

**Wyre Addendum 2: Analysis of  
Housing Need in light of the 2012  
Sub-National Household  
Projections and ELS Update**  
Wyre Borough Council

February 2016

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**Client**

Wyre Borough Council

**Our reference**

BLAM2004

February 2016

# 1. Introduction and Report Scope

- 1.1 Turley – in partnership with specialist demographic consultancy Edge Analytics – completed a Strategic Housing Market Assessment (SHMA) for the Fylde Coast authorities of Blackpool, Fylde and Wyre in 2013, with the final report published in February 2014.
- 1.2 In November 2014, Turley and Edge Analytics published an Addendum to the original 2013 SHMA to establish the implications of the 2012-based sub-national population projections (SNPP) – which were released in May 2014 – on the conclusions of the 2013 SHMA, and in particular the range of objectively assessed need arrived at within the study. This study was titled ‘*Analysis of Housing Need in light of the 2012 Sub-National Population Projections*’ and hereafter in this report is referred to as the Addendum 1 report.
- 1.3 The Addendum 1 report included the outputs of a re-modelling of a number of demographic and employment-led scenarios, as was undertaken within the 2013 SHMA, using the latest input assumptions from the 2012 SNPP as well as a number of other updates to modelling assumptions<sup>1</sup>. This resulted in the generation of a range of updated population and household projections which were considered in the context of the assessment of future housing need in each of the Fylde Coast authorities.
- 1.4 The Addendum 1 report recognised the anticipated release of the 2012 sub-national household projections (SNHP) by the DCLG<sup>2</sup>. It was concluded that:

*“The 2012 SNHP will include new headship rate (household formation rate) assumptions. These are anticipated for release in early 2015. Evidently as with all demographic datasets they will be subject to critique and may require local level analysis to understand the appropriateness of their application in the context of historic factors influencing their projection base (as per the PPG). We would suggest that this should form the basis of a separate future update.”*
- 1.5 The DCLG published the 2012 SNHP dataset on 27 February 2015. The release of this dataset also prompted the Planning Practice Guidance (PPG) to be amended to recognise that the most recent household projections updated the 2011-based interim projections and now represent the most up-to-date estimate of future household growth<sup>3</sup>. In accordance with the recommendation of the Addendum 1 report, this report therefore seeks to consider the implications of the dataset on the analysis presented within both the 2013 SHMA and subsequent Addendum 1.
- 1.6 This report has been separately commissioned by Wyre Borough Council and is referred to as the ‘Wyre Addendum 2’ study. A comparable exercise has been undertaken for Fylde Borough Council with a paper titled ‘Fylde Addendum 2’ published in May 2015. Turley and Edge Analytics were previously commissioned by Blackpool Council to

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<sup>1</sup> A comparison of modelling assumptions is included in Table 6 of Appendix 1 to the 2014 Fylde Coast SHMA Addendum.

<sup>2</sup> Paragraph 7.31 1<sup>st</sup> bullet of the Addendum 1 report (November 2014)

<sup>3</sup> [http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph\\_016](http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_016)

assess the implications of the dataset recognising the timing of the release prior to the Core Strategy EiP in May 2015. The outputs of this assessment were separately presented in two published papers<sup>4</sup>.

- 1.7 In addition to considering the implications of the 2012 SNHP dataset, this report also updates the analysis of the employment-led projections presented in the previous 2013 SHMA to reflect the conclusions of the recently published Wyre Employment Land Study Update<sup>5</sup> (ELSU) and subsequent ELSU Addendum report<sup>6</sup>.
- 1.8 As with the Addendum 1 report, it is important to recognise that this report does not seek to represent a full update to the 2013 SHMA, and should be read alongside the two preceding documents.
- 1.9 When considering the modelling outputs presented in this report, it is important to note that the projection period for which results are presented has been changed to 2011 – 2031<sup>7</sup> as opposed to 2011 – 2030 as presented in the 2013 SHMA and 2014 Addendum 1 documents. This reflects the Council's plan period.

## Structure

- 1.10 This Addendum 2 adheres to the following structure:
  - **Section 2 – Introducing the 2012 SNHP** – a short section introducing the dataset and methodological points of note.
  - **Section 3 – Impact of the 2012 SNHP on previous demographic modelling** – Edge Analytics have re-modelled the demographic scenarios presented within the Addendum 1 report using the household formation rates from the 2012 SNHP dataset. The outputs of this modelling are presented and compared against the previously presented modelling. This section also considers the implications of the latest published ONS Mid-Year Population Estimates data.
  - **Section 4 – Aligning the Housing Need Evidence with the 2015 ELS Update** – the publication of the 2015 ELSU provides a new set of employment projections for Wyre which are being used to inform the development of Local Plan policy. The analysis in this section integrates these forecasts within the Edge Analytics POPGROUP modelling to assess their implications for housing need. This is considered in the context of previous employment constrained projections presented within the 2013 SHMA.
  - **Section 5 – Examining market signals and household formation rates** – following the methodology within the PPG, the household formation rates within

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<sup>4</sup> Briefing published by Turley to support Blackpool Council's hearing statement to the EiP of the Local Plan – 'Briefing: Considering the Implications of the 2012 SNHP – Blackpool' (April 2015). This report was also supported by a separate Edge Analytics report titled 'Blackpool Demographic Analysis & Forecasts – Evaluating the impact of the 2012-based DCLG household projections' (April 2015)

<sup>5</sup> 'Employment Land Study Update', NLP, (2015)

<sup>6</sup> 'Wyre ELSU Addendum', NLP, 2015

<sup>7</sup> As set out in Addendum 1 (paragraph 1.8) it is important to note that whilst the 2012 SNPP takes mid-2012 as the base point of the projections the modelling undertaken by Edge Analytics in this report, as with the Addendum 1, unless otherwise stated takes mid-2013 as its base with the population growth in 2012-13 period taken from the official ONS mid-year population estimates.

the 2012 SNHP are considered in detail. This is accompanied by an updated analysis of market signals in Wyre in order to understand the extent to which household formation rates are likely to have been constrained and the justification / rationale for an upward adjustment to modelled projections of need.

- **Section 6 – Implications** – the final section succinctly draws together the analysis presented and explains the implications for the conclusions around the objectively assessed need in Wyre as reached in the 2013 SHMA and Addendum 1. It is noted that the analysis in this report has been limited to Wyre. The 2013 SHMA identified the Fylde Coast as a housing market area, and therefore the conclusions of this report will need to be considered and compared against the updated modelling prepared separately for Blackpool and Fylde.

## 2. Introducing the 2012 SNHP

- 2.1 The PPG states that household projections published by DCLG should provide the 'starting point' for informing the objective assessment of need (OAN). The 2012 sub-national household projections (SNHP) were released in February 2015, representing a full new official dataset published by DCLG and the most up-to-date official projection of household formation.
- 2.2 The 2012 SNHP project an increase of 5,279 households in Wyre over the period from 2011 to 2031, equivalent to 264 new households per annum over this period.
- 2.3 The 2012 SNHP is underpinned by the population growth projected under the 2012 sub-national population projections (SNPP), published by ONS. The 2012 SNPP was released in May 2014 and – as set out in the Addendum 1 report – provides the latest official benchmark for the analysis of population growth at a local authority level, taking full account of the results of the 2011 Census.
- 2.4 Prior to the release of the 2012 SNHP, the 2008 SNHP represented the latest full sub-national set of household projections, with the 2011 SNHP representing only an interim release with a ten year horizon.
- 2.5 The latest 2012 SNHP dataset includes a number of important updates on the previous interim 2011 SNHP, with the inclusion of the following new information<sup>8</sup>:
- 2012-based SNPP by sex and age that extend to 2037 (rather than to 2021 as was the case in the 2011-based interim projections);
  - Household population by sex, age and relationship-status consistent with the 2011 Census (rather than estimates for 2011, which were derived from 2001 Census data, projections national trends, as used in the 2011-interim projections);
  - Communal population statistics by age and sex consistent with the 2011 Census (rather than the previous estimate, which were calibrated to the total communal population from the 2011 Census);
  - Further information on household representatives from the 2011 Census relating to aggregate household representative rates by relationship status and age;
  - Aggregate household representative rates at a local authority level, controlled to the national rate, based on the total number of households divided by the total adult population (rather than the total number of households divided by the total household population); and
  - Adjustments to the projections of the household representative rates in 2012 based on the Labour Force Survey (LFS).
- 2.6 The DCLG household projection methodology consists of two distinct stages. Stage One produces the national and local authority projections for the total number of households

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<sup>8</sup> DCLG (2015) Household Projections 2012-based: Methodological Report

by age group and relationship status group over the projection period. All Stage One output and assumptions have been released by DCLG.

- 2.7 Stage Two provides the detailed household type projection by age group, controlled to the previous Stage One totals. Seventeen different household types are typically included in household model outputs<sup>9</sup>. Stage Two assumptions and outputs – which provide more detailed household type statistics – were released in December 2015. The late timing of the release of this dataset in the context of the programme of modelling undertaken to inform this report has meant that the majority of modelling outputs rely on the Stage One outputs. Further detail is included within the Edge Analytics modelling assumptions note included as Appendix 2 to this report.
- 2.8 It is noted within the PPG that DCLG anticipate updating the input assumptions to the 2012 SNHP dataset, which may have implications for the modelling presented within this report<sup>10</sup>. In addition, it is anticipated that the dataset will be subject to scrutiny by the Planning Inspectorate through the consideration of evidence base reports at Local Plan Examinations, and it is therefore considered advisable that the Council monitor any updates and interpretation of this dataset and its implications for the analysis presented in this SHMA report.
- 2.9 In section 3 of this report, the levels of household growth implied under the modelling for Wyre in the Addendum 1 report is considered in the context of the 2012-based SNHP modelling assumptions. The latest headship rate assumptions are then considered further in the context of the ELSU evidence and market signals evidence in sections 4 and 5 respectively.

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<sup>9</sup> These are listed at Table 1 of Appendix 1 to the Addendum 1 report.

<sup>10</sup> [http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph\\_016](http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_016)

### 3. Impact of the 2012 SNHP on the Demographic Projections of Need

- 3.1 POPGROUP software has been used by Edge Analytics to run additional scenarios of population and household growth in Wyre. The modelling presented in this section has primarily focused on the application of headship rates from the 2012 SNHP to the population projection modelling presented in the Addendum 1 report.
- 3.2 This section also considers the implications of the release of a further mid-year population estimate (2013/2014) by the ONS following the publication of the Addendum 1 report for the scenarios developed for Wyre.

#### Household Headship Rates

- 3.3 The 2011 Census defines a household as:

*“one person living alone, or a group of people (not necessarily related) living at the same address who share cooking facilities and share a living room or sitting room or dining area.”<sup>11</sup>*

- 3.4 The DCLG household projections are derived through the application of projected household representative rates – also referred to as headship rates – to a projection of the private household population.
- 3.5 A household headship rate (also known as household representative rate) is the:

*“probability of anyone in a particular demographic group being classified as being a household representative.”<sup>12</sup>*

#### Approach to Modelling Household Growth in the 2013 SHMA and Addendum 1

- 3.6 In the demographic analysis in both the SHMA and Addendum 1 reports, household and dwelling growth outcomes were modelled and presented using both interim 2011-based headship rates and 2008-based headship rates. These earlier – now superseded – official datasets led to two alternative household growth outcomes for each projection of population growth, in order to reflect the differing assumptions made about household formation in each dataset.
- 3.7 The SHMA also highlighted the challenges associated with basing future projections of household growth solely on the 2011 SNHP headship rates, recognising concerns that this dataset continued to project forward a suppressed position which reflected an

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<sup>11</sup> ONS (2011) Census Glossary of Terms

<sup>12</sup> Household Projections 2012-based: Methodological Report. Department for Communities and Local Government (February 2015)

unprecedented set of market and economic conditions nationally. The limitations of the underpinning 2011 SNPP were highlighted<sup>13</sup>.

- 3.8 A mid-point (average) between the two alternative household growth outcomes for each scenario was therefore presented by Edge Analytics. This provided a balanced position regarding the different historically derived trends implied by both household growth outcomes<sup>14</sup>, and reflected the uncertainty over future rates of household formation and the limitations of the 2011-based interim household projection model<sup>15</sup>.

### Using the 2012 SNHP dataset

- 3.9 Edge Analytics have applied the 2012-based SNHP household headship rates to the updated population projections within this section to enable a comparison with the scenarios previously presented in the 2013 SHMA and Addendum 1 report.
- 3.10 In all the scenarios presented – as with those presented in the Addendum 1 report using 2008 and 2011 headship rates – a dwelling vacancy rate of 5.4% has been applied consistently, derived from the 2011 Census for Wyre.
- 3.11 As with the modelling in the SHMA and Addendum 1 report and as consistent with the DCLG approach to modelling household projections in translating population into households, the number of people living in private households has been modelled, in order to remove the ‘communal population’<sup>16</sup>.
- 3.12 In POPGROUP, the 2012-based headship rates are defined by age, sex and relationship status. These rates therefore determine the likelihood of a person of a particular age group, sex and relationship status being head of a household in a particular year, given the age/sex structure of the population.

### Comparison of DCLG Household Projections

- 3.13 In the context of the methodology set out in the PPG, it is considered useful to compare and contrast the variant headship rate assumptions proposed within these datasets, recognising that they are based upon data which spans different economic conditions. It is, however, important in this context to recognise that – in line with the PPG – the 2012 SNHP are *‘the most up-to-date estimate of future household growth’*<sup>17</sup>.

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<sup>13</sup> Further detail is set out in the section titled ‘household projections’ within Section 7 of the 2013 SHMA. 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.’*

<sup>14</sup> Paragraph 7.44 of the 2013 SHMA

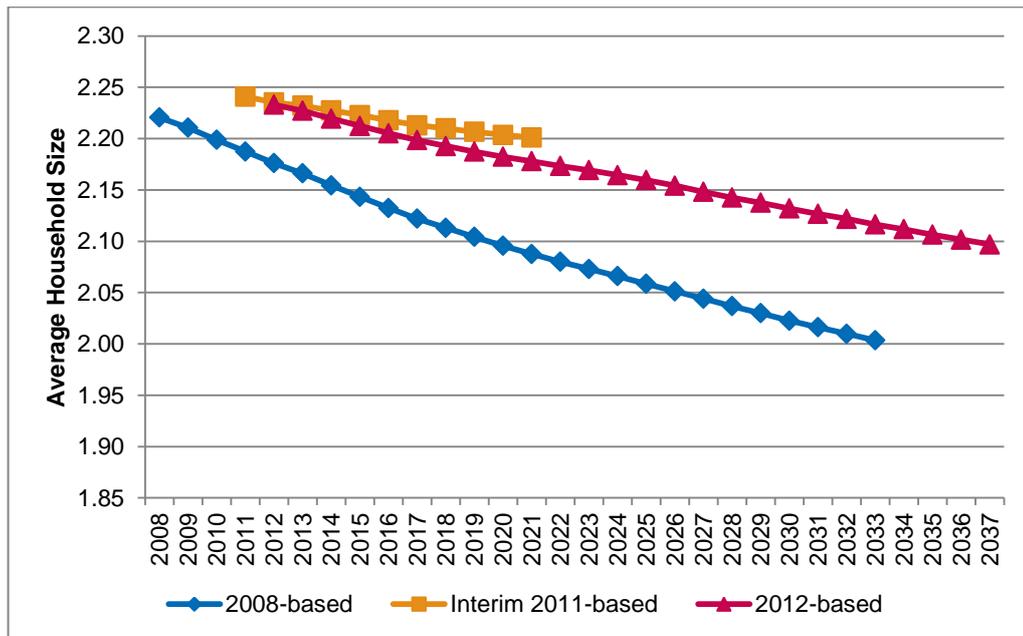
<sup>15</sup> As the Edge Analytics 2015 report identifies this has been recognised as a ‘logical approach’ through a recent EiP examination (paragraph 4.13)

<sup>16</sup> The projections presented in this section use the updated ‘communal population’ statistics (i.e. the population not living in households). The communal population is similar to that used in the scenarios presented in the Addendum 1 report, using 2008 and 2011 headship rate assumptions, but its age and sex profile is consistent with the 2011 Census output.

<sup>17</sup> [http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph\\_016](http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_016)

3.14 The different DCLG SNHP datasets are evidently all underpinned by different levels of population growth, as considered within the Addendum 1 report. However, in order to highlight the impact of assumptions around the formation of households in the datasets, the following chart shows the different projected assumptions around household size in each dataset.

**Figure 3.1: Average household size under the 2008-based, 2011-based and 2012-based household Projection models**



Source: DCLG, Edge Analytics, 2015

- 3.15 All three of the household projection models anticipate that the average household size in Wyre will fall over the respective projection periods.
- 3.16 Under the 2008-based household projection model, household size was projected to decrease from 2.22 to 2.00 over the 2008 – 2033 period. Evidently, the projected fall in household size in this dataset between 2008 and 2011 was not realised, based on the 2011 Census results, which found an average household size of 2.24 in 2011.
- 3.17 Despite the recent historic picture showing a rise rather than a fall in average household size, the Interim 2011 SNHP continued to project that sizes of household would return to a falling trend. This interim dataset projected a fall to 2.20 over the ten year projection period to 2021.
- 3.18 The 2012-based household model – which, as set out in section 2, represents the most up-to-date projection – also projects that household size will continue to fall. This dataset projects a fall from 2.23 to 2.10 over the 2012 – 2037 period. It is apparent from Figure 3.1 that the comparative trajectory of falling household size under the 2012 SNHP sits between the two preceding household models.

## Introducing the Updated Projections of Household Growth

- 3.19 As stated in the introduction to this report, the Addendum 1 report presented a range of modelled projections of population and household growth scenarios, in response to the PPG methodology.
- 3.20 This included the integration of the latest ONS demographic data, including both the 2012 SNPP dataset and the then-latest ONS mid-year population estimate (MYE) for 2013. This led to the production of a range of demographic projections of growth – based on a longer term historic period – and also variant projections which included and excluded the unattributable population change (UPC) component<sup>18</sup>.
- 3.21 The report also presented updated employment-led scenarios, aligning job growth to population through different levels of migration. These scenarios used the latest input labour force assumptions available at the time, as well as common demographic inputs from the 2012 SNPP. The report did not, however, seek to update the input forecast levels of job growth, with these retained from the 2013 SHMA. The analysis within this report has included updated modelling to align with the job outputs identified within the 2015 ELSU and subsequent Addendum report, as well as consideration of updated labour force projection assumptions. This is presented in section 4.
- 3.22 Unless specifically stated, the modelling presented within this section has retained all of the demographic assumptions used within the Addendum 1 report, with the exception of the headship rate assumptions applied in converting projected population growth into household growth and subsequently estimated need for dwellings. Recognising the wider HMA linkages across the Fylde Coast, this enables a level of consistency to be maintained with the analysis presented in the Addendum 1 report, and the Addendum 2 report for Fylde as well as the briefing note prepared by Turley for Blackpool Council to consider the implications of the 2012 SNHP (April 2015)<sup>19</sup>.

### 2012 SNHP Headship Rate Scenarios

- 3.23 Figure 3.2 shows the outputs of the updated modelling produced by Edge Analytics for the three demographic projections presented within the Addendum 1 report:
- **SNPP 2012** – demographic projection assumptions directly based upon the 2012 SNPP dataset over the period 2012 to 2031;
  - **Migration-led 10 year** – with the 2012 SNPP projecting forward historic migration rates over a five year period, this scenario adopts a similar methodology to project rates based on a longer term, ten year period from 2003/04 to 2012/13, with unattributable population change (UPC) included in the international migration assumptions; and

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<sup>18</sup> A full consideration of UPC in the context of the three Fylde Coast authorities is included at paragraphs 3.9 – 3.13 of the Addendum 1 (2014) report.

<sup>19</sup> Briefing published by Turley to support Blackpool Council's hearing statement to the EiP of the Local Plan – 'Briefing: Considering the Implications of the 2012 SNHP – Blackpool' (April 2015). This report was also supported by a separate Edge Analytics report titled 'Blackpool Demographic Analysis & Forecasts – Evaluating the impact of the 2012-based DCLG household projections' (April 2015)

- **Migration-led 10 year (x)** – this scenario is based on historic migration trends over the same ten year period, but excludes the UPC element.

**Figure 3.2: Updated Scenarios modelled using the 2012 SNHP Headship Rate Assumptions: 2011 – 2031**

	Change 2011 – 2031				Average per year	
	Population change	%	Hhold change	%	Net migration	Dwellings
Migration-led 10yr (x)	11,886	11.0%	7,962	16.8%	1,012	421
Migration-led 10yr	8,102	7.5%	6,578	13.9%	833	348
SNPP 2012	6,340	5.9%	5,278	11.2%	737	279

Source: Edge Analytics, 2015

### Comparing the Scenarios with Addendum 1 Outputs

- 3.24 In the demographic analysis in the 2013 SHMA, household and dwelling growth outcomes of each scenario were presented as separate outputs – or alternative modelling runs – using headship rates from the 2008-based and interim 2011-based household projections.
- 3.25 As noted earlier, in light of uncertainty over future rates of household formation – and the differences between the 2008-based and 2011-based household projection models – Edge Analytics presented an average of the two different levels of housing need, with a mid-point between the alternative dwelling growth outcomes calculated<sup>20</sup>.
- 3.26 The following table compares the modelled annual average need for dwellings under the different headship rate variants produced, including the mid-point figures presented in the conclusions of the Addendum 1 report for each of the demographic scenarios. In order to show consistency with the results presented in the Addendum 1 report, the projection outputs are presented over the time period from **2011 to 2030**<sup>21</sup>.

<sup>20</sup> This approach has been routinely used previously by Edge Analytics and is one that is considered to be appropriate given the uncertainties involved in selecting a definitive set of household formation rate assumptions.

<sup>21</sup> As set out at paragraph 1.9 whilst this report considers housing need within Wyre over the period 2011 to 2031 to reflect the plan period in a number of instances where data is compared with outputs in the 2013 SHMA and Addendum 1 document information is presented over the period 2011 to 2030 used in these studies.

**Figure 3.3: Average annual modelled need for housing under the 2008-based, 2011-based and 2012-based headship rates: 2011 – 2030**

Headship rates	Average annual need for dwellings 2011 – 2030		
	Migration-led 10yr (x)	Migration-led 10yr	SNPP 2012
Interim 2011-based	362	282	217
2008-based	466	384	319
Mid-point 2008/11	414	333	268
<b>2012-based</b>	<b>422</b>	<b>348</b>	<b>281</b>

Source: Edge Analytics, 2015

- 3.27 Under 2012 headship rates, it is evident that implied housing need is higher than the modelling using the 2011 interim headship rates, but lower than 2008 headship rates. In all cases, the projected estimates of housing need are within the range suggested by the outcomes of the two headship rate variants presented in the Addendum 1 report.
- 3.28 Indeed, the 2012 headship rate outputs of the model for all scenarios in Wyre are not significantly different (between 2% and 5% higher) from those derived from the mid-point figures which were used in the presentation of outputs in the Addendum 1 report.

### **2014 ONS Mid-Year Population Estimate**

- 3.29 Since publication of the 2014 Addendum, the ONS have released a further annual estimate of population for mid-2014. This suggests that the population of Wyre in mid-2014 was 108,742, which – as shown in the following table – is slightly higher than expected under the 2012 SNPP.

**Figure 3.4: Projected and Estimated Mid-Year Population**

	2012 SNPP <sup>22</sup>	ONS MYE
<b>Mid-2012 population</b>	<b>107,889</b>	<b>107,889</b>
Natural Change	-500	-436
<i>Net Internal Migration</i>	<i>500</i>	<i>724</i>
<i>Net International Migration</i>	<i>200</i>	<i>58</i>
Total Migration	700	782
Other Change	–	1
<b>Mid-2013 population</b>	<b>108,100</b>	<b>108,236</b>
Natural Change	-400	-467
<i>Net Internal Migration</i>	<i>500</i>	<i>795</i>
<i>Net International Migration</i>	<i>200</i>	<i>177</i>
Total Migration	700	972
Other Change	–	1
<b>Mid-2014 population</b>	<b>108,400</b>	<b>108,742</b>

Source: ONS, 2015

- 3.30 The slightly higher growth in population evidenced in the ONS MYE when compared with the 2012 SNPP has primarily been driven by a consistently higher level of net migration to Wyre. On average over the two years, rather than the 700 persons net migration into Wyre projected under the 2012 SNPP, the ONS MYE suggest an average migration of almost 880 persons per annum. Comparing this level of migration with the scenarios presented in Figure 3.2 shows strongest alignment with the Migration-led 10yr scenario. The latest year's data for 2013/14, however, suggests a level of growth moving towards that implied under the scenario which excludes UPC. It is important to note that this relates to a single year's data in what is a projection of population change over a twenty year period.
- 3.31 The higher growth resulting from migration is primarily related to the net flow of people from other areas of the country, although the scale of difference has been partially offset by slightly lower levels of net international migration to the borough.
- 3.32 In order to establish the impact of the latest population data on the demographic scenarios developed in Addendum 1, two further scenarios have been modelled by Edge Analytics to take account of the latest mid-year population estimates for Wyre. This integrates an additional two years of population data which is now available<sup>23</sup>. The outputs of these scenarios are presented below, using 2012-based headship rates, with the 2012 SNPP also presented for context.

<sup>22</sup> Rounded figures presented

<sup>23</sup> 2004/05 to 2013/14

**Figure 3.5: Impact of 2014 MYE**

	Change 2011 – 2031				Average per year	
	Population change	%	Hhold change	%	Net migration	Dwellings
SNPP 2012	6,340	5.9%	5,278	11.2%	737	279
<i>Including UPC</i>						
2003 – 13 trend	8,102	7.5%	6,578	13.9%	833	348
2004 – 14 trend	7,547	7.0%	6,152	13.0%	816	325
<i>Excluding UPC</i>						
2003 – 13 trend	11,886	11.0%	7,962	16.8%	1,012	421
2004 – 14 trend	10,749	10.0%	7,323	15.5%	968	387

Source: Edge Analytics, 2015

- 3.33 Taking account of the latest year of population data slightly lowers the level of growth implied under the historic ten year trend scenarios, when UPC is both included and excluded. This reflects the fact that a year of higher migration seen earlier in the past decade is omitted from the historic trend when the ten year period is moved forward to take account of the 2014 MYE dataset.
- 3.34 Whilst this arguably presents a more up-to-date trend-based projection using the latest year's available data, it is important to reflect on the consideration of historic variations in net migration to Wyre considered in detail in the 2013 SHMA and Addendum 1 report. This highlighted that more recent lower levels of population growth, when compared to those seen in the first half of the last decade, have been potentially impacted by reduced levels of development associated with economic and policy factors over more recent years. Levels of development in Wyre have not returned to that seen prior to 2008/09 with this still potentially impacting on the latest year's population data. This is likely to serve to continue to impact on the trend-based projection of growth going forward. This is therefore not considered to justify a departure from relying primarily on the trend-based projections of growth presented within the Addendum 1 report. This is likely to be more representative of historic longer term trends than those more influenced by recent demographic data.

## Summary

- 3.35 The Addendum 1 report concluded in relation to the implied demographic projections of need:

*“The analysis in section 3 of this report has highlighted that the rate of internal migration has fallen in Wyre, particularly following the recession, with this lower level of migration evidently projected forward by the ONS in the 2012 SNPP...The impact of unattributable population change (UPC) – excluded in the Migration-led 10 year (x) scenario – is clear,*

*with the removal of this element leading to a higher assumed rate of international migration – which was overestimated by the ONS – and a subsequently higher projected need for housing. The migration-led 10 year scenario, shows a level of alignment with the previous lower end of the range and the 2011 SNHP projection. However, recognising the uncertainty around the UPC component would suggest that a prudent approach would be to consider carefully the implications of a demographic based need towards the upper range of the ten year migration scenarios. This would suggest a higher base level of demographic based need than the lower end of the range identified in the 2013 SHMA.” (paragraphs 7.26 and 7.27 of the Addendum 1 report)*

- 3.36 The analysis in this section has firstly retained the population projections presented within the Addendum 1 report and updated them by using the 2012 SNHP headship rates. The analysis in this section has identified that the application of these updated headship rates results in a higher projected household growth level than the scenarios presented in the Addendum 1 report using the 2011 SNHP but a lower level of growth than those applying the 2008 SNHP rates.
- 3.37 The 2013 SHMA and Addendum 1 reports used a mid-point between scenarios using the 2011 and 2008 headship rates. The application of the 2012 SNHP implies a resultant level of household need linked to each population projection which is higher than the mid-point scenario used in the previous evidence base reports. This results in a slightly higher projected level of household growth (between 2% and 5% higher) for each demographic scenario compared to that presented within the Addendum 1 report.
- 3.38 The household formation rates within the 2012 SNHP are considered to represent an appropriate starting point, in line with the PPG, recognising that they result in an implied level of need which is higher than that resulting from using the 2011 SNHP and closer to that projected under the 2008 SNHP. The need for further adjustments to headship rates to respond to market signals evidence is, however, considered further in section 5.
- 3.39 Consideration has also been given to the implications of adding in the latest 2014 ONS MYE to the historic trend-based projections. The latest year’s demographic data implies a continued picture of stronger population growth in Wyre than projected under 2012 SNPP. This reflects a continued higher level of net migration into the authority. The average net migration flow over the last two years of ONS estimates aligns comparatively closely with the Migration-led 10yr scenario (including UPC) and supports the justification for assuming a stronger level of demographically driven population growth than that implied under the 2012 SNPP.
- 3.40 Whilst the ONS MYE datasets have suggested that the growth of the population since 2012 has been slightly higher than that projected under the 2012 SNPP, these re-based projections imply a slightly lower level of household growth than the scenarios presented in the Addendum 1 report. In understanding the associated modelling outputs, it is important to reflect on the historic profile of migration in Wyre as considered in detail in the Addendum 1 report. This highlighted that migration levels were considerably higher earlier in the last decade, particularly up to 2004/05. The rolling forward of the ten year period from a 2003/04 base to a 2004/05 base removes a year of higher migration, therefore serving to reduce the trends projected forward. Whilst consideration of the latest demographic data is important, it is not suggested that these scenarios should

replace those presented in the Addendum 1 report, recognising that they are less representative of periods of higher and lower migration. In addition, whilst taking account of an additional year's population data, they also remove a level of consistency with the analysis of demographic projections presented consistently across the Fylde Coast authorities within the Addendum 1 report.

## 4. Alignment with the 2015 ELS Update

- 4.1 The PPG is clear in expecting local authorities to take employment trends into account when considering housing need, with plan makers required to make an assessment of likely job growth and consider the level of housing needed to support this likely job creation<sup>24</sup>. Importantly, this needs to be balanced against the available supply of labour force:

*“Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area...Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems”<sup>25</sup>*

- 4.2 This section initially reviews the approach taken in the 2013 SHMA. The section then presents updated modelling to take account of the updated forecasts of employment growth within the Wyre Employment Land Study Update (ELSU) commissioned by the Council and published in 2015. The findings of the subsequent Addendum prepared in December 2015 are also considered, recognising that this was commissioned to sensitivity test the conclusions of the ELS Update through the consideration of a number of additional economic forecasts for Wyre and their translation into employment land requirements.

### Approach of the 2013 SHMA

- 4.3 The 2013 SHMA considered the scale of growth required to support various employment-led scenarios, based on two employment forecasts:
- **Experian** forecast the creation of 1,800 workforce jobs between 2011 and 2030<sup>26</sup> in Wyre, at an average rate of 95 per annum<sup>27</sup>; and
  - **Oxford Economics** were commissioned by Lancashire Enterprise Partnership to produce an employment forecast for the county, based on current economic conditions in March 2013. This suggested that 1,952 jobs could be created between 2011 and 2030, equivalent to 103 per year on average.

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<sup>24</sup> [http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph\\_018](http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_018)

<sup>25</sup> [http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph\\_018](http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_018)

<sup>26</sup> As set out at paragraph 1.9 the 2013 SHMA and Addendum 1 document information modelled need over the period 2011 to 2030. When comparing forecast job growth in these earlier documents with the data presented in this section it is important to note that in alignment with the ELSU forecasts are presented over the time period 2011 to 2031.

<sup>27</sup> April 2013 vintage of the Experian forecasting model was modelled for Wyre

4.4 Modelling was undertaken by Edge Analytics to consider the labour force growth required to support both employment scenarios. Appendix 3 of the 2013 SHMA details the assumptions made regarding commuting, unemployment and economic activity:

- **Commuting** – commuting rates are derived from the 2011 Annual Population Survey, although section 8 of the SHMA considered the impact of an assumed change in commuting patterns in Wyre over the modelling period whereby newly created jobs in Wyre are taken by residents of the borough;
- **Economic Activity** – 2011 Census economic activity rates were not available at the time that the original modelling was undertaken in 2013, and due to the limited quality of NOMIS data for Fylde and Wyre, economic activity rates for Lancashire were used as a proxy. Uplifts were applied for older age groups to reflect the impact of pension age changes; and
- **Unemployment** – the main scenarios in the 2013 SHMA use five year average unemployment rates based on the period from 2008 to 2012 (6.1%), assumed to remain fixed throughout the projection period.

4.5 Based on this approach, it was highlighted that a higher level of population growth would be required relative to purely demographic-led scenarios, reflecting both the scale of job growth forecast and the changing age structure of the population. Under the core assumptions set out above, 479 dwellings per annum were projected to be required to support the level of job growth forecast by Experian, with 485 dwellings per annum needed to support job growth forecast by Oxford Economics. This was based on a midpoint of outputs based on 2008 and interim 2011-based headship rates.

4.6 Addendum 1 to the Fylde Coast SHMA did not integrate updated employment forecasts, but did take account of recent data releases which enabled a more up-to-date understanding of commuting, unemployment and economic activity:

- **Commuting** – updated commuting rates from the 2011 Census were applied, and fixed throughout the projection period;
- **Economic Activity** – 2011 Census data on economic activity rates for Wyre were applied, with the same uplifts applied to older age groups as used within the 2013 SHMA in order to reflect changes to state pension age; and
- **Unemployment** – a recession average unemployment rate was held constant over the projection period (6.2%), with an alternative scenario also modelled to consider the impact of a fall in the unemployment rate, reaching the pre-recession average (3.2%) by 2018.

4.7 The updated modelling in Addendum 1 also took account of known population change up to 2013, and suggested a need for 446 dwellings per annum between 2011 and 2030<sup>28</sup> to support the job growth forecast by Experian, with 488 dwellings per annum required to support the Oxford Economics forecast. Improving unemployment rates

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<sup>28</sup> As explained at paragraph 1.9 the 2013 SHMA and Addendum 1 report presented modelling of need over the period 2011 to 2030. It is important to note that this differs from the outputs presented in this section which cover the period 2011 to 2031 to align with the ELSU and emerging plan period.

would result in the existing population making a greater contribution towards supporting job creation, reducing the need for housing to 369 dwellings per annum and 410 dwellings per annum respectively over the period from 2011 to 2030.

## Employment Land Study Update Evidence

4.8 Wyre Borough Council recently appointed consultants to update the borough's Employment Land and Commercial Leisure Study<sup>29</sup>, and outputs from the Employment Land Study Update (ELSU)<sup>30</sup> – and its subsequent Addendum<sup>31</sup> – have been used to inform the updated housing need evidence in this report. This provides an updated forecast of likely job creation in Wyre between 2011 and 2031 to inform the OAN for housing.

4.9 Three main employment growth scenarios are considered in the 2015 ELSU. The first of these is directly drawn from Experian's March 2015 econometric model release. The ELSU, however, presents two 'adjusted' scenarios which are developed from this baseline forecast:

- **Adjusted Experian Baseline** – this scenario used Experian's March 2015 econometric model release as a starting point for understanding employment growth in the borough. The scenario has, however, applied a number of adjustments to the sectoral forecasts within the baseline which are explained in full within the ELSU. These adjustments recognised the Council's request that a further interrogation of the baseline data was undertaken to assess potential coding errors in the BRES data which underpins historic data in the Experian forecasts<sup>32</sup>. Whilst no manual adjustment was made based on further analysis in the report of this issue, a manual adjustment was, however, made to reflect known job losses at Norcross, which did not appear to have been included in the baseline forecasts. This adjustment only affects job creation between 2011 and 2013, with forecast annual job creation from this point aligned with the trends shown post-2013 in the baseline scenario; and
- **Job Growth: Policy On** – a further scenario was compiled in order to seek to reflect known policy ambitions. This scenario again used the same baseline Experian forecast but with positive adjustments to several core growth sectors that the study considers should be promoted and supported in the years ahead in Wyre. Further detail is provided in the ELSU to explain how this adjustment has been made.

4.10 The scale of job growth forecast under each of these adjusted scenarios within the ELSU is summarised in the following table.

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<sup>29</sup> The original Wyre Employment Land and Commercial Leisure Study (NLP) was published in 2012.

<sup>30</sup> '2015 Wyre Employment Land Study Update' (ELSU), NLP (2015)

<sup>31</sup> 'Wyre ELR Addendum Report' NLP (December 2015)

<sup>32</sup> This issue was initially highlighted and addressed in the original 2012 Wyre ELR

**Figure 4.1: Forecast Employment Growth 2011 – 2031**

	2011	2031	Total change	Annual change
Adjusted Experian Baseline	36,930	39,453	2,523	126
Job Growth Policy On	36,930	40,488	3,558	178

Source: Experian, 2015; NLP, 2015

***Wyre Employment Land Study Update Addendum***

- 4.11 Further evidence was commissioned by the Council to test the demand forecasting elements of the 2015 ELSU with two additional econometric job projections sourced from Oxford Economics and Cambridge Econometrics. This process – finalised in December 2015 – sought to test the robustness of the Experian dataset used in the 2015 ELSU through a comparison with other economic forecasts prepared by other recognised forecasting houses at a similar time.
- 4.12 The following table summarises the level of job growth forecast in Wyre under the adjusted Experian scenario and the additional econometric forecasts presented in the ELSU Addendum.

**Figure 4.2: Forecast Employment Growth 2011 – 2031**

	Adjusted Experian	Oxford Economics	Cambridge Econometrics
Total change	2,523	4,304	1,137
Average annual change	126	215	57

Source: Experian, Oxford Economics, Cambridge Econometrics, 2015

- 4.13 The ELSU Addendum notes that the scenarios have been developed using different methodologies, creating challenges in making robust decisions concerning the relative weight to be attributed to each scenario. It is noted, however, that the adjusted Experian figure closely aligns with the average for all three scenarios (133 jobs per annum), with the overall trajectory of growth similar from 2016 onwards. The Cambridge Econometrics forecast is highlighted as starting from a much higher base count of employment than the other forecasts and historic BRES data. Consideration of this factor alongside the wider output of assessment of the forecasts resulted in a conclusion that greater weight should be attached to the adjusted Experian and Oxford Economics projections when forecasting likely future employment growth in the borough<sup>33</sup>.
- 4.14 It is important to note that the analysis in the ELSU Addendum identified that the employment land required to support both forecasts is broadly aligned, with the Oxford Economics forecast – though anticipating a higher level of job creation overall – including greater levels of higher density office employment. The manner in which

<sup>33</sup> This conclusion is stated at paragraph 2.31 of the 2015 ELSU Addendum report.

employment land is taken up will potentially impact upon the number of jobs created in Wyre over the plan period, on the basis of the analysis presented in the Addendum.

- 4.15 On this basis, the Addendum on balance concludes that the range of land requirements identified in the ELSU remains robust in light of the additional forecasts considered.
- 4.16 On the basis of this conclusion for the purposes of this SHMA Addendum, the adjusted Experian scenario can be considered to represent an appropriate policy-off scenario of likely future job growth over the plan period for Wyre. This is consistent with the evidence prepared to objectively assess the need for employment land.
- 4.17 In order to present a complete consideration of the implications of future job growth, and recognising the relative uncertainties involved in forecast employment growth, modelling has been undertaken to assess the implication of the different forecast levels of job growth under the various forecasts considered in the 2015 ELSU and Addendum. However, this is set in the context of the conclusions reached around the relative validity of the individual economic forecasts summarised above and set out in more detail in these reports.
- 4.18 Outside of the OAN presented within this report, it will continue to be important for the Council to consider the implications of higher job growth implied by the 'policy on' scenario and the Oxford Economics forecast in the development of local planning policy and the alignment of housing and employment evidence.

### **Aligning Job Growth with Labour Force**

- 4.19 The ELSU acknowledges that employment forecasts are themselves underpinned by population projections, and therefore incorporate assumptions about the extent to which the labour force can grow to support forecast job creation in Wyre. The baseline Experian econometric model, for example, is underpinned by the 2012 SNPP, which expects a fall in the population aged 16 to 64 (-4,100) but a growth in the overall number of people of state working age<sup>34</sup> (+3,760). The Experian model also integrates assumptions about changing employment and unemployment rates, and it is understood that short-term adjustments are made to the labour supply by Experian in response to demand conditions<sup>35</sup>. Comparable detail on the population inputs underpinning the Oxford Economics and Cambridge Econometric forecasts is not presented within the ELSU Addendum report.
- 4.20 Labour-force adjustments within the Experian forecast, and potentially the other forecasts, are partially made to offset the impacts of the ageing population, as well as to reflect known changes to state pension ages. With regards to the former, the following graph – provided by Experian – shows that a continuation of current participation rates at a national level ('flat') would result in an overall fall in economic participation, implying that some changes would be required to maintain current participation levels. The blue line ('baseline') shows the assumptions currently made by Experian to broadly maintain

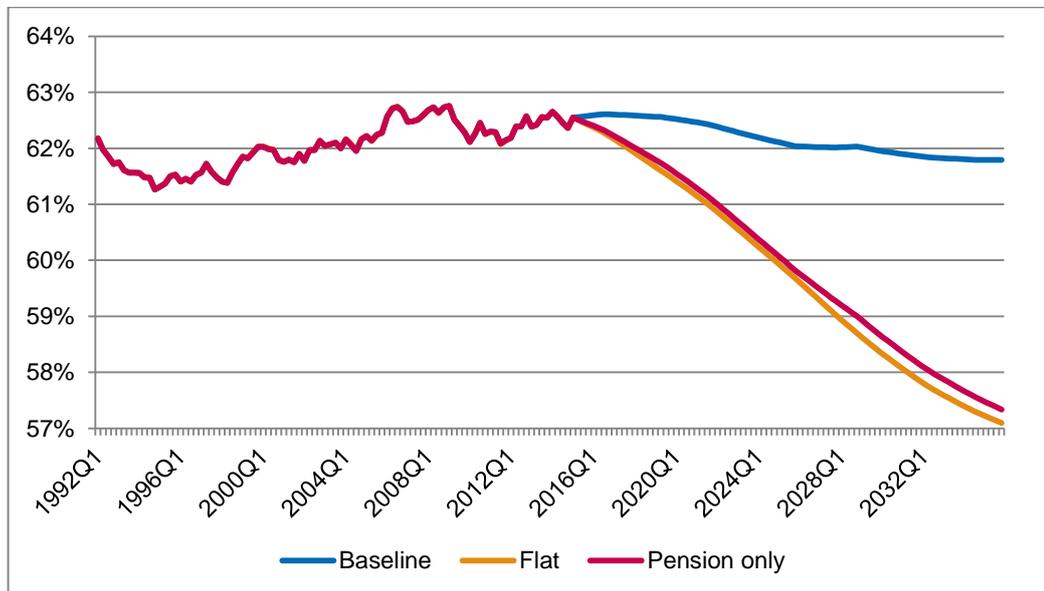
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<sup>34</sup> Population above the age of 15 but below the current state retirement age for their gender

<sup>35</sup> The assumptions applied by Experian in the forecasts underpinning the ELSU analysis are set out in Table 6.1 of the ELSU. This includes a clear assumption around a fall in unemployed persons over the forecast period and a growth in the working population despite a fall in population aged 16 – 64 with this implying change to employment / economic activity rates.

current levels of participation, with only modest changes to reflect state pension ages ('pension only' – red line) unlikely to make a significant contribution to maintaining current levels of participation.

**Figure 4.3: Variant Future Participation Rates 16+**



Source: Experian, 2015

4.21 To offset these effects, Experian recognise that older workers will need to form an increasing proportion of the potential labour force in order to support a growth in employment nationally. Experian expect participation rates to increase across all older bands for both men and women, particularly with the UK economy becoming more service-orientated, although many could be expected to work reduced hours. It is understood that Experian intend to introduce new assumptions about economic activity in older people in future iterations of their Local Market Forecasts Quarterly model based on the evidence published in their May 2015 note<sup>36</sup> – summarised above – although a similar level of detail is not currently available to understand the assumptions made in the March 2015 forecasts underpinning the updated ELSU.

4.22 The Office for Budget Responsibility (OBR) also recognise that the ageing of the population will impact upon the size and composition of the labour force:

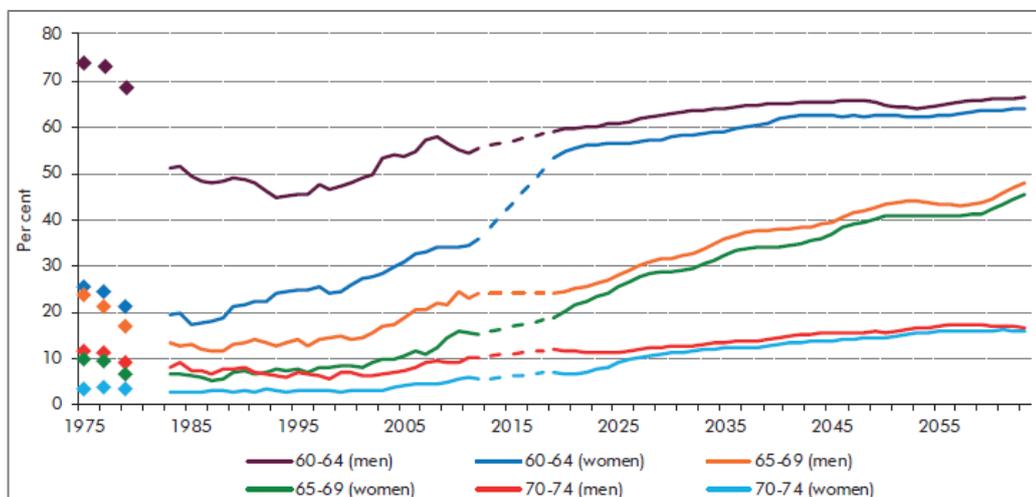
*“Employment rates for men aged 60 to 64 years will continue rising over time, although slightly more gradually than in the recent past, and ending the period below the level seen in the 1970s. Employment rates for women of the same age are projected to pick up more significantly over the next five years, as the SPA (state pension age) is equalised. And SPA changes are also projected to raise the shares of both men and women working into their late sixties. We do not assume that this pace of change continues into later life.”<sup>37</sup>*

<sup>36</sup> Experian (2015) Employment Activity and the Ageing Population

<sup>37</sup> OBR (2014) Fiscal Sustainability Report

4.23 The following chart shows the changing employment rates assumed by OBR for 60 to 74 year olds, relative to the historic position<sup>38</sup>.

**Figure 4.4: OBR Employment Rates (60 – 74 year olds)**



Source: OBR, 2014

4.24 Based on further analysis of OBR data, Edge Analytics have established the adjustments made by OBR to the rates between 2011 and 2031, and this is summarised in the following table.

**Figure 4.5: OBR Economic Activity Rate Adjustments 2011 – 2031**

	60 – 64	65 – 69	70 – 74
Males	17%	39%	20%
Females	71%	93%	83%

Source: OBR, 2014; Edge Analytics, 2015

4.25 Both Experian and OBR expect changes to economic participation rates in older groups in the future beyond those simply implied by changes to state pension ages. It is apparent, however, that there is uncertainty about the extent to which these changes will occur. A more conservative approach – which bases economic participation rate assumptions on the assumed impact of changes to State Pension Ages – was adopted in the 2013 SHMA and subsequent Addendum 1, and this can continue to provide an indication of the scale of population growth required to support job creation if further changes to economic activity rates do not occur in older age groups to the extent anticipated by either the OBR or Experian in the future in Wyre.

4.26 In order to test the impact of these varying assumptions, a number of scenarios have been modelled by Edge Analytics, based on the employment growth forecasts in the ELSU. The modelling seeks to directly align the levels of job growth identified within the

<sup>38</sup> Prior to 1983, the Labour Force Survey does not contain an annual series for these indicators, so only available years are shown. Medium-term forecast are produced top-down, rather than bottom-up, so the dotted lines for that period are a simple linear extrapolation

ELSU with the POPGROUP model. The ELSU presents employment land needs over the period from 2011 to 2031, which evidently includes a historic period in which subsequent updates of population counts have been available and integrated within the POPGROUP modelling presented both in the Addendum 1 report and the analysis in this Addendum 2 paper.

- 4.27 In order to align with this historic picture, the modelling in this section does not constrain population growth historically to individual annual levels of employment change, but rather views employment as an output based on input population counts from the ONS MYE up to 2013. The ONS population data suggests a growth of population of 544 persons between 2011 and 2013. This would suggest that the potential capacity of the labour force has grown over this period to support employment change<sup>39</sup>. The modelling therefore assumes that the residual jobs forecast over the whole period 2011 to 2031 from the ELSU are supported from 2013 onwards at a constant average level in order to show alignment with the ELSU<sup>40</sup>.
- 4.28 Various adjustments to labour force participation have been applied in the modelling. This is considered appropriate given the significant scrutiny applied to future economic participation rates, as highlighted in the latest Planning Advisory Service guidance<sup>41</sup> and the absence of further detail regarding the underpinning labour-force assumptions within the economic forecasts used within the Council's ELSU evidence<sup>42</sup>.

#### **Evidence-based Core Assumptions**

- 4.29 For consistency with the 2013 SHMA and Addendum, Edge Analytics have considered the labour force growth required to support forecast levels of job growth in Wyre, assuming that economic participation will not significantly deviate from the historic profile. This only seeks to take into account known changes to state pension ages – which impact upon economic activity rates – but holds both unemployment (5.5%)<sup>43</sup> and the commuting ratio constant. Given the changes expected by both OBR and Experian in relation to economic activity rates and continued national improvements to unemployment in the context of employment growth, this could be viewed as a relatively prudent approach.

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<sup>39</sup> Aligning with the core economic participation assumptions suggests that this growth would support 18 jobs over the two years from 2011 to 2013, while an adjustment based on OBR forecasts implies that 62 jobs could have been supported by the known population growth over this time.

<sup>40</sup> This approach differs slightly from that used previously within the employment-led modelling presented within the 2013 SHMA and the Addendum 1 report. The employment-led scenarios in both of these previous reports directly sought to align annual forecast employment change under the baseline forecasts with a resulting population impact. As set out at paragraph 5.22 of the Addendum 1 report this resulted in forecast levels of need based on job growth being represented over different time periods as additional years of population estimates were made available against which the projections were re-based. Recognising that the ELSU presents an adjusted overall job growth figure over the period 2011 to 2031 the approach used in this section ensures a greater presentational level of consistency between the two studies

<sup>41</sup> PAS (2015) Objectively Assessed Need and Housing Targets – Technical Advice Note (second edition)

<sup>42</sup> The ELSU presents the data assumptions available to the consultancy team with regards to the Experian forecast data used in the analysis as referred to earlier in this section.

<sup>43</sup> Based on unemployment rate in 2013

**Figure 4.6: Employment-led Modelling Outputs – Core Assumptions**

	Change 2011 – 2031				Average per year	
	Population change	%	Hhold change	%	Net migration	Dwellings
Cambridge Econometrics	13,662	12.7%	8,252	17.4%	1,083	436
Adjusted Experian Baseline	17,337	16.1%	9,751	20.6%	1,255	516
Job Growth Policy On	20,077	18.6%	10,867	23.0%	1,383	574
Oxford Economics	22,049	20.5%	11,669	24.7%	1,475	617

Source: Edge Analytics, 2015

- 4.30 All four of the economic scenarios imply a higher level of housing need to support the level of job growth identified within the ELSU compared to the demographic scenarios presented in section 3. This higher level of housing need is the result of an assumed higher level of net migration into the authority. This reflects the comparatively strong job growth and the implications of an ageing of the population over the projection period impacting on the size of the working age population in the authority. This issue was identified within both the 2013 SHMA and the Addendum report<sup>44</sup>.
- 4.31 The Adjusted Experian scenario suggests the lowest level of housing need at just under 520 dwellings per annum. The Policy On scenario, which assumes a higher level of job growth, suggests a higher level of housing need of approximately 575 dwellings per annum.
- 4.32 The two additional forecasts considered within the ELSU Addendum suggest an implied dwelling need either side of the Adjusted Experian forecast, reflecting the different forecast levels of job growth. The lower forecast job growth under the Cambridge Econometrics scenario suggests a need for approximately 440 dwellings per annum with the Oxford Economics scenario requiring a greater level of growth – 617 dwellings per annum – to support the higher levels of job growth forecast under this dataset.

### Labour Force Sensitivities

- 4.33 A range of alternative sensitivities have been developed by Edge Analytics to consider the impacts of varying assumptions about future labour force participation. These are set out below.

#### ***Sensitivity 1 – Reduced Unemployment***

- 4.34 While the 2013 SHMA fixed unemployment rates across the modelling period, Addendum 1 introduced an unemployment rate sensitivity, which assumed a reduction in the unemployment rate from the recession average to the pre-recession average by

<sup>44</sup> This is considered in the section titled 'Changing Age Structure' (paragraphs 5.5 to 5.7) in the Addendum 1 report (November 2014) which considers the changing age profile of the Fylde Coast authorities under the 2012 SNPP dataset.

2018. This results in additional existing residents joining the labour force, reducing the need for higher levels of net in-migration to Wyre.

- 4.35 Further modelling has therefore been undertaken by Edge Analytics to reduce the unemployment rate incrementally from the 2013 value (5.5%) to a pre-recession average (3.4%) by 2020. This accounts for what is likely to be a gradual recovery in the unemployment rate evidenced by the ONS more recently in Wyre, and the unemployment rate is fixed at the pre-recession average from 2020. This modelling also continues to take account of known changes to state pension age, which will impact upon economic activity in older residents. The outputs of this sensitivity are presented in the following table.

**Figure 4.7: Employment-led Modelling Outputs – Reduced Unemployment**

	Change 2011 – 2031				Average per year	
	Population change	%	Hhold change	%	Net migration	Dwellings
Cambridge Eco'trics	11,338	10.5%	7,277	15.4%	977	385
Adjusted Experian Baseline	14,938	13.9%	8,747	18.5%	1,146	462
Job Growth Policy On	17,622	16.4%	9,842	20.8%	1,271	520
Oxford Economics	19,554	18.2%	10,629	22.5%	1,362	562

Source: Edge Analytics, 2015

- 4.36 Assuming a reduction in unemployment, and therefore a return of working age people to the labour-force during the first half of the projection period, implies a lower level of housing need to accommodate the job growth identified within the ELSU. Supporting the level of job growth presented within the ELSU under the Adjusted Experian scenario would suggest the need to accommodate just in excess of 460 dwellings per annum in Wyre. This is approximately 50 dwellings less per annum than the 'core' scenario presented in Figure 4.6 A comparable reduction is also evident for each of the other economic scenarios, with the Policy On scenario suggesting a need for around 520 dwellings per annum. Again the Cambridge Econometrics and the Oxford Economics scenarios 'bracket' this implied need, with implied dwelling need per annum of approximately 385 and 560 respectively.
- 4.37 This reflects the analysis in the 2013 SHMA, which also included analysis examining the implications of falling unemployment. The ONS modelled estimates of unemployment in Wyre suggest that unemployment has fallen since a peak of 6.4% in 2012 to 4.3% in 2014. The modelling in this set of scenarios therefore assumes a gradual continuation of this trend.
- 4.38 It is important to recognise that each of the scenarios in the ELSU assume a comparatively strong level of job growth. Whilst more recently Wyre has seen job losses annually – likely to explain, at least in part, increases in unemployment following the

recession and even through the initial years of the recovery – this more positive economic picture implied through the forecasts would, it is considered, be more likely to result in a continuing improving trend in unemployment rates.

**Sensitivity 2 – OBR Labour Force Adjustments**

4.39 As noted above, forecasts of future employment rates were produced by OBR which expect older people to remain part of the labour force for longer in future. From this dataset – as set out in Figure 4.4 – Edge Analytics have derived future changes in economic participation over the plan period from 2011 to 2031. These adjusted rates have been applied by Edge Analytics in order to show the impact on the scale of population growth required to support forecast job creation under each employment scenario. These scenarios also retain the assumption around improving unemployment rates modelled in the previous sensitivity.

**Figure 4.8: Employment-led Modelling Outputs – Reduced Unemployment and OBR adjustments to Economic Activity Rates**

	Change 2011 – 2031				Average per year	
	Population change	%	Hhold change	%	Net migration	Dwellings
Cambridge Eco'trics	7,732	7.2%	5,823	12.3%	805	308
Adjusted Experian Baseline	11,268	10.5%	7,271	15.4%	971	384
Job Growth Policy On	13,904	12.9%	8,348	17.7%	1,094	441
Oxford Economics	15,802	14.7%	9,123	19.3%	1,183	482

Source: Edge Analytics, 2015

4.40 The assumption, in line with the OBR forecasts, that a higher proportion of older working age persons increasingly remain in work has a relatively significant impact on the modelling outputs. Under this set of labour-force assumptions, the modelling implies that supporting the level of job growth forecast under the Adjusted Experian scenario would result in a need for almost 385 dwellings per annum, almost 80 less per annum than the outputs of the sensitivity scenario 1 modelling, which only factored in the unemployment adjustment. This is the result of the modelling assuming a lower level of required migration of the working age population to support forecast job growth, with the local labour-force assumed to be larger as a result of increased activity, primarily, within the older cohorts of the workforce. Indeed, it is noted that this level of 'need' is slightly lower than that suggested by the upper end of the range of demographic scenarios presented in section 3. The implication for the age profile of Wyre over the projection period is considered further in the following sub-section.

4.41 Supporting the higher levels of job growth suggested under the Policy On scenario would imply a need for approximately 440 dwellings per annum. The comparative figure for the Cambridge Econometrics and Oxford Economics scenarios are approximately 310 and 480 dwellings per annum respectively.

- 4.42 This again reflects the changing demographic profile of Wyre, as shown in the Addendum 1 report, with a large proportion of projected population growth contained within the older age groups. This reflects an ageing of the population which is indeed also reflected, albeit to a lesser extent, at the national level.
- 4.43 It is beyond the scope of this study to assess the extent to which the types of jobs which are projected to be created within Wyre under the various scenarios will match the skill set of the older cohorts of the workforce which are assumed to remain in employment. The ELSU identifies the industrial sectors anticipated to grow<sup>45</sup> and it will be important through the development of policy and strategy that the alignment between the projected changing age structure of the labour-force and the skillsets required to support anticipated sectors of the economy are aligned. Evidently, where this is not the case, this will have implications for the need to attract and retain higher numbers of new, potentially younger, elements of the workforce as implied from the modelling presented in Figures 4.6 and 4.7.

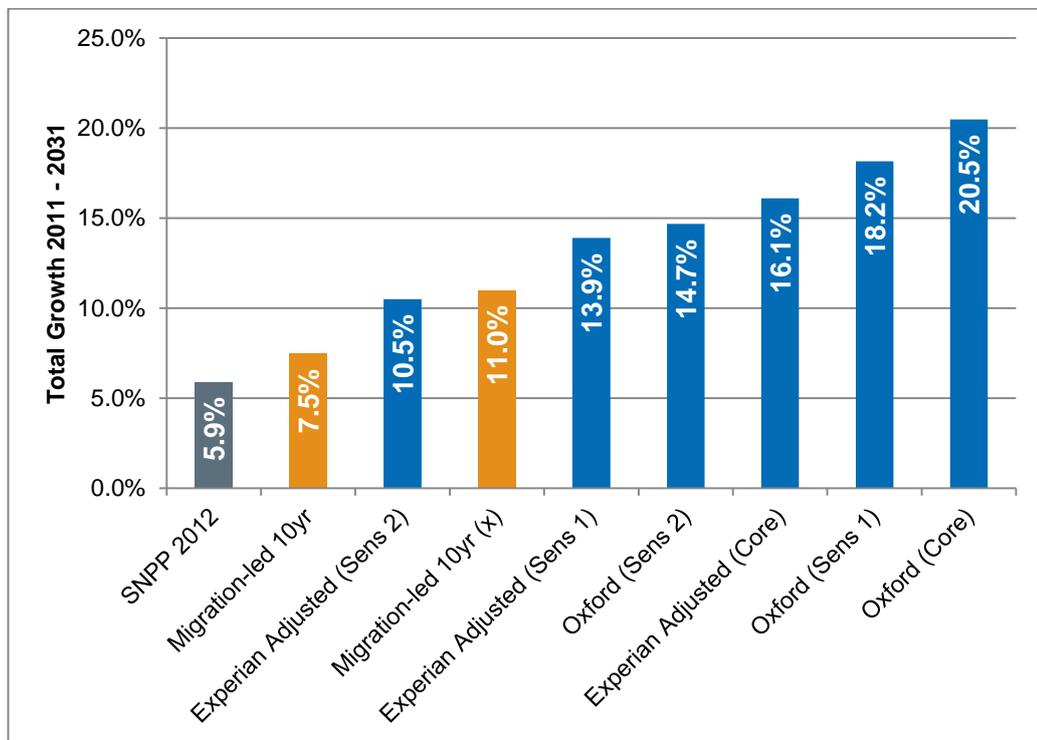
#### **Appraising the Economic Scenarios**

- 4.44 Recognising the sensitivities of the modelling to the application of variant labour-force assumptions, it is useful to consider and highlight the implied changes to population and household growth under the scenarios, comparing them against the historical picture and the trend based projections presented in Section 3.
- 4.45 In appraising the scenarios, consideration is given to both the Adjusted Experian scenario and the Oxford Economics scenario, recognising the conclusions of the 2015 ELSU and the subsequent Addendum regarding the relative weight to be placed on the forecast levels of employment growth assessed.
- 4.46 The comparative levels of population growth required to support different levels of job growth in Wyre – based on variant assumptions about labour force participation – are illustrated in the following chart, alongside the demographic trend-based projections which are shown for context.

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<sup>45</sup> Tables 6.2 and 6.3 of the ELR report (July 2015) provide analysis of the forecast job change by industrial sector (Experian defined sectors) over the forecast period.

**Figure 4.9: Proportionate Modelled Growth in Population 2011 – 2031 – Wyre**

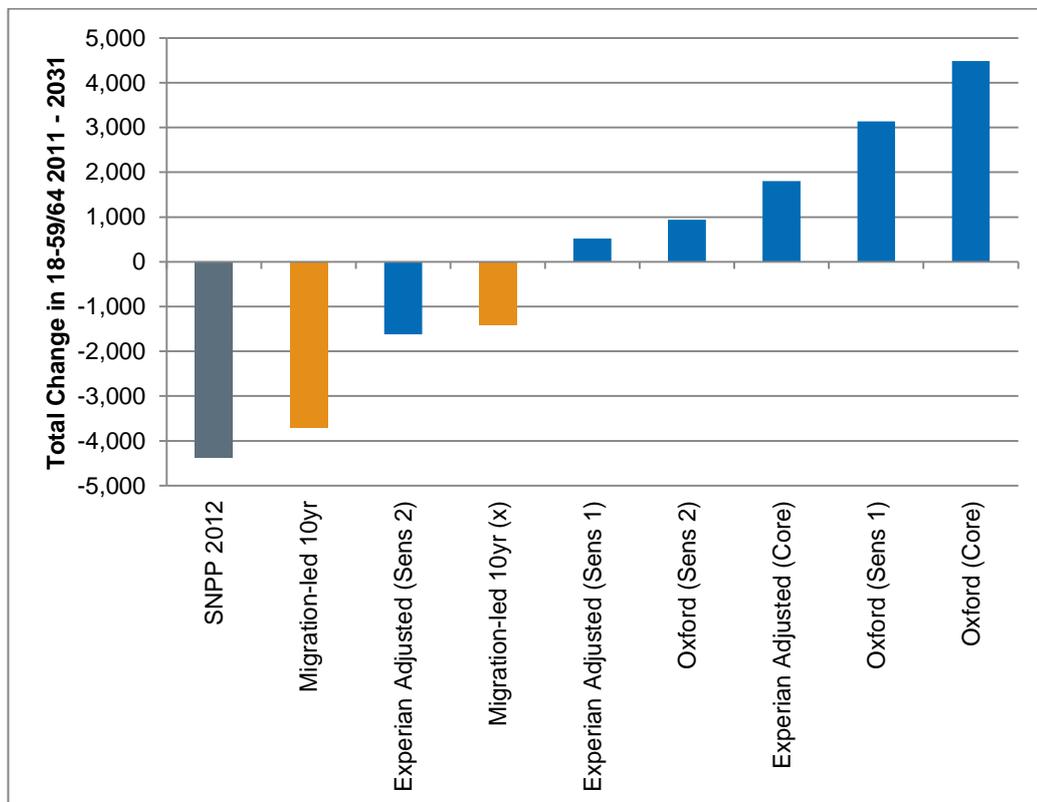


Source: Edge Analytics, 2015

- 4.47 With the exception of the Sensitivity 2 variant of the modelling for the Adjusted Experian forecast – which integrates changes to older economic activity rates based on OBR forecasts – it is evident that the employment-led projections imply a notably higher level of population growth than the demographic trend-based projections. The proportionate growth at the upper end of the demographic trend-based projections (Migration-led 10yr (x) – 11.0%) is only slightly higher than the lower end of the employment-led projections (Experian Adjusted (Sens 2) – 10.5%).
- 4.48 The higher rates of growth generally seen under the employment-led projections are primarily driven by variance in the projected growth of the working age population, and the following chart shows the absolute growth projected in the core working age group (18 – 59/64<sup>46</sup>) under each scenario.

<sup>46</sup> Working age population (18 – 59/64) is consistent with ONS definitions for retirement, which are set at 60 for females and 65 for males

**Figure 4.10: Modelled Change in Working Age (18 – 59/64) Population 2011 – 2031**

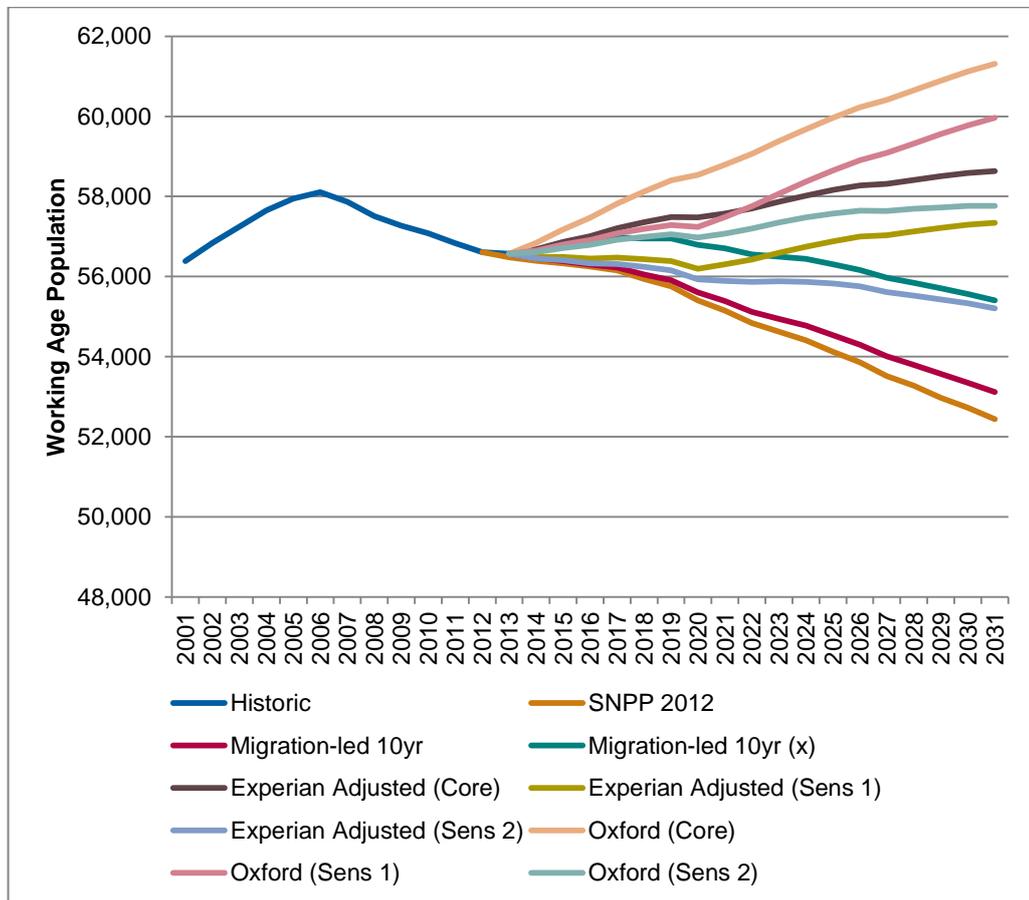


Source: Edge Analytics, 2015

- 4.49 Evidently, there is considerable variation in the modelled change in the working age population, with the SNPP 2012 – as noted earlier – projecting a significant fall in the number of residents of working age. Without significant changes to current participation rates, this would present considerable challenges for future job creation in Wyre, and this is considered further later in this section. The core Experian and Oxford Economics scenarios assume that job growth is achieved by growing the labour force through migration, with no improvement to unemployment and only limited changes to economic activity rates assumed. This would require a reversal of the demographic trend-based assumptions in this regard to a sizeable growth in this age cohort over the plan period, particularly under the Oxford Economics scenario.
- 4.50 Applying sensitivities to labour-force factors reduces the level of growth required, due to an assumption that existing unemployed residents will return to employment (Sensitivity 1) and older people will remain economically active for longer, as forecast by OBR (Sensitivity 2). Under the Adjusted Experian scenario, it is notable that the latter could see this age cohort fall, with job growth largely accommodated through a significant increase in the older working age population.
- 4.51 The matching of higher levels of job growth forecast under the Oxford Economics forecast with growth in the working age population means that under all of the sensitivities the modelling suggests a growth in this age group is required.

4.52 It is useful to compare this projected change in the working age population with historic trends. This is illustrated in Figure 4.11.

**Figure 4.11: Historic and Projected Change in Working Age Population (18 – 59/64)**



Source: Edge Analytics, 2015

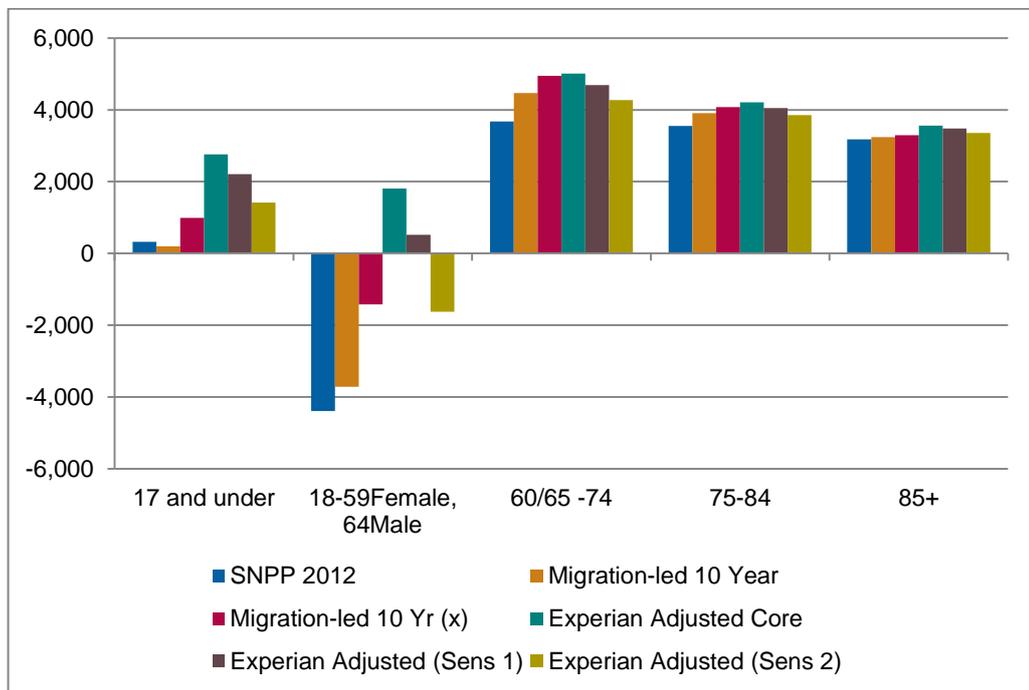
4.53 It is evident that whilst the stronger migration trends seen prior to 2008/09 also saw a growth in the working age population of Wyre, this was then followed by a reversal of this growth as migration levels reduced. Whilst the working age population appears to have stabilised over more recent years, it is evident that over the longer-term the demographic projections imply a continuation of this more recent trend, albeit to different levels. The Adjusted Experian (Sens 2) scenario, which is the only economic scenario to project a modest fall in the working age population by the end of the projection period, shows a similar sized cohort of this age group as the upper end of the demographic projections (Migration-led 10 yr (x)).

4.54 The other employment-led projections also suggest a reversal of the recent historic picture to a return to a growth in the working age population. The remaining Adjusted Experian scenarios (Core and Sens 1) suggest a return to a working age population similar to the scale seen prior to the recession in Wyre. This needs to be set in the context of the irreversible trend of an ageing population in the authority. The Oxford Economics scenarios using the Core and Sens 2 labour-force assumptions imply a

significant projected growth in the working age population which would see it exceed that seen prior to the recession representing a more notable deviation from historic trends.

4.55 The variance in other age groups outside of the working age cohort under the employment-led scenarios is more limited, as shown in the following graph which focuses solely on the Experian Adjusted and demographic scenarios in order to illustrate this. For the older age groups, this shows a relatively consistent picture of projected growth under the demographic and employment-led scenarios. The projected change in the population aged 17 and under does show a greater level of variance with this group more influenced by the change in the working age population.

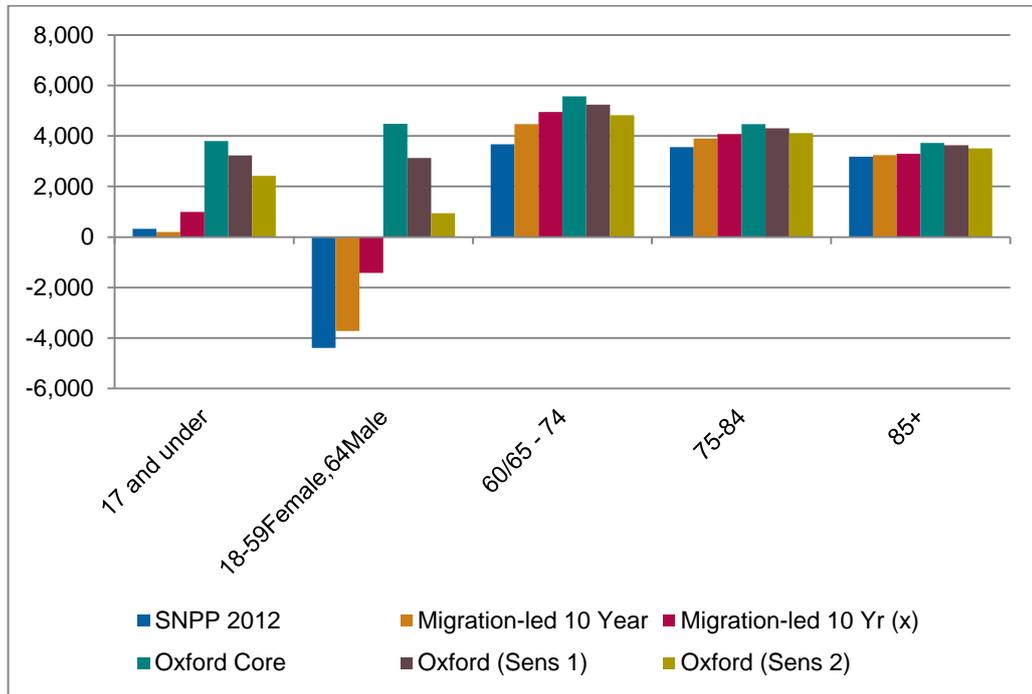
**Figure 4.12: Modelled Change in Age Groups 2011 – 2031**



Source: Edge Analytics, 2015

4.56 A comparable picture is also evident for the Oxford Economics jobs-led scenarios, as shown in Figure 4.13.

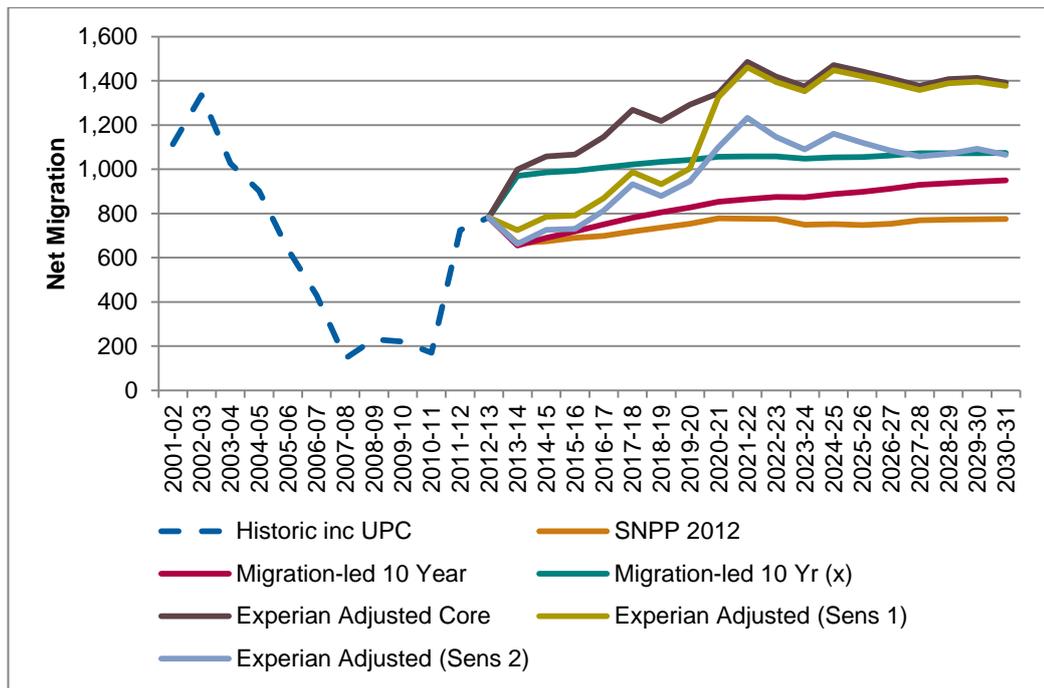
**Figure 4.13: Oxford Economics Scenarios – Modelled Change in Age Groups 2011 – 2031**



Source: Edge Analytics, 2015

4.57 As suggested earlier in the section, the relative scale of changes to migration represents the key differential between the scenarios. The following graph illustrates the scale of assumed net in-migration under the demographic scenarios and variant Adjusted Experian scenarios, benchmarked against historic migration levels, which include UPC.

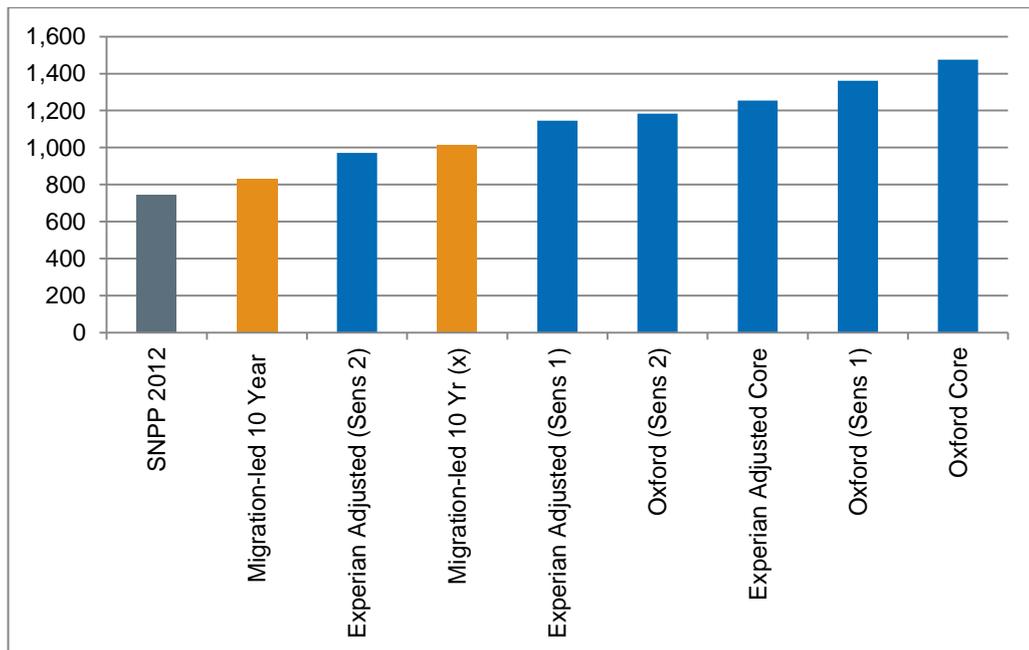
**Figure 4.14: Modelled Change in Net Migration**



Source: Edge Analytics, 2015

- 4.58 Higher levels of migration are evidently required to support the level of job growth forecast under the Adjusted Experian scenario, although this varies depending on the labour force assumptions applied. Core assumptions – with no improvement in unemployment rates and limited change in older persons’ economic activity rates – require higher levels of migration, while the sensitivities draw upon existing residents who return to the labour force result in a more moderate implied level of migration compared to historic trends, particularly early in the projection period.
- 4.59 This is illustrated clearly, for example, when comparing the Experian Adjusted Core and the Sens 1 scenario. The levels of migration under the latter are lower over the initial period, reflecting an assumption that as a result of falling unemployment new jobs are supported by people returning to the labour-force rather than migrating into the borough. The application of this assumption to 2020 means that following this point the two scenarios show a consistent level of migration in to support forecast job growth over the latter part of the projection period.
- 4.60 The following graph shows that the levels of migration required to support the job growth forecast by Oxford Economics exceed those required to support the Experian Adjusted scenario indicated in Figure 4.14. Again, however, this varies based on the labour force assumptions applied, with lower levels of migration required if the existing labour force plays a greater role through changes to unemployment rates and economic activity.

**Figure 4.15: Modelled Annual Net Migration 2011 – 2031**



Source: Edge Analytics, 2015

### Jobs Supported by Demographic Scenarios

- 4.61 As noted in the 2013 SHMA, it is important to compare and contrast the potential levels of growth potentially able to be accommodated under the demographic scenarios i.e. removing the ‘constraint’ of aligning an understanding of future housing need to a particular economic forecast but maintaining a ‘trend’ based projection of change.
- 4.62 The following table illustrates the potential levels of job growth projected to be supported for each of the demographic scenarios presented in Figure 3.2. In order to enable comparison with the projections presented in this section, the impact of the labour-force sensitivities are shown for each scenario.

**Figure 4.16: Implied job growth supported by the Demographic Scenarios 2011 – 2031**

Demographic Scenario	Average Dwelling Need	Average Jobs per Annum		
		Core Labour-force Assumptions	Labour-force Sensitivity Unemployment adjustment	Labour-force Sensitivity Unemployment & OBR EA Rates
Migration-led 10yr (x)	421	22	64	138
Migration-led 10yr	348	-55	-15	58
SNPP 2012	279	-80	-40	30

Source: Edge Analytics, 2015

- 4.63 It is evident that only under the Migration-led 10yr (x) scenarios – with the two labour-force sensitivity adjustments applied – would the supported level of job growth show any level of alignment with the Adjusted Experian scenario from the ELSU. Indeed implied population growth under this trend-based projection would slightly exceed the job growth identified under the Adjusted Experian forecast with this set of labour-force adjustments. None of the demographic scenarios, even with both sets of labour-force adjustments applied, would on the basis of this modelling be able to support the scale of employment growth forecast under the Oxford Economics forecast considered in the 2015 ELSU Addendum.
- 4.64 The modelling suggests that the ageing profile of the population in Wyre based on a continuation of trends would potentially lead to employment levels stagnating and potentially declining.
- 4.65 This represents an important consideration in considering likely levels of future need for housing in Wyre.

### **Summary**

- 4.66 The 2015 ELSU represents an important update to Wyre's evidence base and replaces the input employment growth assumptions used within the 2013 SHMA and Addendum 1 report.
- 4.67 The ELSU – and subsequent Addendum – presents a series of forecasts of likely future job growth in Wyre. The Experian baseline is adjusted and refined to take account of known historic job losses, based on local economic data, and a further job growth scenario – labelled as a 'policy-on' forecast – is also presented. The ELSU Addendum compares the Experian dataset with comparable forecasts from Oxford Economics and Cambridge Econometrics, but concludes that the latter should be given only limited weight.
- 4.68 The application of labour-force assumptions closely related to those used within the Addendum 1 report in the presentation of 'core' scenarios implies that the Experian Adjusted scenario would result in an implied dwelling need for 516 dwellings per annum. With Oxford Economics forecasting a higher level of job growth in Wyre over the plan period, a greater need for housing could arise under this scenario, equating to circa 615 dwellings per annum.
- 4.69 The presentation of updated economic evidence within the ELSU – in the context of newly published national datasets and the performance of the economy – has also led to an updating of modelling assumptions used in aligning labour-force change and likely job growth. In recognition of the analysis within the ELSU regarding the adjustments within the Experian forecast in the translation of job growth and labour-force growth and in recognition of the uncertainties regarding the assumptions in aligning job growth and population change, the analysis in this section has considered a range of sensitivities building on consideration of these factors in the 2013 SHMA and the Addendum 1 report.
- 4.70 A sensitivity has been run which assumes a reduction in unemployment levels to those seen prior to the recession by 2020 (a longer period of recovery than considered in the

Addendum 1 analysis). This appears reasonable in the context of the comparatively strong levels of job growth forecast under the ELSU and sustained reductions in unemployment level nationally. The re-use of implied latent labour results in the modelling assuming that lower levels of migration are required to grow the labour force, resulting in a lower level of implied housing need to support job growth. This suggests a need for 462 dwellings per annum over the plan period under the adjusted Experian scenario, and 562 dwellings annually to support Oxford Economics' higher employment forecast. The levels of net in-migration required under these scenarios – though falling below that required with core assumptions, with no fall in unemployment – are notably higher than seen historically in Wyre, suggesting that a notable deviation from historic trends would be required if such levels of migration were to occur.

- 4.71 A further sensitivity also layers on an assumption that the economic activity rates of older parts of the labour-force increase in line with assumptions made by the OBR. Given the comparative ageing of the population in Wyre, this has a relatively significant impact, with the modelling suggesting that the existing labour-force supports a higher level of job growth with again a reduced need for additional migrants to support job growth. This adjustment, coupled with the unemployment adjustment, suggests an implied dwelling need of 384 dwellings per annum under the adjusted Experian scenario and 482 dwellings per annum under the Oxford Economics scenario.
- 4.72 The application of the adjustments to labour-force modelling assumptions highlights the sensitivity of the modelling to these factors. It is recognised that there are considerable uncertainties in relation to the way in which the labour-force will change in the future, with this in part a result of the types of jobs forecast and the skillsets of the existing labour-force. The application of the two sensitivities cumulatively implies a level of dwelling need associated with supporting the forecast level of job growth under the Adjusted Experian scenario which falls slightly below the upper end of the demographic scenarios presented in section 3. In this context, it is also important to recognise that the implied change in the population under even the upper end of the demographic scenarios suggests that the working age population of Wyre will fall over the plan period. This represents a potential risk with regards to supporting job growth implied by the ELSU, and will need to be considered by the Council as evidence is translated into policy.
- 4.73 It is important to recognise that all of the scenarios presented do not assume any change to commuting rates. Wyre is a significant exporter of labour. Whilst the comparatively strong levels of implied job growth in the authority suggested in the ELSU may impact on commuting rates in the borough, this would have implications for the other authorities in the Fylde Coast in particular. Any adjustments relating to assumptions around changing commuting patterns in the HMA / Functional Economic Market Area (FEMA) would need to be agreed through Duty to Co-operate discussions with impacted authorities.

## 5. Examining Market Signals and Household Formation Rates

- 5.1 In assembling evidence to underpin the development of housing policy within the emerging Local Plan, the Council have updated a number of active market indicators presented in the 2013 SHMA. This has been structured around the market signals identified within the PPG.
- 5.2 This section considers each of the market signals in the PPG, drawing upon the evidence assembled by the Council and complementing it as appropriate where further data has been identified.
- 5.3 This provides important context for considering the underlying household formation rates in the 2012 SNHP dataset, recognising that household formation may have been historically influenced by the operation of the housing market. This is recognised within the PPG:

*“The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing. The assessment will therefore need to reflect the consequences of past under delivery of housing. As household projections do not reflect unmet housing need, local planning authorities should take a view based on available evidence of the extent to which household formation rates are or have been constrained by supply.”<sup>47</sup>*

- 5.4 The section therefore considers in detail the household formation rates by individual age groups by age, drawing comparison against the national picture.

### Market Signals Analysis

- 5.5 The PPG highlights the importance of taking market signals into account when assessing housing need, given that they provide an indication of the balance between demand and supply. This is particularly important to consider given the significant and well-documented changes in the housing market over recent years, which were exacerbated by the economic downturn and subsequent issues in obtaining mortgage finance.
- 5.6 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*

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<sup>47</sup> [http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph\\_015](http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_015)

*rents rising faster than the national/local average may well indicate particular market undersupply relative to demand.*<sup>48</sup>

- 5.7 Six market signals are identified for review in the PPG:
- **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 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
  - **Overcrowding** – considering changing levels of overcrowding, concealed and shared households, homelessness and numbers in temporary accommodation, as an indicator of undersupply.
- 5.8 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).
- 5.9 Change in market signals in Wyre is benchmarked against change in neighbouring authorities – including others in the Fylde Coast housing market area – and change is also compared to the national profile.
- House Prices**
- 5.10 The 2013 SHMA highlighted that house prices across the Fylde Coast have seen long-term growth, although this was stunted by the recession. Average values in Wyre have historically been lower than the national average and values seen in Fylde, but surpass values in Blackpool and are slightly higher than the Lancashire average.
- 5.11 Since the SHMA was completed, the national housing market has continued to recover, and additional house price evidence is therefore available for Wyre and neighbouring areas. The following table summarises Land Registry data for the calendar year of 2014, providing the mean average price paid for housing in each authority and England as a

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<sup>48</sup> [http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph\\_019](http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_019)

whole. This is benchmarked against values in 2001 to highlight change, in line with the PPG.

**Figure 5.1: Change in Mean House Prices 2001 – 2014**

	2001	2014	Change
Lancaster	£67,460	£162,401	140.7%
Ribble Valley	£104,483	£228,048	118.3%
England	£121,768	£264,350	117.1%
Fylde	£93,028	£200,811	115.9%
Preston	£67,759	£138,677	104.7%
<b>Wyre</b>	<b>£78,641</b>	<b>£159,373</b>	<b>102.7%</b>
Blackpool	£53,836	£107,311	99.3%

Source: Land Registry, 2014

- 5.12 Average house prices in Wyre increased by around 103% between 2001 and 2014, which – while significant – fell below the level of growth seen in many neighbouring authorities. Only Blackpool saw a slower rate of growth, with the national growth also surpassing that seen in Wyre.
- 5.13 It is also beneficial to consider the cost of housing at entry level, given that disproportionate growth in more accessible housing can constraint the ability of newly forming households to access housing. The following table compares lower quartile house prices in 2001 and 2014, with the rate of growth shown for Wyre, neighbouring authorities and England.

**Figure 5.2: Change in Lower Quartile House Prices 2001 – 2014**

	2001	2014	Change
Lancaster	£40,750	£107,000	162.6%
Ribble Valley	£55,500	£140,000	152.3%
England	£54,000	£133,500	147.2%
Preston	£37,500	£85,000	126.7%
Fylde	£56,000	£125,000	123.2%
<b>Wyre</b>	<b>£51,000</b>	<b>£105,000</b>	<b>105.9%</b>
Blackpool	£37,500	£76,000	102.7%

Source: Land Registry, 2014

- 5.14 This shows a similar trend, with lower quartile house prices in Wyre increasing at a significant rate that nevertheless fell below that seen in all neighbouring authorities, with the exception of Blackpool. Notably, lower quartile house prices grew at a slightly faster

rate than mean house prices, potentially suggesting a greater demand pressure at the lower end of the market.

## Rents

- 5.15 The PPG suggests that longer term changes in rents are potentially indicative of an imbalance between the demand for and supply of housing. The 2013 SHMA highlighted that the private rental market has seen considerable growth in Wyre, with around 2,500 additional private rented households recorded in 2011 relative to 2001. The SHMA did, however, find that median rents in Wyre were lower than the national average, based on data published by VOA.
- 5.16 This dataset has been updated, and therefore an updated profile of the private rental market in Wyre can be established. The following table summarises lower quartile and mean average rents in Wyre and neighbouring authorities, based on rents recorded in the year to March 2015. This is sorted by mean rent.

**Figure 5.3: Lower Quartile and Mean Monthly Rents 2014/15**

	Mean	Lower quartile
England	£768	£475
Ribble Valley	£658	£500
Fylde	£580	£450
<b>Wyre</b>	<b>£549</b>	<b>£455</b>
Preston	£515	£400
Blackpool	£496	£390
Lancaster	£494	£368

Source: VOA, 2015

- 5.17 Rents across the area shown evidently fall below the national average, although there is a relative alignment between the lower quartile national rent of £475 and lower quartile rents seen in Ribble Valley, Fylde and Wyre. Overall, however, rents in Wyre are relatively average within this wider context, falling below Ribble Valley and Fylde but surpassing other neighbouring authorities. Preston and Lancaster do, however, both have comparatively strong and established rental markets, linked to university students.
- 5.18 Again, the PPG highlights the importance of considering change, and the following table therefore compares the rents presented above with the earliest published dataset by VOA, which was based on rents recorded over the year to June 2011.

**Figure 5.4: Change in Monthly Rents 2010/11 – 2014/15**

	Mean	Lower quartile
Lancaster	25.2%	49.0%
Preston	19.2%	53.8%
England	10.7%	5.6%
Ribble Valley	10.4%	3.1%
Fylde	0.7%	0.0%
Blackpool	-3.4%	-8.2%
<b>Wyre</b>	<b>-3.6%</b>	<b>-8.1%</b>

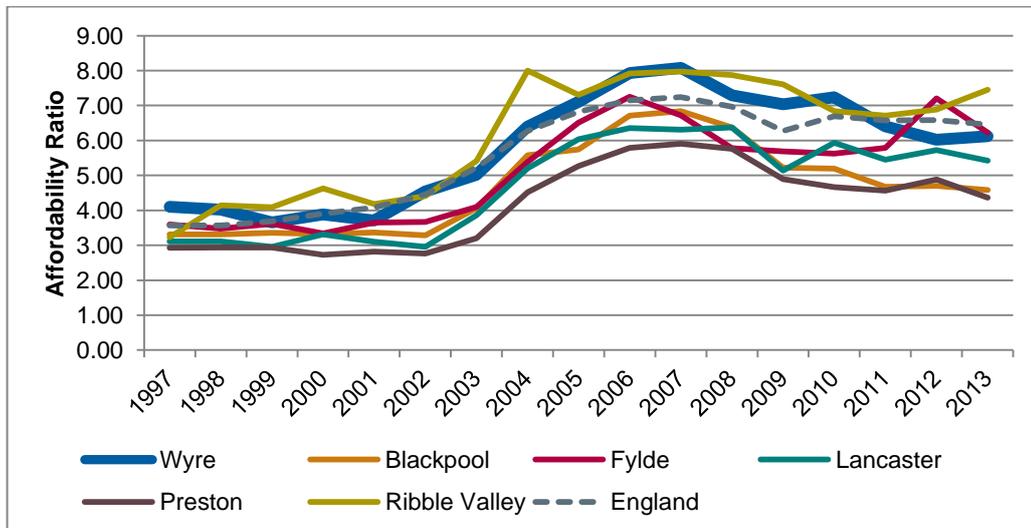
Source: VOA, 2015

- 5.19 Based on this dataset, both mean and lower quartile rents in Wyre have fallen over the period shown, showing a relative alignment with change seen in Blackpool. This does, however, contrast with other neighbouring authorities, where rents have increased, most substantially in Preston and Lancaster. This implies that there has been a limited demand pressure on the private rented stock in Wyre, although it is important to note that this dataset can be skewed by the size of property recorded in each sample.

### Affordability

- 5.20 The PPG states that housing costs should be compared against households' ability to pay, with the relationship between income and housing costs important to consider, particularly at the lower, more accessible end of the market. Lower quartile house prices can therefore be compared against lower quartile earnings to show how many years' income a worker in Wyre would need to spend to afford housing close to their place of work. This is summarised in the following table, based on data published by DCLG.

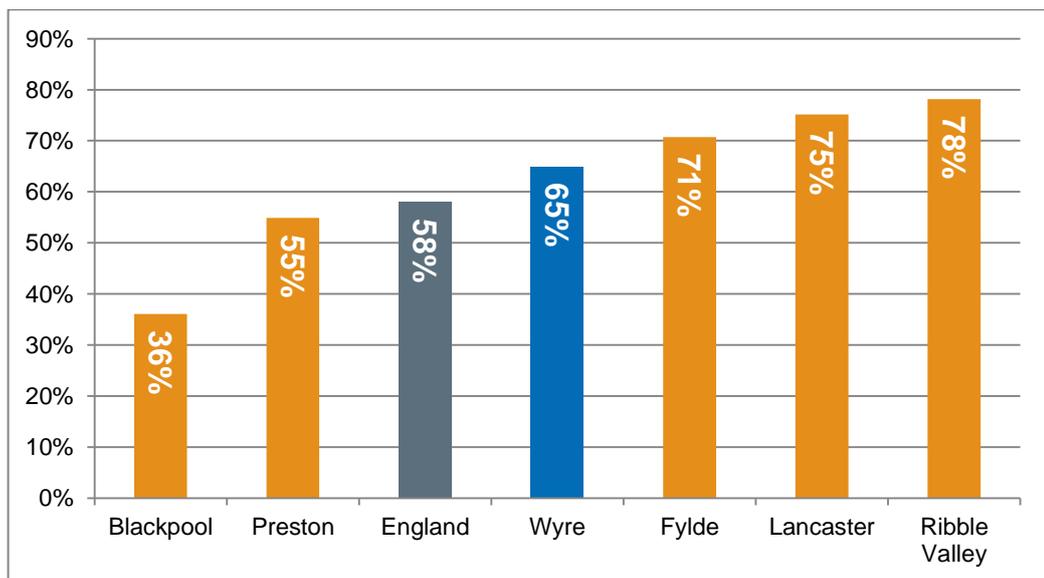
**Figure 5.5: Change in Affordability Ratio 1997 – 2013**



Source: DCLG, 2014

- 5.21 Historically, the affordability of housing in Wyre has relatively closely matched the national picture, with a notable worsening from 2001 until the onset of the recession. Since the pre-recession peak – when a lower quartile house in Wyre cost over 8 years’ the lower quartile earnings for people working in the borough – the ratio has improved slightly, and indeed over the latest years of data Wyre is more affordable than England, as well as neighbouring Fylde and Ribble Valley.
- 5.22 The rate of change in the affordability ratio assists in comparing overall change across each authority, and the following graph therefore shows the proportionate change in the affordability ratio between 2001 and 2013.

**Figure 5.6: Proportionate Change in Affordability Ratio 2001 – 2013**



Source: DCLG, 2014

- 5.23 This confirms that all authorities – like England as a whole – have seen a worsening in the affordability ratio, although the rate of growth in Wyre has been relatively average in the context of these neighbouring authorities. The ratio has, however, worsened to a greater extent than seen nationally.
- 5.24 As noted above, this measure is based on workplace-based earnings, and therefore illustrates the number of years’ income an individual working in Wyre would need to spend to afford housing in the borough. It does not take account of people living in the area who may have a higher income by commuting elsewhere. This is particularly important to consider given that the median income for residents of Wyre (£24,688) is higher than the median income for workers in the borough (£20,903), according to the provisional results of the latest Annual Survey of Hours and Earnings (ASHE)<sup>49</sup>. This suggests that a household living in Wyre would have increased spending power compared to those working in the borough, making housing relatively more affordable for these households. Data is not available to show lower quartile earnings at the more accessible end of the market in Wyre, however.

<sup>49</sup> ONS (2015) Annual Survey of Hours and Earnings – 2014 Provisional Results

- 5.25 A further exercise can be undertaken to compare median residence-based earnings with house prices in Wyre, to establish the number of years' income spent by people living in the borough to access housing in Wyre. The median house price in 2014 (£137,500) was **5.6 times** median earnings for residents of Wyre, but **6.6 times** median earnings for workers in the borough. This suggests that housing in Wyre is more affordable for current residents – who may work elsewhere – than current employees, who may be restricted from moving closer to their place of work by the affordability challenges in the borough.
- 5.26 Furthermore, affordability for the latter has worsened to a greater extent since 2002<sup>50</sup>, when the median house price was **5.7 times** median earnings for people working in Wyre. The ratio for residents of the borough also worsened over this time, however, from **5.1 times** in 2002. This suggests that earnings at the mid-point of the local market have not grown to the same extent as house prices, particularly for people working in Wyre.
- 5.27 Understanding the affordability of the private rented sector also provides important context on the local housing market in Wyre, particularly given that the PPG states that housing costs should be compared against earnings. VOA data – summarised earlier – suggests a median monthly rent of £542 in Wyre<sup>51</sup>, which represents an annual rent of £6,504. Based on earnings in 2014 – drawn from ASHE – annual rent represents 26% of the median income for residents of Wyre, or 31% of income for people working in the borough.
- 5.28 Notably, this is less than one third of income for both residents and workers in Wyre, with this threshold suggested by the Resolution Foundation – cited by both Shelter and the Joseph Rowntree Foundation – given that:
- “Previous research has demonstrated that households spending at or above this threshold are far more likely to struggle to actually make housing payments resulting in arrears and defaults, and are also far more likely to experience material hardship; the effort required to prioritise their housing commitments creates problems elsewhere in their budgets”<sup>52</sup>*
- 5.29 On this basis, it is not considered that affordability is a significant issue in the private rented sector in Wyre, although – as in many areas of the country – it is evident that the affordability of home ownership has become an increasing challenge.
- 5.30 This is reflected in the sizeable need for affordable housing identified across the Fylde Coast, with the 2013 SHMA – and the Addendum 1 report – highlighting that the supply of affordable housing is insufficient to clear the backlog and meet future affordable housing needs, generated by households being unable to afford the cost of market housing. The SHMA does note, however, that other areas of the Fylde Coast – particularly Blackpool – are relatively more affordable, with the availability of more affordable stock potentially impacting upon other areas in the housing market area.

<sup>50</sup> 2002 is the earliest point at which ASHE recorded both residence-based and workplace-based earnings for local authorities

<sup>51</sup> VOA (2015) Private Rental Market Statistics – April 2014 – March 2015 (note – median referenced at this point for consistency with ASHE data, which is also median-based)

<sup>52</sup> Resolution Foundation (2014) Housing pinched: understanding which households spend the most on housing costs

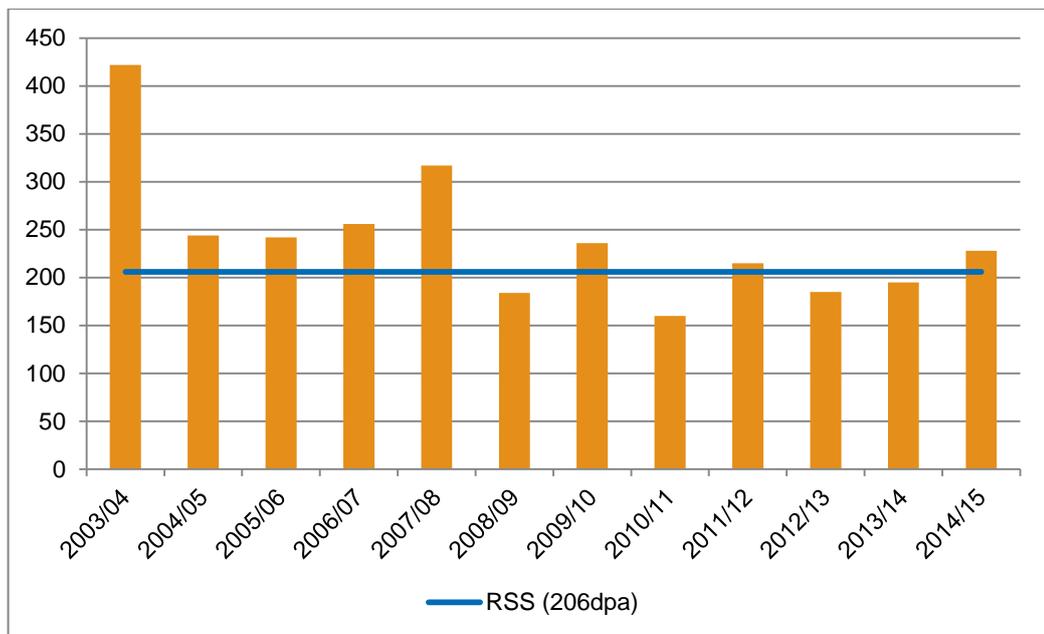
### Rate of Development

5.31 Figure 4.6 of the 2013 SHMA considered recent development trends in Wyre, based on an analysis of net dwelling completions between 2003/04 and 2012/13. This aligns with the PPG, which suggests 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”<sup>53</sup>*

5.32 Further monitoring data has been provided by the Council to establish how the rate of development has changed over recent years. The PPG states that this should be compared against planned supply, and the housing target for much of the period shown was set by the North West Regional Spatial Strategy (RSS). This required 3,700 dwellings to be built in Wyre between 2003 and 2021, at an average annual rate of 206 dwellings per annum. While the RSS was revoked in 2013, this remains the latest housing target adopted by the Council, and therefore continues to represent an appropriate benchmark of planned supply over this period.

**Figure 5.7: Net Dwelling Completions 2003/04 – 2014/15**



Source: Wyre Borough Council, 2015

5.33 An average of 240 dwellings per annum were delivered in Wyre over the period shown, with the RSS target consistently surpassed prior to the recession. Overall the planned supply of housing in Wyre has been surpassed by 412 dwellings over the period from 2003/04 and 2014/15, albeit noting that the RSS target was not in place over more recent years of the period analysed.

5.34 The rate of development did, however, fall following the onset of the recession and has remained relatively steady at a lower level. In the context of the planned supply, this

<sup>53</sup> [http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph\\_019](http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_019)

would not suggest that the supply of housing has constrained the formation of new households in Wyre. The impact of lower levels of provision over more recent years may, however, have had a bearing on households forming in the context of other indicators of sustained demand identified within this section.

- 5.35 In this context, it is, however, important to note that the previous housing target may not have necessarily reflected the overall need for housing in Wyre, given that – as a pre-NPPF policy – RSS targets nationally reflected policy ambitions and constraints, including Green Belt. The NPPF represents a '*radical policy change in respect of housing provision*'<sup>54</sup>, with a recent High Court decision stating that '*extreme caution*'<sup>55</sup> should be applied by plan-makers seeking to use housing data from now revoked regional strategies on this basis. Indeed in the case of Wyre, the RSS evidence base included a number of evidence based scenarios of need which implied a higher level of need than that accommodated through the RSS target which was included in the adopted document<sup>56</sup>.
- 5.36 In considering the impact of policy on development levels it is also important to recognise that under the previous RSS policy framework, the Council introduced Policies HOUS1A / HOUS1B to manage development of residential uses in the authority.
- 5.37 Policy HOUS1A introduced a range of criteria including directing development towards the regional town areas of Thornton-Cleveleys and Fleetwood or the service centres of Poulton-le-Fylde or Carstang/Catterall. Policy HOUS1B stated that proposals for housing development on greenfield land will not be granted unless a set number of criteria are met, including the fact that they would meet an identified need for affordable housing.
- 5.38 It is understood from the Council's recording of data that during the period in which the policy was in place a total of 389 dwellings were refused planning permission, with only 29 of these dwellings refused on the basis of the direct application of this Interim Housing Policy. The following table sets out this information in more detail broken down over the five year period.

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<sup>54</sup> Gallagher Homes Limited Lioncourt Homes Limited v Solihull Metropolitan Borough Council (30 April 2014)

<sup>55</sup> Ibid

<sup>56</sup> The study titled 'North West Household Growth Estimates Study' (NLP, 2005) established a range of needs linked to different scenarios. These suggested a need for between 319 and 580 dwellings per annum in Wyre. The upper end of this range was aligned with an 'Improvement Scenario' which implied an annual level of household growth across the North West of almost 40,000 which was considerably higher than the final adopted RSS regional figure of 23,111 dpa and so should be treated with caution. A subsequent study published to inform the Partial Review of the RSS titled 'North West Housing Market Review Update to Q4 2008' (Nevin Leather Associates, 2008) suggested higher need for housing across the North West of between 25,000 and 28,000 associated with the 2004 and 2006 base SNHP datasets respectively. The analysis within the report suggested a need of between 782 (2004 base) and 739 (2006 base) households per annum in Wyre. Evidently these figures are considerably higher than the RSS figure strongly indicated that the RSS figure for Wyre was not fully representative of need pressures.

**Figure 5.8: Number of Dwelling Refused including identification of those refused linked to the Interim Housing Policy**

	Total Refused	Total refused on the basis of the Interim Housing Policy
2007-08	105	0
2008-09	117	10
2009-10	105	0
2010-11	35	13
2011-12	27	6
<b>Total</b>	<b>389</b>	<b>29</b>

Source: Wyre Borough Council, 2013

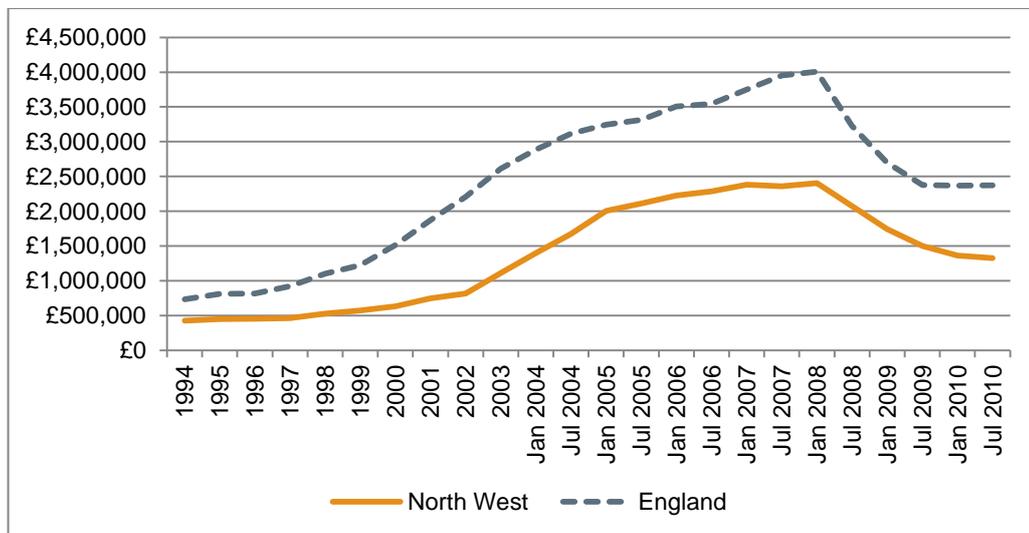
5.39 On the basis of the above data, it is not considered that the Interim Housing Policy position will have had a significant further impact on constraining need within the borough over the last five years beyond the application of the RSS policy figure.

### Land Prices

5.40 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.

5.41 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 5.9: Average Valuations of Residential Building Land with Outline Planning Permission**



Source: DCLG, 2015

- 5.42 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 a notable growth in values ahead of the recession. This dataset does not extend beyond 2010 due to a decline in market activity.
- 5.43 The discontinuation of this dataset means that it is challenging to understand how land values have recovered. DCLG have, however, recently published a report setting out estimates of land value for policy appraisal purposes<sup>57</sup>. This identifies an estimated value per hectare for a typical residential site – understood to include land with extant planning permission – in each local authority in England. This allows a comparison between estimated values in Wyre and neighbouring authorities, with a weighted average for England – excluding London – also presented for context.

**Figure 5.10: Estimated Value of Typical Residential Site**

	Estimated value per hectare
Fylde	£2,688,000
England	£1,958,000
Lancaster	£1,757,000
Preston	£1,756,000
<b>Wyre</b>	<b>£1,594,000</b>
Ribble Valley	£1,501,000
Blackpool	£1,325,000

Source: DCLG, 2015

- 5.44 This evidence suggests that residential land in Wyre is not characterised by notably high land values, with many neighbouring authorities – and the national average, excluding London – seeing higher values.
- 5.45 This can also be read alongside the Council’s commissioned Economic Viability Study, which included an assessment of land values in Wyre. This was based on available transactional evidence in both Wyre and the wider North West area, where relevant and similar market conditions exist. The research made use of Land Registry data alongside other databases, including EGi, Valuation Office Property Market Surveys and interviews with local active agents. This concluded that the following land values were appropriate in 2013, implying some growth in values since this point based on the DCLG dataset:
- Residential land (brownfield) – £865,000 to £1,112,000 per hectare;
  - Residential land (greenfield) – £495,000 to £618,000 per hectare;
  - Agricultural land – £25,000 per hectare;

<sup>57</sup> DCLG (2015) Land value estimates for policy appraisal

- Offices – £495,000 per hectare; and
- Industrial – £370,000 per hectare.

5.46 Overall – noting the challenges associated with understanding land value trends – there is little evidence to suggest that there is a significant price premium for residential land in Wyre. This does not imply that there is a substantial supply shortage of land in the borough which could significantly constrain the supply of new housing.

### Overcrowding

5.47 The 2013 SHMA considered both overcrowding and under-occupancy in the Fylde Coast, highlighting that 2% of households in Wyre in 2011 contained at least one fewer bedroom than required. This was slightly higher than the levels seen in Fylde, but fell below the levels seen in Blackpool<sup>58</sup>. Proportionately, fewer households in Wyre were overcrowded relative to the national average.

5.48 In line with the PPG, change in the number of overcrowded households is important to consider, although this is challenging given that the number of bedrooms was not recorded in the 2001 Census. The Census in both 2001 and 2011 recorded an occupancy rating based on the number of rooms in a household, however, 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.

**Figure 5.11: Change in Overcrowded Households (Rooms) 2001 – 2011**

	2001	2011	Change	% change
England	1,457,512	1,928,596	471,084	32.3%
Preston	3,536	4,292	756	21.4%
Lancaster	2,636	3,054	418	15.9%
Ribble Valley	704	715	11	1.6%
Fylde	1,337	1,348	11	0.8%
<b>Wyre</b>	<b>1,593</b>	<b>1,603</b>	<b>10</b>	<b>0.6%</b>
Blackpool	4,653	4,590	-63	-1.4%

Source: Census 2001; Census 2011

5.49 Wyre has seen only limited growth in the number of overcrowded households, falling below the levels seen in neighbouring authorities – with the exception of Blackpool – and England as a whole. This suggests that there has not been a significant growth in the number of overcrowded households across the Fylde Coast, with the size of accommodation evidently relatively closely matching that needed by the population.

5.50 A further indicator is the proportion of families who are concealed, with a family classified as concealed if they are a family reference person (FRP) but not a household reference person (HRP). This indicates that they are not the main family in the

<sup>58</sup> Figure 4.10 of 2013 SHMA

household, and may suggest that they have been restricted from forming due to a range of factors, including affordability pressures. This is summarised in the following table, broken down by the age of FRP.

**Figure 5.12: Proportion of Families Concealed by Age of FRP 2011**

	Age of FRP					All ages
	Under 24	25 – 34	35 – 49	50 – 64	65+	
Preston	10.6%	3.8%	0.9%	1.7%	2.1%	2.3%
England	12.8%	4.0%	0.8%	0.9%	1.8%	1.9%
Blackpool	11.8%	3.3%	0.7%	0.9%	1.8%	1.9%
Lancaster	11.4%	2.4%	0.6%	0.5%	1.1%	1.3%
<b>Wyre</b>	<b>13.3%</b>	<b>3.3%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.9%</b>	<b>1.2%</b>
Fylde	12.7%	3.0%	0.6%	0.3%	0.8%	1.1%
Ribble Valley	13.2%	3.0%	0.4%	0.4%	1.3%	1.0%

Source: Census 2011

- 5.51 Overall, 1.2% of families in Wyre were concealed in 2011, with this falling below many neighbouring authorities with the exception of Fylde and Ribble Valley. There is, however, variation by age, with young families – aged 24 and under – more likely to be concealed in Wyre than in any comparable area. This suggests that younger families are less likely to be independent households, which could indicate that they are constrained from forming by market factors.
- 5.52 Again, it is important to understand how this has changed over recent years, although it is not possible to break this down by age. The following table compares the number of concealed families of all ages in 2001 and 2011.

**Figure 5.13: Change in Concealed Families 2001 – 2011**

	2001	2011	Change	% change
England	161,254	275,954	114,700	71.1%
<b>Wyre</b>	<b>256</b>	<b>386</b>	<b>130</b>	<b>50.8%</b>
Preston	558	814	256	45.9%
Blackpool	504	724	220	43.7%
Fylde	178	247	69	38.8%
Lancaster	349	477	128	36.7%
Ribble Valley	136	178	42	30.9%

Source: Census 2001; Census 2011

- 5.53 Wyre has seen a comparatively high growth in the number of concealed families, surpassing the rate of growth seen in all neighbouring authorities but falling below the national growth rate. This suggests that there are a growing number of families who have not formed independent households in the borough.

### **Summary**

- 5.54 The following table compares the rate of change seen in a number of market signals in Wyre – where comparable data on change is available for other authorities – to neighbouring authorities, and the national rate of change. This draws together the evidence presented in this section.
- 5.55 A rank of 1 – coloured in orange – indicates that an area has seen the greatest worsening of the market signal, relative to the other areas shown. A rank of 7 – coloured in blue – suggests more favourable performance against each market signal.

**Figure 5.14: Market Signals Summary**

	Wyre	Blackpool	Fylde	Lancaster	Preston	Ribble Valley	England
<b>House prices</b>							
Change (mean) 2001 – 2014	6	7	4	1	5	2	3
Change (LQ) 2001 – 2014	6	7	5	1	4	2	3
<b>Rents</b>							
Change (mean) 2010/11 – 14/15	7	6	5	1	2	4	3
Change (LQ) 2010/11 – 14/15	6	7	5	2	1	4	3
<b>Affordability</b>							
Change 2001 – 2013	4	7	3	2	6	1	5
<b>Overcrowding (rooms)</b>							
Change 2001 – 2011	6	7	5	3	2	4	1
<b>Concealed families</b>							
Change 2001 – 2011	2	4	5	6	3	7	1

Source: Turley, 2015

- 5.56 Relative to the other areas shown, change in market signals has been relatively minor in Wyre, with both house prices and rents not growing to the extent seen in many other neighbouring authorities. There has also been relatively little growth in the number of overcrowded households, while affordability – while worsening – ranks in a relatively average position in the context of other areas. The analysis earlier in this section also shows that the rate of development has kept pace with planned supply – although completions have slowed over recent years following the recession – while there is little evidence of a significant price premium for residential land in the borough.
- 5.57 There has, however, been a relatively significant growth in the number of concealed families, suggesting a growing number of families who have not become independent households. This could be driven by a range of factors, including worsening market conditions or challenges in accessing mortgage finance. The following section considers changing household formation rates in further detail.

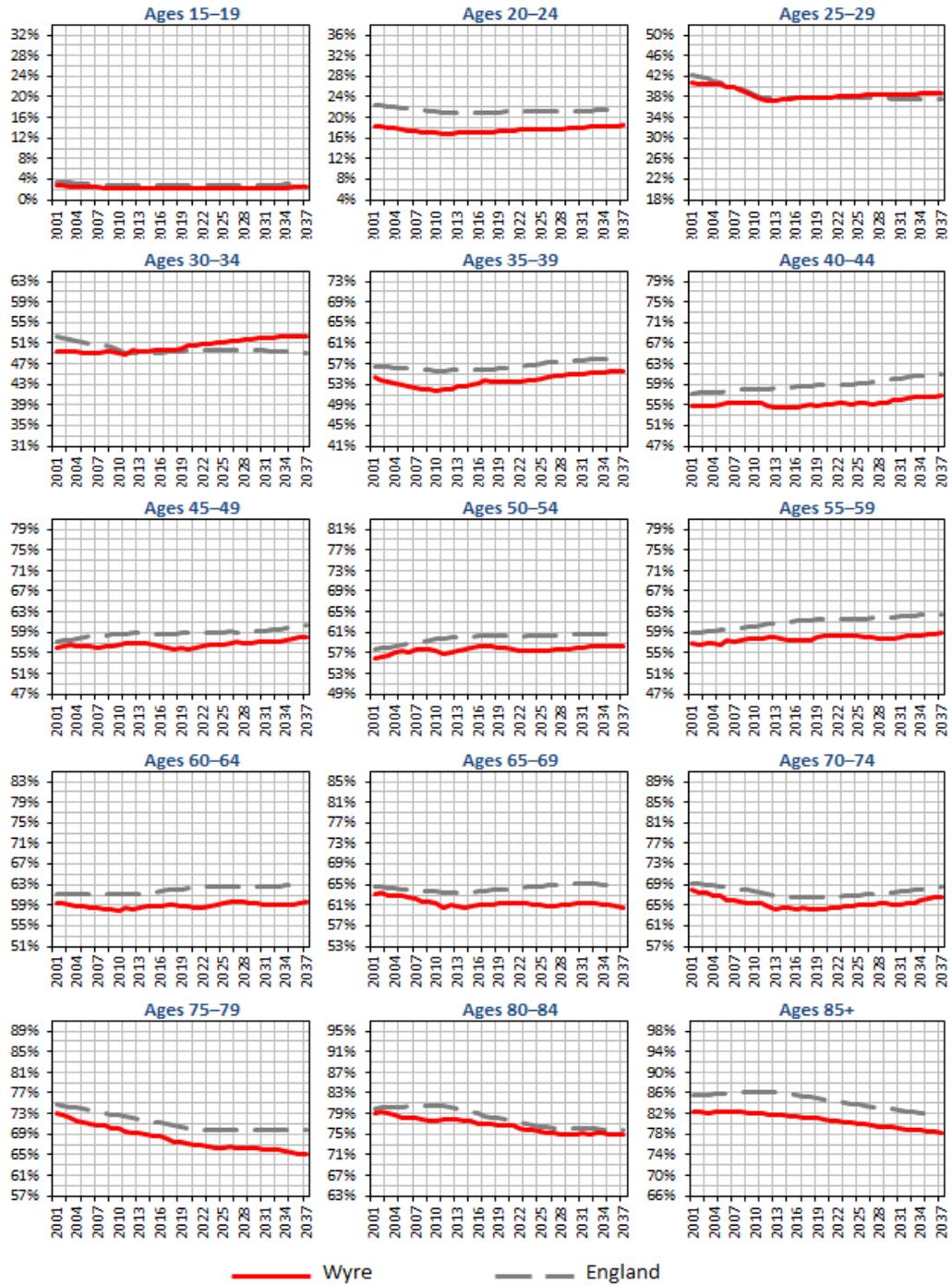
### **Assessing Headship Rates Trends**

- 5.58 The methodological report accompanying the release of the 2012-based household projections acknowledges that recent household formation trends can be influenced by wider market conditions:

*“At the present time the results from the Census 2011 show that the 2008-based projections were overestimating the rate of household formation and support the evidence from the Labour Force Survey that household representative rates for some (particularly younger) age groups have fallen markedly since the 2001 Census. However for this update, it has not been possible to include detailed data on Stage One household representative from the Census 2011.”*

- 5.59 Whilst it is acknowledged that the DCLG will be publishing further modelling outputs to take account of further 2011 Census data, it is important – in accordance with the PPG – to assess how household formation rates have changed historically by individual age groups.
- 5.60 The following chart presents historic and projected household formation rates under the DCLG 2012-based household projections, broken down by five year age groups. Both Wyre and England are shown to enable comparison.

Figure 5.15: Wyre and England: DCLG 2012-based Headship Rates



Source: DCLG, Edge Analytics, 2015

- 5.61 It is largely considered that housing market factors – including affordability – are most likely to have impacted on the capacity and ability of younger households (aged 20 to 39) to form.
- 5.62 Considering the charts above, it is apparent that a number of the five year age bands within this younger households classification have seen household formation rates fall in Wyre since 2001. It is also evident that the 2012 SNHP does not suggest a recovery for

those in the age group 25 – 29 in particular, instead suggesting a continuation or marginal uplift. A comparable but much less pronounced picture is also shown for the age groups 20 – 24 and 35 - 39 with rates in 2022 slightly lower than seen in 2001 albeit with an assumed subsequent increase to the end of the projection period.

5.63 This is important to consider given the notable increase in the number of concealed families who have not become independent households in Wyre over the decade to 2011, with the worsening in affordability – and sizeable growth in house prices – over this period potentially acting as a constraint to these families, alongside other factors such as the reduced availability of mortgage finance following the credit crunch.

5.64 Recognising that the 2013 SHMA applied headship rate assumptions from the 2008-based and interim 2011-based household projections, it is also useful to compare these headship rate assumptions with those applied under the 2012-based SNHP, albeit recognising that they are based on different market cycles. Within this context, however, it is important to recognise that the 2012 SNHP are '*the most up-to-date estimate of future household growth*'<sup>59</sup>, as per the PPG. A full set of charts comparing the three headship rate assumptions are included at Appendix 1, which – in headline terms – suggest:

- **Younger age groups** – for the age group 15 – 24, the projections are relatively consistent, with all essentially showing formation rates holding steady. For the age group 25-34, the 2012 SNHP suggest a slightly more pronounced fall in formation rates up to around 2023 than the 2008 SNHP. The two projections however suggest a comparable rate post 2023. The 2011 SNHP shows a notably different set of rates, with a pronounced fall from a lower base point;
- **More mature households** – the age group 35-44 is shown to have had a relatively limited uplift in rates between the two Census years. In Wyre, the 2008 SNHP projected a slightly more rapid uplift in formation rates for this age group than the 2012 SNHP, although by 2033 the two datasets project a comparable rate. The 2008 SNHP projected a modest uplift to rates for those aged 45 – 54, with the 2012 SNHP projecting very little change over the full projection period for this age group. The ability of these age groups to form new households is less likely to be affected by affordability issues, and it could be reasonable to assume that these trends are driven by other factors, including changing relationship status trends. It is also important to note that the 2012 SNHP consistently assume a modest increase in formation rates from 2001 levels by the end of the projection period; and
- **Older households** – for the majority of the older age groups, the 2008 SNHP suggests that household formation rates will be higher than the other datasets. The 2012 SNHP suggest a relatively similar trend to the 2008 SNHP for these age groups, albeit from a different starting point in 2011. The only exception is for those where the head of household is aged 85+ with the 2008 SNHP projecting a significant increase in rates in contrast to the 2012 SNHP and 2011 SNHP, which both suggest a modest decrease in rates for this age group. Again, it is

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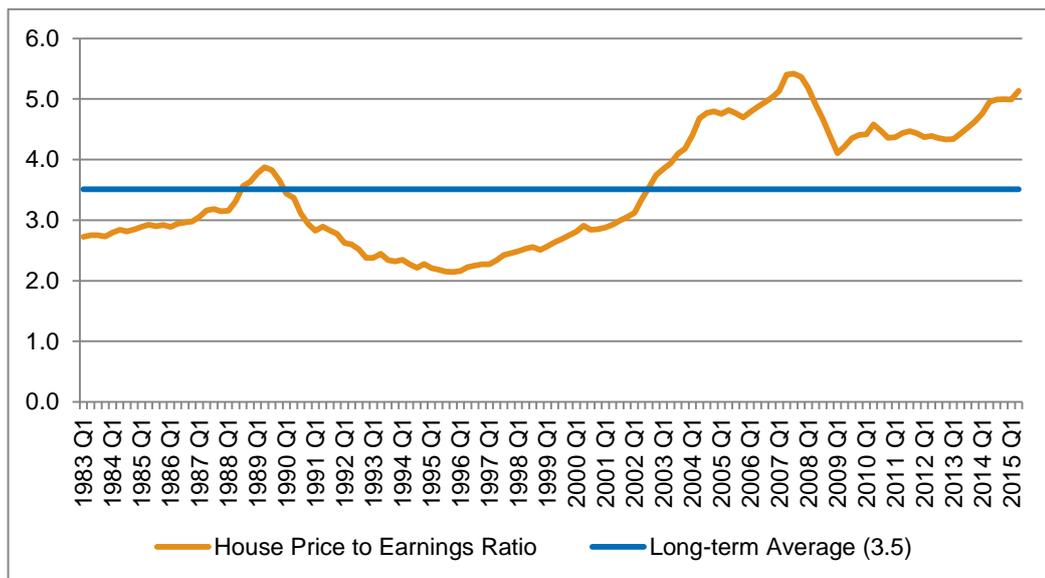
<sup>59</sup> [http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph\\_016](http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_016)

considered that these older age groups are less likely to be directly affected by affordability issues as a factor in constraining their ability to form.

### Sensitivity Analysis – Adjustments to Headship Rates

- 5.65 Recognising that the formation of younger households in Wyre may have been suppressed by market factors over recent years, a sensitivity has been developed by Edge Analytics to explore the impact of a reversal of declining household formation rates amongst younger age groups to reach a level last seen in 2001. This adjustment has been applied to those aged 20 to 24, 25 to 29 and 35 to 39 – with the 2012-based headship rates already assuming a return to 2001 rates in all other younger age groups – and it is assumed that respective 2001 values are reached by 2022.
- 5.66 2001 is used as a benchmark with detailed Census data available for this year and a recognition that the housing market has seen a period of significant growth since this point, with prices far exceeding comparable rises in income. This has resulted in national affordability issues, as illustrated in the following chart, which compares gross house prices to earnings for first-time buyers in the UK.

**Figure 5.16: First Time Buyer Gross House Price to Earnings Ratio – UK**



Source: Nationwide, ONS

- 5.67 It would appear at a national level that the period around 2002 and 2003 was the last point in recent times at which the ratio between house prices and earnings were comparable to the long-term average.
- 5.68 A return to household formation rates more closely aligned to this period therefore could be viewed as exploring the impact of returning to a set of market conditions which suggested a healthier and more sustainable housing market. It should be noted, however, that the supply of housing at a national level even at the turn of the century continued to fall short of projected levels of need, and therefore could potentially have continued to inhibit the ability of households to form.

- 5.69 The following table illustrates the impact of applying an assumption that the headship rates of younger households return to 2001 rates by 2022 where this is not already projected by the 2012 SNHP dataset. In the case of Wyre, this assumption is applied to household groups with a head of household aged 25 – 29 and 35 – 39. 2001 is selected as an appropriate year to return to in the context of the national picture considered above. This represented a period where the relationship between incomes and house prices was closer to a longer term average position, and it is also recognised that the data for this year is based upon a Census count as opposed to an estimate.
- 5.70 The data presented in Figure 5.17 compares the outputs of this adjustment alongside the core 2012-based headship rates presented in previous sections of this report. The scale of population growth projected under each of these adjusted scenarios remains constant to that shown in earlier sections.

**Figure 5.17: Population and Household Projections Application of Headship Rate Sensitivity: Wyre 2011 – 2031**

	2012-based headship rates			Adjusted headship rates		
	Hholds change	% change	Dwellings per annum	Hholds change	% change	Dwellings per annum
Oxford (Core)	11,669	24.7%	617	12,007	25.4%	635
Oxford (Sens 1)	10,629	22.5%	562	10,959	23.2%	579
Adj Experian (Core)	9,751	20.6%	516	10,971	21.3%	532
Oxford (Sens 2)	9,123	19.3%	482	9,438	20.0%	499
Adj Experian (Sens 1)	8,747	18.5%	462	9,061	19.2%	479
Migration-led 10yr (x)	7,962	16.8%	421	8,254	17.5%	436
Adj Experian (Sens 2)	7,274	15.4%	384	7,568	16.0%	400
Migration-led 10yr	6,578	13.9%	348	6,842	14.5%	362
SNPP 2012	5,278	11.2%	279	5,555	11.7%	294

Source: Edge Analytics, 2015

- 5.71 The application of adjusted headship rates uplifts the level of housing needed under each scenario by between 14 and 18 dwellings annually, due to assumed higher levels of household formation amongst younger people. This represents an uplift of approximately 3 – 4%.
- 5.72 It is considered that this adjustment is justified in the context of the market signals in this section, in order to ensure that household formation rates do not simply extrapolate forward historic trends which have seen a worsening in affordability and growth in the number of concealed families.

### ***Impact of Returning to 2008-based Headship Rates***

- 5.73 At a number of Local Plan Examinations, Inspectors have sought clarity on the impact of returning to 2008-based household formation rates, which have a base date which predated the recession and were therefore less likely to have been influenced by this market downturn.
- 5.74 It is important to note that the 2012-based household formation rates integrate additional information from the 2011 Census, and supersede earlier datasets which continued to represent extrapolations from the 2001 Census. There is therefore a strong rationale for retaining the latest dataset, particularly given that it provides the latest evidence on household formation amongst groups which are less likely to have been affected by market factors, including older people.
- 5.75 The analysis presented in section 3 of this report illustrated the impact of applying the 2008 SNHP headship rates to the whole population for the demographic based-trend projections. The outcomes of this modelling were presented at Figure 3.3 for the period 2011 – 2030<sup>60</sup>. This implied a slightly higher level of need for housing under each of the scenarios than that presented under the scenarios using the headship rates from the 2012 SNHP.
- 5.76 Across the three scenarios, the application of the 2008 SNHP headship rates implied a need for between an additional 36 and 44 dwellings per annum. The application of the 2008 headship rates to all age groups, however, fails to reflect the integration of the new data from the 2011 Census in the 2012 SNHP. Whilst household formation rates may well have been constrained as a result of affordability issues for younger households, as considered in this section already, this is far less likely to explain differing headship rate assumptions for older households. The comparison of the differing headship rate assumptions between the 2012 and 2008 SNHP by age in Wyre included in Appendix 1 illustrates substantial differences for many of the older groups in particular.
- 5.77 In the context of evidence suggesting some worsening of affordability issues in Wyre, however, an additional sensitivity has been run to establish the impact of a return to earlier projected household formation rates under the 2008 SNHP dataset for younger households. Edge Analytics have developed a sensitivity which returns headship rates for the 25 – 44 age groups to their respective 2008-based rates by 2022<sup>61</sup>, after which the trend in the 2012-based rates is followed. The impact of this adjustment on the annual need for housing is summarised below for the 2012 SNPP scenario.

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<sup>60</sup> This time period is used with the modelling outputs drawn from the Addendum 1 report which used the same time period as the 2013 SHMA

<sup>61</sup> The Edge Analytics Assumptions note included at Appendix 2 provides further detail as to the modelling assumptions used to vary headship rates. It is important to note that the 'Return to 2008-based' sensitivity uses the Stage 2 2012 SNHP data whereas the other two scenarios use Stage 1 outputs. The Stage 2 outputs are only available for 10 year age groups with the sensitivity applied for the age groups 25 – 34 and 35 – 44.

**Figure 5.18: Annual Housing Need 2011 – 2031 – Headship Rate Sensitivities**

	SNPP 2012 Annual housing need 2011 – 2031
2012-based	279
Return to 2001	294
Return to 2008-based	262

*Source: Edge Analytics, 2015*

- 5.78 Figure 5.18 confirms that the application of this adjustment to return the headship rates of younger households to 2008 SNHP projected rates in Wyre actually serves to reduce the overall level of household growth projected and therefore dwelling need from the 2012 SNHP. Edge Analytics have assessed the factors behind this modelling outcome. Primarily, the reduction in projected household growth is a result of the demographic and household profile of Wyre. Whilst the 2008 SNHP projected a stronger increase in household formation rates for younger single households (i.e. the propensity for a household to form), the projected formation for family households (i.e. couple households with children) followed an opposite trend. The profile of Wyre’s younger household population means that the impact of the modelled adjustment to ‘family’ younger households more than compensates for the impact of the assumed uplift to formation rates of younger single households
- 5.79 In the context of the analysis of market signals, this is not considered to represent an adjustment which adequately captures the implications of historic constraints on younger households to form and has not therefore been modelled for other scenarios where it is understood the impact would be similar.
- 5.80 Edge Analytics also consider that caution should be applied in considering the above sensitivity further based on the projections prepared for Wyre as it highlights the issues associated with attempting to reconcile historical household formation rate datasets, based upon different historical evidence, with the latest available data.

## Summary

- 5.81 The analysis of market signals and a benchmarking of comparative performance against neighbouring authorities, including those in the HMA, suggest that change in market signals has been relatively minor within Wyre, with both house prices and rents not growing to the extent seen in the other comparative areas. There has also been relatively little growth in the number of overcrowded households, while affordability – though worsening – ranks in a relatively average position in the context of other areas. The analysis also shows that the rate of development has kept pace with planned supply – although completions have slowed over recent years following the recession – while there is little evidence of a significant price premium for residential land in the borough.
- 5.82 There has, however, been a relatively significant growth in the number of concealed families, suggesting a growing number of families who have not become independent

households. This could be driven by a range of factors, including worsening market conditions or challenges in accessing mortgage finance. In this context detailed analysis has been undertaken of household formation rates projected under the 2012 SNHP in the context of historic evidence.

- 5.83 This analysis highlighted that historically, since 2001, Wyre has seen the household formation rates of younger households fall. Whilst the 2012 SNHP do not assume a continuation of this fall in order to present a more positive position responding to market signals a sensitivity has been developed by Edge Analytics to explore the impact of a reversal of declining household formation amongst younger age groups – where this has not already been anticipated in the 2012 SNHP dataset – to reach a level last seen in 2001. A return to this set of market conditions could suggest a healthier and more sustainable housing market.
- 5.84 Applying this sensitivity to the scenarios results in an increased projected growth in households, generating an additional need for housing. As shown in the following graph, this uplifts the implied dwelling needs by between 14 and 18 additional dwellings annually for each scenario, compared to the core 2012 headship rates. This represents an uplift of approximately 3 to 4% on the overall implied housing need for each scenario.
- 5.85 This adjustment to household formation rates can be considered reasonable and appropriate in the context of the worsening of some market signals in Wyre, given that this would enable a return to more positive levels of household formation amongst younger persons who may have been constrained by both local and wider market conditions. It is also important to consider the implications of this uplift in the context of other adjustments factored into the overall OAN for Wyre and the extent to which it represents a boosting of recent levels of housing supply in the authority. This is considered further in the concluding section.

## 6. Implications

- 6.1 This report provides an update to Wyre Borough Council of the modelling presented in the Addendum 1 report to take account of the release of the DCLG 2012 SNHP dataset in February 2015 and the publication of the Wyre Employment Land Study Update<sup>62</sup> (ELSU).
- 6.2 This report has been separately commissioned by Wyre Borough Council and is referred to as the 'Wyre Addendum 2' study. A comparable exercise has been undertaken for Fylde Borough Council, with a paper titled 'Fylde Addendum 2' published in May 2015. Turley and Edge Analytics were previously commissioned by Blackpool Council to assess the implications of the dataset, recognising the timing of the release prior to the Core Strategy EiP in May 2015. The outputs of this assessment were separately presented in two published papers as part of the EiP evidence base.
- 6.3 The report has included an assessment of the underpinning available data within the 2012 SNHP – in accordance with the PPG – to examine the extent to which household formation rates may have been constrained by market conditions. This has included the presentation of an updated analysis of market signals for Wyre, which has drawn upon analysis undertaken by the Council to inform their own policy development. The 2012 SNHP headship rates and recommended adjustments have been applied to the demographic projections presented within the Addendum 1 report. Whilst consideration has been given to the implications of the release of an additional ONS MYE dataset (2014 population estimate) the demographic trend-based population projections presented within the Addendum 1 report have been retained on the basis of the analysis in section 3 of the demographic data and to ensure alignment with the other Fylde Coast authorities.
- 6.4 As set out in section 3, the re-setting of the ten year migration-led projections to the period 2004 to 2014 (i.e. one year forward) reduces the implied projected population growth by a modest amount. This is primarily the result of the exclusion of the preceding year's stronger migration flow and a trend of lower net-migration levels over recent years, albeit one which is showing a gradual upward return. In the context of the impact of reduced levels of development and the economic / financial climate following the onset of the recession in 2007/08, the moving forward of the ten year period is not considered preferable to that used in the Addendum 1 report in this instance. This position is taken as it is not considered to serve to represent an improved interpretation of the varied historic migration picture in Wyre and places greater weight on a period of sustained lower levels of development in the authority.
- 6.5 In addition to considering the implications of the 2012 SNHP dataset and the latest demographic data, this report also updates the analysis of the employment-led projections presented in the previous 2013 SHMA to reflect the conclusions of the recently published Wyre Employment Land Study Update<sup>63</sup> (ELSU) and accompanying ELSU Addendum document.

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<sup>62</sup> 'Employment Land Review Update', NLP, (2015)

<sup>63</sup> 'Employment Land Review Update', NLP, (2015)

- 6.6 As with the Addendum 1 report, it is important to recognise that this report does not seek to represent a full update to the 2013 SHMA, and should be read alongside the two preceding documents.
- 6.7 When considering the modelling outputs presented in this report, it is important to note that the projection period for which results are presented has been changed to 2011 – 2031<sup>64</sup>, as opposed to the 2011 – 2030 period presented in the 2013 SHMA and 2014 Addendum 1 documents. This reflects the Council's plan period.

### **Impact of the 2012 SNHP on the Demographic Projections of Need**

- 6.8 The Addendum 1 report concluded in relation to the implied demographic projections of need:

*“The analysis in section 3 of this report has highlighted that the rate of internal migration has fallen in Wyre, particularly following the recession, with this lower level of migration evidently projected forward by the ONS in the 2012 SNPP...The impact of unattributable population change (UPC) – excluded in the Migration-led 10 year (x) scenario – is clear, with the removal of this element leading to a higher assumed rate of international migration – which was overestimated by the ONS – and a subsequently higher projected need for housing. The migration-led 10 year scenario, shows a level of alignment with the previous lower end of the range and the 2011 SNHP projection. However, recognising the uncertainty around the UPC component would suggest that a prudent approach would be to consider carefully the implications of a demographic based need towards the upper range of the ten year migration scenarios. This would suggest a higher base level of demographic based need than the lower end of the range identified in the 2013 SHMA.”<sup>65</sup>*

- 6.9 The analysis in this section has retained the population projections presented within the Addendum report, but updated them by using the 2012 SNHP headship rates. The analysis in this section has identified that the application of these updated headship rates results in a higher level of projected household growth relative to the scenarios presented in the Addendum 1 report using the 2011 SNHP, but a lower level of growth than those applying the 2008 SNHP rates.
- 6.10 The 2012 SNHP – with the application of an assumption around vacancy rates – suggests a need to provide for 279 dwellings per annum over the projection period from 2011 to 2031. This makes no adjustments to household formation rates. The higher implied population growth under the longer-term 10 year migration scenarios results in a suggested need for between 348 and 421 dwellings per annum, with the higher figure excluding the unattributable population change (UPC) element in the historic population data. The use of a ten year historic period serves to address the identified issues in using the last five years, which have been characterised by low levels of migration. As considered in the Addendum 1 report and indeed the 2013 SHMA, the lower levels of

<sup>64</sup> As set out in Addendum 1 (paragraph 1.8) it is important to note that whilst the 2012 SNPP takes mid-2012 as the base point of the projections the modelling undertaken by Edge Analytics in this report, as with the Addendum 1, takes mid-2013 as its base with the population growth in 2012-13 period taken from the official ONS mid-year population estimates.

<sup>65</sup> Turley (2014) Fylde Coast Strategic Housing Market Assessment Addendum (para 7.26 – 7.27)

migration seen more recently are likely to reflect a notable reduction in completions since 2007/08.

- 6.11 It is important to note that the last two years of ONS Mid-Year Population Estimates (MYE) suggest a stronger level of population growth than the 2012 SNPP, reinforcing the challenge in determining the extent to which the ONS dataset is representative of longer term demographic growth in Wyre.
- 6.12 The average net migration flow over the last two years of ONS estimates – published following the modelling of the 2012 SNPP dataset – aligns comparatively closely with the Migration-led 10yr scenario (including UPC) and supports the justification for assuming a stronger level of demographically driven population growth than that implied under the 2012 SNPP. The latest 2014 MYE shows a level of migration which is more closely aligned to the 10 year migration scenario excluding UPC, albeit it is noted that this is only a single year of data out of a considerably longer projection period. As set out above, however, whilst the net level of migration is shown as increasing based upon the latest dataset, re-basing the migration-led scenarios to a ten year period working back from 2014 results in a lower level of projected population growth. This is primarily the result of this re-based ten year period excluding a year of the period of stronger migration seen earlier in the last decade.
- 6.13 In accordance with the conclusion of the Addendum 1 report, placing greater weight on the ten year migration scenarios implies that the minimum demographic projection of need should be considered as being for 348 dwellings per annum (migration-led 10 year including UPC).
- 6.14 In recognition of the conclusions of the Addendum 1 report and the latest demographic data, it is recognised that demographic projected needs could be higher than this minimum position. This is illustrated through the 10 year migration-led scenario which fully excludes the UPC. It is acknowledged that there is considerable uncertainty regarding this aspect of the historic demographic data. In the context of the more recent demographic data which shows a stronger return to population growth – albeit not one to the extent represented by this scenario – it is considered that excluding UPC in full may serve to over-estimate demographic based growth for Wyre. The implication of a potentially stronger level of demographic need, however, forms an important consideration in assessing the potential impact of likely job growth on housing need in the next sub-section.
- 6.15 In converting population growth into households, the 2013 SHMA and Addendum 1 reports used a mid-point between scenarios using the 2011 and 2008 headship rates. The application of the 2012 SNHP implies a resultant level of housing need linked to each population projection which is higher than the mid-point scenario used in the previous evidence base reports. This results in a slightly higher projected level of household growth – between 2% and 5% higher – for each demographic scenario than that presented within the Addendum 1 report. The household formation rates within the 2012 SNHP are considered to represent an appropriate starting point, in line with the PPG, recognising that they result in an implied level of need which is higher than that using the 2011 SNHP and closer to that projected under the 2008 SNHP. Consideration of the household formation rates by age groups under the 2012 SNHP also confirms

that they are not projected to fall further for the younger age groups again reinforcing their use as a 'starting point' for assessing the need for housing. The need for further adjustments to headship rates to respond to market signals evidence is, however, considered later in this section.

### **Taking Account of Likely Job Growth Identified within the 2015 ELSU**

- 6.16 The 2015 ELSU represents an important update to Wyre's evidence base, and replaces the input employment growth assumptions used within the 2013 SHMA and Addendum 1 report.
- 6.17 The ELSU presents various forecasts of likely job growth, with an adjusted Experian scenario presented as a refined baseline position to take account of known historic job losses which were not recorded. This forms the basis of the range of land requirements concluded within the ELSU, which were tested against alternative economic forecasts in a subsequent Addendum report prepared in December 2015. The 2015 ELSU Addendum report considered two additional economic forecasts from recognised forecasting houses Oxford Economics (OE) and Cambridge Econometrics (CE). The ELSU Addendum identifies for a number of reasons that greater weight should be attached to the adjusted Experian and OE projections for Wyre and by implication less weight should be attached to the CE forecasts. On this basis whilst the implications of the CE forecasts have been modelled and considered in section 4 they are not advanced as informing the OAN in this section.
- 6.18 The application of labour force assumptions closely related to those used within the Addendum 1 in the presentation of 'core' scenarios implies that the Experian Adjusted scenario would result in an implied need for 516 dwellings per annum. This increases to circa 615 dwellings per annum to support the higher levels of job growth forecast by Oxford Economics.
- 6.19 The presentation of updated economic evidence within the ELSU has also led to an updating of modelling assumptions used in aligning labour force change and likely job growth. The ELSU recognises that adjustments are made by Experian when translating job growth into labour force growth, and there are also uncertainties about how job growth can be aligned with population change. To reflect these uncertainties, a range of sensitivities have been considered in this report, developing the consideration of these factors in the 2013 SHMA and the Addendum 1 report.
- 6.20 A sensitivity has been modelled which assumes a reduction in unemployment, reaching pre-recession levels by 2020. This is a longer period of recovery than considered in the Addendum 1 report, but appears reasonable in the context of comparatively strong levels of job growth forecast under the ELSU. The re-use of implied latent labour results in a lesser assumed growth in the labour force through migration, suggesting a smaller need for 462 dwellings per annum over the plan period under the adjusted Experian scenario, and 562 dwellings annually to support Oxford Economics' higher employment forecast. Despite assuming a lower level of net in-migration compared to the core scenario, this continues to suggest a comparatively high level of annual net migration, based on historical evidence.

- 6.21 A further sensitivity also layers on an assumption that the economic activity rates of older parts of the labour-force increase in line with assumptions made by the OBR. Given the comparative ageing of the population in Wyre this has a significant impact, with the modelling suggesting that the existing labour-force supports a higher level of job growth with again a reduction on the implied need for additional migrants to support job growth. This adjustment, coupled with the unemployment adjustment, suggests an implied dwelling need of 384 dwellings per annum under the adjusted Experian scenario and 482 dwellings per annum under the Oxford Economics scenario.
- 6.22 The application of the adjustments to labour-force modelling assumptions highlights the sensitivity of the modelling to these factors. It is recognised that there are considerable uncertainties in relation to the way in which the labour-force will change in the future with this in part a result of the types of jobs forecast and the skillsets of the existing labour-force. The application of the two sensitivities cumulatively implies a level of dwelling need associated with supporting the forecast level of job growth under the Adjusted Experian scenario which falls slightly below the upper end of the demographic scenarios presented in section 3. In this context, it is also important to recognise that the implied change in the population under even the upper end of the demographic scenarios suggests that the working age population of Wyre will fall over the plan period. The application of the comparable labour-force assumptions to the Oxford Economics forecast suggests a higher level of need than all of the demographic projections with job growth of this level requiring an increase in the working-age population.
- 6.23 It is recognised that whilst all of the employment-led forecasts assume a relatively healthy level of job growth the assumption that the working age population will not grow within Wyre over the projection period, as suggested by the demographic trend-based projections and the Adjusted Experian Sens 2 scenario, represents a potential risk with regards to supporting job growth implied by the ELSU, and will need to be considered by the Council as they translate evidence into policy.
- 6.24 It is important to recognise that all of the scenarios presented do not assume any change to commuting rates. Wyre is a significant exporter of labour. Whilst the comparatively strong levels of implied job growth in the authority suggested in the ELSU may impact on commuting rates in the authority this would have implications for the other authorities in the Fylde Coast in particular. Any adjustments relating to assumptions around changing commuting patterns in the HMA / Functional Economic Market Area (FEMA) would need to be agreed through duty to co-operate discussions with impacted authorities.
- 6.25 The 2015 ELSU and Addendum conclude a range of need for employment land which is supported by both the Experian Adjusted scenario and the Oxford Economics forecast<sup>66</sup>. It is asserted within the ELSU Addendum that whilst Oxford Economics forecast a higher level of job growth in Wyre this would nevertheless require a slightly smaller amount of employment land compared to the adjusted Experian scenario. This reflects a greater reliance on higher density office employment. This highlights a level of uncertainty regarding the level of job growth which is likely to arise from the development of the proposed employment land supply required. On the basis that the ELSU Addendum

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<sup>66</sup> Paragraph 4.7 of the 2015 ELR Addendum references the similar implied level of growth in employment land under the two forecasts.

does not propose any adjustment to the range of need for employment land within the ELSU, it is assumed that the Experian Adjusted scenario is considered as suitably representative to inform the OAN for housing, recognising the importance of aligning these two important strands of the evidence base.

- 6.26 It is important to recognise that the ELSU also developed a further job growth scenario, labelled as a 'policy-on' scenario. Within the context of the objective assessment of need, however, this is not advanced in this Addendum, given that the PPG is clear that the OAN should not directly take into account policy factors. The implications of this forecast is modelled and presented in this report, however, and it will be important for the Council to consider the implications of potentially higher levels of job growth in the alignment of housing and employment policies through the Local Plan.

### **Examining Market Signals and Adjustments to Household Formation Rates**

- 6.27 Market signals are analysed in section 5 by benchmarking change in Wyre against neighbouring authorities – including others in the Fylde Coast housing market area – and this suggests that the worsening in market signals in the borough has been comparatively minor. Both house prices and rents have not increased to the extent seen in other areas, while there has been relatively little growth in the number of overcrowded households. Whilst affordability has worsened, this again ranks in a relatively average position, compared to other areas. The analysis also shows that the rate of development has kept pace with planned supply – although completions have slowed over recent years following the recession – while there is little evidence of a significant price premium for residential land in the borough.
- 6.28 There, has, however, been a relatively significant growth in the number of concealed families, suggesting a growing number of families who have not become independent households. This could be driven by a range of factors, including worsening market conditions or challenges in accessing mortgage finance.
- 6.29 Detailed analysis of both historic and projected household formation rates – under the 2012 SNHP – has been undertaken, and this has highlighted that household formation rates of younger households in Wyre have fallen. The 2012 SNHP does not assume a continuation of this fall, although a sensitivity has been developed by Edge Analytics to explore the impact of a reversal of declining household formation amongst younger age groups – where this has not already been anticipated in the 2012 SNHP dataset – to reach a level last seen in 2001. This was around the last period nationally at which the ratio between house prices and earnings was at the long-term average level, and a return to this set of market conditions could suggest a healthier and more sustainable housing market.
- 6.30 Applying this sensitivity to the scenarios results in an increased projected growth in households, generating an additional need for housing. This uplifts the implied housing need by between 14 and 18 additional dwellings annually for each scenario, compared to the core 2012 headship rates. This represents an uplift of approximately 3 - 5% on the overall implied housing need for each scenario.

6.31 This adjustment to household formation rates can be considered reasonable and appropriate in the context of the worsening of some market signals in Wyre. This would enable a return to more positive levels of household formation amongst younger persons, who may have been constrained by both local and wider market conditions.

6.32 Furthermore, though not classified as a market signal, it is recognised that consideration also needs to be given to the calculated level of affordable housing need, within the context of the objective assessment of need. A recent High Court judgement confirmed how the gross unmet need for affordable housing – presented in the Addendum 1 report – should be considered:

*“The Framework makes clear these needs should be addressed in determining the...[Full Objective Assessment of Need (FOAN)], but neither the Framework nor the PPG suggest that they have to be met in full when determining that FOAN. This is no doubt because in practice very often the calculation of unmet affordable housing need will produce a figure which the planning authority has little or no prospect of delivering in practice. This is because the vast majority of delivery will occur as a proportion of open-market schemes and is therefore dependent for its delivery upon market housing being developed”<sup>67</sup>*

6.33 In this context, the High Court judgement then proceeds to reference the PPG, which states:

*“The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.”<sup>68</sup>*

6.34 The assessment of affordable housing need in the Addendum 1 report and 2013 SHMA confirmed that there was a significant level of unmet and likely future need for affordable housing in Wyre. This assessment identified a current unmet gross need for approximately 216 affordable homes, based on the waiting list, although it is noted that none of these were classified as homeless. The analysis of concealed families – drawing upon evidence from the 2011 Census, and considered as a market signal in section 5 – indicated that there were 386 families who did not live in independent households at the time of the Census, although this is not directly taken into account in the affordable housing need calculation in order to avoid double counting and in recognition that a proportion of these may be able to access market housing. This scale of unmet needs of households who are not currently housed should be considered in the context of headship rate adjustments – identified previously in this section – which assume a return to more positive formation rates for younger households, therefore assuming a reduction in concealed households.

6.35 The calculation of affordable housing need also took account of known supply over the next five years, and also sought to meet the net additional needs generated by newly

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<sup>67</sup> Borough Council of Kings Lynn and West Norfolk v Secretary of State for Communities and Local Government, ELM Park Holdings Ltd, [2015] EWHC 2464 (Admin)

<sup>68</sup> [http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph\\_029](http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_029)

forming and existing households falling into need. This suggested that 339 affordable homes would be needed annually, with provision of this scale clearing the backlog over the next five years and subsequently requiring 299 affordable homes per annum thereafter to meet newly arising needs over the remainder of the plan period.

6.36 It is important to recognise, however, that within this calculation of affordable housing need, newly forming households<sup>69</sup> represent a component of the demographic housing need modelled by Edge Analytics (2012 SNHP) which forms the ‘starting point’ for the overall assessment of housing need. Within the newly arising need, there is also almost 100 households requiring affordable housing but already housed in the private market, who would free up a property for occupation by another household if an affordable home was provided. There is therefore a complex relationship between affordable housing provision and market housing, which needs to be carefully considered in accommodating affordable housing needs in full.

6.37 Within the High Court judgement, it is identified that paragraph 159 of the framework requires ‘*that the SHMA addresses these needs determining the FOAN*’ and that:

*‘...when paragraph 47 of the Framework requires the local plan to meet “the full objectively assessed needs for market and affordable housing,” that is the figure determined by the SHMA required by the paragraph 159 of the Framework for the purpose of identifying the FOAN. That process, guided by the PPG, seeks to meet household and population projections (taking account of migration and demographic change), and to address the need for types of housing including affordable housing.’*

6.38 Recognising the high level of affordable housing need identified, it will be important for the Council to seek to maximise the delivery of affordable housing through the provision of market housing. It is important to highlight that a significant amount of this need relates to existing households or those projected to form under the 2012 SNHP, and this would therefore not add to the overall need for housing.

6.39 In addition to the above, any associated uplift to assist in supporting the provision of affordable housing needs to be considered in the context of the implied adjustments to the demographic projections – including adjustments to headship rates – and in taking account of economic signals. The implications of providing for a level of overall housing above that suggested under the scenarios considered in this section need to be considered to establish the consequences affecting the balance between jobs and labour force change.

6.40 This is considered further in the following section in identifying the implications for the updated objective assessment of need.

### **Implications for the OAN in Wyre**

6.41 The 2013 SHMA concluded that the objectively assessed needs for Wyre lay between a range of approximately 340 and 485 dwellings per annum<sup>70</sup>.

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<sup>69</sup> Step 4.1 of the calculation presented in section 6 of the Addendum 1 report

<sup>70</sup> Paragraphs 11.37 – 11.40

- 6.42 The Addendum 1 report continued to identify this as an appropriate range, although it was noted that the 10 year migration-led projections of need implied that the lower end of this range potentially under-estimated need if UPC was excluded in full. The SHMA and the Addendum 1 report highlighted the importance of taking account of future demographic and economic evidence in considering the OAN for the borough.
- 6.43 The summary of the evidence presented in this report above has highlighted a number of implications for considering an updated OAN in Wyre.
- 6.44 The application of the 2012 SNHP headship rates results in a higher level of household growth for the demographic projections than that implied in the Addendum 1 report. In alignment with the Addendum 1 report, the 10 year migration-led scenario is considered to represent the minimum demographic starting point in the context of the analysis of historic population change and migration in particular.
- 6.45 Analysis of market signals provides a justification for applying a positive adjustment to household formation rates for younger households. This is also considered important in the context of the evidenced affordable housing need in Wyre.
- 6.46 Supporting the adjusted Experian forecast level of job growth within the ELSU requires a further uplift. This reflects the ageing population of Wyre, which impacts on the future size of the labour force. The analysis has considered a range of labour force sensitivities, which suggests – as a minimum – that 400 dwellings per annum would be needed to support job growth. The range, however – recognising the uncertainties in aligning jobs and houses – extends to 479 dpa, which represents a scenario which does not directly make more marked changes to older persons economic activity rates. This range aligns with the conclusions of the ELSU, although it is noted within this assessment that a higher level of job growth – based on a Policy On scenario or higher job growth forecast by Oxford Economics as referenced in the ELSU Addendum – could generate a greater need for housing if achieved.
- 6.47 The application of the adjustments to account for demographic, market and economic signals suggests an OAN range for Wyre of between 400 and 479 dwellings per annum over the period from 2011 to 2031.
- 6.48 Comparing the OAN range with average historic rates of provision suggests that it would represent a significant boosting of supply. The analysis of historic rates of provision confirmed that Wyre has delivered on average approximately 240 dwellings per annum between 2003/04 and 2014/15. Delivering against the OAN range would imply a boosting of housing provision of between 66% and 100%. Providing at this level of development would, it is considered, have a significant beneficial impact on addressing identified affordability issues in the authority in accordance with the PPG.
- 6.49 Within this range, it is recommended that emphasis is placed on the upper end. The upper end of the range approximately translates into a 1% growth in dwellings annually in Wyre, which whilst representing a higher level of growth than seen over recent years is not disproportionately high when considered in a national context of projected growth and need.

- 6.50 In recommending the upper end of the range, this recognises in particular that the lower end of this range suggests that the working age population in Wyre will fall over the projection period, potentially representing a risk for supporting the scale of job growth implied within the ELSU. The lower end of the range also falls below the upper end of the projections considering potential demographic needs. Whilst it is recognised that there is a notable degree of uncertainty regarding the treatment of UPC, with the 2011 Census identifying a significant over-estimate of population change in the authority, the 10 year migration led scenario excluding any correction for this over-estimate implies a need for 436 dwellings per annum. Whilst given the scale of the UPC in Wyre the full exclusion of this component runs the risk of over-estimating implied future growth of the population on demographic factors alone, it is apparent that the latest 2014 ONS MYE suggest a level of net migration which is more closely aligned to the higher end of the demographic range, albeit it is noted that this reflects only one year of data over a twenty year projection period.
- 6.51 In the context of recommending that weight be given to the upper end of the range, it is also evident that there is a relatively high need for affordable housing in Wyre, and providing for the upper end of this range would serve to support the delivery of higher levels of affordable housing.
- 6.52 The applied adjustments and the implications for the OAN are summarised within the following table.

**Figure 6.1: Considering the OAN for Wyre**

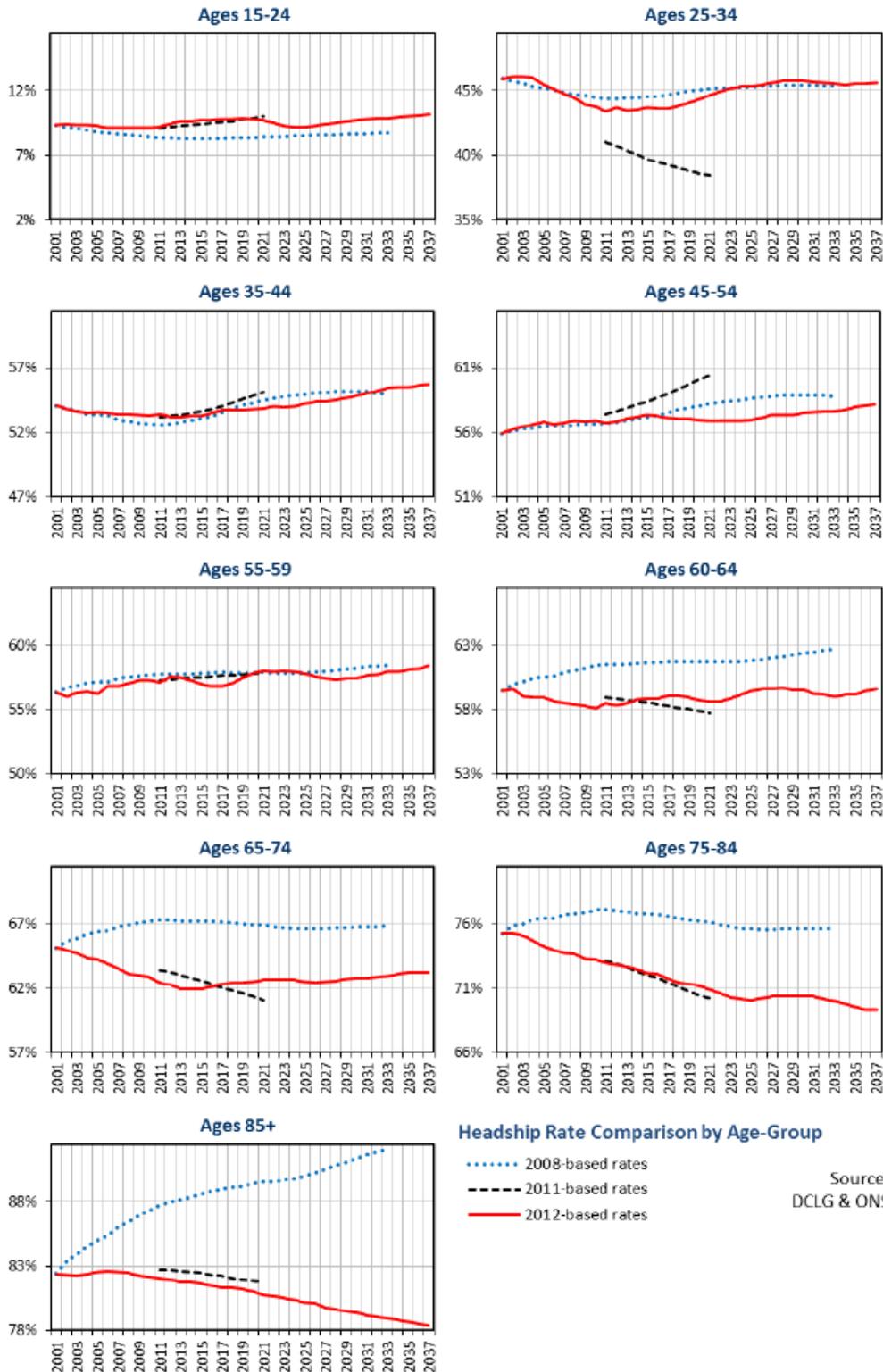
	Annual average projected housing need 2011 – 2031	Implied uplift from demographic starting point
2012 SNHP	279	–
Adjusted minimum demographic starting point <i>Addendum 1 conclusion</i>	348	–
Adjustment to take account of market signals and historic constraint of household formation	362	4%
Adjustment to align labour force growth with forecast job growth <i>ELSU Adjusted Experian Baseline scenario with variant labour force adjustments</i>	400 – 479	15% – 38%
<b>Recommended OAN range</b>	<b>400 – 479</b>	<b>15 – 38%</b>

Source: Turley, Edge Analytics, 2015

- 6.53 The updated range continues to fall within that identified within the 2013 SHMA. In accordance with the Addendum 1 report whilst there remains a strong alignment between the concluded level of need, this updated range needs to be considered in the context of housing need both evidenced and planned for across the wider housing market area.

# Appendix 1: DCLG SNHP Headship Rate Analysis

A series of charts are presented below, comparing the household representative rates projected under each of the last three DCLG SNHP models broken down by age groupings for Wyre.

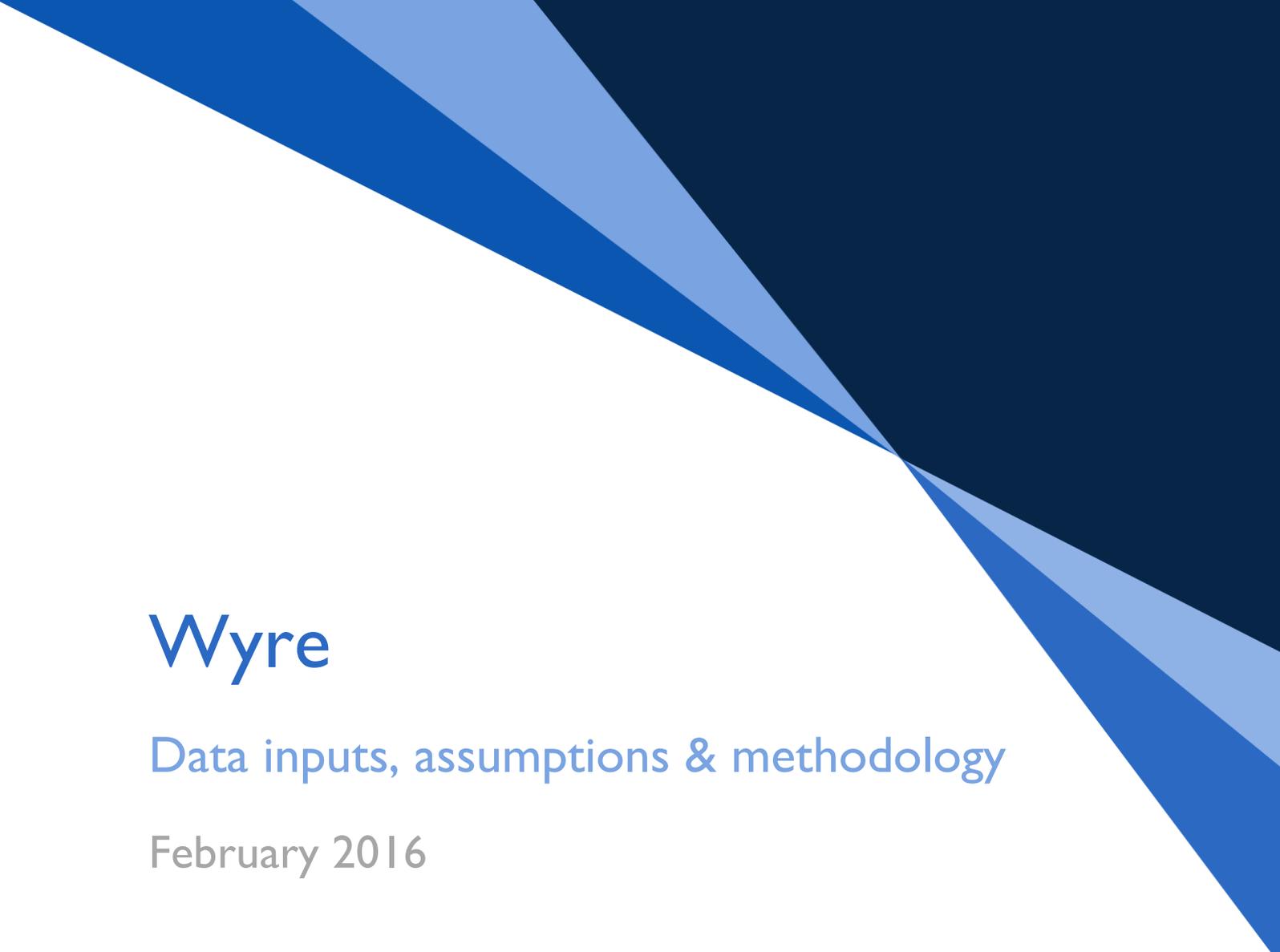


In many cases, it is apparent from the charts that there are notable differences in the projected change to household formation rates between different projections. The 2011 SNHP dataset in particular stands out in terms of presenting a notable variation of trend to the other two datasets in a number of examples.

It is possible to pick out a number of important differences and trends:

- **Younger age groups** – for the age group 15 – 24, the projections are relatively consistent, with all essentially showing formation rates holding steady. For the age group 25-34, the 2012 SNHP suggest a slightly more pronounced fall in formation rates up to around 2023 than the 2008 SNHP. The two projections however suggest a comparable rate post 2023. The 2011 SNHP shows a notably different set of rates, with a pronounced fall from a lower base point;
- **More mature households** – the age group 35-44 is shown to have had a relatively limited uplift in rates between the two Census years. In Wyre, the 2008 SNHP projected a slightly more rapid uplift in formation rates for this age group than the 2012 SNHP, although by 2033 the two datasets project a comparable rate. The 2008 SNHP projected a modest uplift to rates for those aged 45 – 54, with the 2012 SNHP projecting very little change over the full projection period for this age group. The ability of these age groups to form new households is less likely to be affected by affordability issues, and it could be reasonable to assume that these trends are driven by other factors, including changing relationship status trends. It is also important to note that the 2012 SNHP consistently assume a modest increase in formation rates from 2001 levels by the end of the projection period; and
- **Older households** – for the majority of the older age groups, the 2008 SNHP suggests that household formation rates will be higher than the other datasets. The 2012 SNHP suggest a relatively similar trend to the 2008 SNHP for these age groups, albeit from a different starting point in 2011. The only exception is for those where the head of household is aged 85+ with the 2008 SNHP projecting a significant increase in rates in contrast to the 2012 SNHP and 2011 SNHP, which both suggest a modest decrease in rates for this age group. Again, it is considered that these older age groups are less likely to be directly affected by affordability issues as a factor in constraining their ability to form.

## **Appendix 2: Edge Analytics: Data inputs, assumptions & methodology**



# Wyre

## Data inputs, assumptions & methodology

February 2016

edgeanalytics

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# POPGROUP Methodology

## Forecasting Methodology

- 1.1 Evidence is often challenged on the basis of the appropriateness of the methodology that has been employed to develop growth forecasts. The use of a recognised forecasting product which incorporates an industry-standard methodology (a cohort component model) removes this obstacle and enables a focus on assumptions and output, rather than methods.
- 1.2 Demographic forecasts have been developed using the POPGROUP suite of products. POPGROUP is a family of demographic models that enables forecasts to be derived for population, households and the labour force, for areas and social groups. The main POPGROUP model (Figure 1) is a cohort component model, which enables the development of population forecasts based on births, deaths and migration inputs and assumptions.
- 1.3 The Derived Forecast (DF) model (Figure 2) sits alongside the population model, providing a headship rate model for household projections and an economic activity rate model for labour-force projections.
- 1.4 The latest development in the POPGROUP suite of demographic models is POPGROUP v.4, which was released in January 2014. A number of changes have been made to the POPGROUP model to improve its operation and to ensure greater consistency with ONS forecasting methods. The most significant methodological change relates to the handling of internal migration in the POPGROUP forecasting model. The level of internal in-migration to an area is now calculated as a rate of migration relative to a defined 'reference population' (by default the UK population), rather than as a rate of migration relative to the population of the area itself (as in POPGROUP v3.1). This approach ensures a closer alignment with the 'multi-regional' approach to modelling migration that is used by ONS.
- 1.5 For further information on POPGROUP, please refer to the Edge Analytics website: <http://edgeanalytics.co.uk/popgroup>.

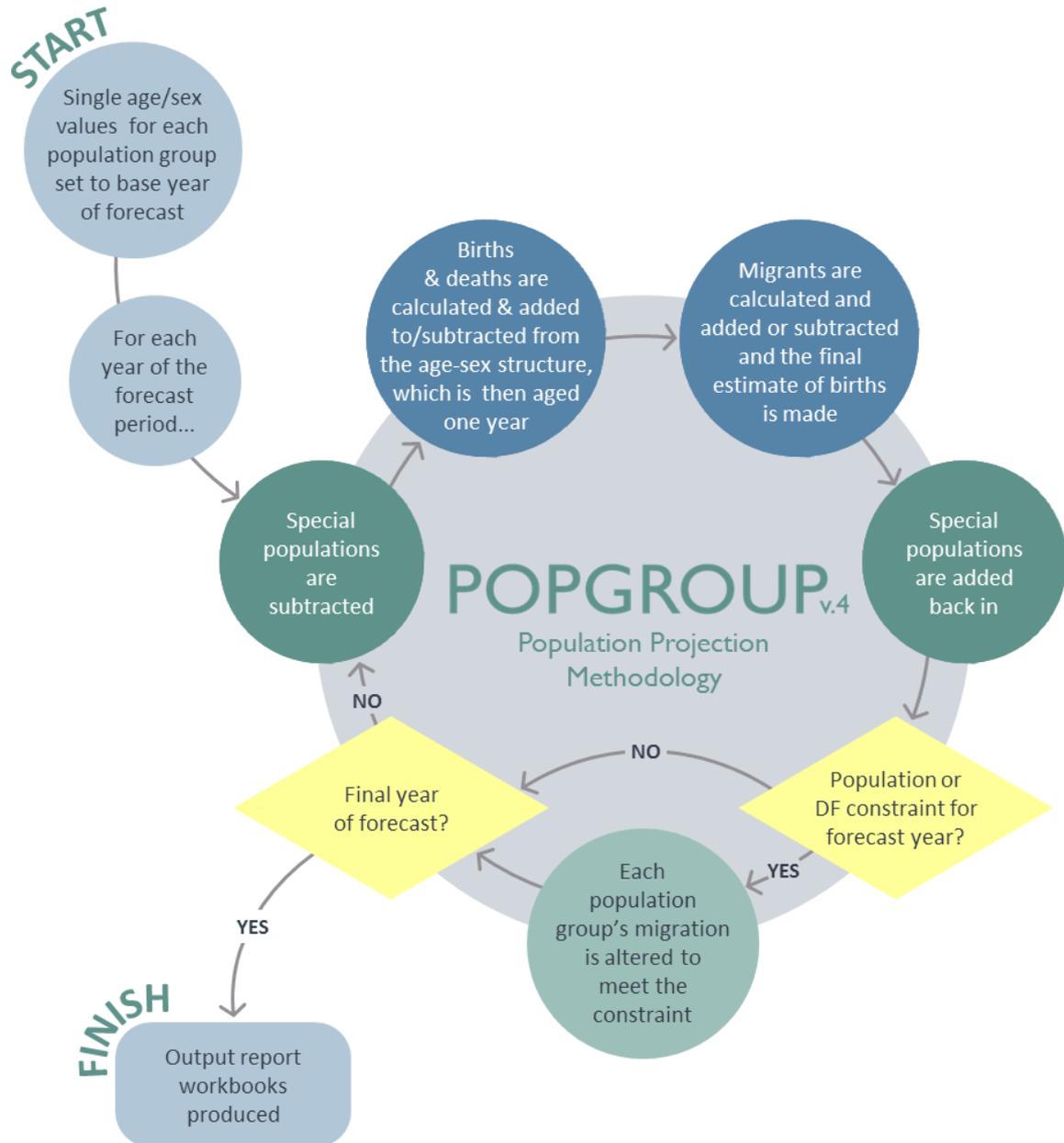
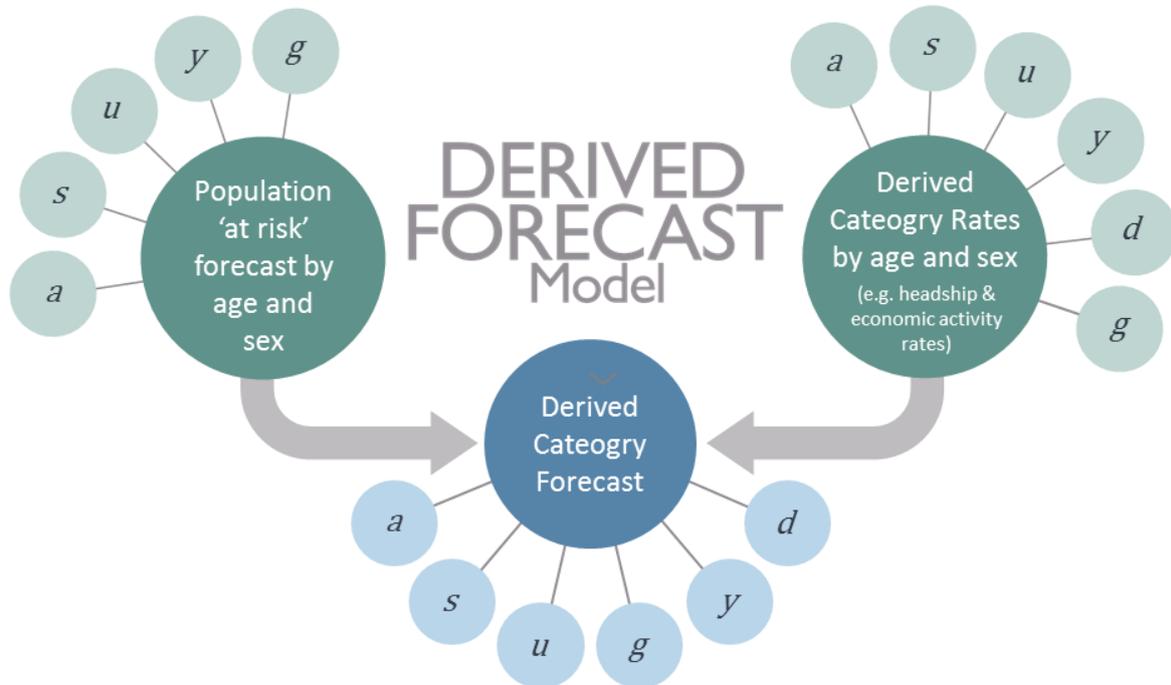


Figure 1: POPGROUP population projection methodology



$$D_{a,s,u,y,d,g} = \frac{P_{a,s,u,y,g} R_{a,s,u,y,d,g}}{100}$$

<i>D</i>	Derived Category Forecast	<i>y</i>	Year
<i>P</i>	Population 'at risk' Forecast	<i>d</i>	Derived category
<i>R</i>	Derived Category Rates	<i>g</i>	Group (usually an area, but can be an ethnic group or social group)
<i>a</i>	Age-group		
<i>s</i>	Sex		
<i>u</i>	Sub-population		

Figure 2: Derived Forecast (DF) methodology

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# 2 Data Inputs & Assumptions

## Introduction

- 2.1 Edge Analytics has developed a range of scenarios for Wyre using POPGROUP v.4 and the Derived Forecast model. The POPGROUP suite of demographic models draws data from a number of sources, building an historical picture of population, households, fertility, mortality and migration on which to base its scenario forecasts.
- 2.2 Using historical data evidence for 2001–2014, in conjunction with information from ONS sub-national population projections (SNPPs) and DCLG household projections, a series of assumptions have been derived which drive the scenario forecasts.

## Scenario Definition

- 2.3 The following scenarios have been developed for Wyre using POPGROUP v.4 technology. Note that the names in brackets indicate the scenario names used in the Turley report:

### Official Projection:

- SNPP-2012

### Alternative Trend Scenarios:

- PG-10Yr (Migration-led 10yr)
- PG-10Yr-X (Migration-led 10yr (x))
- MYE 2014
- MYE 2014 X

### Jobs-led Scenarios:

- ELR Adjusted (Adjusted Experian Baseline)
- ELR Policy-on (Job Growth Policy On)
- Cambridge Econometrics
- Oxford Economics

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## Headship Rates

- 2.4 Household growth has been assessed using assumptions from the latest 2012-based household projection model from the Department for Communities and Local Government (DCLG). Scenarios run with these headship rates are identified with the **HH-12** suffix.
- 2.5 Additionally, each scenario has also been run with a 'return' set of headship rates, in which the headship rates for the 25–29 age groups are returned to their respective 2001 values by 2022. Scenarios run with these headship rates are identified with the **HH-12R** suffix.
- 2.6 The **SNPP-2012** scenario has also been run with an alternative set of 'return' headship rates (**HH-12R2**). In these, the 2012-based headship rates are applied but the rates of 25–44 age groups have been returned to their respective 2008-based rates by 2022, following the trend in the 2012-based rates thereafter.
- 2.7 Unlike in the **HH-12** and **HH-12R** rates, which are based on Stage 1 data from the 2012-based household projection model (i.e. rates by age, sex and relationship status), the **HH-12R2** rates are based on Stage 2 data (i.e. rates by age and household type). Further information on this is provided in the following sections.

## Economic Assumptions

- 2.8 The scenarios listed above have been run with two alternative unemployment rate profiles:
- In the scenarios with a '**UR**' suffix, the unemployment rate has been incrementally reduced.
  - In scenarios without the '**UR**' suffix, a fixed unemployment rate has been applied.
- 2.9 Two different sets of economic activity rates have also been applied to each scenario:
- Scenarios with an '**SPA**' suffix have been run using economic activity rates with adjustments made to the 60–69 age groups to reflect changes to the State Pension Age.
  - In scenarios with an '**OBR**' suffix, the economic activity rates for ages 60–74 have been adjusted to reflect the OBR labour market projections.
- 2.10 In the following sections, a narrative on the data inputs and assumptions underpinning the scenarios is presented. Note that all scenarios have a base year of 2013, with the exception of the **MYE 2014** scenarios, which have a base year of 2014.

## Official Projection

- 2.11 In accordance with the PPG, the scenario alternatives are ‘benchmarked’ against the most recent official population projections from the ONS, the 2012-based SNPP, which was released in May 2014. The ‘**SNPP-2012**’ scenario replicates this official population projection.
- 2.12 Note that the **HH-12R2** headship rates have only been applied to this scenario.

## Alternative Trend Scenarios

- 2.13 Four alternative trend scenarios have been developed using the latest mid-year population estimates for Wyre (Figure 3):

- **PG-10yr**: internal migration rates and international migration flow assumptions are based on the last 10 years of historical evidence (2003/04 to 2012/13), with the UPC component *included* in the international migration assumptions.
- **PG-10yr-X**: internal migration rates and international migration flow assumptions are based on the last 10 years of historical evidence (2003/04 to 2012/13), with the UPC component *excluded* from the international migration assumptions.
- **MYE 2014**: internal migration rates and international migration flow assumptions are based on the last 10 years of historical evidence (2004/05 to 2013/14), with the UPC component *included* in the international migration assumptions.
- **MYE 2014-X**: internal migration rates and international migration flow assumptions are based on the last 10 years of historical evidence (2004/05 to 2013/14), with the UPC component *excluded* from the international migration assumptions.

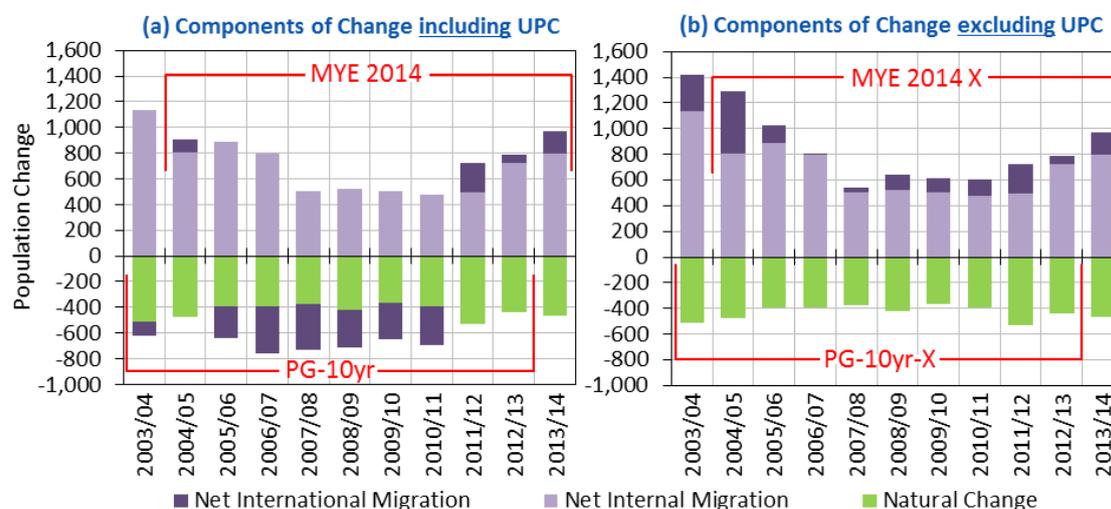


Figure 3: Historical components of change (2004/05–2013/14) used in the calibration of the future migration assumptions in the **PG-10yr** and **MYE 2014** scenarios (source: ONS)

## Jobs-led Scenarios

- 2.14 In a 'jobs-led' scenario, population growth is determined by the scale of future jobs growth within an area. Migration is used to balance the relationship between the size of the population's labour force and the forecast number of jobs. A higher level of net in-migration will occur if there is insufficient population and resident labour force to meet the forecast number of jobs. A higher level of net out-migration will occur if the population is too high relative to the forecast number of jobs.
- 2.15 Four employment forecasts have been used to develop the jobs-led scenarios for Wyre, supplied by Experian, Cambridge Econometrics and Oxford Economics. Using these forecasts, four jobs-led scenarios have been produced, each with a defined annual jobs growth targets applied from 2013/14 to 2030/31. The levels of jobs growth 2011–2031 for each of these employment forecasts are summarised in Table 1 and Figure 4.

Table 1: Wyre Jobs-led scenario

Scenario	Total Jobs Growth 2011–2031	Average Annual 2011–2031
ELR Adjusted	+2,523	126 p.a.
ELR Policy-on	+3,558	178 p.a.
Cambridge Econometrics	+1,137	57 p.a.
Oxford Economics	+4,304	215 p.a.

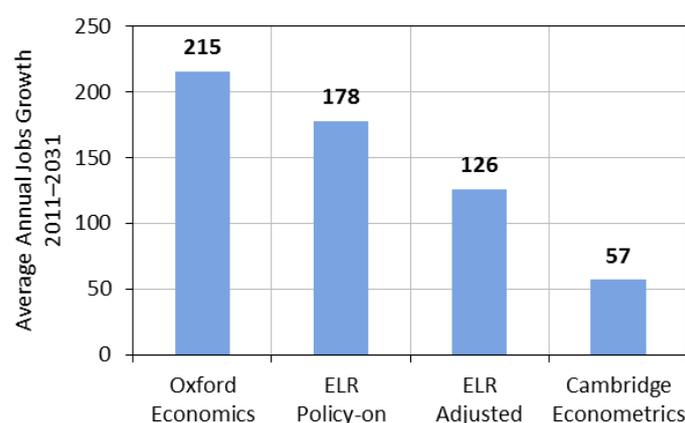


Figure 4: Average annual jobs growth figures for the 4 employment forecasts for Wyre

- 2.16 In a jobs-led scenario, population growth is determined from the defined jobs growth trajectory using three key assumptions: the economic activity rates, unemployment rate and commuting ratio. See paragraphs 2.56 to 2.73 for detail on these assumptions.

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## Population, Births & Deaths

### Population

- 2.17 In each scenario, historical population statistics are provided by the mid-year population estimates (MYEs), with all data recorded by single-year of age and sex. These data include the revised MYEs for 2002–2010, which were released by the ONS in May 2013. The revised MYEs provide consistency in the measurement of the components of change (i.e. births, deaths, internal migration and international migration) between the 2001 and 2011 Censuses.
- 2.18 In the **SNPP-2012** scenario, the historical MYEs are defined up to 2012. From 2012, future population counts are provided by single-year of age and sex to ensure consistency with the trajectory of the ONS 2012-based SNPP.
- 2.19 In the **MYE 2014** and **MYE 2014 X** scenarios, the historical MYEs are defined up to 2014.
- 2.20 In the **PG-10yr**, **PG-10yr-X** and the **jobs-led** scenarios, the historical MYEs are defined up to 2013.

### Births & Fertility

- 2.21 In each scenario, historical mid-year to mid-year counts of births by sex have been sourced from the ONS MYEs.
- 2.22 In the **SNPP-2012** scenario, historical births are defined from 2001/02 to 2011/12. From 2012/13, future counts of births are specified, to ensure consistency with the 2012-based official projection.
- 2.23 In the **PG-10yr**, **PG-10yr-X** and the **jobs-led** scenarios, historical births are defined from 2001/02 to 2012/13. From 2013/14, an area-specific age-specific rate (ASFR) schedule, derived from the ONS 2012-based SNPP, is included in the POPGROUP model assumptions. Long-term assumptions on changes in age-specific fertility rates are taken from the ONS 2012-based SNPP.
- 2.24 In the **MYE 2014** and **MYE 2014 X** scenarios, historical births are defined from 2001/02 to 2013/14. From 2014/15, an area-specific age-specific rate (ASFR) schedule, derived from the ONS 2012-based SNPP, is included in the POPGROUP model assumptions. Long-term assumptions on changes in age-specific fertility rates are taken from the ONS 2012-based SNPP.

- 2.25 In combination with the ‘population-at-risk’ (i.e. all women between the ages of 15–49), the area-specific ASFR and future fertility rate assumptions provide the basis for the calculation of births in each year of the forecast period (i.e. from 2013 or 2014 onwards, depending on the scenario).

## Deaths & Mortality

- 2.26 In each scenario, historical mid-year to mid-year counts of deaths by 5-year age group and sex have been sourced from the ONS MYEs.
- 2.27 In the **SNPP-2012** scenario, historical deaths are defined from 2001/02 to 2011/12. From 2012/13, future counts of deaths are specified, to ensure consistency with the 2012-based official projection.
- 2.28 In the **PG-10yr**, **PG-10yr-X** and the **jobs-led** scenarios, historical deaths are defined from 2001/02 to 2012/13. From 2013/14, an area-specific age-specific mortality rate (ASMR) schedule, derived from the ONS 2012-based SNPP, is included in the POPGROUP model assumptions. Long-term assumptions on changes in age-specific mortality rates are taken from the ONS 2012-based SNPP.
- 2.29 In the **MYE 2014** scenarios, historical deaths are defined from 2001/02 to 2013/14. From 2014/15, an area-specific age-specific mortality rate (ASMR) schedule, derived from the ONS 2012-based SNPP, is included in the POPGROUP model assumptions. Long-term assumptions on changes in age-specific mortality rates are taken from the ONS 2012-based SNPP.
- 2.30 In combination with the ‘population-at-risk’ (i.e. the whole population), the area-specific ASMR and future mortality rate assumptions provide the basis for the calculation of deaths in each year of the forecast period (i.e. from 2013 onwards).

## Migration

### Internal Migration

- 2.31 In each scenario, historical mid-year to mid-year estimates of internal in- and out-migration by 5-year age group and sex have been sourced from the ‘components of population change’ files that underpin the ONS MYEs. These internal migration flows are estimated using data from the

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Patient Register (PR), the National Health Service Central Register (NHSCR) and the Higher Education Statistics Agency (HESA).

- 2.32 In the **SNPP-2012** scenario, historical counts of internal in and out-migrants are defined from 2001/02 to 2011/12. From 2012/13, future counts of migrants are specified, to ensure consistency with the 2012-based official projection.
- 2.33 In the **PG-10yr** and **PG-10yr-X** scenarios, historical counts of internal in and out-migrants are defined from 2001/02 to 2012/13. In the **MYE 2014** and **MYE 2014 X** scenarios, historical counts of migrants are defined from 2001/02 to 2013/14.
- 2.34 From 2013/14 in the **PG-10yr** and **PG-10yr-X** scenarios and from 2014/15 in the **MYE 2014** and **MYE 2014 X** scenarios, future internal migration flows are based on the area-specific historical migration data over the relevant 10-year historical period. This historical data is used to derive the age-specific migration rate (ASMigR) schedules, which are then used to determine the future number of internal in- and out-migrants from the first year of the forecast (i.e. either 2013/14 or 2014/15).
- 2.35 In the case of internal in-migration, the ASMigR schedules are applied to an external 'reference' population (i.e. the population 'at-risk' of migrating *into* the area). This is different to the other components (i.e. births, deaths, internal out-migration), where the schedule of rates is applied to the area-specific population (i.e. the population 'at-risk' of migrating *out* of the area). The reference population is defined by considering the areas which have historically contributed the majority of migrants into the area. In the case of Wyre, the reference population comprises all districts which cumulatively contributed 70% of migrants to the Lancashire Local Economic Partnership (LEP).
- 2.36 In the **jobs-led** scenarios, historical counts of internal in and out-migrants are defined from 2001/02 to 2012/13. From 2013/14, the **jobs-led** scenarios then calculate their own internal migration assumptions to ensure an appropriate balance between the population and the targeted increase in the number of jobs that is defined in each year of the forecast period. A higher level of net internal migration will occur if there is insufficient population and resident labour force to meet the forecast number of jobs. In the **jobs-led** scenarios, the profile of internal migrants is defined by an ASMigR schedule, derived from the ONS 2012-based SNPP.

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## International Migration

- 2.37 In each scenario, historical mid-year to mid-year counts of immigration and emigration by 5-year age group and sex have been sourced from the 'components of population change' files that underpin the ONS MYEs. Any 'adjustments' made to the MYEs to account for asylum cases are included in the international migration balance.
- 2.38 In all scenarios, future international migrant counts are specified.
- 2.39 In the **SNPP-2012** scenario, historical counts of migrants are defined from 2001/02 to 2011/12. From 2012/13, the international in- and out-migration counts are drawn directly from the 2012-based official projection.
- 2.40 In the **PG-10yr** and **PG-10yr-X** scenarios, historical mid-year to mid-year counts of immigration and emigration by 5-year age group and sex are defined from 2001/02 to 2012/13. In the **MYE 2014** and **MYE 2014 X** scenarios, historical mid-year to mid-year counts of immigration and emigration by 5-year age group and sex are defined from 2001/02 to 2013/14. From the first year of the forecast (i.e. either 2013/14 or 2014/15), future international migration counts are derived from the area-specific historical migration data over the relevant 10-year historical period. An ASMigR schedule of rates is derived from the 10-year migration history and is used to distribute future counts by single year of age.
- 2.41 Implied within the international migration component of change in the **PG-10yr** and **MYE 2014** scenarios is a UPC figure, which ONS identified within its latest mid-year estimate revisions. The UPC component has been assigned to the international migration component as this is the component with which it is most likely associated. In the **PG-10yr-X** and **MYE 2014-X** scenarios, the UPC component has been *excluded* from the international migration component (see Figure 3 on page 6).
- 2.42 In the **jobs-led** scenarios, international migration counts are taken from the ONS 2012-based SNPP (i.e. counts are consistent with the **SNPP-2012** scenario). An ASMigR schedule of rates from the ONS 2012-based SNPP is used to distribute future counts by single year of age.

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## Households & Dwellings

- 2.43 The 2011 Census defines a household as: *“one person living alone, or a group of people (not necessarily related) living at the same address who share cooking facilities and share a living room or sitting room or dining area.”*
- 2.44 In POPGROUP, a dwelling is defined as a unit of accommodation which can either be occupied by one household or vacant.
- 2.45 In all scenarios, the household and dwelling implications of the population growth trajectory have been evaluated through the application of headship rate statistics, communal population statistics and a dwelling vacancy rate. These data assumptions have been sourced from the 2001 and 2011 Censuses and from the latest 2012-based DCLG household projection model and the earlier 2008-based model.

### Household Headship Rates

- 2.46 A household headship rate (also known as household representative rate) is the *“probability of anyone in a particular demographic group being classified as being a household representative”*<sup>1</sup>.
- 2.47 The DCLG household projections are derived through the application of projected headship rates to a projection of the private household population. The methodology used by DCLG in its household projection models consists of two distinct stages:
- **Stage One** produces the national and local authority projections for the total number of households by sex, age-group and relationship-status group over the projection period.
  - **Stage Two** provides the detailed ‘household-type’ projection by age-group, controlled to the previous Stage One totals.
- 2.48 Three alternative sets of headship rates have been used in the Wyre modelling:
- **HH-12**: 2012-based headship rates
  - **HH-12R** (HH-12 Return): 2012-based headship rates, with the rates by age, sex and relationship status for the 20–24, 25–29 and 35–39 age groups returned to their 2001 values by 2022. From 2022, the headship rates follow the original trajectory of growth.

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<sup>1</sup> Household Projections 2012-based: Methodological Report. DCLG( February 2015).

- **HH-12R2** (HH-12 Return 2): 2012-based headship rates, with the rates by age and household type for the 25–44 age groups returning to their respective 2008-based rates by 2022, following the trend in the 2012-based rates thereafter.

2.49 The **HH-12** and **HH-12R** rates are based on the 2012-based Stage One data, for consistency with the scenarios previously provided for Wyre. The **HH-12R2** rates are based on the 2008-based and 2012-based Stage Two data (which became available in December 2015).

2.50 In POPGROUP, the 2012-based Stage One headship rates (i.e. **HH-12** and **HH-12R**) are defined by sex, 5-year age group and relationship status (Table 2). The Stage One rates therefore determine the likelihood of person in a particular age-group, sex and relationship status being head of a household in a particular year, given the age-sex structure of the population.

Table 2: 2012-based headship rate classification household type classification

DCLG Category	Description
Single	Not in a couple – marital status single
Couple	In a couple (whether married or cohabiting)
Previously Married	Not in a couple – marital status previously married

2.51 The Stage Two headship rates (i.e. **HH-12R**) are defined by 10-year age and an 8-fold household type classification (Table 3). The Stage Two rates therefore determine the likelihood of person in a particular age-group being head of a particular household in a particular year, given the age-sex structure of the population.

Table 3: 2012-based headship rate classification household type classification

DCLG Category	Description
One person male	One person households: Male
One person female	One person: Female
Couple no child	One family and no others: Couple households: No dependent children
Cple+adlts no child	A couple and one or more other adults: No dependent children
One child	Households with one dependent child
Two children	Households with two dependent children
Three+ children	Households with three or more dependent children
Other households	Other households with two or more adults

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## Communal Population Statistics

- 2.52 Household projections in POPGROUP exclude the population ‘not-in-households’ (i.e. the communal/institutional population). These data are drawn from the DCLG 2012-based household projections, which use statistics from the 2011 Census. Examples of communal establishments include prisons, residential care homes and student halls of residence.
- 2.53 For ages 0–74, the number of people in each age group not-in-households is fixed throughout the forecast period. For ages 75–85+, the proportion of the population not-in-households is recorded. Therefore, the population not-in-households for ages 75–85+ varies across the forecast period depending on the size of the population.

## Vacancy Rate

- 2.54 The relationship between households and dwellings in all scenarios is modelled using a ‘vacancy rate’, sourced from the 2011 Census. The vacancy rate is calculated using statistics on households (occupied, second homes and vacant) and dwellings (shared and unshared).
- 2.55 A vacancy rate of 5.4% for Wyre has been applied, fixed throughout the forecast period. Using this vacancy rates, the ‘dwelling requirement’ of each household growth trajectory has been evaluated.

## Labour Force & Jobs

- 2.56 In all but the **jobs-led** scenarios, the labour force and jobs growth implications of the population growth trajectory have been evaluated through the application of three key data items: economic activity rates, a commuting ratio and an unemployment rate.
- 2.57 In the **jobs-led** scenarios, these three data items are used to determine the population growth required by the defined jobs growth trajectories.

## Economic Activity Rates

- 2.58 The economic activity rates determine the size of the labour force. The labour force includes those in employment and those who are unemployed. Economic activity rates by five year age group (ages 16–74) and sex have been derived from 2001 and 2011 Census statistics. For Wyre,

rates of economic activity increased most noticeably for women between the 2001 and 2011 Censuses (Figure 5).

- 2.59 The 2011 Census statistics include an open-ended 65+ age category, so economic activity rates for the 65–69 and 70–74 age groups have been estimated using a combination of Census 2011 tables, disaggregated using evidence from the 2001 Census. Between 2001 and 2011, the rates are linearly interpolated.
- 2.60 Two alternative economic activity rate profiles have been applied to each of the scenarios:
- Scenarios with an ‘**SPA**’ suffix have been run using economic activity rates with adjustments made to the 60–69 age groups to reflect changes to the State Pension Age.
  - In scenarios with an ‘**OBR**’ suffix, the economic activity rates for ages 60–74 have been adjusted to reflect the OBR labour market projections.

### *SPA Adjusted EA Rates*

- 2.61 In the rates with the ‘**SPA**’ suffix, Edge Analytics has made changes to the age-sex specific economic activity rates to take account of changes to the State Pension Age (SPA) and to accommodate potential changes in economic participation which might result from an ageing but healthier population in the older labour-force age-groups.
- 2.62 The SPA for women is increasing from 60 to 65 by 2018, bringing it in line with that for men. Between December 2018 and April 2020, the SPA for both men and women will then rise to 66. Under current legislation, the SPA will be increased to 67 between 2034 and 2036 and 68 between 2044 and 2046. It has been proposed that the rise in the SPA to 67 is brought forward to 2026–2028<sup>2</sup>.
- 2.63 ONS published its last set of economic activity rate forecasts from a 2006 base<sup>3</sup>. These incorporated an increase in SPA for women to 65 by 2020 but this has since been altered to an accelerated transition by 2018 plus a further extension to 66 by 2020. Over the 2011–2020 period, the ONS forecasts suggested that male economic activity rates would rise by 5.6% and

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<sup>2</sup> <https://www.gov.uk/changes-state-pension>

<sup>3</sup> ONS January 2006, Projections of the UK labour force, 2006 to 2020  
<http://www.ons.gov.uk/ons/rel/lms/labour-market-trends--discontinued-/volume-114--no--1/projections-of-the-uk-labour-force--2006-to-2020.pdf>

11.9% in the 60-64 and 65-69 age groups respectively. Corresponding female rates would rise by 33.4% and 16.3% (Table 4).

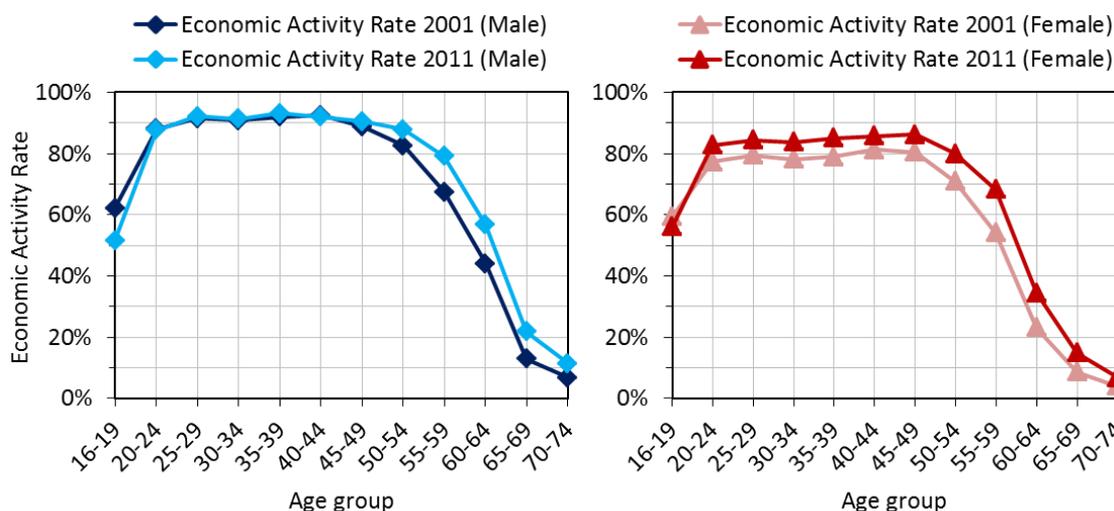


Figure 5: Wyre Economic activity rates: 2001 and 2011 Census comparison (source: ONS)

Table 4: ONS Labour Force Projection 2006 – Economic Activity Rates 2011–2020. Source: ONS

		% Change 2011 - 2020						
Sex	Age	16-24	25-34	35-44	45-59	60-64	65-69	70-74
Males		-3.1%	-0.8%	-0.7%	0.3%	5.6%	11.9%	-5.6%
Females		-1.2%	1.8%	0.4%	3.9%	33.4%	16.3%	0.0%

2.64 To take account of planned changes to the SPA, the following modifications have been made to the Edge Analytics economic activity rates:

- Women aged 60–64: 40% increase from 2011 to 2020
- Women aged 65–69: 20% increase from 2011 to 2020
- Men aged 60–64: 5% increase from 2011 to 2020
- Men aged 65–69: 10% increase from 2011 to 2020.

2.65 Note that the rates for women in the 60–64 age and 65–69 age-groups are higher than the original ONS figures (Table 4), accounting for the accelerated pace of change in the SPA. No changes have been applied to other age-groups. In addition, no changes have been applied to economic activity rates beyond 2020. This is an appropriately prudent approach given the uncertainty associated with forecasting future rates of economic participation.

2.66 Given the accelerated pace of change in the female SPA and the clear trends for increased female labour force participation across all age-groups in the last decade (Figure 5), these 2011–2020 rate increases (Figure 6) would appear to be relatively conservative assumptions.

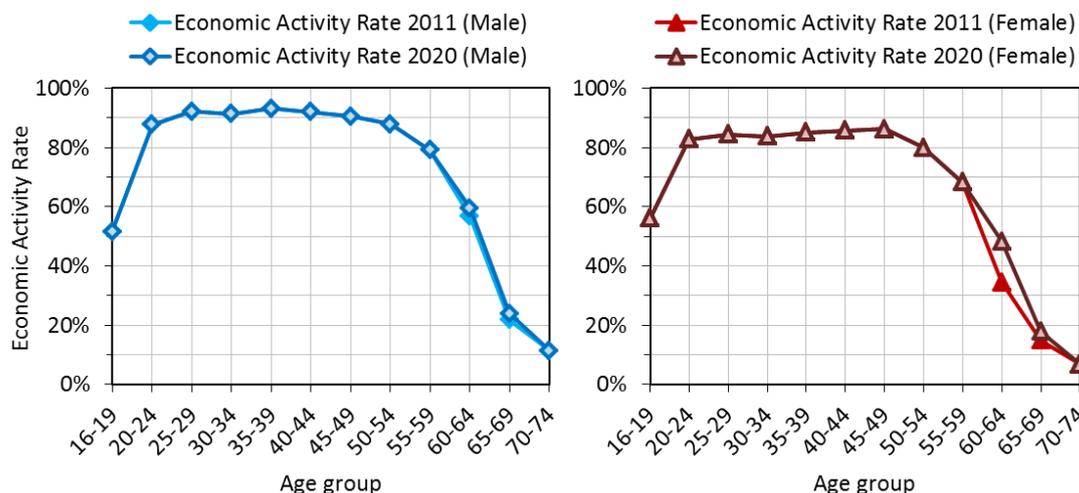


Figure 6: Edge Analytics 'SPA' economic activity rate profiles for Wyre, 2011 and 2020 comparison.

### OBR Adjusted EA Rates

2.67 The Office for Budget Responsibility (OBR) has undertaken its own analysis of labour market trends in its 2014 Fiscal Sustainability Report<sup>4</sup>. Included within its analysis is a forecast of changing 'employment' rates for males and females in the 60–74 year-old age groups, extending to a long-term 2066 forecast horizon. The employment rate changes estimated by the OBR (Table 5) imply a higher growth in older-age participation than those implied by the 'SPA' rates. Using these adjustments, the 'OBR' set of economic activity rates has been generated (Figure 7).

Table 5: OBR age-specific employment rate forecasts, 2011–2031

Age Group	OBR Employment Rates
	Change 2011-31
60-64 (male)	17%
65-69 (male)	39%
70-74 (male)	20%
60-64 (female)	71%
65-69 (female)	93%
70-74 (female)	83%

<sup>4</sup> <http://cdn.budgetresponsibility.org.uk/41298-OBR-accessible.pdf>

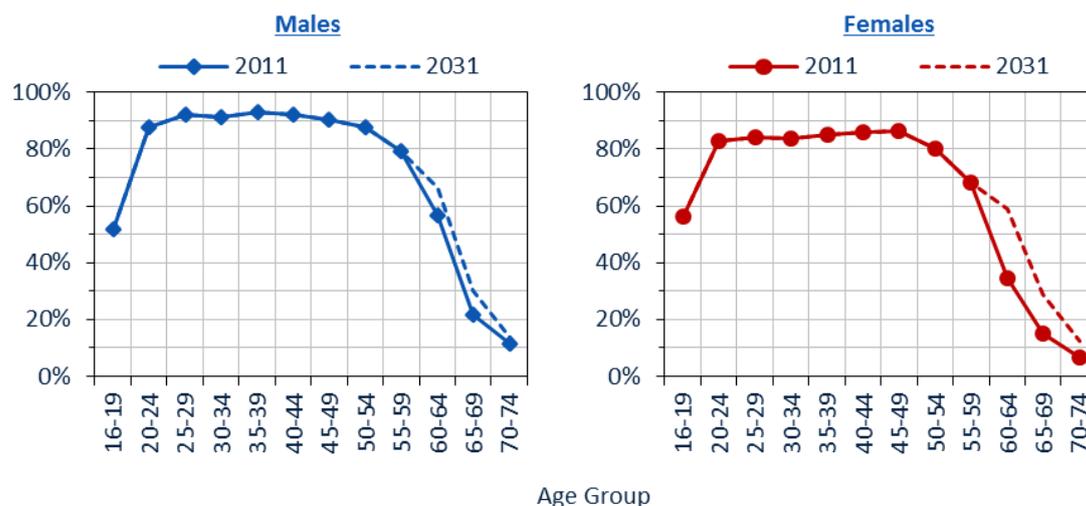


Figure 7: Edge Analytics 'OBR' economic activity rate profiles for Wyre, 2011 and 2031 comparison.

## Unemployment Rate

- 2.68 The unemployment rate determines the proportion of the labour force that is unemployed. Together with the commuting ratio, this controls the balance between the size of the labour force and the number of jobs within an area.
- 2.69 Two alternative unemployment rate profiles have been used in the scenarios presented here, based on the historical unemployment rate data for Wyre (Table 6).
- 2.70 In the scenarios *without* a UR suffix, the 2013 unemployment rate (5.5%) has been fixed throughout the forecast period.
- 2.71 In the 'UR' scenarios, the unemployment rate has been incrementally *reduced* from the 2013 value to a pre-recession average of 3.4% by 2020. This accounts for what is likely to be a gradual recovery in the unemployment rate post-recession. After 2020, the unemployment rate is fixed.

Table 6: Historical unemployment rate data for Wyre

Unemployment Rate											Pre-Recession Average (2004–2007)
Area	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
Wyre	3.0%	3.1%	3.9%	3.7%	4.7%	4.5%	4.8%	6.1%	6.4%	5.5%	3.4%

Source: ONS model-based estimates of unemployment, Annual Population Survey, Nomis

## Commuting Ratio

2.72 The commuting ratio, together with the unemployment rate, controls the balance between the number of workers living in a district (i.e. the resident labour force) and the number of jobs in the district. A commuting ratio greater than 1.00 indicates that the size of the resident workforce exceeds the number of jobs available in the district, resulting in a net out-commute. A commuting ratio less than 1.00 indicates that the number of jobs in the district exceeds the size of the labour force, resulting in a net in-commute.

2.73 From the 2011 Census 'Travel to Work' statistics, published by ONS in July 2014, a commuting ratio of 1.29 has been derived for Wyre (Table 7), indicating a net out-commute. In all scenarios, the 2011 Census commuting ratio is applied, fixed throughout the forecast period.

Table 7: Commuting Ratio Comparison

Wyre		2001 Census	2011 Census
Workers	$a$	44,974	48,558
Jobs	$b$	34,491	37,747
Commuting Ratio	$a/b$	<b>1.30</b>	<b>1.29</b>

Note: 2001 data from Census Table *T101 – UK Travel Flows* ; 2011 data from Census Table *WU02UK - Location of usual residence and place of work by age* .

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