

Warrington Updated Proposed Submission Version Local Plan

Date: November 2021

Re: **Economic Growth and Housing Need**

Summary of Analysis

Housing Requirements in Warrington and change over time

- The proposed housing target in the Submission Version of the Local Plan is **816 dpa**, which is based on the Government's Standard Housing Methodology and represents the minimum number of homes that Warrington should plan for.
- The proposed target represents a significant decline when compared with previous estimates of 1,113 dpa in the 2017 Mid Mersey SHMA Update and the 945 dpa in the 2019 Local Housing Needs Assessment. Part of the rationale for no longer going with either of these targets is based on the argument that future jobs growth in Warrington is no longer expected to be as high as originally thought – the original target was for 1,240 additional jobs to be created annually, based on LEP objectives.
- Analysis of employment trends in Warrington since 2015 highlight the strong performance of the area in terms of jobs growth. It was the second best performing North West local authority in terms of the percentage increase in employment between 2015 and 2020, for example.
- An independent review of Warrington's labour market performance, undertaken by Metro Dynamics in 2017, looks at jobs growth over a longer timeframe and shows that an average of 1,340 jobs were created each year between 1998-2014. The LEP target of 1,240 jobs p.a. therefore does not seem unrealistic when compared with this trend.
- Taking into account Warrington's strong historical labour market performance and also the fact that the UK economy is now expected to recover faster from the Covid-19 pandemic than originally thought, it is argued that **the target of 945 dpa outlined in the 2019 Local Housing Needs Assessment should be the minimum annual delivery target for housing numbers in Warrington.**

Introduction

- 1.1 This note outlines economic and demographic factors relevant to responding to the consultation on the Proposed Submission Version of the Warrington Local Plan. It should be read in conjunction with the other representations submitted by Pegasus Group as part of the Local Plan consultation process. The comments within this note serve to highlight a number of aspects of the Submission Version of the Local Plan that require revision or additional analysis to be considered sound.

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Housing Need in the Proposed Submission Version Local Plan

- 1.2 The Submission Version of the Local Plan identifies a need for 14,688 homes in Warrington between 2021 and 2038, and the Council says this translates to 816 dwellings per annum (dpa). This is incorrect, as the timeframe is 17 years because 14,688 divided by 17 equates to 864 dpa. The Council's calculation is based on an 18-year Plan period if housing need is to be 816 dpa. It is therefore assumed that the Plan period is 2021-39.
- 1.3 Paragraph 4.1.6 of the Local Plan states that the target of 816 dpa over the Plan period has been established using the Government's Standard Housing Methodology, which represents the minimum number of homes that Warrington is expected to plan for, in a way which addresses projected household growth and historic under-supply. Prior to assessing whether a target of 816 dpa provides a realistic level of new housing provision in Warrington, it is first helpful to review how the housing need target has changed in recent years.

Housing Targets in Warrington

Mid Mersey SHMA Update – Warrington Addendum (May 2017)

- 1.4 This report, produced by GL Hearn in 2017, looked at objectively assessed housing need (OAN) in Warrington. This included analysis of the Council's evidence base on economic growth, including a review of employment forecasts contained within the Devolution Bid for Cheshire and Warrington. The Bid anticipated 31,000 jobs in Warrington between 2015 and 2040, or 1,240 on an annual basis. Applying this jobs growth estimate over the Local Plan period (which was 2015-2037 at the time of the SHMA), GL Hearn estimated an economic growth-led housing need figure for Warrington of **1,113 dpa**. This compared to a baseline housing need figure of 955 dpa. It is interesting to note that the SHMA states the following in relation to which housing figure to go with:

"The baseline economic growth scenario points to a higher level of housing need relative to the demographic need. This is the appropriate scenario to use in considering the OAN, in that it take account of past trends and performance and wider economic factors which are expected to influence future sectoral performance... To support the scale of jobs growth planned for in the Devolution Deal would require 1,113 dpa."¹

Local Housing Needs Assessment (March 2019)

- 1.5 The 2019 Local Housing Needs Assessment (HNA), also undertaken by GL Hearn, included analysis on the housing required to meet the economic growth aspirations of Warrington. This led to the LHNA calculating a need of **945 dpa** over the Local Plan period (which was 2017-2037 at the time). The proposed housing target of 945 dpa was based on jobs growth of 954 per annum. This employment increase was based on adjustments made by GL Hearn to the original jobs growth estimate resulting from the Strategic Economic Plan (SEP) of the Cheshire & Warrington Local Enterprise Partnership, and which was used to inform the Devolution bid. The growth identified by the SEP was originally estimated to generate 1,240 additional jobs p.a. (as outlined in

¹ Pages 48-49, paragraphs 6.16-6.17: *Mid Mersey SHMA Update – Warrington Addendum, Warrington Borough Council – Final Report*. GL Hearn, May 2017.

the SHMA analysis above) However, the HNA revised this figure downwards in light of more recent baseline forecasts by Oxford Economics.

- 1.6 It is important to note that the 2019 HNA also calculates housing need based on the standard method, which at the time of the report led to a requirement of 909 dpa over the 2017-37 Local Plan period. However, paragraph 8.23 of the HNA states that:

*"...the 909 dpa would not be able to support the anticipated jobs growth in the Borough. For this to be achieved a housing requirement of 945 dpa should be considered. This figure includes an adjustment to ensure there are improvements to household representation in younger age groups."*²

- 1.7 The 945 dpa target therefore represents a small uplift of 4% on the 909 dpa standard method figure.

Local Housing Needs Assessment (August 2021)

- 1.8 The 2021 HNA, again undertaken by GL Hearn, is the most up to date report on calculating housing need in Warrington. The HNA identifies an OAN figure of **816 dpa**, which is based on applying the standard method. This is the housing need figure proposed in the Submission Version of the Local Plan and represents a significant reduction in dwelling targets when compared with the 2017 SHMA requirement (target of 1,113 dpa, equating to a reduction of 297 dpa) and the 2019 HNA requirement (target of 945 dpa, representing a reduction of 129 dpa).

- 1.9 Given the Council is proposing such a significant reduction in its housing target, it is helpful to review the rationale on which this decision is based and the 2021 HNA goes into detail on why a lower housing need figure is now justifiable. In particular the latest HNA states the following:

*"This report has also considered the justification in the 2019 LHNA for going above the baseline job forecasts to arrive at an uplifted Housing Need Figure (HNF) of 945 dpa. The latest evidence clearly indicates the expectation of jobs growth is now substantially lower than in 2019."*³

- 1.10 In producing the HNA update for 2021, GL Hearn analysed employment forecasts by Oxford Economics (OE) and Cambridge Econometrics (CE) to understand the number of new homes that would be needed to support jobs growth. The report provides a helpful comparison of how the OE and CE forecasts have changed over time, based on when they were produced. For OE, forecasts produced in 2016, 2018 and 2021 are provided, while for CE they relate to 2015, 2018 and 2021.

- 1.11 The HNA shows the different levels of growth for each set of forecasts over the period 2017-37 and Table 1 presents this information. It can be seen that the 2021 forecasts by OE and CE differ significantly in terms of their outlook. The OE forecasts estimate growth of 490 jobs per annum between 2017 and 2037 in Warrington, whereas the CE forecasts are far more optimistic and arrive at a figure of 945 jobs per annum over the same timeframe.

² Page 93, paragraph 8.23: *Local Housing Needs Assessment, Warrington Borough Council*. GL Hearn, March 2019.

³ Page 7, paragraph 1.18: *Warrington Local Housing Needs Assessment Update, Warrington Borough Council*. GL Hearn, August 2021.

- 1.12 The 2021 forecasts are the highest produced by CE for the dates shown in the table, with their 2015-based forecasts suggesting 876 additional jobs annually and their 2018-based estimates being more cautious at 516 new jobs per annum. Taking this in to account, the comment made in the HNA regarding "*The latest evidence clearly indicates the expectation of jobs growth is now substantially lower than in 2019*"⁴ is incorrect. The latest evidence from CE indicates the exact opposite, as shown below.

Table 1: Comparison of OE & CE Forecasts for Warrington, 2017-37

	Year forecasts were produced	Employment change, 2017-37	Employment change per annum
Oxford Economics	2016	18,400	920
	2018	12,700	635
	2021	9,794	490
Cambridge Econometrics	2015	17,500	876
	2018	10,300	516
	2021	18,893	945

Source: Warrington HNA, 2021

- 1.13 The HNA also presents the 2018 and 2021-based forecasts from OE and CE for the period 2021 to 2038, as shown in Table 2021. The 2021-based CE forecasts are more optimistic for jobs growth in Warrington from 2021-38 than they are for 2017-37, with 1,023 additional jobs per annum forecast over the revised timeframe.

Table 2: Comparison of OE & CE Forecasts for Warrington, 2021-38

	Year forecasts were produced	Employment change, 2021-38	Employment change per annum
Oxford Economics	2018	9,920	584
	2021	12,319	725
Cambridge Econometrics	2018	9,376	552
	2021	17,391	1,023

Source: Warrington HNA, 2021

- 1.14 Through analysis of the forecasts and discussions with BE Group (who were responsible for the Economic Development Needs Assessment (EDNA) for Warrington), the HNA states that GL Hearn and BE Group are in agreement that the CE forecasts are too optimistic while the OE forecasts are unduly pessimistic. A "mid-point" scenario based on the 2021 OE and CE forecasts is therefore proposed to arrive at a reasonable forecast of future employment growth in Warrington. This translates to 874 jobs per year (14,855 over the Plan period).
- 1.15 The HNA then goes to calculate the number of jobs supported by the standard method housing need figure of 816 dpa, in order to test whether the figure is close to the 874 jobs per annum target associated with the mid-point scenario. It does this by estimating changes to the economically active population and then taking into account commuting patterns, double jobbing and potential changes to unemployment.

⁴ Page 7, paragraph 1.18: *Warrington Local Housing Needs Assessment Update, Warrington Borough Council*. GL Hearn, August 2021.

- 1.16 The resulting jobs growth figure is calculated at 18,328 between 2021 and 2038, or 1,078 per annum. Given this is higher than the CE forecast of 1,023 jobs per annum (as shown in Table 2), this leads the HNA to conclude that *"...the standard method-based HNF of 816 dpa will provide enough homes to support employment growth even where an optimistic jobs growth scenario is envisaged."*⁵

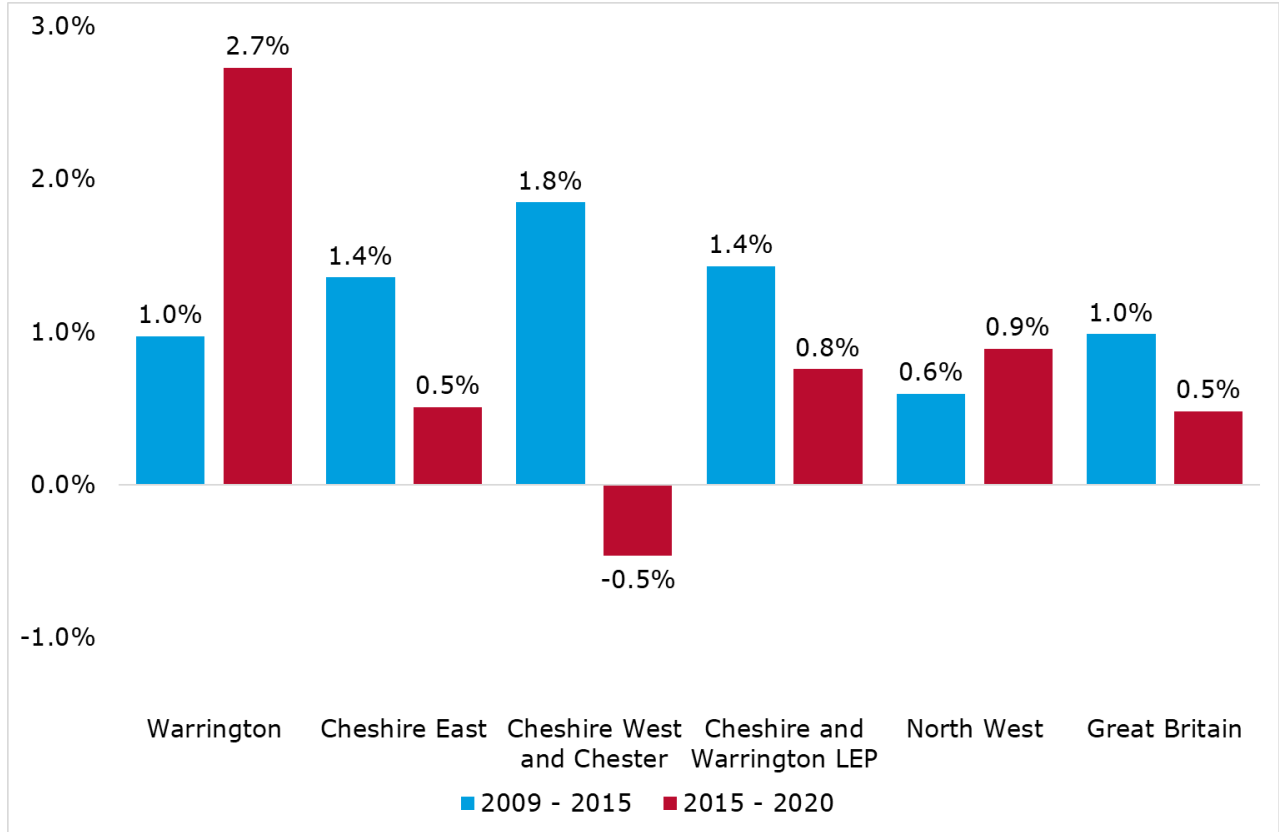
Historical Employment Change in Warrington

- 1.17 When considering the extent to which the Submission Version of the Local Plan provides a realistic level of new housing provision, it is helpful to look at past employment trends in Warrington, as housing need will be driven to a large extent by changes in the labour market. This section of the note analyses the latest jobs data published by the Office for National Statistics (ONS). It focuses on Warrington, along with the Cheshire & Warrington LEP, the North West and Great Britain. The local authorities of Cheshire East and Cheshire & West & Chester are in the LEP as well and are also included in the analysis for completeness.
- 1.18 As a result of changes to the methodology used in producing the data, it is not possible to look at trends over a continuous period. The following timeframes have been analysed to allow for this fact:
- **2009-2015:** Jobs data published as part of the Business Register & Employment Survey (BRES) by ONS.
 - **2015-2020:** Jobs data published by ONS as part of the BRES.
- 1.19 Between 2009 and 2015 annual employment growth in Warrington was 1%. This was above the rate seen in the North West (0.6%), and the same as the rate seen in Great Britain, but was below all other comparator areas. The neighbouring local authorities of Cheshire East and Cheshire West & Chester had growth rates of 1.4% and 1.8% during 2009-2015 respectively. Cheshire and Warrington LEP saw an increase of 1.4% (see Figure 1).
- 1.20 However, between 2015 and 2020 the employment growth rate in Warrington grew substantially and was 2.7% per annum. This was higher than all comparator areas during the same time period. Cheshire East had a lower annual growth rate compared to 09-15 at 0.5% and Cheshire West & Chester experienced a decline of 0.5% per annum. Cheshire and Warrington LEP had a lower annual growth rate than 09-15 at 0.8%, as did Great Britain at 0.5%. The annual jobs growth rate in the North West did increase to 0.9% over the period 2015-20, although it was still significantly lower than the growth seen in Warrington (see Figure 1).
- 1.21 As already noted, the 816 dpa proposed in the Submission Version of the Local Plan uses the standard method to arrive at a housing need figure for Warrington. This method uses 2014 household projections in its calculations and therefore does not factor in the strong jobs growth Warrington experienced in the period from 2015 to 2020, which will have increased the need for housing in the area. Even using the 2016 or 2018-based household projections would not address this issue, since they are hampered by low population growth. This

⁵ Page 61, paragraph 6.44: *Warrington Local Housing Needs Assessment Update, Warrington Borough Council*. GL Hearn, August 2021.

ultimately feeds into the household projections and exacerbates the problem of low housing delivery in Warrington.

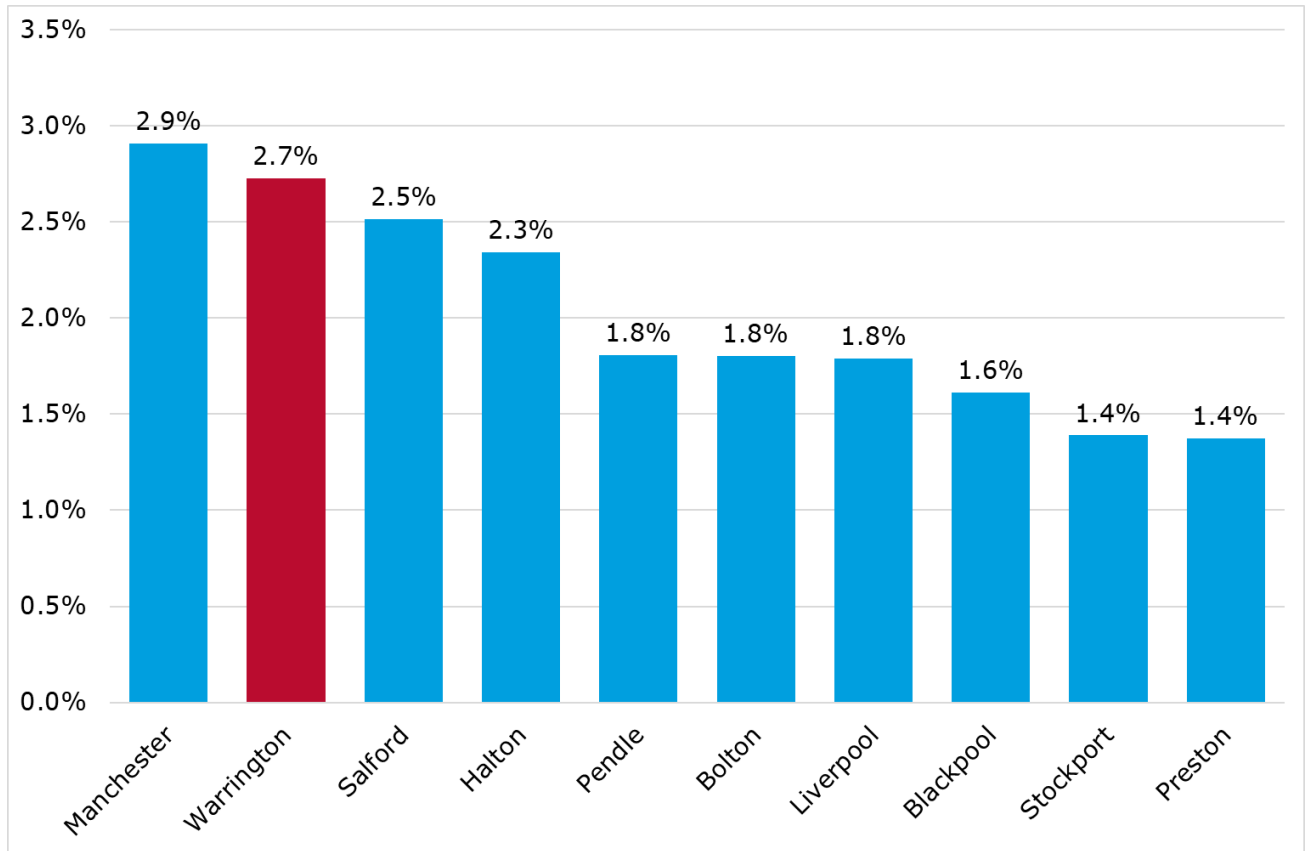
Figure 1: Annual Employment Change, 2009-15 & 2015-20



Source: Business Register & Employment Survey

1.22 Looking at the jobs data in more detail, the annual employment growth of 2.7% in Warrington between 2015 and 2020 was the second highest growth figure out of the 39 local authorities in the North West (see Figure 2). Warrington was below only Manchester (2.9% p.a.) over this timeframe.

Figure 2: Top 10 North West Local Authorities for Annual Employment Change, 2015-20



Source: Business Register & Employment Survey

1.23 Work undertaken by Metro Dynamics⁶ in 2017 on behalf of the Cheshire & Warrington LEP reviewed historical employment trends in Warrington and was able to analyse data over the longer timeframes of 1992-2014 and 1998-2014, sourced from OE. The analysis by Metro Dynamics is represented in both absolute and percentage terms. Figure 3 presents the annual change in employment in Warrington for these two timeframes and for comparison purposes, it also shows this against the annual change of 1,240 related to the LEP’s Strategic Economic Plan and was used to inform the housing need figure in the 2017 SHMA.

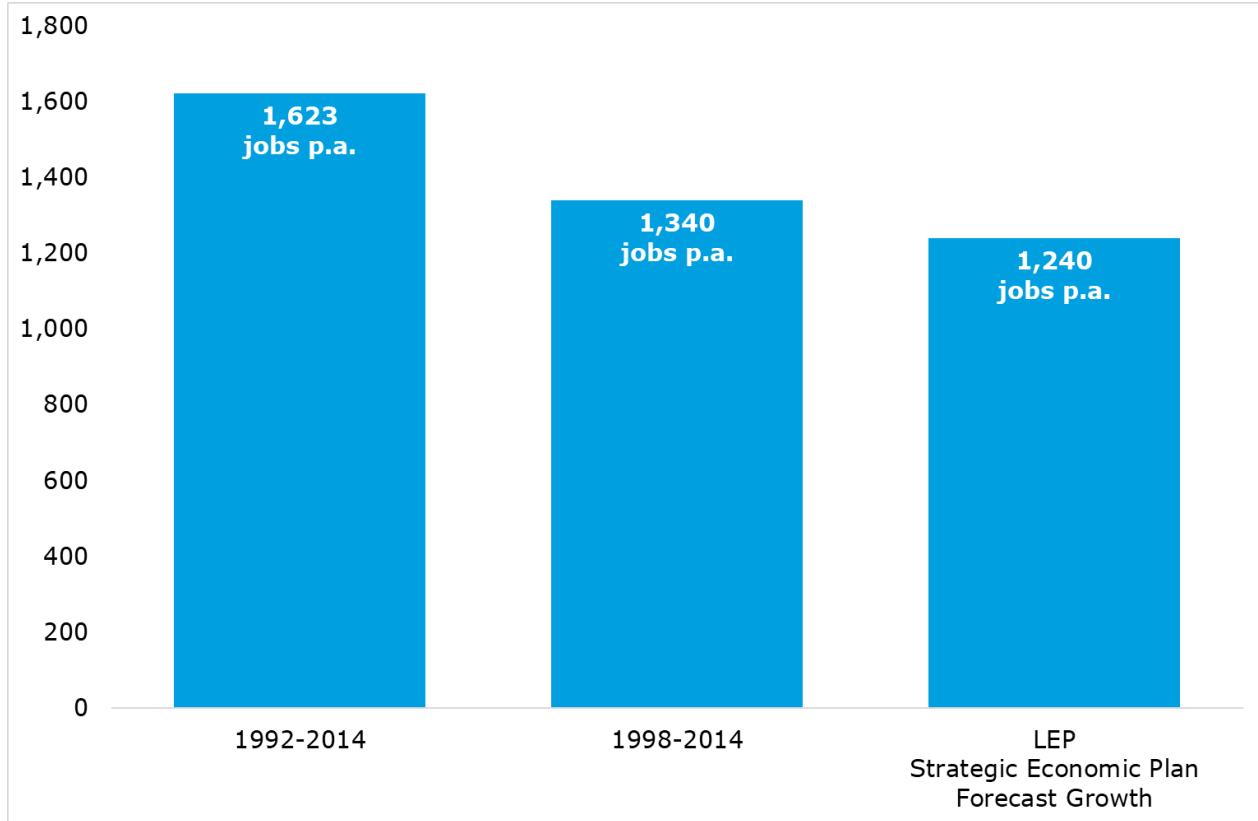
1.24 It can be seen from Figure 3 that the SEP employment target (annual jobs growth of 1,240) is below historical growth from 1992-2014 (annual jobs growth of 1,623) but only marginally below historical growth from 1998-2014 (annual jobs growth of 1,340). Metro Dynamics conclude that the period 1998-2014 is the most useful for assessing future jobs growth in Warrington, stating that:

"The annual average growth figure for 1992-2014 is considerably higher than that of 1998-2014. Our view is that including information for the period 1992 to 1998 skews the apparent growth figures, as this was a period of significant national economic and employment recovery. There is a further issue concerning the comparability of employment figures prior to 1998, as the methodological differences between the constituent surveys is greater for the earlier years. Therefore, for the purposes of this report, we consider employment trends from 1998 to 2014 to be most useful for assessing future

⁶ Review of Warrington Employment Targets to 2040: A Report to Cheshire & Warrington LEP. Metro Dynamics, June 2017.

growth in Warrington as the local and national political and economic context of these years most closely aligns with what we would expect in the future.”⁷

Figure 3: Historical and Future Annual Employment Growth in Warrington



Source: Metro Dynamics, 2017

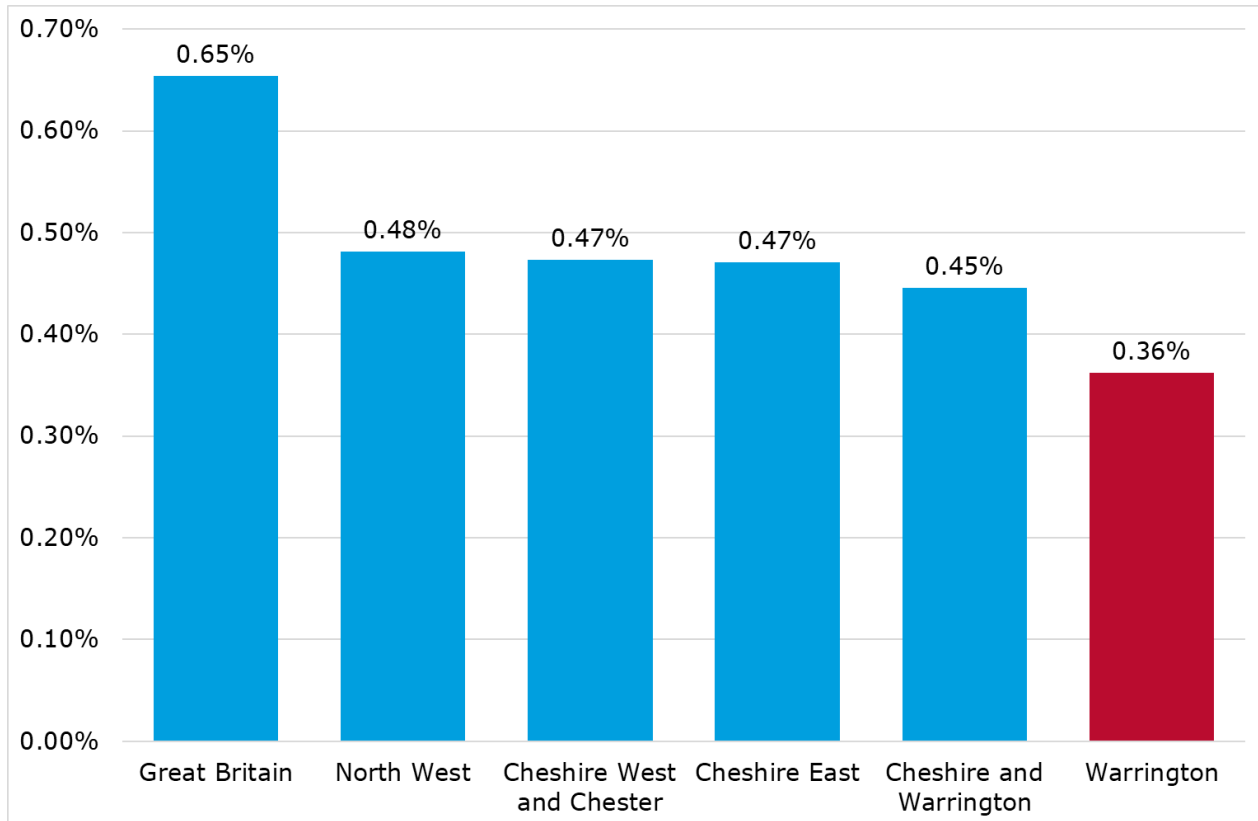
Population Change in Warrington

- 1.25 Between 2011 and 2020 Warrington experienced annual population growth of 0.36%, which was lower than the increases seen in the LEP and its other constituent local authorities, the North West and Great Britain. The highest annual growth in population was seen in Great Britain at 0.65% whilst the North West had growth of 0.48% from 2011-20. Cheshire West & Chester and Cheshire East both had annual growth of 0.47%. The Cheshire and Warrington LEP had annual growth of 0.45% (see Figure 4).
- 1.26 Notwithstanding the fact that the Borough has benefited from very high economic/jobs growth trends, the low population growth figures for Warrington are not entirely surprising given Warrington's current Local Plan (adopted in 2014) covering the period between 2012-2017 had the previously proposed housing policies deleted from it following a successful judicial review meaning the area has not been subject to planned growth for a prolonged period of time. There is also the green belt issue to consider, in the sense that it has curtailed housing growth in Warrington and meant that too few homes have been built relative to the number of new jobs being created in the area.

⁷ Pages 4-5: *Review of Warrington Employment Targets to 2040: A Report to Cheshire & Warrington LEP*. Metro Dynamics, June 2017.

1.27 Warrington’s low population growth compared to other areas is most likely due to the lack of new housing being built in the area, which a) skews the data upon which the standard method is based upon (i.e. household growth trends), and b) places pressure on existing stock and prices if more people wish to move to the area, thereby generating affordability issues. The lack of new housing could also potentially constrain future labour market growth in Warrington. For example, research published by the Home Builders Federation (HBF) in 2018 indicates that for every home built, 3.1 jobs (direct and indirect) are supported in the economy⁸.

Figure 4: Annual Population Growth, 2011-2020



Source: ONS, Population Estimates

Housing Affordability in Warrington

1.28 Affordability ratios are calculated by dividing median annual salary by the median house price of an area. In 2000 the affordability ratio in Warrington was 3.6. This means that average house price was 3.6 times the average annual salary. This was below the affordability ratio in England (4.19), but above the affordability ratio for the North West (3.13). By 2020 the ratio in Warrington had increased to 6.27, a rise of 2.67 on the 2000 figure. Although this was still below the ratio for England which reached 7.84 in 2020, it remains above the 2020 ratio for the North West (5.75). Table 3 presents the information in full detail, highlighting how affordability in Warrington has become more of an issue over the last 20 years.

⁸ *The Economic Footprint of House Building in England and Wales*. HBF, July 2018.

Table 3: Affordability Ratios, 2000-2020

	2000	2020	Absolute Change
Warrington	3.6	6.27	2.67
North West	3.13	5.75	2.62
England	4.19	7.84	3.65

Source: ONS, Affordability Ratios

- 1.29 By applying median wage data for Warrington Borough to ward-level house prices in the Borough (sourced from ONS), it is possible to look at affordability at a more local level in the area. Ward level data for the affordability ratios in Warrington show that the ward with the highest ratio is Appleton, which in 2020 was 12.7 increasing from 5.2 in 2000 (a rise of 7.5). This is followed by Lymm South which had a ratio of 11.8 in 2020 and had the largest increase of 8 points from the 2000 ratio of 3.9. Grappenhall had the third highest affordability ratio in 2020 at 10.9, this increased by 5.5 from the 2000 figure of 5.5. The ward with the lowest affordability ratio in Warrington is Bewsey and Whitecross which was 3.5 in 2020 and had only increased by 2.3 from the ratio of 1.2 in 2000. Table 4 shows ward level affordability rates in more detail.

Table 4: Affordability Ratios for Wards in Warrington, 2000-2020

	2000	2020	Absolute Change
Appleton	5.2	12.7	7.5
Lymm South	3.9	11.8	8.0
Grappenhall	5.5	10.9	5.5
Culcheth, Glazebury and Croft	3.0	9.6	6.7
Stockton Heath	3.0	9.3	6.4
Lymm North and Thelwall	3.2	9.0	5.8
Great Sankey North and Whittle Hall	2.5	8.6	6.1
Westbrook	2.4	8.0	5.7
Rixton and Woolston	2.2	6.8	4.6
Chapelford and Old Hall	3.5	6.4	3.0
Penketh and Cuedley	2.1	6.2	4.1
Poulton North	2.2	6.1	3.9
Latchford West	1.5	5.9	4.5
Burtonwood and Winwick	2.9	5.7	2.8
Poulton South	1.9	5.5	3.5
Birchwood	1.7	5.4	3.7
Great Sankey South	1.7	5.2	3.5
Latchford East	1.3	4.3	3.1
Orford	1.3	4.1	2.8
Poplars and Hulme	1.4	4.0	2.6
Fairfield and Howley	1.2	3.5	2.3
Bewsey and Whitecross	1.2	3.5	2.3

Source: ONS & Pegasus Group Calculations

Aligning Jobs Growth with Housing Need in Warrington

- 1.30 Taking into account the work by Metro Dynamics and the analysis of historical jobs growth in Warrington, it is reasonable to raise the question of whether the Submission Version of the Local Plan is being too pessimistic in terms of future labour market growth in the area. At the very least, consideration should be given to

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assessing the impact on housing need if a higher jobs growth figure is used – for example, the 1,023 jobs p.a. in the 2021 version of the CE forecasts (presented in Table 2) or the 1,240 jobs p.a. associated with the LEP’s target in its SEP.

- 1.31 Adding further weight to the argument of going with a higher jobs growth figure, at a national level the 2021 Budget highlighted that the UK economy is expected to return to pre-Covid levels by the end of 2021. This is based on independent forecasts produced by the Office for Budget Responsibility, with growth in 2021 expected to be 6.5% and then 6% in 2022. This puts the economy in a strong position to grow from 2022 onwards, suggesting that the LEP’s growth figure of 1,240 p.a. is still a realistic target for Warrington. In addition, both the OE and CE forecasts referred to in this note are policy-off, i.e. they present baseline growth estimates for Warrington and do not take account of economic growth aspirations. By contrast, the LEP jobs target is a policy-on scenario and accounts for such aspirations. As such, it is important that housing numbers set within the proposed Local Plan align with this higher growth target in order to ensure the minimum objectively assessed housing need is met. Jobs growth of 1,240 p.a. should be a realistic aim for Warrington, given it achieved an increase of 1,340 p.a. between 1998 and 2014.
- 1.32 As it stands, the Submission Version of the Local Plan is proposing to deliver 816 dpa and the 2021 HNA estimates this would support 1,078 additional jobs p.a. This means that for every 0.76 homes built in Warrington, 1 job is supported. If the LEP’s target of 1,240 new jobs p.a. is achieved, this would translate to total employment growth of 22,320 over an 18-year period. Applying the housing:jobs ratio of 0.76 to this figure, housing need comes out at 16,895, or 939 dpa over 18-years.
- 1.33 As a minimum, the analysis presented above suggests that **the target of 945 dpa outlined in the 2019 HNA should be the annual delivery target for housing numbers in Warrington.** Given the Borough’s strong historical economic performance, it needs to show a level of ambition by aiming for the jobs growth target set out by the LEP. To do this, more homes will need to be delivered in the area. The proposed target of 816 dpa risks exacerbating the existing problem of affordability and the fact that the UK is now recovering significantly faster from the Covid-19 pandemic means the Local Plan needs to revisit the target number of dwellings to be delivered in each year of the Plan period. A low housing target could also frustrate Warrington’s growth ambitions. The area already sees a net inflow of commuters to the area of more than 14,000 (based on data from the 2011 Census). If too few homes are built for the number of jobs created, this inflow is only likely to increase in the future and have knock-on effects for transport infrastructure, for example.