Fylde Addendum 3: Analysis of the OAN in light of the 2014-based SNPP and SNHP

Fylde Borough Council

May 2017

Turley

Contents

Client
Fylde Borough Council
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Executive Summary

1. This report is intended to provide a direct response to the request from the Local Plan Inspector – as set out in her letter dated 11 April to Fylde Borough Council ('the Council') – to provide further clarity on the implications of the official 2014-based sub-national population projections (SNPP) and the 2014-based sub-national household projections (SNHP) for the objectively assessed need (OAN) for housing in Fylde.

2. Specifically in this regard the Inspector requested in her letter to the Council that:

   "This should be in the form of a paper which sets out the 2014-based assessments using relevant scenarios (including economic) and takes account of all reasonable adjustments and uplifts as referred to in previous demographic evidence. It should also include an explanation as to what the implications of this are for the OAHN, including meeting affordable housing needs"[1]

3. This Addendum 3 report presents a fully updated assessment of the need for housing in Fylde taking into account the 2014-based SNHP. In following the PPG methodology for calculating the OAN for housing the analysis takes into account the conclusions reached by AMION Consulting in a separate report titled the '*Independent Assessment of the Economic Prospects of Fylde*' (Independent Economic Assessment), which the Council commissioned following the EiP hearings in March 2017. The report therefore considers an updated range of demographic and economic scenarios of potential need which take full account of the 2014 SNPP and SNHP. These scenarios of population and household growth are considered in the context of market signals evidence and the previously calculated need for affordable housing in the presentation of an updated assessment as to the implications for the OAN for housing in Fylde.

4. The 2014-based SNHP indicates a modelled need for 274 dwellings per annum following the application of a vacancy rate. This is considered to be an agreed representation of the 'starting point' for establishing the OAN for Fylde. This 'starting point' projection of need is higher than that represented by the earlier 2012-based SNHP, which formed the starting point for the analysis in the Addendum 2 report and projected a need for 237 dwellings per annum[2]. It is lower, however, than the concluded reasonable minimum level of demographic need presented within the 2013 SHMA (Migration-led 10 year scenario), which projected a need for approximately 320 dwellings per annum[3].

5. In a consistent manner to the approach taken in the 2013 SHMA and subsequent Addendum reports the demographic projection of need has been adjusted upwards to reflect a projection of population growth based upon a longer-term historic period to that used in the 2014-based SNPP. A further positive adjustment has also been applied to the household formation rates assumed within the 2014-based SNHP, again reflecting a consistent adjustment of the headship rates applied by the DCLG in the previous assessments of need. Collectively these adjustments estimate a minimum demographic

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[1] Letter from the Local Plan Inspector to Fylde Borough Council on the 11 April 2017 titled 'Fylde Council Local Plan – Duty to Cooperate, Objectively Assessed Needs and the Development Strategy' – EL5.003
[2] ED023 Figure 3.2
[3] ED021 – Paragraph 11.34

need for 351 dwellings per annum in Fylde over the plan period (2011 – 2032). This level of need is some 77 dwellings per annum higher than that projected by the 'starting point' projection of the 2014-based SNHP, and represents a 28% upward adjustment.

6.   It is recognised that there is a degree of uncertainty in projecting both future levels of job growth and labour-force behaviours. The previous housing evidence documents have recognised the complexity of this relationship, presenting different sensitivities relating to alternative assumptions around labour-force behaviour as well as modelling the need for housing based upon differing forecast levels of job growth.

7.   The May 2017 Independent Economic Assessment for Fylde concludes that it is considered reasonable that the level of future employment growth in Fylde will lie in the range of 55 jobs to 91 jobs per year over the remainder of the plan period (2015 – 2032). The implications of supporting this range of job growth has been assessed through the application of a set of modelling assumptions around labour-force behaviour which are broadly consistent with the methodology applied in the Addendum 1 and 2 reports, albeit with some updates to reflect the latest data. This indicates a need to provide for a higher level of housing need than projected through the demographic projections with a modelled need for between 397 and 421 dwellings per annum projected over the plan period.

8.   The application of a consistent headship rate adjustment to that applied to the demographic projections elevates this range of assessed need to 408 to 432 dwellings per annum. This level of need represents an uplift of between 57 and 81 dwellings or between 16% and 23% from the scale of demographic projected need.

9.   The analysis of market signals in Fylde continues to highlight that there is limited evidence of a significant worsening in market signals in Fylde, when compared against other relevant comparator areas. Whilst it is evident that a number of market signals have continued to show signs of worsening it is considered that this confirms that only a modest supply based adjustment to the demographic projections would be justified. The application of a 10% adjustment, as advanced by a number of representors through their hearing statements to the EiP, is considered to represent a reasonable upper limit to any such adjustment. Applying this uplift to the adjusted demographic projection (351dpa) would result in a need for 388 dwellings per annum. The resultant level of need falls below the range of need concluded as being required to support the scale of job growth forecast over the plan period.

10.   Taking each of the adjustments collectively it is considered that the evidence indicates an OAN of between 410 and 430 dwellings per annum, based on a rounding of the modelling outputs. The stepped application of the methodological steps followed in deriving the OAN are set out in Table 1.

Table 1: Adjustments to the 'Starting Point' in Arriving at the OAN

	Adjustment (dwellings per annum)	**Dwellings per annum** 2011 – 2032	% uplift from 'starting point'
The 'starting point' – 2014-based SNHP		**274**	
Adjusted demographic projection	+77	**351**	28%
Supporting likely job growth	+57 – 81	**408 - 432**	49% - 58%
(Market signals adjustment to demographic projection +10%)	*(+35)*	*(386)*	*(40%)*
Objectively assessed need (OAN) *rounded*	**+134 – 156**	**410 - 430**	**50% - 57%**

Source: Turley

11. The 2013 SHMA identified a need for 207 affordable homes per annum[4]. This was updated in the Addendum 1 report which concluded with a higher modelled need for 249 affordable homes per annum[5]. The draft Local Plan assumes a requirement to deliver 30% affordable housing. Applying this rate of provision to the OAN would suggest that approximately 120 - 130 affordable homes per annum will be able to be provided.

12. Whilst it is apparent that this will not meet the need for affordable housing in full this will represent a significant uplift on the recent historical rates of affordable housing provision, noting that less than 40 affordable dwellings were delivered in Fylde in 2015/16[6].

13. The Council identified that historically between 2003 and 2016 Fylde has on average seen the delivery of approximately 210 net dwellings per annum of all tenures. Delivering the concluded OAN would require an approximate doubling of this historic rate of development. This clearly aligns with the Government's objectives to boost the supply of housing and '*get more homes built right now and for many years to come*'[7].

14. The concluded OAN range within this Addendum 3 sits either side of the upper end of the OAN range concluded within the 2013 SHMA (300 – 420 dwellings per annum) but slightly below the upper end of the updated OAN range within the Addendum 2 report. Consistent with the upper end of the OAN in both of these reports the concluded OAN arrived at in this Addendum 3 report is directly associated with supporting a forecast of likely job growth.

15. Whilst a range of OAN for housing has been concluded associated with the range of job growth considered reasonable within the Independent Economic Assessment it is recognised that this report concludes that it is '*expected…that the likely level of*

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[4] ED021 – Figure 9.6
[5] ED022 – Paragraph 6.16
[6] DCLG Live Table 1011C indicates that 37 affordable homes were completed in Fylde in 2015/16
[7] DCLG (2017) Fixing our Broken Housing Market (p7)

employment growth will be at the upper end of this range'[8]. It is therefore considered that the full need for housing will be more closely aligned with the upper end of the identified OAN range.

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[8] Independent Assessment of the Economic Prospects of Fylde, May 2017, AMION Consulting

1. Introduction

1.1 This report is intended to provide a direct response to the request from the Local Plan Inspector – as set out in her letter dated 11 April to Fylde Borough Council ('the Council') – to provide further clarity on the implications of the official 2014-based sub-national population projections (SNPP) and the 2014-based sub-national household projections (SNHP) for the objectively assessed need (OAN) for housing in Fylde.

1.2 Specifically in this regard the Inspector requested in her letter to the Council that:

"This should be in the form of a paper which sets out the 2014-based assessments using relevant scenarios (including economic) and takes account of all reasonable adjustments and uplifts as referred to in previous demographic evidence. It should also include an explanation as to what the implications of this are for the OAHN, including meeting affordable housing needs"[9]

1.3 In responding to this request, this paper draws together the evidence submitted to the Local Plan Examination in Public (EiP) relating to housing need subsequent to the submission of the draft Local Plan for examination. It seeks to reflect upon and respond to the points of discussion during the hearing sessions on 28 and 29 March 2017 and references as appropriate the hearing statements submitted and referred to throughout the EiP hearing sessions relating to the OAN.

1.4 The 2013 Fylde Coast Strategic Housing Market Assessment (SHMA)[10] was primarily prepared in 2013 to confirm with the National Planning Policy Framework (NPPF) which was published in 2012. During its preparation, draft Planning Practice Guidance (PPG) was published in August 2013, with the SHMA referencing the release of this guidance. The 2013 SHMA provided an OAN across the three Fylde Coast authorities (Fylde, Wyre and Blackpool) and established a distinct OAN range for Fylde of 300 – 420 dwellings per annum over the period assessed (2011 – 2031).

1.5 Following the publication of the 2012-based SNPP dataset, an Addendum[11] ('Addendum 1') was prepared which sought to consider the implications of this dataset on the concluded OAN in the 2013 SHMA. This Addendum was prepared in the context of the PPG published by the Government in March 2014. A further Addendum[12] ('Addendum 2') was also commissioned by the Council following the release of the 2012-based household projections, and published in May 2015. Addendum 2 recommended that the OAN range was updated to reflect a higher upper end of the range of 440 to 450 dwellings per annum.

1.6 Collectively, this evidence was used by the Council to inform the development of the draft Local Plan up to its submission in December 2016.

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[9] Letter from the Local Plan Inspector to Fylde Borough Council on the 11 April 2017 titled 'Fylde Council Local Plan – Duty to Cooperate, Objectively Assessed Needs and the Development Strategy' – EL5.003
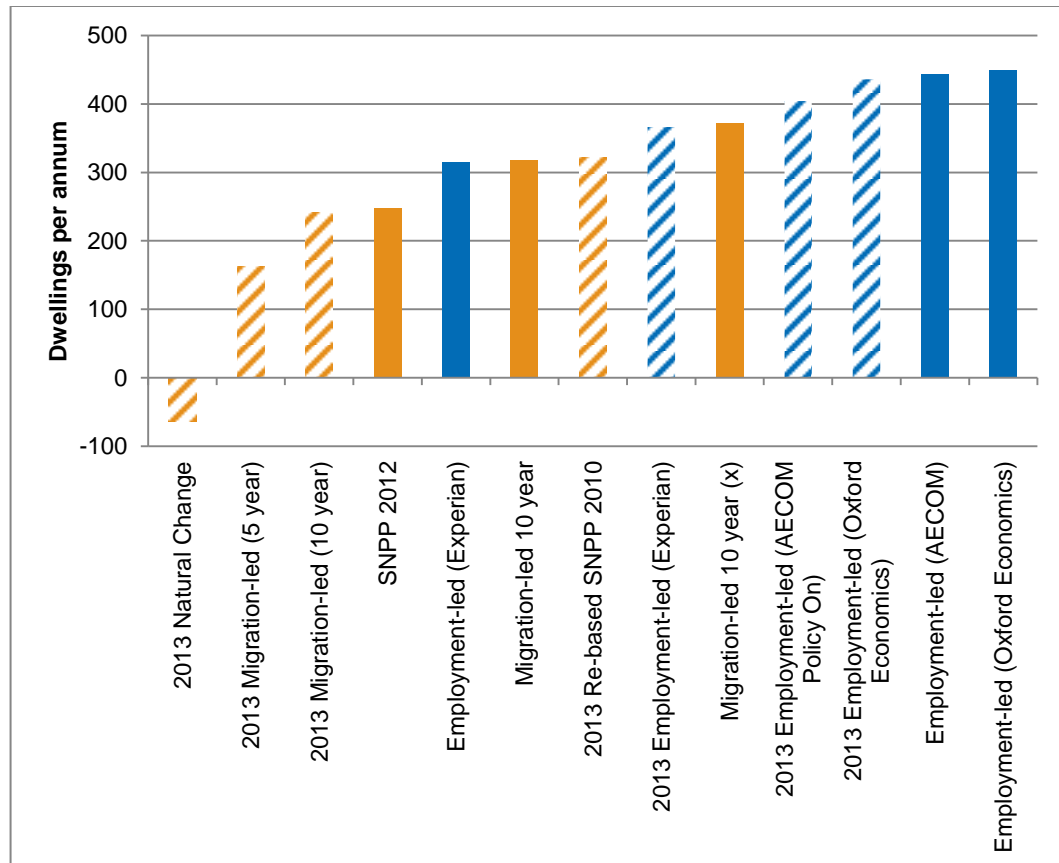[10] ED021
[11] ED022
[12] ED023

1.7   The Addendum 2 report included an illustration of the full range of scenarios of projected need within both the Addendum 1 and Addendum 2 at Figure 5.1. This is replicated below at Figure 6.1 to provide a context for the range of scenarios of housing need considered prior to the Submission Draft of the Local Plan being prepared.

Figure 1.1:   Addendum 1 and Addendum 2 Scenarios of Average Annual Housing Need – Fylde 2011 – 2030

Source: Turley/Edge Analytics 2015

1.8   In responding to the Local Plan Inspector's questions in advance of the EiP hearings on OAN and the housing requirement – and in response to points raised through the hearing statements of representors to the Plan – the Council subsequently commissioned a number of separate bespoke briefing papers to consider the implications of the 2014-based SNPP and SNHP datasets on the OAN:

• EL2.025 b(ii): 'Fylde Coast SHMA Briefing Paper: Sense Check with regards to the Economic Modelling for Fylde' (March 2017); and

• EL1.011: 'Fylde Demographic Projections SHMA Update – Including the 2014-based Population & Household Projections' (March 2017)

1.9   This report draws upon the evidence presented in these briefing papers to provide a single point of reference which considers the implications of the 2014-based SNPP and SNHP for the OAN for Fylde.

1.10   In order to provide a clear and transparent assessment of the implications for the OAN, the report is structured to respond to the methodological steps set out in the PPG for the calculation of an OAN. The report is therefore structured according to the following stepped process:

- The Latest DCLG Published Household Projections – the 'Starting Point';

- Adjustment to the DCLG Household Projections – Demographic Need;

- Taking Employment Trends into Account;

- Responding to Market Signals;

- Arriving at an Overall OAN; and

- Taking into Account the Need for Affordable Housing in arriving at an Overall OAN.

1.11   Recognising the particular focus through the EiP hearings on the scale of likely employment growth considered as being reasonable for Fylde, the Council separately commissioned AMION Consulting to prepare an *Independent Assessment of the Economic Prospects of Fylde* (Independent Economic Assessment) which is submitted as a separate Examination document to this report. The conclusions of this report are directly drawn upon within this report to inform the step of the methodology which takes into account employment trends and its impact on the OAN.

2. 2014-based SNPP/ SNHP

2.1 The 2014-based population and household projections provides a new '*starting point*' for the assessment of housing needs, in accordance with the PPG[13].

2.2 The following table shows the projected change in population and households in Fylde under the 2014-based projections for the plan period (2011 – 2032). This is a direct replication of the table included on the final page of the Economic Briefing Paper (EL2.025b(ii)).

Table 2.1:   2014-based SNPP / SNHP Projection of Need 2011 – 2032

	Change 2011 – 2032				Average per year	
	Population change	%	Households change	%	Net migration	Dwellings
2014 SNPP	6,651	8.7%	5,375	15.3%	726	274

Source: Edge Analytics

2.3 Household growth is converted to dwellings using a vacancy rate of 6.6% sourced from the 2011 Census which is consistent with the analysis presented in Addendum 2[14]. It is considered that the application of this adjustment was not specifically challenged by representors through the EiP hearing sessions in March 2017 and has therefore been retained for the purposes of re-modelling in this report.

2.4 **The modelled need for 274 dwellings per annum – or 5,755 dwellings over the plan period – suggested by the 2014-based SNPP and SNHP is considered to represent the 'starting point' for establishing the OAN for Fylde**.

2.5 It is of note that this 'starting point' projection of need is higher than that represented by the earlier 2012-based SNHP, which formed the starting point for the analysis in the Addendum 2 report and projected a need for 237 dwellings per annum[15]. It is lower, however, than the concluded reasonable minimum level of demographic need presented within the 2013 SHMA (Migration-led 10 year scenario), which projected a need for approximately 320 dwellings per annum[16].

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[13] PPG Reference ID 2a-015-20140306

[14] This is confirmed at paragraph 3.10 of the Addendum 2 report. It is noted that the 2013 SHMA applied a vacancy rate of 2.5% - as cited at paragraph 7.39 of the SHMA – where it was noted that this vacancy rate fell below levels evidenced from Council Tax.

[15] ED023 Figure 3.2

[16] ED021 – Paragraph 11.34

3. The Demographic Projection of Need

Population Projections

3.1 The 2013 SHMA included a detailed analysis of the historic demography of Fylde and the housing market area. In accordance with the PPG, this sought to consider the extent to which there was evidence of differing trends within the demographic picture historically and the extent to which this was likely to reflect the consequences of the past under-delivery of housing and worsening affordability.

3.2 The Addendum 1 and 2 reports subsequently also took account of the then-latest population and household projections, and the most recent demographic evidence including the latest population estimates released by the Office for National Statistics (ONS).

3.3 Within the 2013 SHMA, it was identified that:

"Fylde has seen a steady level of population growth between 2001/02 and 2011/12. As with Blackpool natural change represents a 'drag' effect with deaths exceeding births by around 400 persons each year. Net in-migration has been consistently positive over the full period with annual variations on average showing slightly higher levels over the first half of the decade"[17]

3.4 In the context of this demographic evidence, the 2013 SHMA – and subsequently the analysis in the Addendum 1 and 2 reports – included consideration of sensitivity testing of different projections of population growth, based upon the use of trends recorded during variant historic periods.

Sensitivity Testing the Population Projections

3.5 Each of the previous housing evidence reports prepared by Fylde have presented a range of variant projections built using the latest demographic evidence and primarily aimed at using a longer-term trend-based projection to assess the implication of assuming differing levels of migration. This approach was broadly considered appropriate by representors within their hearing statements[18].

3.6 The 2013 SHMA observed:

"A five year historical period is a typical time-frame from which migration 'trend' assumptions are derived (this is consistent with the ONS official methodology). However, given the unprecedented economic changes that have occurred since 2008 it is important to give due consideration to an extended historical time period for assumptions derivation"[19]

3.7 The modelling in the 2013 SHMA and the subsequent Addendum 1 report confirmed that using a longer-term historic period resulted in a level of projected need which was higher than implied by the official ONS projections. This reflected the inclusion of a

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[17] ED021 – paragraph 7.14 2nd bullet

[18] For example it is noted that this position is supported within EL2.011b at paragraph 2.16 – 1st bullet point

[19] ED021 – paragraph 7.15

historic period which saw a more positive level of population growth, partially offsetting the lower levels of growth seen more recently.

3.8   In deriving the OAN range, the 2013 SHMA concluded:

"Given that the last five years have represented a period of economic downturn and associated housing market stagnation, particularly outside of the South East, the longer-term migration trend should be considered as representing a more robust 'check' regarding demographic pressures to which housing need should be assessed" [20]

3.9   Submitted hearing statements broadly acknowledged the concluded justification for preferring a higher level of projected population growth, based on a longer-term trend-based projection over the ONS projections.

3.10   In presenting a range of variant population projections, the Addendum 1 report also considered the implications of unattributable population change (UPC), recognising that the ONS in producing its official projection had chosen to not directly take into account any implied correction associated with this factor. It was noted in the case of Fylde that the 2011 Census indicated a modest over-estimation of population growth in the borough by the ONS between the Census years[21].

3.11   Scenarios were therefore presented which both included and excluded UPC, with the latter resulting in a slightly higher projection of population growth. It was acknowledged that Edge Analytics considered that the full exclusion of UPC would overestimate the projected scale of international migration in Fylde[22], although it was noted that the scale of UPC was less significant than seen in Wyre. It was concluded, however, that the uncertainty associated with this component would justify a prudent approach which takes full account of the full range of modelled projections. The upper end of the range – based on a ten year trend-based projection and excluding UPC – was found to represent a minimum level of demographic need[23].

3.12   Given that this conclusion did not appear to be subject to specific challenge through representors' submissions to the EiP, it is considered reasonable to undertake a comparable sensitivity testing exercise when considering the implications of the 2014-based SNPP. This remains relevant and consistent with the PPG.

3.13   Edge Analytics presented a range of variant demographic projections within a report titled *'Fylde – Demographic Projections SHMA Update'*. This report was submitted prior to the EiP hearings in March 2017 and included as document EL1.011 in the Examination library. The approach followed is similar to that used in the 2013 SHMA and the Addendum 1 report.

3.14   The outputs of the modelling presented in this report are summarised below alongside a consideration of its implications for the OAN in Fylde.

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[20] ED021 – paragraph 11.13
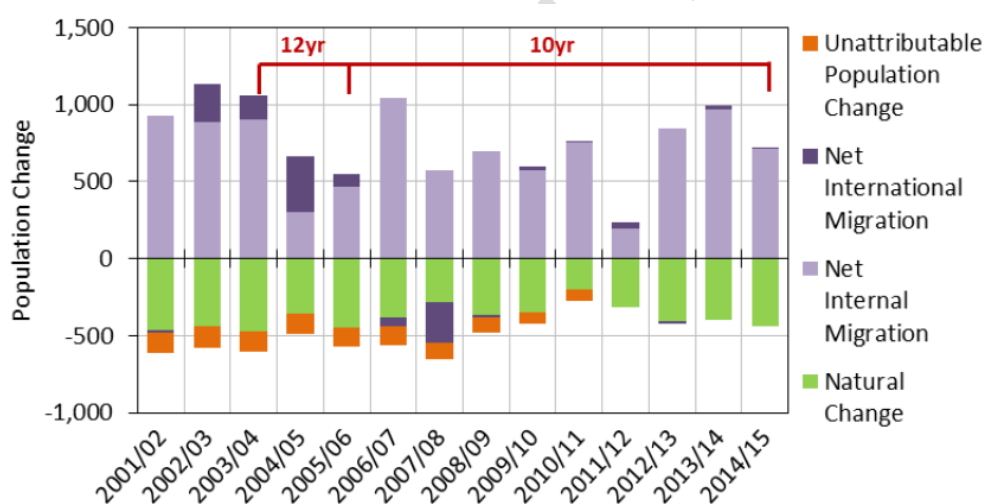
[21] ED022 – paragraph 3.12

[22] ED022 – paragraph 3.13

[23] ED022 – paragraph 7.20

Taking account of the 2014 SNPP and the latest ONS MYE population data

3.15 Within EL1.011, Edge Analytics presented an updated projection based upon the application of a longer-term ten year historic period (2005/06 to 2014/15), thereby integrating the latest demographic data published by the ONS including the 2015 MYE. For the reasons set out above, the scenario was modelled on the basis that UPC was excluded from the historic period from which trends are drawn. This demographic projection has used the latest 2014-based SNPP and household projection model, with a full explanation of the assumptions used in the modelling set out in Appendix 1.

3.16 In addition to a ten year trend-based projection Edge Analytics also ran a further sensitivity scenario basing the forward projection on a twelve year historic period (2003/04 to 2014/15). This twelve year scenario therefore integrates the original ten year historical period used within the trend-based projections in the Addendum 1 report but also takes account of the most recent additional two years of released population estimates by ONS.

3.17 Figure 3.1 illustrates the historic components of change annually and the different historic periods used within each of the scenarios.

Figure 3.1:   Fylde Components of Population Change 2001 – 2015

Source: Edge Analytics, ONS

3.18 Table 3.1 presents the outcomes of these updated demographic projections compared with the 2014-based SNPP/ SNHP[24].

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[24] This replicates data presented at Table 1 of EL1.011

Table 3.1:   **Updated Longer–term Demographic Projections using the 2014-based SNPP/ SNHP**

Scenario[25]	Change 2011 – 2032				Average per year	
	Population change	%	Households change	%	Net migration	Dwellings
12yr Trend	8,972	11.8%	6,693	19.1%	832	341
10yr Trend	8,370	11.0%	6,317	18.0%	805	322
2014 SNPP	6,651	8.7%	5,375	15.3%	726	274

Source: Edge Analytics, 2017

3.19   As with the analysis presented in the 2013 SHMA and Addendum 1, the longer-term projection results in an uplift to the projected population growth based on the official projections and therefore a higher level of associated housing need.

3.20   In their presentation of these updated demographic projections, Edge Analytics compare the most up-to-date 10 year trend-based projection against the comparable scenario within Addendum 2. It is noted that the dwelling growth outcome under the updated 10 year trend projection is slightly lower than the equivalent scenario presented in Addendum 2 (360 dwellings per annum). It is important to note that the different level of projected need will represent a combination of factors, noting the different historic period from which the projection is based and the application of updated demographic projections relating to mortality, fertility, migration rates and household formation rates used within the 2014-based dataset. Edge Analytics do conclude, however, that the lower level of projected population growth is the primary contributing factor, with this resulting from a projected larger negative impact of natural change on population growth[26].

3.21   Looking at Figure 3.1, it is evident that the two earlier years (2003/04 and 2004/05) omitted from the 10 year trend-based projection – but included in the 12 year trend-based projection – represent years in which population growth was relatively strong. Figure 4.8 of Addendum 1[27] indicates that they follow a year (2002/03) of comparatively strong net completions in Fylde.

3.22   It is also considered of benefit to maintain a level of consistency in the base-point of the historic trend-based projection to that used in the previous derivation of the 10 year projections in the Addendum 1 and 2 modelling, with this period also included within the historic period considered in the 2013 SHMA. On this basis, it is considered prudent to use the twelve year trend-based projection as being representative of a minimum level of projected population growth from which to assess the future need for housing in Fylde.

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[25] The scenarios are given different labels by Edge Analytics in EL1.011 - 12 Year Trend scenario (PG 12r-X) and the 10 Year Trend scenario (PG 10yr-X).
[26] EL1.011 – paragraph 3.4
[27] ED022

3.23 This is considered to present a consistent position with the justification and methodological approach previously presented in the 2013 SHMA and subsequent analysis in the two Addendum reports.

Adjustments to Household Formation Rates

3.24 Within the 2013 SHMA, the household and dwelling growth outcomes were modelled and presented using both the interim 2011-based headship rates and the 2008-based headship rates. This led to two alternative household growth outcomes for each projection of population growth.

3.25 The SHMA 2013 highlighted the importance of ensuring that future projections of household growth are not solely based on the 2011-based headship rates. This recognised concerns that this dataset projected forward a continuation of the suppressed position resulting from an unprecedented set of national market and economic conditions, as well as the limitations of the underpinning 2011-based SNPP population projections[28].

3.26 A mid-point (average) between the two alternative household growth outcomes for each scenario was presented by Edge Analytics. This provided a balanced position regarding the different historically derived trends implied by both household growth outcomes[29], and reflected the uncertainty associated with future rates of household formation and the limitations of the 2011-based interim household projection model, which was the most up-to-date dataset available at the time.

3.27 In accordance with the PPG[30], following the release of the 2012-based SNHP, Addendum 2 sought to establish whether the household formation rates assumed by this dataset were based on historic trends constrained by supply and the historic worsening affordability of housing. The conclusion was reached that for a number of younger household groups, there was evidence that the propensity to form households (headship rates) had fallen since 2001. It was observed that:

"It is also evident that for a number of the age groups the 2012 SNHP dataset does not suggest a recovery to rates seen in 2001 but rather a continuation or marginal uplift. This is true of the age groups where the head of household is aged between 20 – 24 and 25 – 29"[31]

3.28 The relationship between an evidenced worsening of affordability and a historic under-supply of housing – with reference to the market signals reviewed – was recognised[32]. In order to respond positively to this assumed continuation of suppressed younger household formation, an adjustment was applied which assumed a recovery of the

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[28] Further detail is set out in the section titled 'household projections' within Section 7 of ED021. At paragraph 7.35 of the SHMA the challenges of projecting forward on the basis of a continuation of trend using either dataset is highlighted: *'Evidently the period to 2008 represented a comparatively buoyant period in the housing market with derived rates therefore not taking account of the unprecedented economic conditions that have occurred since 2008. Equally, the fact that these are unprecedented conditions also means that taking a 2011 base point has the inherent weakness of projecting forward the current market conditions [footnote reference to analysis in section 5 of the SHMA]/ position over the long term."*

[29] Paragraph 7.44 of ED021

[30] PPG Reference ID: 2a-015-20140306

[31] ED023 – paragraph 4.63

[32] ED023 – paragraph 4.64

formation rates of these younger household groups to a level previously seen in 2001 by 2022.

3.29   The impact of this adjustment was a slightly elevated level of projected household growth and therefore dwelling need associated with each of the variant population projections. Across the different demographic scenarios modelled, the adjustment indicated an upward adjustment of 2.8% per annum, or 10 to 11 dwellings per annum[33].

Applying Adjustments to the 2014-based SNHP Headship Rates

3.30   As part of the preparation of updated modelling to take account of the 2014-based SNPP/ SNHP, comparable analysis of household formation rates has been undertaken by Edge Analytics. This confirmed that the latest DCLG dataset showed a comparable assumption for Fylde that the household formation rates of younger households (aged 15 to 35) would continue to fall below those seen in 2001, and for those aged 25 to 34 would actually follow a worsening trend[34].

3.31   While a number of representors did not consider this adjustment sufficient in isolation to fully respond to market signals, the adjustment – and the comparable adjustment used in Addendum 2 – was not specifically challenged by the majority of representors. It is on this basis considered reasonable to retain this approach unchanged for this Addendum 3 report. The justification for a separate and additional uplift related specifically to market signals is considered further in Section 5 of this report.

3.32   A comparable adjustment to that used within Addendum 2 – assuming a recovery in younger household formation rates to a level seen in 2001 – was applied by Edge Analytics in their presentation of updated demographic projections using the 2014-based SNHP dataset within EL1.011. The impact of this adjustment on the implied need for dwellings is shown in Table 3.2, and compared with the unadjusted modelling outputs presented at Table 3.1.

Table 3.2:   **Average Annual Dwellings – Implications of the adjustment to the household formation rates of younger households in the 2014 SNHP**

Scenario	Unadjusted 2014-based headship rates	**Headship Rate Return Adjustment**[35]	% uplift
12yr Trend	341	**351**	2.9%
10yr Trend	322	**332**	3.1%
2014 SNPP	274	**283**	3.2%

Source: Edge Analytics

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[33] This is shown at Figure 4.16 of ED023

[34] The analysis of the household formation rates within the 2014 SNHP is included within Appendix 1 in EL2.025c alongside a justification for the retention of a comparable adjustment to that used within the analysis in Addendum 2 at paragraph 3.17 – 3.18.

[35] Within EL1.011 this is referenced by Edge Analytics as the '2014-based return' scenarios.

3.33 Applying this comparable positive adjustment to assumed 2014-based household formation rates evidently results in an uplift in the need for dwellings of a similar scale to that resulting from the analysis in Addendum 2.

Summary and Implications

3.34 The 2013 SHMA and subsequent Addendum reports have consistently set out a justified explanation that the official ONS / DCLG projections serve to underestimate the projected need for housing in Fylde, with regards to both the projected level of population growth and its translation into a need for households and dwellings.

3.35 Preference has consistently been placed on the use of demographic projections of need in Fylde which are based upon a longer ten year historic period. This ensures that a more balanced projection of need is identified which is not unduly affected by the lower levels of population growth seen more recently, which are considered likely to reflect the impacts of a recent and recognised undersupply of housing. The previous evidence has also considered it prudent to exclude UPC in the demographic projections when considering the minimum level of associated projected demographic need.

3.36 Comparable variant projections have been developed by Edge Analytics using the 2014-based SNPP and SNHP datasets. This has included an up-to-date ten year past growth projection, which integrates the latest available estimates of population including the 2015 MYE. It has also included a projection which uses the same base date as the previous ten year past growth projection, but includes the most recent two additional years of population data, thereby basing its projection on a twelve year historic period. These scenarios have been modelled excluding UPC based on the concluded position set out in each Addendum.

3.37 In order to ensure consistency – and in recognition of the fact that the original ten year period included a number of years of comparatively strong levels of population growth at the start of its historic period – it is considered prudent to use the twelve year trend-based projection as being representative of a minimum level of projected population growth.

3.38 Throughout the analysis presented in the 2013 SHMA and subsequent Addendum reports, a positive response has been applied to address evidence of the potential suppression of younger household formation rates consistently represented in recent official projections. The modelling presented in this section has applied an adjustment to the household formation rates of younger households within the 2014-based SNHP which assumes a recovery to rates seen in 2001. This provides a positive response to the assumed reduction in younger household formation within the 2014-based SNHP, which is considered at least partially associated with the worsening affordability and historic undersupply of housing in the borough. This adjustment is methodologically consistent to that used in Addendum 2, and has been used in the projections modelled by Edge Analytics in the Economic Modelling Briefing Paper (EL2.025c) and the Demographic Projections Update Paper (EL1.011).

3.39 This adjustment results in a minimum demographic need for 351 dwellings per annum in Fylde over the plan period (2011 – 2032). This level of need is some 77 dwellings per

annum higher than that projected by the 'starting point' projection of the 2014-based SNHP, and represents a 28% upward adjustment.

4. The Implications of Likely Employment Growth

Taking Employment Trends into Account within the SHMA evidence base

4.1 In accordance with the NPPF and draft PPG, the 2013 SHMA derived its concluded OAN range from a consideration of the relationship between likely future job growth and projected growth in the economically active working age population (labour force supply) across the housing market area (HMA).

4.2 Whilst the evidence was assembled at HMA level, the analysis within the 2013 SHMA directly sought to consider the relationship between job growth and demographic change at an individual authority level. The SHMA did not seek to apply any judgements on the subsequent distribution of housing or employment across the HMA, with this falling outside of the OAN calculation and into the subsequent development of policy.

4.3 In order to inform the assessment, up-to-date economic forecasts were sourced from Experian and Oxford Economics[36]. A review of published economic assessment evidence for each of the authorities was also undertaken. In the case of Fylde, this included consideration of the forecast scale of job growth identified within the Employment Land and Premises Study prepared by AECOM[37] and published in August 2012. A 'policy-on' scenario from the study was used within the analysis, which forecast an increase of approximately 2,400 jobs over the period 2012 – 2030 (133 jobs per annum)[38].

4.4 All three forecasts previously referenced suggested that total employment in Fylde would increase by an average of circa 52 – 148 jobs per annum[39] over the period from 2011 to 2030[40].

4.5 In order to assess the implications of likely future job growth, the 2013 SHMA presented a set of scenarios built using POPGROUP which constrained future population and household growth to the range of employment growth forecast under each of the economic forecasts and the policy-on scenario. These 'jobs-led' scenarios therefore provided an indication as to the scale of population growth likely to be required to ensure a sufficiently sized labour-force to support forecast job growth.

4.6 For Fylde, the 2013 SHMA identified that the jobs-led scenarios implied a higher level of projected population growth, and therefore housing need, than the trend-based demographic projections. This reflected a modelling assumption that a higher level of migration was required to offset the impact of a projected ageing in the borough's population. The scale of higher projected population growth was directly related to the

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[36] Summary of forecasts provided at paragraph 2.23 of EL2.025b(ii)

[37] AECOM (2012) Employment Land and Premises Study - ED041a

[38] Turley Associates (2013) Fylde Coast SHMA, Figure 5.22

[39] Turley (2014) Fylde Coast SHMA Addendum 1 (para 5.19)

[40] As noted above the forecast within ED041a was presented over the period 2012 and 2030

scale of employment growth forecast under each of the scenarios, with the 2013 SHMA identifying:

"In line with the different levels of jobs forecast the AECOM [policy-on scenario] and Oxford-Economics constrained scenarios show a higher level of population growth than the Experian scenario which is based on a lower level of job growth.[41]"

4.7   Addendum 1 revisited the relationship between job growth and population growth using the same economic forecasts – noting that the report was prepared less than 12 months after the SHMA was published – but taking account of the since released 2012-based population projections. In the case of the higher forecasts of job growth (Oxford Economics and the 'policy-on' scenario) these scenarios continued to represent the upper end of the range of housing need identified. The re-basing of the projection modelling to take into account the 2012-based projections resulted in the scenario aligned to Experian's forecast job growth indicating a lower level of need than the upper end of the demographic projections[42]. The updating of the analysis to take account of the 2012-based SNHP in the Addendum 2 report reflected this updated position, with the underlying projections of population growth under the demographic and jobs-led scenarios remaining unchanged.

4.8   Following submission of the draft Local Plan and prior to the EiP hearings, the Council requested that Turley undertake a headline 'sense check' to establish how the most up-to-date economic forecast data impacts upon the previous assessments of housing need for Fylde, set out within the 2013 SHMA and subsequent Addendums.

4.9   A briefing paper titled '*Fylde Coast SHMA Briefing Paper: Sense Check with regards to the Economic Modelling for Fylde*' was published in March 2017 (EL2.025b(ii)). This presented three new up-to-date economic forecasts from each of the main forecasting houses, Oxford Economics, Experian and Cambridge Econometrics.

4.10   In order to assess the implications of these up-to-date forecasts of employment growth, a further set of jobs-led scenarios were modelled by Edge Analytics using POPGROUP constrained to the latest forecasts and an average of the two forecasting houses used in the 2013 SHMA latest datasets. This modelling integrated the 2014-based SNPP/ SNHP and at the request of the Council used a consistent set of labour-force assumptions (i.e. economic activity rates, unemployment and commuting) to those applied within the Addendum 1 report[43].

4.11   The briefing paper identified that the latest forecasts suggested a comparatively wide range of potential levels of employment change from the base date of 2014 (aligned to the 2014-based SNPP/ SNHP), with the forecast change in employment over the period 2014 to 2032 ranging from a loss of 112 jobs per annum to a gain of 122 jobs per annum. The associated level of future housing growth needed to support this level of job growth reflected this broad range.

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[41] ED021, paragraph 7.28

[42] The implication of updating the modelling to include the 2012 SNPP and the 2013 MYE was explained at paragraphs 5.22 to 5.25 of ED022.

[43] EL2.025b(ii), paragraph 3.9. This includes a summary of the labour-force adjustments applied.

4.12   In recognition of the breadth of forecast job growth, the briefing paper presented an average level of job growth based on the Oxford Economics and Experian forecasts (both of which were used in the 2013 SHMA) and associated housing need. This indicated a need for 410 dwellings per annum to support forecast job growth of 56 jobs per annum. This level of housing need applied a consistent adjustment to headship rates of younger households to that considered appropriate in relation to the demographic projections, as explained in section 3 of this report.

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4.13   The EiP hearings carefully considered the range of employment growth forecasts presented in both the 2013 SHMA and the subsequent briefing paper. Recognising the significant level of variation in the economic outlooks represented the previous and more recent economic forecasts and the important potential implication this has for the OAN, the Council commissioned AMION Consulting in April 2017 to undertake an Independent Economic Assessment of Fylde[44]. This was expressly intended to respond to the Local Plan Inspector's request for further clarification on the OAN for Fylde in the context of the demographic and economic datasets.

4.14   The AMION report has been submitted separately to the EiP and on this basis is referred to as representing the latest evidence on the likely future job growth in Fylde for the purposes of understanding the implications for the assessment of housing need. The analysis and conclusions of the report represent the independent views of AMION Consulting.

4.15   In order to ensure that all three of the economic forecasts are using the same historic data inputs – which includes published data from the Business Register and Employment Survey (BRES) – a new forecast from Experian was sourced by AMION. The forecasts for Oxford Economics and Cambridge Econometrics referenced in the briefing paper both integrated 2015 data and have therefore not been updated, with the data therefore consistent with that presented in the briefing paper.

4.16   Recognising the consistent integration of historic employment data to 2015 and the inclusion of the 2015 mid-year population estimate within the demographic modelling presented in section 3 of this report, the level of job growth forecast over the period from 2015 to 2032 has been presented by AMION. This evidently differs from the period used in the briefing paper, with the reported job outputs also therefore differing in terms of the total level of employment forecast and annual averages.

4.17   Following a detailed assessment of the three economic forecasts the AMION report concludes that *'it is considered reasonable to assume that the level of future employment growth in Fylde will lie in the range of 55 jobs to 91 jobs per year, between 2015 and 2032'*[45].

4.18   This range is based upon a variant approach to calculating the average level of job growth forecast from the three economic forecasts. AMION's conclusion suggests that

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[44] Independent Assessment of the Economic Prospects of Fylde, May 2017, AMION Consulting
[45] *Ibid* – Section 5

Fylde is likely to see the creation of between approximately 900 and 1,500 additional jobs over the remainder of the plan period (2015 – 2032).

4.19   In assessing future job growth, the potential implications of the Enterprise Zones have been considered by AMION within their Independent Economic Assessment, as recognised in the 2012 AECOM study and referenced within a number of the hearing statements provided by representors to the EiP. Informed by consultations with representatives from BAE Systems, Blackpool Fylde & Wyre Economic Development Company and the Lancashire Local Enterprise Partnership, AMION consider that there is not sufficient evidence to include an allowance under the baseline scenario for additional employment growth in Fylde from the Enterprise Zones[46]. While it is recognised that the Enterprise Zones have the potential to support the creation of new employment, the timing, scale and additionality of such impacts is currently uncertain. This assumption will need to be monitored and reviewed as the plans for the Blackpool Airport and Warton Enterprise Zones are further developed.

4.20   However, in the context of their consideration of the plans for new development at the Enterprise Zones and their analysis of the historic economic profile of Fylde, AMION conclude that *'on balance, it is considered that the likely level of employment growth will be at the upper end of the range[47]'*.

4.21   In the context of the conclusion reached by AMION it is considered reasonable to assess the impact of the range of forecast job growth recommended in considering its implication on the OAN for housing. However, the observation regarding the upper end of the range is considered to form an important context in framing the concluded OAN in section 6.

4.22   It is noted that the implied range of likely future job growth concluded within the AMION report over the remainder of the projection period falls within the range previously assessed within the 2013 SHMA and therefore subsequently the Addendum 1 and 2 reports.

Implications for the need for housing

4.23   Two further jobs-led scenarios have been developed by Edge Analytics using POPGROUP to consider the implications of the range of likely level job growth concluded by AMION in their Independent Economic Assessment.

4.24   As noted above, these scenarios utilise the 2014-based SNPP/ SNHP and have been rebased to 2015 to integrate the latest 2015 population estimate.

4.25   In assessing the implication of forecast job growth on future population and therefore housing need it is necessary to apply a series of assumptions around future labour-force behaviour. It is considered reasonable in the context of the purpose of this Addendum 3 report to respond directly to the Inspector's request for clarification as to the impact of the 2014-based demographic datasets on the OAN to retain the methodology in deriving these adjustments used within the Addendum 1 report and the briefing paper. The Independent Economic Assessment has considered each of the labour-force

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[46] *Ibid* – Section 3
[47] *Independent Assessment of the Economic Prospects of Fylde, May 2017, AMION Consulting, Section 5*

adjustments separately in section 4 and concludes that they are considered reasonable for the purposes of assessing the impact of job growth on housing need in Fylde.

4.26 Reflecting the evidence presented within the Independent Economic Assessment the following labour-force assumptions are therefore applied:

- The **economic activity rates** of all but those aged 60 – 69 are held constant using data from the 2011 Census. A set of modest increases to older cohorts are consistently applied to that used in the previous modelling;

- The **commuting rate** for Fylde remains unchanged, based upon the 2011 Census ratio of 0.80. A ratio of less than 1 means that Fylde is a net importer of labour, with this therefore assumed to continue within the modelling;

- The **unemployment rate** of 3.3% at the base date of the projections (2015) is applied and fixed over the projection period, with this considered to reflect an up-to-date position as of the base date of the economic forecasts and demographic projections.

- An additional small allowance is made for residents holding more than one job ('**double jobbing**'). This reflects local evidence recorded by the Annual Population Survey (APS) that circa 3.9% of residents have more than one job, based on a long-term average[48].

4.27 Table 4.1 presents the outputs of this modelling for the lower end of the range of likely job growth concluded within the Independent Economic Assessment. The modelled household growth and annual dwelling need are presented both with the application of the 2014-based headship rates and the headship rate adjustment to younger households set out in section 3.

Table 4.1:   Modelled implications of the concluded lower end of the likely jobs growth range 2011 – 2032

AMION Job forecast scenario Lower Range Headship rates	Change 2011 – 2032				Average per year	
	Population change	%	Households change	%	Net migration	Dwellings
Unadjusted	12,232	15.9%	7,792	22.2%	981	397
Adjusted	12,132	15.9%	7,998	22.8%	981	408

Source: Edge Analytics, 2017

4.28 The modelling indicates that supporting the lower end of the job growth range will generate a need for circa 397 – 408 dwellings per annum to grow the labour force and support the creation of approximately 900 jobs over the remainder of the plan period.

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[48] This rate is based upon the average of historic data recorded in the Annual Population Survey over the period 2007 – 2016.

This falls within the range implied by the scenarios presented within the Addendum 2 report and the 2013 SHMA.

4.29   The following table presents comparable modelling outputs for the higher end of the job growth range.

Table 4.2:   Modelled implications of the concluded higher end of the likely jobs growth range 2011 – 2032

AMION Job forecast scenario Higher Range Headship rates	Change 2011 – 2032				Average per year	
	Population change	%	Households change	%	Net migration	Dwellings
Unadjusted	13,168	17.3%	8,263	23.6%	1,028	421
Adjusted	13,168	17.3%	8,472	24.2%	1,028	432

Source: Edge Analytics, 2017

4.30   The modelling indicates that to support the slightly higher level of job growth, circa 421 – 432 dwellings per annum will be needed to grow the labour force and support the creation of approximately 1,500 jobs over the remainder of the plan period. This falls within the range implied by the scenarios presented within the Addendum 2 report and is only slightly higher at the upper end than the top end of the range of OAN concluded in the 2013 SHMA.

4.31   As highlighted in the briefing paper, the modelling presented in the 2013 SHMA and Addendum 1 sought to use the latest available evidence on labour-force behaviour and apply prudent assumptions on future change. In particular, at the time the modelling within the 2013 SHMA was undertaken, the macro-economic context remained uncertain given the preceding years of recession and sustained downturn.

4.32   The modelling therefore sought to assume relatively limited future changes to the key labour-force variables used in the demographic modelling[49].

4.33   The briefing paper presented a sensitivity scenario which applied the 2015 unemployment rate, integrated the assumption on double jobbing introduced above and applied a variant assumption on future changes to economic activity rates[50]. With regard to the latter, the adjustments applied in the 2013 SHMA were made to reflect planned changes to state pension age, and take account of the likely impact on those aged 60 to 69. However, the sensitivity presented in the briefing paper sought to take account of national evidence produced by the Office for Budget Responsibility (OBR), which

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[49] EL2.025c, paragraphs 3.7 and 3.8
[50] Presented at Appendix 2 of EL2.025b(ii)

produces long-term forecasts of economic participation for different age groups[51]. An allowance for change in economic participation rates based on the change forecast by the OBR has been given weight in a recent appeal decision[52] and featured within the recommendations made by the Local Plans Expert Group (LPEG)[53].

4.34   The implications of this alternative assumption can be considered through a further sensitivity modelled by Edge Analytics, based on the upper range of the job growth considered likely by AMION and referenced above[54]. The outputs of this modelling are presented in Table 4.3.

Table 4.3:   Modelled implications of the Higher Range AMION scenario of likely job growth – 2011 – 2032 using the OBR adjustments to economic activity rates

AMION Job forecast scenario Higher Range (OBR) Headship rates	Change 2011 – 2032				Average per year	
	Population change	%	Households change	%	Net migration	Dwellings
Unadjusted	8,470	11.1%	6,190	17.7%	814	316
Adjusted	8,470	11.1%	6,381	18.2%	814	325

Source: Edge Analytics, 2017

4.35   Applying this variant labour-force assumption reduces the assessed need for housing to circa 316 – 325 per annum. However, as recognised in the briefing paper, this largely results from an assumption that older cohorts will represent a larger component of the labour force. Whilst this could be viewed as a reasonable assumption in the context of Fylde, it needs to be considered against the overall profile of labour-force change associated with the ageing of the population. Figure 4.1 below shows how the age profile of Fylde is projected to change based on the modelling underpinning Tables 4.2 and 4.3, with the demographic 'starting point' of the 2014-based SNPP also presented for context.
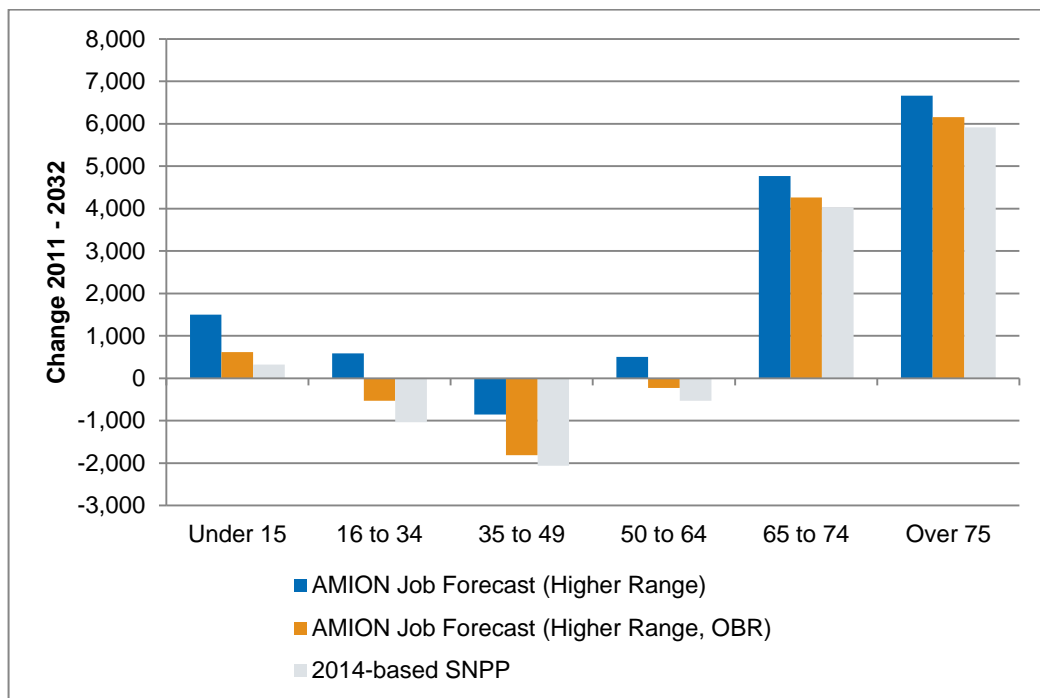
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[51] A sensitivity using OBR economic activity rates was run in the Wyre SHMA Addendum 2 report. This only applied an adjustment to those aged 60 – 74 whereas the Edge Analytics modelling here has applied the latest OBR forecast (January 2017) adjustments to all age groups aged 16 – 89 which aligns with the latest projections prepared by OBR.

[52] Appeal Decision – Longbank Farm, Ormesby, Middlesbrough (APP/V0728/W/15/3018546) (para 21) – Appendix 4 (extract)

[53] Local Plans Expert Group (2016) Local Plans Report to Government, Appendix 6 - http://lpeg.org/

[54] Full detail of the modelling assumptions used are included in Appendix 1.

Figure 4.1:   Projected Change to the Age Profile of the Population under the Updated Employment-led projection variants

Source: Edge Analytics, 2017

4.36   The OBR sensitivity scenario evidently assumes that forecast job growth can be supported without a growth in the working age population, and indeed this scenario assumes that the number of working age residents (16 – 64) reduces by some 2,570 persons over the plan period. With a declining working age population, however, there is an inherent risk that job growth cannot be supported if the more marked changes in economic participation assumed within this scenario do not materialise.

4.37   Allowing for only prudent changes in labour-force behaviour generates a need for growth in the working age population to support future job creation in Fylde, with the number of working age residents (16 – 64) modestly increasing by circa 240 persons over the plan period under this scenario.

4.38   AMION considered in some detail Fylde's labour-force and the economic activity rates of different age groups within the Independent Economic Assessment. They confirmed that whilst the OBR long-term projections of changes to economic activity rates were considered a robust dataset, the distinct age profile of Fylde and in particular the significant projected increase in the older cohorts meant that the modelling outputs based on their application should be viewed as a sensitivity[55]. The Assessment also concludes in the context of assessing the implications for the assessment of housing need that:
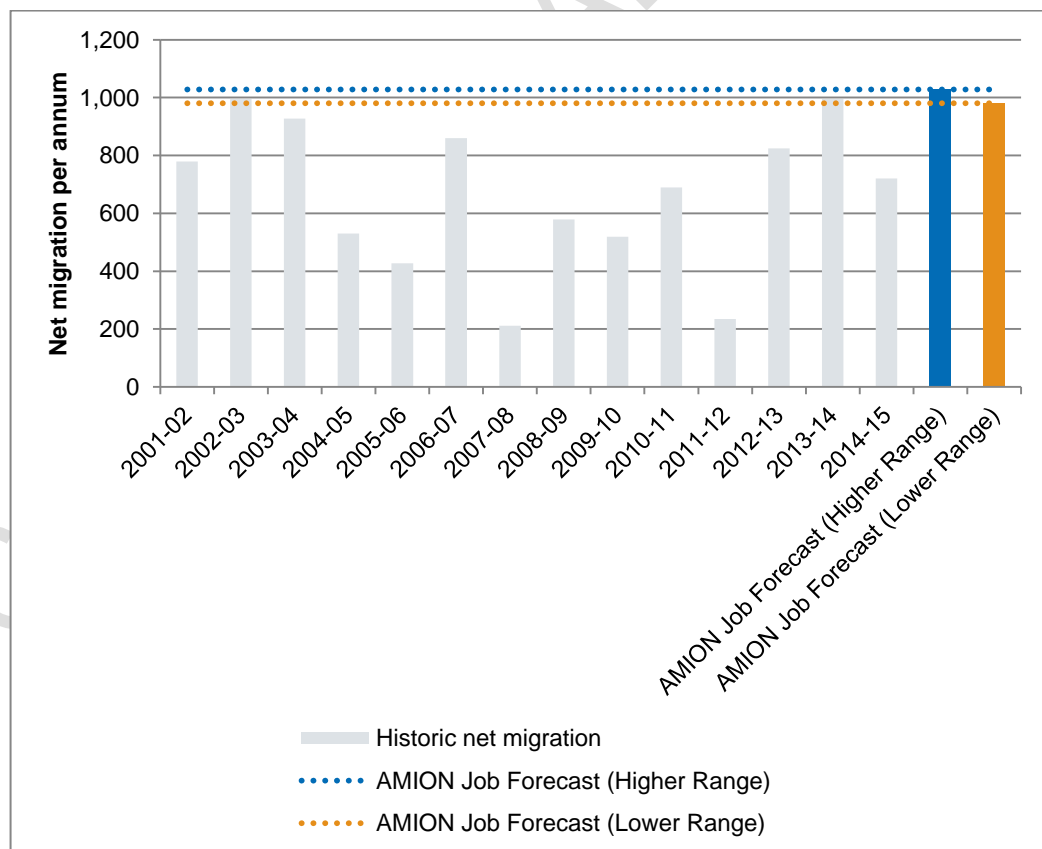
"Overall, the core assumptions in relation to economic activity rates, unemployment rates and commuting ratios used in the Economic Briefing Paper and applied in

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[55] Independent Assessment of the Economic Prospects of Fylde, May 2017, AMION Consulting, Section 4

Addendum 2 are considered to be reasonable as a base position. It is expected that labour force behaviours will change in the context of growing employment, which could, for example, lead to increases in older cohorts remaining in the workforce, albeit this would also likely contribute towards retaining and attracting those in the core working-age populations (aged 16-64) given the range of industrial sectors forecast to grow.[56]"

4.39   In this context the profile of population change resulting from the application of the comparable labour-force behaviour adjustments applied in the Addendum 2 report is considered to be reasonable to ensure that future population growth will support the growth of Fylde's economy. This does not mean that the alternative profile resulting from the application of more pronounced changes to economic activity rates is not reasonable, but that it is considered that it could potentially present a risk that employment growth was not fully supported as a result of Fylde's specific demographic profile.

4.40   In further considering the implications and reasonableness of the scale of population change implied by the jobs-led scenarios, consideration has been given to the implied level of net migration associated with each in the context of historic demographic trends. The implied annual level of migration under both of the updated jobs-led scenarios as set out in Tables 4.1 and 4.2 is compared to historic levels in Figure 4.2.

Figure 4.2:   Projected Levels of Annual Migration under the Jobs-led Scenarios

Source: Edge Analytics, 2017

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[56] Independent Assessment of the Economic Prospects of Fylde, May 2017, AMION Consulting, Section 5

4.41   It is evident that the level of net migration required annually to grow the labour force and support future job growth under both jobs-led scenarios is not disproportionate to that seen historically in Fylde. It is, however, recognised that the implied levels of population growth under both scenarios would represent the continuation of previous peak levels of migration being sustained over the plan period, and would therefore represent a departure from the more recent historic picture of demographic change.

Summary and Implications

4.42   This section has taken into account the conclusions of the Independent Economic Assessment prepared by AMION Consulting on behalf of the Council in April 2017 and assessed its potential impact on the scale of housing needed in Fylde. This assessment has been submitted as part of the Council's evidence base to the EiP and is considered to represent the most up-to-date assessment of the likely future job growth in Fylde to be taken into account in assessing its impact on the OAN for housing.

4.43   The AMION report has assessed three up-to-date economic forecasts, two of which – from Oxford Economics and Cambridge Econometrics – were presented in the Economic Briefing Paper (EL2.025b(ii)), and the third – the Experian forecast – represented a more up-to-date iteration to that presented previously.

4.44   AMION conclude that an average of the three forecasts is considered to be representative of future job growth within Fylde. Two variant approaches to calculating the likely future job growth on the basis of a calculated average are presented in the Independent Economic Assessment, with the conclusion reached that *'it is considered reasonable to assume that the level of future employment growth in Fylde will lie in the range of 55 jobs to 91 jobs per year, between 2015 and 2032[57]'*. This leads the Assessment to conclude that Fylde is likely to see the creation of between approximately 900 and 1,500 additional jobs over the remainder of the plan period (2015 – 2032).

4.45   This level of job growth sits within the range of forecasts considered within the 2013 SHMA, which suggested that total employment in Fylde would increase by an average of circa 52 – 148 jobs per annum[58] over the period from 2011 to 2030[59].

4.46   Following a consistent approach to that used in the previous assessments, a series of employment-led scenarios have been modelled by Edge Analytics to consider the level of housing growth likely to be needed to support this range of job growth. In modelling these scenarios, a set of modelling assumptions around labour-force behaviour have been applied by Edge Analytics, which are broadly consistent with the methodology applied in the Addendum 1 and 2 reports albeit with some updates to reflect the latest data. The output of this modelling indicates a need to provide for between 397 and 421 dwellings per annum over the plan period. The application of the same headship rate adjustment for younger households as applied to the demographic projections in section 3 elevates this level of assessed need to between 408 and 432 dwellings per annum.

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[57] Independent Assessment of the Economic Prospects of Fylde, May 2017, AMION Consulting, Section 5
[58] Turley (2014) Fylde Coast SHMA Addendum 1 (para 5.19)
[59] As noted above the forecast within ED041a was presented over the period 2012 and 2030

4.47   It is recognised that whilst there is a degree of uncertainty in projecting future levels of job growth, equally the relationship between the future growth in jobs and population change is complex. The previous housing evidence documents have recognised the complexity of this relationship, presenting different sensitivities relating to alternative assumptions around labour-force behaviour. In the analysis presented in this section a sensitivity which sees the economic activity rates of the labour-force change in line with nationally projected adjustments by the OBR has been presented.

4.48   The analysis of the labour force profile in the Independent Economic Assessment recommends that it would be prudent to retain the more modest adjustments to labour-force adjustments used in the main scenarios presented in this Addendum. This recognises the distinct projected changes to the age profile of Fylde and the significant impact of an increasingly ageing population as well as the range of industrial sectors in which growth is forecast. It is considered on this basis that it is reasonable to assume that in order to support the likely job growth concluded in the Independent Economic Assessment that there will be an associated need for between 408 and 432 dwellings per annum to support the forecast job growth.

4.49   It is recognised importantly, however, that the Independent Economic Assessment concludes that it is *'expected…that the likely level of employment growth will be at the upper end of this* range'[60]. It is therefore considered that the full need for housing will be more closely aligned with the upper end of the modelled jobs-led scenarios.

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[60] Independent Assessment of the Economic Prospects of Fylde, May 2017, AMION Consulting

5. Updated Market Signals

5.1   In line with the PPG, the housing need evidence has consistently included an assessment of market signals in order to inform the calculation of the OAN in Fylde.

5.2   Addendum 2 summarised at paragraph 4.8 (replicated below) how market signals were taken into account in the SHMA and then subsequently updated in the Addendum 2 document:

"Each of these factors is considered in turn below, building upon the analysis within the SHMA and subsequent evidence prepared by the Council. Section 6 of the SHMA considered active market evidence, which included a number of the market signals indicators since introduced in the PPG. This includes house prices (Figures 6.1 – 6.6), affordability (Figures 6.9 and 6.10) and rents (Figures 6.7 and 6.8). The analysis in Section 4 of the SHMA also considered other market signals, including overcrowding (Figure 4.10), rates of development (Figures 4.6 and 4.7) and vacancy (Figures 4.8 and 4.9)"[61]

5.3   Addendum 2 included a full update of the market signals identified in the PPG, and in the context of the data summarised in Table 4.13 arrived at the conclusion that:

"Based on this table – and the analysis throughout this section – it is clear that change in market signals in Fylde has not been significantly worse than many neighbouring authorities or the national picture, ranking in an average position for most indicators. The evidence suggests that affordability has worsened to a relatively large extent – albeit less than seen nationally – while there has been very little growth in the number of concealed families, relative to the comparator areas.

Furthermore, the analysis within this section has shown that the rate of development has not met planned targets, resulting in the accumulation of a significant backlog against the housing targets in the RSS. As per the PPG, this may justify an uplift to the official household projections, which represent the 'starting point' for assessments of housing need. There is also evidence to suggest that there may be relatively high land prices in the borough, although this is unclear and does not align with earlier evidence produced by the Council.

Overall, therefore, while there is little evidence to suggest that there has been a significant worsening of market signals in Fylde, a modest uplift applied to the household projections could help to address affordability issues in the borough, and can ensure that a relatively constrained position – in terms of the backlog against planned supply – is not projected forward"[62]

5.4   In representations made to the EiP and through the discussion during the hearing sessions, it is considered that there was no clearly stated disagreement with this appraisal and the conclusion that there was a need for no more than a '*modest uplift*'.

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[61] ED023 Paragraph 4.8
[62] ED023 Paragraph 4.57 – 4.59

5.5 In analysing market signals in Addendum 2, Fylde was compared with the other authorities in the HMA (Wyre and Blackpool), England and neighbouring Preston and South Ribble.

5.6 A number of representors presented updated evidence and analysis of the market signals indicators identified within the PPG[63]. Those representors which provided consideration of up-to-date data in a number of cases assessed Fylde's trends in the context of a selection of those areas considered in the Addendum 2 analysis.

5.7 Within this section, the analysis presented in Addendum 2 has been updated where more up-to-date data is available. Where no update is available, the evidence from Addendum 2 is represented to ensure a full consideration of market signals in this report. A consistent comparison has been retained with regard to the other comparator areas used. In the context of the preceding evidence and the information provided by representors this is considered to be a robust approach for the purpose of this report.

An Up-to-Date Assessment of Market Signals

5.8 The PPG states:

"The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings. Prices or rents rising faster than the national/local average may well indicate particular market undersupply relative to demand."[64]

5.9 Six market signals are identified for review in the PPG and were considered separately in the Addendum 2 report:

- **House prices** – assessing proportionate levels of inflation as an indicator of long-term imbalances between supply and demand;

- **Rents** – consideration of rental values as an indicator of long-term imbalances between supply and demand;

- **Affordability** – comparing house prices against residents' ability to pay;

- **Rate of development** – assessing the rate at which development has kept pace with planning targets, in order to establish whether a position of backlog or undersupply exists which should be addressed through future provision;

- **Land prices** – identification of price premiums as an indicator of demand for land relative to supply; and

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[63] EL2.011b for example includes a summary of a separate assessment of each of the market signals identified in the PPG

[64] http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_019
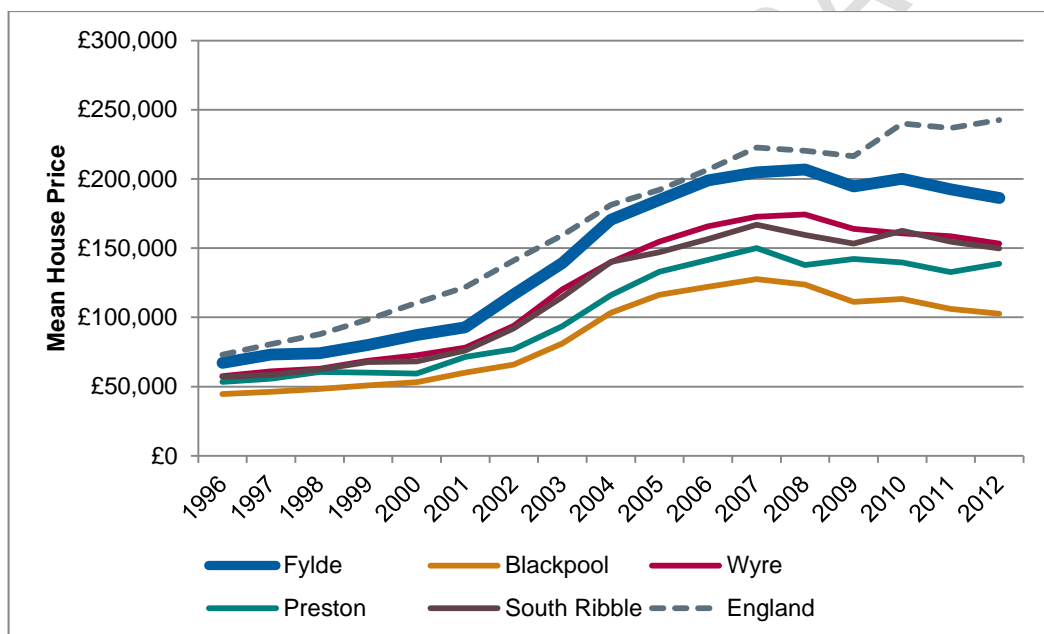
- **Overcrowding** – considering changing levels of overcrowding, concealed and shared households, homelessness and numbers in temporary accommodation, as an indicator of undersupply.

5.10   The analysis of each of these market signals in the Addendum 2 report is updated below using the latest available data.

House Prices

5.11   The PPG states that longer term increases in house prices can be indicative of an imbalance between supply and demand. DCLG provides information on mean house prices – based on Land Registry data – enabling the analysis of long-term house price trends. The graph below shows how mean house prices have changed since 1996, with England and neighbouring authorities also shown for context.

Figure 5.1:   Change in Mean House Prices 1996 – 2012

Source: DCLG, 2015

5.12   As highlighted in the SHMA, house prices in Fylde have historically been higher than neighbouring authorities but lower than the national average. Prior to 2008, Fylde saw a steep growth with average values coming close to the national average. Since 2008, however, prices have fallen consistently, as they have done in neighbouring areas, with this contrasting to a national picture which has seen a modest uplift in prices over this period.

5.13   Data published by DCLG covers a period to 2012, and – given the continued national recovery in the housing market – it is important to consider the latest available data to understand more recent house price trends. The following table uses Land Registry data to calculate the mean price paid in Fylde, neighbouring authorities and England in the calendar years of 2001 and 2016.

Table 5.1: Change in Mean House Prices 2001 – 2016

	2001	2016	Change
England	£121,768	£285,146	134%
Preston	£67,759	£153,264	126%
Fylde	**£93,028**	**£209,030**	**125%**
South Ribble	£75,925	£168,350	122%
Wyre	£78,641	£164,667	109%
Blackpool	£53,836	£110,982	106%

Source: Land Registry, 2017

5.14 Over the period presented above, average house prices in Fylde have grown at a faster rate than seen elsewhere in the Fylde Coast housing market area, although the scale of growth has fallen below that seen in neighbouring Preston or indeed nationally. It is, however, evident that average house prices in Fylde – as in 2001 – are relatively high compared to neighbouring areas, albeit remaining below the national average.

5.15 While the analysis above focuses on mean house prices, it is also beneficial to consider the cost of housing at entry level, given that disproportionate growth in lower value housing can constrain the ability of newly forming households to access housing. The following table therefore compares lower quartile house prices in 2001 and 2016, with the rate of growth shown for Fylde, neighbouring authorities and England.

Table 5.2: Change in Lower Quartile House Prices 2001 – 2016

	2001	2016	Change
England	£54,000	£140,000	159%
Fylde	**£56,000**	**£138,500**	**147%**
South Ribble	£48,750	£119,000	144%
Preston	£37,500	£85,000	127%
Wyre	£51,000	£110,000	116%
Blackpool	£37,500	£75,000	100%

Source: Land Registry, 2017

5.16 As shown, lower quartile house prices in Fylde have again grown to a greater extent than seen in Blackpool and Wyre, with the rate of growth aligning relatively closely – albeit slightly exceeding – with neighbouring South Ribble. Lower quartile house prices have not, however, grown to the extent seen nationally over the same period.

Rents

5.17 The PPG suggests that the rental market should also be considered as a market signal, with longer term changes in rental levels indicative of a potential imbalance between the demand for and the supply of housing.

5.18 Data published by the Valuation Office Agency (VOA) collates information provided by private rental landlords, with the latest available data covering the period from October 2015 to September 2016. This includes both lower quartile and mean rents to show the cost of rental properties. This can be compared against the first comparable dataset released by the VOA – which covered the year to June 2011 – to show how rents have changed in Fylde, neighbouring authorities and England.

5.19 This is summarised in the following table, initially for mean rents. The analysis is limited to properties with two bedrooms to enable direct comparison.

Figure 5.2:   Change in Mean Rents (2 beds) 2010/11 – 2015/16

	2010/11	2015/16	Change
England	£660	£780	18%
Preston	£517	£543	5%
South Ribble	£514	£534	4%
Blackpool	£512	£513	0%
Wyre	£548	£542	-1%
Fylde	**£567**	**£556**	**-2%**

Source: VOA

5.20 Mean rents for two bedroom properties in Fylde have slightly declined over the period shown, in line with the limited decline seen elsewhere in the Fylde Coast. This evidently contrasts with the modest growth in rents observed in Preston and South Ribble, and the more significant growth seen nationally.

5.21 Again, it is beneficial to also consider change in lower quartile rents in order to illustrate growth at the lower end of the market, which could have implications for newly forming households. This is summarised in the following table, again based on two bedroom properties.

Figure 5.3:   Change in Lower Quartile Rents (2 beds) 2010/11 – 2015/16

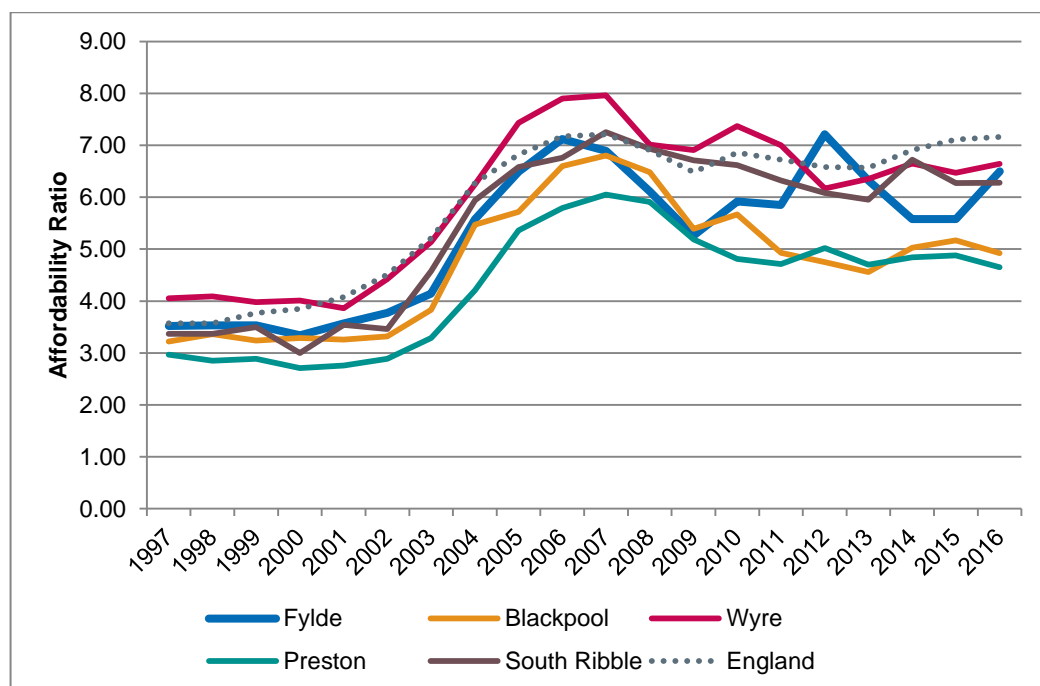|	2010/11	2015/16	Change
England	£475	£500	5%
Preston	£455	£475	4%
Wyre	£498	£498	0%
Fylde	**£495**	**£495**	**0%**
South Ribble	£495	£495	0%
Blackpool	£477	£475	0%

Source: VOA

5.22   There has been no growth in the lower quartile cost of renting a two bedroom property in Fylde over recent years, in line with trends observed across the Fylde Coast and neighbouring South Ribble. Lower quartile rents have modestly increased at a national level.

Affordability

5.23   The PPG states that an assessment of the relative affordability of housing within an area should be undertaken, through a comparison of the cost of housing and the ability of households to pay.

5.24   Nationally, the housing market has undergone significant change in recent years, with the recent economic downturn constraining the availability of mortgage finance. First time buyers – and those households purchasing at the height of the market – now find themselves in a much more challenging position when looking to either buy a home or move home. Many younger households are increasingly turning to parents for deposit contributions, or looking to alternative housing products with lower immediate financial requirements.

5.25   Nationally, this has resulted in a considerable reduction in the number of residential transactions – which has been mirrored in the Fylde Coast, as shown in the SHMA – with many households either saving for a deposit, deciding to remain in their current home due to economic insecurity or looking to the social rented or private rented sector as an alternative option.

5.26   The impact of rising house prices on affordability of homes in Fylde is illustrated in the following graph, based on ONS data showing the ratio of lower quartile house prices to lower quartile earnings[65].

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[65] Workplace-based earnings

Figure 5.4:   Ratio of Lower Quartile House Price to Earnings (1997 – 2013)

Source: ONS, 2017

5.27   Overall, the affordability ratio in Fylde has been lower than the national rate, suggesting that households typically pay less – relative to income – than the national profile. While affordability in Fylde worsened considerably prior to the recession, it has consistently been between around 5.5 and 7 since 2006, albeit with a significant amount of annual volatility most evident in 2012.

5.28   When assessing the rate of change in the affordability ratio since 2001, it is clear – as shown in the following table – that Fylde has seen a change in the relationship between lower quartile house prices and income which exceeds that seen in the other Fylde Coast authorities and the other comparative neighbouring authorities. The proportionate growth also exceeds that seen nationally, although housing in 2016 remains more affordable relative to income than the national position.

Table 5.3:   Change in Affordability Ratio 2001 – 2016

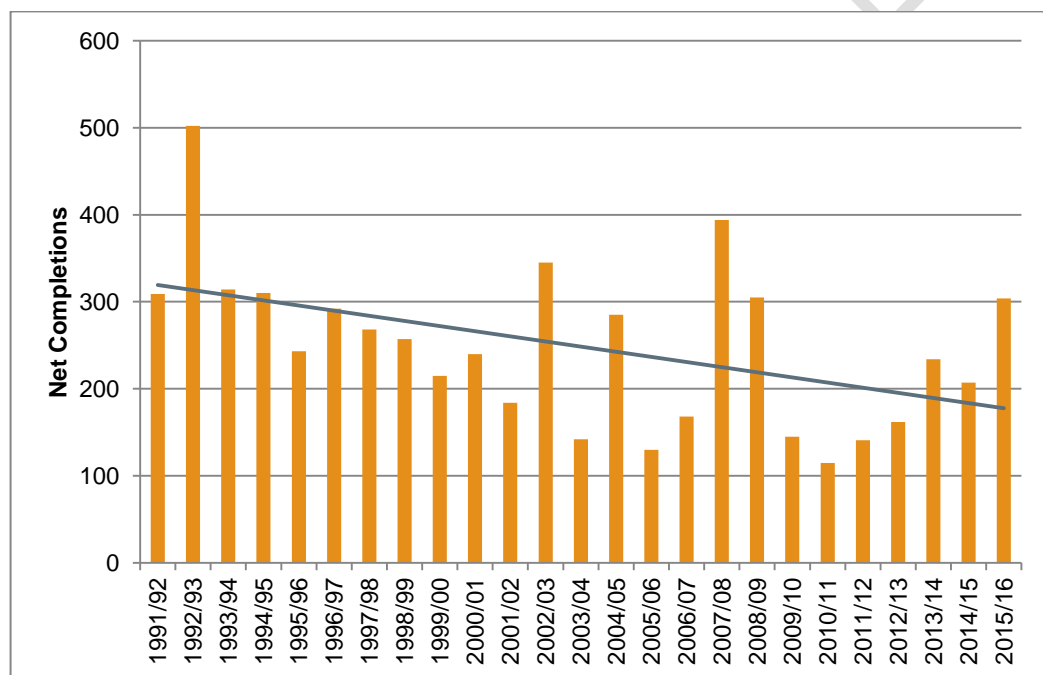|	2001	2016	Change
Fylde	**3.57**	**6.50**	**82%**
South Ribble	3.54	6.28	77%
England	4.08	7.16	75%
Wyre	3.86	6.64	72%
Preston	2.76	4.65	68%
Blackpool	3.26	4.92	51%

Source: ONS, 2017

Rate of Development

5.29   The PPG suggests that the recent supply of new dwellings should be analysed in order to identify any shortfalls against planned provision as an indicator of previous under-delivery. The PPG states that:

"If the historic rate of development shows that actual supply falls below planned supply, future supply should be increased to reflect the likelihood of under-delivery of a plan"[66]

5.30   Monitoring undertaken by the Council allows net completions to be analysed over a long-term period from 1991, and this is illustrated in the following graph. A trend line has also been overlaid.

Figure 5.5:   Net Completions 1991/92 – 2015/16

Source: Fylde Borough Council

5.31   The overlaid trend line indicates that there has been a long-term fall in the rate of development in Fylde, which appears primarily driven by a declining trend prior to the recession. During this period, the rate of development fell below that seen in the 1990s, which is likely to be driven by a range of factors including the effective moratorium in place for a limited period of time in the borough. It is, however, important to note that comparatively strong rates of development were also recorded in some years prior to the recession, with the recent peak (394 dwellings, 2007/08) surpassed in only one year since 1991. While subsequent years saw notably low levels of development, an improving trend is evident since 2010/11, with the most recent year (2015/16) suggesting a return to a level last seen prior to the recession.

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[66] http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_019

5.32   In understanding the implications of the analysis presented above, the Joint Lancashire Structure Plan requirement for a maximum of 155 dwellings per annum in Fylde (2001 – 2016) provides important context. It is understood that this target remained in place until 2007/08, with completions data indicating that this was largely exceeded on an annual basis. Indeed, a surplus of 563 dwellings was accumulated relative to this target[67].

5.33   The Structure Plan was replaced in 2008 by the adopted North West Regional Spatial Strategy (RSS). This established a requirement to provide at least 5,500 dwellings between 2003 and 2021, equivalent to 306 dwellings per annum. This target was only met in a single year (2007/08), with a backlog of 764 dwellings accumulated relative to this target between 2003 and 2011 (the base date of the new Local Plan).

5.34   It is important to acknowledge judgement from the High Court which asserted that the previous policy figure – in this case the RSS – should not be used to assess the existence of a backlog, noting:

"…There was no methodological error in the way these competing estimates for the period 2011-2031 were drawn up by reason of the notional 'shortfall' in housing delivery between 2006 and 2011 by comparison with the average annual figure for additional housing indicated in the South East Plan… There was no reason whatever for a person in 2011 seeking to draw up a current estimate of population growth and housing requirements looking into the future from that date to 2031 and using up-to-date evidence to do so, to add on to the estimated figures any shortfall against what had been estimated to be needed in the first phase of the previously modelled period included in the South East Plan.."[68]

5.35   The judgement continues:

"According to Mr Cahill's suggestion, the modellers in 2011 should have begun by saying that there was a shortfall of 854 homes against a previous estimate and then should have added that on their own modelled estimates for new homes for 2011-2031 to produce the relevant total figure. In fact, none of them proceeded in that way, and rightly so. In my view, they would clearly have been wrong if they had tried to do so. Their own modelling for 2011-2031 is self-contained, with its own evidence base, and would have been badly distorted by trying to add in a figure derived from a different estimate using a different evidence base. That would have involved mixing apples and oranges in an unjustifiable way."[69]

5.36   This suggests that a backlog against RSS targets should not simply be added on to projections of housing need, although the PPG does continue to suggest that the rate of development should be considered against planned targets when considering whether there is justification for uplifting from the projected need implied by household projections.

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[67] Based on total completions between 2001/02 and 2007/08, compared to annual target of 155 dwellings in the Joint Lancashire Structure Plan over the same period
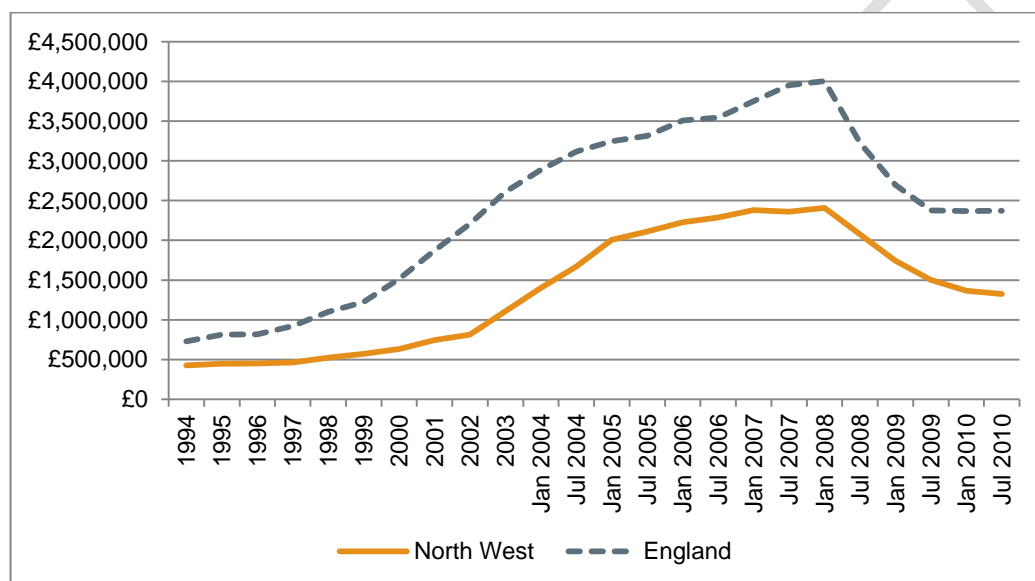[68] Zurich Assurance Limited v Winchester City Council and South Downs National Park Authority, [2014] EWHC 758 (Admin) at [94]18th March 2014
[69] Ibid [95]

Land Prices

5.37 The PPG notes that land prices are indicative of the demand for land relative to supply, with price premiums providing direct information on a shortage of land within an area.

5.38 Data published by DCLG shows the average valuation of residential building land with planning permission over the period from 1994 to 2010. This data is only available at a regional level, but nevertheless provides an indication of historic supply and demand in the wider North West. Land price trends are also presented for England to enable comparison.

Figure 5.6:   Average Valuations of Residential Building Land with Outline Planning Permission

Source: DCLG, 2015

5.39 Historically, the value of residential building land with outline planning permission has been lower in the North West compared to England as a whole, although there was notable growth in values ahead of the recession. This dataset does not extend beyond 2010 due to a decline in market activity.

5.40 The discontinuation of these datasets means that it is challenging to understand how land values have recovered, although local estimates of land value for policy appraisal have been produced by DCLG[70] and published in December 2015. This sets out an estimated value per hectare of a typical residential site in each local authority in England, and allows a comparison between estimated values in Fylde and its neighbours. A weighted average for England excluding London is also shown for context.

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[70] DCLG (December 2015) Land value estimates for policy appraisal

Table 5.4:   Estimated Value of Typical Residential Site

	Estimated value per hectare
Fylde	**£2,600,000**
England (excluding London)	£2,100,000
Preston	£1,665,000
Wyre	£1,720,000
Blackpool	£1,300,000
South Ribble	£975,000

Source: DCLG, 2015

5.41   This evidence suggests that residential land in Fylde is characterised by relatively high values, which exceed the weighted average for England excluding London and also exceed all neighbouring authorities.

5.42   This does, however, deviate from the findings of a stakeholder workshop event held in 2013 to inform the Council's Viability Study, where landowners and developers felt that a land value of £1 million per hectare was an appropriate assumption. The Council's 2016 Economic Viability Assessment[71] suggests that previous developed land in Fylde could have a value of £1.1 million per hectare in the highest value areas, with greenfield land valued at up to £618,000.

5.43   Overall, therefore, there is conflicting evidence on whether there is a significant price premium on residential land in Fylde and the evidence does not provide a consistent or strong market signal indicator. Values should, however, continue to be monitored as further local information becomes available.

Overcrowding

5.44   The PPG suggests that indicators on overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation should be analysed, given that they can be indicative of unmet need for housing.

5.45   The PPG states that:

"Longer term increase in the number of such households may be a signal to consider increasing planned housing numbers"[72]

5.46   The 2013 SHMA included an analysis of the proportion of households who have at least one fewer bedroom than required, based on the bedroom standard, and this shows that only 1.5% of households in Fylde are overcrowded. This is lower than the national average and the levels seen in the other Fylde Coast authorities.

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[71] Keppie Massie (February 2016) Fylde Local Plan Economic Viability Assessment (Table 5.1)

[72] http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_019

5.47   The PPG highlights the importance of considering change in overcrowded households, although – given that the number of bedrooms was not recorded in the 2001 Census – it is difficult to profile how the level of overcrowding has changed in Fylde over recent years. However, the Census in both 2001 and 2011 recorded an occupancy rating based on the number of rooms in a household, allowing an understanding of whether there has been an increase in the number of overcrowded households based on the room standard. This is presented in the following table, showing change in the number of households with at least one fewer room than required.

Table 5.5:   Number of Households Overcrowded (Rooms) 2001 – 2011

	2001	2011	% Change
England	1,457,512	1,928,596	32.3%
South Ribble	1,112	1,396	25.5%
Preston	3,536	4,292	21.4%
Fylde	**1,337**	**1,348**	**0.8%**
Wyre	1,593	1,603	0.6%
Blackpool	4,653	4,590	-1.4%

Source: Census 2011; Census 2001

5.48   Fylde has seen only a marginal increase in the number of households with at least one fewer bedroom than required, which has nevertheless exceeded the rates seen elsewhere in the Fylde Coast housing market area. This is significantly lower than the rates seen in South Ribble and Preston, or indeed the national average.

5.49   A further indicator of overcrowding and concealment is the number of families who are classified as concealed, given that they are a family reference person (FRP) but not a household reference person (HRP). This suggests that a family is not the main family in a household. The following table shows how the number of concealed families in Fylde, neighbouring authorities and England has changed between 2001 and 2011, based on Census data.

Table 5.6:   Change in Concealed Families 2001 – 2011

	2001	2011	% Change
England	161,254	275,954	71.1%
South Ribble	262	444	69.5%
Wyre	256	386	50.8%
Preston	558	814	45.9%
Blackpool	504	724	43.7%
Fylde	**178**	**247**	**38.8%**

Source: Census 2011; Census 2001

5.50   While the number of concealed families in Fylde has increased by 69, the proportionate increase falls below that seen in all neighbouring authorities, and is significantly lower than the national average. In 2011, 1.1% of families in Fylde were classified as concealed, which again falls below all of the comparator areas presented.

Homelessness

5.51   The analysis in Addendum 2 did not include an assessment of homelessness. Evidence of the comparative performance of Fylde was presented by one representor[73] through the hearing statements and for completeness analysis of homelessness has been included within this update. This is based on DCLG monitoring[74] of the number of households accepted as homeless and in priority need in 2015/16, relative to the overall number of households. This shows that the level of homelessness in Fylde is comparatively low, falling below that seen in comparator areas with the exception of Wyre.

Table 5.7:   Households Accepted as Homeless and in Priority Need 2015/16

	Total households accepted as homeless and in priority need	Homeless per 1,000 households
England	57,730	2.52
Blackpool	86	1.33
Preston	49	0.84
South Ribble	31	0.66
Fylde	**9**	**0.25**
Wyre	8	0.17

Source: DCLG

Drawing the Market Signals Evidence Together

5.52   Figure 4.13 in Addendum 2 drew together those market signals which could be directly quantified and compared to present a ranking of performance of Fylde against each of the comparator areas. This has been updated at Table 5.8.

5.53   Again a rank of 1 – coloured in orange – indicates that the area has the worst market signal relative to the other areas shown, while a rank of 6 – coloured in blue – suggests more favourable market signals.

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[73] EL2.011b paragraph 2.22 bullet point 6
[74] DCLG (2016) Live Table 784

Table 5.8:   Selected Market Signals Summary

	Fylde	Blackpool	Wyre	Preston	South Ribble	England
House prices						
Change (mean) 2001 – 2016	3	6	5	2	4	1
Change (LQ) 2001 – 2016	2	6	5	4	3	1
Rents						
Change (mean) 2010/11 – 2015/16	6	4	5	2	3	1
Change (LQ) 2010/11 – 2015/16	3	6	5	2	3	1
Affordability						
Change 2001 – 2016	1	6	4	5	2	3
Overcrowding						
Change 2001 – 2011	4	6	5	3	2	1
Concealed families						
Change 2001 – 2011	6	5	3	4	2	1

Source: Turley, 2017

5.54   The analysis continues to indicate that change in market signals in Fylde has not been significantly worse than neighbouring authorities or the national position, with the borough ranking in a relatively average position for most indicators. It is of note that the relationship between entry-level earnings and house prices has proportionately worsened to a relatively significant degree, with the growth in lower quartile house prices also exceeding most comparator areas with the exception of England.

5.55   However, there is limited evidence of imbalance in the private rental market – with limited growth in average rents – and the proportionate growth in concealed families has not been as significant as seen elsewhere.

Summary and Implications

5.56   The updated analysis presented in this section continues to indicate that there is limited evidence of a significant worsening in market signals in Fylde, when compared against other relevant comparator areas.

5.57   In this context, the previous conclusion that a '*modest*' uplift was appropriate is therefore considered to remain justified. In establishing a reasonable response to the identified evidence of some worsening of market signals, the views of representors in the hearing statements did not present a consistent picture. It was noted that some representors considered the assessment to be robust and did not appear to advance the need for any further upward adjustment in relation to market signals[75].

5.58   A number of representors advanced recommendations that in providing for this '*modest uplift*' an uplift of 10% should be applied to the demographic projection of need[76]. This would therefore form an additional uplift beyond that resulting from the headship rate adjustment, which is itself applied to address identified issues of younger household suppression linked to worsening affordability and an historic undersupply of housing. Applying this uplift to the adjusted demographic projection (351dpa) would result in a need for 388 dwellings per annum.

5.59   It is of note that this level of need falls below the range of need concluded as being required to support forecast levels of employment growth, as concluded in section 4. Irrespective of the considered reasonableness of a 10% adjustment in relation to market signals, the level of need resulting from aligning job growth and population growth would be expected to provide a level of housing provision which would represent a boosting of supply addressing the impact of any historic imbalance between supply and demand.

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[75] This view appears to be the conclusion in EL2.013b i (paragraph 1.23) for example.

[76] Within EL2.001b it is suggested that an adjustment of 10% would be appropriate based upon the LPEG methodology. It is suggested that this should be applied to the adjusted demographic projection in the Addendum 2 report i.e. 370 dpa.

6. Implications for the OAN for Fylde

6.1 This report is intended to provide a direct response to the request from the Local Plan Inspector – as set out in her letter dated 11 April to Fylde Borough Council ('the Council') – to provide further clarity on the implications of the official 2014-based sub-national population projections (SNPP) and the 2014-based sub-national household projections (SNHP) for the objectively assessed need (OAN) for housing in Fylde.

6.2 Specifically in this regard the Inspector requested in her letter to the Council that:

"This should be in the form of a paper which sets out the 2014-based assessments using relevant scenarios (including economic) and takes account of all reasonable adjustments and uplifts as referred to in previous demographic evidence. It should also include an explanation as to what the implications of this are for the OAHN, including meeting affordable housing needs"[77]

6.3 In responding to this request, this paper draws together the evidence submitted to the Local Plan Examination in Public (EiP) relating to housing need subsequent to the submission of the draft Local Plan for examination. It seeks to reflect upon and respond to the points of discussion during the hearing sessions on 28 and 29 March 2017 and references as appropriate the hearing statements submitted and referred to throughout the EiP hearing sessions relating to the OAN.

6.4 In order to provide a clear and transparent assessment of the implications for the OAN the preceding chapters of this report have been structured to respond to the methodological steps set out in the PPG for the calculation of an OAN:

- The Latest DLCG Published Household Projections – the 'Starting Point';

- Adjustment to the DCLG Household Projections – Demographic Need;

- Taking Employment Trends into Account;

- Responding to Market Signals;

- Arriving at an Overall OAN; and

- Taking into Account the Need for Affordable Housing in arriving at an Overall OAN.

6.5 This section draws upon the conclusions reached with regards to each of these methodological steps to set out an up-to-date assessment of the OAN for Fylde, with full consideration to the latest available informing datasets including the 2014-based SNPP and SNHP.

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[77] Letter from the Local Plan Inspector to Fylde Borough Council on the 11 April 2017 titled 'Fylde Council Local Plan – Duty to Cooperate, Objectively Assessed Needs and the Development Strategy' – EL5.003

Factoring in the 2014-based SNPP / SNHP in the Modelling of Housing Need

A Higher 'Starting Point' Projection

6.6 The 2014-based population and household projections provides a new '*starting point*' for the assessment of housing needs, in accordance with the PPG[78].

6.7 The 2014-based SNHP indicates a modelled need for 274 dwellings per annum following the application of a vacancy rate. This is considered to represent the 'starting point' for establishing the OAN for Fylde.

6.8 This 'starting point' projection of need is higher than that represented by the earlier 2012-based SNHP, which formed the starting point for the analysis in the Addendum 2 report and projected a need for 237 dwellings per annum[79]. It is lower, however, than the concluded reasonable minimum level of demographic need presented within the 2013 SHMA (Migration-led 10 year scenario), which projected a need for approximately 320 dwellings per annum[80].

Updated Demographic Projection of Need

6.9 The 2013 SHMA and subsequent Addendum reports have consistently established a concern that the official ONS / DCLG projections serve to underestimate the projected need for housing in Fylde, with regards to both the projected level of population growth and its translation into a need for households and dwellings.

6.10 Preference has consistently been placed on the use of demographic projections of need in Fylde which are based upon a longer historic period. This ensures that a more balanced projection of need is identified which is not unduly affected by the lower levels of population growth seen more recently in the borough, which are considered likely to reflect, at least in part, the impacts of a recent and recognised undersupply of housing. Based upon the evidence presented in Addendum 2 it was also considered prudent to exclude UPC in the projections of demographic need for Fylde when considering the minimum level of associated projected demographic need. This approach continues to be considered reasonable in the context of the updating of scenarios of demographic need using the 2014-based datasets.

6.11 Comparable variant projections have been developed by Edge Analytics using the 2014-based SNPP and SNHP datasets. This has included an up-to-date ten year past growth projection, which integrates the latest available estimates of population including the 2015 MYE. It has also included a projection which uses the same base date as the previous ten year past growth projection, but includes the most recent two additional years of population data, thereby basing its projection on a twelve year historic period. These scenarios have been modelled excluding UPC based on the concluded position set out in each Addendum.

6.12 In order to ensure consistency – and in recognition of the fact that the original ten year period included a number of years of comparatively strong levels of population growth at

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[78] PPG Reference ID 2a-015-20140306
[79] ED023 Figure 3.2
[80] ED021 – Paragraph 11.34

the start of its historic period – it is considered prudent to use the twelve year trend-based projection as being representative of a minimum level of projected population growth.

6.13   Throughout the analysis presented in the 2013 SHMA and subsequent Addendum reports, a positive response has been applied to address evidence of the potential suppression of younger household formation rates consistently represented in recent official projections. The modelling presented in this section has applied an adjustment to the household formation rates of younger households within the 2014-based SNHP which assumes a recovery to rates seen in 2001. This provides a positive response to the assumed reduction in younger household formation within the 2014-based SNHP. This adjustment is methodologically consistent to that used in Addendum 2, and has been used in the projections modelled by Edge Analytics in the Economic Modelling Briefing Paper (EL2.025c) and the Demographic Projections Update Paper (EL1.011).

6.14   This adjustment results in a minimum demographic need for 351 dwellings per annum in Fylde over the plan period (2011 – 2032). This level of need is some 77 dwellings per annum higher than that projected by the 'starting point' projection of the 2014-based SNHP, and represents a 28% upward adjustment.

Taking Likely Employment Growth into Account

6.15   Following the EiP hearings in March the Council separately commissioned AMION Consulting to prepare an Independent Economic Assessment of Fylde. This has been submitted as a separate Examination document to this report. The conclusions of this report are directly drawn upon within this Addendum 3 report to inform the step of the methodology which takes into account employment trends and its impact on the OAN.

6.16   The AMION report has assessed three up-to-date economic forecasts, two of which from Oxford Economics and Cambridge Econometrics were presented in the Economic Briefing Paper (EL2.025b(ii)), and the third, the Experian forecast, represented a more up-to-date iteration to that presented previously.

6.17   AMION conclude that an average of the three forecasts is considered to be representative of future job growth within Fylde. Two variant approaches to calculating the likely future job growth on the basis of a calculated average are presented in the Independent Economic Assessment with the conclusion reached that *'it is considered reasonable to assume that the level of future employment growth in Fylde will lie in the range of 55 jobs to 91 jobs per year, between 2015 and 2032[81]'*. This leads to the conclusion that Fylde is likely to see the creation of between approximately 900 and 1,500 additional jobs over the remainder of the plan period (2015 – 2032).

6.18   This level of job growth sits within the range of forecasts considered within the 2013 SHMA, which suggested that total employment in Fylde would increase by an average of circa 52 – 148 jobs per annum[82] over the period from 2011 to 2030[83].

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[81] ndependent Assessment of the Economic Prospects of Fylde, May 2017, AMION Consulting, Section 5

[82] Turley (2014) Fylde Coast SHMA Addendum 1 (para 5.19)

[83] As noted above the forecast within ED041a was presented over the period 2012 and 2030

6.19   Following a consistent approach to that used in the previous assessments, a series of employment-led scenarios have been modelled by Edge Analytics to consider the level of housing need likely to be required to support this range of job growth. In modelling these scenario, a set of modelling assumptions around labour-force behaviour have been applied by Edge Analytics which are broadly consistent with the methodology applied in the Addendum 1 and 2 reports, albeit with some updates to reflect the latest data. The output of this modelling indicates a need to provide for between 397 and 421 dwellings per annum over the plan period. The application of the same headship rate adjustment for younger households as applied to the demographic projections in section 3 elevates this level of assessed need to between 408 and 432 dwellings per annum.

6.20   It is recognised that whilst there is a degree of uncertainty in projecting future levels of job growth equally the relationship between the future growth in jobs and population change is complex. The previous housing evidence documents have recognised the complexity of this relationship presenting different sensitivities relating to alternative assumptions around labour-force behaviour.

6.21   The analysis of the labour force profile in the Independent Economic Assessment recommends that it would be prudent to retain the more modest adjustments to labour-force adjustments used in the main scenarios presented in this Addendum. This recognises the distinct projected changes to the age profile of Fylde and the significant impact of an increasingly ageing population as well as the range of industrial sectors in which growth is forecast. It is considered on this basis that it is reasonable to assume that in order to support the likely job growth concluded in the Independent Economic Assessment that there will be an associated need for between 408 and 432 dwellings per annum to support the forecast job growth.

6.22   However, it is recognised importantly that the Independent Economic Assessment concludes that it is *'expected…that the likely level of employment growth will be at the upper end of this* range'[84]. It is therefore considered that the full need for housing will be more closely aligned with the upper end of the modelled jobs-led scenarios.

Review of Market Signals

6.23   The updated analysis presented in section 5 continues to indicate that there is limited evidence of a significant worsening in market signals in Fylde, when compared against other relevant comparator areas.

6.24   In this context, the previous conclusion that a '*modest*' uplift was appropriate is therefore considered to remain justified. In establishing a reasonable response to the identified evidence of some worsening of market signals, the views of representors in the hearing statements did not present a consistent picture. It was noted that some representors considered the assessment to be robust and did not appear to advance the need for any further upward adjustment in relation to market signals[85].

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[84] Independent Assessment of the Economic Prospects of Fylde, May 2017, AMION Consulting
[85] This view appears to be the conclusion in EL2.013b i (paragraph 1.23) for example.

6.25   A number of representors advanced recommendations that in providing for this '*modest uplift*' an uplift of 10% should be applied to the demographic projection of need[86]. This could be viewed as an upper limit to any such reasonable adjustment to be applied in addition to that resulting from the headship rate adjustment, which is itself applied to address identified issues of younger household suppression linked to worsening affordability and an historic undersupply of housing. Applying this uplift to the adjusted demographic projection (351dpa) would result in a need for 388 dwellings per annum.

6.26   It is of note that this level of need falls below the range of need concluded as being required to support the scale of job growth forecast over the plan period, as concluded in section 4. Irrespective of the considered reasonableness of a 10% adjustment in relation to market signals, the level of need resulting from aligning job growth and population growth would be expected to provide a level of housing provision which would represent a boosting of supply addressing the impact of any historic imbalance between supply and demand.

An Updated OAN

6.27   Drawing together the analysis above, the evidence presented in this Addendum 3 report has justified a series of adjustments from the need for 274 dwellings per annum implied by the 'starting point' of the 2014-based SNHP.

6.28   In accordance with the evidence presented consistently through the housing need evidence for Fylde since the 2013 SHMA, it is considered that the short-term period from which the more recent official projections of population growth – in this case the 2014-based SNPP – serves to underestimate future levels of population growth. This recognises that the historic period from which trends are drawn in the 2014-based SNPP corresponds with a period of comparatively low population growth, with this in turn likely to be affected by the consequences of the past under delivery of housing.

6.29   A projection of future population growth based upon a longer-term period – which bases future trends on a historic period which includes both a stronger and weaker picture of demographic change – is considered to be more representative of future needs. On this basis, it is considered that the need is adjusted upwards to reflect a twelve year past growth scenario which retains the base date of the historic period used in the analysis in the Addendum 1 and 2 reports (ED022 and ED023) but integrates the latest two years of ONS published population estimates. This indicates a need to provide for 341 dwellings per annum in Fylde.

6.30   However, a further adjustment continues to be considered necessary to allow for a return to higher levels of household formation amongst younger people, which has deteriorated over recent years and is not assumed to recover within the 2014-based SNHP. This was also assumed within the 2012-based SNHP previously considered (ED023). This would result in a need for 351 dwellings per annum, uplifting the demographic projection by a further 10 dwellings per annum. Provision of this scale would meet the need generated by population growth and would enable a recovery of

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[86] Within EL2.001b it is suggested that an adjustment of 10% would be appropriate based upon the LPEG methodology. It is suggested that this should be applied to the adjusted demographic projection in the Addendum 2 report i.e. 370 dpa.

household formation rates of younger households affected by the worsening affordability of housing in the borough.

6.31 It is considered that the future growth of Fylde's economy will be an important factor generating an additional need for housing beyond that resulting from a continuation of demographic trends. AMION Consulting has concluded that Fylde's economy is likely to continue to grow in the future and over the remaining years of the plan period. Supporting a forecast growth in employment will require Fylde to attract and retain a greater number of people in core working age groups. This will have an impact on the projected levels of net migration over the plan period, which alongside the impacts of existing migration flows and natural change factors indicate the need for an upward adjustment to the demographic projection of need.

6.32 In the context of AMION's assessment of the future economy and the changing profile of the labour-force, it is considered that in order to support the range of likely job growth there will be a need to provide for between 408 and 432 dwellings per annum, an uplift of between 57 and 81 dwellings or between 16% and 23% from the scale of demographic projected need.

6.33 The updated assessment of appropriate market signals continues to conclude that there is little evidence to suggest that there has been a significant worsening of market signals in Fylde over the long-term or indeed as considered based on the additional data reviewed for the last couple of years. It is therefore appropriate to recommend that a modest uplift would need to be applied to the demographic projections in order to provide a reasonable supply response which could be expected to help to address affordability issues in the borough. It is noted that the scale of uplift concluded as being reasonable to support forecast levels of job growth is over 15%.

6.34 It is recognised that none of the representors expressed a justification for a market signals adjustment in excess of 10% through their hearing statements. On this basis, it is not necessary to specifically conclude an appropriate reasonable scale of uplift relating to market signals. However, for the purposes of presenting a separate uplift within this Addendum, the 10% recommended by a number of representors is used to isolate its potential impact in uplifting the demographic projection of need.

6.35 The adjustments summarised above in arriving at an updated OAN for Fylde are summarised in the following table.

Table 6.1:   Adjustments to the 'Starting Point' in Arriving at the OAN

	Adjustment (dwellings per annum)	**Dwellings per annum** 2011 – 2032	% uplift from 'starting point'
The 'starting point' – 2014-based SNHP		**274**	
Adjusted demographic projection	+77	**351**	28%
Supporting likely job growth	+57 - 81	**408 - 432**	49% - 58%
(Market signals adjustment to demographic projection +10%)	*(+35)*	*(386)*	*(40%)*
Objectively assessed need (OAN) *rounded*	**+134 - 156**	**410 - 430**	**50% - 57%**

Source: Turley

6.36   In arriving at a conclusion on the OAN for housing, as reflected in the table above it is considered that it is appropriate to round the calculated OAN range to between **410 and 430 dwellings per annum**.

6.37   Whilst a range of OAN for housing has been concluded – associated with the range of job growth considered reasonable within the Independent Economic Assessment – it is recognised that this report concludes that it is *'expected…that the likely level of employment growth will be at the upper end of this* range'[87]. It is therefore considered that the full need for housing will be more closely aligned with the upper end of the identified OAN range.

Consideration of the Evidenced Need for Affordable Housing

6.38   The PPG does not specify how any adjustment should be made to the OAN in relation to affordable housing.

6.39   The 2013 SHMA identified a need for 207 affordable homes per annum[88]. This was updated in the Addendum 1 report which concluded with a higher modelled need for 249 affordable homes per annum[89].

6.40   Through the EiP hearings, the calculated need for affordable housing was debated with no significant challenge made to its robustness. The assessed level of need concluded within the Addendum 1 report is therefore considered robust for the purposes of considering its implications for the overall need for housing in Fylde following the PPG methodology.

6.41   The draft Local Plan assumes a requirement to deliver 30% affordable housing. Applying this rate of provision to the OAN would suggest that between approximately 120 and 130 affordable homes per annum will be able to be provided. Whilst it is

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[87] Independent Assessment of the Economic Prospects of Fylde, May 2017, AMION Consulting
[88] ED021 – Figure 9.6
[89] ED022 – Paragraph 6.16

apparent that this will not meet the need for affordable housing in full this will represent a significant uplift on the recent historical rates of affordable housing provision, noting that less than 40 affordable dwellings were delivered in Fylde in 2015/16[90].

6.42   The Council identified that historically between 2003 and 2016 Fylde has on average seen the delivery of approximately 210 net dwellings per annum of all tenures. The concluded OAN following the PPG methodological steps above would require an approximate doubling of this historic rate of development. This clearly aligns with the Government's objectives to boost the supply of housing and '*get more homes built right now and for many years to come*'[91].

6.43   Recognising that the OAN represents both a notable uplift to the 'starting point' projection of need and the long-term historic rate of delivery, it is not considered justified in this context to apply a further upward adjustment to the level of housing identified as needed within the concluded OAN range set out in Table 6.1 on the basis of the recognised need for affordable housing. It is considered, however, that in the context of a recognised significant need for affordable housing that this provides further support for considering the upper end of the OAN range as representing the full need for housing in Fylde.

Comparison with the Previous OAN Range in the 2013 SHMA

6.44   The 2013 SHMA (published February 2014) concluded that there was a need for between 300 and 420 dwellings per annum in Fylde over the period 2011 – 2030. The SHMA concluded that:

"The lower end of the spectrum is informed by the demographic-led scenarios which – as identified above – would be likely at best only support a sustaining of current employment levels at this scale. The employment evidence base within the authority highlights the potential vulnerability of employment change to the realisation of the ambitions of the Enterprise Zone. Careful monitoring will therefore be required to ensure an alignment between economic growth and housing need, with the scenarios updated as required as Local Plan policy is developed"[92]

6.45   The Addendum 1 report (November 2014) concluded that this range of OAN remained appropriate in the context of the analysis of the 2012-based SNPP dataset.

6.46   However, the integration of the 2012-based SNHP in the Addendum 2 report for Fylde (May 2015) – alongside an updating of evidence relating to market signals – suggested that there was a need to consider the upper end of the range as being represented by 440 to 450 dwellings per annum. This upper end of the range continued to be predicated upon supporting a forecast level of employment growth in Fylde, with this continuing to be based upon the economic forecasts used within the 2013 SHMA.
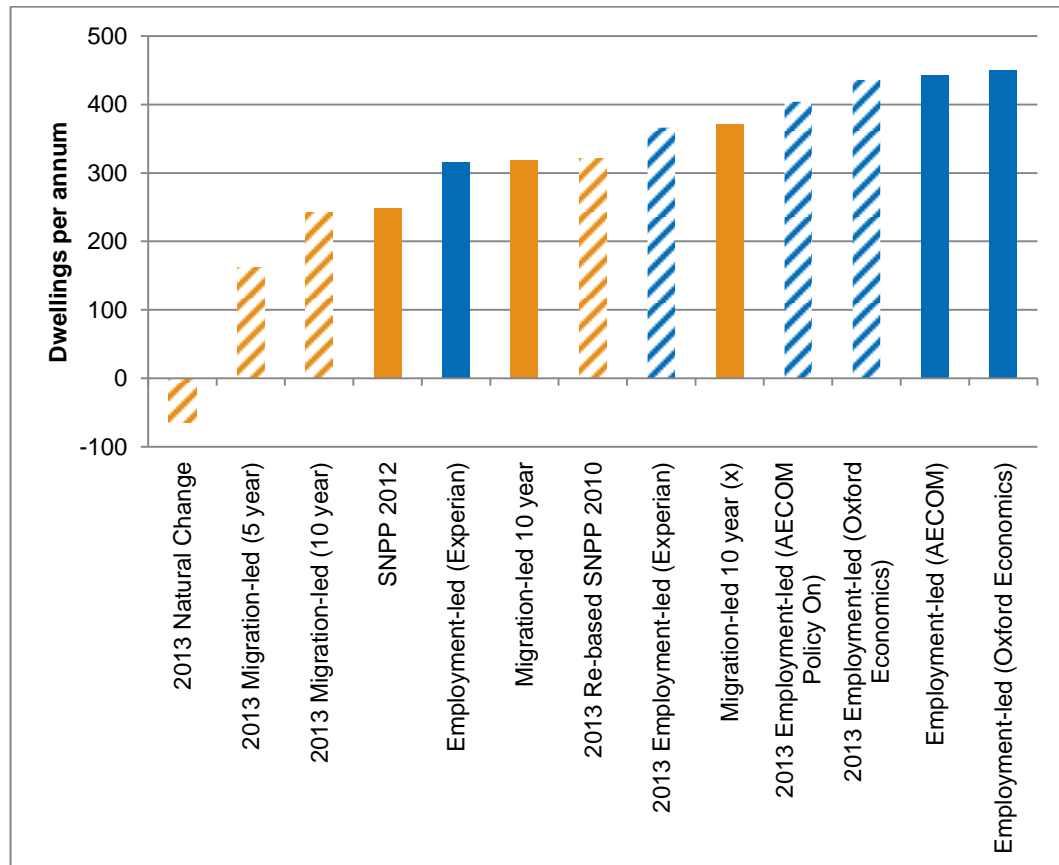
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[90]   DCLG Live Table 1011C indicates that 37 affordable homes were completed in Fylde in 2015/16
[91]   DCLG (2017) Fixing our Broken Housing Market (p7)
[92]   ED021 – paragraph 11.36

6.47   The Addendum 2 report included an illustration of the full range of scenarios of projected need within both the Addendum 1 and Addendum 2 at Figure 5.1. This is replicated below at Figure 6.1.

Figure 6.1:   Addendum 1 and Addendum 2 Scenarios of Average Annual Housing Need – Fylde 2011 – 2030

Source: Turley/Edge Analytics 2015

6.48   The range of concluded OAN set out within this Addendum 3 evidently sits towards the upper end of these scenarios of need, on the basis that:

- **The 'starting point' projection of need has risen slightly**, with the 2014-based SNPP/ SNHP projecting a stronger growth in households than the 2012 SNHP;

- **A population projection based upon a longer-term historic period than the official ONS SNPP is used.** A 12 year trend-based projection which includes the ten year period used previously in the Addendum reports and takes into account the additional last two years of ONS population estimates has been preferred within this Addendum;

- **An allowance is made for a recovery in younger household formation rates, relative to the assumptions underpinning the 2014-based SNHP.** This is considered to represent a positive response to offset the projected sustained impact of worsening affordability and the under-supply of housing in Fylde on the

propensity of these households to form. The methodological approach and principle of the adjustment is consistent to that used in the Addendum 2 report;

- **A separate supply response is justified to upwardly adjust the demographic projection in response to modest worsening in market signals.** On the basis of the views of representors to the EiP hearings and the updating of the market signals evidence, it is considered that any such uplift applied would not exceed 10%;

- **Fylde will continue to see a growth in employment opportunities with on average, between 55 and 91 jobs likely to be created annually in Fylde over the remainder of the plan period.** This level of job growth falls within the range previously presented based upon economic forecasts and the Council's 2012 Employment Land and Premises Study[93]; and

- **An uplift in the delivery of affordable housing can be supported**, in response to the calculated need for 249 affordable homes per annum presented within the Addendum 1 report[94]. It is concluded that the uplifts applied to the OAN through the above steps could result in an approximate doubling of the historic level of annual housing provision in Fylde (210dpa, 2003 – 2016)[95], which could make a significant contribution towards increasing the provision of affordable housing from recently recorded levels.

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[93] ED041a
[94] ED022 – paragraph 6.16
[95] ED017 – paragraph 121

Appendix 1: Edge Analytics Modelling Assumptions

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