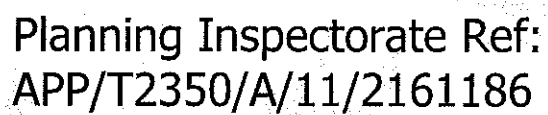
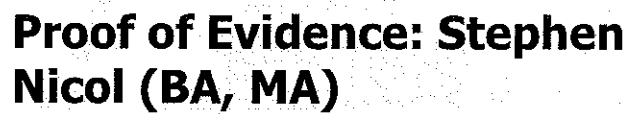


The logo for Regeneris Consulting, featuring the word "regeneris" in a lowercase, sans-serif font. The letter "e" is stylized with a circular graphic element.

ECONOMICS · RESEARCH · ANALYSIS

A white rectangular box containing the text "Planning Inspectorate Ref: APP/T2350/A/11/2161186". The background of the page is a high-contrast, black and white photograph of a modern building's facade, showing a grid of windows and architectural details. The text is centered within the box.A white rectangular box containing the text "Proof of Evidence: Stephen Nicol (BA, MA)". The background of the page is a high-contrast, black and white photograph of a modern building's facade, showing a grid of windows and architectural details. The text is centered within the box.A white rectangular box containing the text "Regeneris Consulting". The background of the page is a high-contrast, black and white photograph of a modern building's facade, showing a grid of windows and architectural details. The text is centered within the box.

Appeal by Gladman Developments
Site at Land off Henthorn Road, Clitheroe,
Lancashire
APP/T2350/A/11/2161186

**Proof of Evidence: Stephen Nicol
(BA, MA)**

December 2011

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1. Qualification of Witness

- 1.1 My name is Stephen Leslie Nicol (BA, MA). I am Managing Director of Regeneris Consulting, a specialist economic and regeneration consultancy
- 1.2 I graduated from Kings College, Cambridge in 1983 and then took a Masters Degree in Development Economics at Sussex University. In 1984, I entered the Government Economic Service where I worked in the Department of the Environment and then HM Treasury. In my time in the Government, I provided economic advice on public sector housing, roads, higher education and public sector investment appraisal. I was promoted to Economic Adviser (Grade 7) in 1987.
- 1.3 In 1989, I joined Pieda plc as a Consultant in their Reading office and was promoted to Director in 1993. Pieda plc merged with DTZ Debenham Thorpe in 1997 to form DTZ Pieda Consulting. I became Managing Director for the whole of the consultancy business. I left to form Regeneris Consulting in 2000.
- 1.4 During my career, I have played a leading role in economic development, demographic and housing market analysis. This includes:
- A recent review of the links between housing and the economy for the Homes and Communities Agency (HCA)
 - A review of the relationship between housing and economic performance in the North West of England (for the North West Regional Development Agency)
 - Assessments of the economic consequences of housing developments in Scotland and North West England
 - Assessments of housing need in Cheshire, Essex, Halton and Swindon.
- 1.5 I have been an expert witness at many Public Inquiries, including giving evidence on local demographic change, economic performance and economic impact in Luton, Swindon, Manchester, Southampton, Doncaster, Coventry, Bradford and Warwickshire
- 1.6 The evidence which I have prepared and provide for this appeal (reference APP/T2350/A/11/2161186) and the opinions expressed are my true and professional opinions.

2. Scope of Evidence

- 2.1 Ribble Valley Borough Council is currently reassessing its housing requirements for the 2008-2028 Core Strategy and associated documents. The key evidence underpinning this process is provided in a report by Nathaniel Lichfield and Partners (*Ribble Valley Housing Requirement. HEaDROOM Report, July 2011*) which recommends to the Council the level of housing development it considers most appropriate to the future needs of Ribble Valley.
- 2.2 This evidence relates to the Section 78 appeal by Gladman Developments into a proposed 270 house scheme off Henthorn Road, Clitheroe.
- 2.3 My proof of evidence considers the various factors which should influence the housing requirement of the local authority and sets out what I believe would be an appropriate level of housing requirement in Ribble Valley over the Core Strategy period of 2008-2028. This is relevant to the appeal as it impacts on the housing need the local authority should be making provision for and therefore the required 5 year housing land supply.
- 2.4 The starting point of my evidence is a review of the housing requirement scenarios set out in the Nathaniel Lichfield and Partners (NLP) report. The NLP analysis sets out 11 housing requirement scenarios ranging from 43 units to 559 units per annum over the period 2008 to 2028, and concludes that the most appropriate range should be 190 to 220 units per annum
- 2.5 In my evidence I show that the 190 to 220 units range will lead to a decline in the working age population in Ribble Valley in the next 20 years. A declining, or indeed stagnant, working age population is likely to hinder the achievement of a number of important stated economic policy aspirations for Ribble Valley, including the successful delivery of new employment sites and efforts to revitalise the main service centres in the district, including in particular Clitheroe. Housing delivery of less than the 190-220 units range would imply an even greater loss in working age residents and seriously undermine these wider economic growth and renewal policies. It therefore follows that the proposed level of housing provision is inconsistent with other policies being pursued by the council, especially in regard to the economy

- 2.6 I conclude that a figure of nearer **330 to 350** per annum would be a more appropriate requirement. This higher range, if appropriately located and configured around the right housing mix, would facilitate growth of the working age population which in turn would deliver a number of benefits for Ribble Valley. The proposed development by Gladman Developments would contribute towards meeting this housing need

3. Review of Ribble Valley Economy and Labour Market

3.1 In this section I review some of the key data that underpins my evidence. In some areas, I produce a more detailed analysis than that included in the NLP report.

Employment Trends

3.2 Ribble Valley has performed strongly as an economy over the last two decades. As Table 3-1 shows, the number of jobs located in Ribble Valley has risen pretty consistently over the past twenty years. It shows a total increase of 12,900 jobs between 1991 and 2010 (equivalent to an 81% rise). The data for 2010 includes around 9,000 jobs in the aerospace manufacturing sector. The majority of these jobs are at BAE Systems' site at Samlesbury which is a very important source of employment for the borough.

3.3 As can be seen there have been two breaks in the data series (in 1998 and then 2008), it is important to be wary in looking at historic trends over the 19 year period because of this. I note also that the total number of jobs at Samlesbury may be overestimated by the most recent source of official data (Business Register and Employment Survey (BRES)) and has fluctuated over the years due to a variety of factors, including how jobs are allocated to the site by BAE Systems¹, so the table also shows total employment excluding aircraft manufacture.

3.4 However if the aerospace sector is excluded, I consider that there is a fairly consistent pattern of employment growth that has occurred over time in Ribble Valley. The average annual growth was around 140 jobs 1991 to 1998 and then 340 jobs 1998 to 2008. The average over this whole period is around **290 per year**². This period does not cover the recent recession where, aerospace excluded, there has been a slight fall in employment. Even so, the data shows that the Borough has performed well since the recession in 2008. Even when the aerospace manufacturing sector is excluded, total employment fell by just 300 jobs (1.5%) between 2008 and 2010 compared to a fall of 3.3% in Great Britain as a whole. Employment growth excluding the aerospace sector has therefore increased by just

¹ It appears that employees may have been allocated to a paypoint at the Samlesbury site but are not actually working at the site full-time for instance.

² This figure has been adjusted to take account of the two breaks in the data series.

below 4,000 between 1991 and 2010 or an average of around **240 net new jobs** every year over this full period³

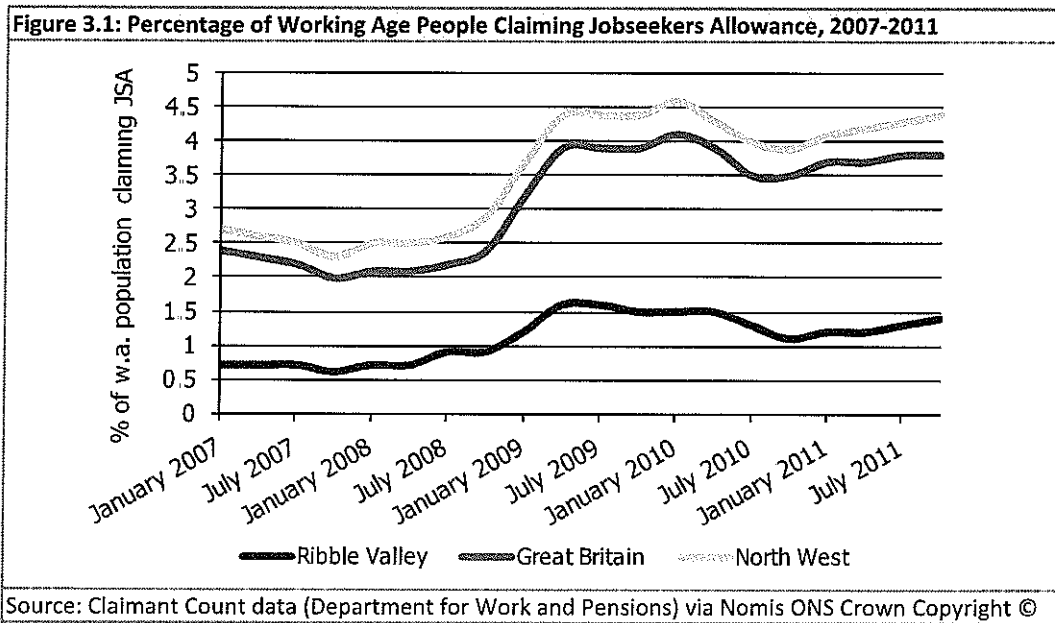
- 3.5 I have focused on employment growth in the rest of the economy due to the difficulties of analysing trends in the aerospace sector. Clearly, the aerospace sector has further contributed to jobs growth in Ribble Valley, but in a more lumpy and unpredictable way.

Year	Total Employment			Total Employment Excluding Aerospace		
	AES	ABI	BRES	AES	ABI	BRES
1991	15,800			15,800		
1993	15,300			15,300		
1995	19,600			15,800		
1996	19,900			16,100		
1997	19,200			15,900		
1998	21,000	21,300		16,800	17,900	
1999		21,400			18,100	
2000		22,500			19,100	
2001		22,800			19,800	
2002		25,400			21,600	
2003		25,000			22,300	
2004		25,500			23,500	
2005		23,300			21,200	
2006		23,900			20,700	
2007		25,200			21,500	
2008		24,900	23,500		21,300	20,000
2009			29,000			20,100
2010			28,700			19,700
Annual average change for data series	743	360	2,600	143	340	-150
Average annual change 1991-2008	590			290		

Source: ONS Crown Copyright ©: Annual Employment Survey (AES), Annual Business Inquiry (ABI) and Business Register and Employment Survey (BRES) Obtained via Nomis
Note: AES data for 1992 and 1994 not available

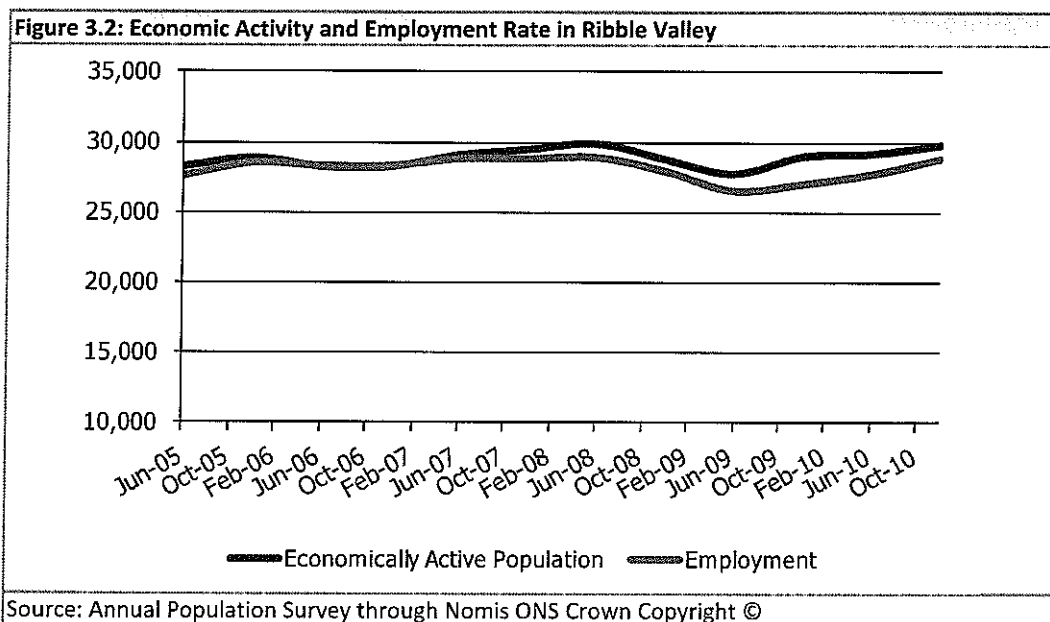
- 3.6 Other indicators also suggest the borough has fared well since the onset of the economic downturn. The percentage of working age people claiming jobseekers allowance (JSA) in Ribble Valley rose less sharply than in the North West and Great Britain during 2008 and has remained reasonably stable since then, although it has increased slightly in recent months.

³ This figure has been adjusted to take account of the two breaks in the data series



Labour Market

3.7 In common with many desirable and prosperous areas, Ribble Valley has for a number of years had an exceptionally tight labour market with very little by way of excess capacity. Figure 3.2 compares the economically active population in Ribble Valley with the number of residents in employment. As the two are very closely aligned, local employers have very little surplus labour on which to draw. This may prevent local companies from expanding and could drive up the cost of labour, meaning they are less competitive than firms in other areas. The two indicators did diverge slightly since the onset of the recession in 2008, but now appear to be converging again.



Key Sectors

- 3.8 I have reviewed the key sectors in Ribble Valley in Table 3-2. The data underlines the importance of aerospace manufacturing for the borough. This sector accounts for 31% of employment and has a location quotient of 67, meaning it accounts for 67 times more employment in Ribble Valley than is the case for Great Britain as a whole.
- 3.9 Other important sources of employment are the public sector (education, health and public admin) and retail, although the latter is under-represented relative to Great Britain (LQ of 0.7). Food service activities and food manufacturing are both well represented, the former being a reflection of the strong visitor economy in Ribble Valley.

Table 3-2: Key Sectors in Ribble Valley

Sector (SIC 2007 classification)	Employment	% Share of Employment	LQ
30 : Manufacture of other transport equipment	9,000	31%	67.0
86 : Human health activities	2,200	8%	1.0
47 : Retail trade, except of motor vehicles and motorcycles	2,100	7%	0.7
85 : Education	1,900	7%	0.7
56 : Food and beverage service activities	1,600	6%	1.1
84 : Public admin and defence	800	3%	0.5
10 : Manufacture of food products	800	3%	2.3
46 : Wholesale trade, except of motor vehicles	700	2%	0.6
55 : Accommodation	600	2%	1.5

Source: Business Register and Employment Survey via Nomis ONS Crown Copyright ©

Travel to Work Patterns

3.10 At the time of the 2001 Census, 12,300 people commuted out of Ribble Valley (47% of employed residents) and there were around 10,000 in commuters (accounting for 42% of jobs in the area), giving a net total of 2,300 out commuters. Ribble Valley is therefore a reasonably open labour market. Although, as I note below, this degree of openness varies in different parts of the district due to its geography.

3.11 The NLP Housing Requirement Report uses Labour Force Survey/Annual Population Survey (LFS/APS) data to try and provide a more up to date assessment of commuting patterns. The report states that the level of out commuting increased to around 3,600 by 2008. However, APS data has very high margins of error at this geographical level and is not considered reliable⁴. I have also looked at Annual Population Survey data on the number of jobs located in and residents in work in Ribble Valley. Again this data is subject to considerable margins of error so I have looked at the average for data over the period 2004 to 2010. This indicates the following:

- Number of Ribble Valley residents in employment = 28,000
- Number of jobs located in Ribble Valley = 24,400
- Implied net out-commuting = 3,600

3.12 This figure is similar to the NLP figures and indicates that there may have been a slight increase in net out-commuting from Ribble Valley since 2001.

3.13 A potentially more reliable indicator, although also with its own limitations, is the jobs density figures published by ONS. This measures the number of jobs⁵ located in an area relative to the working age population living in an area⁶, a jobs density of 1.0 indicates that there is one local job for every one local person of working age. The ONS data for Ribble Valley shows that the jobs density increased from 0.83 in 2001 to 1.01 in 2009 which implies there are a greater number of employment opportunities located in the area for residents of

⁴ The data for LFS/APS from 2001 showed 58% of employed residents commuting out of the borough, when census data for the same year shows that the actual figure was 47%. This underlines the margin of error when using this tool to estimate commuting flows.

⁵ Employee jobs from BRES and the self-employed from the Annual Population Survey

⁶ Currently defined as 18-64 for men and 18-59 for women

Ribble Valley relative to working age population and would appear to contradict the conclusion that levels of out commuting are increasing⁷ rather than there has been an increase in net in-commuting into the area. This data is therefore not consistent with the comparison of the 2001 Census and implied travel to work from the APS above which suggest there might have been an increase in net out commuting. I conclude therefore that it is rather difficult to conclude definitively what has happened to travel to work patterns since 2001. However, taking into account the growth in aerospace sector employment since 2001 I think on balance it is most likely that there has been an increase in net in-commuting into Ribble Valley.

- 3.14 The NLP report did not look specifically at the commuting patterns of people working at BAE's site at Samlesbury which lies on the border of the borough. Census data shows there were around 520 residents of Ribble Valley working in the ward in which the site is located in 2001. Residents of Ribble Valley accounted for 14% of the workforce at Samlesbury, with neighbouring Preston and South Ribble providing 20% and 18% of its workers. The data therefore shows that because of its location, extra jobs in the Samlesbury area will benefit residents of Ribble Valley. However, because it is located in or on the edge of the district in reality jobs at this location will be taken by residents from a wider range of districts in Lancashire. However, it is important to note that this pattern will not be replicated across other employment locations in Ribble Valley.

Table 3-3: Travel to Work patterns for Mellor Ward, 2001

Local Authority Area	Numbers	Share %	Cumulative share %
Preston	790	20.1%	20%
South Ribble	720	18.3%	38%
Ribble Valley	520	13.3%	52%
Blackburn with Darwen	500	12.9%	65%
Chorley	280	7.0%	72%
Hyndburn	160	4%	76%
Fylde	150	4%	80%
Sub total	3,110	80%	
Total	3,910	100%	

Source: ONS 2001 Census (Crown Copyright ©)

⁷ The jobs figure on which this is based may also include the additional employees whose pay point is at the Samlesbury site but do not work there. However even when these are accounted for, the jobs density increases from 0.83 to 0.90

- 3.15 I have also reviewed travel to work patterns in Clitheroe, where the application site is located. This presents a rather different pattern from Samlesbury, as would be expected, and indeed for the average for the borough as a whole. Clitheroe operates as a relatively self contained settlement so that in 2001 69% of its residents worked in Ribble Valley (rather higher than the 47% average for Ribble Valley as a whole); jobs located in Clitheroe are even more likely to be filled by Ribble Valley residents.

	Jobs Located in Clitheroe		Working Residents in Clitheroe	
	Numbers	%	Numbers	%
Total	7,330	100%	6,997	100%
Source/Destination				
Clitheroe	3,976	54%	3,976	57%
Elsewhere in Ribble Valley	1,585	22%	842	12%
All Ribble Valley	5,561	76%	4,818	69%
Hyndburn	523	7%	377	5%
Burnley	262	4%	198	3%
Blackburn with Darwen	260	4%	500	7%
Pendle	230	3%	160	2%
Preston	79	1%	180	3%
Craven	48	1%	24	0%
South Ribble	42	1%	77	1%
Other	325	4%	663	9%

Source: ONS 2001 Census (Crown Copyright ©)
 Note: based on the following 2001 Census ward: 30ULGL, Edisford and Low Moor; 30ULGP, Littlemoor; 30ULGR, Primrose; 30ULGW, St Mary's; 30ULGX, Salthill

Future Employment Trends

- 3.16 The most recent employment forecasts I have seen for Ribble Valley are those produced using the Oxford Economics econometric model for the 2008 Employment Land Study. These forecasts suggested employment growth for the period 2008-2018 of 2,300 jobs, at an annual rate of 230 to 220 jobs. These forecasts may now be considered optimistic in the short to medium term in light of recent national economic performance. I consider that it is therefore prudent to adjust these forecasts in the short term to account for the economic downturn and sluggish recovery.

- 3.17 The latest economic forecasts released by the Office for Budget Responsibility (OBR)⁸ indicate that, at a national level, employment will not reach its 2008 levels until 2014. The analysis above shows employment levels have not in practice declined significantly in Ribble Valley since 2008. However to be cautious I have assumed that there will be no net employment growth compared to 2008 until 2014, when it resumes the previous growth rate forecast by Oxford Economics.
- 3.18 Taking this forward on a pro-rata basis would mean total employment growth between 2008 and 2028 would be around 3,080 (or the equivalent of around 150 new jobs per annum⁹). This forecast total growth is quite a bit lower than that achieved over the period 1991 to 2010 outside the aerospace sector.
- 3.19 It was recently announced that an Enterprise Zone covering the BAE Systems sites in Warton and Samlesbury has been approved. This will mean firms locating on the site will benefit from zero business rates and access to superfast broadband. The Enterprise Zone will help the area to attract investment, with positive benefits across the wider economic area. It has been estimated that the Enterprise Zone in Samlesbury alone could support an additional 1,000 jobs for the area¹⁰. It is important also to note that BAE Systems appears to have decided to focus its aerospace operations in Lancashire on Samlesbury (rather than Warton) suggesting that aerospace employment there is likely to be at least sustained in the long term.
- 3.20 In summary there are several ways that future employment growth could be forecast:
- Crude extrapolation of past trends over a recent period - 340 net new jobs a year (taking the non-aerospace growth rate 1998 to 2008 from Table 3-1)
 - Taking a longer term view of employment trends: giving an annual average increase of around 240 net new jobs a year 1991 to 2010 (again excluding the aerospace sector) again taken from Table 3-1.

⁸ "Economic and fiscal outlook", November 2011, OBR

⁹ Calculated as follows: the OE forecast was for an annual average employment growth of 220 jobs a year 2008 to 2018 based on pre-recession forecasts; I have assumed that there is no jobs growth from 2008 until 2014 but then the growth of 220 jobs a year resumes; this gives 14 years of growth at 220 or 3,080 in total; averaged over 20 years this is 154 jobs a year or rounded to 150 jobs a year

¹⁰ Based on press reports about a new 16 hectare site to create 1,000 jobs which do not sound unreasonable to me (Source "Enterprise Zone at BAE Systems in Samlesbury to stretch into green-belt land", Lancashire Telegraph Wednesday 23rd November 2011)

- Looking at past forecast rate of growth, but explicitly taking into account the likelihood of lost employment growth in the period to 2014: this gives an annual average of around 150 net new jobs over the period 2008 to 2028.

Future Labour Supply Trends

3.21 I have also considered the implications of the future labour supply in Ribble Valley. My starting point has been to look at the latest ONS sub-national population (2008-based) projections for Ribble Valley. This provides forecasts of population by different age groups and gender. To these I have applied the national average age/gender specific economic activity rates drawn from 2008 (the most recent peak in terms of economic activity) I have applied these economic activity rates to the 2010 and then the 2028 forecast population to assess the likely implications for the labour force. The results of this analysis are summarised in Table 3-5. They show:

- First, that the working age population is set to fall by just over 1,000 over the period. This is based on groups for which there are separate economic activity rates available. As the table shows the fall is greater if we take the strictly defined working age population of 19-64/59 (around 1,500), however taking into account the revised female retirement age the fall in working age population aged 19-64 for both sexes is around 1,000.
- Second, that unless there is a major shift up in economic activity rates that the effect of the fall in working age population is to lead to a similar fall in the effective resident labour force in Ribble Valley.

3.22 The school leaving age is due to rise to 18 shortly, so it might be appropriate to exclude the under 20 age group. As can be seen from the table, this makes little difference to the assessment as the changes in this group are de minimis over the period.

Table 3-5: Forecast Labour Force for Ribble Valley

Table 3-5: Forecast Labour Force for Ribble Valley								
	Age Group	Economic Activity Rate*	Population Forecast (ONS)**			Implied Labour Force***		
			2010	2028	Change	2010	2028	Change
Men	15-19	53.7	2,000	1,900	-100	1,080	1,020	- 50
	20-24	80.3	1,300	1,100	-200	1,060	890	- 160
	25-34	92.7	2,300	2,600	300	2,320	2,410	280
	35-49	92.2	6,500	5,600	-900	5,790	5,150	- 830
	50-64	76.2	6,200	6,600	400	4,780	5,010	300
	Total			18,300	17,800	-500	15,020	14,480
Women	15-19	52.6	1,700	1,700	0	910	910	0
	20-24	70.8	1,100	900	-200	780	640	- 140
	25-34	76.2	2,400	2,400	0	1,880	1,800	0
	35-49	78.7	6,900	5,700	-1,200	5,400	4,460	- 940
	50-64	60.1	6,300	7,100	800	3,840	4,260	480
	Total			18,400	17,800	-600	12,800	12,070
Total	15-64		36,700	35,600	-1,100	27,820	26,550	-1,060
Total	19-59/64		30,800	29,300	-1,500			
Total	19-64 both sexes		33,000	32,000	-1,000			

Source: * ONS Annual Population Survey for 2008; ** population estimates from ONS 2008-based sub-national projections; *** the workforce is a Regeneris calculation **Note:** I have had to apply the 16-19 economic activity rate to the 15-19 age group, this will make a very minor difference to the calculations

4. NLP's Approach to Assessing Housing Need

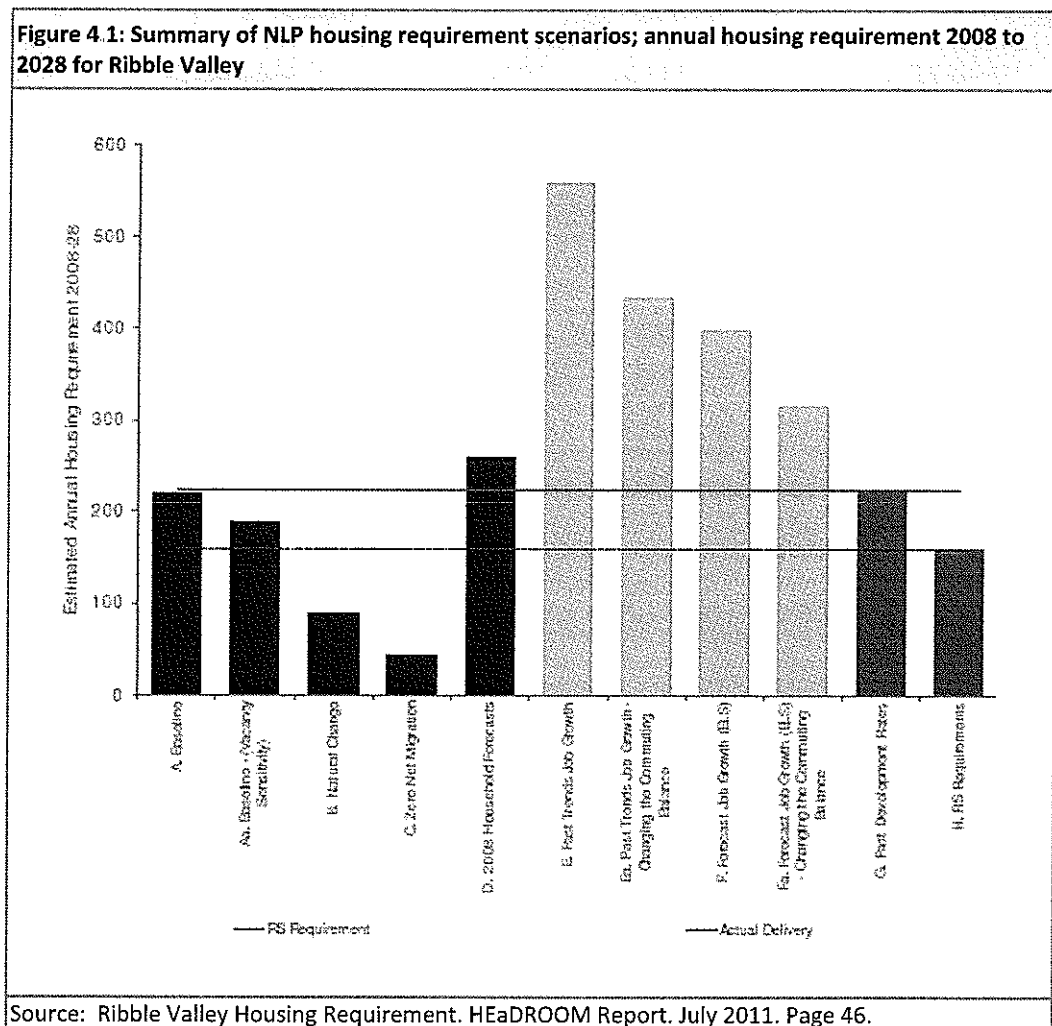
Nathaniel Lichfield and Partners Report

- 4.1 The report by Nathaniel Lichfield and Partners published in July 2011 set out a wide range of potential future housing requirements and related issues that the Council needs to consider. A public consultation on the findings and recommendations of the report is scheduled to close in December 2011, and the Council is likely to take a decision on its preferred housing requirement policy during 2012.
- 4.2 The stated purposes of the NLP report were to respond to the UK Government's decision to abolish the Regional Spatial Strategies, which had previously set the annual housing requirements for local authority areas, and to pass responsibility for setting long term housing development targets to local authorities themselves. It also reflected the substantial volume of representations on proposed housing requirements received by Ribble Valley Borough Council in response to the Core Strategy Consultation Draft first issued in 2010 and revised in 2011.
- 4.3 I have reviewed the NLP report which uses three main approaches (yielding 11 scenarios) to help assess the most appropriate housing requirement for Ribble Valley for the plan period. Broadly, the approaches adopted by NLP are:
- Five **demographic driven** scenarios. Future housing requirements are identified through the modelling of historic and projected demographic changes, historic and projected rates of in/out migration together with assumptions about the likely future characteristics of households. Under these scenarios, requirements range from a low of 43 units per annum (Scenario C – Zero Net Migration) to a high of 260 per annum (Scenario D – 2008 ONS Household Projections).
 - Four **economic driven** scenarios. Forecasts for change in employment are used to build two scenarios which identify the amount of housing that would be required to support an expanding workforce in the Borough. Projected requirements in these scenarios range from 318 units per annum (Scenario F(a) – Employment Land Study forecasts jobs growth) to 559 units per annum (Scenario E – past trends job growth), depending on a number of different assumptions about in-migration and commuting patterns. The requirements are much higher than those identified in the

demographic scenarios because they assume that the Borough's population and resident labour force will need to grow as the area creates new jobs

- **Two housing trends scenario.** Two scenarios which use past trends in housing completions in Ribble Valley and the Regional Spatial Strategy (RSS) requirements to identify requirements ranging from 161 units (Scenario H - RSS requirements) to 225 units per annum (Scenario G - past completions) It is important to note that in Scenario G NLP treats as atypical the moratorium on new housing development in Ribble Valley which was in place from 2004-08. Pre-moratorium trends in housing completions are used as the basis for NLP's approach to Scenario G

4.4 A summary of the 11 NLP scenarios is provided below in Figure 4.1.



- 4.5 **Having set out a wide range of scenarios, the NLP report reaches a judgement that a Borough target of 190-220 dwellings per annum would represent the most appropriate target range of housing development over the 20 year plan period.** This represents a total overall requirement of 3,800-4,400 units. This contrasts with an annual requirement for Ribble Valley set by the past Regional Spatial Strategy of 161 units per annum covering the period from 2003-21, giving a total requirement of around 2,900 units.
- 4.6 The NLP preferred range (190-220 units p a) would offer scope to deliver c. 55-60 affordable units per annum. However, this would represent only around 20% of the affordable housing need identified by the 2008 Ribble Valley Strategic Housing Market Assessment, a point NLP acknowledges (see paragraph 5.8(a)) and one which is addressed in more detail in the Proof of Evidence of Mr Venning.
- 4.7 In reaching this conclusion, NLP make what I consider to be three important observations:
- First, that...*"This figure (190-220 units) is lower than the latest CLG household projections (of 260 units per annum) to reflect realistic build rates of housing and constraints to delivery in the borough"* (para 6.2)
 - Second, that. *"it is NLP's view that any figure significantly lower than this 190-220 range would be unlikely to allow for the provision of a suitable level of affordable housing in the borough, nor would it allow the Borough to pursue its economic growth objectives without potentially encouraging unsustainable levels of in-commuting from neighbouring districts"* (para 6.2).
 - Third, that...*"this level.. would imply growth of economically active residents in employment of around 50"* (para 5.10). Subsequent analysis, in Appendix 2 of the NLP report, shows that in actual fact the total size of the available labour force, as measured by the size of the working age population, falls by around 680 over the 20 year period. NLP note that these numbers...*"contrast with the Borough's ELR job growth forecasts, which plan for job growth many more times higher than this"* (para 5.10). NLP state that for the ELR job growth forecasts to be met then new jobs would need to be filled by in-commuters or by clawing back Ribble Valley residents who currently commute elsewhere.

4.8 In response to these observations, I am of the opinion that:

- First, it is unclear why and how NLP have adjusted downwards the latest CLG household projections of 260 units per annum. They cite constraints to delivery in the borough and historic build out rates but provide no transparent assessment of either factor to justify the downward adjustment. There have been past constraints in terms of planning policy as NLP themselves acknowledge; however their own assessment of past trends in completion (taking the period excluding the moratorium as in their scenario D), is 225 units a year which is only 35 units a year below the ONS household forecast.
- Second, NLP are right to point out the dangers of agreeing a housing requirement any lower than the 190-220 unit range. As I set out below the implied reduction in Ribble Valley's working age population under this range will create a number of significant problems in Ribble Valley. An even lower figure would simply exacerbate these problems.
- Third, a sustained fall in the size of the working age population in Ribble Valley is very likely to cause problems in the successful delivery of new employment sites, efforts to revitalise the main service centres in the district and providing existing employers with a sufficiently large and broad labour market to sustain and grow their operations. I consider this to be a substantive issue and devote much of the subsequent chapter of this proof to expand on it. NLP themselves acknowledge on pages 32 and 33 of their report that there are very limited means, other than by increased in-migration and implied need for extra housing, that any future employment growth can be accommodated. They also point out the undesirability of major increase in in-commuting into the borough that would be associated with employment growth not matched by housing growth.

5. The wider implications of NLP's Preferred Requirement

A zero change in labour market size

- 5.1 The NLP report concludes that a Borough target of 190-220 dwellings per annum would represent the most appropriate target range of housing development over the 20 year plan period. The only difference in NLP's 190 unit and 220 unit scenario is an assumption over housing vacancy rates, and as such both scenarios use the same assumptions on total population change, the age breakdown of this, the size of the working age population and the number of households
- 5.2 Table 4.1 below provides the assumed population and labour force under the Baseline scenario. Under both scenarios, NLP's data forecast an increase in the population over 60 (women) and 65 (men) of around 50 per cent between 2010 and 2028, and a reduction in the number of working age residents between the age of 18 and 59/64. The reduction in residents of working age is quite a bit lower (676 compared to 1,500) than that forecast by ONS (for the 19 to 59/64 age group)
- 5.3 The scenarios underline what NLP itself describes as the challenges of an ageing population and a contracting population of young people present to the Borough. The data presented in the NLP report indicates that, even with a sustained net gain of residents through in migration, the proportion of residents in the 20-35 year age group will lag well behind the North West average. In-migration of this age group is being offset by a similar level of out-migration rate in the same group, offsetting any significant effect this may have on counteracting the natural ageing of the existing population
- 5.4 I have a number of comments on the scenarios:
- First, the implied change in total population is very similar to that from the latest ONS sub-national forecasts (4,800 or 8.2%), indeed the assumed change in total population is actually slightly higher than for the ONS forecasts.

- Second, the NLP approach using the POPGROUP model leads to a population change that has similar growth in the older population but more decline in the population under working age. As a consequence the fall in working age population is less substantial than that implied by the ONS forecasts.
- Third, the built in assumptions are that the economic activity rate increases from 2010 quite significantly so that the labour force sustained by a given working age population is assumed to rise (from 87.8% to 89.3%) Without this assumption there would be a much more significant fall in the labour force in Ribble Valley. There is no justification for this assumption in the NLP work and is one I have some reservations about. As I estimated earlier there are no compositional changes that would lead to such an increase, so NLP's work must be assuming an increase in activity rates in particular age/gender groups.
- Finally, NLP assume a slight rise in the proportion of Ribble Valley residents seeking work who are actually in jobs.

Table 5-1: NLP Preferred Population & Dwelling Change (2010-2028) – Scenario A

NLP Scenario A	2010	2028	Total change	% change	Annual change
Total population	58,300	63,400	5,100	8.7%	283
Working Age Population (A) (18-59/64)	32,342	31,666	-676	-2.1%	-38
Population under Working Population Age	12,301	1,1067	-1,234	-10.0%	-69
Population over Working Population Age	13,658	20,668	7,010	51.3%	389
Labour Force (B)	28,352	28,290	-62	-0.2%	
Residents in Employment (C)	23,989	24,041	52	0.2%	
Implied Economic Activity Rate (B)/(A)	87.7%	89.3%		1.7%*	
Implied Employment Rate (C)/(A)	74.2%	75.9%		1.7%*	
Households	24,444	28,251	3807	15.6%	212

Source: Extracted from NLP Ribble Valley Housing Requirement, HEaDROOM Report, July 2011
 Note: working age population defined as: 18 to 59, women; and 18 to 64, men * Percentage points change

The implications for Ribble Valley

5.6 An ageing population and a static or shrinking resident working age population has important implications for Ribble Valley's objectives for the growth and future sustainability of its economy and communities. These knock-on implications include:

- **Further tightening of Ribble Valley's labour market** which faced skills shortages during the latter half of the 2000s in some sectors of the economy according to the local authority's own analysis, and which has contributed to the increase in in-commuting as employers recruited outside the Borough. One consequence of this continued effect would be recruitment difficulties for local businesses, particularly in lower skilled, lower paid occupation where the Borough has previously recognised there have been particular problems for employers¹¹.
- **Problems achieving the diversification of the business base**, the development of employment in growth sectors and a move away from declining sectors which are economic objectives for Ribble Valley set out in both the consultation draft Core Strategy and the 2009-14 Economic Strategy. A tighter labour market in the Borough and a policy approach to housing which restricts the size of the local labour force may discourage the inward investment that would drive this change
- **Challenging conditions in which to sustain local service centres and facilities.** An ageing population is associated with lower levels of disposable income and a lower propensity to spend this income, which may have impacts on the turnover and profitability of local businesses such as retailers. By contrast an expanding working age population can help counterbalance this and inject additional and different types of expenditure into local centres. An expanding working age population, and their families, also provides a continued source of demand to sustain local services such as schools and crèches etc
- An ageing population would also be expected to **put additional pressure on local health and care services**, with (i) difficulties for younger family members to reside locally and take a support role and (ii) a difficulty for public sector providers to recruit the appropriate labour.

¹¹ Source: see the 2008-14 Economic Strategy

- 5.7 Each of these is explored in turn below. Interestingly, the Ribble Valley Economic Strategy 2009-2014 identifies as a key weakness.. *"Borough wide under-representation in 15-29 age group and a generally ageing population"* (page 12)

Further tightening of labour market

- 5.8 The NLP report demonstrates the historically low rates of unemployment in Ribble Valley (see para 2.23) – claimant count unemployment of 1.2% versus a North West average of 3.9% and an International Labour Organisation (ILO) rate of 3.3% versus an North West average of 8.8%.
- 5.9 The recent Ribble Valley Economic Strategy 2009-2014 identifies as a threat to economic performance the *"Tight labour supply & perceived skills shortages / gaps (particularly lower level occupations)"* (see page 12). The same analysis also identifies as a threat the *"exodus of talented young people"*. Elsewhere the strategy notes *"certain business sectors are increasingly recruiting staff from outside the county"* (page 30).
- 5.10 It is the case that since 2008 a small amount of slack has emerged in the local labour market, with unemployment rates rising slightly. However, a responsible planning authority should not be viewing this short term situation as the answer to what are substantive issues affecting ongoing economic performance.
- 5.11 The borough's aspirations for the growth and sustainability of its economy (see below), require working age people across a full spectrum of socio-economic and occupational groups from entrepreneurs to low paid, low skilled workers

Problems of economic growth and diversification

- 5.12 Ribble Valley has attached priority to delivering a number of changes to the structure of its local economy. These priorities are reflected in key documents for the Borough including the consultation draft Core Strategy, the 2009-14 Economic Strategy, the 2007-13 Sustainable Community Strategy. Drawn together, the Council and its partners have committed themselves to the following objectives:

- **Diversification of the business base.** The 2009-14 Economic Strategy (page 12) recognises that Ribble Valley is overrepresented in declining sectors, and to the need to *'to target inward investment efforts at sectors providing well-paid, quality employment opportunities, which will link in with the 'High Growth' aspirations'* (p. 20) The vision for Ribble Valley in 2025 set out in the consultation draft Core Strategy describes a Borough which will have diversified by encouraging and supporting a broader range of business sectors (3.2.4, page 19)
 - **Need to increase and broaden the range of employment opportunities for residents.** The 2007-13 Sustainable Community Strategy sets an aspirational target for an 8% annual net gain in jobs in the Borough (page 41), as well as a target 7 percentage point reduction in the number of residents choosing to work outside the Borough. This priority has been carried through into the 2009-14 Economic Strategy and the consultation draft Core Strategy. The draft Core Strategy (3.2.5, page 19) refers to the need to safeguard and promote local employment opportunities.
 - **Need to increase inward investment and business start up activity.** The 2007-13 Sustainable Community Strategy set a target for a 6% increase in the number of VAT registered businesses in the Borough (page 41) The Economic Strategy identifies as one of its key actions *'measures to attract inward investment and business start-ups in key growth sectors'* as part of efforts to move the Borough towards a higher wage economy' (page 34). Key statement DMB1 of the consultation draft Core Strategy (p. 89) sets out a clear commitment to support business growth.
- 5.13 NLP provide two scenarios of employment growth, each of which is adjusted to account for a different assumption on the levels of daily in and out-commuting. At the upper end, NLP use an extrapolation of past employment growth trends between 1991 and 2008 as set out in the 2008 Employment Land Study. This leads to an assumed job growth of 7,935 between 2009 and 2028 (or 27% or an annual average of 420 extra net jobs). This leads to a new dwelling requirement of between 434 per annum and 559 per annum depending on the assumed level of in and out commuting.

- 5.14 At the lower end, NLP use an extrapolation of the Business Environments forecasting model contained in the 2008 Employment Land Study. This leads to an assumed job growth of 4,370 taken by residents between 2009 and 2028 (in total 16% or plus 230 per annum) This leads to a new dwelling requirement of between 315 per annum and 398 per annum depending on the assumed level of in and out commuting
- 5.15 As I noted earlier, It is reasonable to assume that the scale and rate of employment growth forecast by Ribble Valley's 2008 Employment Land Review (c. 218 net new jobs per annum) is unlikely to be achieved year on year given the depths of the current recession, the further cuts expected to occur in public sector employment and forecasts on the slow rate of recovery across the UK economy. However, I consider it is highly unlikely that Ribble Valley will fail to generate any net growth in employment from now over the long term to 2028. As I noted earlier, between 2008 and 2010 employment, and unemployment, data show that Ribble Valley weathered the initial years of recession quite well.
- 5.16 Over the period 1999 to 2009 NLP report (para 2.21) showed that total employment grew in net terms by +7,200 (or +720 per annum). I believe there to be certain inconsistencies in the data they have been provided with and this overstates the true level of net employment growth in Ribble Valley due to the way the BAE Systems employment is recorded. Nevertheless, as noted above even taking the aerospace sector out of the equation, I believe total employment levels in Ribble Valley grew by about 240 net additional jobs per annum during most of the last two decades¹²

Renewing local service centres

- 5.17 There have been continuous efforts over the past decade to secure investment to sustain and improve facilities and services in Clitheroe and other settlements in Ribble Valley. A Clitheroe Town Centre health check carried out in 2004 identified a need to diversify the town's employment base, invest in a stronger tourism offer and strengthen the retail sector. This was followed by investment from the North West Development Agency as part of the wider market towns initiative programme.

¹² Taken from a consistent Annual Business Inquiry (ABI) data set for the period between 2000 and 2008

- 5.18 This policy push to regenerate Clitheroe and surrounding smaller settlements continues. Among Clitheroe's strengths are the extent of its self containment, with around 75% of residents of the area living and working in the town. However, the consultation draft Core Strategy acknowledges that there were '*early signs of decline*' (page 38) in 2010 and pointed to a need to review how its continued viability and vitality could be supported. A town centre masterplan for Clitheroe was adopted by Ribble Valley Council in June 2010. The masterplan is expected to inform Core Strategy development policies for the Borough, but amongst the key findings from the masterplan process was a need to increase footfall in the town centre to support retailers.
- 5.19 There is a strong body of evidence pointing to the importance of potential household expenditure and household characteristics in investment decisions by retailers and other service industries. National survey data for 2010 show that in households in which the head of the household is over 65, weekly expenditure is only 70% of that of younger households. An ageing population (and a declining working age population) will therefore lead to lower levels of expenditure in the local economy, with adverse impacts for retailers and other businesses operating in Clitheroe and elsewhere in Ribble Valley.

6. An Appropriate Housing Requirement in Ribble Valley

6.1 For the reasons set out in the previous sections of my proof, I believe NLP have been far too quick to dismiss both:

- *The 260 unit per annum requirement emerging from the latest ONS sub national population projections.* Many other areas are using ONS projections as the basis for housing delivery requirements. The idea that they are in excess of what the market can deliver in Ribble Valley is misguided. Ribble Valley *has* experienced annual completions in excess of this in the last decade and also the housing market has yet to fully respond to the genuine need for new housing that is emerging from reduced headship rates and an ageing population in localities such as Ribble Valley
- *The employment based scenarios of housing need* Whilst NLP's scenarios do not reflect fully the economic downturn, it is highly likely that the Ribble Valley economy will grow in net employment numbers in the next 20 years, not least because the Council has just approved a large scale Enterprise Zone. The NLP preferred housing scenario is wholly inconsistent with the employment growth aspirations set out for Ribble Valley in other policy and strategy documents and the evidence of past growth.

6.2 NLP have also overlooked the problems that would be encountered with a declining working age population in Ribble Valley as a result of limited housing growth.

A more appropriate range

6.3 I consider that it would be reasonable for Ribble Valley to consider two important factors that are touched on but in the end dismissed by NLP:

- First, the implications of the proposed target completions range for the scale of the workforce and the danger there will be a significant contraction in the workforce.
- Second, the need to cater for the likely future employment growth and so increase in labour force requirements for Ribble Valley employers.

Addressing the potential fall in the labour force

- 6.4 Even if Ribble Valley made provision to meet the forecast household growth set out in the ONS 2008-based sub-national projects (260 units a year), this would still on my analysis imply a drop in the working age population and the effective labour force available for local employers. This is due to the ageing structure of the area's population. To make up this deficit of around a 1,000 in the resident labour force would require around an extra 900 households or **an additional 50 new houses** a year over the 2010 to 2028 period (see Table 6-1) The implication is that the ONS-based household numbers are not labour force neutral, unless there is a dramatic upturn in economic participation rates in the 50 plus age group (of the order of 11% to 12%) over this period
- 6.5 The NLP baseline scenario appears not to lead to a problem in terms of a fall in the labour force only because they, in effect, assume that there will be an increase in both economic activity and employment rates from now to 2028 to offset the c 700 (or 2%) fall in working age population that they forecast. I consider that this is relatively unlikely to happen given that Ribble Valley has and will continue to be an area of high rates of economic participation and there is very limited scope to increase rates of participation. To offset their assumed fall in working age population around 35 dwellings a year would be needed without any offsetting increase in economic activity and participation rates

Addressing future employment growth

- 6.6 It appears to me almost inconceivable that there will not be significant employment growth in Ribble Valley over the next 18 years. The aspirations of the Council seem to be to support future employment growth and the prosperity of existing employers. The implications of the NLP suggested housing range is that there is absolutely no scope for any increase in the resident workforce in Ribble Valley. As I noted above, indeed I would argue that the implication of their range is a slight reduction in the workforce. I have set out in Table 6-1 some sensible scenarios for future employment growth in the area and the implications in terms of workforce requirements and associated housing requirements. In doing so:
- 1) I have used the range of 100% local jobs being filled by local people to 58% (the proportion that was the case in 2001) in the same way that NLP have. I consider the lower figure to be the most sensible one to use.

- 2) I have also taken a conservative view about employment creation historically (excluding the effect of aerospace for instance) or of future forecasts.
- 3) I have converted to population and households using the factors assumed by NLP for 2028

Scenarios for Growth	Annual Jobs Growth	Extra Jobs over period	Assumed % taken by locals	Extra local labour force	Extra population	Extra Households	
						Total	Per year 2010-2028
Historic rate (1991 to 2010 excluding aerospace sector) – * applied to 18 years	240	4,320*	100%	4,320	8,634	3,983	221
	240	4,320*	58%	2,506	5,008	2,310	128
OE forecast rate 2008-2018 applied for only 14 years	150	2,700	100%	2,700	5,396	2,489	138
	150	2,700	58%	1,566	3,130	1,444	80
Assumed workforce deficit				1,000	1,999	922	51

Source: Regeneris Consulting estimates
 Note: conversion from jobs to labour force and to population and households based on averages for NLP Scenarios E and F for 2010 to 2028 changes

- 67 The key points from this analysis are that on even a very cautious view about likely employment change in the future, I consider there would be an additional annual housing requirement of **around 80 units over and above the baseline requirement** to meet forecast employment change and associated workforce needs.

7. Summary & Conclusions

- 7.1 On behalf of Ribble Valley Borough Council, Nathaniel Lichfield and Partners (NLP) prepared a report in July 2011 setting out a range of potential future housing requirements and related issues that the Council needs to consider.
- 7.2 The NLP report concludes that a Borough target of **190-220** dwellings per annum would represent the most appropriate target range of housing development over the 20 year plan period.
- 7.3 The next 20 years will see a considerable ageing of the Ribble Valley population. It will also coincide with declining headship rates, with the number of residents per household forecast to decline from 2.41 in 2008 to 2.18 in 2028 (see NLP analysis para 3.32). Partly as a result of these factors, NLP's suggested housing requirement will leave **Ribble Valley with a declining working age population over the next 20 years**.
- 7.4 This declining working age population will have a number of important **negative impacts** on Ribble Valley including:
- **Further tightening of Ribble Valley's labour market** and likely recruitment difficulties for local businesses, particularly in lower skilled, lower paid occupation where the Borough has previously recognised there have been particular problems for employers.
 - **Problems achieving the diversification of the business base**, the development of employment in growth sectors and a move away from declining sectors which are economic objectives for Ribble Valley set out in both the consultation draft Core Strategy and the 2009-14 Economic Strategy. A tighter labour market is likely to discourage the inward investment that would drive this change and/or lead to substantially greater net daily in-commuting.
 - **Challenging conditions in which to sustain local service centres and facilities** A declining working age population will lead to a reduction in the volume and types of expenditure into local centres. A declining working age population, and their families, will also diminish demand to sustain local services such as schools and crèches etc.

- Difficulties for younger family members to reside locally and take a support role in the care needs of what will be a substantially ageing population. This in turn would **put additional pressure on already stretched local health and care services.**

7.5 I have reviewed the NLP assessment of potential housing need scenarios for Ribble Valley. The work is helpful and sets out a range of scenarios. However, I consider the reasons they decide that the baseline scenario is most appropriate (190 to 220 dwelling per annum) are not robust and appear to not take due consideration of the issues these figures raise in terms of labour supply.

7.6 The reasons they depart from the ONS sub-national household forecast, whilst assuming the same total population change, are not transparent. Nor is the method by which a reduction in working age population has been translated into a small net increase in resident in work over the forecast period.

7.7 My own analysis suggests that the ONS population forecasts on which the ONS estimates of households are based or the NLP own population forecast would be more likely to lead to a significant fall in the effective labour force.

7.8 I further consider it very unlikely that there will be no net growth in employment in Ribble Valley over the next 18 years. Should the council not make provision for additional housing to meet the need to offset the potential reduction in the labour force and meet employment change there would be several consequences:

- A significant increase in net in-commuting if this is possible¹³
- Further pressure on housing affordability as those living outside the area and commuting in seek to find houses in Ribble Valley
- Upwards pressure on wages and skill shortages emerging for employers
- An increasing ageing population with ensuing social consequences.

¹³ In the longer term the upward pressure on the costs of travel and congestion on the road network are likely to make increased stretched commuting patterns less likely in my opinion

7.9 I consider that in addition to the base requirement suggested by NLP of 220 units per year (assuming no reduction in vacancy rate which is the most sensible assumption as they acknowledge), it would be prudent to make provision for:

- The order of 35 to 50 dwellings a year to offset the likely decline in working age population.
- A further 80 dwellings to cater for future employment growth and so need to expand the area's labour force
- Or a total of around **330 to 350 dwellings a year**.

7.1 In the absence of this additional provision there would be serious implications for the economy of Ribble Valley and its employers.

7.2 The proposed housing site off Henthorn Road in Clitheroe would contribute in a positive way for meeting future housing needed, especially in relation to supporting the maintenance and increase in working age population.



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