

Representor ID: 365591 Comment ID:3058

Matter 4: Quantity of development (Policy 3)

Population, employment and household forecasts

Reason for submission

We provided an extensive consultation response to Policy 3 at the Pre-Submission stage. This remains the basis for our wish to participate in the Matter 4 discussion at the EiP, but developments since the consultation, most notably the issue of the ONS 2012-based sub-national population projections in May 2014 and then the Council's circulation on 20/08/14 of Document DCC2, raise important fresh information which is highly relevant to Matter 4.

This new material from the Council has only just become available, so the Trust's own supplementary submission has had to be redrafted at a late stage. Because the Council's DCC2 paper perpetuates some material errors in Document R5 which were not corrected in new Documents R5A and R6, we must refer to the Trust's 2013 consultation response in order to address these errors. A copy is therefore attached. The current supplementary submission uses the latest ONS and NOMIS series to refresh some of the data we cited previously, and a full reworking of our earlier Table 2 is provided on page 7 below.

Post-consultation consideration

At the pre-examination meeting the Trust drew attention to significant issues around the Council's population forecasts and the employment and household forecasts derived from them (R5). The ONS 2012-based subnational population projections provide a fresh basis for assessing these matters. The Inspector asked that the Council should hold a meeting to discuss these issues with interested consultees.

The Trust was represented at that meeting on 14/08/14, but despite a useful exchange of views it was not possible to reach common ground on forecasts of the county's population over the plan period to 2030. The Council officials confirmed that the overarching target for this element of the Plan remains the attainment of a 73% employment rate for county residents. They also stated that it was not intended to alter the population forecasts and targets which underlay the Pre-Submission Draft. DCC2 circulated on 20/08/14 confirms this position.

We consider that the ONS 2012-based sub-national projections substantiate the fundamental doubts about the soundness of Policy 3 which our earlier consultation response identified. They also provide further evidence about the Plan's non-compliance with Government policy which the Trust has previously raised. It is therefore extremely disappointing that the Council has determined not to modify its own forecasts in the light of the latest national projections; DCC2 instead concentrates on arguing why its 2011-based forecasts and targets should be preferred to the ONS projections.

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Our concerns in these areas are reinforced by the fact that the consultation feedback report (C1) contains no reference to the detailed analysis and criticism of paper R5 that was included in the Trust's response on Policy 3. Consequently these comments were not reported to elected members when they approved the Plan's submission.

Supplement DCC2

As DCC2 notes at para 20, projections are not forecasts. We also agree that forecasting from trend data is a matter of judgement. However, despite the Council's readiness to discredit alternative judgements (see Doc R6), it has itself repeatedly fallen into the trap of regarding its own forecasts as normative. For example, para 4.15 of Doc R5 states that "the POPGROUP... projections show that the population of the County is **scheduled** to increase by 47,700 over the planning period" (emphasis added). In common with other forecasts, DCC's relies on the inputs that are chosen, and while the Council's stated reasons for its choices may appear laudable, its preferred forecast has to pass the test of credibility. It is also fundamentally flawed by two factors: the gross errors in data analysis identified in the Trust's 2013 response; and the forecast's complete disregard of Government policy about the retirement age. Neither of these issues is addressed in DCC2

So far as credibility is concerned, the graph on page 3 of DCC2 shows the Council's preferred 2030 population target to be well above other series, and significantly higher than its own trend-based projections. While DCC2 unnecessarily complicates comparison by citing a variety of dates (Table 2 uses 2031 and 2037 instead of the plan end-date), it is silent on the fact that by mid-2013, two years into the planning period, the ONS mid-year estimate, based on current data, was showing the county's population to be 2,400 fewer than the 2011 trend-based projection for 2013 that underlies the Council's own forecasting. Even if higher population growth is assumed from mid-2013 onwards, the total growth rate needed for the rest of the plan period would need to be about 0.5% above that in the Council's original forecast in order to recover the 2011-13 shortfall.

Set against ONS's latest projection of significantly lower national and regional population growth than was envisaged in 2011, such a growth rate seems even more unrealistic. This is all the more so because, while Doc R6 (para 6.2) appears to pin its hopes on a recovery in international migration into the county, the newer DCC2 seems to follow the ONS projections by relying on a higher differential rate of growth in Durham than in the rest of the North East. But since population movements within the region or internally in a national or UK setting are ultimately zero-sum, the Council's retention of a relatively more aggressive growth target can only be at the expense of neighbouring authorities or other parts of the UK. The soundness of DCC2's insistence on a double-figure county population growth rate for the remainder of the plan period when the ONS now projects a 13.2% figure for England as a whole has yet to be demonstrated.

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In the context of DCC2's impassioned policy arguments for retaining the Council's forecasts (see especially paras 24 and 33-5), it is also important to emphasise that the errors and omissions embodied in these forecasts have numerical effects comparable with the differences between individual trajectories shown in that document. Indeed, the 22,500 difference between the Council's baseline 2030 forecast of working age population – the crucial element in employment and household forecasting – and that derived from ONS data and definitions is by itself greater than the 21,984 difference between the total 2030 population in the Council's "preferred scenario" and that in the ONS 2012-based projection for that year.

Key errors in the Council's calculations

Our Policy 3 response identified several fundamental errors in R5 which undermine both the validity of the Council's data and the conclusions that are drawn from it. These errors go beyond simple typographical mistakes or matters of interpretation: they are demonstrable data or methodological errors, and as noted immediately above are statistically very significant. The attached copy of the Trust's 2013 response gives fuller detail.

Although Table 4 of DCC2 introduces – without explanation or clarification – an "ONS 2012 Policy-on" variant of the Council's preferred growth scenario, and adjusts the layout of the original Tables 1-4 of R5 by including three new columns – "Labour force growth target"; "Total population by 2030"; and "Total households by 2030" – it perpetuates the basic error in the R5 tables by using the heading "**Total new jobs in County Durham**" for a column which actually represents the **total increase in the number of employed residents in County Durham** – which is a greater figure because of the effects of out-commuting. The Council itself variously uses a 23:30 or 1:1.19 ratio to adjust for commuting – see para 4.11 of Doc R5 and 11.14 of Doc R6.

As the Trust's original response showed, the 23,018 "total new jobs in County Durham" in Doc R5, repeated in R5A, and used again in DCC2, has actually been derived by calculating the number of workers in the "working age" cohort of the county's population needed to achieve the Council's 73% target employment rate. It is difficult to understand how the Council could have confused the two different concepts of employed residents (including in-migrants) and of jobs located within County Durham – the only remotely plausible explanation seems to be the coincidental alignment between this 23,018 figure and the 23:30 ratio used elsewhere in the documents. But by then multiplying this number up in this ratio to result in a "30,000 labour force growth target", the Council has effectively double-counted, by making provision twice for net out-commuting.

Instead of being multiplied up in the ratio 23:30, the 23,018 number should have been factored **down** in the same proportions to derive the number of new jobs **located within the county**. In the Council's preferred scenario, this would give a total of **17,647 new jobs within the county**, rather than the "**approximately 23,000**" stated in R5 para 5.21. Using the narrower commuting ratio of 1:1.19 would give a total of 19,343.

Unfortunately the error which has led to this miscalculated "30,000 labour force growth" appears to have become embodied within other arithmetics underlying R5's forecasts, and

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perhaps to have influenced the selection of the Council's "high in-migration" preferred strategy. R5, para 5.9, stated that "11,373 in-migrants would be **required** [emphasis added] to fill the remainder of the 30,000 new resident based employment opportunities." This figure seems to have been derived simply by subtracting the "total new jobs" figure in Tables 1-4 at a 73% employment rate (18,627) from the mistakenly-derived 30,000 figure. The logic which led the Council to make this calculation is obviously flawed - consistency requires that 18,627 should first also have been (erroneously) factored up in the same 23:30 ratio. The corrected first difference should be **4,391** (23,018-18,627). Although DCC2 does not repeat these numbers, it rehearses the same logic in para 30.

It is presumably this mistaken in-migration assumption that has led to the inconsistency between the 11.2% population growth target repeated in Table 4 of DCC2, and the "around 12%" stated in the main Plan, K6 para 4.26. But whatever the actual level of population growth the Council aims to generate through the Plan, these flawed in-migration forecasts feed directly through into the increased household "requirements" shown in R5, R5A, R6 and DCC2. This consequently undermines their credibility even before the other factors identified in the Trust's previous response are taken into consideration.

A similar absence of internal cross-validation in the Council's calculations is demonstrated when comparing Scenario 2 in Tables 1-4 of Doc R5 – 73% employment – with the preferred Scenario 4 – "73% employment plus 30,000 jobs" which is repeated in R6 and DCC2. Scenario 2 requires population growth of 47,721 (the Council's baseline forecast) compared with 57,502 in Scenario 4. This additional total growth of just under 10,000 is in itself clearly inconsistent with the claimed additional "11,373 in-migrants" needed to fill the balance of the 30,000 jobs. (It is perhaps more consistent with the corrected figure of 4,391 additional workers shown above.) However, since Scenarios 2 and 4 both postulate 73% employment it is difficult to see how the balance of advantage to county residents would be improved by the selection of an option that required an increase in Durham's population of around 10,000 simply to achieve additional workforce growth of 4,391. As discussed further below, the latest ONS data indicates that the projected working-age population within County Durham would be more than adequate to sustain a significant increase in the number of jobs within the county without the need for high in-migration.

Working age population

The impression that the Trust representatives took away from the 14/08/14 meeting was that the attainment of a 73% employment rate among county residents was the overarching objective of this part of the Plan. While the Trust of course agrees that an improved employment level is a prerequisite for increasing the well-being of the communities that the Council exists to serve, it does not agree with the repeated assertions in the main Plan and the evidence papers that this requires enhanced levels of in-migration to counter the changing demography of the resident county population.

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The same lack of rigour in the Council's use of data which has already been described can also be found elsewhere in the suite of documents – for example, R5, para 4.13 refers to a projected drop of **35,000** in the county's working age population over the plan period. No supporting evidence is provided, and in fact the Council's baseline population forecasts suggest a drop in the 16-retirement age [calculated on the 2011 retirement age] population of **4,350**. This figure was reasonably consistent with then-available ONS projections.

However, the Council appears to have developed its projections without any reference to the changes in statutory retirement age which were initiated by the previous Government and have been taken forward by the present Coalition. Its own forecasts do not incorporate these changes, and in consequence policies based upon these forecasts must *de facto* fail the soundness test because of this significant disregard of Government policy.

Both the previous and the latest ONS projections provide tables which allow the effects of the year-by-year implementation of the statutory changes to be calculated with minor simplifying assumptions. The Trust has updated its previous calculations using the latest ONS data, and this results in a slight upward adjustment in the projected size of the county workforce. At the Council's desired 73% employment rate, the county's projected population aged between 16 and the statutory retirement age in 2030 would be able to fill 19,913 more jobs than were held by working-age residents in 2011. Depending on what commuting ratio is assumed, between 15,200 and 16,750 of these additional jobs would be located within the county itself.

The Council's own trend-based forecast to achieve 73% employment requires an increase of only 18,627 employed county residents by 2030. As already noted, the Council's calculations, when corrected, imply that 4,391 additional in-migrant workers would be required to meet its higher target of 23,018 additional employed county residents – this figure could be reduced by 1,200 in the light of the latest ONS projections.

But since these additional migrant workers would be accompanied by dependants, who would add proportionately to the service requirements to be funded by Council Tax payers, it is difficult to understand what benefit the Council seeks to derive from an enhanced level of in-migration when its stated primary objective of 73% employment can be achieved from within the projected county working-age population. Improvements in the skills-base of county residents can be achieved more directly and effectively through the education services which the Council controls directly and in partnership with employers and training providers in the county than would ever be possible through the supposed "leavening" effect on a resident workforce of 242,000 of adding perhaps 3,500 extra migrant workers.

Gender and spatial dimensions

The Trust's 2013 response pointed out that before the recession the female economic activity rate in the county was 71%, higher than both the regional and GB averages. Women in the

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county had a lower unemployment rate than men in the working-age category. With the recession, this position completely reversed, with female economic activity and employment rates falling to 67.7% and 62.2% respectively. We emphasised that the Council's proposed employment and development strategy had failed to take account of the differential impact of unemployment on men and women residents, and also on the different areas within a widely-spread administrative county.

The latest NOMIS data, for 12 months to March 2014, shows some recovery in employment in the county, but the relative position of women has not improved. In that period 4,400 fewer men were in work than in the period to June 2007, whereas 7,600 fewer women were employed. In addition to the 10,700 women formally classified as unemployed in the period ending in March 2014, 13,100 economically-inactive women were seeking work, compared with 9,500 men. It will be statistically impossible for the Council to achieve its 73% employment target without prioritising the need to get more women back into work, a factor which will become even more important as the female retirement age increases over the plan period to match that of men.

Data for spatial employment differences within the county can only easily be accessed at parliamentary constituency level, but the six county constituencies provide a useful geographical proxy within the NOMIS database. The March 2014 figures confirm the significant disparities that underlie the county average of 66.2% total employment, ranging from 73.9% for the City of Durham constituency to 62.7% for Bishop Auckland. Only 3,200 of the county's 25,400 unemployed population for the year ending March 2014 were in the City constituency, whereas all other constituencies had more than 4,000 unemployed, with the largest concentrations in Sedgfield (5,100), Bishop Auckland, and north-west Durham (each 4,400). As with the gender differences, policies to increase the level of employment across the county to a 73% average will need to address these disparities if they are to be deliverable, sustainable and equitable: the Council's focus on stimulating new development in the City fails to satisfy these criteria, and is unsound in terms of actual alignment with the needs that the Plan purports to address.

Summary

The Trust accordingly continues to consider that Policy 3 requires radical revision to rectify the Council's flawed evidence base and to take proper account of the spatial and gender dimensions of policy implementation.

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REVISION OF TABLE 2 IN 2013 SUBMISSION USING LATEST ONS DATA

Projections of County working age and employed populations and net job requirement	DCC baseline	ONS 2011 MYE*; ONS 2012-based projection†	
	Working age popn	Popn aged 16-64	working age popn
Year			
2011	313,850	321,820	316,024
2030	309,500	316,776	332,073
Change 2011-2030	-4,350	-5,044	16,049
Notional 2011 employed popn @ 66.3%	208,083	213,367	209,524
Notional 2030 employed popn @ 66.3%	205,199	210,022	220,164
Notional difference 2011-2030	-2,884	-3,344	10,640
Actual employed popn aged 16-64 in 2011 (NOMIS)	222,500	222,500	222,500
Difference between 2011 NOMIS actual and 2030 notional @ 66.3% employment	-17,302	-12,478	-2,336
2030 employed popn @ 73%	225,935	231,246	242,413
Difference between 2011 NOMIS actual and 2030 notional @ 73% employment	3,435	8,746	19,913
Change in county-located jobs at 23:30 ratio (DCC)	2,634	6,706	15,267
Change in county-located jobs at 1.19 commuter ratio	2,887	7,350	16,734
* http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tc%3A77-246448			
† http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tc%3A77-335242			