶⁶ GL Hearn (March 2019) Warrington Local Housing Needs Assessment, paragraph 3.25

⁶⁷ Warrington Borough Council (July 2017) Local Plan: Preferred Development Option Regulation 18 Consultation

growth by approximately half. This approach was notably endorsed by the authors of the EDNA, who were particularly concerned by the apparent understating of growth in the logistics sector within the baseline forecast and also highlighted how its suggestion of slowing employment growth contradicted evidence of a strong need for employment land and the Council's clear aspiration for growth. It is of note, in this context, that there is now evidence of an even greater annual need for employment land – which the draft Plan intends to meet in full – as well as a continued ambition for economic growth, articulated not only in the draft Plan but also in other documents like Warrington Means Business which describes a bright future and makes clear the Council's desire to accelerate economic growth.

- 5.26 With the Council's ambition undimmed, there is no valid reason for the draft Plan to be based on a level of job growth that is annually some 8% lower than the previous version, which anticipated the creation of around 954 jobs each year. This clearly flows from the decision to uncritically rely on two baseline forecasts, without contemplating adjustments of the kind applied previously. There appears a belief that such an exercise is no longer necessary, but this is misguided where the PPG clearly still expects deliverable growth strategies and strategic infrastructure improvements to be taken into account when considering whether there is likely to be a greater need for housing than implied by the standard method. The NPPF, only recently updated, also still requires planning policies to positively and proactively contribute towards a clear economic vision and strategy, addressing barriers to investment such as inadequate housing.
- 5.27 The failure to interrogate the baseline forecasts results in an implicit assumption that job creation in Warrington will markedly slow, both overall and in each of the three sectors that have created the most jobs over the past decade. This section has estimated that some 1,360 jobs could be created each year if these sectors alone perform closer to their past trend, this being around 55% higher than the Council's favoured midpoint but aligning closely with the median over the past decade and also remaining proportionate to earlier estimates of the impact of planned investment. It is also logically consistent with the draft Plan's proposal to support a continuation of the past rate at which employment land has been developed. Modelling by Edge Analytics suggests that circa 1,360 dwellings per annum could be needed to support such a level of job growth, far above the minimum need suggested by the standard method and therefore clearly demonstrating the extent to which a housing requirement aligned to the latter risks failing to meet the housing needs of a growing labour force.
- 5.28 The Council's dismissal of more positive economic growth scenarios is not justified, and nor will it be effective in realising the borough's full economic potential. This means – in the context of the NPPF – that where such negative forecasts are used to justify its housing requirement the draft Plan is not sound in its present form.

6. Summary and implications

- 6.1 This report has been prepared to inform Peel’s response to the consultation on the updated Proposed Submission Version of the Warrington Local Plan, which reduces the proposed housing requirement – compared to the previous draft – from 945 to 816 homes per annum such that it now aligns precisely with the minimum need suggested by the standard method.
- 6.2 This decision has clearly been based on the conclusions reached in the recent update to the Local Housing Needs Assessment (LHNA) which presents modelling to suggest that simply meeting this minimum need for housing will provide more than enough labour to fill 874 newly created jobs each year, this being the midpoint of two baseline employment forecasts for Warrington. The modelling actually suggests that as few as 696 homes per annum could provide sufficient labour to support such a level of job growth.
- 6.3 This is, however, considered to **severely underestimate the number of new homes needed to support even this level of job growth**, with the latest LHNA having fundamentally and unjustifiably departed from the approach of earlier versions as well as best practice.
- 6.4 It surprisingly draws **assumptions on future household formation from the unreliable 2018-based household projections**, despite them being almost identical to the 2016-based projections that were roundly criticised on their release – not least by the Government – and rightly disregarded in the previous iteration of the LHNA to avoid building in the suppression of younger households that has been caused by a long-term worsening of affordability. The LHNA contradicts the previous 2019 study by attempting to argue that there is limited evidence of such suppression in Warrington, but the very same could have been said then – with reference to the seemingly identical 2016-based projections – had they not been wholly disregarded due to valid concerns about their reliability for the purposes of assessing housing need. There has been no shift in guidance or best practice in the intervening two years, and Peel is not aware of any comparable study that has opted to align with the 2018-based projections in this way. On this basis Peel considers, in accordance with the conclusions of the 2019 LHNA, that the calculation should continue to use the 2014-based household projections and apply positive adjustments to address the historic suppression of younger households in the borough.
- 6.5 The LHNA also wrongly **assumed that there are nearly 4,000 newly unemployed residents who will be able to fill roughly a quarter of the new jobs forecast**, in doing so minimising the implied need to attract and retain extra people in Warrington. This is, however, based on growth in the number of benefits claimants to a point in time – since having halved – with the underlying dataset also never intended to measure how many people are actually unemployed and available to work, proving to be a particularly unreliable measure of this in the unique circumstances of the pandemic when many have claimed benefits without being unemployed in the traditional sense. Other recent data, more aligned to the internationally accepted definition of unemployment, indicates that there are only around 4,200 residents out of work *in*

total – this remaining very close to the average of recent years, consistent with national evidence of an increasingly strong labour market – with the LHNA’s assumption that nearly 4,000 of these residents fill newly created jobs thus implicitly and implausibly assuming that unemployment will fall to nearly zero.

- 6.6 This report has presented modelling to suggest that **some 1,057 dwellings per annum could actually be needed to support the level of job growth assumed in the Council’s evidence base, some 52% more than estimated by the LHNA (696dpa) and 30% more than the minimum need suggested by the standard method.** This modelling takes a more realistic approach to unemployment which is comparable to that used in the previous LHNA and assumes that the rate will align with the average recorded over the past five years, implicitly allowing for the slight rise from historic lows that has already materialised to date. It also draws assumptions on household formation from the 2014-based projections that were used in the previous LHNA and continue to be used in similar studies, with adjustments applied as necessary to address the impact of worsening affordability.
- 6.7 Even this modelling is considered likely to underestimate the full housing needs of Warrington, given that **there is a very strong prospect of more jobs being created in the borough than the 874 assumed annually in the Council’s evidence base.** Part of the Council’s stated rationale for using this midpoint of two baseline forecasts is that they are respectively too optimistic or pessimistic, but this is considered to be unfounded where even the higher forecast – supposedly overoptimistic in suggesting that an average of 1,023 jobs will be created annually – would more than halve the rate of job growth recorded in Warrington over the past decade. This starkly illustrates the limitations of baseline forecasts that were previously found to require adjustment in the last iteration of the LHNA, where planned investment was taken into account and the forecast level of job growth increased by approximately half as a result. These adjustments overcame concerns about the understating of growth potential in certain sectors like logistics, as well as the inherent contradiction between a forecast slowing of employment growth and an evidenced need for additional employment land, this having only increased since. The assumed slowing also contrasted with the Council’s economic growth ambitions which are undimmed and continue to be articulated not only in the draft Plan but also in other documents, like Warrington Means Business. It is therefore inexplicable that similar adjustments to the baseline forecasts now presented in the Council’s evidence base have not even been contemplated, seemingly in the misguided belief that such an exercise is no longer necessary despite the PPG continuing to require deliverable growth strategies and strategic infrastructure improvements to be taken into account when assessing housing needs, and the NPPF still requiring planning policies to positively and proactively contribute towards a clear economic vision and strategy.
- 6.8 The Council’s approach therefore puts it at risk of underestimating future job growth, this report having identified that **some 1,360 jobs could be created annually** if even three sectors – all assumed by the forecasts to create substantially fewer jobs than they have in the past – perform closer to their past trend, as notably appears to be the intention given the draft Plan’s approach to employment land provision. Further modelling suggests that some 1,360 dwellings per annum could be needed to support such a level of job growth, far above the minimum need suggested by the standard

method and justifiably so where it openly makes no attempt to predict the impact of changing economic circumstances.

- 6.9 The above clearly challenge the notion expressed by the Council in the draft Plan that a housing requirement aligned to the outcome of the standard method will provide sufficient labour to support future job growth in Warrington, with the number of homes needed to do so having been significantly underestimated by its evidence base. **The proposed housing requirement is therefore not justified and nor will it be effective in meeting the borough's housing needs in full**, meaning – in the context of the NPPF – that the draft Plan is not sound in its present form.
- 6.10 The evidence presented in this report indicates that in order to establish consistency between the Plan's economic and housing policies, **a minimum of 1,057 homes should be provided for each year**. This level of need is more closely aligned with the level of provision previously suggested by the Council in earlier iterations of its draft Plan, aligning with its consistent vision and objectives for the sustainable economic growth of Warrington.

Appendix 1: Demographic modelling assumptions

To inform the analysis in this report, Edge Analytics has configured a demographic cohort model using the industry-standard POPGROUP suite of software. Three scenarios have been developed to explore:

- The population and employment growth that could result from the proposed supply of 816 dwellings per annum, this being the housing requirement proposed in the draft Plan;
- The population growth that could be required to support the creation of 874 jobs per annum – this being the midpoint of two forecasts referenced in the Council’s evidence base – and the housing needed to accommodate such growth; and
- The population growth that could be required to support a higher level of job growth, averaging 1,360 jobs per annum, and the housing needed to accommodate such growth.

These scenarios effectively calculate their own assumptions on internal migration (i.e. inflows and outflows of people of different ages, to and from other parts of the UK) which apply from 2020 onwards, this being the latest year for which official population estimates are currently available. In the first of the three scenarios, a larger net inflow is assumed to occur where there are sufficient homes to accommodate it, having accounted for other demographic factors, while a larger net *outflow* is assumed if not. In the employment-led scenarios, however, a larger net inflow occurs when there are insufficient working residents in a given year to meet the forecast change in employment.

The following assumptions have been applied in developing these scenarios:

- Age-specific fertility and mortality assumptions have been derived from the latest available 2018-based sub-national population projections (SNPP);
- The profile of internal migrants has been derived from the alternative internal migration variant of the 2018-based SNPP, albeit the absolute number of such migrants deviates from this projection depending on the number of homes or jobs available;
- The inflow and outflow of international migrants is assumed to align with that suggested by this same variant of the 2018-based SNPP, where it makes an identical allowance to the principal projection;
- The population is converted to households through the application of official 2014-based headship rates, which have been adjusted where necessary to align with the principles of the standard method and allow for a gradual return to the higher rates of household formation seen amongst younger people in 2001, where this is not already anticipated by the official projections. This results in adjustments being made to the 25-34 age group only;

- Households have been converted into dwellings by applying the 3% vacancy rate specified at paragraph 7.22 of the LHNA;
- The age- and gender-specific economic activity rates recorded in Warrington by the 2011 Census have initially been applied, but the local rates for those aged 16 to 89 have then been adjusted to reflect national forecasts produced by the Office for Budget Responsibility;
- There is assumed to be no change from the commuting ratio recorded by the 2011 Census, meaning that allowance is made for a continued in-commute from other areas. The LHNA demonstrates, however, that a more balanced relationship would only increase the need for new homes in Warrington to support job growth in the borough;
- The unemployment rate is assumed to align with the average of 3.7% recorded over the past five calendar years (2016-20) and thereby allows for a slight rise from the historic lows recorded prior to the pandemic; and
- A fixed proportion of employed people are assumed to occupy more than one job ('double jobbing') with this based on the long-term average of 3.1% recorded by the Annual Population Survey between 2004 and 2020. An identical assumption is made in the LHNA, the average having not changed when incorporating the additional year of data that is now available.

[REDACTED]