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Budleigh Salterton
Devon EX9 6NS

Mr A Thickett
East Devon Local Plan Inspector
C/O Amanda Coombes, Programme Officer
Knowle
SIDMOUTH EX10 8HL

22 September 2015

Dear Mr Thickett,

Comments on EDDC's new evidence – Housing Requirement 2015

1. You will recall during the public examination that I and others pointed out that no sensitivity testing had been conducted on critical assumptions underpinning the housing requirement assessments. Results cannot be said to be robust unless these factors have been examined and shown not to affect the conclusion. This is especially the case in high job growth scenarios where it could be argued that many of the key assumptions are biased in the same (pro growth) direction. I am, therefore, pleased to see that some testing has been done by Edge Analytics (PSD2015t).

Sensitivity Testing

2. The first test covers the application of the latest CLG12 headship data which places the analysis on an up-to-date basis with a small reduction in overall numbers (to **16,974**)[i].

3. Edge have also tested alternatives to a number of other critical assumptions with much more significant results. Since the alternatives are, I would argue, far more plausible than the ones originally used by EDDC, these results further undermine the credibility of the **17,100,** 18 year housing figure, used to date.

4. With the creation of the Growth Point and an emphasis on high quality jobs, one might reasonably expect a higher proportion of the inhabitants to be able to find suitable employment locally. As a consequence commuting out of the District is likely to reduce. Edge have shown that if the Commuting Ratio is reduced from 1.11 in 2011 to 1.06 (5%) by 2021, <u>which is simply continuing the inter-census trend</u>, but kept constant thereafter (Edge para 2.13), then the 18 year housing target needed to meet the "policy on" scenario of 549 jobs/year would fall to **14,328**.

5. If, additionally, the latest OBR forecasts on employment rates, which increases the economic activity of those of 60+ in response to changes in retirement age, are used instead of the 2011 data, then the 18 year housing target falls to **13,014**. Put simply, using up to date assumptions, a given sized population in East Devon could absorb far more jobs in a growth scenario than previously assumed.

6. For some reason EDDC has chosen not to discuss these important results in their summary report.

From: David W Daniel

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Job led Growth, underlying economics and a new Housing "trajectory"

7. The SHMA demographic housing total of **10,512** is balanced to absorb the 160/190 jobs/year produced by average economic growth. Ash Futures' opinion[ii] is that the SHMA Experian forecast of a further 309 jobs/year (housing target of **13,050**), lies at the top end of likely <u>above average</u> economic growth scenarios. Against this figure, EDDC's 549 jobs/year (17,100 housing total) looks an unrealistically high job led growth target. EDDC have not provided objective evidence to substantiate this.

8. However, in PSD2015u, dated August 2015, Understanding Data Ltd presents a phasing of the "policy on" dwelling requirements spread over 20 years, giving no explanation of the rationale behind it. Para 4.1 claims that 2020 has been used as a "benchmark" in the core assumptions to split the plan period; and Para 4.3 claims that "another" August 2015 report shows that almost 250 dwellings fewer are created in the first five years compared to the 20 year average.

9. The August 2015 Edge report does arbitrarily use 2020 to set a pragmatic limit on sensitivity testing on commuting ratios but doesn't mention benchmarks or reduced housing in the first five years. Also the dwelling totals given in the histogram below Para 4.3 fall more than 100 short of the CLG12 16,974 total (probably because it is spread over 20 rather than 18 years). With these discrepancies, there is no audit trail that ties these new pieces of work together, to the draft Local Plan, or, for that matter to the SHMA.

10. The EDDC "Policy On" scenario requires an additional, but unspecified, layer of economic growth on top of the Experian scenario. So, taking the dwelling phasing at face value it is interesting to compare the initial seven year housing requirement presented in the EDDC summary (PSD2015r para 3.9) with what would be required to fulfil the lower Experian job led growth projection of the SHMA.

11. Historically, recessions are followed by periods of significantly higher than average economic growth as the economy "bounces back" to health. This is what lies behind the Experian (and LEFM) assumptions to "front load" job led growth in the early years. Detailed inspection of the histogram of the Experian job growth trajectory (reproduced on page 5 of my submission dated 5 June 2015) shows 57% (of the 18 year total) occurring in the first seven years. On this basis one might expect a demand for over 5,500 houses[iii] in the first seven years rather than the 5089 EDDC are now presenting in para 3.9 in their Report of additional Work.

12. The paradox is that EDDC's "policy on" scenario requires approximately 80% higher[iv] economic growth than Experian but their newly unveiled plans fail to meet the lower Experian job led housing rates in the period when economic growth should be at its peak.

13. If we don't get exceptional growth in the early years of the Local Plan when are we going to get it? Economic growth runs in cycles. The average interval between the start of one recession and the next in UK, since the war, is 10.8 years (min 7 years, max 18 years). So the expectation has to be that the period when EDDC are assuming maximum growth will contain at least one recession; and earlier rather than later.

14. We are already 10% into the Plan period. The Growth Point has been marketed for years so clear growth patterns should be emerging. At the July Hearings, we heard that the Growth Point so far has produced few new jobs and that the Intermodal Facility has stalled.

From: David W Daniel

Concluding Remarks

15. Despite not using CLG12 data or the latest OBR economic activity rates for the 60+, I still believe the SHMA does provide objective evidence to support an 18 year housing target, in broad terms, of between **10,500** and **13,000.** Greater weight, in my opinion, should be given to figures in the low to mid-range of this band on grounds of economic realism.

16. I have not seen robust or reliable objective evidence to support a target substantially higher than **13,000**. EDDC's target of a minimum of **17,100** seems to be entirely policy driven and lacking any evidence base. For example, EDDC have chosen to ignore, and not discuss, important findings from their own consultants when they don't support the policy. Two are mentioned in this letter: Ash Futures' comments on economic assumptions (footnote ii) leading them to propose a more modest scenario than the Experian one; and the Edge sensitivity tests on commuting ratios and latest OBR economic activity rates for the 60+ community.

17. There are significant downsides to setting unrealistically high targets for the next 18 years.

Yours Sincerely,

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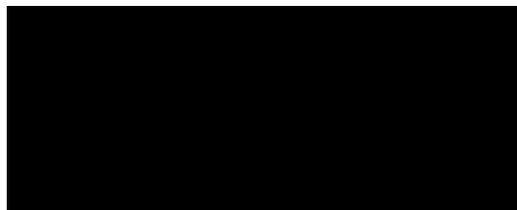
[i] 943 is the average annual housing from Edge table 5, multiplied by 18 = 16,974 dwellings over plan period

[ii] *"Given the fact that there have been downward revisions in the national-level forecasts, it is considered that the more up-to-date, lower Experian projections could carry greater weight. Even then, they will not fully reflect a 'softening' of output growth forecasts made by the OBR in its most recent outlook (for example growth for 2018 is now forecast to be 2.3% compared to 2.7% when the OBR made its forecast a year earlier) and therefore should be regarded at the top end of possible job growth."* Ash Futures pp 13.

[iii] From the SHMA and Ash Futures work, the 18 year housing total for the demographic base case is 10,512 and for the Experian growth scenario is 13,050. The difference of 2,538 isolates the housing generated by high economic growth from the simple demographic trends and average growth; 57% of this is 1,447. If this 57% "front loading" housing demand from the Experian scenario is added to 7 years of average demographic scenario needs (4,079), the resulting 5,526 represents the first 7 year total of the housing trajectory needed to meet the Experian growth scenario.

[iv] Ash Futures previous work calculated that the "policy on" scenario added 240 FTE jobs/year to the SHMA job led Experian scenario figure of 309 (77.7%).

From: David W Daniel