



Review of Employment Prospects, Employment Land and Demographic Projections

Prepared on behalf of Winchester City Council

Winchester City Council

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Executive Summary

Employment Prospects

Between 2009 and 2025 total employment in Winchester District is anticipated to grow by 7,580 jobs (11%) from 66,300 in 2009 to 73,890 in 2025. Between 2025 and 2031, total employment could grow by a further 1,690 jobs (2%) if the trend projected to 2025 is extended.

The projections presented in this report reflect the anticipated growth prospects post recession and under a highly constrained public spending environment. Overall, employment growth within the District is expected to be more modest than originally projected. Furthermore, the composition of employment will change if forecasts are borne out.

The main generator of employment growth in Winchester is expected to be the Services sector, which is expected to generate an additional 8,010 jobs in Winchester to 2025 (an increase of 13%) – and potentially a further 1,860 jobs (3% growth) in the years 2025-2031 if the trends projected to 2025 continue. Within the services sector, the main drivers of growth between 2009 and 2025 are projected to be:

- Business Services, which includes many knowledge based and creative industries – 5,860 jobs (39% growth).
- Health – 1,280 jobs (9% growth)
- Distribution and retail – 1,070 jobs (13% growth)
- Hotels and catering – 560 jobs (14%)
- Other services – 320 jobs (11% growth)
- Within 'Other Services', 'Arts, entertainment and recreation' is expected to comprise around 41% (130) of the additional jobs - assuming its current share of employment is maintained.

Future employment growth is expected to be driven by Business Services. This is consistent with the previous forecasts though they expected growth in Financial Services to be a significant component of this. The projections for employment growth in the Business Services sector are higher than those contained in the previous 2007 report. This places a lot of weight on employment growth in Business Services and we would highlight this as a risk, though the Business Services sector contains many elements of the Creative industries sector and this has been identified as an area of opportunity for Winchester City in particular.

Growth is expected in Hotels and Catering and Distribution and Retail and modest growth in Construction. The scale of growth is less than half of what was projected in 2007.

Financial services is expected to remain static, in contrast to previous projections which included Financial Services as a key growth sector.

Manufacturing is expected to continue to decline whereas previous projections anticipated modest growth over the period. This may under-estimate the potential of Winchester's manufacturing businesses to buck the national trend. It is also important to point out that declines in manufacturing employment have proceeded at the same time as *growth* in manufacturing productivity. It is also important to note that manufacturing and production activities are as much about product conception, design, marketing and sales as they are about the physical production of products in factories and some of these activities may be defined under Business and Other Services sectors.

Employment in Public administration and Education – two key public sector activities – is expected to decline. Previous projections expected modest growth in this sector under what was described as Government services.

Given that Business Services is expected to be the key driver of future job growth, the implication is that job growth will be spread relatively evenly across the District. Both the PUSH area and Market towns and rural area have a greater share of the District's Business Service jobs than their share of total employment would suggest.

The sectors that appear to be important to Winchester City – Health, Public Administration and Education - are under pressure as a result of public sector spending constraints. Although the Health sector is projected to grow it is difficult to anticipate growth at rates associated with the past. The merger of the two NHS Trusts presents opportunities to grow this sector along with risks that jobs could move out of the City.

The points above suggest that there is a risk that employment in Winchester City will continue to decline as it loses jobs from key sectors and if it fails to capture its share of new growth in the Business Services sector.

Employment Land

The analysis reveals a net additional floorspace requirement of 82,100 sq m in Winchester District from 2009 – 2025 (and 97,500 sq m from 2009-31). This represents an annualised floorspace requirement over the 2009-2025 period of 5,200 sq m per annum.

This indicates a total new requirement across all use classes to 2025 of 13.3 ha and to 2031 of 15.7ha (this is a gross figure and excludes the re-use of land under B2 that is no longer required over the period). This compares to 44 ha (baseline position) and 84 ha (baseline plus regional growth position) from 2006-2026 in the 2007 study.

The annualised figure for 2009 - 2025 is 0.8ha per annum, which compares to annualised figures for the 2006-2026 period from the 2007 study of 2.2ha per annum (baseline) and 4.2 ha (baseline plus regional growth).

This presents a radically different assessment of employment land requirements to those set out in the Winchester District Economic and Employment Land Review of 2007 for the following reasons:

- Employment projections have been significantly downgraded. Employment projections produced by Oxford Economic Forecasting for 2009 onwards are 25% lower than those included in the ELR 2007. This change in economic prospects explains about one quarter of the difference in floorspace requirements between the ELR 2007 and those contained in this report.
- Employment growth is also expected to be driven almost entirely by the Business Services sector. Whereas in the 2007 report, there was some growth in employment anticipated from Manufacturing and much greater growth from Hotels & Catering and Distribution & Retail, sectors which have more extensive land requirements. Thus, the shift to higher density activities has also contributed to a lower overall requirement for floorspace.
- Employment densities assumed for B1a business space have increased since the 2007 report was produced. This means that more jobs can be accommodated per sq m of floorspace or per hectare of land, reducing the overall land take. For B1a business space, this appears to have effectively halved the requirement for floorspace amongst any given size of workforce.

The implication of the above is that, under 'business as usual' the District as a whole has much more limited need for additional floorspace over the coming years than appeared to be the case in the 2007 ELR.

Demographic Projections

On balance, DTZ support the Council's conclusion that 11,000 dwellings is a reasonable basis for planning new housing provision in Winchester's Local Development Framework. There are downward pressures on household growth which suggest 11,000 dwellings per annum may over estimate household growth in the

short term. But there are also potential upward pressures on household growth in the medium to long term which could push household growth and housing demand higher than currently projected.

Furthermore, based on the updated housing need assessment, delivery of 11,000 new homes could enable the City Council to meet around two thirds of housing need within the District over the plan period through new supply and re-lets within the existing stock. This would imply a level of affordable housing delivery through the planning system that far exceeds what has been achieved in Winchester in the past. Whilst this leaves around one third of needs unaddressed, it may be possible to increase the rate of re-lets and find solutions within the private rented sector to ensure all priority needs are addressed.

We would suggest that this figure is not described as a fixed target, given the uncertainties over growth in the medium to long term. The simplest option might be for the plan to say that it is 'making provision for 11,000 new homes' without saying whether this is a target or a ceiling. This would then give the Council flexibility over the figure, depending on the context and on the merits of applications that come in from development.

1 Introduction

This report was commissioned by Winchester City Council in 2011 to support the development of its Core Strategy. Given the changes in the economic environment over the last 3 years, there is a need to ensure that the policies set out in Winchester's Core Strategy are as 'future proof' as possible. This report critically examines the employment and demographic projections for the District and the implications of these for policy.

The report is structured as follows:

- Section 2 reviews employment prospects for Winchester District to 2031, using employment projections which take into account the effects of the recession in 2008/09 and proposed public sector job cuts. Section 2 considers how the changing performance in key sectors impacts upon employment projections. It is based on the most recent understanding of future economic trends as they affect Winchester as a whole and the different parts of the District.
- Section 3 takes forward the employment projections discussed in Section 2 and translates them into the likely additional employment floorspace required (by use class) across the District over the period from 2009 to 2031.
- Section 4 reviews projections of population and household growth that have informed the housing requirements set out in Plan for Places¹. The underlying projections are likely to have been affected by economic events over the last 3 years and so the purpose of this section is to consider whether they remain a robust estimate of future trends.

Data and analysis is presented, where possible for Winchester District as a whole and for three sub-district areas, in line with the Core Strategy:

- Winchester City
- The PUSH area (south of the District which falls into the Partnership for South Hampshire area)
- Market towns and rural area (the largely rural area outside of the City and PUSH area)

¹ Plan for Places after Blueprint – Winchester City Council's consultation on development to be set out in the Local Development Framework

2 Employment Prospects

2.1 Introduction

This section reviews employment prospects for Winchester District, using employment projections which take into account the effects of the recession in 2008/09 and proposed public sector job cuts. It also considers how the changing performance in key sectors impacts upon employment projections. It aims to inform the Winchester District Local Development Framework and ensure it is based on the most recent understanding of future economic trends in Winchester as a whole and the different parts of the District.

Given the dramatic changes in the economy over the last 3 years, there is a need to reconsider what the prospects are for employment growth in Winchester District over the next 20 years (the plan period for the Local Development Framework). As the economic crisis has unfolded, long term forecasts for employment growth have been progressively downgraded. Current forecasts for employment from 2011-2031 are substantially lower at the national level than those prepared 2-3 years ago.

The *composition* of anticipated employment growth has also changed with the public sector now expected to experience a significant fall in overall employment, with the private sector accounting for such new job growth as there is over the next 5 to 10 years. There is a need to estimate the future course of job growth in Winchester District as anticipated at this point in time and the implications this has for policy – particularly in terms of employment land provision but also the possible impact on patterns of migration and hence on population and household projections.

This section is structured as follows:

- Current employment position in Winchester District
- How employment has changed in the recent past
- Projections for employment growth in Winchester District
- Implications for different parts of the District
- How these projections compare to those in the 2007 Employment Land Review
- Key observations

Section 2 takes forward the employment projections and produces estimates for the quantity of employment land likely to be required in the future.

Approach to data

DTZ has accessed Oxford Economics' suite of economic and employment forecasts. These are standardly produced at NUTS3 level – so there are forecasts for Hampshire and the Isle Of Wight as a whole. We have a well tested methodology for modelling these forecasts down to District level using shift share techniques. In this section we use this approach to produce new employment forecasts for the District as a whole using the most up to date Oxford Economics forecasts which cover the period 2009 - 2025.

We compare this forecast with those contained in the Winchester District Economic and Employment Land Study (2007 & 2009) by SQW, and identify the key differences in terms of absolute changes in anticipated employment levels over time and the profile employment growth. We also examine how the changing level of employment growth and sectoral composition is likely to impact on different areas the district.

It is also worth noting that the ONS has recently changed its method for collecting employment data. The Business Register and Employment Survey (BRES) has replaced the Annual Business Inquiry (ABI). For this reason, data for 2008 and 2009 under the BRES cannot be directly compared with data in previous years under the ABI. It is in any case useful to distinguish between changes 2008-09 and in the years up to 2007

since this demarks the financial crisis and economic recession. However, there will be some changes to the data 2008-09 which are explained by changes to the BRES methodology rather than the economic recession and this limitation with the data and analysis needs to be acknowledged. 2009 BRES data is the latest available employment data.

This section analyses the employment profile of three sub-district areas within Winchester:

- Winchester City
- The PUSH area (south of the District which falls into the Partnership for South Hampshire area)
- Market towns and rural area (the largely rural area outside of the City and PUSH area)

We do not produce forecasts for these areas but, drawing on data on their employment profile and the forecasts for the District as a whole, we comment on the likely different impacts across the District.

2.2 Current Employment Position

In 2009, there were approximately 66,310 employees in Winchester district, a drop of 0.6% from 2008. Within the three sub-district areas within Winchester, only the PUSH area experienced an increase in jobs over the period by 4.9%, resulting in a total of 20,210 jobs in 2009. In contrast, the market towns and rural area of Winchester experienced a significant reduction in jobs by nearly 9%, leaving a total of 14,240 in 2009. Employment in Winchester City remained broadly level over 2008-09 with 32,910 jobs in 2009, 50% of the District's total employment.

Figure 2.1: Number of jobs in Winchester District, by area

Area	2009	% of total district employment	Absolute change 2008-2009	% change from 2008
Winchester District	66,310	100%	-390	-0.6%
Winchester City	31,860	50%	20	0.1%
Market towns and rural area	14,240	21%	-1,360	-8.7%
PUSH area	20,210	29%	950	4.9%

Source: BRES, Nomis

Appendix 1 shows a breakdown of the broad sectors that have been analysed in this study and examples of the more specific types of activities that are included in these broad sectors. For example, key sectors that were identified in the 2007 and 2009 studies for Winchester were:

- **Business Services** – in this study, this sector includes activities in Information and communication; Real estate activities; Professional, scientific and technical activities; and Administrative and support service activities. It is in this sector that significant aspects of the knowledge economy are captured.
- **Creative Industries** – This is a sector that spans a number of sectors. DCMS records employment in the creative industries according to the following activities: Advertising, Architecture, Art & Antiques, Crafts, Design & Designer Fashion, Video, Film & Photography, Music and the Visual & Performing Arts, Publishing, Software, Computer Games & Electronic Publishing, Radio and TV.² In this study, many of these activities are captured in both the Business Services and Other services categories. Therefore growth in Creative industries would help to drive growth in Business Services and Other Services.

² http://webarchive.nationalarchives.gov.uk/+http://www.culture.gov.uk/reference_library/publications/6622.aspx

Figure 2.2 provides an overview of the composition of employment within Winchester district in 2009. The following observations can be made:

- The Services sector accounts for the majority of employment in Winchester District. The sector accounted for 90% (59,580) of total employment in 2009. Within this sector, Business Services and the Health sector were the largest, accounting for approximately 25% (15,110) and 21% (14,110) of jobs respectively
- Winchester City holds 51% (30,480) of the District's service sector jobs, slightly higher than its share of total employment of 50%.
- In the case of the Health sector, 78% (11,000) of jobs are within Winchester City.
- Public Administration (4,970 jobs) and Education (5,520 jobs) each accounted for around 8% of jobs in the district. Winchester City accounted for the majority of jobs in both sectors, at 83% and 55% respectively – far higher than the City's share of total employment.
- Financial Services only accounts for 5% of employment within the District. The majority of financial services jobs (52%) are within the PUSH area, while 43% are in Winchester City.
- The largest sector - Business Services - appears to be distributed relatively evenly across the District, with 34% in Winchester City, 33% in the market towns and rural area and 33% in the PUSH area. Both the market towns and rural area and the PUSH area have captured a higher share of Business Service jobs than their share of total employment.
- Production and Construction sectors only accounted for 10% of the total employment in the District. The majority of these jobs are within the PUSH area, which accounts for 56% of jobs in this sector – significantly higher than the area's share of total employment (30%)
- The majority of manufacturing jobs are also within the PUSH area (55% of the share of the District's manufacturing jobs) and again, much higher than the area's share of total employment (29%)
- The majority of construction jobs are also within the PUSH area (60% of the District's construction jobs).
- The market towns and rural areas of the district account for the largest proportion of mining, quarrying and utilities sector jobs (63%).

Figure 2.2: Profile of jobs within Winchester, by Area, 2009

Sector	Winchester City		Market Towns and Rural Areas		PUSH Area	Winchester District			Winchester District change from 2008	% change
	Total Employment	% share of district sector employment	Total Employment	% share of district sector employment	Total Employment	% share of district sector employment	Total Employment	% share of district sector employment		
Agriculture, forestry and fishing	30	19%	40	27%	70	54%	130	0%	50	68%
Production & Construction	1,360	21%	1,540	23%	3,700	56%	6,600	10%	-210	-3%
Mining, quarrying & utilities	0	1%	180	63%	100	34%	290	0%	-140	-33%
Manufacturing	770	24%	700	22%	1,780	55%	3,260	5%	-240	-7%
Construction	580	19%	650	21%	1,820	60%	3,050	5%	170	6%
Services	30,480	51%	12,660	21%	16,437	28%	59,580	90%	-230	0%
Distribution & Retail	3,440	41%	1,940	23%	2,940	35%	8,320	13%	-1,530	-16%
Transport & Communications	460	22%	180	8%	1,460	70%	2,098	3%	940	81%
Hotels & Catering	1,420	43%	1,300	31%	1,430	34%	4,150	6%	-510	-11%
Financial services	1,460	43%	140	4%	1,760	52%	3,360	5%	530	28%
Business services	5,150	34%	5,000	33%	4,970	33%	15,110	23%	-850	-5%
Public Administration	4,120	83%	550	11%	310	6%	4,970	7%	-380	-7%
Education	3,060	55%	1,580	29%	890	16%	5,520	8%	140	3%
Health	11,000	78%	1,440	10%	1,660	12%	14,100	21%	1,820	15%
Other services	1,290	45%	550	19%	1,020	36%	2,860	4%	-390	-12%

Source: BRES, Figures rounded to nearest 10 and may not sum precisely to totals in Figure 2.1 and 2.3 because detailed sector data at ward level is adjusted by NOMIS to maintain confidentiality

2.3 Past Change

Figure 2.3 presents data for employment change in 2003-2007 – the five year period before the economic down turn. Figure 4 presents data for 2008-09 – the period which contains the recession and return to growth and is the latest available data.

A column is also included in Figure 3 which shows the total recorded change in employment between 2003 and 2009, although it should be noted that the ABI/BRES methodology changed in 2008 and so figures between 2007 and 2008 should not be directly compared. A similar change in ABI methodology in 2006 may also affect the continuity of figures between 2005 and 2006.

In the district as a whole there was a 4.3% increase in jobs between 2003 and 2007, or 2,780 jobs in total. Between 2008 and 2009, however, there was a 0.6% (390) reduction in jobs. If one considers the data between 2003 and 2009, there was a 4% increase of jobs within the district in total (2,580 jobs).

Within the District:

- The PUSH area experienced 30% employment growth between 2003 and 2007, amounting to 4,340 new jobs and a 35% increase between 2003 and 2009. The area was the only area to experience an increase in jobs during the economic downturn, by 5% (960) between 2008 and 2009.
- Winchester City, however, experienced a reduction of jobs by 9.3% over the five years 2003 to 2007 (-3,200 jobs) and a 7.7% decrease between 2003-2009, compared to a small 0.1% (20 jobs) increase between 2008 and 2009.
- Employment levels in the market towns and rural area appears to have been more volatile, varying from year to year. The area experienced a reduction in jobs by 8.7% between 2008 and 2009, or 1,360 jobs compared to an increase of nearly 11% (1,550 jobs) between 2003 and 2007. Over the period 2003-2009, the level of employment within the area has been broadly flat.

Figure 2.3: Change Employment: 2003-2007

Area	2003	2004	2005	2006	2007	Absolute change 2003-07	% change 2003-07	Absolute change 2003-09	% change 2003-09
Winchester District	63,730	64,130	64,070	64,010	66,510	2,780	4.3%	2,580	4.0%
Winchester City	34,500	34,380	30,910	31,180	31,310	-3,200	-9.3%	-2,640	-7.7%
Market towns and rural areas	14,250	12,000	15,100	13,980	15,800	1,550	10.9%	-10	-0.1%
PUSH area	14,980	16,000	18,070	18,860	19,410	4,430	30%	5,230	35%

Source: ABI, Figures rounded to nearest 10

Figure 2.4: Change in Employment 2008-2009

Area	2008	2009	Change 2008-2009	% change 2008-09
Winchester District	66,700	66,310	-390	-0.6%
Winchester City	31,840	31,860	20	0.1%
Market towns and rural areas	15,600	14,240	-1,360	-8.7%
PUSH area	19,260	20,210	960	5.0%

Source: BRES Figure rounded to nearest 10

Figure 2.5 indicates the change in jobs by sector in Winchester district and by sub-district area, between 2003-2007 and 2008-2009. The following observations can be made:

- The Service sector grew by 4.4% (2,420 jobs) between 2003 and 2007 but lost 230 jobs or 5.8% of jobs between 2008 and 2009. Within the services sector, Distribution and Retail lost the highest number of jobs in the latter period: 1,530 - a 16% reduction. The greatest percentage loss was experienced in the market towns and rural area of Winchester.
- The Transport and Communications sector experienced the greatest rate of growth between 2003 and 2007 at nearly 112% (1,840 jobs). This is greatly attributed to growth in the PUSH area. A further 940 jobs were gained between 2008 and 2009.
- The Health sector achieved significant growth between 2003 and 2007 at 37.4%, an increase of 3,300 new jobs. It was also one of the sectors which grew between 2008 and 2009, by nearly 15% or 1,820 jobs. The largest absolute was achieved in Winchester City 2003 – 2007 and 2008 - 2009 but the market towns and rural area and PUSH area have also benefited in both periods.
- The Construction sector grew by 33.9% between 2003 and 2007 (680 jobs) and 6% (170) between 2008 and 2009 across the district.
- There was employment growth in the Financial Services sector by 21.5% (400 jobs) between 2003 and 2007 and by 28.1% (530) between 2008 and 2009.
- According to the data Public Administration appears to have experienced the greatest *loss* of jobs (4,980) between 2003 and 2007, a 50% reduction. However this figure should be treated with caution. In this period, the majority of these public sector job losses between 2005 and 2006 appear to have occurred in St Pauls ward in Winchester City, where the Hampshire and Isle of Wight Constabulary is based (the organisation as a whole employs around 6,000 employees) as well as Hampshire County Council. It is possible that there has been a change in where some of these public sector jobs are registered, although this cannot be confirmed due to data confidentiality.
- There was a further 7.2% (380 jobs) reduction between 2008 and 2009. The largest loss was in Winchester City of 4,730 jobs (2003-07).
- Furthermore, 1,010 jobs were lost in Other Services between 2003 and 2007, a loss of 22.2%.
- The Hotel and Catering sector has experienced losses in all parts of the District in both periods, including over 500 jobs lost in 2008-09.
- The Mining, Quarrying and Utilities sector experienced the greatest percentage loss of jobs in the district between 2008 and 2009 - 32.5%, or 140 jobs.
- Winchester's manufacturing sector was reduced by 10.5% (400 jobs) between 2003 and 2007 and nearly 7% (240 jobs) between 2008 and 2009.

Figure 2.5: Profile of jobs by area, % change 2003-2007, 2008-2009

Sector	Winchester City				Market towns and rural areas				PUSH area				Winchester District			
	2003-7		2008-09		2003-07		2008-09		2003-07		2008-09		2003-07		2008-9	
	Change	% Change	Change	% Change	Change	% Change	Change	% Change	Change	% Change	Change	% Change	Change	% Change	Change	% Change
Agriculture, forestry and fishing	-50	-89%	20	178%	11	-44%	10	44%	140	61%	30	60%	60	15%	50	68%
Production & Construction	-130	-8%	-40	-3%	-50	-3%	-50	-3%	460	17%	-120	-3%	290	5%	-210	-3%
Mining, quarrying & utilities	-10	-83%	-70	-95%	20	10%	10	5%	-10	-73%	-80	-44%	10	3%	-140	-33%
Manufacturing	-100	-11%	-2	-0.3%	-190	-19%	-80	-10%	-100	-6%	-160	-8%	-400	-11%	-240	-7%
Construction	-20	-3%	30	6%	130	33%	20	3%	580	56%	120	7%	680	34%	170	6%
Services	-3,040	-9%	-50	0%	1,620	13%	-1,320	-10%	3,830	32%	1,050	7%	2,420	4%	-230	-6%
Distribution & Retail	-500	-10%	-1,020	-23%	380	31%	-770	-28%	480	20%	-100	-6%	360	4%	-1,530	-16%
Transport & Communications	120	176%	-70	-14%	1620	13%	-30	-15%	1200	265%	510	41%	1840	111%	940	81%
Hotels & Catering	-100	-59%	-130	-8%	380	31%	-290	-18%	-96	-6%	-100	-2%	70	2%	-510	-11%
Financial services	20	4%	-40	-6%	0	3%	60	80%	370	29%	510	41%	400	22%	530	28%
Business services	20	0.4%	-30	0.6%	550	11%	-780	-14%	1,570	65%	-100	-2%	2,140	17%	-850	-5%
Public Administration	-4,730	-53%	-80	-2%	-10	-1%	160	41%	-240	-33%	-460	-59%	-4,980	-49%	-380	-7%
Education	-20	-0.7%	300	11%	400	27%	2	0.1%	-90	-8%	-160	-15%	300	6%	140	3%
Health	2,670	39%	1,290	13%	150	15%	300	26%	480	52%	230	16%	3,300	37%	1,820	15%
Other services	-520	-26%	-240	-16%	-650	-44%	30	5%	160	15%	-180	-15%	-1,010	-22%	-390	-12%

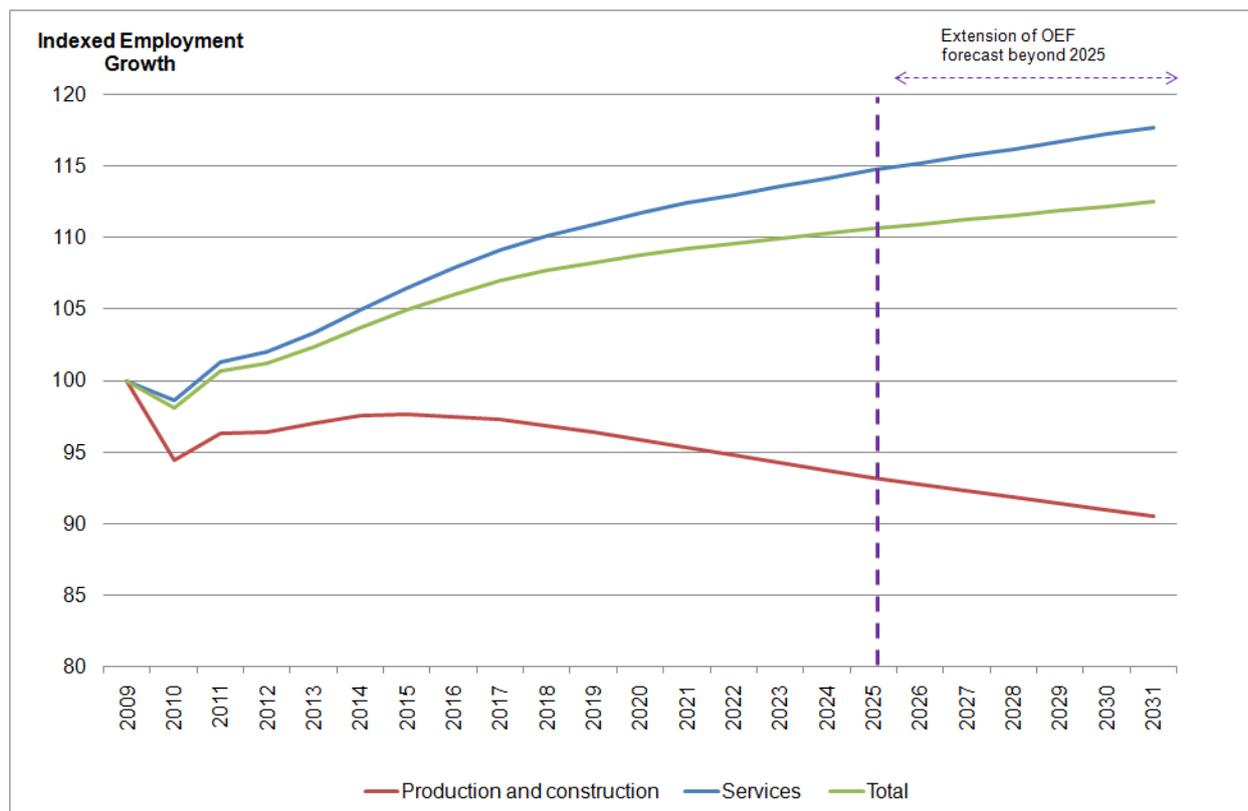
Source: ABI, BRES, Figures rounded to nearest 10 and may not sum precisely to totals in Figure 3 because detailed sector data at ward level is adjusted by NOMIS to maintain confidentiality

2.4 Employment Projections for Winchester

Employment projections for Winchester have been produced by applying Oxford Economics projected employment growth rates by sector for Hampshire and the Isle of Wight, to the current sector employment profile in Winchester District (which is taken from the 2009 BRES).

This technique indicates total employment will gradually increase from 2012, driven mainly by employment growth in the Services sector; with the Production and Construction sector expected to continue to gradually decline beyond 2014-15.

Figure 2.6: Indexed Employment Growth 2009 – 2031 (2009 = 100)



Source: BRES, OEF, DTZ

Between 2009 and 2025 total employment is anticipated to grow by 7,580 jobs (11%) from 66,300 in 2009 to 73,890 in 2025. Between 2025 and 2031, total employment could grow by a further 1,690 jobs (2%) if the trend projected to 2025 is extended.

Over the period 2009 - 2025 Production and Construction is anticipated to decline by 420 jobs or 6%. However within this sector, Manufacturing is expected to decline by 970 jobs (30%), but Construction is anticipated to grow by 560 jobs (17%), with little change anticipated in Mining, Quarrying and Utilities. If we assume the projected trends continue beyond 2025, to 2031, then a further 160 jobs could be lost in Production and Construction, with Manufacturing falling by a further 280 jobs offset to some extent by 140 additional jobs in Construction, with the remainder a minor decrease in mining, quarrying and utilities employment).

It is important to note that nationally, Manufacturing *output* has grown whilst employment has fallen in the sector. These projections do not predict a decline in manufacturing activities but a decline in jobs associated with them. This is partly a reflection of the development of more advanced manufacturing activities which are often less labour intensive.

The main generator of employment growth in Winchester is expected to be the Services sector, which is expected to generate an additional 8,010 jobs in Winchester to 2025 (an increase of 13%) – and potentially a further 1,860 jobs (3% growth) in the years 2025-2031 if the trends projected to 2025 continue. Within the services sector, the main drivers of growth between 2009 and 2025 are projected to be:

- Business Services – 5,860 jobs (39% growth).
- Health – 1,280 jobs (9% growth)
- Distribution and retail – 1,070 jobs (13% growth)
- Hotels and catering – 560 jobs (14%)
- Other services – 320 jobs (11% growth)
- - Within 'other services', 'Arts, entertainment and recreation' is expected to comprise around 41% (130) of the additional jobs - assuming its current share of employment is maintained.

It should be noted that as well as those captured in Other Services, activities in the Creative Industries would be likely to be captured within Business Services growth. A briefing note on the creative industries in the PUSH area observed a higher than average concentration of creative firms and jobs in Winchester and particularly high concentrations of Architecture and Software.³

Figure 2.7: Total Projected Employment Growth in Winchester by Sector 2009-2031

	2009	2010	2015	2020	2025	Absolute	%		%
						Growth	Growth	Growth	Change
						2009-	2009 -	2025 -	2025-
						2025	2025	2031	2031
Agriculture, forestry and fishing	130	150	140	130	120	-20	-13%	-10	-10%
Production and construction	6,600	6,380	6,430	6,340	6,180	-420	-6%	-160	-3%
Mining, quarrying and utilities	290	330	310	290	280	-10	-4%	-20	-6%
Manufacturing	3,260	3,060	2,880	2,570	2,290	-970	-30%	-280	-12%
Construction	3,050	2,980	3,250	3,480	3,620	560	18%	140	4%
Services	59,580	60,300	62,720	65,730	67,590	8,010	13%	1,860	3%
Distribution & retail	8,320	8,410	8,910	9,280	9,390	1,070	13%	110	1%
Hotels & catering	4,150	4,330	4,550	4,700	4,710	560	14%	10	0%
Transport & communications	2,100	2,030	2,190	2,310	2,350	260	12%	40	2%
Financial services	2,440	2,220	2,350	2,370	2,380	-60	-2%	10	0%
Business services	15,110	15,140	17,920	19,810	20,980	5,860	39%	1,160	6%
Public administration	4,980	5,050	4,310	4,200	4,150	-820	-17%	-40	-1%
Education	5,520	5,430	5,130	5,060	5,070	-450	-8%	0	0%
Health	14,110	14,930	14,450	14,890	15,390	1,280	9%	500	3%
Other services	2,860	2,770	2,920	3,100	3,180	320	11%	80	2%
Total	66,310	66,830	69,300	72,200	73,890	7,580	11%	1,690	2%

Source: BRES, OEF, DTZ

³
http://www.google.co.uk/url?sa=t&source=web&cd=1&ved=0CBsQFjAA&url=http%3A%2F%2Fwww.push.gov.uk%2Fbriefing_note_-_creative_industries_in_the_push_area_-_12052010.pdf&ei=-RpWTuiAlc618QP-toyJDA&usq=AFQjCNGuPeE3OozC6HDw9bGp0VbxuOuww

There remains considerable uncertainty over the next few years let alone the prospects longer term. But there is some degree of emerging consensus about some aspects of the future:

- First, that the future will be characterised by increased uncertainty. The period 1995-2007 was a period of stability characterised by fairly consistent economic growth, low and stable inflation, high and rising employment. The durability of these conditions led investors, business and consumers to expect their continuation. That certainty has evaporated, and therefore risk and uncertainty will shape behaviour to a much greater extent than earlier in this decade.
- Second, there is growing acceptance that in terms of economic output, the recession will have led to a permanent loss of economic capacity; that is, while the long term rate of economic growth may be re-established in time (though there is no agreement that this will be the case), there will be no period of higher than average growth that takes the UK back to the overall growth line that was anticipated prior to the downturn.
- Third that the public expenditure environment of at least most of the following decade is going to be very constrained by the high level of government indebtedness resulting from the financial crisis. The public sector was a significant source of job creation in the UK over the period 2000-07. Constraints on public expenditure will mean that public sector employment will no longer be such a significant source of job growth in the future.
- Fourth, the credit environment will be much more constrained than in the decade to 2007. This will be the result of the need for many of the banks to deleverage (reduce their debts) and restore their balance sheets; and tighter regulation of financial institutions. The heightened awareness of risk, and the experience of significant losses incurred by the financial institutions on their loans, will mean that lending will be more restrained, and probably more expensive than it was pre-2007. This in itself is likely to constrain growth.

The projections indicate a minor reduction (60) in the number of jobs in the Financial Services sector over the period. It is worth considering why this might be the case, given the growth in this sector experienced in previous years and the fact that it has been a key driver of job growth in the past. The UK and global recession in 2008/09 was triggered by a financial crisis. The severity of this crisis will have a profound effect on the shape of the sector and its ability to create jobs in the future for a number of reasons:

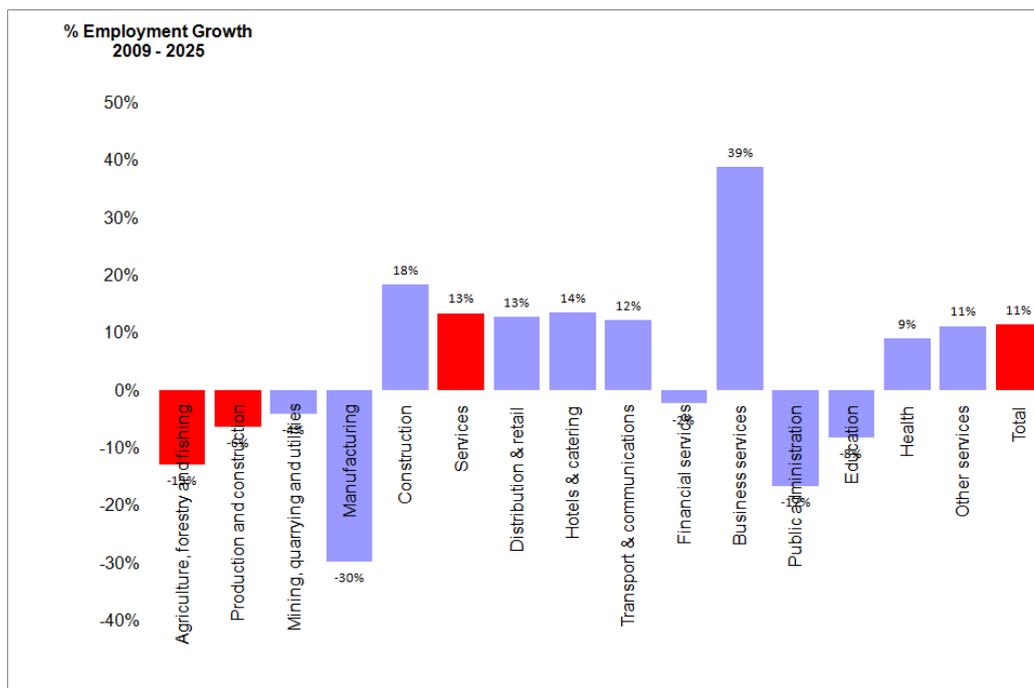
- Within the UK but also in Europe and the US, Governments have called for tighter regulation of the financial services industry, specifically the riskier activities of investment banks and how far they are intertwined with the retail banks. The Bank of England has been given greater powers to oversee financial stability, including regulation of banks through a new subsidiary. Greater regulation, or at least a tighter rein on banks riskier activities, is likely to affect the development of new products and innovations which, in the past, have created growth and employment in the sector. With hindsight, some of these 'innovative' products which were responsible for the remarkable growth in the sector eg Residential Mortgage Backed Securities (RMBS) were revealed to have been much riskier and more opaque than any investor realised. It is difficult to envisage the same type of innovation in the future, given the current appetite for risk. This raises the question – where will growth in this sector come from?
- In simple terms, the recession originated out of a financial crisis. This resulted in banks being bailed out by the UK tax payer and contributing to a huge budget deficit. Many of these banks went on to make substantial profits the year after whilst the Government introduced wide ranging cuts in public services to pay for the deficit. This has led to calls for higher taxes on banks and related financial services. All other things being equal, higher taxes on banking activities would reduce activity in the sector and this could have a knock on effect on job creation in the wider financial services sector. It is worth pointing out that no such taxes (other than one off bonus taxes) have been forthcoming from the Government.
- The banks themselves have become more risk averse as a result of the financial crisis, even without tighter regulation. There is evidence of lower levels of lending to businesses and households and an overall contraction in the type of loans available. This is perceived to be having a significant effect on the wider economy with businesses unable to secure investment to grow and a greater proportion of households unable to secure mortgages. The latter also has an effect on the wider economy by reducing the flexibility of the labour force through constraining the ability of people to move to new jobs.
- Significant uncertainty in the financial sector remains and there is the risk of further crises in the future as banks continue to be exposed to EURO zone countries at risk of defaulting on their debts. There is also

the recent downgrade of the US credit rating following political deadlocked over plans for further borrowing. Whilst these factors may seem remote to Winchester, it is important to keep in mind that the financial services sector is largely driven by the activities of banks. UK banks are international in their operations and thereby exposed to these external factors. How they are affected will in turn impact upon their business activities, recruitment of new employees and how far they are able and willing to lend to wider businesses and households.

It is also worth drawing out the implications of the last 3 years on public sector activities. The employment projections presented in this paper anticipate a decline in the Public Administration (800 jobs or 17% decline) and Education (450 jobs or 8% decline) between 2009 and 2025. There are a number of factors which suggest that this is a realistic projection for Winchester, based on current circumstances:

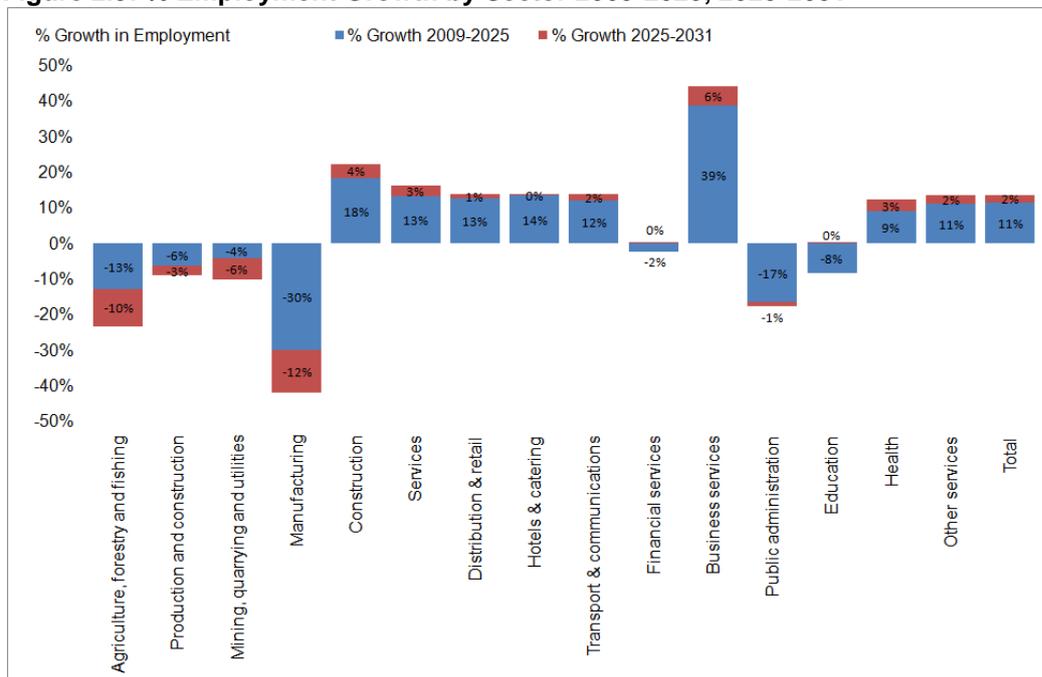
- Employment in Public Administration declined significantly in previous years within the District. This was offset by increases in other sectors with significant public sector components – Health and Education. Overall, employment in these three sectors increased marginally over the combined periods of 2003-07 and 2008-09 by 200 jobs.
- Hampshire County Council, a key employer within the District, expects to reduce its workforce by 1,200 employees (excluding school based staff) between 2010 and 2013. In 2010/11, HCC estimates a net reduction of 310 employees in Winchester with a further 200 - 250 losses in future years. This scale of job reduction in HCC, a single though significant employer in the Public Administration sector, suggests that the projections outlined above are a reasonable estimate based on current conditions.
- Hampshire Police Authority is also planning to consolidate its operations which will lead to the relocation of some police stations and therefore may involve the relocation of some jobs. The Hampshire Police Authority Estate Review has however recommended that the headquarters be located within Winchester. It is unclear whether jobs within the District will be affected – at present the plans appear to be neutral.
- The Education sector has been a source of job growth in Winchester in the past. The projections in this paper anticipate a decline in jobs in this sector in the future. HCC plans do not anticipate a reduction in the number of school based jobs in the next few years. However, university funding is under severe pressure as the Government plans to pass on the costs of higher education to students rather than the tax payer by increasing annual fees for degree courses. Winchester's two higher education institutions will be affected by this change and it is likely that demand for higher education will be lower than in recent years, resulting in knock on effects on employment within the Education sector in Winchester. However, there is scope for growth in demand from overseas. The UK is a significant destination for overseas students – all of whom pay privately for their education – and demand may increase in the future because of the favourable exchange rate, providing fees to these students are not dramatically increased.
- It is difficult to predict whether the Health sector will create jobs in the future in the way that it has been able to do so in the past. The constrained public spending environment suggests that employment within the publically funded part of this sector will be under significant pressure in the future. Whilst the health budget is protected at the national level, the NHS is under pressure to make efficiency savings given the rising costs of providing the same level of care. Winchester & Eastleigh NHS Trust and Basingstoke & North Hampshire NHS Trusts are to be merged in 2012. It is currently anticipated that A&E and maternity services will remain at Winchester Hospital but that some other services may change and become delivered through other centres. This may also have implications for the number of jobs provided in the Health sector in the District post 2012. It is easier to envisage job growth in private health and social care activities and these may account for growth in this sector.

Figure 2.8: % Employment Growth by Sector 2009 - 2025



Source: BRES, OEF, DTZ

Figure 2.9: % Employment Growth by Sector 2009-2025, 2025-2031



Source: BRES, OEF, DTZ

In terms of assessing the implications of employment growth on demand for employment floorspace it is useful to consider the proportion of the workforce that is self employed, and therefore may be less of a stimulus for employment space.

Data is available from the Annual Population Survey for self employment rates in Winchester in 2009 (12.0%) and 2010 (13.7%). The rate of self employment in Winchester has increased throughout the

recession and it remains to be seen whether this will continue in more positive economic conditions, or whether the recovery will see individuals move back into roles within larger organisations. The average rate for the last 6 years is 11.4%). This compares to 9% self employment in the County as a whole which has barely changed over the last 6 years. This suggests that there is something distinctive about Winchester and its workforce— perhaps the higher skill levels of Winchester residents - that encourages and enables them to start their own businesses. Though many self employed people may work from home or without any physical base, some may grow and expand their operations over time and need small scale accommodation to employ others or hold stock etc. This characteristic of employment in Winchester is worth bearing in mind when considering business space needs for the future.

2.5 Employment Prospects for the areas within Winchester District

Employment in Winchester District is dominated by the Services sector, accounting for 90% of total employment, which means that the district is likely to benefit from the anticipated growth in employment in the services sector. However, within the District, Winchester City has the highest proportion of employment in services (95% of total employment), followed by Market towns and rural area (89%) and the PUSH area (82%). Each area within the district is likely to face challenges and opportunities as a result of the projected growth and decline of various subsectors.

Figure 2.10: Employment Structure in Winchester 2009

	Winchester City	Market towns and rural area	PUSH area	Winchester District
Agriculture, forestry and fishing	0%	0%	0%	0%
Production and construction	5%	11%	17%	10%
Mining, quarrying and utilities	0%	1%	1%	0%
Manufacturing	3%	5%	9%	5%
Construction	3%	5%	8%	5%
Services	95%	89%	82%	90%
Distribution & retail	11%	14%	15%	13%
Hotels & catering	1%	1%	8%	3%
Transport & communications	5%	9%	7%	6%
Financial services	2%	1%	9%	4%
Business services	16%	35%	25%	23%
Public administration	13%	4%	2%	8%
Education	10%	11%	3%	8%
Health	33%	10%	9%	21%
Other services	4%	4%	5%	4%
Total	100%	100%	100%	100%

Source: BRES 2009

Figure 2.11 presents a simplified illustration of the parts of the District that are likely to benefit from growth sectors and suffer from sectors in decline. Under 'Growth Sectors' in Figure 2.11, a star indicates that the area has a greater share of the sector's employment than its share of total employment and is therefore specialised in this area and therefore likely to benefit from employment growth. Under 'Sectors in Decline', a star indicates that the area has a greater share of the sector's employment than its share of total employment and is therefore likely to suffer from job losses.

Figure 2.11: Sub-District Areas Most Likely to Benefit / Suffer Under Employment Projections

	Winchester City	Market towns and rural area	PUSH area
Growth Sectors (in order of absolute job creation)			
Business Services		*	*
Health	*		
Distribution and Retail			*
Construction			*
Hotels and Catering			*
Other Services	*		
Transport and Communications		*	*
Sectors in Decline (in order of absolute job losses)			
Manufacturing			*
Public Administration	*		
Education	*		
Financial Services			*
Agriculture etc		*	
Mining etc		*	

Source: BRES 2009

The employment profile in **Winchester City** is skewed to a greater extent than other areas in the district to employment in the public sector – including Public Administration, Health and Education (13%, 33% and 10% of total employment respectively). The city is host to the majority of public sector jobs in Winchester District. Therefore the lion's share of the public sector job losses in the District is likely to occur in Winchester City.

Not all public sector activities are expected to decline. Employment growth opportunities are anticipated in the Health sector and these are more likely to benefit Winchester City as one third of the area's employment is in this sector. Though it is important to note that the Health sector is not just a public sector – it includes private health care providers and a range of private businesses involved in health and social care. It is more likely that this part of the sector will generate growth in the future.

Winchester City is best placed to benefit from the anticipated uplift in Health, given its specialism in this sector. It is well placed to benefit from growth in Distribution and Retail, Business Services, and Other services (the latter includes Art and creative activities), though the data suggests that these jobs could well be accommodated elsewhere in the District. These sectors combined could offset negative growth in the public administration and education sectors if projections are borne out. Although growth is project in the Transport and Communications, recent trends suggest this will be captured by the PUSH area rather than the City centre.

The PUSH area is likely to face challenges around the Manufacturing sector given that over half of the District's manufacturing jobs are located in this area (accounting for 9% of the area's total employment). Almost three quarters of the district's Financial Services jobs are currently located in this area, accounting for 9% of the area's employment, so there may be a minor fall in employment in this sector in the area.

The PUSH area has a greater share of Business Services than its share of total employment would suggest. It is therefore well placed to capture a share of the growth in employment in this sector, which is expected to drive employment growth in future years.

However, the area could benefit from its relative specialism in Construction (Construction accounts for 8% of the area's total employment and represents half of all construction jobs in the entire district). Opportunities also exist in the Hotels and Catering sector, representing 8% of the area's total employment and 70% of the district's employment in this sector; and the area has the potential to claim a share of the anticipated increase in the Distribution and Retail and Business services employment growth.

The **Market towns and rural area** will be affected by job losses associated with its share of Education and Public Administration jobs in the district. However, its reliance on Public Administration is relatively limited so the area is likely to be somewhat protected from these changes. Opportunities for job growth exist in the Business Services and Transport and Communications sectors, where growth is anticipated by the projections and where the share of these sectors is higher than the area's share of total employment.

2.6 Comparison with Previous Projections

The analysis in this section sets out employment projections which are more conservative than those presented in the Economic and Employment Land Study by SQW in 2007. In the 2007 report a baseline econometric projection was prepared for the period 2006-2026 showing prospective trends across 42 subsectors, with assumed total employment growth of 10,770 (14%). This represented an annualised rate of around 540 jobs per annum.

In terms of broad sectors, minor reductions were projected in Agriculture and Utilities related sectors, while Mining and quarrying were expected to remain relatively unchanged. Employment growth was projected however in each of the remaining broad sectors over the period 2006-2026:

- 5,700 jobs in Financial Services
- 2,670 in Distribution, Hotels etc
- 2,020 in Construction
- 910 in Government etc services
- 600 in Manufacturing
- 520 in Transport and communications

These projections were based on trends evident at the time and were developed prior to the financial crisis and economic recession. The decade that preceded 2007 was characterised by:

- A benign and stable macroeconomic environment, underpinned by global economic growth, low UK inflation and interest rates and perceived certainty about the future.
- Cheap and readily available credit from banks for businesses and households, driven by low and stable interest rates and an expectation they would continue and perceived low risk of default given the robust economic environment.
- Strong economic (GDP) growth, providing rising income from taxes from businesses and households and underpinning Government spending on public services and expansion of the public sector.

The projections produced by Oxford Economics more recently are informed by data collected in the downturn and reflect the new economic environment, including constraints on the financial sector, anticipated shrinkage of the public sector and broader impacts on the real economy as a result of reduced commercial activity and weaker consumer confidence.

The projections presented in this section anticipate an increase of 7,580 jobs between 2009 and 2025. This is a different time period to the 2007 report. However, annualised rate of job growth is 470 per annum, compared to 540 per annum in the 2007 report. This represents a 13% reduction in the employment growth

anticipated in the 2007 Economic and Employment Land Study. The following levels of growth are anticipated in different sectors over the period 2009-2025:

- A minor decline in Financial services employment (-60), although a continued growth in Business services (5,860), where knowledge-based and creative industries would be expected to be drivers of employment as well as activities related to advanced manufacturing, such as R&D
- Combined employment growth in Hotels and Catering plus Distribution and Retail a little in excess of 1,600 jobs
- More moderate growth in Construction (560 jobs)
- A combined reduction in Public Administration and Education of almost 1,300 jobs
- A decline in Manufacturing of almost 1,000 jobs.

It should be noted that a decline in manufacturing employment may be accompanied by a boost in Business services employment, reflecting a change in the focus of employment activities of manufacturing firms, notably through 'servicisation' – e.g. after sales service functions of manufacturers would no longer be listed as manufacturing, yet they remain a significant driver of employment). In general, manufacturing continues to be a driver of output. The UK Manufacturing Strategy in 2008⁴ highlighted that manufacturing 'accounts for 13% of UK GDP and has increased its productivity by 50% since 1997, outstripping the rest of the economy.'

It is important to emphasise that the technique employed to apply OEF forecast to Winchester District does not take into account the activities of individual employers in the District. It assumes that the rates of growth or decline in sectors at the Hampshire level will be replicated in the same sectors at the Winchester level. It is possible that Winchester businesses and organisations may out-perform or under-perform these broader trends.

2.7 Key Observations

The projections presented in this Section, based on Oxford Economic Forecasts of employment to 2025 reflect the anticipated growth prospects post recession and under a highly constrained public spending environment.

It is worth highlighting that, although employment in the District as a whole has grown in recent years, Winchester City has experienced employment decline in the period 2003-07 and 2008-09. This is also picked up in the 2007 report. New jobs over the last decade have been captured or created to a greater extent in the PUSH area and market towns and rural areas of the District.

Overall, employment growth is expected to be more modest than originally projected. Furthermore, the composition of employment is set to change if these forecasts are borne out:

- Primarily, future employment growth is expected to be driven by Business Services. This is consistent with the previous forecasts though they expected growth in Financial Services to be a significant component of this.
- The OEF projections for employment growth in the Business Services sector are higher than those contained in the previous 2007 report. This places a lot of weight on employment growth in Business Services and we would highlight this as a risk.
- Growth is expected in Hotels and Catering and Distribution and Retail and modest growth in Construction. This is consistent with previous projections though growth is now anticipated on a lower scale – less than half of what was projected in 2007.
- Financial services is expected to remain static, in contrast to previous projections which included Financial Services as a key growth sector.

⁴ <http://www.bis.gov.uk/files/file47660.pdf>

- Manufacturing is expected to continue to decline whereas previous projections anticipated modest growth over the period. This may under-estimate the potential of Winchester's manufacturing businesses to buck the national trend. It is important to note that manufacturing and production activities are as much about product conception, design, marketing and sales as they are about the physical production of products in factories. The potential of the Creative sector within Winchester, highlighted in the previous study, suggests that the town is well placed to out-perform projections in this and other areas if it can tap into the skills of those at Winchester University and boost higher value activities.
- Employment in Public administration and Education – two key public sector activities – is expected to decline. Previous projections expected modest growth in this sector under what was described as Government services.
- Given that Business Services is expected to be the key driver of future job growth, the implication from past trends is that job growth will be spread relatively evenly across the District. Both the PUSH area and Market towns and rural area have a greater share of the District's Business Service jobs than their share of total employment would suggest. However, in the Market towns and rural area this can be attributed, in part, to the location of one or two large employers eg IBM at Hursley. The Council will need to consider the *distribution* of employment land allocations within the District and the extent to which the location of future floorspace provision meets objectives for Winchester.
- The sectors that appear to be important to Winchester City – Health, Public Administration and Education are under pressure as a result of public sector spending constraints. Although the Health sector is projected to grow it is difficult to anticipate growth at rates associated with the past. The merger of the two NHS Trusts presents opportunities to grow this sector along with risks that jobs could move out of the City.
- The two points above suggest that there is a risk that employment in Winchester City will continue to decline as it loses jobs from its key sectors and if it fails to capture its share of new growth in the Business Services sector.

Section 2 – Employment Land Review assesses the impact of these projections of total and sector based employment on the quantity and type of employment floorspace likely to be required in Winchester.

3 Review of Employment Land Requirements

3.1 Introduction

This section takes forward the employment projections discussed in under Employment Prospects and translates them into the likely additional employment floorspace required (by use class) across the District over the period from 2009 to 2025.

There is a need to reconsider the floorspace requirements for Winchester District, as the progressive downgrading of economic and employment projections over the last few years and the increasing reliance on the private sector for short term job growth is likely to alter the future requirements for various types of employment floorspace. The analysis below provides an updated picture incorporating the effects of the recession, public sector cuts and the changed performance of key sectors.

A further objective of this section is to consider the need for a major development to accommodate employment growth within Winchester District. The Winchester District Employment Land Review (2007) considered the merits of a new knowledge based business park and two options for the location of a such a development.

The methodology used in this section to convert employment projections to floorspace is in line with employment land guidance⁵ and all assumptions are based on published guidance or previous experience / market knowledge (where guidance is not available). Such assumptions are set out throughout this working section. As the focus is on employment floorspace within Winchester District, the analysis deals predominantly with 'B' use classes.

The rest of this section is structured as follows:

- Employment projections by sector
- Employment projections by use class
- Floorspace requirements
- Employment land requirements
- Key observations

3.2 Employment Projections by Sector

The revised employment projections as presented in the Employment Prospects Section are set out in Figure 3.1 by sector. Figure 3.1 indicates that:

- Between 2009 and 2025 total employment is anticipated to grow by 7,580 jobs (10%) from 66,000 in 2009 to 73,890 in 2025
- Production and Construction employment is anticipated to decline by 420 jobs or 6%. However, within this, Manufacturing is expected to decline by 970 jobs (30%) but Construction is anticipated to grow by 560 jobs (17%).
- Services are expected to be the main generator of employment growth, with an additional 8,010 jobs to 2025 (an increase of 13%).
- Within the Services sector, Business Services are anticipated to grow by 5,860 jobs (39% growth), followed by Health with 1,280 jobs. Financial Services are expected to experience a small decline of -60 jobs.
- The public sector services of education and public administration are forecast to decline by almost 1,300 jobs. However, Health is expected to increase by the same amount.

⁵ CLG 2004 Employment Land Reviews: Guidance Note

Figure 3.1: Total Projected Employment Growth in Winchester by Sector 2009-2025:

	2009	2010	2015	2020	2025	Absolute Growth 2009- 2025	% Growth 2009 - 2025	Growth 2025 - 2031	% Change 2025- 2031
Agriculture, forestry and fishing	130	150	140	130	120	-20	-13%	-10	-10%
Mining, quarrying and utilities	290	330	310	290	280	-10	-4%	-20	-6%
Manufacturing	3,260	3,060	2,880	2,570	2,290	-970	-30%	-280	-12%
Construction	3,050	2,980	3,250	3,480	3,620	560	18%	140	4%
Distribution & retail	8,320	8,410	8,910	9,280	9,390	1,070	13%	110	1%
Hotels & catering	4,150	4,330	4,550	4,700	4,710	560	14%	10	0%
Transport & communications	2,100	2,030	2,190	2,310	2,350	260	12%	40	2%
Financial services	2,440	2,220	2,350	2,370	2,380	-60	-2%	10	0%
Business services	15,110	15,140	17,920	19,810	20,980	5,860	39%	1,160	6%
Public administration	4,980	5,050	4,310	4,200	4,150	-820	-17%	-40	-1%
Education	5,520	5,430	5,130	5,060	5,070	-450	-8%	0	0%
Health	14,110	14,930	14,450	14,890	15,390	1,280	9%	500	3%
Other services	2,860	2,770	2,920	3,100	3,180	320	11%	80	2%
Total	66,320	66,830	69,310	72,190	73,910	7,580	10%	1,700	2%

Source: BRES, OEF, APS, DTZ

As set out above, these forecasts have been established through a top-down trend based. They therefore do not take account of local actions or ongoing policy initiatives. This includes the large projects currently planned for Siler Hill, Barton Farm, North Whiteley and West of Waterlooville, which are likely to boost construction jobs beyond the levels anticipated in the forecasts above. While the majority of the analysis focuses on the period 2009-25, the figures for the period 2025-31 have also been provided by extending the Oxford Economics forecasts by 6 years. Consequently the same trend growth (and therefore employment land requirements) for the period 2020-25 are seen over the period 2025-31.

3.3 Employment Forecasts by Use Class

Each of the sectors shown in Figure 3.1 is likely to have different property requirements. For example the Manufacturing sector will predominately require industrial space whilst the Business Services sector will mostly occupy office space. It is possible to examine how changes in the number of workers employed in each sector would translate into employment changes by Use Class. This is achieved by applying a Sector to Use Class conversion matrix, as detailed in Figure 3.2. This matrix has been used for the PUSH Economic Development Strategy Refresh 2010 and applied here to ensure consistency.

Figure 3.2: SIC to Use Class Matrix

Sector	B1a	B2 (inc B1b/c)	B8	Non-B	Non-B on B Land	Not Fixed to a Property
Agriculture, forestry and fishing	0%	10%	10%	0%	0%	80%
Mining, quarrying and utilities	3%	3%	10%	0%	0%	85%
Manufacturing	0%	90%	10%	0%	0%	0%
Construction	5%	5%	10%	0%	0%	80%
Retail & Distribution	0%	0%	20%	60%	20%	0%
Hotels & Restaurants	0%	0%	0%	90%	10%	0%
Transport & Communications	5%	10%	10%	20%	0%	55%
Financial Services	60%	0%	0%	40%	0%	0%
Business Services	80%	0%	0%	20%	0%	0%
Public Admin & Defence	50%	0%	0%	0%	0%	50%
Education	10%	0%	0%	85%	5%	0%
Health	20%	0%	0%	75%	5%	0%
Other Services	20%	0%	0%	10%	10%	60%

Source: DTZ

By applying this matrix to the employment projections in Figure 3.1, this results in employment change by Use Class which are set out in Figure 3.3 below. Over the period 2009-25, employment growth requiring office accommodation (B1a) is expected to grow by approximately 4,560 jobs. Employment requiring industrial premises (B2) is projected to decline by -820 jobs and employment requiring warehousing premises is expected to experience a small increase of 200 jobs within Winchester District. In addition to this, there is anticipated to be a small increase (340 jobs) of Non-B employment which could occupy B sites. These are typically sui generis uses that do not have a B class requirement but that need a site associated with other B class uses. The most common example is motor vehicle showrooms typically occupying part of the site of vehicle repair workshops (B2).

Figure 3.3: Employment Change by Use Class

Use Class	2009-15	2015-20	2020-25	2009-25	(2009-31)
B1a	1,910	1,610	1,040	4,560	5,600
B2 (inc B1b/c)	-320	-260	-240	-820	-1,060
B8	110	80	10	200	210
Non-B	1,190	1,060	700	2,950	3,650
Non B on B Land	160	130	50	340	400
Not Fixed to a Property	-60	280	130	350	490

Source: BRES, OEF, APS, DTZ

3.4 Floorspace Requirements

With employment change by use class established, the next stage is to use employment density assumptions to convert this employment change to additional floorspace requirements. To do this, the latest guidance on employment density assumptions has been used – as presented in ‘Employment Densities Guide 2nd Edition, 2010’ by Drivers Jonas Deloitte. This provides a range of employment densities (expressed as sq m per full time employee) and considers a range of employment uses, which we have simplified for the purposes of this study. The main assumptions are set out in Figure 3.4 below. It is important

to emphasise that the 2010 density assumptions are different to those used by SQW in the 2007 Employment Land Study and that this has a significant effect on the results.⁶ For comparison the assumptions used in the 2007 are also set out in Figure 4 below.

The 2010 density assumptions take account of changes in working practices over the last decade. These include more efficient use of office space through greater amounts of home working and hot-desking i.e. reducing the number of desks: employee ratio. According to the 2010 Guidance this can vary from 1:1 to 7:10 and is especially prevalent in city centre locations where rents are higher. While the General Office (i.e. headquarters / client facing office or back office) rate of 12 sq m per employee has been used (given the focus of employment on Winchester City), business parks and serviced offices tend to have a slightly lower rate / higher density. The 2010 assumptions have been tested through surveys of a large number of buildings across different sectors and areas of the country – and are therefore the best means available of forecasting generic floorspace requirements (other than examining current accommodation patterns in Winchester).

This study is not primarily concerned with employment within non traditional employment uses. However, in some cases, there is a desire for complementary activities alongside traditional business uses. As such, an allowance has been made to enable a proportion of non-B Use Class activities to be accommodated on traditional employment sites.

Figure 3.4: Employment Density Assumptions -

Use Class	Sq m (2010 figures)	Sq m (2001 figures – used in SQW report)
B1a	12	15-20
B2 (inc B1b/c)	36	30
B8	70	50
Non-B on B Sites	40	-

Sources: Employment Densities Guide 2nd Edition, 2010, Drivers Jonas Deloitte Employment Densities Guide, 2001, ARUP.

Figure 3.5 sets out the results of applying the above employment density assumptions to the employment forecasts. This gives an indication of the net change in floorspace required by each Use Class. Doing so reveals that the office sector generates the main additional requirement for floorspace, with some additional floorspace requirements coming from the warehousing and Non-B sectors. The industrial sector shows a net loss in employment floorspace as a result of the decline in employment in these sectors. Overall, the analysis reveals a net additional floorspace requirement of 82,100 sq m in Winchester District from 2009 – 2025 (and 97,500 sq m from 2009-31). This represents an annualised floorspace requirement over the 2009-2025 period of 5,200 sq m per annum.

⁶ The 2010 assumptions assume much higher densities of workers in B1a (office) space. Assumptions about densities in the other Use Classes have also changed but have much less effect on the results.

Figure 3.5: Additional Employment Floorspace by Use Class

Use Class	2009-15	2015-20	2020-25	2009-25	2009-25 Annualised	(2009-31)
Office (B1a)	22,900	19,300	12,500	54,700	3,400	67,200
Industrial (B2 – inc B1b/c)	-11,600	-9,300	-8,700	-29,600	-1,800	-38,300
Warehousing (B8)	7,800	5,300	600	13,700	900	14,300
Non-B on B Sites	6,500	5,000	2,200	13,700	900	16,000
Total Additional (exc. re-use of existing B2 land)	37,200	29,600	15,300	82,100	5,200	97,500

Source: DTZ N.B. Figures may not sum due to rounding

This represents the net additional requirement, based on increases in employment levels. There will also be a certain level of demand associated with churn and choice within the market – i.e. caused through gradual sector shifts in the local economy, businesses moving between premises, changing land uses within the local property market and the continual need to replace a proportion of the existing stock. As stated in the Winchester District Economic and Employment Land Study (2007), a degree of flexibility in the interpretation of the above floorspace projections is therefore needed to allow for this.

3.5 Employment Land Requirements

The final step is to convert floorspace projections into the amount of employment land that is likely to be required to accommodate the projected increase in employment to 2025. This analysis is based on broad assumptions as to the typical total land take each sq m of floorspace for each use class occupies – as set out in Figure 3.6. This is undertaken here to allow comparison with the 2007 Winchester District Economic and Employment Land Study – as the 2007 study does not set out floorspace requirements (only land requirements). However, it should be noted that this step is done using assumptions contained in the 2007 report and appropriate flexibility should be used when applying these figures to policy.

Figure 3.6: Plot Ratio Assumptions

Use Class	Plot Ratio
B1a	70%
B2 (inc B1b/c)	40%
B8	50%
Non-B on B Sites	50%

Source: Winchester District Economic and Employment Study 2007, DTZ

In using the assumptions above, a blended rate has been applied to B1a to cover offices in and outside town centres, as well as to Non-B on B sites given the range of uses that this category covers. Figure 3.7 below displays the results of applying the above plot ratios to the additional floorspace requirements. This indicates a total new requirement across all use classes to 2025 of 13.3 ha and to 2031 of 15.7ha (this is a gross figure and excludes the re-use of land under B2 that is no longer required over the period). This compares to 44 ha (baseline position) and 84 ha (baseline plus regional growth position) from 2006-2026 in the 2007 study. The annualised figure for 2009 - 2025 is 0.8ha per annum, which compares to annualised figures for the 2006-2026 period from the 2007 study of 2.2ha per annum (baseline) and 4.2 ha (baseline plus regional growth).

Figure 3.7: Additional Employment Land Requirements by Use Class (ha)

Use Class	2009-15	2015-20	2020-25	2009-25 Total	2009-25 Annualised	(2009-31)
Office (B1a)	3.3	2.8	1.8	7.8	0.5	9.6
Industrial (B2 – inc B1b/c)	-2.9	-2.3	-2.2	-7.4	-0.5	-9.6
Warehousing (B8)	1.6	1.1	0.1	2.7	0.2	2.9
Non-B on B Sites	1.3	1.0	0.4	2.7	0.2	3.2
Total Additional (exc. re-use of existing B2 land)	6.1	4.8	2.3	13.3	0.8	15.7

N.B. Figures may not sum due to rounding Source: DTZ

The baseline position from the 2007 has been compiled using trend based projections of economic growth in the local economy, while the regional growth projections have involved adding the PUSH apportionment and potential for knowledge based industries in Winchester City. Consequently, although it may be appropriate for the City Council to consider and plan for this additional potential regional growth demand, for the purposes of comparing the trend-based forecasts outlined above, the baseline projections from the 2007 report have been used.

In doing so, the difference between the figures is largely based on the conversion assumptions and does not reflect any collapse in employment floorspace demand. Firstly, the 2007 figures were based on density assumptions published in 2001. For office use in particular (which generates the majority of employment growth) the 2001 guidance recommended greater floorspace proportions than the latest 2010 guidance – namely 13-20 sq m per workspace for offices, compared to 8-12 sq m per employee. This is because the updated 2010 guidance takes into account new working practices, space efficiencies such as hot-desking and the increase in home working. Secondly, the 2007 figures made assumptions on the amount of B1a that would occur on the urban fringe and applied a high conversion factor for this floorspace, which has a large impact on the results.

In the 2007 report, the overall demand-supply balance stood at 44 ha of net demand (before allowing for churn and choice, and based on the econometric projections) versus 75 hectares of supply. Clearly, with the recent recession and likely constrained future economic growth, this balance has tipped towards an even greater employment land surplus.

However, this only paints a partial picture. Winchester City Council may find that individual sites have more or less capacity when examined in detail or when proposals for development come forward than has been estimated using the generic assumptions above.

3.6 Key Observations

This section presents a radically different assessment of employment land requirements to those set out in the Winchester District Economic and Employment Land Review of 2007. There are a number of reasons for this:

- First, employment projections have been significantly downgraded. Employment projections produced by Oxford Economic Forecasting for 2009 onwards are 25% lower than those included in the ELR 2007. This change in economic prospects explains about one quarter of the difference in floorspace requirements between the ELR 2007 and those contained in this section.
- Second, employment growth is also expected to be driven almost entirely by the Business Services sector. Whereas in the 2007 report, there was some growth in employment anticipated from and much greater growth from Hotels & Catering and Distribution & Retail, sectors which have more extensive land

requirements. Thus, the shift to higher density activities has also contributed to a lower overall requirement for floorspace.

- Third, the employment densities assumed for B1a business space have increased since the 2007 report was produced. This means that more jobs can be accommodated per sq m of floorspace or per hectare of land, reducing the overall land take. For B1a business space, this appears to have effectively halved the requirement for floorspace amongst any given size of workforce.

The implication of the above is that the District as a whole has much more limited need for additional floorspace over the coming years than appeared to be the case in the 2007 ELR. A number of observations can be made in relation to this:

- Around half of the requirement for business space between now and 2025 could be accommodated within Winchester City, where the ELR 2007 report identified current capacity of 3 hectares and which is more likely to be suited to B1a (office) business space than to other activities.
- This implies that the case for a knowledge based business park within the District is much more about generating job growth and changing the employment profile of Winchester than providing space for projected demand – though to some extent this was the case under the ELR in 2007.
- The employment projections in Section 2 and the employment land requirements set out here only shed limited light on the occupational profile of future employees in the District, which has been a concern for the City Council. The sector which is projected to experience greatest growth is Business Services and this covers a range of occupations and skill levels. However, DTZ would suggest that the growth of the Business Services sector is much more likely to create higher value and higher skilled jobs within Winchester than lower skilled roles. Winchester, particularly the City, would be a relatively expensive location to set up lower value, back office functions and the projected decline in public administration also suggests that a number of traditionally lower paid public sector jobs will be lost.

Although this report has not sought to consider the suitability of individual sites, there are a number of criteria that the council may wish to use for this purpose in future - in addition to the potential suitability of sites for future office use (to meet the forecasted growth in business services):

- Quality of the Existing Portfolio and Internal Environment - including the age and structure of buildings, parking and servicing constraints, contamination from previous uses), and capacity for 24 hour use (and whether sites that can offer this should be reserved for specific sectors requiring this)
- Quality of the Wider Environment – including the quality of local environment, the uses of neighbouring sites and local facilities for employees
- Accessibility – both by road (for servicing and employees) and public transport (for employees)
- Market Attractiveness – strength of local demand and recent market activity on site
- Redevelopment Potential – scope for intensifying uses and replacing older stock, policy designations and use class suitability, differing demand for ground and upper floor accommodation.

4 Review of Demographic Projections

4.1 Introduction

The purpose of this section is to review projections of population and household growth that have informed the housing requirements set out in Plan for Places⁷. The underlying projections are likely to have been affected by economic events over the last 3 years and so the purpose of this section is to consider whether they remain a robust estimate of future trends. There is a need to ensure that the requirements set out in Winchester's Core Strategy are as 'future proof' as possible and so this section critically examines the projections.

It is important to note that projections for population and households have implications for the size of the labour force and for job growth within Winchester. Prospects for employment growth within the District are considered in Section 2 and these are cross referenced where appropriate.

This section is structured as follows:

- The basis for Winchester's housing requirements
- Assessment of the underlying demographic projections
- Critique of alternative approaches
- Distribution of household growth within Winchester District
- Key observations

4.2 Winchester's Housing Requirements

Plan for Places takes forward key elements of Winchester's Core Strategy. The Core Strategy Preferred Option was developed in 2009 and then delayed by radical policy changes by national government, including the abolition of the South East Plan. Following public consultation through 'Blueprint', the City Council has produced Plan for Places as a consultation document.

In terms of housing requirements it sets out:

- The need for 11,000 new homes between 2011 and 2031, based on government projections including population growth of 16,550 and changes in household composition ie continued falls in household size.
- Plan for Places states that other scenarios have been considered in the Housing Technical Paper and that the 11,000 homes requirement was deemed the 'most reasonable' basis for future planning.
- The distribution of homes between different parts of the Borough is as follows:
 - 4,000 homes within Winchester town
 - 5,500 homes within the PUSH area of Winchester District
 - 1,500 homes within the market towns and rural areas
- The justification for this distribution is that it supports the PUSH aim to improve economic growth in the South Hampshire sub-region. It is worth stating that PUSH has a revised housing target and is planning work to apportion this to the individual Districts, though it is likely that the apportionment to the part of Winchester District that falls within the PUSH sub-region will remain the same because it has the ability to deliver on key sites.
- The substantial allocation to Winchester town also reflects the need to ensure that housing is directed to the most sustainable locations for growth.

⁷ Plan for Places after Blueprint – Winchester City Council's consultation on development to be set out in the Local Development Framework

The evidence base for the proposed housing requirements is examined in the Housing Technical Paper. The paper essentially considers four alternative approaches to assessing local housing requirements:

- Government projections (ONS sub-national population projections)
- Zero Net Migration
- Economic growth based projections
- Affordable housing led projections

The first scenario is the Council's preferred approach and the primary basis on which the local housing requirements have been developed. The ONS sub-national population projections have been run through the Chelmer model by Hampshire County Council to produce household projections.

4.3 Assessment of Underlying Demographic Projections

4.3.1 Population Projections

ONS sub national population projections are based on 2008 mid-year population estimates. The key point is that **the projections derived from these are based on trends over the preceding five years to 2008 (2004-2008)**.⁸ The first thing to note is that this is a very short time period on which to base projections for the next 20 years. It could also be argued that the five year period 2004-2008 was uncharacteristic of previous years, particularly in terms of migration patterns.

It is useful to consider each of the constituent components of these population projections. The ONS sub-national population projections are driven by five components and each of these are underpinned by different data sources:

- Births: these are projected using local age specific fertility rates, applied to the population of the District in 2008
- Deaths: these are projected using local age specific mortality rates, applied to the population of the District in 2008
- Internal migration (moves within England): projections are based on the NHS Patient Register, averaged for the five years 2004-08 and Higher Education Statistics Authority data which captures moves made by first year undergraduates (which are used to adjust for such moves not captured by the NHSPR)
- Cross border migration (moves to and from the countries within the UK): projections are based on the NHS Patient Register as above
- International migration: projections are based on the International passenger Survey over the past 6 years and other data on visitor switchers, asylum seekers and Irish Flows (the latter using the NHS Patient Register and the Irish Quarterly National Household Survey)

Natural changes (births and deaths) in the population of the UK and Winchester District are easier to predict because they are generally based on slow working long term trends. Natural change however accounts for only around one fifth of the projected population change within Winchester. Population change is expected to be driven largely by migration.

Although migration patterns are much more important to future population change, they are much less easy to predict and can be subject to short term fluctuations. DTZ suggest that the key risk with the ONS sub-national population projections is that the migration component is based on 5 years of data to project forward 20 years. Furthermore, there are reasons to believe that the period 2004-08 may have been uncharacteristic of longer term migration patterns, both in the past and in the future:

- 2004-08 was a period of sustained economic and employment growth in the UK. The creation of jobs fuelled migration from overseas and encouraged moves within the UK to areas of strong job growth,

⁸ Office for National Statistics – 2008-Based Sub National Population Projections for England: Methodology Guide

particularly London and the South East. By 2009, the UK was in recession and this turned out to be the deepest downturn on record. Employment growth since has been limited.

- 2004-08 was a period of rapidly accelerating house prices and declining affordability. These factors are known to affect internal migration patterns and particularly selective migration ie lower income households move to lower priced areas as house prices rise.
- 2004 was the year that the A8 Accession Countries joined the European Union. Various studies, as well as the International Passenger Survey and National Insurance Registrations data, show that this led to increased international in-migration from 2004 onwards.

These factors, with the exception of rising house prices which would have encouraged moves out to lower priced areas, would suggest that in-migration to Winchester is likely to have been higher for the period 2004-08 than at different periods in the past and for the years following 2008.

ONS data on internal migration, based on the NHS Patient Register shows that:

- net in-migration to Winchester from other local authorities averaged 620 people each year during the preceding five year period 1998/99 – 2002/03
- net in-migration to Winchester from other local authorities averaged 1,020 people each year during the five year period 2003/04 – 2007/08
- net migration for the latest 2 years (2008/09 and 2009/10) appears to show that net in-migration has dropped slightly to 900 people per annum, albeit remaining relatively high compared to the earlier period.

The ONS sub national population projections assume net internal migration to Winchester will be 1,000 per annum on average 2008-2033. This would appear to be on the high side when examining actual data for the years outside of the 2004-08 period. Although in-migration was at 900 people per annum in 2008-2010 DTZ expect that this could fall further if economic growth remains weak.

The ONS sub national population projections also assume net international migration to Winchester over the next 20 years. Data on net international in-migration is limited, though the ONS now provides local migration indicators which include estimates of net international migration by District. This data suggests that net international migration has been variable since 2003/04, though generally there has been positive net movement into the District of 2-300 people each year. In 2008/09, the latest available year, there was zero net international migration into the District. It is difficult to make predictions based on one year of data, however, there are a number of reasons why international in-migration to the District might be lower than that experienced over the last 5 years.

- CLG research expects migration from A8 countries is expected to stabilise, if not fall in future years:
- Other EU countries, including Germany have now relaxed their migration restrictions to migrants from these countries. The majority of A8 migrants are driven by job opportunities. The strength of economic growth in Germany compared to the UK means that these migrants are more likely to be attracted to Germany and other economically buoyant European countries rather than the UK. The devaluation of the Pound relative to the Euro over recent years is also a factor. The UK is now less attractive as a place to work and earn money than other EU countries.
- The EU Accession Countries continue to develop. In recent years, economic growth in some of these countries has exceeded that of the UK. There are increasing job prospects for those who would have migrated to the UK for work and indeed for those recent migrants to the UK who may decide to return.
- The Government has also introduced a cap on the number of in-migrations from non-EU countries. Non-EU migration accounts for the minority of international migration to the UK but the government's policy to cap this net in-migration may contribute to longer term stabilisation or falls in international in-migration.

9 CLG (2009) Projections of Migration Inflows under Alternative Scenarios for the UK and World economies. Economics paper 3.

Available at <http://www.communities.gov.uk/publications/communities/projectionsmigration>

4.3.2 Household Projections

ONS Sub National Population Projections have been used by Hampshire County Council to produce household projections and dwelling requirements by running the projections through the Chelmer model.

The model produces a projection of private households through assumptions for age/gender-specific headship rates within the population. The anticipated increase for the number of dwellings is then derived through assumptions for rates of sharing dwellings by multiple households and for vacancy rates

The Hampshire County Council household projections, based on the ONS sub national population projections estimate an increase of 11,000 households within Winchester between 2011 and 2031. CLG's 2008 based household projections for Winchester, using ONS sub national population projections, also anticipate household growth of 11,000 over the 20 year period.

Embedded in these household projections are assumptions about headship rates (the likelihood that people will form independent households) at different ages, based on past trends. There are a number of reasons to believe that household formation within Winchester will be different in the future to that experienced in recent years:

- The affordability of housing will affect household formation in the future. Affordability has been declining over the last decade due to significant house price rises. The impact of declines in affordability on household formation should feed into future projections which are based on data from the last 5-10 years. However, the *accessibility* of home ownership has worsened as a result of the financial crisis as banks have tightened access to mortgage finance. The impact of this new barrier on household formation has not yet fed into the statistics and is not reflected in the household projections.
- Affordability of housing is not just affected by house prices. It is also driven by changes in household incomes. Whilst evidence suggests that household incomes have fallen in recent years, at least in real terms, they are likely to grow in the longer term as economic growth picks up. However, household budgets, particularly of those in lower income groups, are likely to come under more pressure from rising energy costs as well as student fees, care costs and reduced pension provision for some households as government public sector cuts kick in. These downward pressures on household disposable incomes may affect household formation rates as fewer people are able to afford to form or maintain independent households.
- To summarise, poor affordability and constrained access to home ownership will affect household formation by encouraging or forcing single people to share with others, rather than form their own independent household.
- Indeed, the data suggests a fall in household representative rates amongst young age groups (20-34 and 35-39) over 2001-09. It is too early to tell whether this is be a short term problem caused by affordability and mortgage issues or a long term shift caused by changes in social attitudes and/or affordability and expectations about home ownership.
- It might be a reasonable assumption that, while over the long term average household size will continue to fall¹⁰, the pace of decline may be slower than that assumed currently by CLG due to the economic challenges of the next decade. There are a number of reasons for this:
 - Slow economic growth, falling real household incomes or slow growth in household incomes, may encourage people to economise on housing costs by greater sharing.
 - Rising student fees and lack of employment for young people, graduates and non graduates, combined with rising costs of renting may encourage increasing numbers of young adults to stay in the family home.
 - There is growing reliance on the private rented sector as a consequence of difficulty in accessing mortgages, and this may encourage people to stay in shared accommodation for longer than they would otherwise have done.

10 Although overall household size is expected to fall, there is some evidence from previous major developments in the District that new housing attracts larger households. Though this does not imply that household formation rates will be lower in the district.

- Likewise Housing Benefit changes which cap benefits according to the number of people living in a property may encourage those low income households that want to continue to live in larger properties to persuade family members to live at home.
- Housing Benefit changes for those aged 25-35 are also likely to encourage greater use of shared accommodation.
- The level of affordable housing provided will also have an impact on household formation rates. It will be challenging (albeit critical) for the District to continue to deliver new affordable homes given new changes to the grant regime (which only provide funds for Affordable Rented homes) and the ability of registered providers to raise finance under difficult economic conditions. If new affordable housing provision falls, this will prevent concealed households from forming independent households, applying further downward pressure on household formation. This effect is also likely to increase levels of overcrowding within the existing housing stock with well documented knock-on effects on the health of these households and educational attainment of children living in overcrowded conditions.
- However, DTZ would argue that in Winchester poor affordability and accessibility of housing is more likely to affect selective migration into and out of the District than the overall level of household formation. Winchester will remain relatively less expensive to those moving from London, who are able to outbid households not connected to the London economy or without significant equity. Existing lower income households and newly forming households in the District will continue to move out to neighbouring authorities where housing is cheaper. Allocation of new housing (11,000 proposed over 20 years) is key to moderating such price rises in the future and delivering affordable housing. The latter will mean that fewer households have to leave the district to access cheaper housing elsewhere, with benefits to the social mix of the District and reducing social polarisation.
- The ageing of the population is reflected within the population projections which are based on recent trends. It is possible that there will be changes to the way older people occupy homes in the future that may have knock-on effect on household formation rates, though these would need to be quite dramatic to warrant a significant change in the household projections. For example, pressures on the cost and availability of social care may encourage older people to move in with their families when they need extra support. The ageing population is also translating into growing demand for specialised accommodation eg sheltered or care homes, though the extent of this demand is difficult to predict as many people prefer to remain in their own homes and receive support there.

There are a number of other factors which may affect household projections produced from the 2008 based ONS Sub National Population Projections, though it is unclear to what extent these factors have affected HCC household projections.

- Household formation rates are affected by the level of migration. A critique of the Government's 2008 based household projections by the TCPA suggests that international in-migrants tend not to form households in the early years of their stay.¹¹ Household projections which incorporate assumptions of high immigration should be adjusted to take account of the impact on household formation rates.
- The short base period (1991-2001) for projection of household representative rates results in lone parent projections increasing. Previous projections assumed growth in lone parents slowing down.

4.4 Critique of Alternative Approaches

There are a number of alternative approaches to the methodology adopted to produce Winchester's proposed household projections. It is worth considering the strengths and weaknesses of these before coming to an overall assessment of the extent to which the projections adopted by the District Council are 'future proof'.

4.4.1 Household Projections based on Zero Net Migration

Hampshire County Council re-ran the Chelmer model with the assumption that the net effect of migration on the population of the District was zero. This projection demonstrates that the population of the District would fall by 850 people over the period 2011-2031 without net in-migration. At the same time, the composition of

¹¹ TCPA (2011) New and Novel Household Projections for England with a 2008 base – Summary and Review, by Alan Holmans with Christine Whitehead

the population would become increasingly older and the size of the economically active population would fall. Nevertheless, even under this scenario, an increase in dwellings would be required to house the population due to falling average household size. This was calculated at 178 new dwellings per annum (3,560 over the 20 year period).

This projection is ruled out by Winchester City Council as a basis for planning because of the undesirable consequences it would produce and because it would be impossible in any case for the local authority to control migration into and out of the District. However, this projection is useful in that it demonstrates the importance of migration to the District in terms of maintaining a mix of different ages, households and in supplying economically active people for the labour market.

4.4.2 Household Projections based on Economic growth

It is important to keep in mind that the demand and need for housing is not just driven by changes in the population. Economic growth and specifically the creation of new jobs is a key driver of housing demand. There are two key reasons for this.

- Economic growth creates new jobs, which leads to in-migration of workers to fill those jobs. There has been limited scope for new jobs to be filled by existing residents in Winchester because the district has experienced practically full employment in recent years. In-migration of workers to fill jobs leads to demand for housing. The alternative is that workers commute in to jobs within the District from outside. In practice, both effects are experienced.
- Economic growth also feeds through into the earnings of workers and household incomes. There is a direct correlation between increases in household incomes and housing demand in the UK. Research by Christine Whitehead suggests that a 1% increase in household incomes leads to a greater than 1% in the quantity of housing demanded. This is an important point that is not picked up directly in any of the projections. Regardless of population growth or growth in the number of jobs in Winchester, if household incomes of residents increase over time there will be increased demand for housing because as people become wealthier they spend more money on housing. In recent years, household incomes have fallen in real terms and this is likely to dampen demand for housing in the short term.

NLP, on behalf of CALA Homes, projected the increase in the household population required to support an increase in the economically active population to fill jobs anticipated in Winchester in the future. NLP used employment projections contained in the Winchester Employment Land Review 2007 (ELR), undertaken by SQW. The ELR projected the creation of 588 jobs per annum under the baseline scenario 2006-2026. NLP use a figure of 538 for the period 2010-2026. It is unclear how this has been calculated to be different from the average included in the ELR report. This disparity is however unimportant to the overall conclusion of this projection: that significantly higher levels of housing supply would be required to support this scale of employment growth.

NLP estimate that the population increase required to support the increased labour force needed to fill 538 jobs each year would be 1,442 people per annum, resulting in 758 households. This takes account of economic activity rates within the population. NLP estimate that 782 new homes would be needed each year to house the additional 758 households. There are a number of fundamental difficulties with this analysis. These are covered in detail in Section 2. To summarise:

- Job growth is very unlikely to be of the scale projected in 2007 because of the deepness of the recession in 2008/09, further planned job losses in public sector to deal with the UK deficit and projected weakness of the path of economic recovery following financial crises. International studies indicate that recessions brought on by financial crises tend to have more long lasting effects on national economies than those that result from other factors. Employment growth is unlikely to bounce back to the trend rate associated with the years preceding 2007.
- The NLP projections appear to assume that the composition of the population will not change and so to achieve an increase of 5 workers in the labour market it requires the population of households to grow by 14 households. It is possible that new job growth will generate more economic migration than general in-migration. This is supported by Winchester's internal migration figures over recent years. The majority of in-migrants are working age (25-44 year olds) and there is limited net migration of older people, who are

more likely to be economically inactive. Nevertheless, workers also have dependents (children and spouses) that would increase the population without increasing the labour supply.

- The extent of population and household growth to support new jobs within Winchester will depend on the *type* of jobs created. Evidence of current commuting patterns suggests that unless the jobs created are highly skilled and well paid they are unlikely to enable workers to be able to afford to move to Winchester. If the new jobs created are low paid it is much more likely that this will lead to increased in-commuting of workers from adjoining areas.

Section 2 presented revised employment projections for Winchester. These estimate annual job growth of around 410 jobs per annum – a significant reduction on previous estimates. If we assume the same relationship between jobs and households as NLP did in the analysis described above (ie 1.4 households per job) this new level of job growth would imply household growth of 580 per annum. This is broadly in line with the Council's proposals to make provision for 550 new homes per annum and these proposals are also based on the capacity of sites, transport and social infrastructure.

4.4.3 Household Projections based on Affordable Housing Targets

NLP also produced some projections to demonstrate the level of overall housing required in order to deliver the number of affordable homes to meet the housing need identified by DTZ in 2010. This assessment has been updated for 2011 and the implications are set out further on in this section. In 2010 DTZ estimated the need for 375 affordable homes each year over the next 5 years to meet the backlog of housing need and newly arising need. It is true to project that in order to deliver this level of affordable housing solely through the provision of market housing would require at least 938 new homes each year (based on securing 40% of new housing as affordable). But there are two important points to make with this analysis:

- This projection is only valid for 5 years because the HNA assumes that the backlog of housing need will be dealt with over this period. It is not possible to extend this projection for a further 15 years because the backlog would have been dealt with. In the unlikely event that the backlog was removed in the next 5 years, the need for new affordable housing in years 2016-31 would effectively fall to zero because newly arising need could be met through turnover within the existing stock. In reality, this kind of action to boost supply would be likely to increase the number of applicants for affordable housing over time as people realise that there is a realistic prospect of having their needs met. The limited availability of affordable housing and long waiting times mean that some households do not register their need with the City Council. Furthermore, the 2011 housing need update finds a much higher level of housing need than was identified in the 2010 assessment.
- The 2011 updated housing need assessment shows that the shortfall in affordable housing is around 650 home per annum, assuming the backlog is addressed over 5 years and that no new supply is available. The sharp increase in need is as a result of significantly higher numbers of applicants on the City Council's waiting list compared to 2010. Given the large backlog of housing need which has built up over many years, it is much more realistic to think about addressing this over the whole plan period. This would imply the need for 350 affordable homes per annum, which is over 60% of the proposed housing allocation for the District. If 40% of new housing is delivered as affordable housing, this would mean it would be possible to meet 63% - almost two thirds – of housing need in the District over the plan period. It is worth noting that if this were achieved, it would far exceed levels of affordable housing delivery secured in Winchester and in almost every authority in England in recent years.
- The implied housing requirement needed to deliver 350 affordable homes each year (based on a 40% affordable housing quota) is 875 homes per annum. This significantly exceeds what has been delivered in the District in previous years and is likely to be unrealistic for the next 5 years because of the factors described previously, not least the ability of households and developers to secure financing, and to identify sufficient sites which are capable of immediate delivery.
- In the past, local authorities have often been unable to secure 40% of new housing as affordable because not all housing developments are 'captured' by affordable housing policies. Many developments have fallen below affordable housing thresholds and therefore have not contributed to affordable housing delivery. Winchester City Council has introduced a policy in its Core Strategy to effectively remove affordable housing thresholds which should enable the City Council to deliver more affordable housing than in the past.

4.5 Distribution of Household Growth

Winchester City Council projections disaggregate household projections at the sub-district level by applying the District-wide trends in migration, household formation to the sub-district areas. The Housing Technical Paper emphasises that these figures 'take no account of policy which applies in various parts of the District, or of the level and location of existing development commitments, the character and capacity of various areas, or the local needs for development.'

Furthermore, the Housing Technical Paper goes on to state that 'any breakdown of the District-wide housing need should seek to avoid calculating sub-District figures simply on the basis of the existing population or geographical extent of the relevant sub-area. To do this could ignore local characteristics, policy context and needs.' A key aspect in this is the extent to which new development is directed towards the PUSH area, where there is a strategy for, and strong commitment, to economic growth and associated housing delivery.

The sub-district estimate results in 50% of the District's household growth in Winchester town (4,000 homes) and the market towns and rural areas (1,500) with the remaining 50% in the south of the District in the PUSH sub-region (5,500). If this is compared in simple terms to the share of the existing population – which is split roughly one third in each of the sub-District areas – this suggests:

- Winchester City has a share of future housing development (36%) that is consistent with the existing size of its population (36%)
- The PUSH area has a larger share (50%) of housing development than its share of the existing population (31%)
- The market towns and rural area has a smaller share (14%) of housing development than its share of the existing population (33%)

This distribution appears to steer new housing development away from the market towns and rural areas and into the PUSH area, where growth is being encouraged.

Given the new South Downs National Park designation, work is being commissioned by the SDNP to determine housing requirements in the National Park area. In the event that these requirements (or the ability to deliver them) are different to those anticipated by Winchester City Council, this may mean that housing growth needs to be re-allocated between the market towns and rural area and Winchester City or the PUSH area. Plan for Places consultation identified capacity for around 1,700 to 2,500 new homes in the market towns and rural area which suggests that delivering 1,500 homes over the plan period is reasonable, even taking into account the new National Park designation.

NLP projections disaggregate household projections at the sub-district level and come to a different conclusion. Their figures suggest 70% of new households (and therefore new homes) being delivered within Winchester town, the market towns and rural areas with the remaining 30% delivered in the south of the District in the PUSH sub-region. This split reflects the pattern of existing development and proportions of the existing population living in different parts of the District. It also reflects the pattern of completions since 2005 where 70% of new completions in Winchester have been delivered in the City and market towns and rural areas with 30% in the PUSH area. Though, new completions between 2001 and 2004 were predominately (60-70%) delivered in the PUSH area so the balance of completions is capable of shifting over time.

4.6 Key Observations

4.6.1 Short Term – Next 5 Years 2011 - 2016

DTZ believe that the ONS sub-national population projections can be regarded as the upper limit of what is likely to happen in Winchester District in terms of population growth in the short term (5 years), and we regard it as reasonable that population growth will be less than projected in the short term.

The main reason for this is that we anticipate that net in-migration will be lower than assumed in the ONS sub national population projections.

There are also reasons to believe that household formation rates will be lower than anticipated in the short term because of poor affordability and accessibility to home ownership, downward pressure on household incomes and challenges in delivering new affordable homes. All of these factors are likely to make it more difficult for people to form independent households than has been the case in the last decade.

It is difficult to predict how long these pressures will continue. Evidence on population and household growth following previous economic recessions demonstrates that a trend rate of growth becomes re-established at some point. However, there is an argument that a number of the shifts resulting from the 2007/08 financial crisis may have a much longer lasting effect on the economy of the UK and knock on effects on population and household change.

A case could be made for having a different allocation in the first 5 years of the plan period with higher allocation in years 2016-2031 on this basis. The advantage of this approach would be that a lower level of land would need to be allocated in the plan which would relieve some of the difficulties in relation to limited identified capacity within the District. It would also better reflect the ability of the market to deliver new homes under current economic conditions. There are risks with 'back loading' provision in the plan that site allocations may become delayed just when the market is picking up and wanting to deliver new supply. It is our view that, in an ideal world, it would be better to have sites allocated sooner rather than later, even if they are not delivered by the market until later in the plan period. This also has the advantage of giving the Council more flexibility and, perhaps, leverage over development applications because it is not dependent on one specific site to deliver at a particular time. However, if sites are not deliverable in the first 5 years of the plan, it would make sense to phase allocations to recognise likely delivery timeframes, which may mean that delivery in the District is scaled up over the plan period.

4.6.2 Medium to Long Term – 2016 – 2031

There are a number of changes in the drivers which underpinned the 2008-based ONS sub-national population projections which may continue in the medium to long term:

- Poor accessibility of home ownership as a result of a tighter mortgage market which may continue to constrain household formation
- Pressure on household incomes through inflation, particularly in the cost of energy but also food, which may constrain the ability of people to form independent households
- Cuts in the public sector will affect Winchester to a greater extent than some other areas because of the high proportion of public sector employment. This will feed through into housing demand to some extent, although there is also a high proportion of in-commuting to public sector jobs in the District.
- Stabilisation of international in-migration from the EU Accession countries as other EU countries open their borders and as the host countries experience rising economic opportunities and the devaluation of the Pound £ makes the UK less attractive to foreign workers

These factors may exert downward pressure on household growth over the medium to long term. It is difficult to see a reversal of these pressures in just 5 years time.

However, there are other factors which might contribute to *upward* pressure on household growth within Winchester in the medium to long term:

- Winchester remains a very attractive place to live and is a popular destination for those moving out of London. This is likely to keep migration levels higher than they might otherwise be. This in-migration is not necessarily dependent on economic growth in the District as many of these movers will continue to work in the capital.
- Winchester's economy is strongly placed to benefit from the economic recovery given its attractive location, skilled workforce and accessibility by road and rail, including to the capital. Winchester is likely to out-perform other places in the South East which will boost in-migration (and/or in-commuting) to fill new jobs.
- As economic growth becomes re-established in the medium to long term, household incomes are likely to grow. In turn, this will boost demand for housing within Winchester. The rate of household income growth

in the future is difficult to predict but could result in a major upturn in demand for housing which is not taken into consideration by the projections.

There are downward pressures on household growth which suggest 11,000 dwellings per annum may over estimate household growth in the short term. But there are also potential upward pressures on household growth in the medium to long term which could push household growth and housing demand higher than currently projected. On balance, DTZ support the Council's conclusion that 11,000 dwellings is a reasonable basis for planning new housing provision in Winchester's Local Development Framework. Furthermore, based on the updated housing need assessment, delivery of 11,000 new homes could enable the City Council to meet around two thirds of housing need within the District over the plan period through new supply and re-lets within the existing stock. This would imply a level of affordable housing delivery through the planning system that far exceeds what has been achieved in Winchester in the past. Whilst this leaves around one third of needs unaddressed, it may be possible to increase the rate of re-lets and find solutions within the private rented sector to ensure all priority needs are addressed.

We would suggest that this figure is not described as a fixed target, given the uncertainties over growth in the medium to long term. The simplest option might be for the plan to say that it is 'making provision for 11,000 new homes' without saying whether this is a target or a ceiling. This would then give the Council flexibility over the figure, depending on the context and on the merits of applications that come in from development.

Appendix 1: Detailed Compositions of Sectors Analysed

Broad OEF Sectors	OEF Sectors	SIC 2007 Employment Sections	SIC 2007 2 digit division
Production and Construction	Agriculture, forestry and fishing	A : Agriculture, forestry and fishing	01 : Crop and animal production, hunting and related service activities 02 : Forestry and logging 03 : Fishing and aquaculture
	Mining, Quarrying and Utilities	B : Mining and quarrying	05 : Mining of coal and lignite 06 : Extraction of crude petroleum and natural gas 07 : Mining of metal ores 08 : Other mining and quarrying 09 : Mining support service activities
		D : Electricity, gas, steam and air conditioning supply	35 : Electricity, gas, steam and air conditioning supply
		E : Water supply; sewerage, waste management and remediation activities	36 : Water collection, treatment and supply 37 : Sewerage 38 : Waste collection, treatment and disposal activities; materials recovery 39 : Remediation activities and other waste management services. This division includes the provision of remediation services, i.e. the cleanup of contaminated buildings and sites, soil, surface or ground water.
	Manufacturing	C : Manufacturing	10 : Manufacture of food products 11 : Manufacture of beverages 12 : Manufacture of tobacco products 13 : Manufacture of textiles 14 : Manufacture of wearing apparel 15 : Manufacture of leather and related products 16 : Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials 17 : Manufacture of paper and paper products 18 : Printing and reproduction of recorded media 19 : Manufacture of coke and refined petroleum products 20 : Manufacture of chemicals and chemical products 21 : Manufacture of basic pharmaceutical products and pharmaceutical preparations 22 : Manufacture of rubber and plastic products 23 : Manufacture of other non-metallic mineral products

		24 : Manufacture of basic metals 25 : Manufacture of fabricated metal products, except machinery and equipment 26 : Manufacture of computer, electronic and optical products 27 : Manufacture of electrical equipment 28 : Manufacture of machinery and equipment n.e.c. 29 : Manufacture of motor vehicles, trailers and semi-trailers 30 : Manufacture of other transport equipment 31 : Manufacture of furniture 32 : Other manufacturing 33 : Repair and installation of machinery and equipment	
	Construction	F : Construction 41 : Construction of buildings 42 : Civil engineering 43 : Specialised construction activities	
Services	Distribution and Retail	G : Wholesale and retail trade; repair of motor vehicles and motorcycles 45 : Wholesale and retail trade and repair of motor vehicles and motorcycles 46 : Wholesale trade, except of motor vehicles and motorcycles 47 : Retail trade, except of motor vehicles and motorcycles	
	Transport and Communication	H : Transportation and storage 49 : Land transport and transport via pipelines 50 : Water transport 51 : Air transport 52 : Warehousing and support activities for transportation 53 : Postal and courier activities	
	Hotels and Catering	I : Accommodation and food service activities 55 : Accommodation 56 : Food and beverage service activities	
	Financial Services	K : Financial and insurance activities 64 : Financial service activities, except insurance and pension funding 65 : Insurance, reinsurance and pension funding, except compulsory social security 66 : Activities auxiliary to financial services and insurance activities	
	Business Services		58 : Publishing activities 59 : Motion picture, video and television programme production, sound recording and music publishing activities 60 : Programming and broadcasting activities 61 : Telecommunications 62 : Computer programming, consultancy and related activities 63 : Information service
			J : Information and communication activities L : Real estate activities 68 : Real estate activities

	M : Professional, scientific and technical activities	69 : Legal and accounting activities 70 : Activities of head offices; management consultancy activities 71 : Architectural and engineering activities; technical testing and analysis 72 : Scientific research and development 73 : Advertising and market research 74 : Other professional, scientific and technical activities 75 : Veterinary activities
	N : Administrative and support service activities	77 : Rental and leasing activities 78 : Employment activities 79 : Travel agency, tour operator and other reservation service and related activities 80 : Security and investigation activities 81 : Services to buildings and landscape activities 82 : Office administrative, office support and other business support activities
Public Administration	O : Public administration and defence; compulsory social security	84 : Public administration and defence; compulsory social security
Education	P : Education	85 : Education
Health	Q : Human health and social work activities	86 : Human health activities 87 : Residential care activities 88 : Social work activities without accommodation
Other Services	R : Arts, entertainment and recreation	90 : Creative, arts and entertainment activities 91 : Libraries, archives, museums and other cultural activities 92 : Gambling and betting activities 93 : Sports activities and amusement and recreation activities
	S : Other service activities	94 : Activities of membership organisations 95 : Repair of computers and personal and household goods 96 : Other personal service activities
	T : Activities of households as employers;undifferentiated goods-and services-producing activities of households for own use	97 : Activities of households as employers of domestic personnel 98 : Undifferentiated goods- and services-producing activities of private households for own use
	U : Activities of extraterritorial organisations and bodies	99 : Activities of extraterritorial organisations and bodies