



Derry City & Strabane District Council

Review of the growth targets in Derry City & Strabane District Council's Local Development Plan to 2032

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Introduction

1. The Local Development Plan (LDP) draft Plan Strategy (dPS) for Derry City and Strabane was launched in December 2019. The LDP dPS sets out the vision of the District Council, its objectives and planning policies in relation to the development use of land in the Council area out to 2032.
2. As part of the consultation phase Derry City & Strabane District Council [DC&SDC] have requested the Economic Policy Centre [UUEPC] to review the current population and employment forecasts contained within the LDP dPS, not least in light of the changes since 2019: the COVID-19 pandemic and the UK exit from the EU and subsequent NI Protocol.
3. This brief paper sets out the LDP dPS targets and the assumptions on which these lay at the end of 2019, the impacts of events since then and other trends which have since come to the fore and to raise some questions which the review needs to consider.

What did the LDP dPS say?

1. The LDP dPS published by Derry City & Strabane District Council (DCSDC) identified three strategic growth options from the 2017 baseline of 150,000 people, 55,800 jobs and 61,000 houses. The baseline reflected modest improvements in both population and jobs growth over the previous 5 years but also a decade of very low levels of house-building in the aftermath of the Great Financial Crisis.
2. Table 6 in the LDP dPS set out the three strategic options and their consequent targets for growth against population, jobs and housing. Table 1 below reproduces these.

Table 1: Growth scenarios to 2032 in LDP dPS

| Key elements | 2017 Baseline | Current/Modest growth | Planned growth | Potential City Region growth |
|-------------------|---------------|-----------------------|------------------|------------------------------|
| Population | 150,000 | No change | +5-10,000 | +10-20,000 |
| Employment | 55,800 | +4,000 | +8-15,000 | +16-18,000 |
| Housing | 61,000 | +4,100 | +8-10,000 | +11-15,000 |

Source: DCSDC LDP dPS, Table 6

3. The assumptions behind these three strategic options can be described as follows:
 - **Current/Modest growth** – these projections are for little or no population growth, modest employment growth and a limited amount of house-building by 2032. The assumptions are based on a ‘policy neutral’ position where the future period repeats the past decade of very modest improvement in all three indicators. The standstill in population is drawn from NISRA’s population projections which follows the lowest growth in NI since 2001 (only an additional 6,700 people) and is a result of some natural increase negated by outward migration, in particular among school-leavers. The employment forecasts are drawn from the UUEPC baseline forecasts from 2019 in which an agreed Brexit proved somewhat disruptive but there would still be modest jobs growth in line with the recovery since 2015.
 - **Planned growth** – this forecast was for a much stronger uplift of up to 10,000 in population which would, in turn, create a greater demand for housing. The driver for this UUEPC impact assessment was that the local economy in the Council area would be driven by stronger economic (GVA) and employment growth even counting in Brexit. The reason for this is the planned improvements in connecting infrastructure to the city, the regeneration of several key sites in both Derry and Strabane, an expansion of the university combine to attract new residents and retain more school-leavers for more and better-paying jobs. In essence this scenario reflects the

modelled impact assessment of the Strategic Growth Plan of DCSDC and the allied City Deal proposal (then planned and now launched in March 2021).

- **Potential City Region growth** – the third scenario draws upon a transformative high-growth option with double-digit growth across population (perhaps 20,000 more people), jobs (more than 15,000 new jobs) and housing (similar increase). In essence this takes a City Region perspective to the entire North West where private and public investment in infrastructure and business start-ups and expansion delivers strong growth in **both** the DCSDC area and in neighbouring County Donegal. The other key element to this assumption is that this growth delivers **more equally** across the entire City Region in a more inter-related fashion than in the period since partition. The model for this has been the recent economic growth and recovery enjoyed since the 1990s and more particularly since 2013 in Limerick and Galway cities.
4. The **Planned growth** scenario was the one selected in the LDP dPS as the most likely one to be followed up to 2032 given the policy contexts on both sides of the border and the broader economic forecasts for both NI and Ireland. In the LDP dPS the upper end of the targets in the **Planned growth** scenario were the ones chosen, as detailed in Table 2 below.

Table 2: Growth targets to 2032 in LDP dPS

| Key elements | Planned growth |
|-------------------|----------------|
| Population | +10,000 people |
| Employment | +15,000 jobs |
| Housing | +9,000 houses |

Source: DCSDC LDP dPS

What have we reviewed for 2020/2021?

1. The UUEPC have reviewed the targets against the background of unprecedented events and significant developments since December 2019. Some of these developments, such as Brexit or the March 2021 City Deal announcement, were included to some degree in the thinking behind the original targets in the 'Planned Growth' scenario but others could not be anticipated. This section looks first at the development since 2017 baseline and then at development each in turn before a final section draws some conclusions about the validity of the original assumptions and targets.

Developments since 2017

2. Table 3 shows the actual and estimated changes since 2017 within the Council area. It shows that jobs growth to the end of 2019 was well ahead of the expected growth while both population and housing are within the bounds calculated in the LDP dPS. Of the three elements population growth – albeit that the estimates are based on a steady state growth calculated by NISRA's Mid-Year Estimates – is the one to closely monitor for change in the 2021 Census when the initial results are released in mid-2022.

Table 3: Development since 2017

| Key elements | 2017 Baseline | Expected change for 'Planned Growth' | Change since 2017 |
|-------------------|---------------|--------------------------------------|------------------------------|
| Population | 150,000 | +1,000-2,000 (2019) | +1,300 (MYE 2019) |
| Employment | 55,800 | +1,600-3,000 (2019) | +4,100 (WFJ Q4 2019) |
| Housing | 61,000 | +2,100-2,700 (2020) | +2,300 (Q4 2020 completions) |

Sources: NISRA, Mid-Year Population Estimates, ONS, Workforce Jobs (Q4 2019), LPSNI House Completions (Q4 2020).

Derry & Strabane City Deal and Inclusive Future Fund

3. The launch of the Heads of Terms of the £250 million City Deal and Inclusive Future Fund in March 2021 is a significant step forward in the 'Planned Growth' scenario. The projects chosen for the City Deal were already included within the Strategic Growth Plan for Derry & Strabane and had been identified as priority actions by stakeholders in the Council area. However, they also needed to be able to meet criteria for funding from the UK Government, specifically demonstrating a level of Innovation and a positive impact on Gross Value Added (GVA). All projects also needed to be at the cutting edge of technological advancement and non-duplicative with any other similar project within the UK. The Inclusive Future Fund – and the employability and education funding this has provided – has a strong emphasis on ensuring that the residents of the Council area are able to take full advantage of future growth.

4. Initial estimates completed by the UUEPC in late November 2020 were that, by 2032, there could be 7,200 additional jobs (9% growth in employment) created within the district and £210m per annum more GVA generated by the City Deal projects and the spin-off effects of these. These jobs and GVA are expected to be created in addition to what might be regarded as baseline growth of 4,000 jobs if there was no intervention as proposed by the Strategic Growth Plan and the City Deal.¹ The 7,200 additional jobs on top of baseline employment growth **are a key part of the planned growth targets.**
5. Although the City Deal is by its very nature focused on increasing the levels of GVA in the Council area, these estimates point to the City Deal more than doubling the number of new jobs that might be expected in the absence of this intervention. The highest level of additional jobs growth will be in those jobs requiring Level 4 qualifications and higher which reflects the innovation-led nature of the projects supported. However, there will be lower level jobs created right across the district as the secondary effects of the investment impact. These can be expected to be concentrated in specific sectors such as Construction, Tourism, Hospitality, Retail and Accommodation but not exclusively so.
6. Residents are expected to fill 70% of the jobs, with commuters and new migrants residing in the area filling the remaining 30%.² These new arrivals can be expected to add to the 'neutral state' population growth targets and contribute towards the 5-10,000 additional people. One key indicator of success for the City Deal and the wider Strategic Growth plan is whether these interventions reverse the net out-migration from the Council area seen in recent years. Retention of younger people will not only add a vitality to the city but also to the rural areas found elsewhere in the district.
7. However, there may be room for upward movement in these numbers as the City Deal also includes a major planned expansion in the Magee campus (with a minimum of 1,350 additional students already planned for graduate medicine and allied health subjects). The 'New Decade, New Agreement' document contains the commitment to explore the expansion of the Magee campus and subsequently there has been discussion of raising the MASN numbers to provide places for 6,000 students. In a previous paper UUEPC economists looked at the impact of such planned investment in other parts of the of the UK and Ireland and found that these can add substantially to population growth, especially if the university town or city region can provide

¹ These estimates by the UUEPC were completed in November 2020 on the basis of baseline scenarios which took into account the employment impacts of COVID-19 in the first half of 2020.

² The 70/30 divide is based upon the findings from previous research: UUEPC, *Strategic Growth Plan Forecasting and Analysis for Derry City & Strabane District Council* (June 2016).

suitable employment after graduation. This should be regarded as a potential upside to the current targets.

Brexit, NI protocol and migration

8. The initial assumptions for the 'Planned growth' scenario in the LDP dPS were based upon what might be called an 'orderly' Brexit where the UK left the EU with a trade deal that minimised the friction that leaving the Single Market would cause. At the end of 2020 a Trade and Cooperation Agreement was signed by the EC and the UK Government covering key areas including goods trade, defence, etc.
9. The TCA also included the NI Protocol by which NI remains within the EU Single Market and Customs Union as well as being able to operate within the UK's internal market. The protocol thus contains mechanisms for goods trading across the Irish Sea from NI to GB as well as other regulations around State Aid and Product Specification concerning NI. This has come into force since 1 January 2021 and several issues have been raised with the Protocol which a Joint Committee is working on to resolve, though others call for this element of the TCA to be completely scrapped.³
10. Two of the key elements that Brexit impacts on are cross-trade and the terms and conditions enjoyed by frontier or cross-border workers with regard to public services, taxes and pensions. This is particularly important to the Derry City & Strabane district for two reasons:
 - The numbers of people – at the last census in the Republic of Ireland this numbered 13,700 – born in NI and living in County Donegal.
 - The impact that trade frictions could have on the Donegal economy more generally and the recent successes seen in FDI there, in Letterkenny in particular.
11. The NI Protocol would appear to leave the 2019 assumptions largely intact. At present it appears still very early to judge what the longer-run impacts of Brexit and the NI Protocol might be on the Council area given its proximity to County Donegal. There may be some impetus for people to return to live across the border in NI but because this appears largely to have been driven by housing decisions and there does not appear to be any house price fall associated with three UK exit then there seems little reason to change this upon review.

³ A useful summary of where things stand at the present time can be found in Katy Hayward, 'Protocol on Ireland/Northern Ireland and the new [UK government] command paper', 26 July 2021, accessed at: <https://ukandeu.ac.uk/command-paper/>

COVID-19 and its impacts

12. The economic impact of the COVID-19 pandemic has been both unexpected and significant. The levels of uncertainty and speed of events since early 2020, the lack of any comparable reference point, the stay-at-home orders and then the actions to mitigate the economic fallout have been unprecedented. The historic impacts across major advanced economies can be seen in the expectation of the OECD that output will rebound but not return to pre-COVID levels in most economies until late 2022. In NI it is estimated that the economy contracted in 2020 by 10.4% with declines in output in three out of four quarters and the outlook is that the 2019 levels of output will only be recovered by mid-2023.⁴ At the Council area level the estimated fall in GVA in 2019 in DCSDC was 11.4%.⁵ The higher impact can be partly explained by the importance of the Health sector to the local economy and how the fall in output was calculated in this sector.⁶
13. The expected impacts on the labour market of such restrictions on economic activity have not followed as expected. There were 120 confirmed redundancies in 2020 in the Council area which is less than the annual average for the previous seven years (142). The Claimant Count (6.2% in June 2021) and unemployment rates both rose in 2020 at the Council area level but not as sharply as predicted.⁷ This is largely due to the protections provided by the Coronavirus Job Retention Scheme (CJRS) and the SEISS which both are intended to provide a bridge back to the full re-opening of the economy.
14. With regard to CJRS locally at the end of May 2021, there were 3,900 jobs furloughed in DCSDC, a third of the number furloughed at the peak in July 2020. The key uncertainty remains around the security of those jobs when the CJRS ends, currently on 30 September 2021. How far this might add to unemployment is hard to estimate given the absence of comparators, but there is a UK-wide ready reckoner of 12% of jobs furloughed at the end of May 2021 may not survive.⁸ If

⁴ There is a growing consensus around 2023 as the year in which NI's GVA will recover to the 2019 level; see UUEPC, *Economic Outlook – Summer 2021* (June 2021), accessed at https://www.ulster.ac.uk/_data/assets/pdf_file/0009/883683/UUEPC-Summer-2021-Economic-Outlook.pdf

⁵ Initial estimates were that GVA would fall in the Council area by 9.5%, based on the expectation that public sector output would provide a 'cushion'; see UUEPC, *Potential economic consequences of COVID-19 in Northern Ireland: Revised estimates and a Council-level view* (22 May 2020), accessed at https://www.ulster.ac.uk/_data/assets/pdf_file/0004/574204/UUEPC-Economic-Consequences-of-Covid19-Paper-2.pdf.

⁶ The forecasts for Summer 2021 for DCSDC were released in June 2021 and include estimates of the GVA impacts in 2020 of COVID-19. The calculation of output in the Health sector (not by wages paid but activity in terms of delivery of procedures) is explained in UUEPC, *Economic Outlook – Summer 2021* (June 2021).

⁷ The Claimant Count rose from 4.3% (4,130 claimants) in March 2020 to 7.4% (7,080) in May 2020 and has fallen slowly since then.

⁸ A 15-20% figure was taken from the UK Resolution Research in February 2021 and has been revised downwards to an expectation of 12% of those still furloughed at the end of May 2021; see Daniel Tomlinson, 'The beginning of the end', 4 July 2021, accessed at <https://www.resolutionfoundation.org/publications/the-beginning-of-the->

this is borne out in DCSDC, that could add approximately 470 people to those seeking work. Whether these find new jobs, as vacancies have remained higher than expected, or become unemployed or economically inactive remains to be seen. The UUEPC Summer 2021 Outlook for DCSDC forecasts a small increase in unemployment in 2021 and 2022 before falling again in the following years.⁹

15. Local forecasts are provisional but it is expected that a rebound could be sharp in the NI and local economy with employment lagging behind GVA but recovering by 2023 or 2024. The key uncertainty about this forecast is the extent to which scarring may occur in some sectors (notably Retail, to a lesser extent Hospitality and also Administration Services). If this is avoided and the interventions mentioned above come onstream quickly then the impacts of the pandemic might be short-lived.
16. The housing impacts of COVID-19 appear much less marked than was initially projected.¹⁰ In June 2020 there was an expectation that housing transaction volumes, house prices and completions would all be adversely impacted in 2020 with a fear of this carrying on into 2021. As it transpired transactions and completions both fell – and relatively less in the Council area than in NI more generally – and house prices rose by more than 5%.¹¹
17. The economic impacts of the COVID-19 pandemic remain to be seen, not least because it is unclear how far the unprecedented government supports noted above (and other such as rate holidays and re-opening support grants) have helped businesses bridge the gap between survival and recovery. The broader impacts on health, use of outdoor amenities and lifestyle choices will also work themselves out in the coming years and we will also be evaluating the effectiveness of the Covid-19 responses including at District level by DCSDC and other agencies, including pedestrianisation, greenways, pavement cafés, etc.
18. In summary, the impacts of COVID-19 should not be under-estimated as a downside risk to the jobs targets in particular but the impacts are unlikely to act in the same way with regard to the population or housing scenarios.

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⁹ The Summer 2021 Outlook was presented to the Strategic Growth Plan Partnership and Council committees in June and July 2021.

¹⁰ Jordan Buchanan, Chief Economist with Property Pal, provides regular insights and quarterly forecasts for the NI and local housing markets at <https://insights.propertypal.com/flash-commentary/>

¹¹ Latest statistics on housing completions, transactions and prices can be found at <https://www.finance-ni.gov.uk/articles/northern-ireland-house-price-index>

Other trends

19. The UUEPC has explored a number of other trends that have accelerated or indeed jumped forward in time since 2019. These include:

- **The future of retail and town centres** – this is a topic which is much discussed given the importance of Retail as a local sector (10% of businesses in the district and 16% of employees). The issue is that the trend to online shopping has leapt forward with the pandemic raising more questions than ever about the 'bricks and mortar' element of retail.¹² The employment effects of this have been noted above but there appears little impact on population.
- **Remote working** – this is potentially a significant change for both working and commuting/residential patterns. The acceleration of the NICS Connect2Hubs with Ballykelly to the fore of these plans are a sign of the change to come and although the 'death of the office' may be overdone in the commentary, there is no question that a shift in working patterns is happening and will likely stick. There are also some estimates that improvements in broadband connectivity assisting remote working may lead to the displacement of population across the UK – some estimates of 30,000 additional people living in NI¹³ – and this too remains to be seen. The impact here may be one of population gain as commuting on a hybrid basis becomes a more sustainable mode of working and living.¹⁴
- **City centre living** – projects such as the 'Walled City' investment may point towards a future of greater levels of city centre living by younger cohorts of the population. The lessons from elsewhere are that rental affordability and a supply of suitable accommodation are both necessary if the appeal is being made on a 'quality of life' basis.¹⁵

¹² For example see KPMG Ireland, *Future of Retail: Transitioning from 'retail' to 'consumer commerce'* (March 2021), accessed at <https://assets.kpmg/content/dam/kpmg/ie/pdf/2021/03/ie-Future-of%20Retail-2021-KPMG-Ireland.pdf>

¹³ CEBR research for OpenReach, reported in *Irish News*, 28 April 2021.

¹⁴ The UUEPC is involved in a large research project on 'Remote Working and Changing Patterns of Work in Northern Ireland', due for release later in 2021.

¹⁵ European Commission, *Report on Quality of Life in European Cities* (July 2020), accessed at https://ec.europa.eu/regional_policy/sources/docgener/work/qol2020/quality_life_european_cities_en.pdf

Some concluding remarks

1. The review has revisited the initial targets (see Table 1) and then shown the progress on the 2017 baseline using the latest available data from 2019 or 2020 (in the case of housing completions). All three elements appear to either be ahead of target (employment) or within the bounds of the growth needed to reach the 2032 targets. As expected population is the slowest growing of the three elements pointing once more to higher growth being needed in the second half of the plan period as other developments take effect.
2. The review has also looked at three significant developments since 2019:
 - The COVID-19 pandemic – the employment impacts here are the sharpest ones with a forecast that 2019 levels might not be reached again until 2023-24. Upper scenarios see this ground being covered more quickly and would reflect a more positive impact coming from the planned investments in the Strategic Growth Plan. Population and housing impacts are more negligible in the longer run, even allowing for higher levels of excess deaths in 2020 due to the pandemic.
 - The UK exit from the EU and subsequent agreement – the review concludes that the final shape of the agreement (including the NI Protocol) was largely covered in the original assumptions and therefore there is no change here.
 - The launch of the City Deal and Inclusive Future Fund ‘heads’ – the plans associated with the City Deal, especially the focus on achieving higher levels of GVA, are expected to have a positive effect for the Council area and for the city in particular. The impacts on the employment targets are negligible – although there may be some tendency to create higher wages in those created – and this may create some upsides for the reputation of the area and the City Region more generally as a place to live and to retain younger people. There may also be upsides, in terms of population, from growing numbers of students coming to live in the area and potentially to stay there if quality jobs are being created.
3. ***The review points to the targets in the LDP dPS ‘Planned growth’ scenario remain on course to be met in 2032. This is based primarily on the assumption that the Strategic Growth Plan – improvements within the Council area and connectivity to other parts of NI and the island – are fully delivered upon.***