GL Hearn
Part of Capita Real Estate

# Central Lancashire
# Strategic Housing Market Assessment

**Preston, South Ribble and Chorley Councils**

Final Draft Report, September 2017

**Prepared by**

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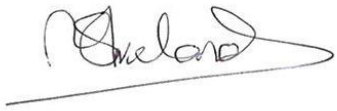

Limitations

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# 1 INTRODUCTION

1.1 GL Hearn (GLH) and Justin Gardner Consulting (JGC) have been commissioned by Preston City Council, Chorley Council and South Ribble Borough Council to develop a Strategic Housing Market Assessment (SHMA). The purpose of the SHMA is to develop a robust understanding of housing market dynamics, to provide an assessment of future needs for both market and affordable housing and the housing needs of different groups within the population.

1.2 **The SHMA does not set housing targets. It provides an assessment of the need for housing across the functional Housing Market Area (HMA), making no judgements regarding future policy decisions which the Councils may take.** Housing targets will be set in local plans. The SHMA provides forms part of an evidence base in considering whether housing targets should be reviewed, but any review of the housing targets set out in local plans, or in this case in the Central Lancashire Joint Core Strategy, if required would need to take into account factors such as the supply of land for new development, Green Belt and other nationally and internationally significant landscapes and environmental designations, local infrastructure capacity and environmental constraints as appropriate. These factors may limit the amount of development which can be sustainably accommodated and influence the distribution of development within the Housing Market Area. The SHMA's principle role is to consider housing need across the HMA, and greater weight should be given to its findings at this level (rather than the individual local authority figures) given the range of influences on housing needs at a local level and functional links between areas within the functional HMA.

1.3 The SHMA responds to and is compliant with the requirements of the National Planning Policy Framework (the NPPF)[1]. It is informed by Planning Practice Guidance (PPG)[2]. It provides assessment of the future need for housing, with the intention that this will inform future development of planning policies. According to the PPG, housing need:

> *"refers to the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet that demand."*

1.4 This report, in discussing housing need, is thus referring to both the need for market and affordable housing across the housing market area, taking account of both local need and that associated with net migration. This is required by national policy.

[1] CLG (March 2012) *National Planning Policy Framework*
[2] CLG *Planning Practice Guidance – Assessment of Housing and Economic Development Needs - http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/*

1.5 The SHMA provides specific evidence and analysis of the need for different sizes of homes, to inform policies on the mix of homes (both market and affordable). The SHMA also analyses the needs of specific groups within the population, such as older people and students.

## National Planning Policy Framework and Guidance

1.6 The Coalition Government (2010-15) reformed the policy framework for planning for housing. Regional strategies were revoked and responsibility for planning on cross-boundary issues was returned to local authorities.

1.7 The primary legislation to support this was the 2011 Localism Act which now imposes a 'duty to cooperate' on local authorities, requiring them to **"engage constructively, actively and on an on-going basis" with the other authorities and relevant bodies.' The Duty to Cooperate is applied as both a legal and soundness test to which development plans must comply. Housing provision is an issue of cross-boundary relevance which local authorities both within and beyond the HMA will need to engage with each other on.** The emphasis on Councils working jointly to assessing need across an HMA and then working together to meet that need is a theme which runs through national planning policies.

1.8 National policies for plan-making are set out within the National Planning Policy Framework. This sets out key policies against which development plans will be assessed at examination and to which they must comply.

### National Planning Policy Framework (NPPF)

1.9 The National Planning Policy Framework (NPPF) was published in March 2012. The Framework sets a presumption in favour of sustainable development whereby Local Plans should meet objectively assessed development needs, with sufficient flexibility to respond to rapid change, unless the adverse impacts of doing so would significantly or demonstrably outweigh the benefits or policies within the Framework (including policies relating to Green Belt and other nationally and internationally significant landscapes and environmental designations) indicate that development should be restricted.

1.10 Paragraph 47 sets out that to boost significantly the supply of homes, local planning authorities should use their evidence base to ensure that their local plan meets the full objectively-assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in the Framework.

1.11 The NPPF highlights the Strategic Housing Market Assessment (SHMA) as a key piece of evidence in determining housing needs. Paragraph 159 in the Framework outlines that this should identify the

scale and mix of housing and the range of tenures which the local population is likely to need over the plan period which:

- Meets household and population projections, taking account of migration and demographic change;
- Addresses the need for all types of housing, including affordable housing and the needs of different groups in the community; and
- Caters for housing demand and the scale of housing supply necessary to meet this demand.

1.12 This is reaffirmed in the NPPF in Paragraph 50. The SHMA is intended to be prepared for the housing market area, and include work and dialogue with neighbouring authorities where the HMA crosses administrative boundaries. A number of local plan examinations have demonstrated the importance of properly identifying and addressing the housing market area as a whole[3] and collaborative working on issues related to housing need is expected.

1.13 Paragraph 181 sets out that Local Planning Authorities (LPAs) will be expected to demonstrate evidence of having effectively cooperated to plan for issues with cross-boundary impacts when their Local Plans are submitted for examining. This highlights the importance of collaborative working and engaging constructively with neighbouring authorities, as required by Section 33A of the 2004 Planning and Compulsory Purchase Act, and ensuring that there is a robust audit trail showing joint working to meet the requirements of paragraph 181 of the NPPF.

1.14 Paragraph 158 of the NPPF also emphasises the alignment of the housing and economic evidence base and policy. Paragraph 17 in the NPPF reaffirms this, and outlines that planning should also take account of market signals, such as land prices and housing affordability.

1.15 In regard to housing mix, the NPPF sets out that local authorities should plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community. Planning authorities should identify the size, type, tenure and range of housing that is required in particular locations reflecting local demand. Where a need for affordable housing is identified, authorities should set policies for meeting this need on site.

1.16 The NPPF states that to ensure a Local Plan is deliverable, the sites and the scale of development identified in the plan should not be subject to a scale of obligations and policy burdens such that their ability to be developed is threatened and should support development throughout the economic cycle. The costs of requirements likely to be applied to development, including affordable housing requirements, contributions to infrastructure and other policies in the Plan, should not compromise the viability of development schemes. To address this, affordable housing policies would need to be considered alongside other factors including infrastructure contributions – a

[3] For example, Hart, Bath and NE Somerset or Coventry

'whole plan' approach to viability. Where possible the NPPF encourages local authorities to work up Community Infrastructure Levy (CIL) charges alongside their local plan.

**Planning Practice Guidance**

1.17 Planning Practice Guidance (PPG) was issued by Government in March 2014 on 'Assessment of Housing and Economic Development Needs' and is maintained online and updated periodically. The PPG is relevant to this SHMA in that it provides clarity on how key elements of the NPPF should be interpreted, including the approach to deriving an objective assessment of the need for housing. The approach in this report takes account of this Guidance.

1.18 The Guidance defines "need" as referring to 'the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet this need." It sets out that the assessment of need should be realistic in taking account of the particular nature of that area (for example the nature of the market area), and should be based on future scenarios that could be reasonably expected to occur. It should not take account of supply-side factors or development constraints. Specifically, the Guidance sets out that:

> *"plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historical under performance, infrastructure or environmental constraints. However, these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans."*

1.19 The Guidance outlines that estimating future need is not an exact science and that there is no one methodological approach or dataset which will provide a definitive assessment of need. However, the starting point for establishing the need for housing should be the latest household projections published by the Department for Communities and Local Government (CLG).

1.20 At the time of preparation of this report the latest projections are the 2014-based Household Projections which were published in July 2016. The PPG sets out that there may be instances where these official projections require adjustment to take account of factors affecting local demography or household formation rates, in particular where there is evidence that household formation rates are or have been constrained by supply.

1.21 The PPG sets out that:

> *"The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other indicators of the balance between the demand for and supply of dwellings….*
>
> *"In areas where an upward adjustment [to the assessment of housing need] is required, plan makers should set this adjustment at a level that is reasonable. The more significant the*

*affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be."*

1.22 The PPG is clear that market signals are intended to warrant consideration of an adjustment from the starting point demographic projection (ID 2a-019-20140306). The 'starting point' demographic projection for this work are the 2014-based Household Projection.

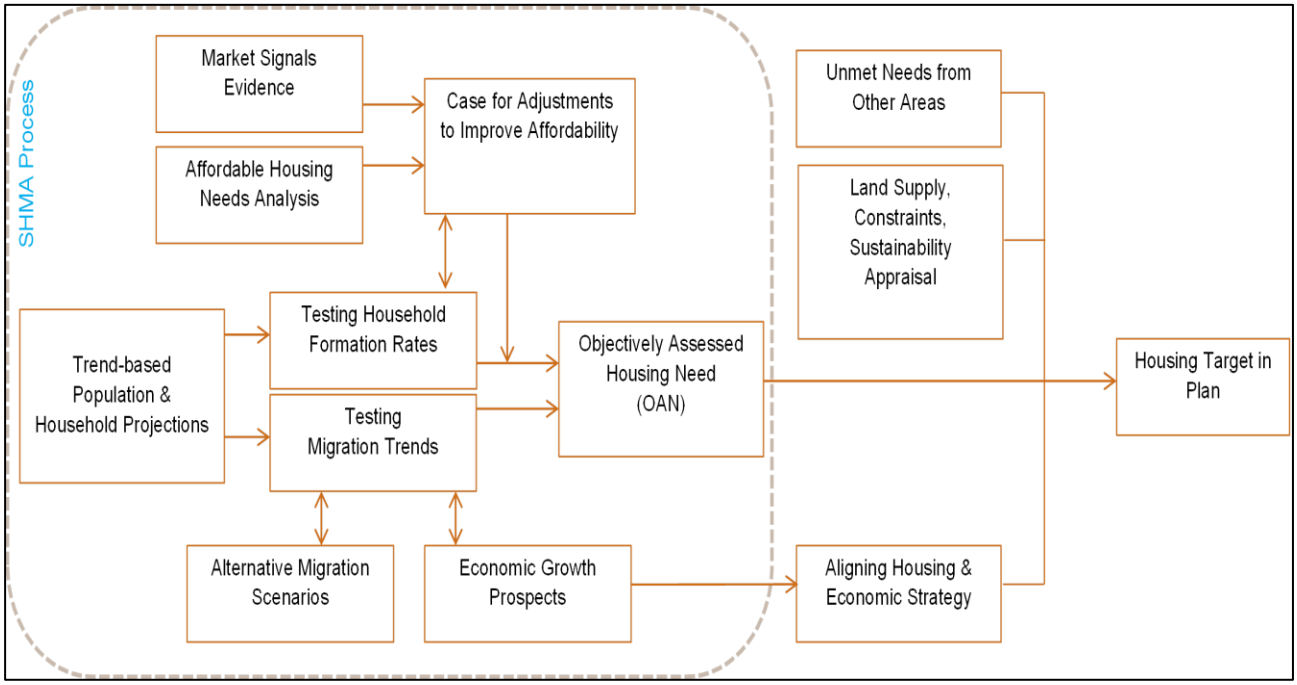
1.23 The PPG does not indicate how the scope of an adjustment for market signals should be quantified. It simply sets out that it should be 'reasonable.' Various local plan examinations have taken a range of different views, even when faced with similar evidence.

1.24 The Guidance also that affordable housing need should be calculated and considered in the context of its likely delivery as a proportion of mixed market and affordable housing. It indicates that this may provide a case for increasing the level of overall housing provision – in order to increase the delivery of affordable housing.

1.25 The Guidance indicates that job growth trends and/or economic forecasts should be considered having regard to the growth in working-age population in the housing market area. It sets out that 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 and other sustainable options such as walking and cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing and infrastructure development could help to address these problems. Increasing housing provision could be one such approach.

1.26 The factors which are relevant to assessing overall housing need and considering or reviewing housing targets are summarised visually in Figure 1 below.

**Figure 1: Overview of PPG Approach to Assessing Housing Need**




1.27 The Guidance indicates that a SHMA should also consider the need for different types of housing and the needs of different groups, including family housing, housing for older people, and households with specific needs and those looking to build their own home. It sets out that the need for older persons housing should be broken down by tenure and type, and should include an assessment of need for residential institutions.

**Local Planning Policy Review**

1.28 The Central Lancashire Core Strategy was prepared jointly by Preston City Council, Chorley Council and South Ribble Council and adopted in July 2012. It is an important document with the purpose of helping to co-ordinate development in the area covered by these three councils.

1.29 The most relevant policy is "CS Policy 4 *Housing Delivery"* sets out the minimum housing delivery requirements for each local authority. In particular the policy states that the councils should:

> *"a) Provide for and manage the delivery of new housing by setting and applying minimum requirements as follows:*
>
> - *Preston 507 dwellings pa*
> - *South Ribble 417 dwellings pa*
> - *Chorley 417 dwellings pa*
>
> *with prior under-provision of 702 dwellings also being made up over the remainder of the plan period equating to a total of 22,158 dwellings over the 2010-2026 period.*

*(b) Keep under review housing delivery performance on the basis of rolling 3 year construction levels. If, over the latest 3 year review period, any targets relating to housing completions or the use of brownfield are missed by more than minus 20% , the phasing of uncommitted sites will be adjusted as appropriate to achieve a better match and/or other appropriate management actions taken; provided this would not adversely impact on existing housing or markets within or outside the Plan area.*

*(c) Ensure there is enough deliverable land suitable for house building capable of providing a continuous forward looking 5 year supply in each district from the start of each annual monitoring period and in locations that are in line with the Policy 1, the brownfield target (of 70% of all new housing) and suitable for developments that will provide the range and mix of house types necessary to meet the requirements of the Plan area.*
*(d) Ensure that sufficient housing land is identified for the medium term by identifying in Site Allocations Documents a further supply of specific, developable sites for housing and in the longer term by identifying specific developable sites or broad locations for future growth."*

1.30 CS Policy 7 *Affordable and Special Needs Housing* sets out the minimum affordable and special housing requirements for Central Lancashire. The policy contains the following requirements:

- Targets for affordable housing are set subject to site and development considerations such as financial viability and contributions to community services.
- The target to be achieved from market housing schemes is:
  - 30% in urban parts of Preston, South Ribble and Chorley;
  - 35% in rural areas on sites in or adjoining villages that have, or will have, a suitable range of services;
  - 100% on rural exception sites including those in the Green Belt.
- Site thresholds are 15 dwellings (0.5 ha or part thereof) reducing to 5 dwellings (0.15 ha or part thereof) in rural areas.
- Off-site provision or financial contributions are acceptable where robustly justified.

1.31 In October 2012 the Central Lancashire Affordable Housing SPD was published in order to establish the mix of affordable housing tenures; specific details in the level and types of affordable housing as well as viability considerations.

1.32 The Preston Local Plan 2012-16 Site Allocations and Development Management Policies DPD was adopted in July 2015 and, with Core Strategy, constitutes the Development Plan framework that is used in determining planning applications in the Council's administrative area.

1.33 In particular, Policy HS1 *Allocation of Housing Sites* lists seventeen housing allocations with an estimated total capacity of 8,637 houses of which 5,800 are expected to be completed in the period 2014-2026. There is capacity within the strategic allocation at North West Preston for the construction of an additional 2,837 dwellings as and when required.

1.34 Policy HS4 *Rural Exception Affordable Housing* states that new housing developments adjacent to Barton, Broughton, Goosnargh, Grimsargh, Lea Town and Woodplumpton villages may be permitted in exceptional circumstances where there is identified local need for affordable housing as a result of a comprehensive needs assessment for the local area.

1.35 Similarly, Policy HS5 *Rural Workers' Dwellings in the Open Countryside* may be permitted development in open countryside if there is evidence that there is need for workers to live on the development. *Policy* HS6 *University of Central Lancashire* identifies the appropriate location of student accommodation. Finally, Policy HS7 *Houses in Multiple Occupation* provides details with regards to the conversion of single dwellings to MOA.

1.36 The Chorley Local Plan 2012-26 Site Allocations and Development Management Policies DPD was adopted in July 2015. Policy HS1 *Housing Site Allocations* lists 52 sites (292 ha) across the Council's administrative area for housing or housing led development. Policy HS8 provides a policy framework supporting the development of rural exception sites. Policy HS10 *Agricultural Worker's Dwellings in Countryside* provides details on permitting dwellings in countryside that support agricultural activity; and finally Policy HS11 *Gypsy and Traveller and Travelling Showpeople* provides the policy framework related to Gypsy and Traveller pitches allocations.

1.37 The South Ribble Local Plan 2012-26 was adopted in July 2015. Policy D1 *Allocation of Housing Land* allocates land to support 6,576 houses for the period between 2010 and 2026. Policy D3 *Agricultural Worker's Dwellings in the Country*side allows the erection of dwellings in countryside that enable agricultural activities.

**KEY MESSAGES**

- National planning policies require the SHMA to define the 'full objectively assessed need for market and affordable housing.' This provides a starting point for considering or reviewing where appropriate policies for housing provision. The assessment must 'leave aside' constraint factors (including land availability and Green Belt) however these are relevant in drawing together evidence and testing options in the development of local plans. The SHMA does not set targets for housing provision but may inform the review or development of local plans where appropriate.
- Government's Planning Practice Guidance sets out how the objectively assessed need for housing should be defined. It sets out that the starting point should be demographic projections,. The need may then need to be adjusted to support economic growth or improve affordability, taking account of evidence from market signals and of the need for affordable housing. The SHMA follows this approach to identifying housing need. It addresses the requirements of both the NPPF and PPG.

## Report Structure

1.38 The remainder of the report is structured in the following way:

- Chapter 2: Defining the Housing Market Area;
- Chapter 3: Characteristics of the housing market;
- Chapter 4: Demographic projections;
- Chapter 5: Economic-led housing need
- Chapter 6: Affordable housing need;
- Chapter 7: Market signals
- Chapter 8: Requirements for different types and sizes of homes;
- Chapter 9: Specific groups of the population; and
- Chapter 10: Conclusions and recommendations.

# 2 DEFINING THE HOUSING MARKET AREA

2.1 The purpose of this section is to assess what the relevant Housing Market Area (HMA) that the Central Lancashire authorities sit within is. The consultancy team has approached this issue with an open mind.

## Guidance on assessing housing market geographies

2.2 The National Planning Policy Framework (NPPF) states that in planning for housing provision, local authorities should work together at a 'housing market area' level. The starting point in planning for housing is that objectively assessed needs for the housing market area should be met within the related HMAs, as set out in Paragraph 47 in the Framework.

2.3 Based on Planning Practice Guidance (PPG) housing market areas are geographical areas defined by household demand and preferences for housing. The PPG identifies three primary sources of information which can be used to define these:

- House prices and rates of change in house prices, which reflect household demand and preferences for different sizes and types of housing in different locations;
- Household migration and search patterns, reflecting preferences and the trade-offs made when choosing housing with different characteristics; and
- Contextual data, such as travel to work areas, which reflects the functional relationships between places where people work and live.

2.4 No retail and school catchment data has been reviewed when defining Housing Market Areas because in our experience these tend to be relatively localised, and whilst they may inform the definition of sub-markets, they are less likely to be of use in considering sub-regional housing market geographies.

2.5 The Guidance makes it clear that these sources of information (as identified in the bullet points above) can reflect different aspects of household behavior and that there is therefore no 'right or wrong' set to use in identifying housing markets; the focus is on considering what is appropriate in a local context.

2.6 The PPG largely reiterates previous guidance on defining HMAs set out within the CLG's 2007 Advice Note[4] on *Identifying Sub-Regional Housing Market Areas*. There has been effectively no change in guidance, which continues to emphasise that there is no right or wrong answer as to how an HMA should be defined; and confirms that the approach should, in effect, reflect local market characteristics and circumstances.

[4] DCLG (March 2007) *Identifying Sub-Regional Housing Market Area: Advice Note*

2.7 There is a range of previous work which has been undertaken to define HMAs over the last decade, at national, regional and local levels. It is now however appropriate to review this, not least given that a significant proportion of the past work is informed by 2001 Census data regarding commuting and migration patterns. 2011 Census flow data was issued between July 2014 and December 2014.

2.8 A further practical issue regards the geographical building blocks that housing market areas are comprised of. A key purpose of the SHMA is to define the Objectively Assessed Need (OAN) for housing. Paragraphs 15-17 of the PPG relate to *Strategic Housing Market Assessments* and states clearly that the starting point for undertaking such a study are the latest official population and household projections. The official population and household projections are not published below local authority level, nor is the data regarding migration or household formation rates which are key drivers within the projections. This prohibits robust developed of population projections for areas below local authority level. On this basis we consider that HMAs should be defined based on the 'best fit' to local authority boundaries; albeit those assessments can (and should) recognise cross-boundary influences and interactions. Paragraph 5.21 of the PAS Technical Advice Note[5] supports this, concluding that:

> *"it is best if HMAs, as defined for the purpose of needs assessments, do not straddle local authority boundaries. For areas smaller than local authorities, data availability is poor and analysis becomes impossibly complex."*

2.9 This approach is widely accepted and is a practical and pragmatic response to data availability. In practice we recognise that towards the edge of most housing market areas there are likely to be influences in at least two directions reflecting a degree of overlap between HMAs.

## National Research on Defining Housing Market Areas

2.10 There are also some further practical issues in identifying HMAs which are dealt with in the Planning Advisory Service (PAS) Technical Advice Note on Objectively Assessed Need and Housing Targets[6]. This Advice Note, written by Peter Brett Associates (PBA), outlines that in practice, the main indicators used to define HMAs are migration and commuting flows. In Paragraphs 5.5 and 5.6, the report sets out that:

> *"One problem in drawing boundaries is that any individual authority is usually most tightly linked to adjacent authorities and other physically close neighbours. But each of these close neighbours in turn is most tightly linked to its own closest neighbours, and the chain continues indefinitely.*

[5] Objectively Assessed Need and Housing Targets: Technical Advice Note, Prepared for the Planning Advisory Service by Peter Brett Associates (July 2015)
[6] Objectively Assessed Need and Housing Targets: Technical Advice Note, Prepared for the Planning Advisory Service by Peter Brett Associates (July 2015)

*Therefore, if individual authorities worked independently to define HMAs, almost each authority would likely draw a different map, centred on its own area."*

2.11 Paragraph 5.6 of the PAS Advice Note argues that to address this issue, it is useful to start with a "top down analysis" which looks at the whole country. One such analysis is provided by a research study led by the Centre for Urban and Regional Development Studies (CURDS) at Newcastle University. The CURDS study sought to define a consistent set of HMAs across England principally based on the 2001 census. The report was published by the Government in November 2010[7].

2.12 In Paragraph 5.10 PBA emphasise that the CURDS work should be considered only as a 'starting point' and should be 'sense-checked' against local knowledge and more recent data, especially on migration and commuting. The Advice Note concludes that more recent data 'should always trump' the national research.

2.13 Our approach in Central Lancashire is structured to firstly consider the CURDS geographies, then other recent work which has considered housing market geographies in the region, and finally to review and consider the most appropriate HMA boundaries through analysis of key indicators set out in the PPG.

**The CURDS Study Findings**

2.14 The 2010 CURDS Study, for Central Government, sought to identify the geographies of housing markets across England. This academic-driven project considered commuting and migration dynamics and house prices standardised for differences in housing mix and neighbourhood characteristics. This information was brought together to define the following three tiered structure of housing markets:

- Strategic (Framework) Housing Market Areas – based on 77.5% commuting self-containment (shown in Figure 4 below);
- Local Housing Market Areas – which are sub divisions of the framework HMAs in urban areas are based on 50% migration self-containment (Figure 5); and
- Sub-Markets – which would be defined based on neighbourhood factors and house types.

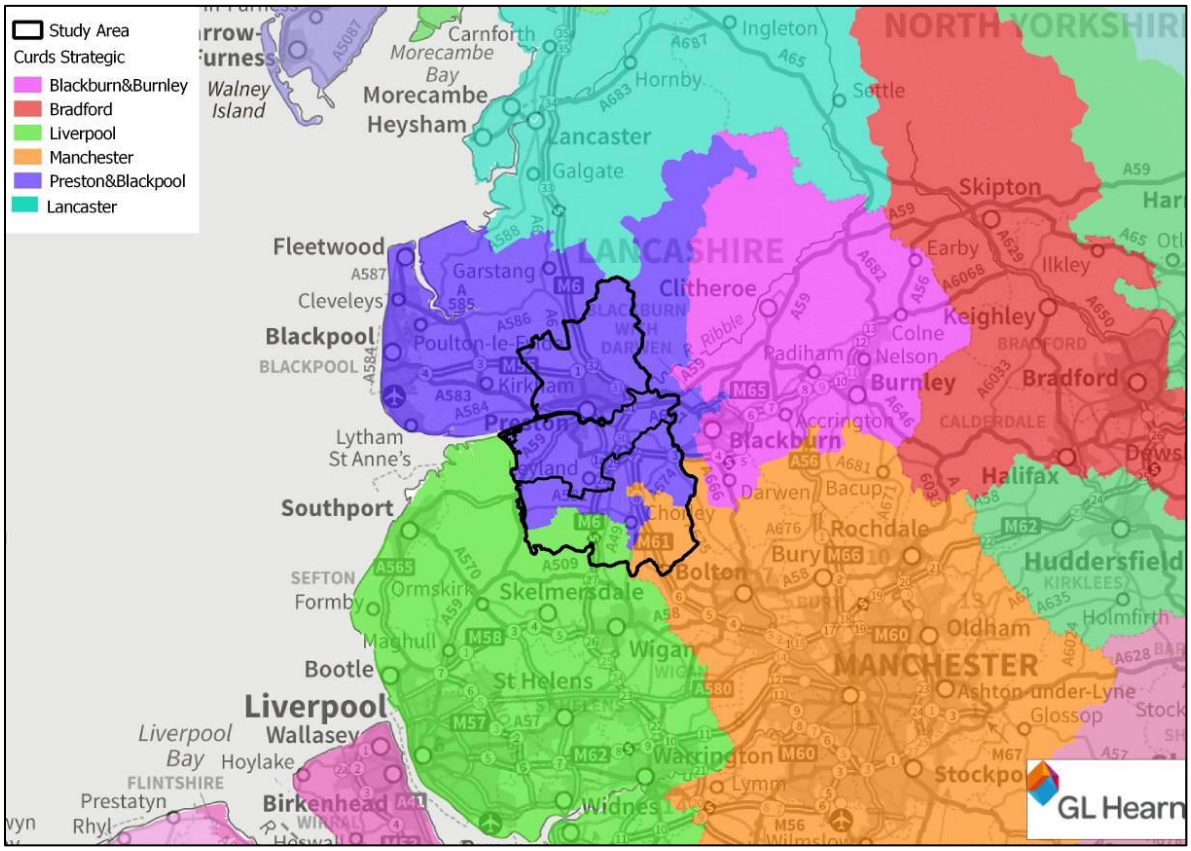
2.15 The CURDS Strategic and Local HMAs are mapped across England, with the Local HMAs embedded within the wider Strategic HMAs. Both are defined based on wards at a "gold standard" and based on local authorities for the "silver standard" geography.

2.16 The study area sits across three Strategic Housing Market Areas as defined by the CURDS Study, but the vast majority of Central Lancashire sits within the Preston and Blackpool Strategic HMA. The south west part of Chorley Council (including Coppull and Eccleston) is shown within the

[7] Jones, C. Coombes, M. and Wong, C. (2010) *Geography of Housing Market Areas in England: Summary Report*

Liverpool HMA while the south east (including Adlington and Rivington) is within the Manchester HMA (See Figure 2).

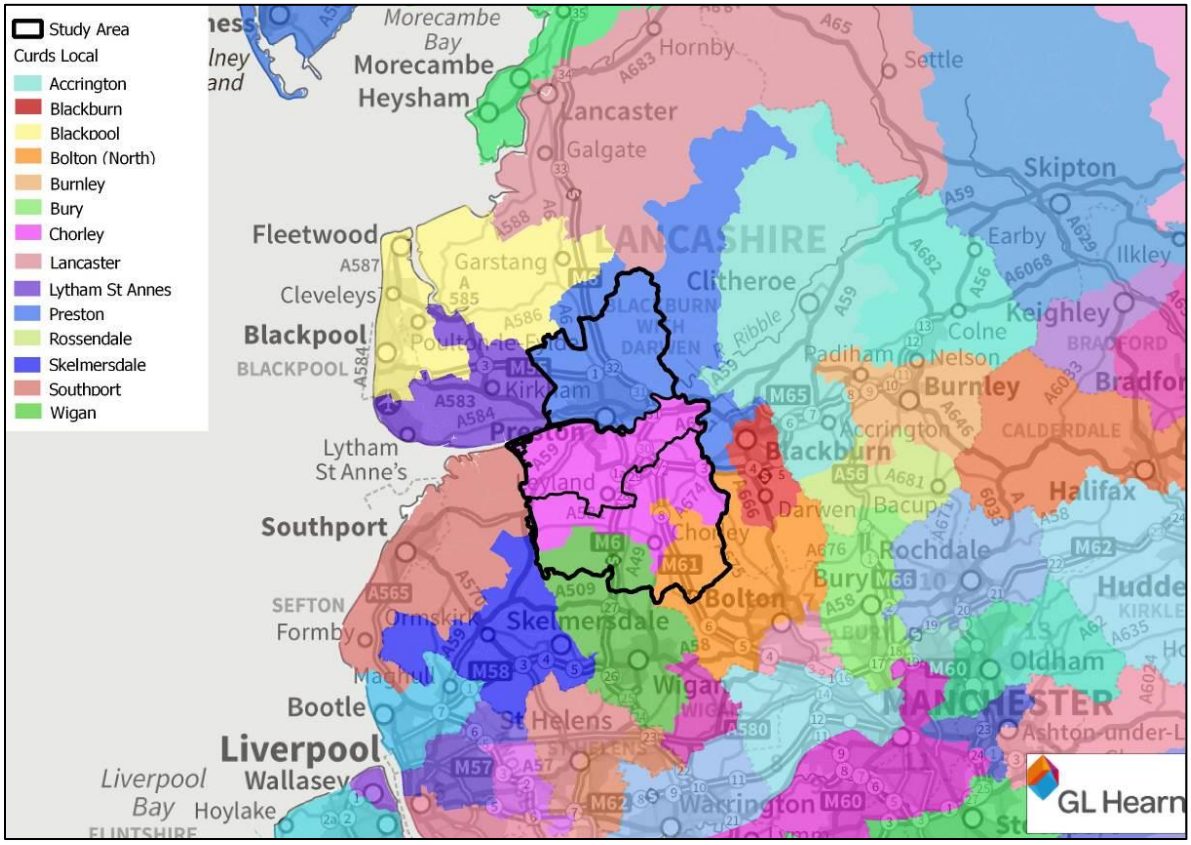
**Figure 2: CURDS-defined Strategic Housing Market Areas**




Source: CURDS and GL Hearn, 2010

2.17 The CURDS Study also defined Local Housing Market Areas (LHMAs) which are embedded within the Strategic HMAs, based on areas with 50% self-containment of migration flows (using 2001 Census data). The study area includes parts of four LHMAs (see Figure 3). In particular Chorley LHMA sits entirely within the study area. The Preston LHMA covers all of Preston City and extends northwards into Wyre and eastwards into Ribble Valley and Blackburn with Darwen. Those parts of Chorley Council area which are defined within the Liverpool and Manchester Strategic Housing Market Areas fall within Wigan and Bolton local HMAs respectively.

**Figure 3: CURDS-defined Local Housing Market Areas**



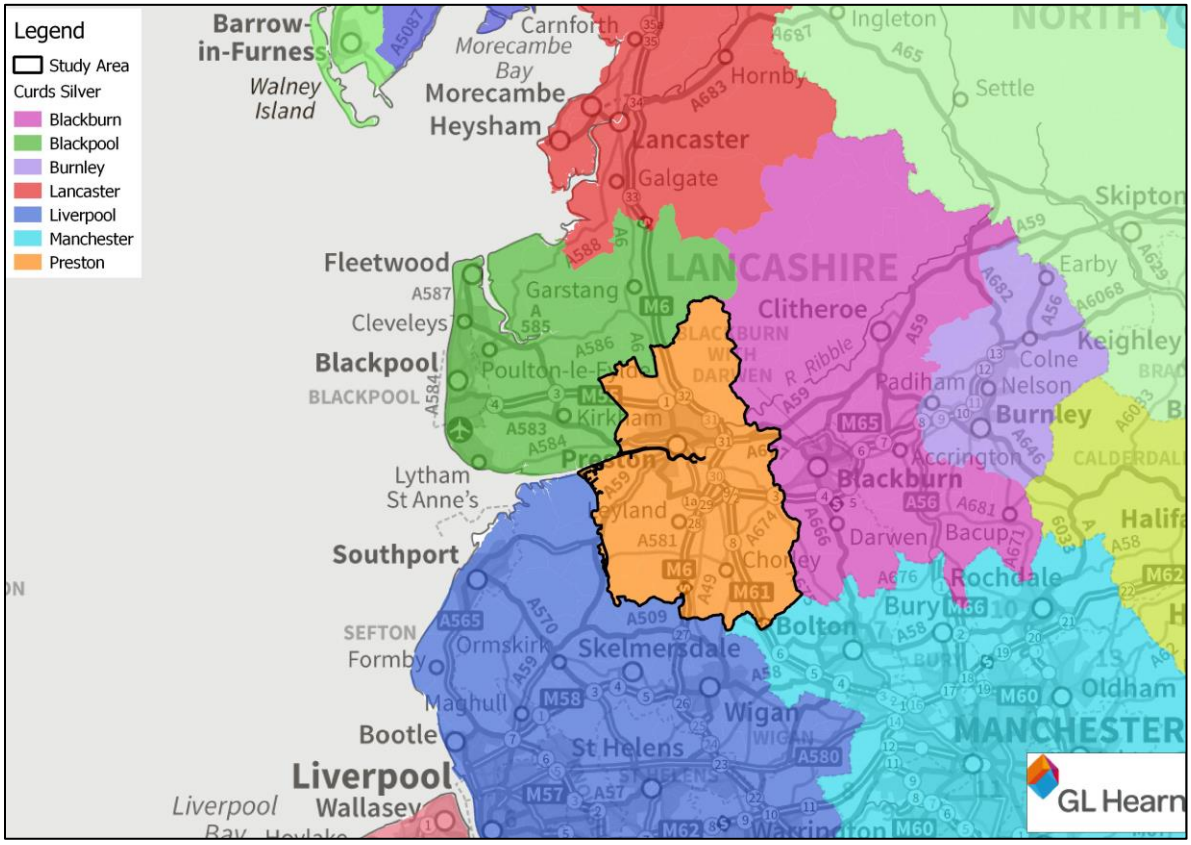

Source: CURDS and GL Hearn, 2010

2.18 Figures 2 and 3 illustrate the CURDS gold-standard work which defined HMAs by grouping wards together. However, as population and household projections are only published at a local authority basis, it is an accepted standard practice to group local authorities as the “best fit” to an HMA and this is encouraged within the PAS Technical Advice Note.

2.19 Figure 4 shows the "Single Tier Silver Standard” geography defined by CURDS. This shows that there is a single HMA across the study area called Preston HMA, which includes the local authorities of Preston, South Ribble and Chorley. In Paragraph 5.9 of the PAS Technical Advice Note, Peter Brett Associates state that:

*“We prefer the single-tier level because strategic HMAs are often too large to be manageable; we prefer the ‘silver standard’ because HMAs boundaries that straddle local authority areas are usually impractical, given that planning policy is mostly made at the local authority level, and many kinds of data are unavailable for smaller areas. But for some areas, including many close to London, the single-tier silver standard geography looks unconvincing; in that plan-makers should look for guidance to other levels in the NHPAU analysis.”*

**Figure 4: CURDS-defined Silver Standard Housing Market Areas**




Source: CURDS and GL Hearn, 2010

2.20 It should be noted that these HMA definitions are based on 2001 Census analysis which is somewhat dated, although for some areas the dynamics will not have changed substantially. In addition this research is based on national-level data analysis which whilst providing a useful basis for starting to look at housing market areas is undertaken at a high level. Thus this report tests and considers further definitions of housing market areas based on wider research and more recent evidence.

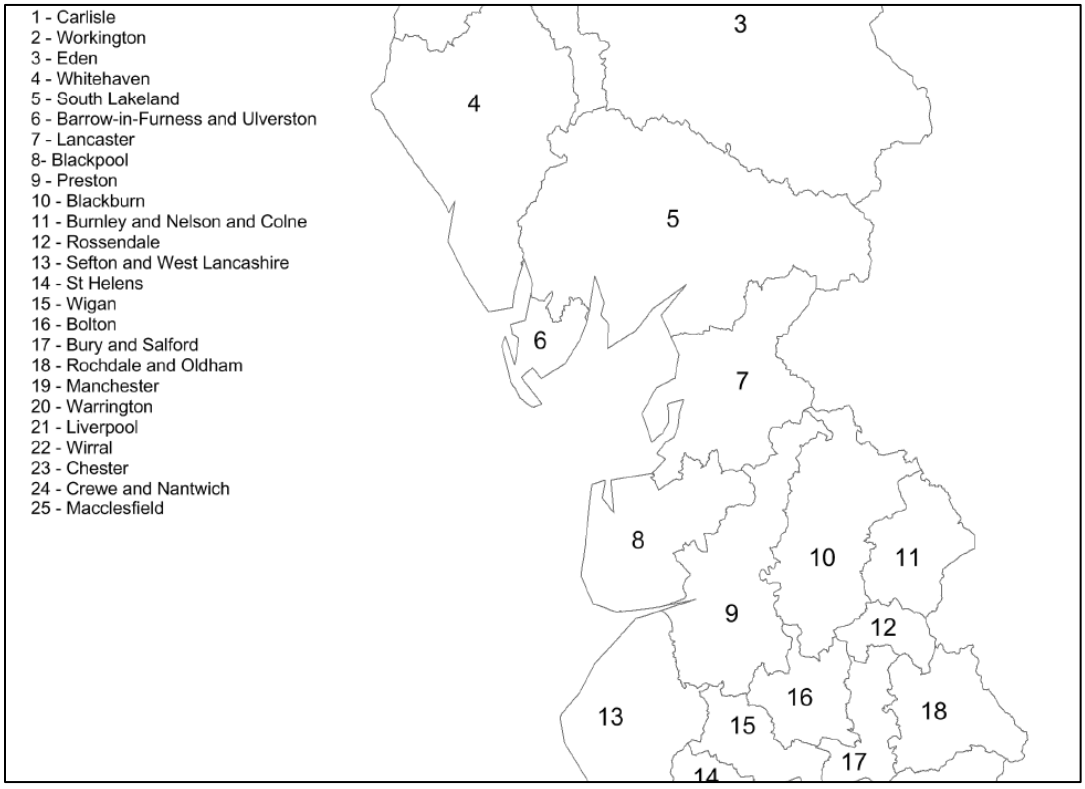
## Regional Research on Housing Market Areas

2.21 At a regional level there have been three important HMA definition exercises in the North West region. The Government Office for the North West commissioned ECOTEC in 2006 to define HMAs for the region in order to inform housing allocations. In 2008, the North West Development Agency with the help of academics, defined HMAs as part of a Study to understand spatial interactions between housing and labour markets in the region. In the same year the North West Regional Assembly commissioned Nevin Leather Associates and academic partners to define HMAs that could be used to undertake housing market assessments.

2.22 In 2012, Dr Hincks and Dr Baker (of the University of Manchester) published a study[8] that reviewed all the above HMA definitions. Their findings conclude that *"the definition of HMAs should be embedded within a conceptual framework that incorporates the principles of spatial arbitrage, markets search, the relationship between home and work, and considers the issue of scale."* The review also explores how the HMA definitions are operationalised from a technical and methodological perspective in the North West. They conclude that *"It was apparent from the review that use had been made of a range of secondary data collected by official organisations and agencies. All of these datasets had advantages in defining the HMAs in the respective studies. However, it was also argued that all of the approaches were constrained in one form or another by technical restrictions. Questions were also raised over the replicability and transparency of the approaches given the degree of interpretation that as built into the three approaches".*

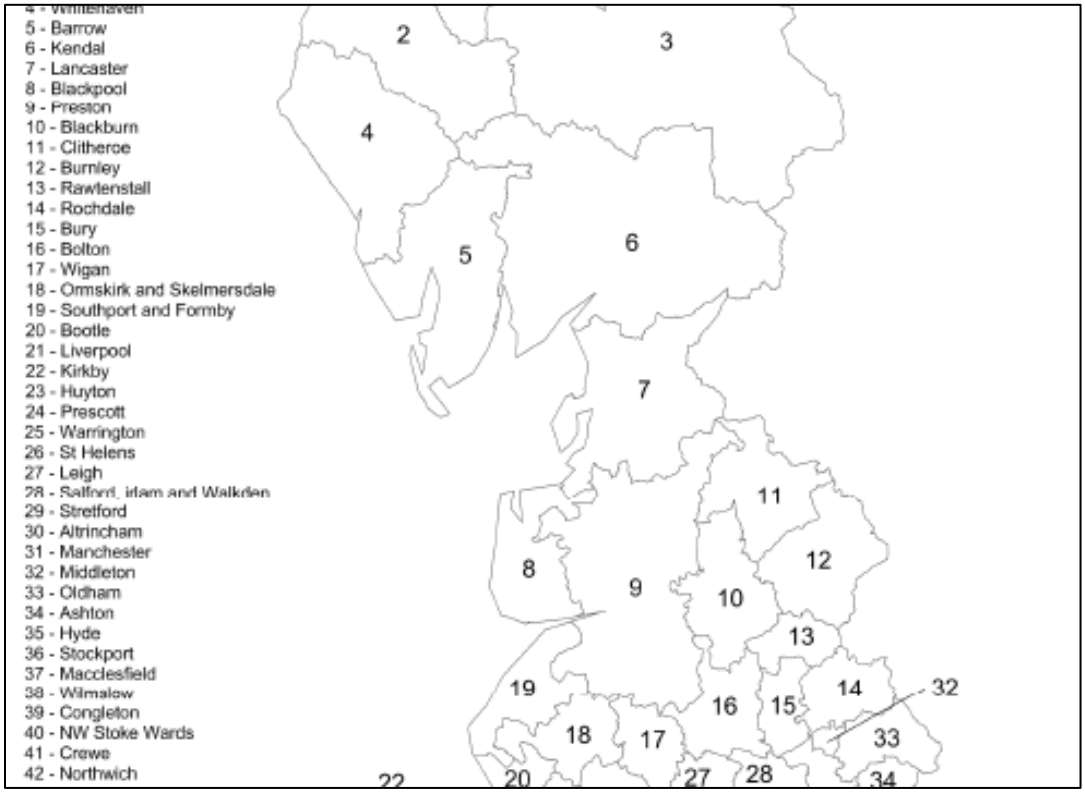
2.23 The study area (Preston, South Ribble and Chorley local authorities) was identified in the Nevin Leather Associates et al study as entirely within Central Lancashire HMA which is identical to the CURDS Silver Standard HMA (Figure 4 above). In Brown and Hincks' report, as well as in ECOTEC' HMA definition, the study area sits entirely within the Preston HMA (no 9 in Figure 5 and 6).

**Figure 5: Brown and Hincks HMA Definition-2008 (Source: Baker & Hincks, 2012)**




[8] Hincks & Baker (2012) A Critical Reflection on Housing Market Area Definition in England, Housing Studies, Vol 12 Issue 7, p 873-897

**Figure 6: ECOTEC HMA definitions-2006 (Source: Baker & Hincks, 2012)**



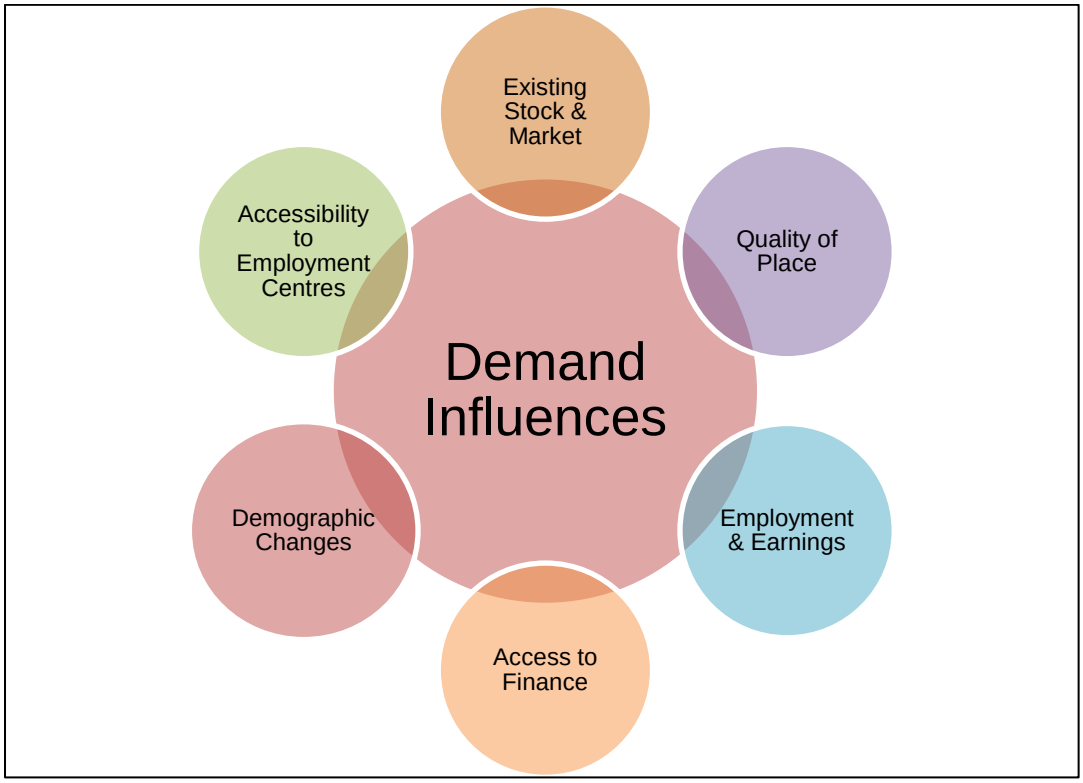

## Updating the HMA Definitions

2.24 This section of the report reviews HMA geographies by taking account of the latest available data on house prices, migration and commuting flows. These are the key indicators identified in paragraph 2a-011 of the PPG. It considers, using the latest evidence, whether the HMA definitions defined previously hold true.

2.25 Paragraph 11 of the PPG (ID: 2a-011-20140306) relating to housing and economic development needs assessments states that house prices can be used to provide a 'market based' definition of HMA boundaries, based on considering areas which (as the PPG describes) have clearly different price levels compared to surrounding areas.

2.26 It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level. There are a number of key influences on housing demand, which are set out in Figure 7 below:

**Figure 7: Understanding Housing Demand Drivers**




*Source: GL Hearn*

2.27 At the macro-level, the market is particularly influenced by interest rates and mortgage availability, as well as market sentiment (which is influenced by economic performance and prospects at the macro-level). The market is also influenced by the economy at both regional and local levels, recognising that economic employment trends will influence migration patterns (as people move to and from areas to access jobs) and that the nature of employment growth and labour demand will influence changes in earnings and wealth (which influences affordability).

2.28 Housing demand over the longer-term is particularly influenced by population and economic trends: changes in the size and structure of the population directly influence housing need and demand, and the nature of demand for different housing products.

2.29 There are then a number of factors which play out at a more local level, within a functional housing market and influence demand in different locations. Local factors include:

- quality of place and neighbourhood character;
- school performance and the catchments of good schools;
- accessibility of areas including to employment centres (with transport links being an important component of this); and
- existing housing market conditions.

2.30 These factors influence the demand profile and pricing within the market. At a local level, this often means that the housing market (in terms of the profile of buyers) tends to be influenced by and to some degree reinforces the existing stock profile.

2.31 Local housing markets or sub-markets are also influenced by dynamics in surrounding areas, in regard to the relative balance between supply and demand in different markets and the relative pricing of housing within them. Understanding relative pricing and price trends is thus important.

2.32 The important thing to recognise here is that we are likely to see localised variations in housing costs which reflect differences in the housing offer, quality of place and accessibility of different areas *within* a functional housing market area. We would also expect urban areas to have lower house prices than neighbouring suburban or rural areas. This reflects differences in the size/$m^2$ of properties being sold and the influence of quality of place on housing costs. Some settlements, or parts of an area, are likely to command higher prices than others reflecting these factors; and indeed we would expect areas with varying house prices within any HMA reflecting these issues. These factors are most relevant in considering housing sub-markets (the third tier of markets using the CURDS definition).

2.33 What this section is focused upon is considering market geographies at a higher spatial level. Consideration of price differentials at a sub-region level is therefore of most relevance.

## House Prices

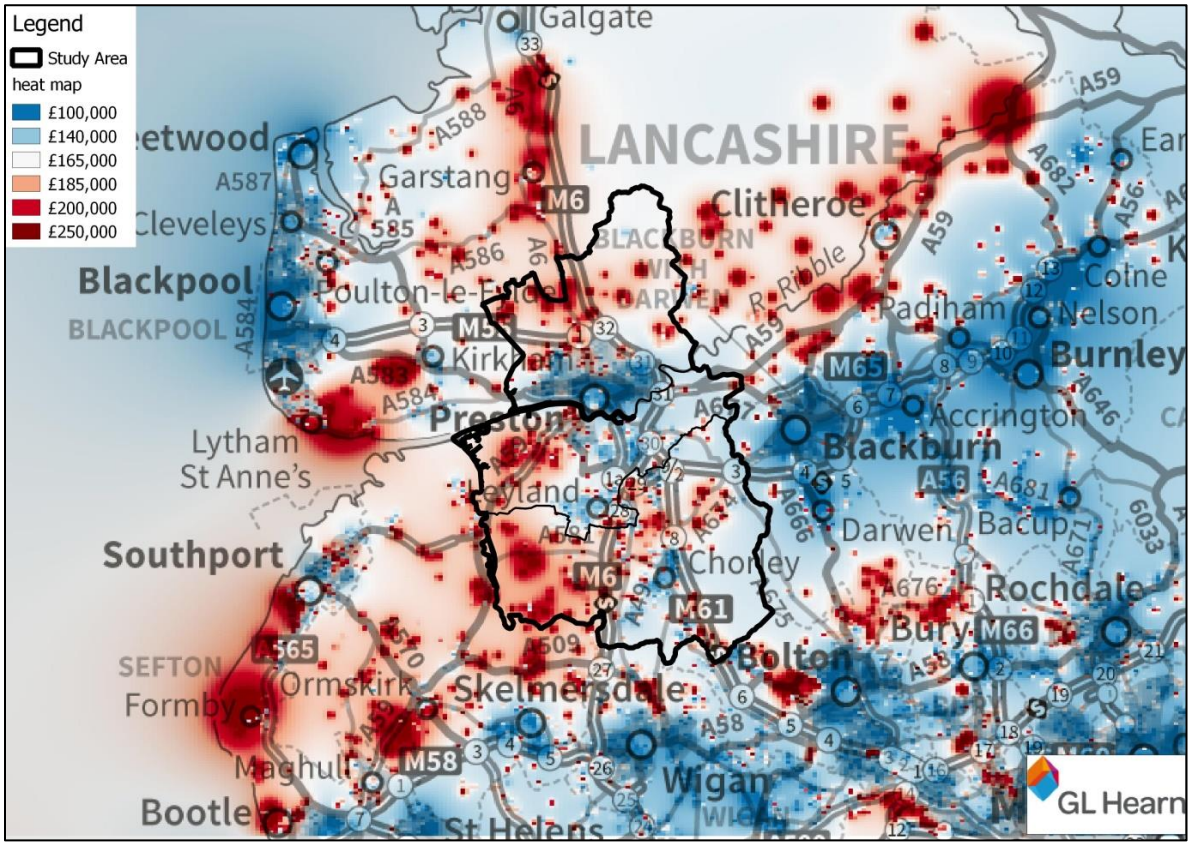
2.34 With the exception of central London, the general geography of house prices is of higher housing costs in rural areas with lower housing costs within the principal urban areas. This largely reflects the mix of housing within these respective areas although other considerations such as the quality of place and accessibility also influence.

2.35 Using Land Registry data for 2015 it is possible to map house prices across Central Lancashire and the wider North West. This illustrates that in relative terms, average house prices for property are lowest in Preston City, the towns of Chorley and Leyland; and highest in the attractive smaller settlements such as Croston and Mawdesley in Chorley Council (CC) administrative area, Longton in South Ribble (SR) and Barton in Preston City (PC).

2.36 Figure 8 is a heat map of the prices paid in 2015. The following broad price zones[9] can be identified:

- Prices under £140,000 in Preston City and town of Chorley;
- Prices between £140,000 and £165,000 in town of Leyland (SR), Bamber Bridge (SR) and Lostock Hall (SR);
- Prices between £165,000 and £185,000 in Penwortham (SR), Fulwood (PC) and Buckshaw Village (CC);
- Prices between £185,000 and £200,000 in Broughton (PC), Fulwood (PC), Whittle-le-woods (CC) and Penwortham (SR);
- Prices above £200,000 in Croston (CC), Mawdesley (CC), Longton (SR), Barton (PC) and Higher Wheelton (CC).

**Figure 8: House Price paid in 2015 Heat Map**




*Source: GL Hearn Analysis: Land Registry, 2016*

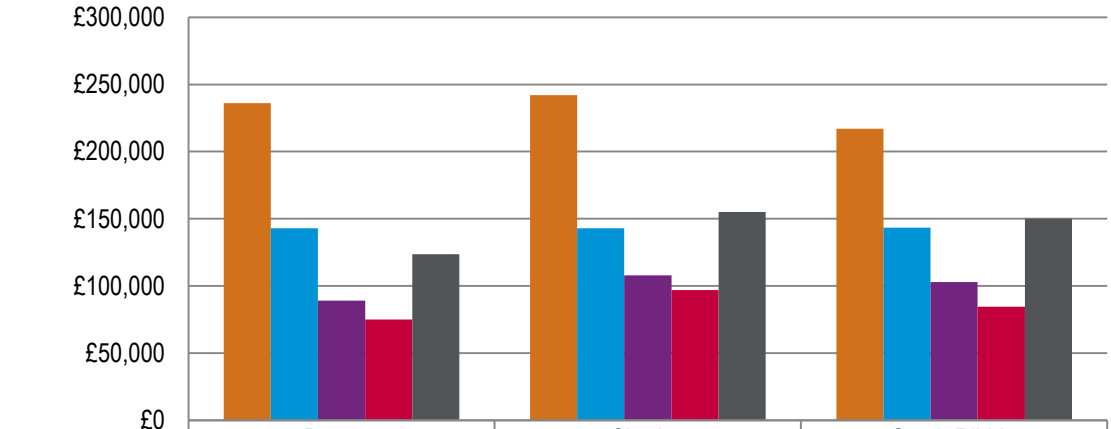
**House Price by Type**

2.37 Typically, we would expect higher house prices in those areas which have a high percentage of detached properties (rural areas) and lower values in areas where there is a high percentage of smaller flatted stock (urban areas).

[9] Based on data from Land Registry 2015 Complete Year.

2.38 In order to corroborate this, the house prices across the range of typologies have been analysed and presented below. To draw firmer conclusions on HMA areas, grouping where appropriate administrative areas, the analysis shifts away from more localised data to data based on local authority levels. Figure 9 sets out median house price by type for each local authority in Central Lancashire.

**Figure 9: Median Price by type of residence 2015**



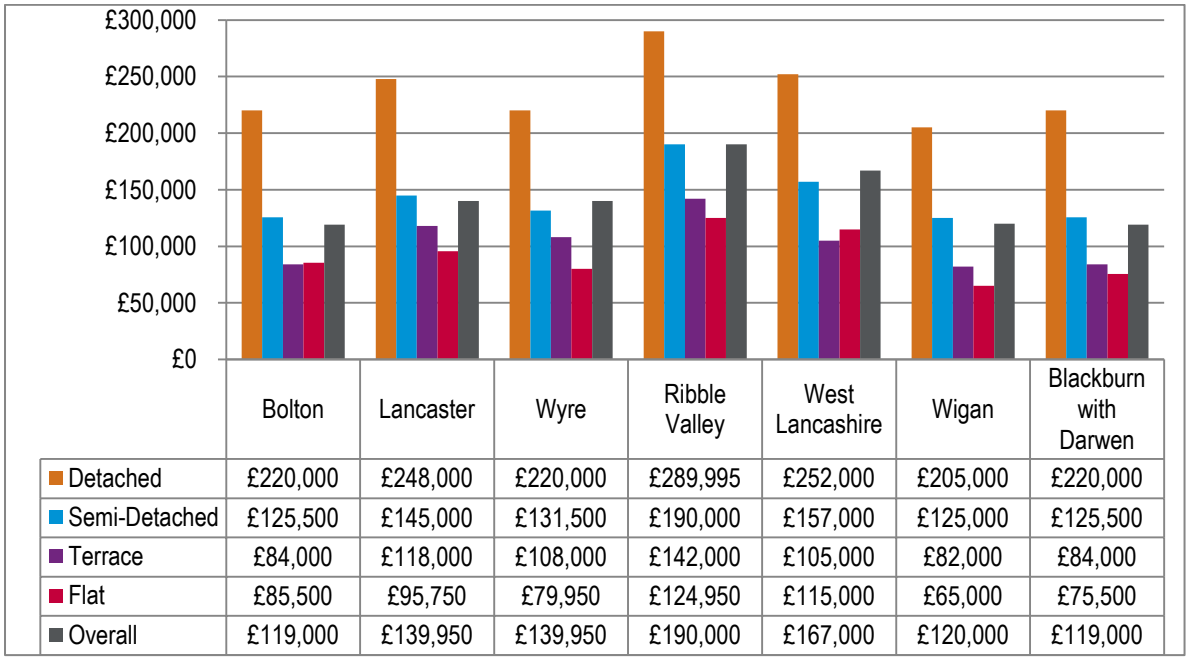

| | Preston | Chorley | South Ribble |
|---|---|---|---|
| Detached | £236,000 | £241,995 | £217,000 |
| Semi-Detached | £143,000 | £142,950 | £143,350 |
| Terrace | £89,000 | £108,000 | £103,000 |
| Flat | £75,000 | £97,000 | £84,500 |
| Overall | £123,700 | £155,000 | £150,000 |

*Source:* CLG (2015)

2.39 Chorley has the highest overall median price in the study area (£155,000), followed closely by South Ribble (£150,000). Preston's overall median house price is £123,700 which is lower than the rest of the study area. This is expected considering that Preston has the highest concentration of flats as the urban core of the study area and is the largest urban area. In general, house prices in the Central Lancashire authorities are quite similar. In particular, Semi-detached prices are almost identical while the other typologies only have relatively small differences.

2.40 Figure 10 presents the median house price by type for the surrounding authorities. The overall house price in Ribble Valley is the highest in the wider area reaching £190,000, followed by West Lancashire with an equivalent of £167,000. Lancaster and Wyre's overall median house price is £139,950. All the rest fall below £120,000. Preston's overall housing price is similar to Wigan however the prices by type differ and Preston's housing stock is more expensive.

**Figure 10: Median Price by type of residence 2015 for the wider area**




| | Bolton | Lancaster | Wyre | Ribble Valley | West Lancashire | Wigan | Blackburn with Darwen |
|---|---|---|---|---|---|---|---|
| Detached | £220,000 | £248,000 | £220,000 | £289,995 | £252,000 | £205,000 | £220,000 |
| Semi-Detached | £125,500 | £145,000 | £131,500 | £190,000 | £157,000 | £125,000 | £125,500 |
| Terrace | £84,000 | £118,000 | £108,000 | £142,000 | £105,000 | £82,000 | £84,000 |
| Flat | £85,500 | £95,750 | £79,950 | £124,950 | £115,000 | £65,000 | £75,500 |
| Overall | £119,000 | £139,950 | £139,950 | £190,000 | £167,000 | £120,000 | £119,000 |

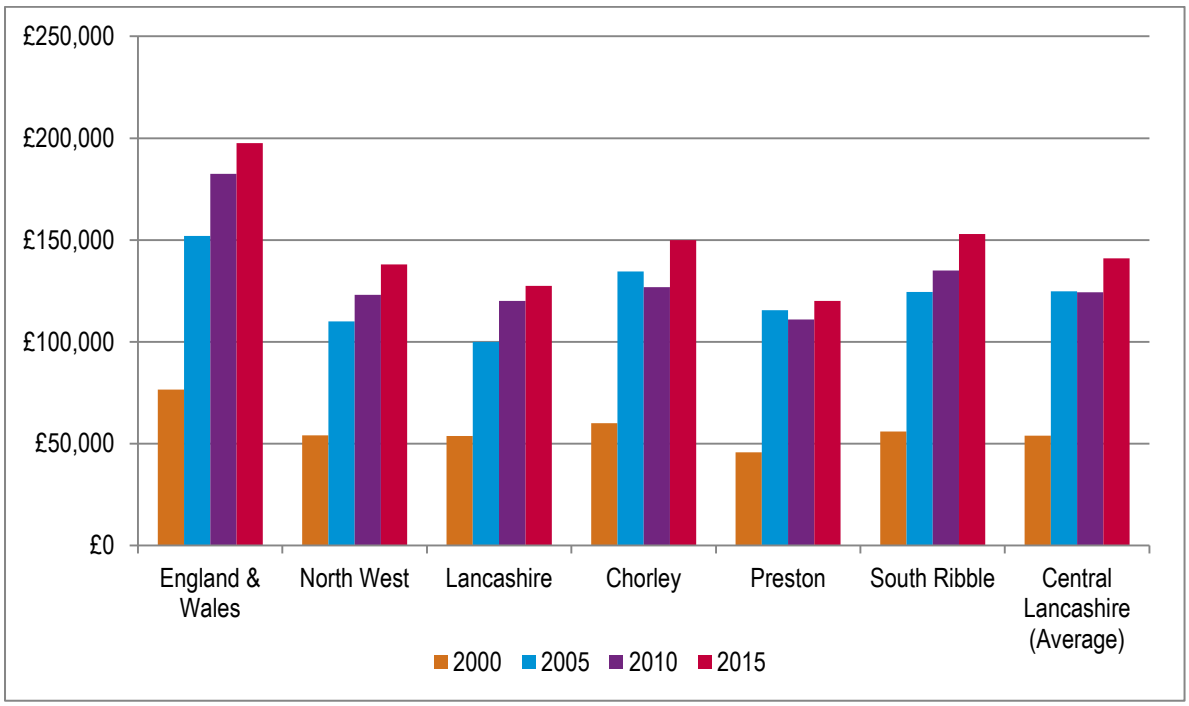
*Source:* CLG (2015)

2.41 This analysis suggests that the Central Lancashire authorities have relatively similar house prices. This suggests that the area could be considered as a housing market area in its own right by this measure.

**House Price Change**

2.42 We next consider changes in housing costs. Figure 11 assesses trends in the median house prices for the study area between 2000 and 2015, and Table 1 present changes for the wider area. Central Lancashire house prices have consistently been above the wider Lancashire and North West averages since 2000. Over the last ten and fifteen years South Ribble's median house prices increased the most (23% and 173%). However, the last five years Chorley's house prices have increased by 18%, almost 5% more than in South Ribble. Preston's median house price has increased marginally since 2005 (4%); while over the last five years there was a change of 8% indicating that prices fell between 2005-10.

**Figure 11: Median Price (Q1) 2000-2015**




*Source:* CLG (2015)

2.43 Table 1 presents house price change analysis looking over 5, 10 and 15 year periods to 2015. The table includes information of the wider area, including other local authorities in Lancashire, the metropolitan counties of Greater Manchester and Merseyside and the Unitary Authorities of Blackburn with Darwen, Halton and Warrington.

2.44 Over the last ten years median house prices in the study area increased by 13%. South Ribble had the highest increase (23%) however that was still lower than the national comparator (30%) and around the midpoint of all the areas considered. Over the same period, Preston City had a modest increase of 4%; which was the lowest growth of all the comparators presented in the table. Chorley and South Ribble saw the strongest relative growth between 2010-15.

**Table 1: Median House Price changes since 2000**

| | 5 year period 2010-15 | 10 year period 2005-2015 | 15 year period 2000-2015 |
|---|---|---|---|
| **Chorley** | **18%** | **11%** | **150%** |
| **Preston** | **8%** | **4%** | **162%** |
| **South Ribble** | **13%** | **23%** | **173%** |
| **Central Lancashire** | **13%** | **13%** | **161%** |
| Burnley | 13% | 100% | 135% |
| Fylde | -1% | 11% | 166% |
| Hyndburn | 6% | 31% | 150% |
| Lancaster | 8% | 23% | 157% |
| Pendle | 15% | 60% | 132% |
| Ribble Valley | 26% | 16% | 182% |
| Rossendale | 11% | 30% | 166% |
| West Lancashire | -4% | 13% | 138% |
| Wyre | 8% | 10% | 145% |
| Lancashire | 6% | 28% | 137% |
| **North West** | **12%** | **25%** | **156%** |
| **England & Wales** | **8%** | **30%** | **158%** |
| Greater Manchester | 14.9% | 28.6% | 170.1% |
| Merseyside | 4.2% | 17.9% | 145.1% |
| Blackburn with Darwen | 7.7% | 29.2% | 142.3% |
| Halton UA | 5.0% | 19.0% | 135.8% |
| Warrington UA | 11.6% | 17.8% | 156.4% |

*Source: CLG (2015)*

## Migration Patterns

2.45 Migration flows reflect the movement of people between homes. They are thus an important factor in considering the definition of an HMA.

2.46 Migration data from the 2011 Census is only published at a local authority level. The Census records migration, asking people where they lived one year prior to Census day and on the Census day itself. The use of Census data is preferable to other data (such as from the NHS Central Health Register) as it records movement within individual local authorities, as well as between them, allowing self-containment levels to be assessed.

**Self-Containment within Individual Local Authorities**

2.47 The core analysis relating to migration is the self-containment rate. Paragraph 11 of the PPG sets out that when defining HMAs:

> *"Migration flows and housing search patterns reflect preferences and the trade-offs made when choosing housing with different characteristics. Analysis of migration flow patterns can help to identify these relationships and the extent to which people move house within an area. The findings can identify the areas within which a relatively high proportion of household moves (typically 70 per cent) are contained. This excludes long distance moves (e.g. those due to a change of lifestyle or retirement), reflecting the fact that most people move relatively short distances due to connections to families, friends, jobs, and schools."*

2.48 Table 2 shows self-containment levels within the individual authorities as well as the study area as a whole, initially including long-distance moves. These can be measured either in terms of those who moved out of or those who moved in to each local authority and the study area during 2010-2011.

2.49 The self-containment rate of the study area including long distances is 70-72%. This reveals that the study area has a high level of self-containment even with the long distance migration included in the figures. As expected the self-containment for each authority is lower, ranging from 52-63% with Preston presenting the highest rate. Migration self-containment levels for individual authorities are not sufficient for them to be considered to represent a housing market area in their own right.

**Table 2: Self-containment of Migration flows within Individual Authorities 2010-11**

| Local Authority | % Self-containment of out to flows | % Self-containment of in from flows |
|---|---|---|
| **Preston** | 63% | 60% |
| **Chorley** | 56% | 53% |
| **South Ribble** | 52% | 56% |
| **Central Lancashire** | **72%** | **70%** |

*Source: GL Hearn Analysis of* Census 2011

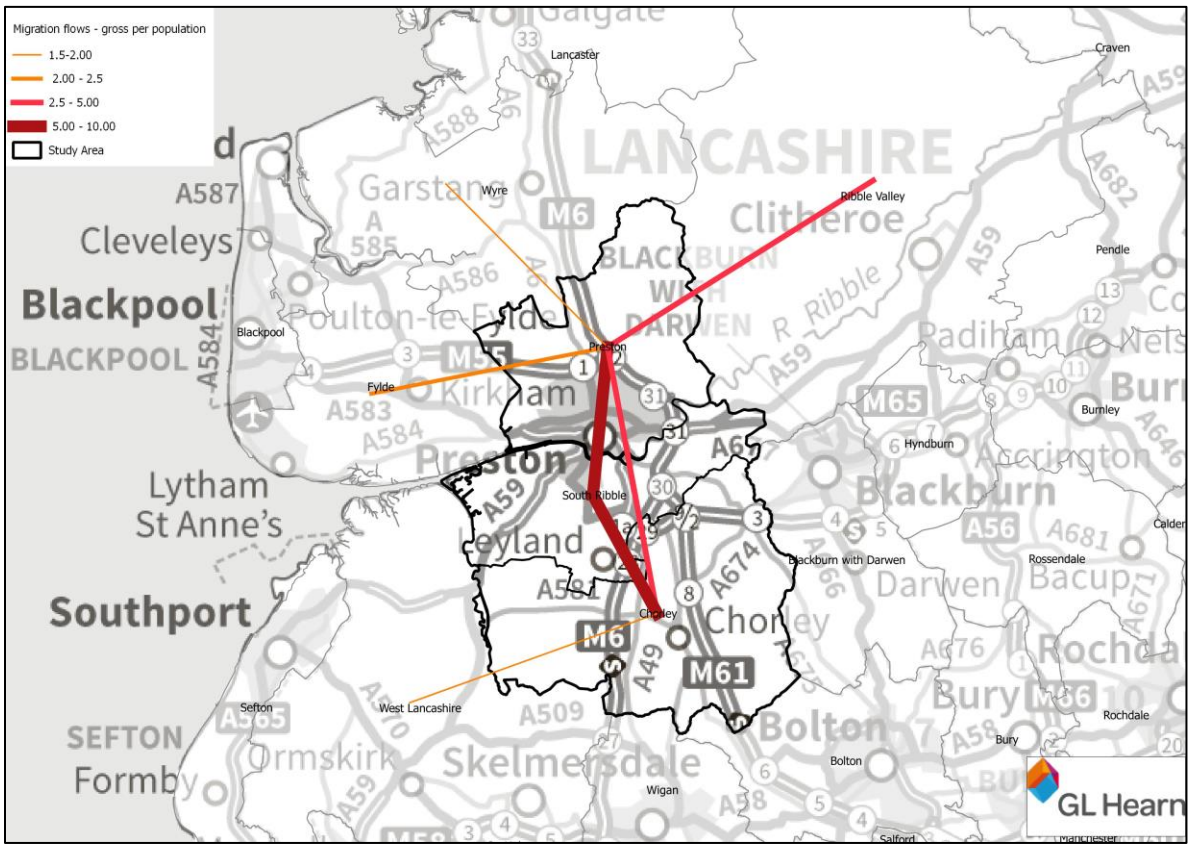
**Migration flows between local authorities**

2.50 In absolute terms, the largest gross migration flows for each local authority in the study area involve the other two commissioning authorities, illustrating strong inter-relationships between the three authorities of Chorley, South Ribble and Preston. The major flows to areas outside of Central Lancashire are principally to the adjacent authorities. In particular Preston has links with Fylde and Ribble Valley, although these are much weaker than those with the Chorley and South Ribble.

2.51 Typically, this data source reveals larger flows between authorities which are close to or border one another; and between cities and student towns around the country. The scale of flows is partly influenced by the population of the authorities involved, with for instance the expectation that two

large urban authorities would support stronger flows than two smaller ones. Taking this into account, Table 3 and Figure 12 standardise the analysis of gross flows to take account of the combined population of the different authorities expressed per combined 1,000 head of population. In other words it illustrates the inter-relationships between the study area authorities and their surroundings, weighted to reflect the size of the combined population. The analysis suggests that all the local authorities present their strongest inter-relationships with the other local authorities in the study area. Migration relationships with other local authorities are notably weaker.

**Figure 12: Gross weighted migration flows (>1.5)**




*Source:* Census 2011, GL Hearn Analysis

2.52 Preston City Council and South Ribble Borough Council have their strongest gross weighted flows with each other, followed by the flows with Chorley Borough Council, while the latter has its strongest weighted gross flows with South Ribble as presented below (Table 3).

**Table 3: Top Gross flows Per '000 population**

| | Preston | South Ribble | Chorley | Lancaster | Ribble Valley | Wyre | Fylde | Blackpool | West Lancashire | Wigan | Bolton | Blackburn with Darwen |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Preston** | - | 7.59 | 2.76 | 1.12 | 1.14 | 1.83 | 1.15 | 1.37 | 1.30 | 1.21 | 0.66 | 1.25 |
| **South Ribble** | **7.59** | - | **8.58** | 0.78 | 0.77 | 0.44 | 1.12 | 0.43 | 0.78 | 0.39 | 0.27 | 0.80 |
| **Chorley** | 2.76 | **8.58** | - | 0.87 | 0.68 | 0.34 | 0.94 | 0.52 | 1.54 | 1.16 | 1.35 | 1.12 |
| **Lancaster** | 1.12 | 0.78 | 0.87 | - | 0.76 | 1.85 | 1.15 | 0.90 | 0.37 | 0.55 | 0.50 | 0.57 |
| **Ribble Valley** | 1.14 | 0.77 | 0.68 | 0.76 | - | 0.72 | 0.60 | 0.27 | 0.14 | 0.07 | 0.16 | **2.78** |
| **Wyre** | 1.83 | 0.44 | 0.34 | **1.85** | 0.72 | - | 3.16 | **9.20** | 0.28 | 0.14 | 0.22 | 0.19 |
| **Fylde** | 1.15 | 1.12 | 0.94 | 1.15 | 0.60 | 3.16 | - | 7.35 | 0.26 | 0.17 | 0.20 | 0.43 |
| **Blackpool** | 1.37 | 0.43 | 0.52 | 0.90 | 0.27 | **9.20** | **7.35** | - | 0.25 | 0.23 | 0.23 | 0.40 |
| **West Lancashire** | 1.30 | 0.78 | 1.54 | 0.37 | 0.14 | 0.28 | 0.26 | 0.25 | - | 2.08 | 0.32 | 0.28 |
| **Wigan** | 1.21 | 0.39 | 1.16 | 0.55 | 0.07 | 0.14 | 0.17 | 0.23 | **2.08** | - | **2.77** | 0.21 |
| **Bolton** | 0.66 | 0.27 | 1.35 | 0.50 | 0.16 | 0.22 | 0.20 | 0.23 | 0.32 | **2.77** | - | 1.17 |
| **Blackburn with Darwen** | 1.25 | 0.80 | 1.12 | 0.57 | **2.78** | 0.19 | 0.43 | 0.40 | 0.28 | 0.21 | 1.17 | - |

**The green boxes highlight the top gross flow from each authority*

*Source:* Census 2011, GL Hearn Analysis

**Self-Containment (excluding Long-Distance Flows)**

2.53 By re-calculating the self-containment rate with long distance moves excluded, the analysis below allows plan makers to have a better understanding of the migration flows in the local area removing lifestyle moves and those associated with moving to study or for work. For this purpose, long distance flows are those coming from outside a 50km radius from the study area. In total there are 28 local authorities which fall into the "short distance" moves category.

2.54 Table 4 shows the updated self-containment excluded long distance moves. The self-containment for the three Central Lancashire authorities is 82-83%, and at a local authority level between 62% in South Ripple to 73% in Preston. It is typical for larger urban centres to have higher self-containment, in part related to their size and economic strength; but there are often close inter-relationships with adjoining areas.

**Table 4: Self-containment of Short Distance flows 2010-11**

| Local Authority | **% Self-containment of out to flows** | % Self-containment of in from flows |
|---|---|---|
| **Preston** | 73% | 73% |
| **Chorley** | 66% | 60% |
| **South Ribble** | 59% | 62% |
| **Central Lancashire** | **83%** | **82%** |

*Source:* Census 2011

2.55 As illustrated the study area has a significant self-containment rate (over 80%) when long distance moves are excluded. This would suggest that there is ground to justify the definition of a unique HMA across the study area on the basis of migration patterns.

**Statistically Significant Migration Flows**

2.56 The ONS also identify 'statistically significant' flows between local authorities. These are based on the scale and range of flows within each local authority between 2011 and 2014. The statistically significant flows to/from individual authorities in the study area and the wider area are presented in Table 5 ordered by the strength of flow.

2.57 The findings reveal that all the authorities of the study area have a statistically significant flow from each other. Preston however as an urban and university area presents significant flows with other surrounding authorities and main cities like Manchester and Liverpool. The data presents additional flows with Ribble Valley and Blackburn with Darwen as well as Lancaster, Wigan and Bolton.

2.58 Chorley has a notable inward flow from Bolton, and Wigan and Blackburn both see a significant outflow to Chorley. However in absolute figures all these flows are much smaller than the flows between the authorities of Central Lancashire. The analysis does show some linkages in migration

terms with other areas – this however is common, and there are few areas on the mainland UK which are entirely self-contained.

**Table 5: Statistically Significant Migration Flows (2011-2014)**

| Direction | Inward | Outward |
|---|---|---|
| **Preston** | **South Ribble**, Wyre, Manchester, **Chorley**, Blackpool, Lancaster, Ribble Valley, Fylde, Blackburn with Darwen, Bolton, Liverpool | **South Ribble** |
| **South Ribble** | **Preston**, **Chorley** | **Chorley**, **Preston** |
| **Chorley** | **South Ribble**, Bolton, **Preston** | **South Ribble** |
| Fylde | Blackpool | Blackpool, Wyre |
| West Lancashire | Sefton, Liverpool, Wigan | Sefton, Liverpool, Wigan |
| Wigan | Bolton, Salford, St Helens, West Lancashire, Manchester | Bolton, Salford, St Helens, West Lancashire, Manchester, **Chorley** |
| Bolton | Bolton, Bury, Salford, Manchester | Wigan, Salford, Bury, Manchester, **Chorley** |
| Blackburn with Darwen | Hyndburn, Ribble Valley | Hyndburn, Ribble Valley, Bolton, Manchester, Burnley, **Chorley**, Leeds, **Preston** |
| Ribble Valley | Blackburn with Darwen, Hyndburn, **Preston**, Burnley, Pendle, | **Preston**, Hyndburn, Blackburn with Darwen, Burnley |
| Wyre | Blackpool | Blackpool |
| Lancaster | South Lakeland, Wyre, **Preston**, Manchester, Leeds, Blackpool, Craven, Bradford, Wigan, **Chorley**, **South Ribble**, Cheshire East, West Lancashire | South Lakeland, Wyre, **Preston**, Manchester |

*Source:* ONS Internal Migration Estimates

## Commuting Flows

2.59 The analysis of the commuting flows provides important evidence of the functional relationships among different areas and helps in further considering the housing market geography. We have sought to consider commuting dynamics taking account of the Office for National Statistics definition of Travel to Work Areas (TTWAs), together with more detailed interrogation of commuting dynamics locally.

2.60 The ONS TTWAs aim to identify self-contained labour market areas in which the majority of commuting occurs within the boundary of the area. They are defined on a consistent basis nationally. It should however be recognised that in practice, it is not possible to divide the UK into entirely separate labour market areas as commuting patterns are too diffuse.

2.61 The TTWAs have been developed as approximations to self-contained labour markets, i.e. areas where most people both live and work. As such they are based on a statistical analysis rather than

administrative boundaries. There are two types of self-containment that are analysed: the residents self-containment which is the percentage (%) of employed residents who work locally and; jobs self-containment which is the percentage (%) of local jobs taken by local residents.

2.62 The criteria for defining TTWAs were that at least 75% of the area's resident workforce works in the area and at least 75% of people who work in the area also live in the area in most instances. The area must also have had a working population of at least 3,500 people. However, for areas where the working population is in excess of 25,000 people, self-containment rates as low as 66.66% were accepted.

2.63 As illustrated in Figure 13 Central Lancashire falls entirely within the Preston TTWA (using 2011 Census data, published in 2015) which also covers parts of Wyre, Fylde and Ribble Valley administrative areas. The whole study area is included within one TTWA, which is an clear sign that suggest strong commuting patterns among the Central Lancashire authorities and reinforces the definition of a common housing market area including the three study authorities.

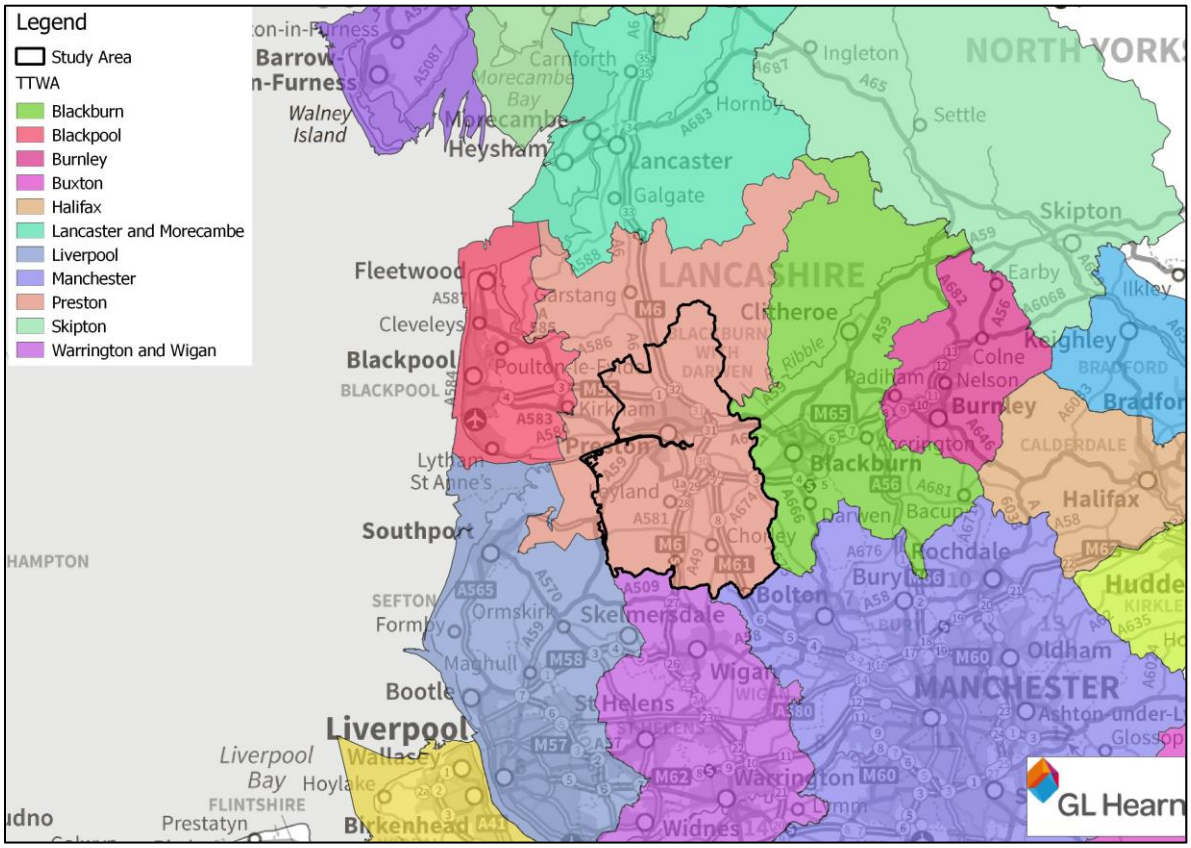
2.64 Table 6 presents the self-containment percentages of the Preston travel to work area which entirely contains the study area as well as the surrounding TTWAs. This data is based on Census 2011 and provided by ONS.

**Table 6: Self-containment in travel to work areas**

| TTWA | Residents self-containment | Jobs self-containment |
|---|---|---|
| **Preston** | **77.4** | **74.9** |
| **Lancaster and Morecambe** | 81.4 | 86.3 |
| **Blackpool** | 84.2 | 87.7 |
| **Liverpool** | 84.9 | 82.5 |
| **Warrington and Wigan** | 72.5 | 76.6 |
| **Manchester** | 91.3 | 88.2 |
| **Blackburn** | **74.0** | **75.9** |

*Source: 2011 Census ONS*

**Figure 13: Travel to Work Areas (2011)**




*Source: ONS, 2015*

2.65 Although these are statistically robust definitions of travel to work areas, they are difficult to use for HMA definitions as they usually cut across local authority boundaries. The TTWA definition supports the inclusion of Preston, South Ribble and Chorley in a common HMA, however it is appropriate to consider through further analysis whether other authorities might warrant inclusion as well.

**Local Authority Flows**

2.66 Analysis of the location of workplace for residents of Preston, South Ribble and Chorley and the location of residence of those that work in the three local authorities is presented in this section. This data draws from the Census 2011.

2.67 Table 7 presents the major commuting flows (>4% residents) for each local authority in the study area. Around 62% of Preston residents also work in the City with a further 9.4% working in South Ribble and 2.5% working in Chorley. Around 39% of Chorley's population work within the Borough, with a further 10.8% working in Preston and 14.8% in South Ribble. The largest percentage of South Ribble's populations work in within South Ribble itself (36.7%) and 28.3% in South Ribble and a further 8.5% work in Chorley.

2.68 The vast majority of residents in Central Lancashire also work within Central Lancashire with a self-containment rate of around 71%. This would indicate that by this measure the area could reasonably be considered as a HMA in its own right.

**Table 7: Major Commuting flows from Preston, Chorley and South Ribble (>4%)**

| Place of residence | Workplace | Flows | % Residents |
|---|---|---|---|
| Preston | Preston | 34,082 | 61.63% |
| South Ribble | South Ribble | 17,478 | 36.68% |
| Chorley | Chorley | 17,280 | 39.08% |
| South Ribble | Preston | 13,492 | 28.32% |
| Chorley | South Ribble | 6,537 | 14.79% |
| Preston | South Ribble | 5,186 | 9.38% |
| Chorley | Preston | 4,770 | 10.79% |
| South Ribble | Chorley | 4,071 | 8.54% |
| Preston | Fylde | 3,320 | 6.00% |
| Chorley | Bolton | 2,453 | 5.55% |
| South Ribble | Fylde | 2,112 | 4.43% |
| Chorley | Wigan | 1,912 | 4.32% |

*Source*: *2011 Census ONS*

2.69 Table 8 presents the in-flow of commuters to the study area. This reveals that around 53% of Chorley's workforce resides in the area with a further 12% living in South Ribble and 4% in Preston. This is the highest job containment rate in the study area.

2.70 In addition, 42% of South Ribble's workforce lives locally with a further 16% residing in Chorley and 12% in Preston. Finally, 43% of Preston's workforce resides in the town with a further 17% living in South Ribble and 6% in Chorley. In commuting terms the workforce of Central Lancashire mainly reside within Central Lancashire with a job self-containment rate of around 69%.

**Table 8: Major Commuting flows to Preston, Chorley and South Ribble (>4%)**

| Workplace | Place of residence | Flows | % Workforce |
|---|---|---|---|
| Preston | Preston | 34,082 | 43.43% |
| South Ribble | South Ribble | 17,478 | 42.58% |
| Chorley | Chorley | 17,280 | 53.51% |
| Preston | South Ribble | 13,492 | 17.19% |
| South Ribble | Chorley | 6,537 | 15.93% |
| South Ribble | Preston | 5,186 | 12.63% |
| Preston | Chorley | 4,770 | 6.08% |
| Chorley | South Ribble | 4,071 | 12.61% |
| Chorley | Wigan | 2,048 | 6.34% |
| Chorley | Bolton | 1,468 | 4.55% |
| Chorley | Preston | 1,374 | 4.25% |

*Source*: *2011 Census ONS*

**Statistically Significant Commuting Flows**

2.71 Finally, the ONS also publish statistically significant commuting flows for each local authority. Again these are based on the range and scale of flows in each location. The results for the study area are presented in Table 9. This again highlights the importance of each local authority in Central

Lancashire to the other two while the most statistically significant in-flows of each area are from the other authorities of Central Lancashire and the most statistically significant out-flow is to at least one of other Central Lancashire authorities. It reinforces the definition of an HMA which covers the three authorities.

**Table 9: Statistically Significant Commuting flows (2011-2014)**

| Direction (Authority) | Inward | Outward |
|---|---|---|
| **Preston** | **South Ribble** | **South Ribble,** Fylde |
| **South Ribble** | **Preston, Chorley** | **Preston** |
| **Chorley** | **South Ribble, Preston,** Bolton, Wigan | **South Ribble, Preston** |
| Fylde | Blackpool, Wyre, **Preston** | Blackpool, **Preston** |
| West Lancashire | Sefton, Wigan | Sefton, Wigan, Liverpool |
| Wigan | St Helen, Bolton, West Lancashire, Warrington, Salford, **Chorley,** Manchester | Bolton, Salford, St Helens, Manchester, Liverpool, Warrington, West Lancashire, Trafford |
| Bolton | Wigan, Salford, Bury | Manchester, Wigan Salford, Bury |
| Blackburn with Darwen | Hyndburn, Ribble Valley | Hyndburn, **Preston,** Ribble Valley, Bolton, **South Ribble,** Burnley |
| Ribble Valley | Blackburn with Darwen, Hyndburn**, Preston,** Burnley**, South Ribble,** Pendle | Blackburn with Darwen, Hyndburn, **Preston,** Burnley |
| Wyre | Blackpool | Blackpool |
| Lancaster | South Lakeland, Wyre | South Lakeland, **Preston** |

*Source:* ONS Internal Migration Estimates

2.72 The evidence points to some wider links between Preston and Fylde, Blackburn with Darwen and Lancaster, but these are less strong than those between the three Central Lancashire authorities.

## Conclusions on the HMA Geography

2.73 The PPG sets out that a Housing Market Area is "*a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. The extent of the housing market areas identified will vary, and many will in practice cut across various local planning authority administrative boundaries. Local planning authorities should work with all the other constituent authorities under the duty to cooperate."*

2.74 In drawing the analysis together there is clearly strong links between the commissioning authorities of Preston, South Ribble and Chorley. Analysis of the CURDS HMA geographies (particularly the "Silver Standard" preferred by PAS identifies the study area, comprising the three local authorities, as a unique Housing Market Area.

2.75 The analysis of Census data highlights that the most significant migration flows involving the commissioning authorities are with each other. Together the three authorities achieve a high self-containment of 82-83% (excluding long-distance flows), well above the typically 70% threshold identified in the PPG.

2.76 The house price analysis reveals strong correlation between Chorley and South Ribble. Preston's housing market slightly differs from the other two councils mainly because the area is more urban and the profile of potential buyers or tenants differs slightly. Values for mid-market semi-detached properties are very similar across the three authorities.

2.77 In terms of commuting flows, the analysis reveals a strong inter-relationship between the commissioning authorities. The commissioning authorities lie within one TTWA which also extends to parts of Wyre, Fylde and Ribble Valley administrative areas with this area Including the main settlements in the three authorities together with Garstang.

2.78 The commuting analysis reveals a self-containment rate of 71%-74% within the study area which is relatively strong. It also showed that both the major gross and the statistically significant commuting flows at a local authority level the commissioning authorities have the strongest links to each other. We conclude that there is undoubtable evidence to suggest that the three commissioning authorities have strong correlation and should be considered to be in a common housing market area.

2.79 **The triangulation of the sources strongly supports placing the commissioning authorities of Chorley, Preston and South Ribble within a common and unique Housing Market Area.** There is a high level of self-containment in Central Lancashire in both migration and commuting terms and house price dynamics are similar. Other authorities have less strong relationships.

2.80 However, the functional market areas clearly do not precisely fit to local authority boundaries; and at the borders of any area which is defined there are often links with the adjoining areas. We recognise these localised interactions across borough boundaries. In particular there are notable inter-relationships with: Fylde Borough, Ribble Valley Borough, Wyre Council, Blackburn with Darwen, Wigan, Bolton and West Lancashire and Lancaster but these can be localised relationships and the evidence does not point to these authorities falling within a common HMA overall.

2.81 Apart from the adjacent authorities the analysis reveals notable links with Manchester, Blackpool and Liverpool. Whilst these external relationships do not affect the definition of Central Lancashire as a HMA, they may be relevant through the duty to cooperate.

**Summary: Housing Market Area**

- In market-terms (as reflected in the house price analysis) there are some distinction particularly in relation to the urban areas of Preston and more rural areas of Chorley, South Ribble and indeed northern Preston.
- Both migration and Travel to Work patterns identify a degree of self-containment which exceeds expected thresholds for housing market areas. Preston has primacy within the study area with a high level of migration self-containment in its own right with the other local authorities' strongest migration patterns being with the City. The evidence however clearly shows close inter-relationships between the three authorities supporting the identification of a common housing market area.
- Preston is by far the largest employment location within the study area. This is also reflected in the ONS travel to work area definition which extends across the commissioning authorities and into parts of Wyre, Fylde and Ribble Valley administrative areas. The three authorities all fall within the Preston TTWA.
- In GL Hearn's view, the triangulation of the sources strongly supports defining a single HMA and FEMA across the Central Lancashire area. It is however important to recognise housing market overlaps between authorities in this area.

# 3 CHARACTERISTICS OF THE HOUSING MARKET

## Introduction

3.1 This chapter sets out the baseline context for the study. It firstly looks at the population for the HMA as well as the local labour market, and then goes on to profile the areas housing stock. This information is largely drawn from Census data, although where more up to date information is available, this has been used.

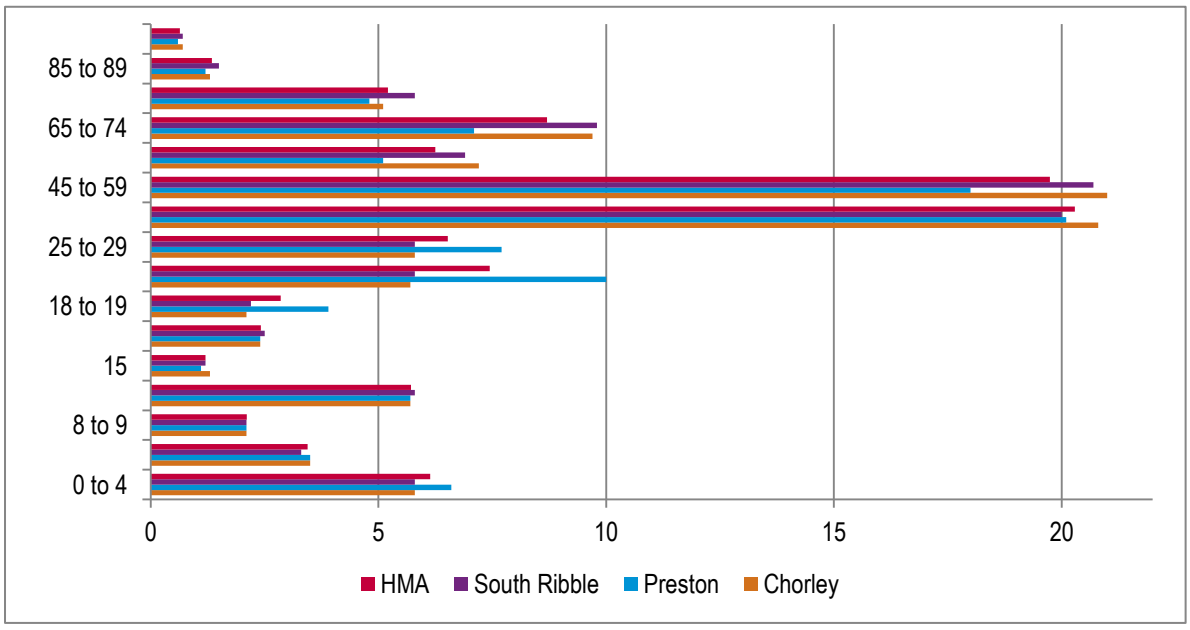
## Population Characteristics

3.2 In 2011 the HMA has a population of just over 356,000 people. With 140,000 people, Preston is the most populated of the three local authorities. Chorley and South Ribble have similar populations at 107,000 and 109,000 respectively. By 2015 the population has grown to 363,000 - a growth of around 7,500 or 2.1%. The vast majority of the growth took place in Chorley which saw its population by 5,800 or 5.4%. This was influenced in part by stronger relative housing delivery over this period.

### Age Structure

3.3 Figure 14 illustrates the population age structure in each local authority. Around 40% of the population in the HMA are aged between 30 and 59 years old. The next largest age group is that aged 65-74.

**Figure 14: Age Structure**



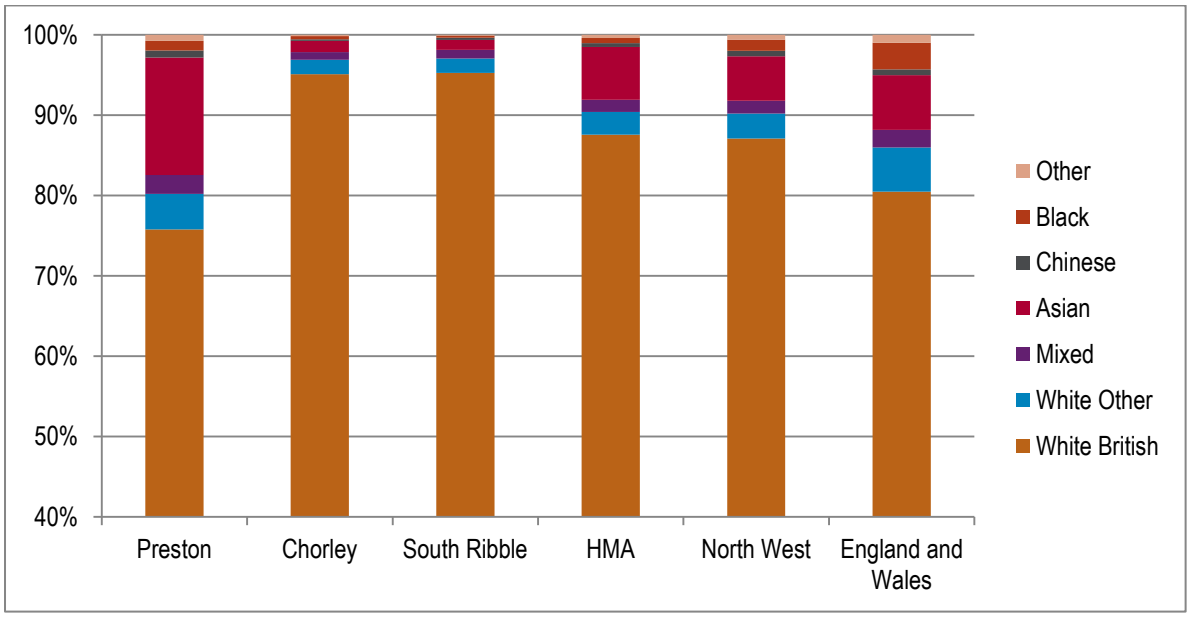

*Source:* Census 2011

3.4 In Preston, there are relatively high percentages of 20 to 24 and 25 to 29 age bands resulting from the University of Central Lancashire's presence in the area; as well as the general preference of young adults of locating in urban environments. All areas have a relatively consistent school-age population although Preston has a notably higher pre-school aged population. South Ribble has a particularly high representation of people in retirement age categories. Chorley has a relatively high concentration of people in the older working age categories 45-59 and 60-64.

**Ethnic Profile**

3.5 The Central Lancashire HMA is relatively diverse area, particularly Preston where around a quarter of the population is not White British. The largest non-white British groups in the HMA are Asian/Asian British, particularly Indian.

**Figure 15: Ethnicity (2011)**




*Source:* Census 2011

3.6 In contrast to Preston, the Black and Minority Ethnic (BME) population in both Chorley and South Ribble is less than the national and regional averages. In both areas, the White British population comprises over 95% of the total population.

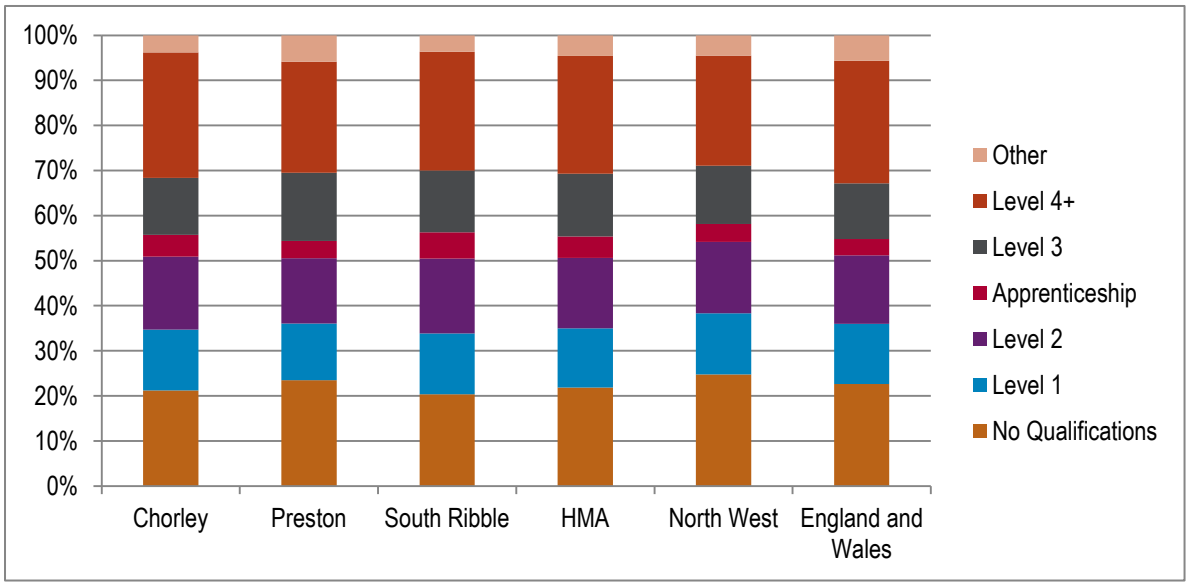
## Labour Market

### Qualifications

3.7 The profile of skills/ qualifications in the HMA is broadly similar to the wider comparators. People with Level 4+ qualifications (equivalent to an undergraduate degree level) represent 26% of the HMA population aged 16 and over, whereas the regional equivalent is 24% and the national 27%.

3.8 The highest concentration of population with at least a Level 4 qualification is found in Chorley (28%), followed by South Ribble (26.5%). Despite having a University, only 24.6% of Preston's population aged 16 and over are qualified to a degree level. This is still above the regional figure, but below the national figure.

**Figure 16: Qualification (2011)**




*Source:* Census 2011

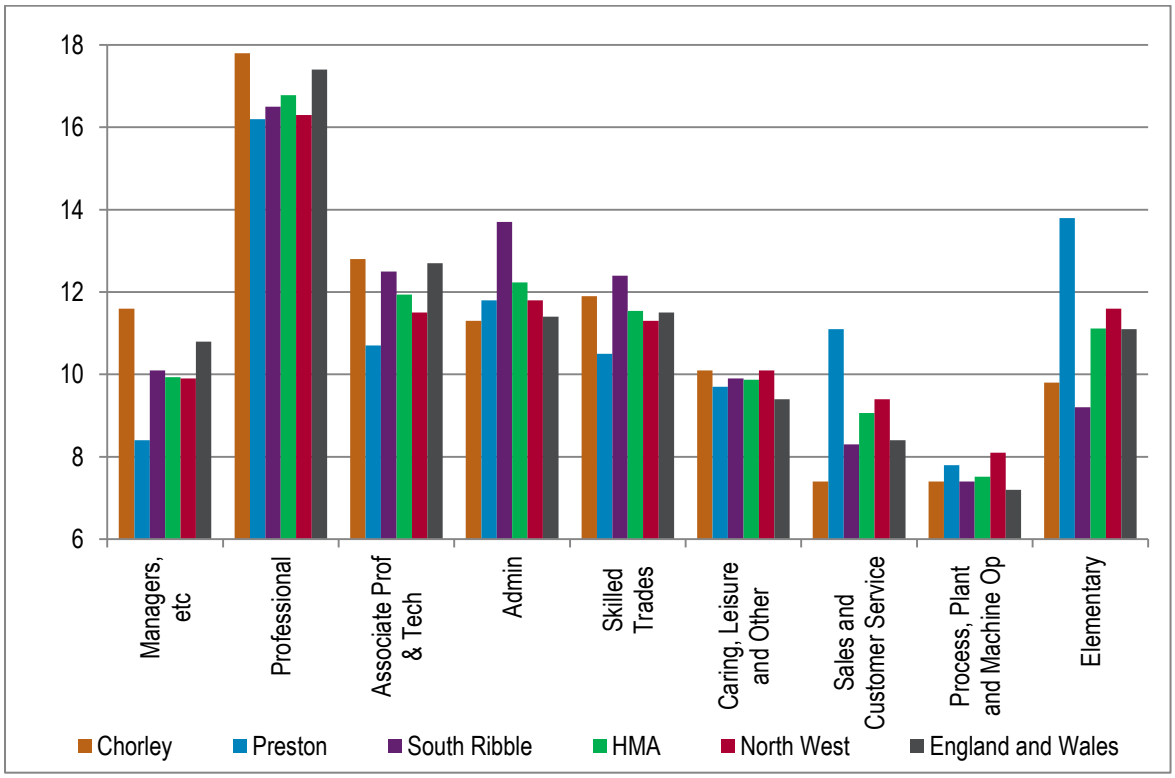
3.9 Conversely Preston has the highest percentage of population aged 16 and over with no qualifications (23.5%) while across the HMA the equivalent figure is 21.8%. The HMA figure is below both the regional (24.8%) and national figures (22.7%).

### Occupation Level

3.10 The occupation breakdown across the HMA is in general similar to the national trends. However there are some notable differences within the HMA. Professionals are the largest occupational group across all areas. Compared to the regional and national figures, the HMA has a high concentration of population working in administrative and skilled trade roles.

3.11 Chorley has a particularly high concentration of residents working in three highest categories of Managerial, Professional and Associate Professional and Technical roles. In contrast Preston has high concentrations in the three lowest occupation levels, sales, process and elementary occupations.

**Figure 17: Occupation and Skills**




*Source:* Census 2011

3.12 South Ribble has comparatively high concentrations of its population working in administrative and skilled occupations. Conversely it has the lowest percentage of residents working in elementary occupations among the three local authorities and the wider comparators.

## Housing Stock and Supply

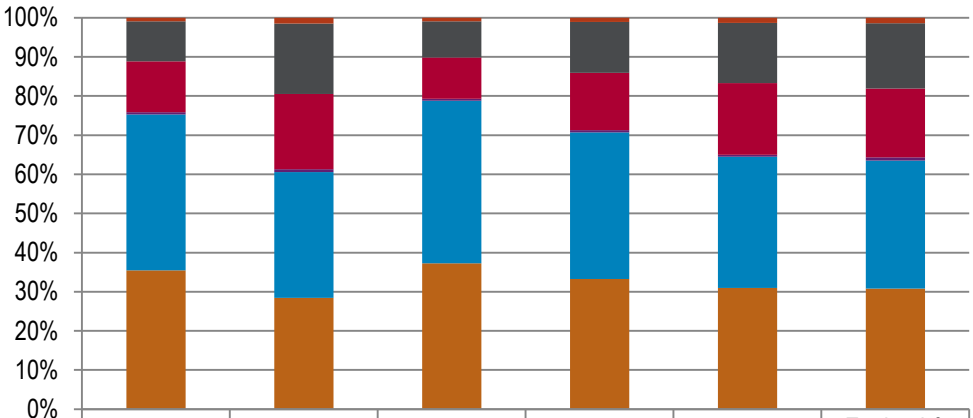
### Tenure Profile

3.13 The tenure profile, taken from the 2011 Census, is dominated by owner occupied households. Across the HMA over 70% of all households either own their home outright or with a mortgage. This compares to 64.5% in the North West and 63.5% nationally. The highest proportions of households who owned outright or with a mortgage can be found in South Ribble (78%) followed by Chorley (75%).

3.14 Across the HMA almost 15% of households are in socially rented properties. This rises to 19% of households in Preston. By comparison the equivalent figures for the North West is 18.3% and 17.6% nationally.

3.15 The third largest tenure group across the HMA is the private rented sector (13%). The highest proportion is in Preston (18%) and lowest is in South Ribble (9.3%). To put into context, the national average equals to 16.7% and the regional figure 15.4%.

**Figure 18: Tenure Profile % (2011)**



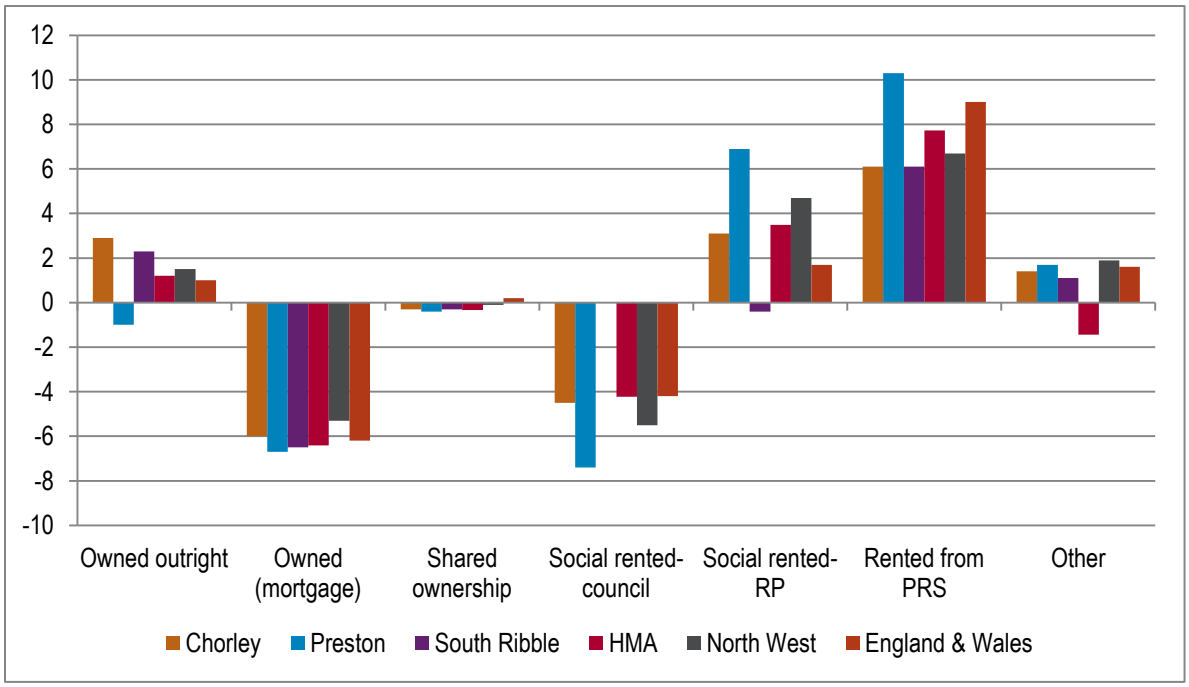

| | Chorley | Preston | South Ribble | HMA | North West | England & Wales |
|---|---|---|---|---|---|---|
| Other | 0.9 | 1.5 | 0.9 | 1.1 | 1.3 | 1.4 |
| Private rented | 10.2 | 18 | 9.3 | 13.0 | 15.4 | 16.7 |
| Social rented | 13 | 19.2 | 10.5 | 14.6 | 18.3 | 17.6 |
| Shared | 0.6 | 0.7 | 0.5 | 0.6 | 0.5 | 0.8 |
| Owned (mortgage) | 39.8 | 32.2 | 41.5 | 37.4 | 33.5 | 32.7 |
| Owned outright | 35.4 | 28.4 | 37.3 | 33.3 | 31 | 30.8 |

*Source:* Census 2011

3.16 Consistent with the national trend, the number of (younger) owner occupiers with a mortgage fell between 2001-11; and those living in the Private Rented sector grew. This trend was been seen to a greater degree in Preston than South Ribble or Chorley. Across HMA there had been a decrease of 6.4pp in ownership with a mortgage or loan, which is higher than both the regional and national decrease of this tenure.

3.17 During 2001-11 many Councils transferred their housing stock to registered housing providers. This is likely to have been the case in Preston and Chorley's while there was no notable shift in South Ribble.

**Figure 19: Tenure composition change between Census 2001 and 2011 (% households)**




*Source:* Census 2011& 2001

3.18 Across the HMA overall, there was a decrease of social renting from the council equal to the national comparator (-4.2%) and smaller than the regional one (-5.5%). Conversely renting from registered providers increased by 3.5% in the HMA while nationally the equivalent figure was 1.7% and across the North West it was 4.7%.

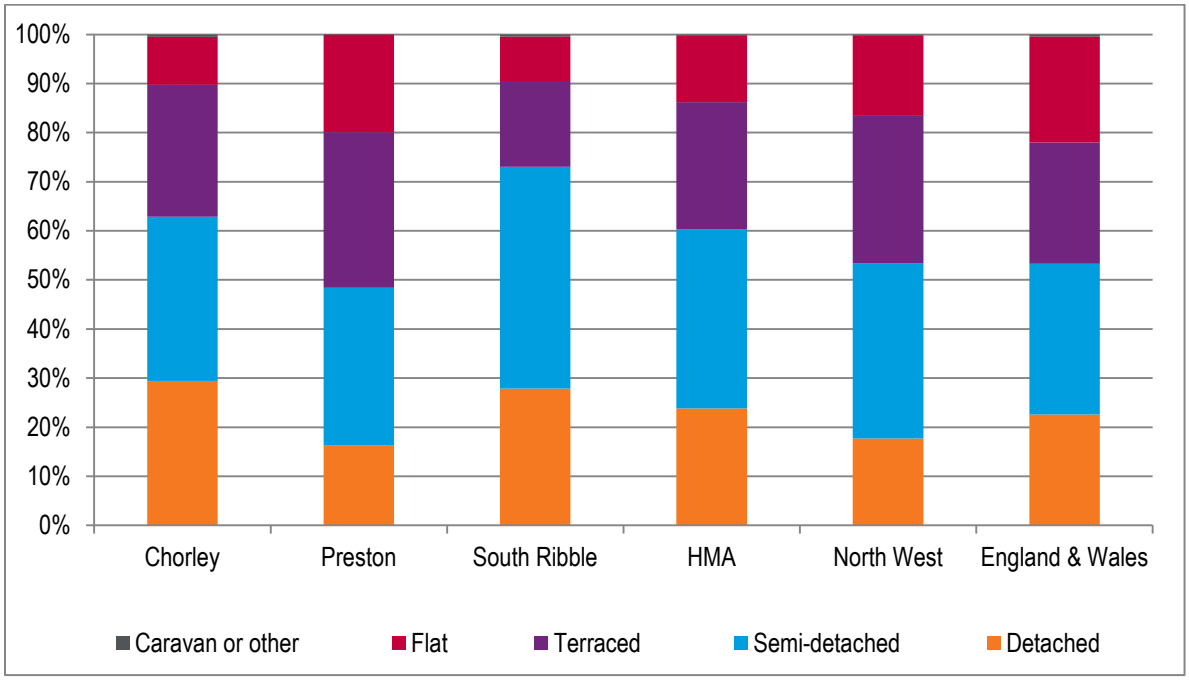
**Dwelling Types**

3.19 Across all three authorities, the most common dwelling type is semi-detached properties. Across the HMA these equate to over 36% of all residential dwellings. With the exception of caravans the least common dwelling type were flats, although in Preston these were more common that detached homes (as is typical for larger urban areas). Chorley has the highest volume of detached properties (29.4%) and South Ribble of semi-detached (45.2%).

3.20 Across the HMA, there is a greater proportion of detached and semi-detached properties when compared to the regional and national percentages. On the contrary, the HMA has a much lower proportion of flats (13.5%) in comparison with the North West (16.3%) and England & Wales (21.6%).

3.21 Compared to wider comparators, Preston has similar stock composition to the North West and England & Wales; while the other two authorities have in more larger properties (detached and semi-detached premises).

**Figure 20: Profile of Stock by Type % (2011)**




*Source*: Census 2011

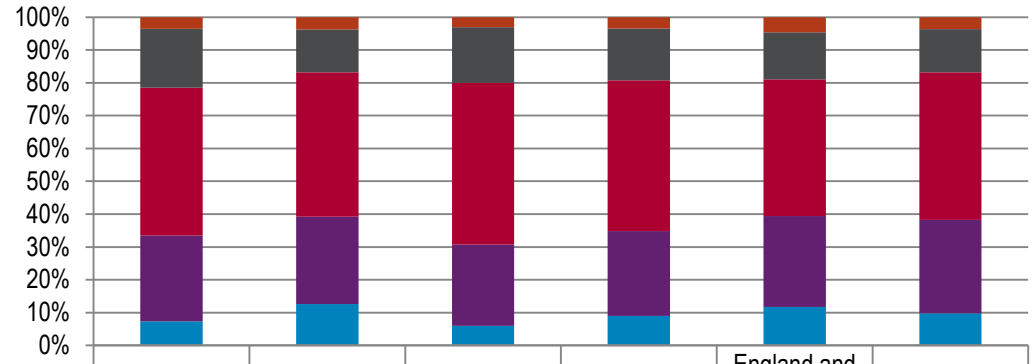
3.22 In total, there are 455 caravans across the HMA, the greatest number of which are in Chorley and to a lesser extent South Ribble. There are only 33 caravans in Preston.

**Housing Size**

3.23 The size mix of housing in Central Lancashire is dominated by three bedroom homes which represent almost 46% of the stock in HMA (Figure 21). Less than 10% of the total stock are 1-bedroom homes or studios. This compares to 12% nationally but is broadly in line with the North West figure. Preston has the largest proportion of 1 bedroom flats (12.6%), which is above the national comparator (11.8%) which is an indication of its urban character.

3.24 Two bedroom properties represent the 26% of the HMA's stock and are evenly proportioned across the study area. The wider comparators areas considered in general have slightly higher percentages of one and two bedroom properties and lower of more than 3 bedroom properties compared to the HMA.

**Figure 21: Housing Size (%)**




| | Chorley | Preston | South Ribble | HMA | England and Wales | North West |
|---|---|---|---|---|---|---|
| 5+ beds | 3.6% | 3.7% | 3.1% | 3.5% | 4.6% | 3.7% |
| 4-beds | 17.9% | 13.2% | 16.9% | 15.8% | 14.4% | 13.1% |
| 3-beds | 45.1% | 43.9% | 49.2% | 45.9% | 41.6% | 45.0% |
| 2-beds | 26.1% | 26.7% | 24.9% | 25.9% | 27.6% | 28.5% |
| Studios/1-bed | 7.4% | 12.6% | 5.9% | 9.0% | 11.8% | 9.7% |

*Source:* Census 2011

3.25 The largest percentage of properties with five bedrooms or more are found in Preston (3.7%). This is a similar proportion to the North West, but below the national figure (4.6%). The HMA figure is 3.5%.

**Summary: Demographic Baseline**

- On review of the population data a picture emerges where Chorley is the most affluent of the three local authorities with higher levels of better skilled and higher qualified population. In contrast Preston has a younger population and profile more characteristic of larger urban areas. Its skills/ qualifications profile is not as strong. South Ribble has the oldest population structure.

- The HMA has a high percentage of owner occupied properties although since 2001 there has been some shift towards the private rental sector. Preston has a particularly high percentage of households living within the private rental sector, influenced by its younger population.

- Three bedroom properties and semi-detached homes are the most common typologies in the HMA. South Ribble and Chorley have particularly high percentages of detached homes; however, Preston has a higher percentage of larger 5+ bedroom properties.

# 4 DEMOGRAPHIC LED PROJECTIONS

4.1 In this section consideration is given to demographic evidence of housing need and trend-based projections. Such projections are critical to the SHMA process and this is emphasised in the NPPF (para 158) which states that local planning authorities should prepare a SHMA to identify the scale of housing which *'meets household and population projection, taking account of migration and demographic change'*.

4.2 The importance of such projections can also be seen in the PPG which states [2a-015] that *'household projections published by [CLG] should provide the starting point estimate of overall housing need'*. The CLG Household Projections are directly linked to ONS Sub-National Population Projections (SNPP). Further emphasis is put on the CLG projections in 2a-017 where it is noted that *'the household projections… are statistically robust and are based on nationally consistent assumptions'*.

4.3 However, the PPG also identifies [2a-014] that 'establishing future need for housing is not an exact science. No single approach will provide a definitive answer' and in 2a-017 notes that 'plan makers may consider sensitivity testing, specific to their local circumstances' – this is particularly related to evidence that there have been particular events which may have impacted on migration or the profile of the local population. Furthermore, the PPG notes [2a-016] that 'where possible, local needs assessments should be informed by the latest available data' – this is relevant in this area due to new population estimates having been published since the release of the last SNPP.

4.4 The PAS Technical Advice Note provides some additional detail about sensitivity testing and in particular advises (para 6.24) that using a longer (10- to 15-year) past trend analysis should provide a more robust projection than the SNPP (which uses data from the previous 5-6 years). The PAS technical advice note also highlights the issue of Unattributable Population Change (UPC) – UPC is an adjustment made by ONS for discrepancies between Census data and annual monitoring. PAS states (para 6.35) that 'plan makers may take a view that the UPC, or part of it, should be included in the base period as past migration'.

4.5 On the basis of the advice in both the PPG and the PAS Technical Advice Note a number of observations can be made which are relevant to the assessment of trend-based demographic projections:

- CLG household projections (which link to ONS population projections) are robust and should be used as the 'starting point' for assessing housing need;
- These projections can be sensitivity tested where there is evidence of changes over time (e.g. short-term changes to migration patterns) or where UPC may be related to recorded migration levels; and
- Up-to-date information should be used where possible and this will include later releases of ONS mid-year population estimates (MYE).

4.6 It is considered in looking at sensitivities to demographic projections that the suggested level of need can go down as well as up. This is on the basis of a 'common sense' approach whereby any increase in migration in one area will come with a commensurate decrease in other locations, particularly within a common housing market area. It is also recognised that levels of population growth for individual local authorities (nationally) will need to sum to the total level of growth projected nationally (through ONS national population projections).

4.7 In considering whether or not projections can be increased or decreased from ONS figures, some general trends should also be understood. In particular, it has been evident since about 2008 (the start of recession) that population growth has been relatively strong in many urban areas – this looks to be driven by a reduced trend of out-migration from such locations (which is likely to be linked to factors such as mortgage finance constraints). This has meant that more rural locations have typically seen lower levels of population growth than previously. These trends have not been observed universally across different types of locations but can give an insight into whether or not it is reasonable to move away from official projections.

4.8 In understanding what a reasonable projection is a number of factors can be considered. In particular, this would include overlaying past and projected population growth (to see if there is a correlation) and also to compare past and projected levels of migration – this needs to recognise that migration may well be expected to change over time as the age structure of the population changes.

4.9 Overall, it is clear that developing the most reasonable and realistic projections for housing need is far from straightforward and will involve a degree of professional judgement. The need for judgment can clearly be seen in a recent High Court case in Kings Lynn (CO/914/2015) where it is noted that *'this is a statistical exercise involving a range of relevant data for which there is no one set methodology, but which will involve elements of judgment about trends and the interpretation and application of the empirical material available'*.

## Demographic Profile of Central Lancashire

4.10 The analysis below looks at the population profile in Central Lancashire, including past levels of population change, the components of this change (e.g. births, deaths and migration) and the age structure. Where relevant, comparisons are made with other areas (the North West region and England). The analysis uses 2016 as a base date, due to this being the date for which the most recent information was available at the time of writing (from ONS mid-year population estimates).

### Overall population levels and changes

4.11 The population of Central Lancashire in 2016 was estimated to be 366,270 This is an increase of 31,400 people since 2001 – a 9.4% increase over the 15-year period. This level of population growth is above that seen across both Lancashire and the North West but below the level of growth seen nationally (12.8%). The data also shows notably stronger growth in Chorley and a lower level of growth in South Ribble.

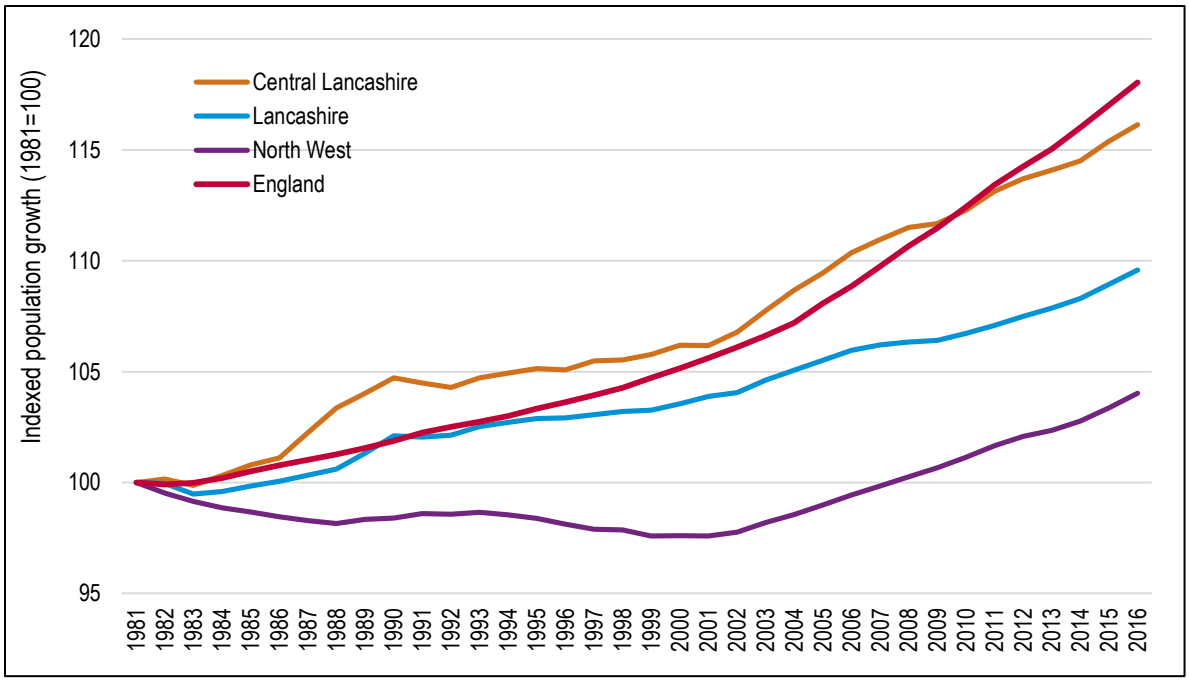
**Table 10: Population Growth (2001-16)**

| Area | Population 2001 | Population 2016 | Change in Population | % change |
|---|---|---|---|---|
| **Chorley** | 100,559 | 114,351 | 13,792 | 13.7% |
| **Preston** | 130,372 | 141,801 | 11,429 | 8.8% |
| **South Ribble** | 103,949 | 110,118 | 6,169 | 5.9% |
| **Central Lancashire** | 334,880 | 366,270 | 31,390 | 9.4% |
| **Lancashire** | 1,136,542 | 1,198,798 | 62,256 | 5.5% |
| **North West** | 6,772,985 | 7,219,623 | 446,638 | 6.6% |
| **England** | 49,449,746 | 55,268,067 | 5,818,321 | 11.8% |

Source: ONS (mid-year population estimates)

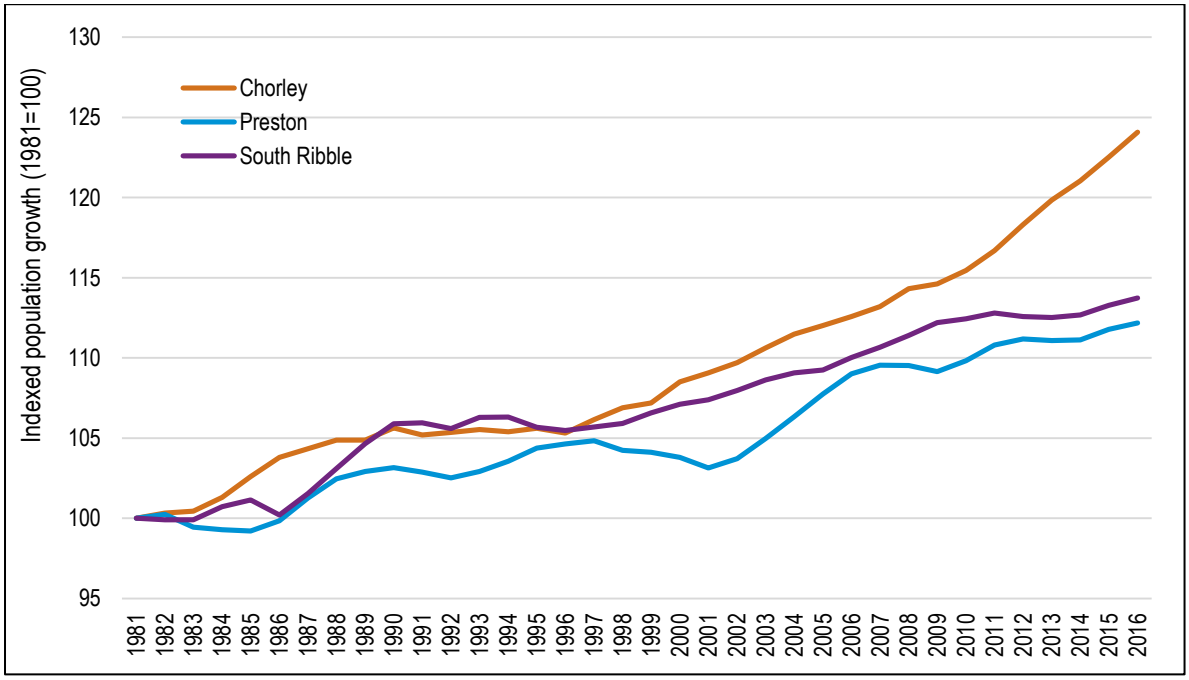
4.12 Analysis can also be provided to consider longer-term trends in population growth with data being available back to 1981. The data shows that over the longer-term population growth across the HMA has been quite strong in comparison with other areas (particularly when compared with the North West. From 1981 to 2015 the population of the HMA grew by 16%, compared with 10% across the County and 4% across the North West. The overall level of growth is however slightly below the national figure (of 18%). Over this same period, the population of Chorley grew most strongly, increasing by 24% from 1981 to 2015.

**Figure 22: Indexed population growth (1981-2016)**




Source: ONS (mid-year population estimates)

**Figure 23: Indexed population growth (1981-2016) – local authorities**




Source: ONS (mid-year population estimates)

**Components of past population change**

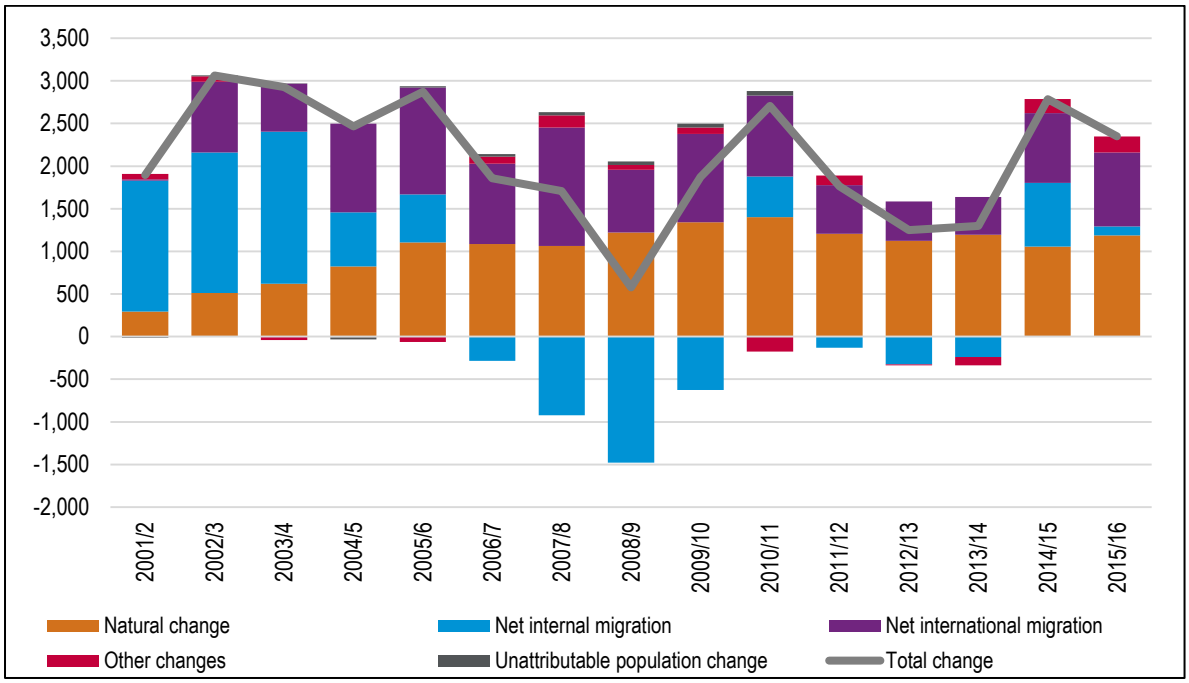
4.13 Figure 24 and Table 11 consider the drivers of population change in Central Lancashire from 2001 to 2016 (2001 being the base date from which detailed figures are available). Population change is

largely driven by natural change (births minus deaths) and migration although within ONS data there is also a small other changes category (mainly related to armed forces and prison populations) and an unattributable population change (UPC) – this is an adjustment made by ONS to mid-year population estimates where Census data has suggested that population growth had either been over- or under-estimated in the inter-Census years. Because UPC links back to Census data a figure is only provided for 2001 to 2011.

4.14 The figure shows that both natural change and net migration have been the drivers of population change. Looking back to 2001, it can be seen that natural change has generally been increasing, although this increase has been levelling off over the past few years. Migration was particularly strong earlier in the 2001-15 period (notably until about 2006) but has been relatively weak since; although the most recent two years for which data is available (2014-16) show an increase in migration. Lower levels of net migration in the 2008/9 to 2014 period are notable, as this period feeds into the most recent (2014-based) ONS subnational population projections (SNPP) – these are discussed in more detail later in this section.

4.15 Overall, the number of births has typically exceeded the number of births by around 1,000 per annum since 2001. With regards to migration; the data shows an average level of net migration of about 1,030 people per annum on average (with about 790 of this being international migration). Other changes are quite small and the data also shows a small (and insignificant) level of UPC.

**Figure 24: Components of population change, mid-2001 to mid-2016 – Central Lancashire**




Source: ONS

**Table 11: Components of population change, mid-2001 to mid-2015 – Central Lancashire**

| Year | Natural change | Net internal migration | Net international migration | Other changes | Other (unattrib-utable) | Total change |
|---|---|---|---|---|---|---|
| 2001/2 | 292 | 1,538 | 15 | 63 | -14 | 1,894 |
| 2002/3 | 512 | 1,647 | 830 | 66 | 8 | 3,063 |
| 2003/4 | 620 | 1,785 | 561 | -41 | 4 | 2,929 |
| 2004/5 | 823 | 634 | 1,041 | -7 | -25 | 2,466 |
| 2005/6 | 1,103 | 566 | 1,253 | -64 | 13 | 2,871 |
| 2006/7 | 1,084 | -284 | 944 | 84 | 29 | 1,857 |
| 2007/8 | 1,062 | -923 | 1,390 | 143 | 37 | 1,709 |
| 2008/9 | 1,222 | -1,478 | 736 | 56 | 42 | 578 |
| 2009/10 | 1,342 | -626 | 1,035 | 76 | 46 | 1,873 |
| 2010/11 | 1,400 | 478 | 950 | -176 | 54 | 2,706 |
| 2011/12 | 1,205 | -129 | 573 | 113 | 0 | 1,762 |
| 2012/13 | 1,123 | -327 | 463 | -10 | 0 | 1,249 |
| 2013/14 | 1,195 | -240 | 442 | -98 | 0 | 1,299 |
| 2014/15 | 1,057 | 747 | 819 | 163 | 0 | 2,786 |
| 2015/16 | 1,187 | 106 | 867 | 188 | 0 | 2,348 |

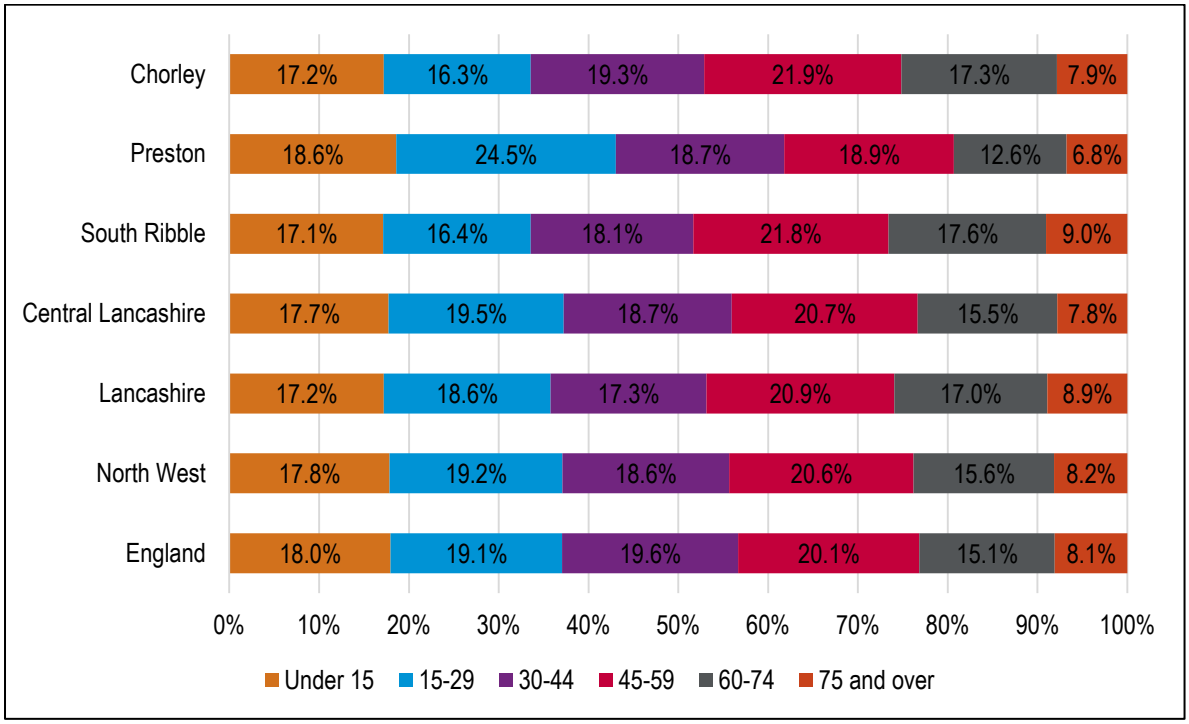
Source: ONS

4.16 Data in Appendix A shows the same information for each local authority; from this it is clear that the different locations have notably different patterns of population change. Chorley in particular has seen very strong growth over the past few years, whilst both Preston and to a lesser extent South Ribble saw stronger growth in the early part of the 2001-16 period and have seen more modest growth over the past few years. Historical housing delivery appears to have had an influence on this.

**Age Profile and Past Changes**

4.17 The age profile of the population of Central Lancashire is similar to that seen regionally and nationally, although the population is relatively 'young' when compared with the County. In 2016, a total of 23% of the population of Central Lancashire was aged 60 and over, compared with 26% in Lancashire, 24% regionally and 23% for the whole of England. Within Central Lancashire, the population of Preston is notably 'younger' than in other areas – this is particularly driven by a large proportion of people aged 15-29, which in turn is likely to be related to the student population.

**Figure 25: Population Age Profile (2016)**




Source: ONS 2016 mid-year population estimates

4.18 The table below shows how the age structure of the population has changed over the 2001 to 2016 period. The data shows the most significant growth to have been in the 60-74 age group, with this group also showing the highest proportionate increase. Increases have also been seen in the 15-29 and 45-59 age groups (increasing by 11-16%). The population aged 75 and over has increased by around 5,900 people; a 26% increase. The analysis also indicates a decline in the population aged 30-44 and only a modest change in the number of children (population aged under 15).

**Table 12: Change in Age Structure (2001-2016) – Central Lancashire**

| Age group | 2001 | 2016 | Change | % change |
|---|---|---|---|---|
| Under 15 | 63,312 | 64,938 | 1,626 | 2.6% |
| 15-29 | 64,353 | 71,449 | 7,096 | 11.0% |
| 30-44 | 75,584 | 68,560 | -7,024 | -9.3% |
| 45-59 | 65,542 | 75,842 | 10,300 | 15.7% |
| 60-74 | 43,484 | 56,940 | 13,456 | 30.9% |
| 75 and over | 22,605 | 28,541 | 5,936 | 26.3% |
| Total | 334,880 | 366,270 | 31,390 | 9.4% |

Source: ONS mid-year population estimates

4.19 The same analysis has been carried out for the individual local authorities and a range of comparator areas (Table 13). The data identifies that population profile changes in Central Lancashire are fairly similar to that seen regionally and nationally. There are however some notable differences within the different local authorities; Preston has seen relatively little 'ageing' of the

population, whilst both Chorley and South Ribble have seen more substantial increases in the population aged 60 and over.

**Table 13: Change in Age Structure (2001-2015)**

| Area | Under 15 | 15-29 | 30-44 | 45-59 | 60-74 | 75 and over | Total |
|---|---|---|---|---|---|---|---|
| Chorley | 6.2% | 6.9% | -5.2% | 15.3% | 53.2% | 36.8% | 13.7% |
| Preston | 4.6% | 18.2% | -7.8% | 20.9% | 10.3% | 10.2% | 8.8% |
| South Ribble | -3.5% | 3.1% | -15.2% | 10.8% | 34.1% | 36.0% | 5.9% |
| Central Lancashire | 2.6% | 11.0% | -9.3% | 15.7% | 30.9% | 26.3% | 9.4% |
| Lancashire | -4.7% | 9.0% | -15.3% | 12.6% | 28.6% | 20.4% | 5.5% |
| North West | -1.1% | 10.8% | -10.7% | 15.0% | 22.1% | 17.7% | 6.6% |
| England | 6.9% | 12.8% | -3.7% | 19.4% | 28.2% | 20.1% | 11.8% |

Source: ONS mid-year population estimates

## Demographic Evidence of Housing Need – Starting Point Projections

4.20 The PPG [2a-015] states that *'household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need. The household projections are produced by applying projected household representative rates to the population projections published by the Office for National Statistics. Projected household* representative rates are based on trends observed in Census and Labour Force Survey data'.

4.21 The most up-to-date projections are the 2014-based CLG household projections published in July 2016. These projections were underpinned by ONS (2014-based) subnational population projections (SNPP) – published in May 2016. The table below sets out levels of household growth expected by the CLG household projections in the 2014-34 period. Data is also provided for the North West and England for comparative purposes.

4.22 Across the whole HMA, the CLG household projections show household growth of about 18,200 (this is a 12% increase); the same as the equivalent figure for the North West but some way below the projection for England (19%). Growth is projected to be highest in Chorley (21%) and relatively modest in both Preston and South Ribble (at about 8% in each case).

**Table 14: Household change 2014 to 2034 (2014-based CLG household projections**

| Area | Households 2014 | Households 2034 | Change in households | % change |
|---|---|---|---|---|
| Chorley | 46,998 | 56,975 | 9,977 | 21.2% |
| Preston | 57,936 | 62,576 | 4,640 | 8.0% |
| South Ribble | 46,704 | 50,266 | 3,562 | 7.6% |
| Central Lancashire | 151,638 | 169,817 | 18,179 | 12.0% |
| Lancashire | 505,224 | 555,871 | 50,647 | 10.0% |
| North West | 3,067,627 | 3,439,100 | 371,473 | 12.1% |
| England | 22,746,487 | 27,088,386 | 4,341,899 | 19.1% |

Source: CLG household projections

4.23 Whilst the 2014-based data is the latest 'official' population projection and therefore forms the starting point for analysis of housing need in line with the PPG, it is worth testing the assumptions underpinning the projection to see if it broadly reasonable in the local context – this involves considering both the population projections (the SNPP from ONS) and also the way CLG have converted this data into households. The analysis below initially considers the validity of the population projections and their consistency with past trends, before moving on to consider past trend data in more detail, and also data released since the population projections were published (in particular, ONS has subsequently published new mid-year population estimates for 2015).

## 2014-based Subnational Population Projections (SNPP)

4.24 The latest SNPP were published by ONS on the 29th May 2014. They replaced the 2012-based projections. Subnational population projections provide estimates of the future population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration which are constrained to the assumptions made for the 2014-based national population projections. The new SNPP are largely based on trends in the 2009-14 period (2008-14 for international migration trends).

4.25 They are not forecasts and do not attempt to predict the impact that future government or local policies, changing economic circumstances or other factors might have on demographic behaviour. The primary purpose of the subnational projections is to provide an estimate of the future size and age structure of the population of local authorities in England. These are used as a common framework for informing local-level policy and planning in a number of different fields as they are produced in a consistent way.

### Overall Population Growth

4.26 The table below shows the projected population growth from 2014 to 2034 in each of the three local authorities and a range of comparator areas. The data shows that the population of Central Lancashire is projected to grow by around 25,200 people (a 7% increase) which is the same as that projected across the North West but some way below the figure for England (14%). Population growth is expected to be strongest in Chorley and very modest in Preston and South Ribble.

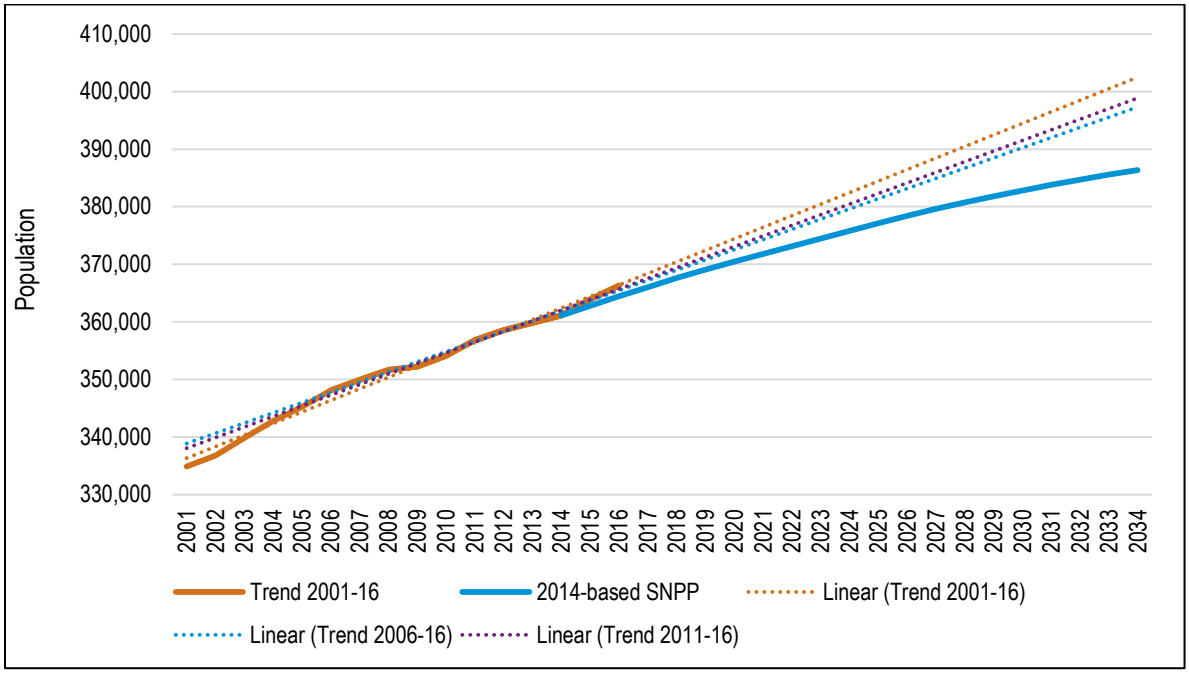
**Table 15: Projected population growth (2014-2034) – 2014-based SNPP**

| Area | Population 2014 | Population 2034 | Change in population | % change |
|---|---|---|---|---|
| Chorley | 111,607 | 129,360 | 17,753 | 15.9% |
| Preston | 140,452 | 144,760 | 4,308 | 3.1% |
| South Ribble | 109,077 | 112,243 | 3,166 | 2.9% |
| Central Lancashire | 361,136 | 386,363 | 25,227 | 7.0% |
| Lancashire | 1,184,735 | 1,245,964 | 61,229 | 5.2% |
| North West | 7,132,991 | 7,630,064 | 497,073 | 7.0% |
| England | 54,316,618 | 61,800,146 | 7,483,528 | 13.8% |

Source: ONS and demographic projections

4.27 The figure below shows past and projected population growth for the period from 2001 to 2034. The data also plots a linear trend line for the last five years for which data is available (2011-16) and also longer-term periods from 2006 to 2016 (a 10-year trend) and 2001-16 (15-years). The 2001-16 period is the longest for which reasonable data about the components of population change (e.g. migration) is available. The data shows that the population is projected to grow at a rate which is some way below past trends; regardless of the period being studied.

**Figure 26: Past and projected population growth – 2014-based SNPP – Central Lancashire**



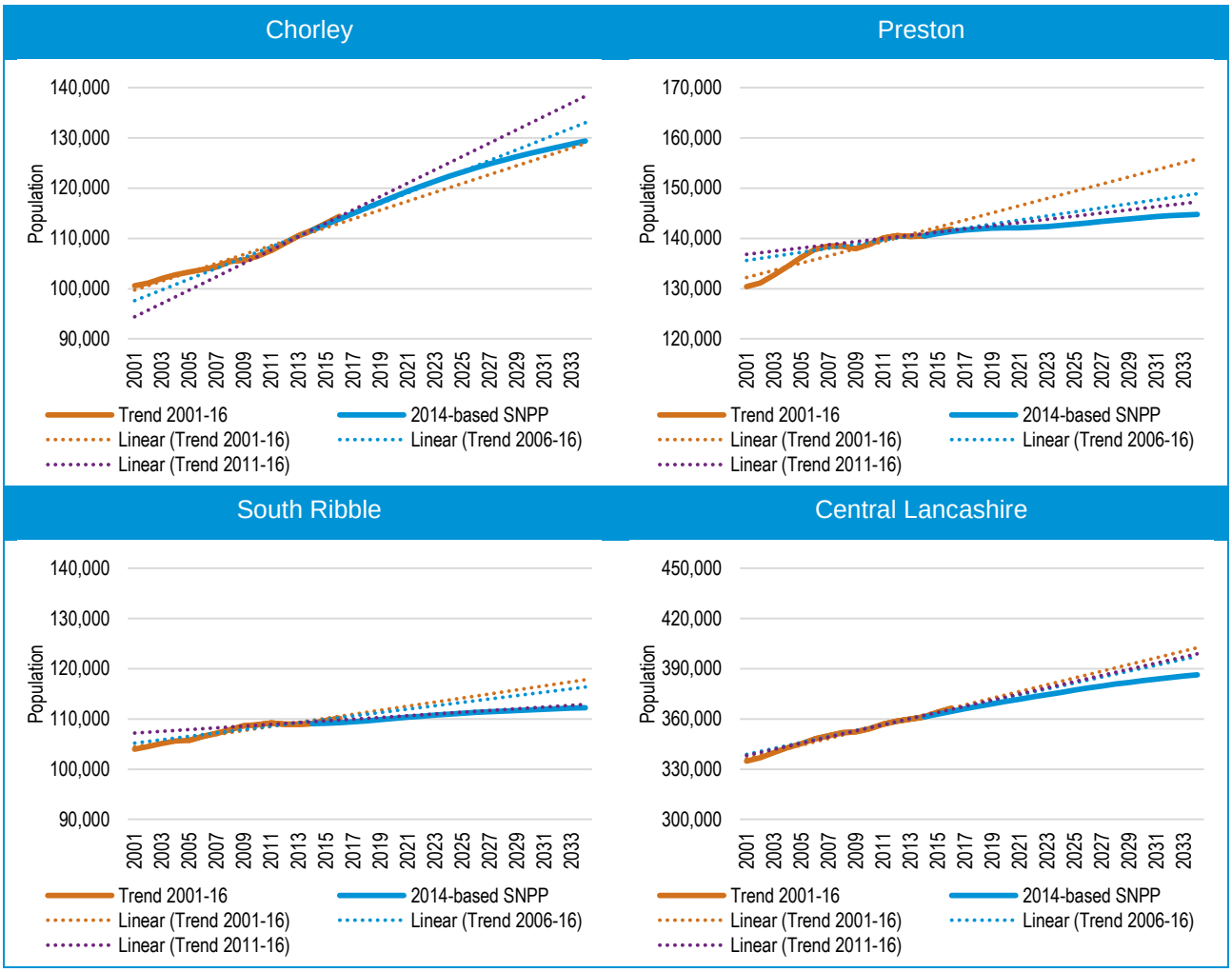

Source: ONS

4.28 Figure 27 shows the same data for the individual local authorities in Central Lancashire. In Chorley, the population is projected to grow in the SNPP at a rate that is in-line with long-term trends (over the past 10- or 15-years) but at a level which is some way below that observed over the past 5-years. In Preston, projected population growth is lower than any of the past trend periods; whilst in South Ribble the projection is in-line with trends seen over the past five years, but some way below

longer-term trends. It is notable in Chorley that housing growth has been above target. This has been influenced by the delivery of larger development sites such as Buckshaw Village.

4.29 Overall, when observing the trend based projections it seems that the SNPP is relatively low in comparison to both the short term and future trends, however, the SNPP methodology is complex and it is difficult to fully test the validity of the SNPP from this analysis alone.

**Figure 27: Past and projected population growth – 2014-based SNPP – individual local authorities**



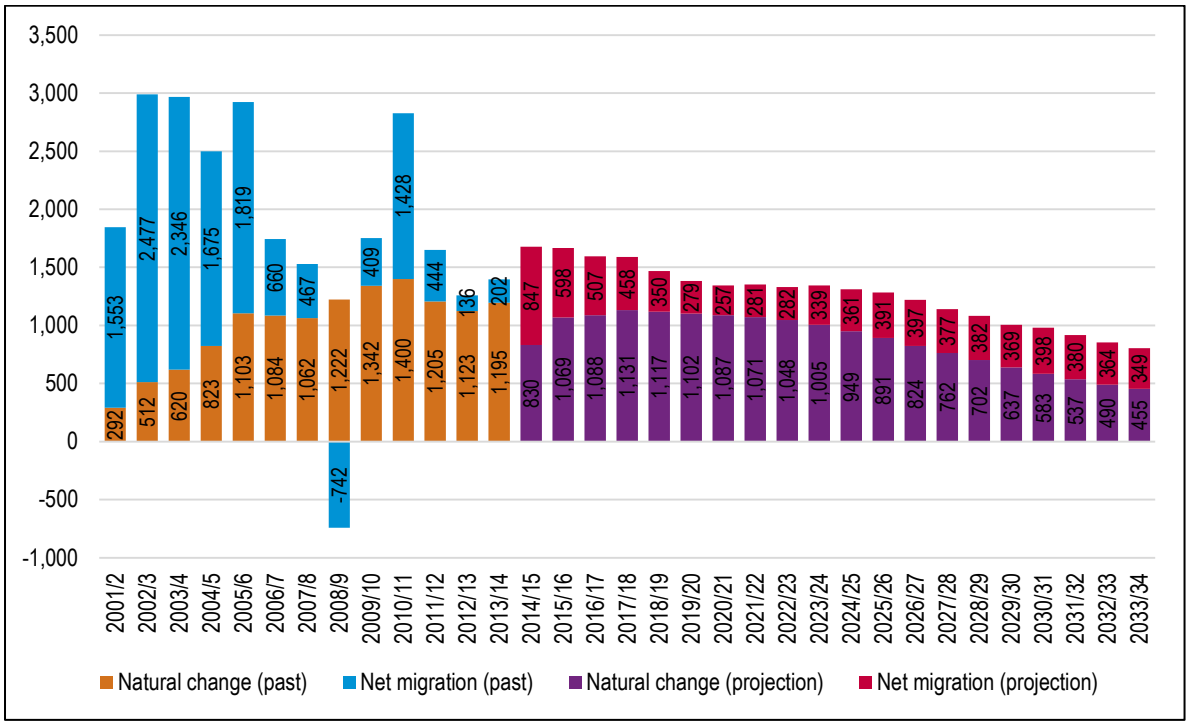

Source: ONS and demographic projections

**Components of population change**

4.30 The figure below brings together data about migration (both past trends and the future projection) along with information about natural change. This shows that natural change is expected to decrease over time, whilst migration is also on a downward trend. Equivalent figures for each local authority can be found in Appendix A; these show that all areas are projected to see a decrease in natural change; whilst the pattern with net migration is mixed. In particular, migration decreases over time in Chorley, while increases in South Ribble and fluctuates in Preston. Changes to

migration will be influenced by the age structure of the population and how this structure changes over time.

**Figure 28: Components of population change, mid-2001 to mid-2034 (summary chart) – Central Lancashire**




Source: ONS and demographic projections

4.31 Table 16 brings together a series of average net migration levels in both past trends and the projection (a range of different time periods are analysed). Focussing on the HMA it can be seen that projected net migration is lower than the migration of past trends and becomes lower as the projection develops influenced by age structure changes. However, the data does suggest a declining level of migration over time in the past and so the future projection is just continuing this trend. Overall, on this basis it could be argued that the SNPP is a sound trend-based projection. However, the lower projected levels of migration (when compared with past trends) are worth investigating further.

4.32 It should be noted that the data in the table below looks at trends to 2014; this is due to this being the latest period for which data was available when the SNPP was published. ONS has now published mid-year population estimates for 2015 and 2016 which are included in analysis to follow (and were also included in the trend analysis previously presented).

**Table 16: Average net migration in a range of past and projected time periods (annual averages)**

| | Chorley | Preston | South Ribble | Central Lancashire |
|---|---|---|---|---|
| Past 13-years (2001-14) | 619 | 154 | 217 | 990 |
| Past 10-years (2004-14) | 613 | -97 | 134 | 650 |
| Past 5-years (2009-14) | 950 | -262 | -164 | 524 |
| Next 5-years (2014-19) | 906 | -329 | -25 | 552 |
| Next 10-years (2014-24) | 855 | -443 | 8 | 420 |
| Next 13-years (2014-27) | 819 | -421 | 14 | 411 |
| Next 20-years (2014-34) | 762 | -406 | 42 | 398 |

Source: ONS

**Age Structure Changes**

4.33 With growth in the population will also come age structure changes. The table below summarise the findings for key (15-year) age groups in the 2014-based SNPP. The data shows that largest growth will be in the number of people aged 60 and over; it is estimated that there will be 115,200 people aged 60 and over in 2034 – this is an increase of 32,200 from 2014, representing growth of 39%. The population aged 75 and over is projected to increase by an even greater proportion, 72%. Looking at the other end of the age spectrum the data shows that there is projected to be modest growth in the population aged under 30 along with a decline in the number of people aged 30-59.

**Table 17: Population change 2014 to 2034 by fifteen-year age bands (2014-based SNPP) – Central Lancashire**

| Age group | Population 2014 | Population 2034 | Change in population | % change from 2014 |
|---|---|---|---|---|
| Under 15 | 63,356 | 64,799 | 1,443 | 2.3% |
| 15-29 | 71,951 | 73,001 | 1,050 | 1.5% |
| 30-44 | 69,300 | 67,958 | -1,342 | -1.9% |
| 45-59 | 73,518 | 65,375 | -8,143 | -11.1% |
| 60-74 | 55,507 | 67,931 | 12,424 | 22.4% |
| 75+ | 27,504 | 47,300 | 19,796 | 72.0% |
| Total | 361,136 | 386,363 | 25,227 | 7.0% |

Source: ONS and demographic projections

4.34 Tables in Appendix 1 show the same information for each of the individual local authority areas. In all cases there is a notable increase in the number of people aged 60 and over. However, there are differences, with Chorley showing some notable growth in age groups up to 44, whilst both Preston and South Ribble are projected to see population decline in all age groups up to age 59 in the SNPP projections.

## Alternative Demographic Scenarios

4.35 As noted above, the SNPP looks to be a sound projection with regard to population growth in the HMA from a technical perspective. However, it is noted that levels of migration and population growth have been variable over time. On this basis it would be reasonable to consider alternative scenarios through sensitivity testing – such an approach is set out in para 2a-017 of the PPG which states *'plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections…'*.

4.36 The sensitivity scenarios take account of longer-term migration trends and also the 'unattributable' component of population change within ONS population data for the 2001-11 period. Additionally, data from the ONS 2015 and 2016 mid-year population estimates (MYE) is considered. The analysis below therefore considers three potential sensitivities to the figures. These can be described as:

- Implications 2015 and 2016 mid-year population data – 2014-based SNPP (+MYE)
- Implications of 10-year migration trends– 10-year migration
- Implications of 15-year migration trends– 15-year migration

**2014-based SNPP (+MYE)**

4.37 This projection takes assumptions from the 2014-based SNPP, but overwrites the population projection figures for 2015 and 2016 by those in the ONS MYE (by age and sex). Moving forward from 2016, this sensitivity uses the same birth and death rates as contained in the 2014-based SNPP and the actual projected migration figures (by age and sex). Due to age structure differences in the MYE compared to the projection, this means that population growth from 2016 onwards does not exactly match that in the actual projections as published. This projection effectively 'rebases' the SNPP using the latest published data.

**10-year migration and 15-year migration**

4.38 This projection uses information about migration levels in the 10- and 15-year period to 2016 (i.e. 2006-16 and 2001-16) and therefore includes the most up-to-date MYE figures (for 2016). The projection does not just look at the migration figures and roll these forward but recognises that migration can be variable over time as the age structure changes. With international migration, this projection also takes account of the fact that ONS are projecting for international net migration to decrease in the longer-term.

4.39 To overcome the issue of variable migration, the methodology employed looks at the share of migration in each local authority compared to the share in the period feeding into the 2014-based SNPP (which is 2009-14 for internal migration and 2008-14 for international migration). Where the share of migration is higher in the 10/15-year period, the projection applies an upward adjustment to migration, and vice versa. This approach is often called a 'rates based' approach.

**Migration Assumptions in the Alternative Demographic Projections**

4.40 Table 18 presents the modelled assumptions which are shown as average figures for the 2014-34 projection period. These figures are presented as net migration although the modelling itself looks separately at in- and out-migration (for each of internal and international migration). The estimate of net migration linked to 10-year trends is slightly higher than in the 2014-based SNPP; with 15-year trends being notably higher. The longer-term (15-year) trends typically show higher migration in Preston and South Ribble but a lower average in Chorley.

**Table 18: Average net migration assumptions used in demographic modelling (per annum 2014-34)**

| | | 2014-based SNPP | 2014-based SNPP (+MYE) | 10-year migration | 15-year migration |
|---|---|---|---|---|---|
| Chorley | Internal migration | 683 | 700 | 544 | 486 |
| | International migration | 79 | 77 | 65 | 51 |
| | Total net migration | 762 | 777 | 610 | 537 |
| Preston | Internal migration | -839 | -834 | -1,029 | -622 |
| | International migration | 432 | 434 | 458 | 511 |
| | Total net migration | -406 | -400 | -571 | -111 |
| South Ribble | Internal migration | -13 | 25 | 294 | 406 |
| | International migration | 56 | 51 | 32 | 21 |
| | Total net migration | 42 | 76 | 325 | 427 |
| Central Lancashire | Internal migration | -169 | -109 | -191 | 269 |
| | International migration | 567 | 562 | 555 | 583 |
| | Total net migration | 398 | 453 | 364 | 852 |

Source: Demographic analysis based on ONS data

**Outputs from different demographic projections**

4.41 Table 19 shows the estimated level of population growth in the SNPP and the alternative projections which were developed. Across the HMA, the SNPP shows a population growth (2014-34) of 7.0%. This figure increases slightly when more recent population and migration data is included in the modelling (i.e. to include 2015-16 MYE data). When looking at 10-year trends the projected population growth increases slightly (to 6.8%) and increases further (to 10.2%) when considering the trends back to 2001.

**Table 19: Projected population growth (2014-2034) – alternative scenarios – Central Lancashire**

| | Population 2014 | Population 2034 | Change in population | % change |
|---|---|---|---|---|
| 2014-based SNPP | 361,136 | 386,363 | 25,227 | 7.0% |
| 2014-based SNPP (+MYE) | 361,136 | 387,986 | 26,850 | 7.4% |
| 10-year migration | 361,136 | 385,813 | 24,677 | 6.8% |
| 15-year migration | 361,136 | 397,832 | 36,696 | 10.2% |

Source: Demographic projections

4.42 Tables 20-22 show the same range of scenarios for each of the local authorities. For all areas other than Chorley the highest level of population growth is seen in the scenario linked to 15-year migration trends.

**Table 20: Projected population growth (2014-2034) – alternative scenarios – Chorley**

| | Population 2014 | Population 2034 | Change in population | % change |
|---|---|---|---|---|
| 2014-based SNPP | 111,607 | 129,360 | 17,753 | 15.9% |
| 2014-based SNPP (+MYE) | 111,607 | 129,821 | 18,214 | 16.3% |
| 10-year migration | 111,607 | 126,017 | 14,410 | 12.9% |
| 15-year migration | 111,607 | 124,350 | 12,743 | 11.4% |

Source: Demographic projections

**Table 21: Projected population growth (2014-2034) – alternative scenarios – Preston**

| | Population 2014 | Population 2034 | Change in population | % change |
|---|---|---|---|---|
| 2014-based SNPP | 140,452 | 144,760 | 4,308 | 3.1% |
| 2014-based SNPP (+MYE) | 140,452 | 145,059 | 4,607 | 3.3% |
| 10-year migration | 140,452 | 140,940 | 488 | 0.3% |
| 15-year migration | 140,452 | 152,291 | 11,839 | 8.4% |

Source: Demographic projections

**Table 22: Projected population growth (2014-2034) – alternative scenarios – South Ribble**

| | Population 2014 | Population 2034 | Change in population | % change |
|---|---|---|---|---|
| 2014-based SNPP | 109,077 | 112,243 | 3,166 | 2.9% |
| 2014-based SNPP (+MYE) | 109,077 | 113,106 | 4,029 | 3.7% |
| 10-year migration | 109,077 | 118,856 | 9,779 | 9.0% |
| 15-year migration | 109,077 | 121,191 | 12,114 | 11.1% |

Source: Demographic projections

**Reviewing the Population Growth Scenarios**

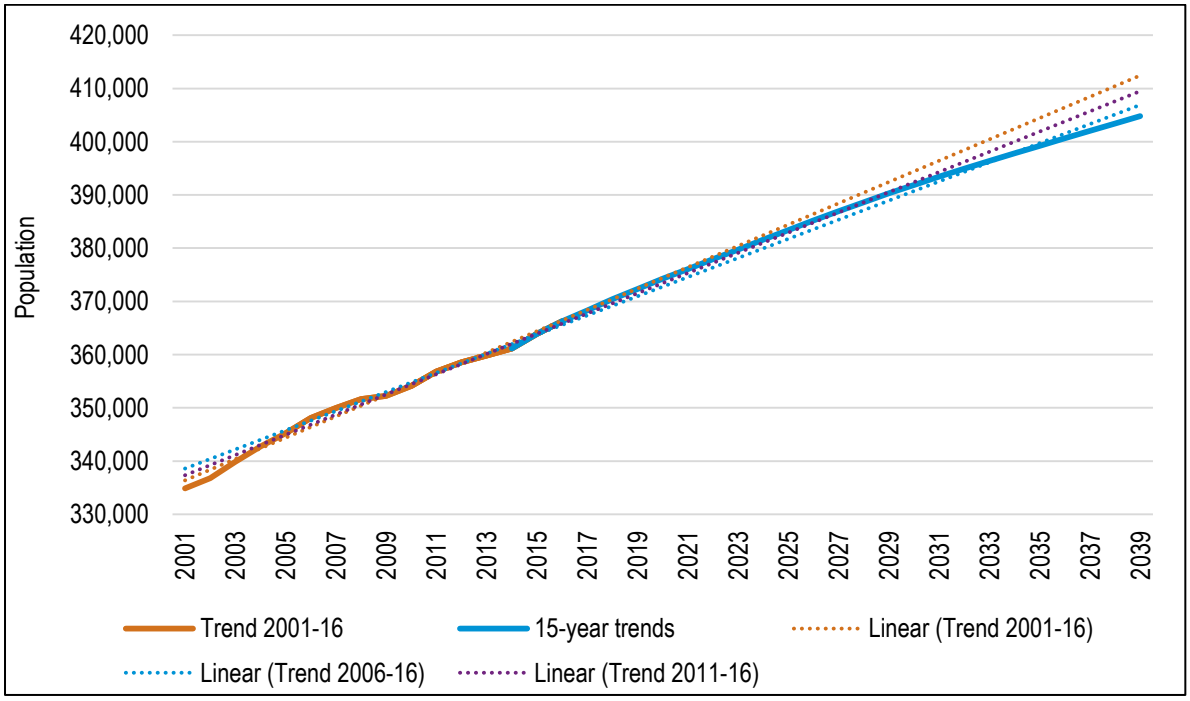
4.43 Having developed a range of scenarios, it is worth briefly considering which are the most appropriate to use when taking the data forward into estimates of housing need. The 2014-based SNPP is the only projection that is directly linked to the official projections and should therefore be

given some credence. It is also the projection which is identified in the PPG as the starting point for the analysis of housing need.

4.44 The projections linked to longer-term migration trends should be given some weight. As the analysis of housing need has developed over time, it has become common practice to consider 10-year trends as well as the most recent official projections. Given that in Central Lancashire there does appear to have been some short-term reduction in migration it is considered that a longer-term projection would be a useful scenario to use when looking at housing need.

4.45 However, the past 10-years show a very modest population growth and migration in Preston. Thus looking further back in time should also be considered. The 15-year trend projection covers a longer period of time and also includes a similar amount of data from pre- and post-recession periods (i.e. the 7/8 year periods either side of 2008). This longer period might be described as being more 'stable'. Figure 29 shows that the use of 15-year trends generates a level of population growth which is more in-line with past trends; the SNPP showing growth some way below the trend position.

**Figure 29: Past and projected population growth – 15-year trends – Central Lancashire**




Source: ONS and demographic projections

## Age Structure Changes in the 15 Year Migration Scenario

4.46 Analysis has previously shown changes in the age structure when using the 2014-based SNPP. A similar analysis has been carried out with the 15-year migration trend projection to assess the potential impact of alternative population projection assumptions on changes in the population structure. Similar to the SNPP, there is projected to be a notable ageing of the population; however, it is also noteworthy that the higher population growth in this scenario is concentrated in younger

age groups. This reflects the fact that young people (particularly of working-age) migrate more than the older population.

**Table 23: Population change 2014 to 2034 by fifteen-year age bands (15-year migration trends) – Central Lancashire**

| Age group | Population 2014 | Population 2034 | Change in population | % change from 2014 |
|---|---|---|---|---|
| Under 15 | 63,356 | 67,220 | 3,864 | 6.1% |
| 15-29 | 71,951 | 75,694 | 3,743 | 5.2% |
| 30-44 | 69,300 | 70,937 | 1,637 | 2.4% |
| 45-59 | 73,518 | 66,925 | -6,593 | -9.0% |
| 60-74 | 55,507 | 69,218 | 13,711 | 24.7% |
| 75+ | 27,504 | 47,838 | 20,334 | 73.9% |
| Total | 361,136 | 397,832 | 36,696 | 10.2% |

Source: ONS and demographic projections

## Household Formation (Headship) Rates

4.47 Having studied the population size and the age/sex profile of the population the next step in the process is to convert this information into estimates of the number of households in the area. To do this the concept of headship rates is used. Headship rates can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)).

4.48 On the 12th June 2016, CLG published a new set of (2014-based) household projections – the projections contain two core analyses. The Stage 1 household projections project household formation based on data from the 1971, 1981, 1991, 2001 and 2011 Censuses with outputs for age, sex and marital status. For younger age groups greater weight was given in the CLG projections methodology to the dampened logistical trend than the simple logistics trend; the effect of which is to give greater weight to the shorter-term trends.

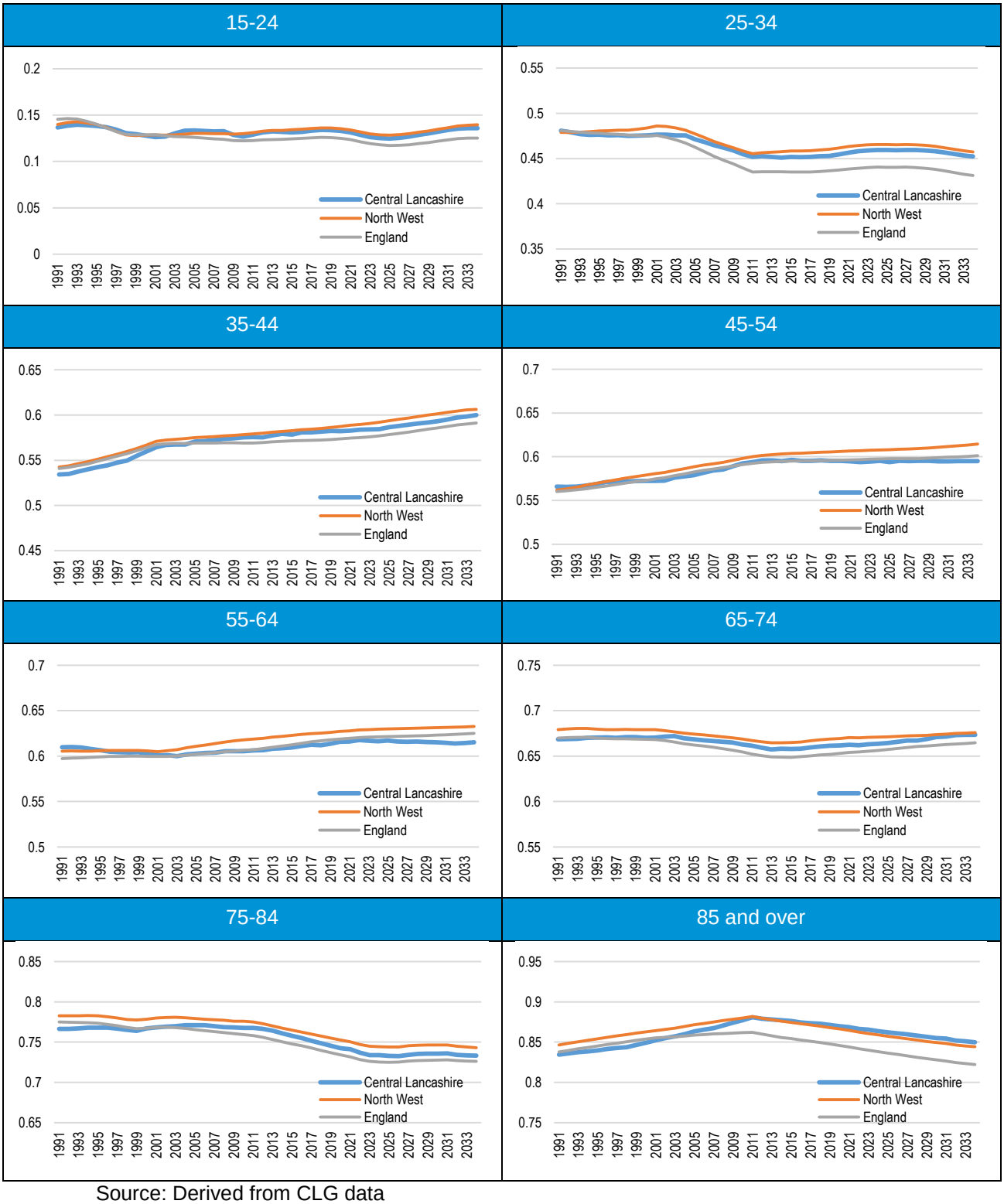
4.49 The Stage 2 household projections consider household types and the methodology report accompanying the projections is clear that these projections are based on just two data points – from the 2001 and 2011 Census. Overall outputs on total household growth are constrained to the totals from the Stage 1 Projections. This means that both sets of projections show the same level of overall household growth (when set against the last set of SNPP) but some of the age specific assumptions differ. Differences can however occur between the Stage 1 and 2 headship rates when modelled against different population projections (due to differences in the age structure).

4.50 Overall, it is considered that the Stage 1 projections should be favoured over the Stage 2 figures for the purposes of considering overall household growth; this is for two key reasons: a) the Stage 1 figures are based on a long-term time series (dating back to 1971 and using 5 Census data points) whereas the Stage 2 figures only look at two data points (2001 and 2011) and b) the Stage 2

figures are constrained back to Stage 1 values, essentially meaning that it is the Stage 1 figures that drive overall estimates of household growth in the CLG household projections themselves. The analysis to follow therefore focuses on Stage 1 figures.

4.51 Figure 30 shows how Stage 1 figures differ for different age groups. It is evident from the analysis that household formation amongst households in their late 20s and early 30s fell slightly over the 2001-11 decade. The projections are however showing that there will not be any further reduction and project relatively stable household formation amongst these age groups. Short-term increases in headship rates are shown through to the mid 2020s. Increasing headship rates amongst the 35-44 age group are shown.

**Figure 30: Projected household formation rates by age of head of household – Central Lancashire**




Source: Derived from CLG data

4.52 The 2014-based household projections also expect household formation rates amongst older age groups to fall over time. Given improving life expectancy this 'trend' looks to be reasonable (as it would be expected that more people would remain living as couples).

4.53 Figure 30 shows a comparison between Central Lancashire, the North West region and England. Generally, figures in Central Lancashire are at similar levels and with similar changes to equivalent data in other areas. This comparison does not suggest there is anything within the 2014-based CLG household formation rates which is particularly unusual or concerning. Appendix A contains the same information for local authorities – this tends to be broadly consistent with data as observed across the HMA.

**Critical Review of Headship Rates**

4.54 The headship rates in the 2014-based CLG household projections should not be used uncritically. Paragraph 2a-015 of the PPG is clear that 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*'. Essentially this is suggesting, where the projections include a suppression of household formation, such as where household formation amongst younger households is expected to drop, that some sort of adjustment should be made.

4.55 It is not straightforward to determine if the projections contain any level of suppression (either in the past or projected forward) given that household formation rates can be influenced by a range of factors. One person to recognise this was the late Alan Holmans in the September 2013 Town and Country Planning Association (TCPA) publication 'new estimates *of housing demand and need in England, 2011 to 2031'* where he stated:

> *'The working assumption in this study is that a considerable part but not all of the 375,000 shortfall of households relative to trend was due to the state of the economy and the housing market. 200,000 is attributed to over-projection of households due to the much larger proportion of recent immigrants in the population, whose household formation rates are lower than for the population as a whole. This effect will not be reversed. The other 175,000 is attributed to the economy and the state of the housing market and is assumed to gradually reverse'.*

4.56 Broadly what Dr Holmans was saying is that about half of changes to household formation are due to market factors and about half due to international migration. Whilst the international migration impact is not expected to change, any suppression as a result of the economy and housing market could improve in the future.

4.57 When looking specifically at data for Central Lancashire, it is clear that the only age group where there has been a recent fall in household formation is the 25-34. There is a downward trend in the headship rates of this group from 2001-11 although moving forward from 2011, the rate remains fairly flat. It is not clear if the historical changes in the rates are due to market factors or international migration, but it is clear that this is not projected forwards.

4.58 The analysis below seeks to understand the impact which international migration could have had on household formation rates. At a local level it is difficult to use international migration figures because of the way such migration works – typically most international migrants start in a major city and then filter out into other areas (and hence are registered by ONS as an internal migrant). Hence

one way at looking at international migration is to consider changes to the Black and Minority Ethnic (BME) population. BME populations tend to have different household structures (typically larger households) as identified by Dr Holmans.

4.59 The table below shows changes to the BME population in each of the age groups for which headship rate data is provided above (data for the White (British/Irish) population is also provided) with equivalent local authority data to be found in Appendix A. This analysis shows an increase in the BME population of 12,400 people aged 15 and over in the 10-year period – a 65% increase. Some 34% (4,229 people) of this increase was in the age group 25-34. In contrast, the White (British/Irish) population aged 25-34 fell by over 6,200 people.

**Table 24: Changes to Black and Minority Ethnic and White (British/Irish) Population by age (2001-11) – Central Lancashire**

| | Black and Minority Ethnic | | | White (British/Irish) | | |
|---|---|---|---|---|---|---|
| | Population 2001 | Population 2011 | Change | Population 2001 | Population 2011 | Change |
| 15-24 | 4,867 | 7,483 | 2,616 | 37,256 | 42,113 | 4,857 |
| 25-34 | 4,640 | 8,869 | 4,229 | 42,301 | 36,092 | -6,209 |
| 35-44 | 3,650 | 6,419 | 2,769 | 46,459 | 44,179 | -2,280 |
| 45-54 | 2,583 | 4,035 | 1,452 | 43,355 | 45,745 | 2,390 |
| 55-64 | 1,532 | 2,397 | 865 | 34,514 | 40,446 | 5,932 |
| 65-74 | 1,162 | 1,217 | 55 | 25,671 | 29,780 | 4,109 |
| 75-84 | 426 | 752 | 326 | 16,578 | 17,807 | 1,229 |
| 85+ | 97 | 172 | 75 | 5,445 | 6,892 | 1,447 |
| TOTAL | 18,957 | 31,344 | 12,387 | 251,579 | 263,054 | 11,475 |

Source: Census (2001 and 2011)

4.60 From this it is clear that a major part of the changes in the headship rates of the 25-34 age group is likely to be due to international migration and growth in BME communities. Given that moving forward from 2011 the projections are expecting headship rates in this age group to stabilise; there is no suggestion of any suppression being built into the projections or evidential basis for their adjustment.

4.61 In considering trends amongst the 25-34 age group it is also useful to look at the 35-44 age group (noting that, for example, people aged 25-34 in 2011 with be aged 35-44 by 2021). The 35-44 age group shows little change in headship rates in the past and a slightly upward trend in the future. On this basis there is no significant evidence of suppression in this age group either in the past or projected forward. This analysis therefore suggests that the extent to which household formation has fallen for those in the 25-34 age group, it is expected that this will not remain as a supressed household formation – the analysis would suggest that all of the households who might be expected to form will do so, it's just that some of this formation might be delayed (i.e. households who might historically been expected to form when aged 25-34 will now form when aged 35-44). Overall,

therefore levels of household growth will over a period of time (e.g. to 2034) fully reflect the needs of the local population with no suppression being evident in the long-term.

4.62 Since Holmans work was published there have been further articles on the topic of household formation rates. One of note is New Estimates of Housing Requirements in England, 2012 to 2037 (Neil McDonald and Christine Whitehead – TCPA – November 2015). In this it is stated that:

*'The 2012-based projections, which use the 2011 Census and up-to-date population figures, are more immediately relevant and more strongly based than earlier estimates. The latest projections can therefore be taken as a reasonable indication of what is likely to happen to household formation rates if recent trends continue. This is because, although economic growth might be expected to increase the household formation rate, there are both longer-term structural changes and other factors still in the pipeline (such as welfare reforms) that could offset any such increase'*

4.63 Whilst this refers to the 2012-based projections, it is the case that the household formation rates in the 2014-based figures are almost identical. Overall, on the basis of the evidence available, it seems unlikely that the 2014-based household formation rates include any degree of suppression and can therefore realistically be used to assess levels of household growth when set against population projections.

## Demographic-led Housing Need

4.64 The tables below bring together outputs in terms of household growth and housing need using the 2014-based headship rates and the full range of scenarios developed. To convert households into dwellings the data includes an uplift to take account of vacant homes. This has been based on 2015 Council Tax data with a summary of the key statistics shown below. This shows that the total number of dwellings is some 2.9% higher than the number of occupied homes (which is taken as a proxy for households) and hence household growth figures are uplifted by around 2.9% to provide an estimate of housing need (figures are applied on a local authority basis). It is assumed that such a level of vacant homes will allow for movement within the housing stock and includes an allowance for second homes.

**Table 25: Vacant Homes (Council Tax data)**

| | Chorley | Preston | South Ribble | Central Lancashire |
|---|---|---|---|---|
| Dwellings | 49,130 | 61,261 | 48,625 | 159,016 |
| Second Homes | 139 | 292 | 95 | 526 |
| Other vacant homes | 1,086 | 1,808 | 1,004 | 3,898 |
| Total vacant | 1,225 | 2,100 | 1,099 | 4,424 |
| Total occupied | 47,905 | 59,161 | 47,526 | 154,592 |
| Vacancy allowance | 2.6% | 3.5% | 2.3% | 2.9% |

Source: CLG

4.65 The analysis shows an overall housing need of 934 dwellings per annum across Central Lancashire when using the 2014-based SNPP as the underlying population projection. This figure increases

slightly (to 977 dpa) when the assumptions include MYE data to 2016. Considering the 10-year migration assumptions; the housing need is increased to up to 923 dwellings per annum and this figure increases further to 1,171 when the trend base period is extended to 15-years.

4.66 On the basis of the information presented in Table 26 it is concluded that the demographic need for housing falls in the range of 977-1,171 dwellings per annum. The bottom end of the range being the 'starting point' as defined in the PPG (including use of the Mid-Year Estimates) and the upper end being informed by the 15-year longer-term trend scenarios. A range is shown recognising the variability in migration trends over time.

**Table 26: Projected housing need – range of demographic based scenarios and 2014-based headship rates – Central Lancashire**

| | Households 2014 | Households 2034 | Change in households | Per annum | Dwellings (per annum) |
|---|---|---|---|---|---|
| 2014-based SNPP | 151,638 | 169,814 | 18,176 | 909 | 934 |
| 2014-based SNPP (+MYE) | 151,638 | 170,659 | 19,021 | 951 | 977 |
| 10-year migration | 151,638 | 169,614 | 17,976 | 899 | 923 |
| 15-year migration | 151,638 | 174,421 | 22,783 | 1,139 | 1,171 |

Source: Demographic projections

4.67 Tables 27 to 29 below show the same information for individual local authorities. On the basis of the analysis it is concluded that the demographic need for housing in each local authority falls in the range of:

- Chorley: 419-527 dwellings per annum
- Preston: 254-402 dwellings per annum
- South Ribble: 197-351 dwellings per annum

4.68 Given the migration interactions between the authorities (as shown in the Section 2 analysis), with for instance population growth in South Ribble and Chorley influenced by net out-migration from Preston, greater weight should be attached to the conclusions at an HMA level.

4.69 It should however be noted that it would not be appropriate to simply take the highest of the range in each local authority and use that as the demographic need figure (nor would it be reasonable to take the lowest figures). That is because the top and bottom of the range are not based on the same projection scenario in each location.

4.70 Given that policy requirement is to assess needs at an HMA level, any conclusions for individual local authorities should be based on a consistent set of projections. For example, if the OAN is set by reference to trends over the 15-years to 2015; then the individual local authority need would be 419 homes in Chorley, 402 in Preston and 351 in South Ribble (in this instance the figure for Chorley sits at the bottom of the range).

**Table 27: Projected housing need – range of demographic based scenarios and 2014-based headship rates – Chorley**

| | Households 2014 | Households 2034 | Change in households | Per annum | Dwellings (per annum) |
|---|---|---|---|---|---|
| 2014-based SNPP | 47,000 | 56,968 | 9,968 | 498 | 511 |
| 2014-based SNPP (+MYE) | 47,000 | 57,272 | 10,273 | 514 | 527 |
| 10-year migration | 47,000 | 55,792 | 8,792 | 440 | 451 |
| 15-year migration | 47,000 | 55,161 | 8,161 | 408 | 419 |

Source: Demographic projections

**Table 28: Projected housing need – range of demographic based scenarios and 2014-based headship rates – Preston**

| | Households 2014 | Households 2034 | Change in households | Per annum | Dwellings (per annum) |
|---|---|---|---|---|---|
| 2014-based SNPP | 57,933 | 62,582 | 4,648 | 232 | 241 |
| 2014-based SNPP (+MYE) | 57,933 | 62,834 | 4,901 | 245 | 254 |
| 10-year migration | 57,933 | 61,147 | 3,214 | 161 | 166 |
| 15-year migration | 57,933 | 65,695 | 7,762 | 388 | 402 |

Source: Demographic projections

**Table 29: Projected housing need – range of demographic based scenarios and 2014-based headship rates – South Ribble**

| | Households 2014 | Households 2034 | Change in households | Per annum | Dwellings (per annum) |
|---|---|---|---|---|---|
| 2014-based SNPP | 46,705 | 50,265 | 3,560 | 178 | 182 |
| 2014-based SNPP (+MYE) | 46,705 | 50,553 | 3,848 | 192 | 197 |
| 10-year migration | 46,705 | 52,675 | 5,970 | 298 | 305 |
| 15-year migration | 46,705 | 53,564 | 6,859 | 343 | 351 |

Source: Demographic projections

**Trend-Based Demographic Projections: Key Messages**

- The starting point for assessing housing need in line with the PPG is the most recent official household projections; these are the 2014-based CLG projections which suggest a need for around 934 dwellings per annum across the HMA (2014-34). These projections were underpinned by the most recent ONS subnational population projections (SNPP – also 2014-based).

- The PPG also advocates the use of the most up-to-date information when assessing housing need. We have therefore incorporated the latest mid-year population estimates for 2015 and 2016. Using this data increases the housing need to 977 dwellings per annum to be provided (2014-34).

- Alternative projections based on longer-term trends were developed (and this also includes the mid-year population estimates to 2016). These projections suggest a higher level of future population growth and are considered to be reasonable scenarios to use when considering demographic needs.

- Projecting migration based on trends over the 15-year period from 2001-16 for instance sees population growth to be about 45% higher than the most recent 'official' population projections. The housing need linked to the 15-year migration trend scenarios is for 1,171 dwellings per annum (2014-34). Other sensitivity scenarios which were developed (based on 10-year trends) tend to show levels of housing need closer to those in the 2014-based projections.

- When looking at the data about headship rates underpinning the 2014-based CLG household projections it was observed that the 25-34 age group had reduced slightly in the 2001-11 period, although this trend was not projected to continue into the future. When considering changes to the population structure in this age group (growth in BME communities) and other age groups within the projections (e.g. projected increases in headship for those aged 35-44) there was no evidence of any suppression of household formation and thus the 2014-based CLG projections can readily be used as published to translate population figures into household growth and housing need.

- Overall, the analysis concludes that the demographic based need for housing galls between 977 - 1,171 dwellings per annum across the Central Lancs HMA.

# 5 ECONOMIC-LED HOUSING NEEDS

5.1 Planning Practice Guidance sets out that consideration should be given to future economic performance in drawing conclusions on the overall need for housing. Where the evidence suggests that higher migration might be needed to support economic growth, consideration should be given to adjusting the assessed housing need. Specifically, the Guidance outlines that:

> *'Plan makers should make an assessment of the likely growth 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. Any cross-boundary migration assumptions, particularly where one area decides to assume a lower internal migration figure than the housing market area figures suggest, will need to be agreed with the other relevant local planning authority under the duty to cooperate. Failure to do so will mean that there would be an increase in unmet housing need.'*
>
> And that:
>
> *'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'*

5.2 The actual wording of the PPG needs to be carefully considered. It is clear that understanding the link between jobs and population/housing is an important part of looking at the OAN, however, the PPG is clear that this issue is one in relation to the location of housing rather than overall housing numbers per se. Indeed, the wording of the PPG shows a notable departure from the wording in the draft PPG (of August 2013) where it was stated that *'in such circumstances [a shortfall in labour supply], plan makers will need to consider increasing their housing numbers to address these problems'.*

5.3 This is a clear, conscious and logical change to the PPG between draft and final version. Clearly it would be illogical for an area to increase population growth above the levels shown in trend-based projections (and hence increase housing need) without consideration of the impact this would have on other locations – i.e. given that there is a finite level of population growth projected nationally (as informed by national population projections) any increase in one area would need to come with a commensurate decrease in other locations. This is particularly relevant within a common HMA which covers a number of local authorities.

5.4 Despite the entirely logical wording in the PPG it is the case that a number of areas have sought to show a higher need linked to job growth than in trend-based projections; and this has often been done without consideration of the impact in other locations. Such an approach has been accepted by inspectors in some instances with the PAS Technical Advice Note (para 8.2) noting for example that '*planning inspectors have interpreted this [the PPG] to mean that demographic projections should be tested against future jobs, to see if housing supply in line with the projections would be*

*enough to support those future jobs. If that is not the case, the demographically projected need should be adjusted upwards accordingly*.'

5.5 To be clear, it appears from the PPG that the jobs/housing link is very much in relation to the locations of housing rather than the overall OAN. This position has support in the NPPF which in para 159 (bullet 1) states that the SHMA should 'identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which: - meets household and population projections, taking account of migration and demographic change' [emphasis added].

5.6 Hence it is considered that any upward (or indeed downward) adjustment to the OAN as a result of job growth will need to be undertaken alongside an analysis of where the additional population will come from (or go to) and therefore consider proportionate adjustments to the need in other locations.

5.7 It is however recognised that the NPPF seeks to 'boost significantly the supply of housing' (para 47) and this is often used to support the 'need' for an uplift to housing numbers (often expressed as the OAN). This point does not seem right; the NPPF is clear of the need to boost housing supply, and such a boost is in relation to the low levels of delivery seen in the recent past – over the past 10-years (to 2015) the number of completions (in England) averaged about 130,000 per annum. This figure can be compared in light of the most recent (2014-based) CLG household projections which show household growth of about 210,000 per annum (2014-39) which once account is taken of vacant homes would arguably rise to approaching 220,000. Hence the 'boost' sought in the NPPF (and PPG) is to increase *delivery* to the sort of levels required by the growing population.

5.8 If every local authority planned (and delivered) on the basis of official projections, then the national OAN would be met; regardless of any consideration of the jobs/homes balance. It would still be the case that a number of authorities would be unable to meet their OAN (due to constraints); however, this is an issue to be dealt with through the Duty-to-Cooperate and not one of OAN.

5.9 Nonetheless an understanding of the jobs/homes link is important. This will particularly be in areas where the evidence shows strong demographic growth (and weaker job growth) in one location and weak demographic growth (but strong job growth) in another. In such circumstances, 2a-018 of the PPG is logically used to consider the *location* of new housing or indeed the location of jobs,; ensuring that the OAN is met across the Housing Market Area.

5.10 It is also considered that there are some circumstances where an individual authority might consider a higher OAN due to job growth. A couple of examples are provided below:

a) In an area with low future population growth and potentially a minimal change in the economically active population (due to an ageing population). In such circumstances it may be sensible to suggest an above trend level of housing delivery to encourage a slightly younger age structure and to support economic growth.
b) In an area with a known 'shock' to the employment base such as a major new employment site which will generate many more jobs above a baseline forecast position. In such a case it may

be reasonable to consider that more homes will be needed to accommodate the growing workforce (although recognising commuting patterns and the 'draw' of workers will also be important along with an understanding of the displacement impacts of sizeable development)

5.11 In such circumstances an 'economic-based' approach to looking at housing need may be appropriate. However, it would still be the case that any uplift would need to be considered in the light of the impact in other areas; for example, if an economic-based approach suggests an increase in population (and related housing need) of 2,000 people (over and above the levels in trend-based demographic projections) then some consideration of where the additional population will come from will be necessary, and assumptions about growth be agreed with the relevant authorities through the plan making process. Of course an opposing set of scenarios might also arise pointing towards the lowering of housing need (i.e. strong population growth relative to likely job increases or known future job losses). This is again something that should be considered when looking at housing need in the round.

5.12 There is also an issue of scale to be considered when looking at moving away from trend-based demographic projections. For example, a 20% uplift to housing need may be realistic and potentially deliverable (depending on local circumstances) but increases of say 50%+ may not be. To some extent this will be a matter of judgement although the PPG is clear [2a-003] that '*Assessing development needs should be proportionate and does not require local councils to consider purely hypothetical future scenarios, only future scenarios that could be reasonably expected to occur*'.

5.13 Finally, the general issue of the link between jobs and population/housing is complicated by the number of assumptions that need to be made to understand this link. This will include the assumptions to be made about commuting and double jobbing (the proportion of people with more than one job). However, this biggest issue is about assumptions with regard to how employment or economic activity rates might change in the future. A range of different assumptions are available and these can show radically different outputs (these approaches are discussed in more detail later in this section).

5.14 Overall, whilst it is possible to use job growth as a way of considering the OAN, this should be treated with a degree of caution not least given the inherent uncertainties associated with predicting economic performance, employment growth and changes in economic participation over the longer-term. If an increase in housing need is suggested, then this will need to be supported by an understanding of the impact in other areas; any increase will need to be based on robust and locally specific assumptions (so far as this is possible) and the outputs of modelling should be proportionate and reflect a scenario that could reasonably be expected to occur. The link between jobs and homes is essentially really rather complex and therefore to some extent and modelled outputs can only be considered as indicative. In particular caution should be applied in interpreting findings at a local authority level, with greater weight given to conclusions and balancing homes and jobs across the functional HMA geography, this being broadly consistent with the labour market geography shown through ONS Travel to Work Areas.

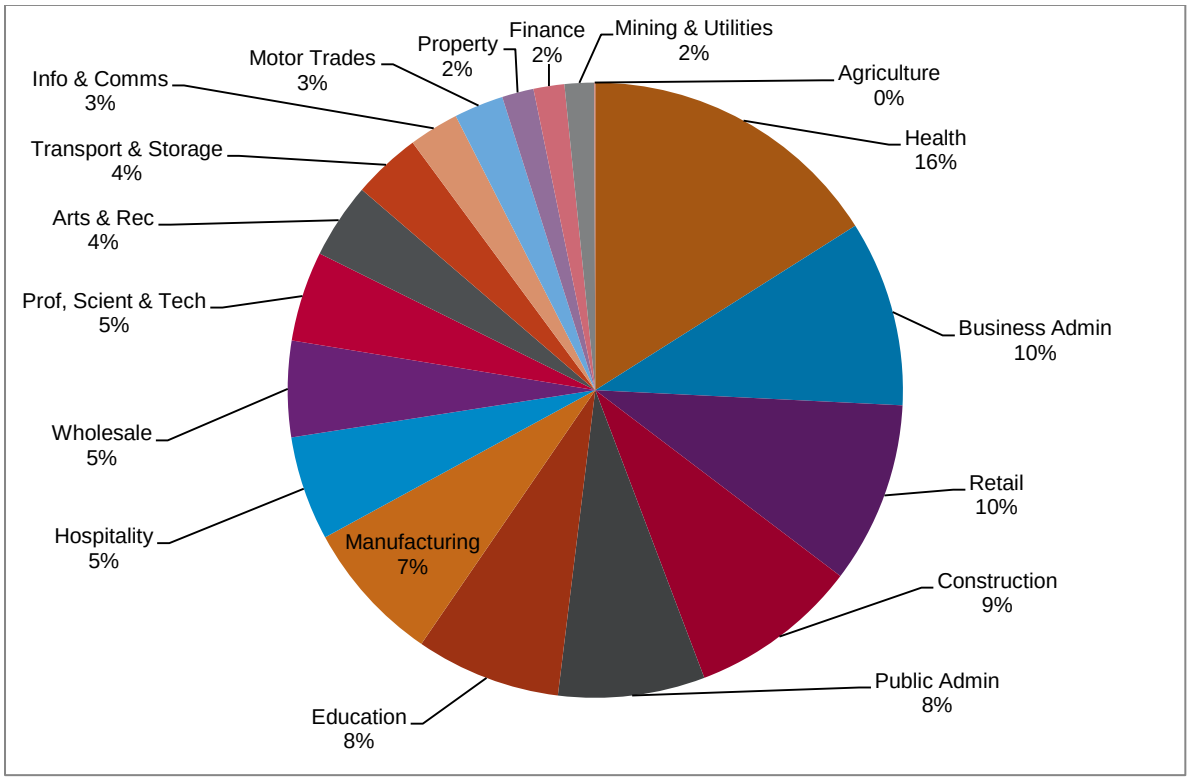
## Current Economic Context

5.15 The Business Register and Employment Survey (BRES) has been used initially to review economic performance across Central Lancashire. The figure below presents the sectoral structure in total employment terms for 2014. There were 177,000 jobs recorded by BRES in 2014.[10]

5.16 Preston is the largest employment centre in the HMA supporting over 82,000 jobs. South Ribble is the next largest with 54,000 jobs and Chorley supports just over 40,000 jobs.

5.17 Healthcare and Social care dominates the current sectoral breakdown with more than 28,000 jobs (16%) in the sector. Other large sectors include Business Administration (10%), Retail (10%), Construction (9%), Public Sector (8%), Education (8%) and Manufacturing (7%) each of which employ over 13,000 people.

**Figure 31: Central Lancashire Sectoral Structure (2014)**

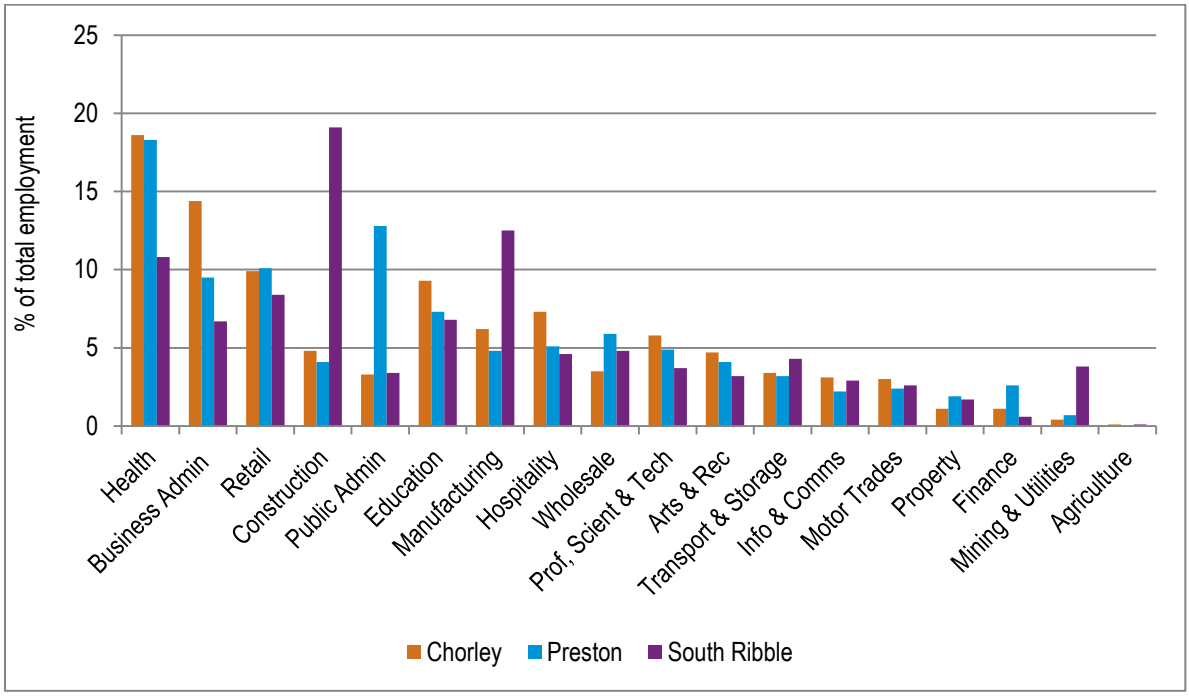



*Source:* BRES 2014

5.18 Each local authority has a slightly different sector breakdown. Both Preston and Chorley have significant employment in health and social care. South Ribble however has much higher employment in Construction and Manufacturing sectors.

[10] Note, BRES data does not fully capture self-employment

**Figure 32: Local Authority Sectoral Structure (2014)**

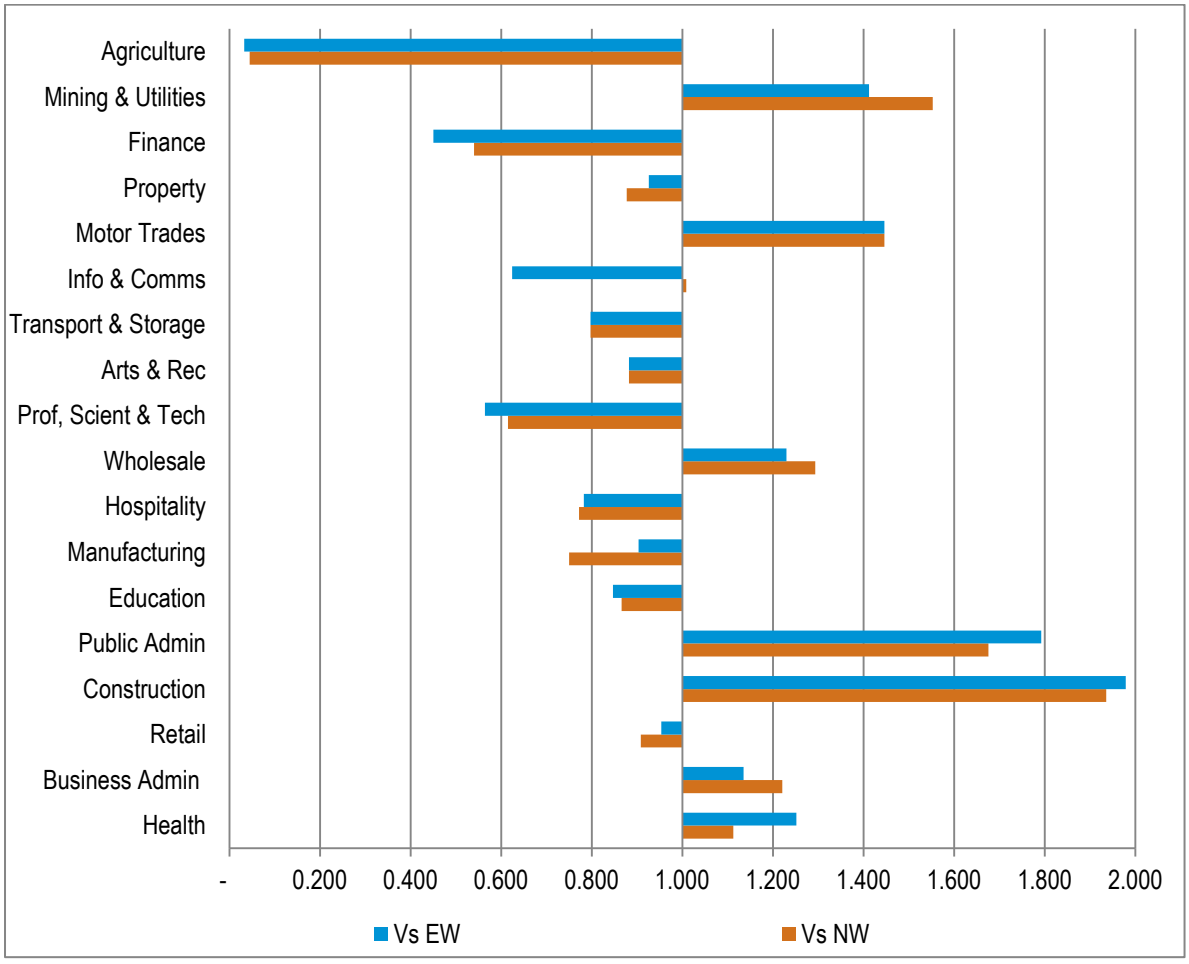



*Source:* BRES 2014

5.19 As the home of the County Council and the Fire and Rescue Service, Preston has a much higher percentage of employees in the Public admin and defence sector. Chorley has a much higher concentration of employment in Business Admin and to a lesser extent in Education.

5.20 By analysing the current sector strengths against wider comparators such as the North West and UK, Figure 33 below it allows plan makers to identify the local economy's sectors of relative strengths and weaknesses.

**Figure 33: Location Quotient of Sectors across HMA (2014)**




*Source:* BRES 2014

5.21 The Location Quotient analysis presented in the figure above identifies a strong representation of employment in the HMA against the wider comparators in the construction, public admin & defence, mining & utilities and motor trades sectors and to a lesser extent the business administration and health & social care sectors.

5.22 In comparison to the region and national split, the HMA has a relative under-representation in agricultural, financial & insurance and professional, technical & scientific employment. The latter two sectors are particularly important as these tend to be viewed as higher value, growth-orientated sectors and explains why forecasts for employment growth are more modest relative to wider comparators in some parts of the HMA.

## Baseline Economic Forecasts

5.23 For this SHMA the commissioning authorities purchased Oxford Economics forecasts. These forecasts look at the number of additional jobs that might be created in the HMA based on a 'business as usual' approach.

5.24 The forecast essentially considers how the national and regional economy might perform before disaggregating this to a local authority level. To do this consideration is given to past job growth as well as an understanding of how different sectors have performed against regional and national performance. The forecasts are inherently trend-based.

5.25 It should also be noted that the OE forecast constitutes one of the first forecasts prepared to include the "Brexit" decision within their projections. As such they reflect a number of OE central assumptions regarding the implication of Brexit. These are outlined below:

- OE assume that Prime Minister Theresa May triggers Article 50 by the end of this year, with the UK formally leaving the EU at the end of 2018. Given that immigration has been central to the leave campaign, OE assume that the government is unwilling to compromise on the free movement of labour. As a result, the UK loses access to the single market and its trade relationship with the EU reverts to WTO rules. OE also assume that the government uses these new powers in a 'populist' fashion and actively reduces the level of immigration.
- Following the vote, OE have downgraded the forecast for GDP growth in both the short and the long term. In the near term, increased uncertainty is likely to weigh on business confidence, leading to firms delaying capital spending. A weaker pound should provide some support to exports, but the experience from 2008-09 leads OE to take a relatively cautious view about the extent to which this will boost activity. At the same time, the weaker pound will also push up inflation, weighing on household purchasing power. The 2016 GDP growth forecast is unchanged at 1.8%, thanks to a stronger-than-expected first half, but both 2017 and 2018 growth have been downgraded to 1.1% and 1.4% respectively (from 2.3% and 2.2% in OE pre-Brexit forecast).
- Further out, curbs to migration will reduce the potential labour supply, lower investment spending will reduce the size of the capital stock and limited access to the single market will weigh on total factor productivity. Taken together, all of these factors will reduce the longer-term potential growth of GDP.

5.26 Table 30 shows the estimated job growth in each authority for the 2014-34 period. Overall there is a 5.2% increase in jobs anticipated in the HMA. This equals to 10,300 additional jobs between 2014 and 2034. In annual terms this equates to a 0.26% increase in job numbers or 514 jobs per annum.

**Table 30: Employment Baseline forecast 2014 - 2034**

| | Jobs (2014) | Jobs (2034) | Change (2014-34) | Per Annum | CAGR |
|---|---|---|---|---|---|
| Chorley | 46,811 | 53,224 | 6,412 | 321 | 0.64% |
| Preston | 89,001 | 88,192 | -808 | -40 | -0.05% |
| South Ribble | 60,271 | 64,943 | 4,671 | 234 | 0.37% |
| **HMA** | **196,083** | **206,359** | **10,276** | **514** | **0.26%** |

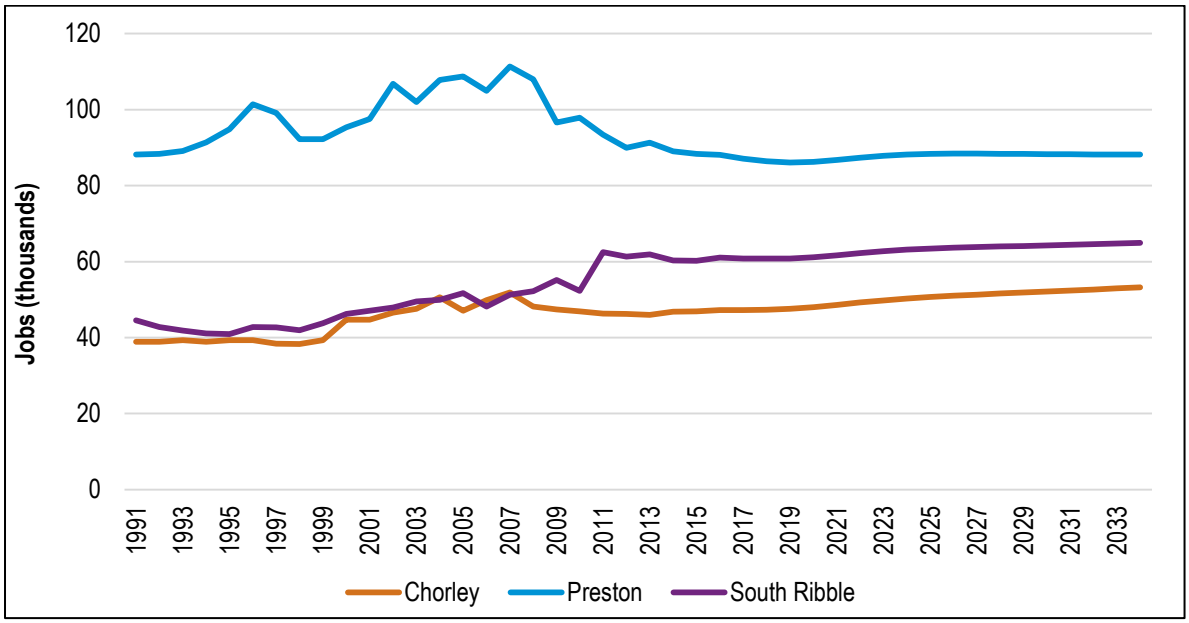
*Source:* OE July 2016

5.27 Chorley is expected to see the highest employment increase (13.7%) of the three local authorities. In South Ribble the increase is more moderate reaching the 7.8%. In contrast the total number of jobs in Preston is expected to decrease by 0.9% for the same period (2014-34).

5.28 Figures 34 and 35 show past and forecast job growth (the first chart showing the total number of jobs in each area and the second showing the same information indexed to 2014). The key finding to note from these charts is the variation in the past trend figures; in some areas a year-on-year

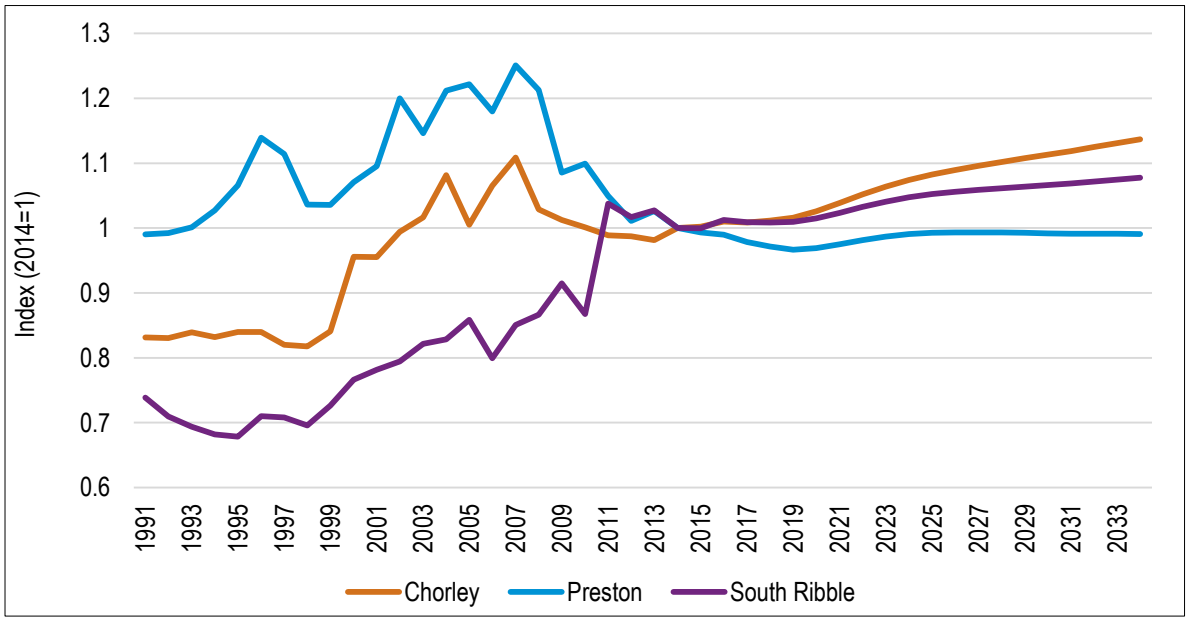
change of in excess of 5,000 jobs can be seen. In reality, such a change is unlikely and may well be driven more by the quality of data available than any real changes that may have occurred.

**Figure 34: Total employment (jobs)**




Source: Oxford Economics

**Figure 35: Total employment (jobs) – indexed (2014=1)**




Source: Oxford Economics

5.29 Overall the baseline forecasts project modest employment growth compared to the wider comparators, particularly for Preston. However, the forecast is only a tool in projecting future economic growth and is based on the assumption that the existing relationships with regional and national performance within each sector hold true. Therefore, the forecast should not be used uncritically in determining the appropriate level of employment need within the HMA.

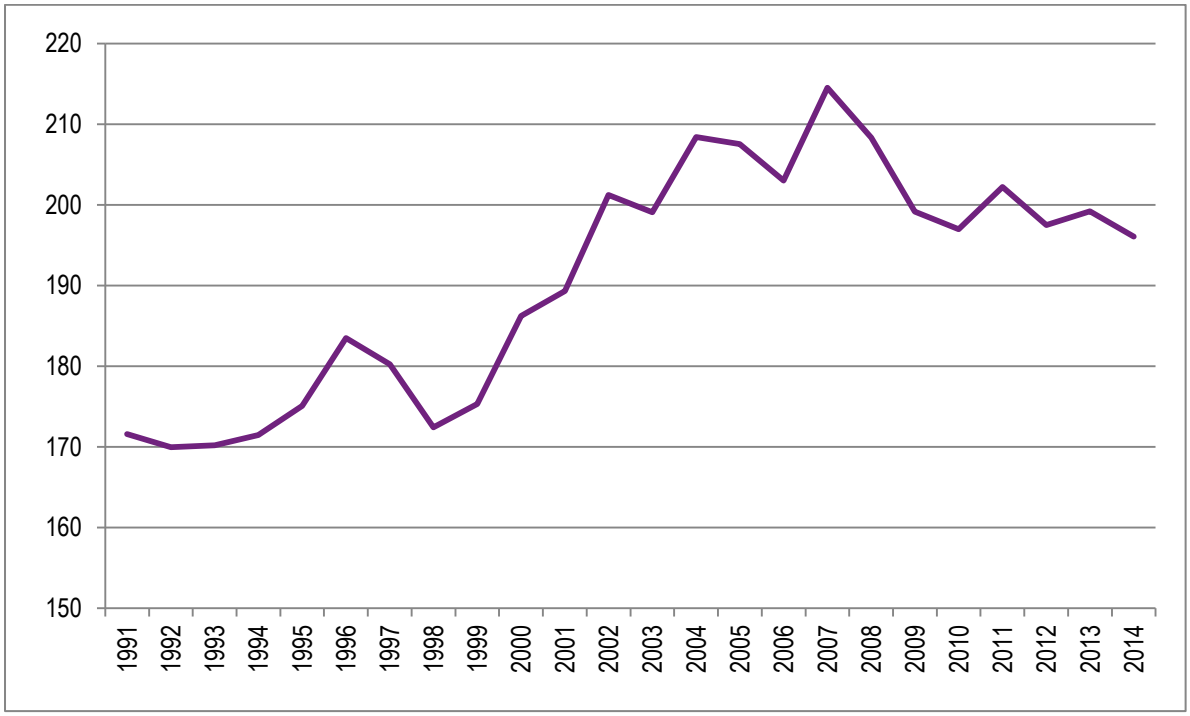
5.30 As an alternative we have sought to look at a trend based forecasts and examined a range of potential committed interventions which could see growth across the HMA being above the baseline forecast growth.

**Trend Based Forecasts**

5.31 Trends in employment growth vary significantly depending on the period from which trends are projected. Firstly we must look at the period from which trend forecasts could be derived. This, in GL Hearn's view, should be based on the full business cycle, either peak to peak or trough to trough. This stops any trend based forecasts being unduly high or unduly low.

5.32 Figure 36 below looks historic jobs growth across the Central Lancashire area. As the timeline starts on a downward trajectory it is only possible to look at a trough to trough period from the most historic data. There appears to be a trough at 1992/1993 and again and 2010. Arguably there is a further trough at 1998 but this five year period from 1993 to 1998 is unlikely to be long enough to be considered a full business cycle. We have therefore sought to draw trends based over this 1993-2010.

**Figure 36: The Baseline Economic Forecast – Central Lancashire**




*Source:* OE July 2016

5.33 Table 31 profiles the employment growth for the 1993-2010 period. Overall, there was an increase of 16% in employment in the HMA. In particular, the job growth for Preston and South Ribble in the previous business cycle (1993-2010) is significantly higher on a per annum basis than the baseline forecasts (Table 30). Jobs in South Ribble increased by 25% with an absolute increase of more than 10,000 jobs. The growth in Chorley equated to a 19% increase and in Preston 10%.

5.34 The overall growth in Central Lancashire was around 26,800 additional jobs for the 1993-2010 period with an annual growth of around 1,600 jobs (0.9%). Putting in context, the annual rates of growth of UK was 0.8% and North West 0.4% (OE 2016). As shown in Table 31 extrapolating this forward would result in significant growth within the HMA.

**Table 31: Trend Based Forecasts (2014-2034)**

| | Jobs (2014) | Jobs (2034) | Change (2014-34) | Per Annum Change | CAGR |
|---|---|---|---|---|---|
| **Chorley** | 89,001 | 97,922 | 8,922 | 446 | 1.0% |
| **Preston** | 60,271 | 70,551 | 10,280 | 514 | 0.6% |
| **South Ribble** | 196,083 | 208,404 | 12,320 | 616 | 1.3% |
| **HMA** | **345,355** | **376,877** | **31,522** | **1,576** | **0.9%** |

*Source:* OE July 2016

5.35 While we could expect some increase above the baseline forecast a tripling would appear overly optimistic particular given the fact all the major forecasting houses are expecting a slower rate of growth than that seen in the recent past. This reflects expected economic performance nationally, more limited public spending and slower expected global growth (including declining Chinese growth rates) and as discussed "Brexit".

5.36 Furthermore what the analysis in Figure 31 also shows is that looking at more recent trends, employment levels have been relatively flat; and are broadly consistent with those seen in the early 2000s. Much of the growth seen over the 1993-2010 business cycle was prior to 2003. This serves to highlight the sensitivity of trend-based projections to the period used; and suggests that the projection forward of 1993-2010 trends is not really particularly realistic. The Oxford Economics forecasts are more comprehensive, taking account expected future performance of sectors and should be preferred.

**Planned Growth Initiatives**

5.37 Next GL Hearn has sought to consider whether there are particular local factors which could influence local economic performance. To assess this, GL Hearn held discussions with the economic development officers in each of the local authorities as well as Local Enterprise Partnership and the County Council to get a better understanding of the planned developments and policy interventions that might affect the employment growth. This has been then used to derive an alternative scenario for employment growth.

5.38 We have only sought to make modest adjustments to the baseline forecasts on the basis of major developments which have planning permission, have funding in place and/or have a reasonably likelihood of delivery and occupation. The adjustments on a sectoral basis reflect the type of occupiers which could be attracted. We have been mindful that any development may not generate an entirely new stream of employment in that some occupiers will be relocating from elsewhere in the HMA.

5.39 It should be noted that there have been development schemes, policy interventions and investment which has influenced historical economic performance (feeding into the baseline forecasts).

5.40 The following paragraphs present the key initiatives and local factors which could influence future performance for the local economy. We have also given consideration to the Lancashire Local Enterprise Partnership's Strategic Economic Plan.

*The Strategic Economic Plan*

5.41 The Strategic Economic Plan of the Lancashire Local Enterprise Partnership was published in 2014 and covers the period up to 2025. It identified the primary growth sectors for the area which related to the Aerospace, Automotive and Energy industries. The Strategy covers the whole county, rather than just the HMA.

5.42 The Lancashire Enterprise Zone is one of the LEP's Priorities that focuses mainly on the above growth sectors. The Enterprise Zone is one of 24 nationwide and is promoted as a centre of excellence for high technology manufacturing. Two locations both BAE Systems' sites are the heart of the Zone, namely Samlesbury (72 Ha) and Warton (75 Ha) Aerodromes. The first new occupiers moved onto the EZ sites in 2015.

5.43 Samlesbury Aerodrome lies within South Ribble boundary, located near M6/A59 Junction while Warton is within the Borough of Fylde; though both the sites are in proximity to the HMA and it is recognised that both influences the local economy of HMA. Aerospace is really strong in the area as businesses based in Lancashire Enterprise Zone have unrivalled opportunities to benefit from the hi-tech supply chain created by Britain's next-generation combat aircraft (the Lockheed Martin F-35) which will be built at BAE Systems' Samlesbury and Warton facilities over the next 25 years.

5.44 The presence of BAE Systems has attracted strong regional supply chains in many areas ranging from design, testing and manufacturing, to repair and maintenance. In Lancashire alone, BAE Systems contracts with 500 companies in the supply chain, generating revenue of £300m a year.

5.45 According to the Strategic Economic Plan there are 28,000 people employed in the aerospace industry within Lancashire. This represents the single largest concentration of aerospace activity in the UK, while North West England is rated as the fourth-largest aerospace cluster globally.

5.46 The Automotive sector also has an important base in Lancashire with a workforce of over 3,500 according to the LEP Strategic Economic Plan. Companies such as PACCAR (Leyland Trucks) Piolax which is located within the HMA, whilst Sanko-Gosei, Erlson, Futaba-Tenneco and TRW Automotive are key occupiers in Lancashire. There is again a strong supply chain, with the majority of the businesses focusing on the supply of high value parts to UK and European Original Equipment Manufacturers (OEMs) - a key Lancashire capability which the UK as a whole is seeking

to grow. Moreover Lancashire hosts a variety of companies involved in testing automobile including Torotrak, Clean Air Power and Scorpion Automotive.

5.47 Energy is the third growth sector identified. Over 37,000 people in Lancashire (mainly in North of the county) work in the power generation sector. Lancaster University and University of Central Lancashire contribute importantly in the sector with recognised centres of excellence in energy and environmental studies. National companies operating in the sector include a system which is located within the HMA (Preston), Springfield Fuels and Westinghouse-Toshiba which are in proximity to the Study area as well as EDF, AMEC PLC, SITA who operate in the wider area.

5.48 In addition to the three key growth sectors, there are a number of developing sectors highlighted in the SEP which relate to market specialisms and have potential to develop into significant value generating sectors in the future including *Health* which is already one of the strongest sectors in terms of employment; Aerospace and particular *Unmanned Aerial Vehicles* – an area in which BAE is closely involved. Digital Marketing and particular *Cyber Security* and *Software Applications* are growing and the University of Lancashire can potentially play a key role in supporting this sector's growth. Business Process Outsourcing, which generates the most Foreign Direct Investment into the UK, has the potential to grow further while the industry's leaders including Capita, HCL Technologies, CAP Gemini, Carphone Warehouse and HGS have bases in Lancashire albeit not within the HMA.

5.49 The SEP also highlights a number of other sectors to Lancashire economy, which it defines as important albeit not transformational. These are food manufacturing, the visitor economy and business and financial services.

5.50 The LEP has secured significant infrastructure funding that will enable key development initiatives. In particular, the Preston, South Ribble and Lancashire City Deal has established a £340m Infrastructure and Delivery Programme and £100m Investment Fund to help generate over 20,000 new jobs and deliver 17,420 new homes. The City Deal has also secured a 10-year funding allocation, 6-years confirmed and a further 4-years indicative, for local major transport schemes in Lancashire.

5.51 Transport for Lancashire is now working with key partners to guide a £313m total transport investment programme across Lancashire including the Heysham to M6 Link Road and Pennine Reach. The Central Lancashire Highway and Transport Master Plan, which underpins the Preston, South Ribble and Lancashire City Deal, has been approved by the County and its delivery will unlock economic and housing growth opportunities.

*Central Lancashire Economic Regeneration Strategy*

5.52 The Central Lancashire Economic Regeneration Strategy (May 2010) sets out the three Council's vision and priorities for the period to 2026. The report sets out plans to target support to grow strong local sectors including:

- Nuclear / Energy (including green energy, gas, wind and water power);
- Advanced Manufacturing and Engineering;
- Business and Professional Services;
- Advanced recycling;
- Digital / creative industries;
- Visitor economy; and
- Food and drink.

5.53 There are also a number of other initiatives set out including diversification of the rural economy and delivery of strategic sites at Cuerden; Preston; Royal Ordnance Factory; and Samlesbury Unlocking these sites will result in over £360 million uplift in Gross Value Added (gross total), lever over £700 million private sector investment and create or support over 23,000 jobs (net FTE) within Central Lancashire by 2026 according to the Economic Regeneration Strategy.

5.54 Other investment includes at the Tithebarn regeneration scheme in Preston which will deliver over 100,000 sq. metres of commercial floorspace and 500 new jobs.

*Local Economic Strategies*

5.55 At local authority level, GL Hearn has reviewed local Economic Development Strategies as well as the retail studies, Business Improvement District commitments and Regeneration Strategies where available. It should be noted that some of these are now somewhat dated.

**Chorley**

5.56 Chorley Economic Development Strategy 2014 (Draft Report) supports the delivery of LEP's initiatives and commitments at a local authority level. The strategy focuses on the following priorities for Chorley:

- To promote and increase inward investment in Chorley through maximising best use of available employment land and buildings in the borough in order to support economic growth and provide a mix of well paid, high and low skilled jobs.
- To provide support to new and existing businesses.
- To create a vibrant town centre that attracts people from both the local community and visitors in the day and evening, for shopping, eating and entertainment.
- To support people in accessing education, training and skills required by local businesses and supporting businesses to develop the skills of their existing workforce.
- To reduce the gap in Chorley's most deprived communities and support them in becoming economically active and self-sustaining, supporting a reduction in levels of deprivation in the borough.

5.57 Chorley has a number of outstanding existing sites such as the Revolution Park at Buckshaw Village. This Park is respectively new (built after 2007) and is a focus for distribution activity. Royal Mail, Kimberly-Clark and CONAIR Cooperation have their distribution and depot facilities on the site.

5.58 Between 2010 and 2013 it is estimated that approximately 11 hectares of land has been developed for employment purposes, with half of this attributed to the Parcelforce distribution centre on the Revolution site. However the last main plot at the Revolution site is now fully complete, with G&A Pet Foods taking the final unit for distribution uses.

5.59 The Council have a range of Local Plan employment sites totalling 86 hectares (either in the development pipeline or designated employment allocations) although by 2016 this had reduced to 80 Ha. However not all of these allocations may come forward in their entirely for employment uses with:

- Around 14 ha at Great Knowley now being considered for residential;
- Part of the 5.9 ha at Botany Bay now considered for retail outlet centre;
- Part of the 13 ha at North of Euxton Lane now has planning permission for 125 houses and an extra care facility;
- 15ha at Land east of Wigan Road has reduced to 8.03ha, the remainder of the original allocation will be used for residential uses (with proposals now being progressed) and associated services and facilities, including a primary school;
- The 5.4ha allocation at Group 1 for B1 and B2 uses has reduced to 2.17ha due to outline permission/masterplan and Southern Commercial is now 3.16 ha in two parcels - the remainder of the land has been developed for a convenience store, public house and community centre.

5.60 The Council will continue to seek support from the LEP and LCC through such means as:

- the Growing Places Fund - to unlock sites which have planning or ownership issues, such as the land at junction 8 of the M61 and land to the east of the A49;
- to support the continued delivery of employment sites, for employment creation rather than other usage such as housing; and
- to maximise the opportunities that will be created as part of the City Deal with Lancashire County Council, Preston City Council and South Ribble Borough Council, particularly through linking the Cuerden site with a 8 hectare site in Chorley to the east of Wigan Road (the Curedon site has a total area of 65 hectare located within South Ribble).

5.61 The Council set out the following key targets that complement the key priorities in order to enhance further its economic position:

- Maximising opportunities arising from the nearby Enterprise Zone sites in Samlesbury and Warton: The Enterprise Zone Status specialise in advanced engineering and manufacturing. This is expected to attract investment and employment into the region and as such provides an opportunity for encouraging investment in Chorley from supporting supply chain companies.
- Strengthening existing key sectors already based in Chorley: Wholesale and retail trade makes up approximately 15% of Chorley's existing business base, employing over 5,000 local residents. This is a key sector for the borough and should continue to be supported through our business support offers to new and existing businesses.
- Targeting identified growth sectors, particularly where there are already identified strengths: The health sector is strong in Chorley providing the most jobs of any sector and is in the top five in terms of volume of businesses. The SEP identified the health sector as a major employer. The LEP is putting significant investment into developing a Health Innovation Park

at Lancaster. Therefore, the Council aims to work with the LEP and health providers and networks to see how Chorley can support the further growth and investment of this sector in Chorley and within the region
- Targeting specific sectors which may be particularly suited to our employment sites such as storage, logistics and distribution.

5.62 The Economic Development Officer set out a number of committed schemes which are likely to support employment growth. However, in many cases these will simply deliver job growth forecast within Oxford Economics baseline forecasts, which already expect growth above national/ regional trends. Modest adjustments to the baseline forecasts where therefore warranted in Chorley.

**Preston**

5.63 Preston Economic Regeneration Strategy and Prioritised Action Plan, prepared in 2005, establish an £1.8billion programme of investment. The strategy focuses on the following key priorities:

- The City Centre Commercial Quarter will meet the raising requirements for office space within the centre of Preston;
- The City Centre Creative Quarter – development of a Creative Quarter south of Church Street to capitalise upon the investment potential of over 500 creative industries businesses in Preston;
- The Digital City – Preston has been at the forefront of providing wireless capabilities for users throughout the city centre. Coverage across the City and ensuring that the needs of businesses are fully met will be the next stage;
- Rationalisation of Employment Sites – market analysis and a business survey of the Preston area highlighted a healthy indigenous demand for a higher quality of space than currently exists. A priority therefore will be to improve the stock of commercial property in order to retain growing businesses;
- Delivering Strategic Sites – working together with South Ribble and Chorley, a portfolio of key strategic employment sites will be brought forward for development to attract new inward and indigenous investment;
- Sector Development – bespoke strategies to meet the needs and requirements of Preston's competitive sectors will be developed and implemented; and
- University of Central Lancashire – ensuring that the research programmes of the University are aligned with the competitive sectors of the local economy and that the University plays a key role in knowledge transfer;
- Provision of transport infrastructure and key gateways through a number of interventions in order to complement the main priorities;
- Emphasis on Tourism and Heritage though an investment programme that seeks to capitalise upon the economic opportunities arising from some of its finest tourism and heritage assets.

5.64 Preston has a Business Improvement District (BID) focused towards improving the vibrancy and safety of the town centre. Preston's Retail Study 2013 reveals that there is additional capacity for further improvement in the Town Centre's retail provision and there are specific recommendations therein to support the council's retail policies and strategies. The BID aims to increase the footfall of the town centre.

5.65 In discussion with the Economic Development Officer at Preston City Council it became apparent that Council do not view growth in Preston in isolation of the wider HMA. The general feeling was that growth in the urban area was good for the City. This was justified on the basis that it benefits the aggregate wealth of the Central Lancashire area. A working example was that a distribution

company moved from the City Centre to South Ribble as it had out-grown its base. The relocation had a net growth in the urban area, but also released land for a supermarket enabling further growth within the City.

5.66 Preston City Centre is a regionally-significant Strategic Employment Site. Regeneration of the area is to be led by entertainment and leisure uses. The Council have plans to redevelop the market area to develop a cinema and leisure offer. This will be complemented by the Guildhall which is being revamped and expanded. The Council are also looking to attract further leisure operators on the back of this redevelopment and there has been an application for a boutique hotel in the City Centre.

5.67 The Council have also made significant investment in improving the urban fabric along Fishergate. The aim is to increase footfall and reduce voids but they only have a certain amount of opportunities for larger footprint units and are unlikely to attract major investment. However investment in the urban fabric will improve the quality of the offer. The City Centre is also a Housing Action zone which could directly influence local footfall and the night-time economy.

5.68 Preston does not have a large level of office-based employment in the City Centre and they are promoting the area to entice more business into the City Centre. There is however some risk from consolidation of HM Revenues and Customs offices which currently have a large presence in the City.

5.69 The University of Central Lancashire are planning a £700m expansion of their campus over the next ten years. Not only will this increase/improve the university's teaching facilities but will also deliver high quality incubators incubator suites. The University specialises in technical manufacturing and in particular aerospace. They are also cooperating with Manchester Metropolitan University to create a number of super-apprenticeships in this sector.

5.70 The Preston East/Roman Way area is being promoted by both the Council and the HCA. They have had high interest from developers/occupiers looking at new build properties although to this point, interest is for Car Showrooms. There is however potential for larger uses once competing sites are built out.

5.71 Most of the Council owned sites are highly occupied – (void rate 1.9%) compared to regional benchmarks (8% void rate). This suggests potential unmet demand in the City. There are also indications of smaller businesses expanding locally, with many moving from the inner city area to the wider urban area – emphasising the inter-connected nature of the sub-regional economy. This is also ratified by "bank-search" data which suggests an increasing number of business bank accounts being held local.

**South Ribble**

5.72 South Ribble Economic Regeneration Strategy 2009-18 aims to:

- Diversify areas of specialisation & focus on growing smaller flexible knowledge enterprises;
- Develop creative industries;
- Build on public/private sector strengths & forge links to Universities
- Linking regeneration to economic strategies;
- Invest in skills which match our aspirations; and
- Develop modern flexible infrastructure for technology, transport and amenity and tie into appropriate environment, quality housing and family facilities.

5.73 The Council focuses on a range of advanced manufacturing industries (automotive, aerospace, bio-technology etc.) and producer services (business, creative, technology, legal etc.) in order to increase value within the local economy.

5.74 The Economic Regeneration Strategy outlines that South Ribble and Leyland will provide higher quality infrastructure (technology, transport, amenity and business support) to attract investment and develop existing and new communities. They also hope to invest in the town to make it more attractive to local businesses.

5.75 The Strategy sets out that South Ribble provides a substantial proportion of the large, accessible employment areas in Central Lancashire, which are vital for economic growth.

5.76 In October 2015, the Council published its Employment Land and Property Study prepared by BE Group and Ekosgen. Similarly to this report, Oxford Economics (OE) forecasts were used to consider employment growth in the Borough. The study provided three growth scenarios:

- The baseline of 4,900 net additional jobs between 2014 and 2026.
- The “adjusting the baseline” scenario of 6,400 net additional jobs between 2014 and 2026. The baseline was adjusted by increasing the level of growth by 25 percent across all sectors that were expected to grow between 2015 and 2026. In addition that scenario was based on the following assumptions:
    - The growth of public sector from 1998 would not be repeated.
    - Professional and business services sector was forecasted to grow.
    - The construction sector would continue to grow.

5.77 An “aspirational growth” scenario was also shown, of 10,500 net additional jobs. That scenario took the adjusted baseline scenario and included additional growth in sectors where additional demand could arise from the delivery of the City Deal and LEP’s plans.

5.78 The Council’s Economic Development Team have identified the potential for growth in transport/ distribution activities through expansion of Leyland Business Park. Further development potential exists at the “South Rings Cuerden” Site (12.55ha). The site was expected to facilitate growth in the Business Administration & support sector; as well as transport/ storage and health and fitness

facilities. There are a number of other expanding sites such as Moss Side Test Track and Farington Hall Estate which could support growth in the Business Administration sector.

5.79 Further development within Lancashire Business Park is expected to facilitate and boost the Transport, Storage and Wholesale or Manufacturing sectors.

5.80 GL Hearn has sought to model the potential impact of these factors through adjustments to the baseline Oxford Economics forecasts. Our Planned Growth Scenario, considered below, is more positive than the BE Group adjusted baseline forecast.

**Planned Growth Scenarios**

5.81 GL Hearn has sought to bring the above analysis together to derive an alternative scenario for employment growth. This represents an alternative scenario and should be considered alongside the baseline forecasts – the two effectively providing a range. It has been developed by applying adjustments to the OE baseline based on the assumption of stronger employment growth in some sectors, facilitated by a number of the developments and initiatives discussed above.

5.82 It should be stressed that the adjustments are not "policy-on" in that the neither reflect policy or capacity constraints to the delivery of employment land nor policy aspirations as to certain levels of growth. These essentially represent an alternative scenario for how the economy *might* perform, recognising that long-term economic forecasting is inherently uncertain given the range of factors – both at a macro and local level – which can influenced economic growth and investment decisions.

5.83 While we consider it that the scenarios considered herein represent a reasonable assessment for demand-led economic growth, it should not stop local authorities planning for a higher level of employment growth should they aspire to this. Policy decisions by the authorities, land supply and other local factors may also influence the distribution of future employment growth between the authorities within what is effectively a single local economy.

5.84 Table 32 shows the adjusted job growth in each authority for 2014-34 period against the baseline forecast by OE. Overall there is an increase of just over 5,000 jobs anticipated in the HMA in this scenario. This equals to 15,300 additional jobs between 2014 and 2034. In annual terms this equates to 766 jobs.

**Table 32: Employment forecast 2014 - 2034 and Planned Growth**

| | Baseline | | Planned Growth | |
|---|---|---|---|---|
| | 2014-2034 | Per annum | 2014-2034 | Per annum |
| Chorley | 6,412 | 321 | 6,466 | 323 |
| Preston | -808 | -40 | 1,799 | 90 |
| South Ribble | 4,671 | 234 | 7,048 | 352 |
| **Central Lancashire** | **10,276** | **514** | **15,313** | **766** |

*Source:* Oxford Economics & GL Hearn

## Linking Job Growth and Changes to Resident Labour Force

5.85 The analysis above has set out a range of potential scenarios for changes in the number of jobs in the HMA and individual local authorities. However, for the purposes of analysis linked to demographic data it is necessary to convert this into estimates of the required change to the economically active population. The number of jobs and resident workers required to support these jobs will differ depending on two main factors:

- Commuting patterns – where an area sees more people out-commute for work than in-commute it may be the case that a higher level of increase in the economically active population would be required to provide a sufficient workforce for a given number of jobs (and vice versa where there is net in-commuting);
- Double jobbing – some people hold down more than one job and therefore the number of workers required will be slightly lower than the number of jobs.

**Commuting patterns**

5.86 Commuting patterns will be influenced by a range of factors including demographic factors (the population and workforce growth in different areas), where new homes and jobs are delivered, and investment in infrastructure. For modelling purposes only it is necessary to make some high-level assumptions.

5.87 Table 33 shows summary data about commuting to and from each local authority from the 2011 Census. Overall the data shows that Central Lancashire sees a small level of net in-commuting for work with the number of people resident in the HMA who are working being about 2% lower than the total number who work in the area. This number is shown as the commuting ratio in the final row of the table and is calculated as the number of people living in an area (and working) divided by the number of people working in the area (regardless of where they live). This indicates a broad balance between jobs and residents in work across the HMA.

5.88 For individual local authorities, figures are somewhat different – emphasising the inter-relationships between the three local authorities. Preston sees net in-commuting; with net out-commuting evident from Chorley and South Ribble.

**Table 33: Commuting patterns in Central Lancashire and local authorities (2011)**

| | Chorley | Preston | South Ribble | Central Lancashire |
|---|---|---|---|---|
| Live and work in LA | 17,280 | 34,082 | 17,478 | - |
| Home workers | 5,890 | 5,113 | 4,775 | - |
| No fixed workplace | 3,665 | 3,874 | 3,484 | - |
| In-commute | 15,013 | 44,401 | 23,570 | - |
| Out-commute | 27,055 | 21,393 | 30,299 | - |
| Total working in LA | 41,848 | 87,470 | 49,307 | 178,625 |
| Total living in LA (and working) | 53,890 | 64,462 | 56,036 | 174,388 |
| Commuting ratio | 1.29 | 0.74 | 1.14 | 0.98 |

Source: 2011 Census

5.89 In translating the commuting pattern data into growth in the labour-force for modelling purposes, it is assumed that the commuting ratio remains at the same level as shown by the 2011 Census (i.e. it is assumed that the growth in the number of residents who are economically active will need to be 2% lower than the increase in the number of jobs (across the HMA)) – individual local authority figures have been used in the analysis.

5.90 It should be noted that whilst holding these commuting ratios constant is common practice in SHMA research, it is the case that these could well change in the future. Indeed, analysis of the OE forecast suggests that by 2014 there had already been some changes to commuting patterns (particularly in Chorley and Preston). Whilst this change may not be a real change as it will be influenced by the quality of the trend data and reasonableness of modelling assumptions, it does need to be borne in mind when interpreting the findings that commuting in reality is unlikely to remain the same in the future. Indeed changes in commuting may well be reasonable influenced by the close economic inter-relationships between the three authorities, and locations of major employment sites.

**Double Jobbing**

5.91 As well as commuting patterns, the analysis also considers that a number of people may have more than one job (double jobbing). This can be calculated as the number of people working in the local authority divided by the number of jobs. Data from the Annual Population Survey (available on the NOMIS website) suggests across the HMA that around 3.6% of workers have a second job (based on trend data going back to 2004 to recognise relatively high error margins associated with data for individual years). This gives a double jobbing ratio of 0.964 (i.e. the number of jobs can be discounted by 3.6% to estimate the required change in the workforce). The double jobbing percentages for each of the individual local authorities has been estimated as:

- Chorley – 4.2%
- Preston – 3.3%
- South Ribble – 3.4%

5.92 As with the commuting data, it has been assumed in the analysis that the level of double jobbing will remain constant over time. Again, in reality, this is likely to change and it should be noted that OE (in general and at a national level) expect the proportion of people with more than one job to increase slightly in the future.

**Labour-force growth**

5.93 In order to estimate the change in the resident workforce which is required to match the forecast number of jobs, the commuting ratio is multiplied by the amount of double jobbing (to give an adjustment factor) and in turn multiply this by the number of jobs..

5.94 Overall, Table 34 shows that in order to meet the forecast growth in jobs (of 766 per annum) a slightly lower level of resident workforce growth would be needed (of about 851 people each year).

**Table 34: Forecast job growth and change in resident workforce**

| | Baseline | | | Planned Growth | | |
|---|---|---|---|---|---|---|
| | Additional jobs (pa) | Change in resident workforce (pa) | Change in resident workforce (2014-34) | Additional jobs (pa) | Change in resident workforce (pa) | Change in resident workforce (2014-34) |
| Chorley | 321 | 395 | 7,908 | 323 | 399 | 7,974 |
| Preston | -40 | -29 | -576 | 90 | 64 | 1,282 |
| South Ribble | 234 | 257 | 5,131 | 352 | 387 | 7,741 |
| HMA | 514 | 623 | 12,463 | 766 | 850 | 16,997 |

Source: OE, NOMIS and 2011 Census

## Linking Resident Workforce Change to Demographic Projections

5.95 Having estimated the likely required change to the workforce under a range of scenarios the next stage is to estimate how much growth is implied by demographic projections (to allow for a comparison between jobs and workforce growth). Making the link between population and the resident workforce is a very difficult issue with no set methodology and a range of different methods and views being used. It is considered, having studied this for many years, that it is impossible to precisely forecast how economic activity or employment rates will change in the future and hence any approach must be treated with a degree of caution. For example, all of the main forecasting houses (Experian, Oxford Economics and Cambridge Econometrics) use population data as an input to their forecasts and each will estimate different levels of job growth (and indeed other variables such as the growth in the resident workforce). Inherently, each of the forecasting houses are therefore suggesting that whatever level of job growth they expect, this will be met by the population (and the population as it is projected to change). At a national level all of the three main forecasting houses typically forecast a similar level of job growth (or changes to the number of residents in employment when the forecasts are worked through in detail). However, only Experian publish age and sex specific data about how economic activity rates might change (this data is

available directly from Experian and underpins the document 'Comparison between Experian and OBR Participation Rate Projections' (February 2016). The data from Experian has therefore been used in this assessment.

5.96 Some consultancies (both for public and private sector clients) have looked for other sources of employment or economic activity rate data; the most commonly used being a set of figures published by the Office for Budget Responsibility (OBR). These however are at a national level and are not robustly applicable to smaller areas. Perhaps more significantly, the level of job growth (growth in residents in employment) estimated by OBR is significantly lower than from any of the main forecasting houses (a growth in residents in employment of about 2,000,000 from 2014-35 compared with a figure in excess of 4,000,000 in the most recent Experian forecast for the United Kingdom). This means that the OBR employment/activity rate figures cannot realistically be used when testing job growth levels from forecasts, as they relate to a completely different set of national assumptions.

5.97 One final set of rate data that is utilised is that published by Kent County Council (KCC) in November 2014. This is specific to Kent and so not applicable in other areas, however, more importantly many of the rates used in the model draw from a 2006 ONS publication (about projecting economic activity rates) .This publication can (by 2014) be seen to have been substantially wrong for all age groups where a reasonable comparison can be made with more up-to-date information.

5.98 Considering the range of evidence, GL Hearn conclude that for the purposes of this SHMA use of the Experian projections was the most appropriate as it took account not only of State Pension Age changes but socio-economic drivers, including:

- Expected improvements in the participation of females in older age groups as evidenced by today's participation rates of younger cohorts (who will age into those older groups);
- Expected changes in behaviour connected with improved longevity and health; changes to patterns of work (allowing older people to continue working under more flexible arrangements); and changes in the industrial composition of the economy (especially the shift to services). Improving health and longevity will result in a need for people to build up savings for a longer retirement.

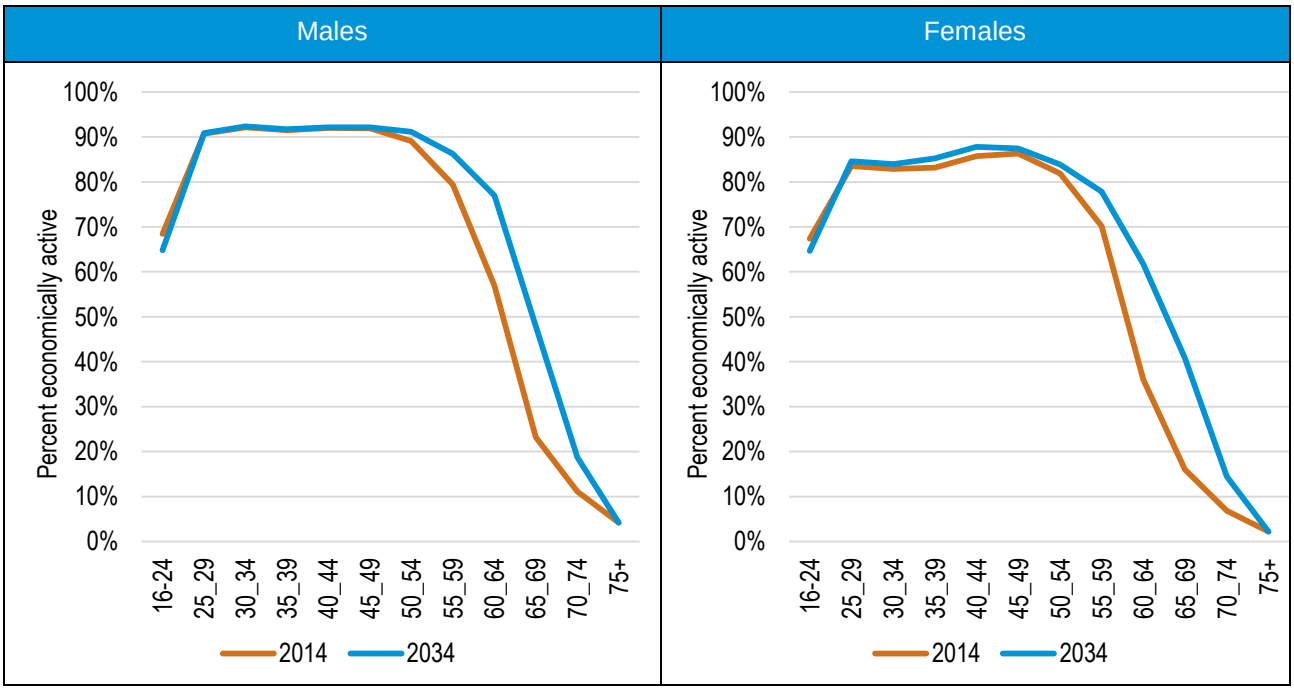
5.99 These economic factors are clearly likely to influence trends in economic participation and are not fully captured in the OBR projections.

5.100 The Experian figures have then been adjusted on the basis of Census data to match actual age/sex specific data for each local authority in Central Lancashire – the Central Lancashire figures below are therefore indicative with the actual local authority assumptions to be found in Appendix A.

5.101 The analysis shows that the main changes to economic activity rates are projected to be in the 60-69 age groups – this will to a considerable degree link to changes to pensionable age, as well as

general trends in the number of older people working for longer (which in itself is linked to general reductions in pension provision). Intuitively, the figures look to be reasonable.

**Figure 37: Projected changes to economic activity rates (2014-34) – Central Lancashire**




Source: Based on Experian and Census (2011) data

**Table 35: Projected changes to economic activity rates (2014-34) – Central Lancashire**

| | Males | | | Females | | |
|---|---|---|---|---|---|---|
| | 2014 | 2034 | Change | 2014 | 2034 | Change |
| 16-24 | 68.5% | 64.8% | -3.7% | 67.4% | 64.6% | -2.7% |
| 25-29 | 90.7% | 90.9% | 0.2% | 83.5% | 84.6% | 1.1% |
| 30-34 | 92.2% | 92.3% | 0.2% | 82.9% | 84.0% | 1.1% |
| 35-39 | 91.5% | 91.7% | 0.2% | 83.2% | 85.2% | 2.0% |
| 40-44 | 92.0% | 92.1% | 0.2% | 85.8% | 87.8% | 2.1% |
| 45-49 | 92.0% | 92.1% | 0.2% | 86.3% | 87.4% | 1.1% |
| 50-54 | 89.1% | 91.2% | 2.1% | 81.9% | 83.9% | 2.0% |
| 55-59 | 79.4% | 86.2% | 6.8% | 70.1% | 77.9% | 7.7% |
| 60-64 | 56.9% | 77.0% | 20.1% | 36.0% | 61.8% | 25.7% |
| 65-69 | 23.2% | 47.9% | 24.7% | 16.0% | 40.8% | 24.7% |
| 70-74 | 11.1% | 18.8% | 7.6% | 6.8% | 14.4% | 7.6% |
| 75+ | 4.2% | 4.2% | 0.0% | 2.2% | 2.2% | 0.0% |

Source: Based on Experian and Census (2011) data

## What is the change to the economically-active population?

5.102 Working through an analysis of age- and sex-specific economic activity rates it is possible to estimate the overall change in the number of economically active people in the HMA. This is set out in Table 36.

5.103 The analysis shows that linked to the 2014-based SNPP there would be an increase in the economically active population of about 9,600 people and that this would potentially support about 440 jobs per annum. This figure is lower than the number of jobs in the OE baseline forecast (514 per annum). The projections linked to 15-year migration trends would provide a workforce growth of about 16,150 (equivalent to about 862 jobs per annum); some way above that suggested as required by the OE forecast, and also higher than the uplifted forecast figure.

**Table 36: Estimated change to the economically active population (2014-34) – Central Lancashire**

| | Economically active (2014) | Economically active (2034) | Total change in economically active | Per annum change | Implied jobs per annum |
|---|---|---|---|---|---|
| 2014-based SNPP | 188,648 | 198,231 | 9,583 | 479 | 441 |
| 2014-based SNPP (+MYE) | 188,648 | 199,197 | 10,549 | 527 | 491 |
| 10-year migration | 188,648 | 197,954 | 9,306 | 465 | 387 |
| 15-year migration | 188,648 | 204,797 | 16,149 | 807 | 862 |

Source: Derived from demographic projections

5.104 A similar analysis has been provided below for each of the individual local authorities. This shows a range of potential job growth depending on the scenario studied. If focusing on the 15-year migration projection it can be seen that demographic growth Preston would more than support the anticipated jobs growth. Demographic growth in South Ribble could support a similar level of jobs growth to the baseline forecasts for the Borough but not the Planned Growth Scenario.

5.105 The demographic starting point in Chorley could support a level of jobs which exceeds both the baseline and planned growth scenario for the Borough. However, a longer term trend projection means the demographic growth would fail to support a level of jobs in excess of the baseline forecasts.

5.106 Overall, it should be noted that across the HMA, the 15-year projection would support more job growth than is contained within either of the two forecasts studied. The approach to focussing on the HMA has been supported in a recent High Court decisions (St. Modwen Vs East Riding of Yorkshire Council) and seems sensible given uncertainties associated with accurately forecasting economic growth at a local authority level; and the close economic and labour market linkages between the HMA authorities. This is set out in more detail later in this chapter.

**Table 37: Estimated change to the economically active population (2014-34) – Chorley**

| | Economically active (2014) | Economically active (2034) | Total change in economically active | Per annum change | Implied jobs per annum |
|---|---|---|---|---|---|
| 2014-based SNPP | 58,994 | 66,981 | 7,987 | 399 | 324 |
| 2014-based SNPP (+MYE) | 58,994 | 67,198 | 8,204 | 410 | 333 |
| 10-year migration | 58,994 | 64,986 | 5,992 | 300 | 243 |
| 15-year migration | 58,994 | 64,016 | 5,023 | 251 | 204 |

Source: Derived from demographic projections

**Table 38: Estimated change to the economically active population (2014-34) – Preston**

| | Economically active (2014) | Economically active (2034) | Total change in economically active | Per annum change | Implied jobs per annum |
|---|---|---|---|---|---|
| 2014-based SNPP | 71,127 | 72,926 | 1,799 | 90 | 126 |
| 2014-based SNPP (+MYE) | 71,127 | 73,228 | 2,102 | 105 | 147 |
| 10-year migration | 71,127 | 70,839 | -288 | -14 | -20 |
| 15-year migration | 71,127 | 77,275 | 6,149 | 307 | 431 |

Source: Derived from demographic projections

**Table 39: Estimated change to the economically active population (2014-34) – South Ribble**

| | Economically active (2014) | Economically active (2034) | Total change in economically active | Per annum change | Implied jobs per annum |
|---|---|---|---|---|---|
| 2014-based SNPP | 58,528 | 58,324 | -204 | -10 | -9 |
| 2014-based SNPP (+MYE) | 58,528 | 58,771 | 243 | 12 | 11 |
| 10-year migration | 58,528 | 62,130 | 3,602 | 180 | 164 |
| 15-year migration | 58,528 | 63,506 | 4,978 | 249 | 227 |

Source: Derived from demographic projections

## Housing Need linked to job-growth forecasts

5.107 As well as looking at the level of growth in the economically active population suggested by demographic projections, it is of use to consider what level of housing might be required for forecasts or past trends to be met. This analysis is predominantly designed to see if there are any areas where there is either a clear workforce shortage or a workforce surplus. Within the modelling, migration assumptions have been changed so that across each local authority the increase in the economically active population matches the increase in the resident workforce required.

5.108 The forecasts assume existing commuting 'ratios' are maintained and should be treated with a degree of caution – they project for instance growing out-commuting from South Ribble and Chorley and in-commuting to Preston, which contrasts to the evidence arising from the demographic

analysis which shows a younger population structure supporting stronger workforce growth in Preston.

5.109 The changes to migration have been applied on a proportionate basis; the methodology assumes that the age/sex profile of both in- and out-migrants is the same as underpins the SNPP with adjustments being consistently applied to both internal (domestic) and international migration. Adjustments are made to both in- and out-migration (e.g. if in-migration is increased by 1% then out-migration is reduced by 1%).Once the level of economically active population matches the job growth trend/forecast the population (and its age structure) is modelled against CLG headship rates to see what level of housing provision that might imply.

5.110 Table 40 below shows estimates of housing need set against each of the job growth scenarios. The analysis shows a range of housing need between 1,031 dwellings per annum (linked to the OE forecast) up to 1,184 when linking the data to the planned growth forecast. The higher of these figures is virtually identical to that shown by the demographic projection linked to 15-year migration trends (a need for 1,171 dwellings per annum). Taking all of this evidence together suggests that across the HMA there is a good match between potential job growth and the likely growth in the resident workforce.

**Table 40: Projected housing need – range of job-led scenarios and 2014-based headship rates – Central Lancashire**

| | Households 2014 | Households 2034 | Change in households | Per annum | Dwellings (per annum) |
|---|---|---|---|---|---|
| Baseline | 151,638 | 171,732 | 20,094 | 1,005 | 1,031 |
| Planned Growth | 151,638 | 174,697 | 23,059 | 1,153 | 1,184 |

Source: Demographic projections

5.111 Tables 41-43 below show the same information for each of the individual local authorities. The general picture emerging is that housing need when set against the economic forecasts is generally higher in South Ribble and Chorley than the demographic-based projections; the opposite being true in the case of Preston. The difference between economic- and demographic-based projections does however depend on the scenarios being tested. Overall, this analysis suggests that there may be some case for considering the locations of housing to assist in providing homes in the same areas as jobs, although this will ultimately be a policy decision. Overall, it needs to be stressed that at the HMA level there is a good match between demographic projections and job growth forecasts.

**Table 41: Projected housing need – range of job-led scenarios and 2014-based headship rates – Chorley**

| | Households 2014 | Households 2034 | Change in households | Per annum | Dwellings (per annum) |
|---|---|---|---|---|---|
| Baseline | 47,000 | 57,075 | 10,075 | 504 | 517 |
| Planned Growth | 47,000 | 57,119 | 10,119 | 506 | 519 |

Source: Demographic projections

**Table 42: Projected housing need – range of job-led scenarios and 2014-based headship rates – Preston**

| | Households 2014 | Households 2034 | Change in households | Per annum | Dwellings (per annum) |
|---|---|---|---|---|---|
| Baseline | 57,933 | 61,008 | 3,075 | 154 | 159 |
| Planned Growth | 57,933 | 62,275 | 4,342 | 217 | 225 |

Source: Demographic projections

**Table 43: Projected housing need – range of job-led scenarios and 2014-based headship rates – South Ribble**

| | Households 2014 | Households 2034 | Change in households | Per annum | Dwellings (per annum) |
|---|---|---|---|---|---|
| Baseline | 46,705 | 53,650 | 6,944 | 347 | 355 |
| Planned Growth | 46,705 | 55,303 | 8,598 | 430 | 440 |

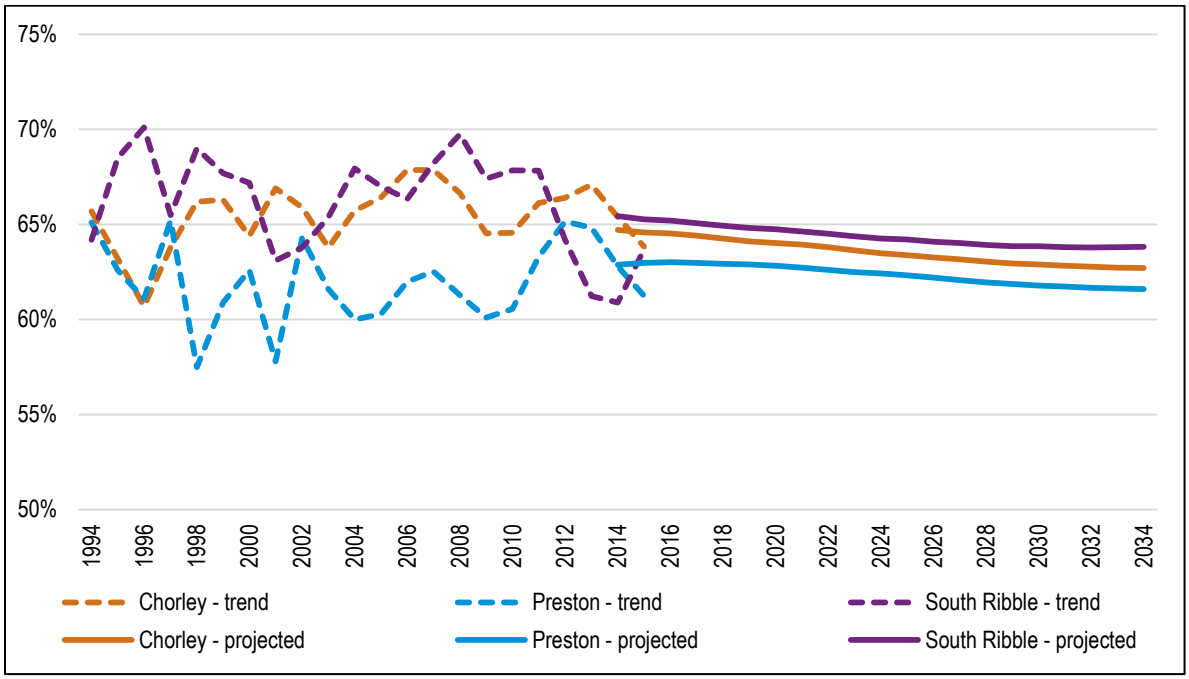
Source: Demographic projections

## Sense checking the Outputs

5.112 The analysis above is based on taking levels of job growth from the future forecasts and then applying a series of assumptions about commuting double jobbing and economic activity to give an overlay with population change and hence housing need. Clearly in doing this there is a range of assumptions made which could potentially be challenged (i.e. whilst they are considered to be reasonable it is accepted that different assumptions (particularly around economic activity) could have been used.

5.113 The analysis below therefore seeks to 'sense check' the assumptions by testing some of the analysis. Firstly, the method used to look at economic activity provides an indication of how the overall economic activity rate is likely to change (for the population aged 16 and over), this can be contrast with past trends drawn from the Annual Population Survey and Labour Force Survey. Figure 38 shows the past trends and how this is expected to change in the future; the analysis is based on the proportion of the population aged 16 and over who are economically active.

**Figure 38: Past trends and future projected economic activity rates (based on population aged 16+)**




Source: Annual Population Survey, Labour Force Survey and demographic projections

5.114 The data shows considerable year-on-year variation in the past trends (which is due to a considerable degree to the error margins associated with the data). Overall the data suggests little change in economic activity rates going back over the past 20-years or so (back to 1994). Moving forward the projections are suggesting that economic activity rates will remain broadly steady (or even decrease slightly).

5.115 It should be recognised that the past trends are likely to be slightly less affected by the ageing of the population although over this period the proportion of older people in the population did increase. On this basis it might be expected that in the future there would be some decline in economic activity rates (which is to some degree shown). However, the future trends do need to be considered in light of changes to pensionable age, which are likely to keep many people in the workforce for longer.

5.116 Overall, taking account of the data and various factors feeding into the information, it is considered that there is a reasonable alignment between past trends and the future projection in terms of the overall economic activity rate of the resident population.

5.117 The second sense check uses the population projection data underpinning the OE forecast (baseline). OE provides an estimate of the total population in each local authority for each year through to 2034. An analysis has therefore been developed to match the population growth through to 2034. In modelling this change in population it is then possible to overlay the CLG headship rates to see what level of housing need this might imply.

5.118 Table 44 shows that by using the OE population data (baseline forecasts), there would be a need for around 854 additional dwellings per annum to be provided. This figure is lower than that derived from projections linked to the SNPP (934 dwellings per annum) and also below the figures from other demographic scenarios and the two economic-led projections. This shows that the analysis in this report does not under-estimate housing need when set against economic forecasts.

**Table 44: Projected housing need using OE population estimates within modelling and 2014-based headship rates**

| | Households 2014 | Households 2034 | Change in households | Per annum | Dwellings (per annum) |
|---|---|---|---|---|---|
| Chorley | 47,000 | 56,037 | 9,037 | 452 | 463 |
| Preston | 57,933 | 61,533 | 3,600 | 180 | 186 |
| South Ribble | 46,705 | 50,705 | 3,999 | 200 | 205 |
| Central Lancashire | 151,638 | 168,275 | 16,637 | 832 | 854 |

Source: OE and demographic projections

5.119 OE's assumptions take into account those relating to changes in commuting and economic participation which are internal to the economic model.

## Distribution of Growth

5.120 Although the demographic scenario based on longer term trends and the planned growth scenario very similar levels of housing need across the HMA the location of growth is substantially different. The economic need focussed growth in Chorley and South Ribble; and the demographic growth from the longer-term trends focused growth in Preston and Chorley.

5.121 It is therefore common sense to review the extent of the disconnect between demographic and economic projections across the wider area and to make reasonable assumptions as to their future direction. The focus of this should therefore be the HMA level. This position is further confirmed by the High Court decision in the case of "*St Modwens Developments Ltd vs East Riding and Save our Ferriby Action Group*."

5.122 In his judgement, Mr Justice Ouseley sets out that he "*consider(s) that an assessment of need based on the HMA should be understood as an integral requirement arising from national planning policy for housing, rather than the outcome of a second stage of policy-making at the local level*." The judgement empathises consideration of housing needs at the HMA level; and recognises the role of sensible planning judgement in considering issues related to the distribution of that need.

5.123 GL Hearn consider that the balance between jobs and homes should be considered at the HMA level, and may influence the distribution of housing need between areas. These are issues which require consideration through the duty to cooperate.

5.124 The evidence suggests that there is a need to make a slight upwards adjustment to the assessed need to support the delivery of the Planned Growth Scenario (1,184 dpa), when compared for instance to the highest of the demographic-led scenarios (1,171 dpa). The economic-led scenarios, from an evidential point of view, should be treated as a range.

5.125 However, GL Hearn considers that where an authority is meeting the unmet needs from another, this would also support population and workforce growth within the receiving authority's area. On this basis it is important not to double count unmet needs and provision to meet economic growth.

**Future Employment and the Link to Housing: Key Messages**

- The analysis has sought to estimate the likely level of housing needed to be delivered if the resident workforce is to increase sufficiently to meet both job-growth forecasts and an analysis of past trends. The main purpose of the analysis was to establish if there are any clear spatial imbalances between where population growth is projected to occur and where the jobs might be provided.

- The analysis took account of the commuting patterns and double jobbing, as well as making a series of assumptions about how economic activity rates might change in the future. This latter point is a key difficulty in matching job-growth to population growth.

- In running the modelling, it is estimated that to meet the planned growth forecast there would need to be provision of between 1,031 - 1,184 dwellings per annum across the HMA (2014-34).

- These figures broadly align with the upper end of the demographic need 1,171 dwellings per annum, based on longer term migration trends which sit towards the higher end of the range.

- Looking at individual local authorities, there was some suggestion that there might be a labour-force shortage in South Ribble and Chorley; however, the data also identified a potential surplus of labour-supply in Preston (through the longer-term demographic growth). These issues will however be influenced by the spatial distribution of housing and employment land within the HMA, which falls within a common travel to work area; as well as the potential for commuting to change.

- Cross-checking the outputs from the modelling with other outputs in the economic forecasts and past trends (around population growth and economic activity rates) suggested that the analysis in this document does not under-estimate the need for housing when set against economic forecasts.

# 6 AFFORDABLE HOUSING NEED

## Introduction

6.1 In this section we discuss levels of affordable housing need in Central Lancashire. Affordable housing need is defined in the NPPF (annex 2) as *'social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market'*.

6.2 The PPG sets out a model for assessing affordable housing need – this model largely replicates the model set out in previous 2007 SHMA guidance (which contained more detail about specific aspects of the analysis and so is referred to in this section as appropriate. The analysis is based on secondary data sources. It draws on a number of sources of information including 2011 Census data, demographic projections, house prices/rents and income information. Paragraph 14 of the PPG 9 (Reference ID: 2a-014-20140306) sets out that:

*"Plan makers should avoid expending significant resources on primary research... They should instead look to rely predominantly on secondary data (e.g. Census, national surveys) to inform their assessment which are identified within the guidance".*

6.3 The affordable housing needs model is based largely on housing market conditions (and particularly the relationship of housing costs and incomes) at a particular point in time – the time of the assessment – as well as the existing supply of affordable housing (through relets of current stock) which can be used to meet affordable housing need. Given the range of data available, a base date of 2015 is used. However, for the purposes of consistency with the demographic projections, data is presented as per annum data for the period 2014-34.

## Key Definitions

6.4 We begin by setting out key definitions relating to affordable housing need, affordability and affordable housing.

*Affordable Housing*

6.5 The NPPF provides the definition of affordable housing (as used in this report). The following is taken from Annex 2 of NPPF.

*"Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision."*

6.6 Within the definition of affordable housing there is also the distinction between social rented affordable rented, and intermediate housing. Social rented housing is defined as:

*"Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency."*

6.7 Affordable rented housing is defined as:

*"Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable)."*

6.8 The definition of intermediate housing is shown below:

*"Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing."*

6.9 As part of our analysis in this report we have therefore studied the extent to which social rented, intermediate housing and affordable rented housing can meet affordable housing need.

*Current Affordable Housing Need*

6.10 Current Affordable housing need is defined as the number of households who lack their own housing or who live in unsuitable housing and who cannot afford to meet their housing needs in the market. This is sometimes referred to as the 'backlog'.

*Newly-Arising Need*

6.11 Newly-arising (or future) need is a measure of the number of households who are expected to have an affordable housing need at some point in the future. As per paragraph 25 of the PPG this is made up of newly forming households and existing households falling into need.

*Supply of Affordable Housing*

6.12 The supply of affordable housing is an estimate of the number of social/affordable rented and intermediate housing units likely to be available through relets of the current stock (based on past trend data).

*Affordability*

6.13 Affordability is assessed by comparing household incomes, based on income data modelled using a number of sources including CACI, Annual Survey of Hours and Earnings (ASHE), the English Housing Survey (EHS) and ONS data, against the cost of suitable market housing (to either buy or rent). Separate tests are applied for home ownership and private renting and are discussed later in this section.

6.14 It should be recognised that a key challenge in assessing affordable housing need using secondary sources is the lack of information available regarding households' existing savings. This is a key factor in affecting the ability of young households to purchase housing particularly in the current market context where a deposit of at least 10% is typically required for the more attractive mortgage deals. The 'help to buy' scheme is likely to be making some improvements in access to the owner-occupied sector although at present this is likely to be limited (although the impact of recent extensions to this scheme to include the second-hand market should be monitored moving forward). In many cases households who do not have sufficient savings to purchase have sufficient income to rent housing privately without support, and thus the impact of deposit issues on the overall assessment of affordable housing need is limited.

**Local Prices & Rents**

6.15 An important part of the SHMA is to establish the entry-level costs of housing to buy and rent – this data is then used in the assessment of the need for affordable housing. The affordable housing needs assessment compares prices and rents with the incomes of households to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having an 'affordable housing need.'

6.16 In this section we establish the entry-level costs of housing to both buy and rent across the study area. Our approach has been to analyse Land Registry and Valuation Office Agency (VOA) data to establish lower quartile prices and rents. For the purposes of analysis (and to be consistent with Paragraph 25 of the PPG (Reference ID: 2a-025-20140306)) we have taken lower quartile prices and rents to reflect the entry-level point into the market

6.17 The table below shows estimated lower quartile property prices by dwelling type. The data shows that entry-level costs to buy are estimated to start from about £55,000 for a flat in Preston and rising to nearly £200,000 for a detached home. Looking at the lower quartile price across all dwelling types the analysis shows a range from £85,000 in Preston, up to £115,000 in both Chorley and South Ribble.

**Table 45: Lower quartile sales prices by type (year to March 2016)**

| | Flat | Terraced | Semi-detached | Detached | All dwellings |
|---|---|---|---|---|---|
| Chorley | £70,000 | £85,000 | £125,000 | £190,000 | £115,000 |
| Preston | £55,000 | £72,000 | £120,000 | £195,000 | £85,000 |
| South Ribble | £68,000 | £86,000 | £120,000 | £181,000 | £115,000 |

Source: Land Registry (2016)

6.18 A similar analysis has been carried out for private rents using Valuation Office Agency (VOA) data – this covers a 12-month period to March 2016. For the rental data information about dwelling sizes is provided (rather than types); the analysis shows an average lower quartile cost (across all dwelling sizes) of between £425 per month (in Preston), rising to £495 in South Ribble

**Table 46: Lower quartile private rents by size and location (year to March 2016) – per month**

| | Room only | Studio | 1 bedroom | 2 bedrooms | 3 bedrooms | 4+ bedrooms | All dwellings |
|---|---|---|---|---|---|---|---|
| Chorley | £347 | £295 | £375 | £450 | £525 | £730 | £450 |
| Preston | £260 | £350 | £395 | £475 | £520 | £650 | £425 |
| South Ribble | £450 | £308 | £380 | £495 | £560 | £795 | £495 |

Source: Valuation Office Agency (2016)

## Income Required to Access Different Tenures of Housing

6.19 Having established the likely cost of housing, the next step is to estimate what level of income might be required to access the different products. Separate tests are applied for home ownership and private renting; home ownership is based on looking at mortgage multiples (mortgage affordability) with accessing private rented housing being based on consideration of the proportion of income that might need to be spent on housing (rental affordability).

**Mortgage affordability**

6.20 A household is considered able to afford to buy a home if it costs less than four times the gross household income; it has also been assumed that a household will have a 10% deposit.

6.21 Previous CLG guidance (of 2007) suggests using thresholds of 2.9× for households with multiple incomes and 3.5× for those with a single income. The use in this study of a four times multiple reflects the fact that there is likely to be some keenness from Government to ensure that prospective households are able to access the finance they need (for example, with the Help-to-Buy Scheme, the maximum income multiple is 4.5). Additionally, a brief review of a number of lenders indicates that four times income is generally available across the market; although the exact availability of finance will also depend on an individual household's circumstances.

6.22 It should be recognised that a key challenge in assessing affordable housing need using secondary sources is the lack of information available regarding households' existing savings. The 10% deposit is used to reflect the typical minimum deposit required to access mortgage finance. Deposit availability will vary by household and raising this sort of level of capital would potentially be an issue for a number of households. However, there are initiatives available to help households to raise a deposit (such as Help-to-Buy ISAs). In many cases households who do not have sufficient savings to purchase have sufficient income to rent housing privately without support, and thus the impact of deposit issues on the overall assessment of affordable housing need is limited.

**Rental Affordability**

6.23 A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis, CLG guidance (of 2007) suggested

that 25% of income is a reasonable start point but also notes that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40% (although this can vary by area). Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics).

6.24 The threshold of income to be spent on housing should be set by asking the question *'what level of income is expected to be required for a household to be able to access market housing without the need for a subsidy (e.g. through Housing Benefit)?'* The choice of an appropriate threshold will to some degree be arbitrary and will be linked to the cost of housing rather than income. Income levels are only relevant in determining the number (or proportion) of households who fail to meet the threshold. It would be feasible to find an area with very low incomes and therefore conclude that no households can afford housing, alternatively an area with very high incomes might show the opposite output. The key here is that local income levels are not setting the threshold, but are simply being used to assess how many can or can't afford market housing.

6.25 To look at a reasonable threshold in Central Lancashire a national benchmarking exercise has initially been carried out. Across the Country, evidence (from VOA) points to the cheapest areas having lower quartile rents of around £350 per month (this includes Liverpool, Hull and Leicester). It is assumed that these areas would have a 25% affordability threshold (i.e. the bottom end of the threshold range reflects the bottom end of the housing cost range).

6.26 The key point when looking at thresholds and housing costs is one of 'residual income' – i.e. the amount of money a household has after housing costs are paid for. Using the £350 pcm example, if a household spent 25% of income on housing then their residual income would be £1,050 per month, the same threshold in Chorley would show a residual income of £1,350 (i.e. 29% higher). Hence it is arguably not appropriate to use the same (25%) threshold in each area.

6.27 This analysis is not conclusive given that such an analysis would need to be predicated on a) an assumption that a 25% threshold is an appropriate benchmark at the bottom end of the market; b) that living costs (other than housing) are equal across areas and c) to note that the analysis is based on gross income (households with higher gross incomes would be expected to be paying more tax). It does however serve to show why the cost of housing is the key input into understanding a reasonable threshold for affordability.

6.28 Returning to the question for Central Lancashire, the analysis seeks to recognise residual income and also issues about tax and the cost of living. If it were assumed that the residual income (i.e. £1,050) should be held constant for all areas, then this would suggest a threshold in Chorley of 30%, however as noted keeping the residual income figure constant is probably not realistic. Hence, the analysis takes a simple average between the bottom line 25% and the 30% figure; this gives a threshold for affordability in Chorley of 27.5%; the equivalent figure for Preston is 26.9% and 28.5% in South Ribble.

### Income thresholds for different tenures of housing

6.29 The table below brings together an analysis of the different tenures of housing to consider what level of income would indicatively be required to access. Although the measures for mortgage and rental affordability are different; both ultimately lead to an estimate of the income required. Looking at figures for the whole of the HMA it can be seen that it is estimated that an income of £19,100 to £25,900 would be required for open market purchase; a lower range of £19,000 to £20,800 is needed to access the private rented sector. The rental figures are therefore used when looking at the overall ability of households to access market housing.

**Table 47: Affordability thresholds for different tenures of market housing – by local authority**

| | LQ purchase | LQ private rent |
|---|---|---|
| Chorley | £25,875 | £19,636 |
| Preston | £19,125 | £18,954 |
| South Ribble | £25,875 | £20,828 |

Source: Derived from a range of sources as described

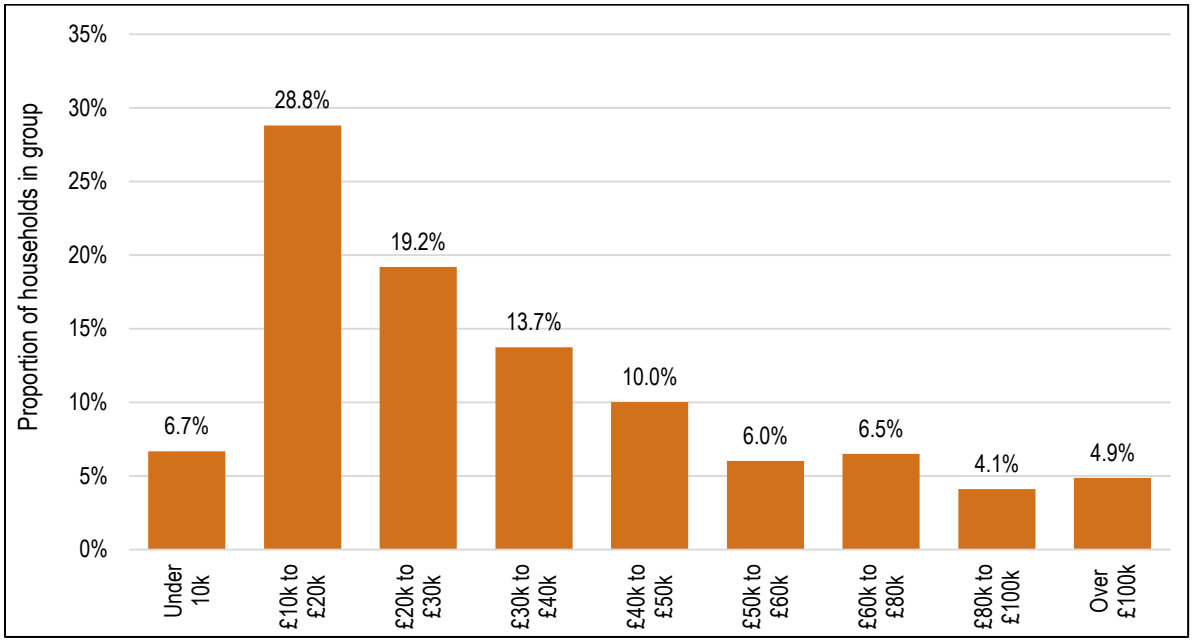
### Income levels and affordability

6.30 Following on from our assessment of local prices and rents it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability (i.e. the ability of a household to afford to buy or rent housing in the market without the need for some sort of subsidy); the analysis also provides an indication of the potential for intermediate housing to meet needs. Data about total household income has been modelled on the basis of a number of different sources of information to provide both an overall average income and the likely distribution of incomes in each area. The key sources of data include:

- ONS modelled income estimates (published in October 2015 with a 2011/12 base) – this information is provided for middle layer super output areas (MSOA) and is therefore used to build up to local authority areas
- English Housing Survey (EHS) – to provide information about the distribution of incomes
- Annual Survey of Hours and Earnings (ASHE) – to assist in looking at how incomes have changed since the ONS base date (regional figures have been used due to error margins associated with this source at a smaller area level)

6.31 Drawing all of this data together we have therefore been able to construct an income distribution for the whole of the study area for 2015. The figure below shows that around a third (35%) of households have incomes below £20,000 with a further third in the range of £20,000 to £40,000. The overall average (median) income of all households in the HMA was estimated to be around £27,300 with a mean income of £36,000.

**Figure 39: Distribution of Household Income in HMA (mid-2015 estimates)**




Source: Derived from ASHE, EHS and ONS data

6.32 The table below shows how income levels vary for each of the three local authorities. Incomes were found to be highest in South Ribble (very closely followed by Chorley) and lowest in Preston.

**Table 48: Households income levels by local authority (mid-2015 estimates)**

| | Mean income | Median income |
|---|---|---|
| Chorley | £38,106 | £28,983 |
| Preston | £32,574 | £24,775 |
| South Ribble | £38,134 | £29,004 |
| Central Lancashire | £36,001 | £27,279 |

Source: Derived from ASHE, EHS and ONS data

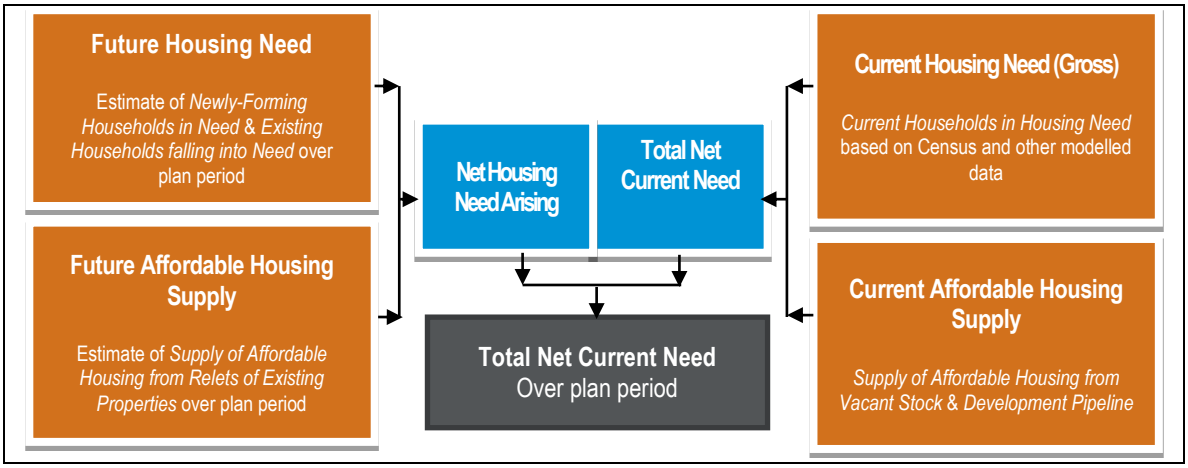
6.33 To assess affordability, we have looked at household's ability to afford either home ownership or private rented housing (whichever is the cheapest), without financial support. The distribution of household incomes is then used to estimate the likely proportion of households who are unable to afford to meet their needs in the private sector without support, on the basis of existing incomes. This analysis brings together the data on household incomes with the estimated incomes required to access private sector housing.

6.34 Different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower incomes than existing households (this has consistently been shown to be the case in the English Housing Survey and the Survey of English Housing). Assumptions about income levels for specific elements of the modelling are discussed where relevant in the analysis that follows.

## Affordable Housing Needs Assessment

6.35 Affordable housing need has been assessed using the methodology set out in the PPG. This model is summarised in the figure below.

**Figure 40: Overview of Affordable Housing Needs Assessment Model**




6.36 The figures presented in this report for affordable housing needs have been based on secondary data sources including analysis of 2011 Census. The modelling undertaken provides an assessment of affordable housing need for a 20-year period – 2014-34 (which is then annualised) although it should be recognised that much of the base data (e.g. about incomes and housing costs) has a mid-2015 base date. Each of the stages of the affordable housing needs model calculation are discussed in more detail below.

### Methodological Issues

6.37 Due to the analysis being based on secondary data sources only, there are a number of assumptions that need to be made to ensure that the analysis is as robust as possible. Key assumptions include considering the number of households who have a need due to issues such as insecure tenancies or housing costs – such households form part of the affordable need as set out in guidance (see paragraph 2a-023 of the PPG for example) but are not readily captured from secondary data sources. Assumptions also need to be made about the likely income levels of different groups of the population (such as newly forming households), recognising that such households' incomes may differ from those in the general population.

6.38 To overcome the limitations of a secondary-data-only assessment, additional data has been taken from a range of survey-based affordable needs assessments carried out by GL Hearn. These surveys (which cover a range of areas and time periods) allow the assessment to consider issues such as needs which are not picked up in published sources and different income levels for different household groups. This data is then applied to actual data for the study area (e.g. from the Census) as appropriate. It is the case that outputs from surveys in other areas show remarkably similar outputs to each other for a range of core variables (for example the income levels of newly forming

households when compared with existing households) and are therefore likely to be fairly reflective of the situation locally. Where possible, data has also been drawn from national surveys (notably the English Housing Survey (over a number of years)).

6.39 It should also be stressed that the secondary data approach is consistent with the PPG. Specifically, paragraph 14 (ID: 2a-014-20140306) states that:

*'Plan makers should avoid expending significant resources on primary research (information that is collected through surveys, focus groups or interviews etc. and analysed to produce a new set of findings) as this will in many cases be a disproportionate way of establishing an evidence base. They should instead look to rely predominantly on secondary data (e.g. Census, national surveys) to inform their assessment which are identified within the guidance'.*

6.40 CLG Guidance also suggests that the housing register can be used to estimate levels of affordable housing need. Our experience of working across the country is that housing registers can be highly variable in the way their allocation policies and points systems work. This means that in many areas it is difficult to have confidence that the register is able to define an underlying need. Many housing registers include households who might not have a need whilst there will be households in need who do not register (possibly due to being aware that they have little chance of being housed). For these reasons, the method linked to a range of secondary data sources is preferred.

**Current Affordable Housing Need**

6.41 In line with PPG paragraph 17 (ID: 2a-017-20140306), the current need for affordable housing has been based on considering the likely number of households with one or more housing problems. A list is initially set out in paragraph 23 (ID: 2a-023-20140306) of the PPG and provides the following.

**What types of households are considered in affordable housing need?**

The types of households to be considered in housing need are:

- homeless households or insecure tenure (e.g. housing that is too expensive compared to disposable income);
- households where there is a mismatch between the housing needed and the actual dwelling (e.g. overcrowded households);
- households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ
- households that lack basic facilities (e.g. a bathroom or kitchen) and those subject to major disrepair or that are unfit for habitation;
- households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move.

*Source*: PPG [ID 2a-023-20140306]

6.42 This list of potential households in need is then expanded on in paragraph 24 (ID: 2a-024-20140306) of the PPG which provides a list of the categories to consider when assessing current need. This assessment seeks to follow this list by drawing on a number of different data sources. The table below sets out the data used in each part of the assessment.

**Table 49: Main sources for assessing the current unmet need for affordable housing**

| | Source | Notes |
|---|---|---|
| Homeless households | CLG Live Table 784 | Total where a duty is owed but no accommodation has been secured PLUS the total in temporary accommodation |
| Households in overcrowded housing | Census table LC4108EW | Analysis undertaken by tenure |
| Concealed households | Census table LC1110EW | Number of concealed families (with dependent or non-dependent children) |
| Existing affordable housing tenants in need | Modelled data linking to past survey analysis | Will include households with many of the issues in the first box above (e.g. insecure tenure) |
| Households from other tenures in need | Modelled data linking to past survey analysis | |

*Source*: PPG [ID 2a-024-20140306]

6.43 It should be noted that there may be some overlap between categories (such as overcrowding and concealed households, whereby the overcrowding would be remedied if the concealed household moved). The data available does not enable analysis to be undertaken to study the impact of this and so it is possible that the figures presented include a small element of double counting. Additionally, some of the concealed households may be older people who have moved back in with their families and might not be considered as in need.

6.44 The table below shows the initial estimate of the number of households within the HMA with a current housing need. These figures are before any consideration of affordability has been made and has been termed 'the number of households in unsuitable housing'. Overall, the analysis suggests that there are currently some 8,900 households living in unsuitable housing (or without housing) – around half of these households currently live in Preston.

**Table 50: Estimated number of households living in unsuitable housing**

| Category of 'need' | Households |
|---|---|
| Homeless households | 66 |
| Households in overcrowded housing | 4,429 |
| Concealed households | 953 |
| Existing affordable housing tenants in need | 455 |
| Households from other tenures in need | 2,992 |
| Total | 8,895 |

*Source*: CLG Live Tales, Census (2011) and data modelling

**Table 51: Estimated number of households living in unsuitable housing (by local authority)**

| | Homeless | Over-crowded | Concealed | AH tenants | Other tenures | Total |
|---|---|---|---|---|---|---|
| Chorley | 12 | 948 | 176 | 122 | 816 | 2,075 |
| Preston | 28 | 2,560 | 502 | 231 | 1,357 | 4,678 |
| South Ribble | 26 | 921 | 275 | 101 | 819 | 2,142 |
| Central Lancashire | 66 | 4,429 | 953 | 455 | 2,992 | 8,895 |

*Source*: CLG Live Tales, Census (2011) and data modelling

6.45 In taking this estimate forward, the data modelling estimates housing unsuitability by tenure. From the overall number in unsuitable housing, households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). The analysis also excludes 90% of owner-occupiers under the assumption (which is supported by analysis of survey data) that the vast majority of owner-occupier households will be able to afford housing once savings and equity are taken into account.

6.46 A final adjustment is to slightly reduce the unsuitability figures in the private rented sector to take account of student-only households – such households could technically be overcrowded/living in unsuitable housing but would be unlikely to be considered as being in affordable housing need (student households rarely qualify for affordable housing). Once these households are removed from the analysis, the remainder are taken forward for affordability testing.

6.47 The table below shows it is estimated that there were 14,385 households living in unsuitable housing (excluding current social tenants and the majority (90%) of owner-occupiers).

**Table 52: Unsuitable housing by tenure and numbers to take forward into affordability modelling**

| | In unsuitable housing | Number to take forward for affordability testing |
|---|---|---|
| Owner-occupied | 3,188 | 319 |
| Affordable housing | 1,879 | 0 |
| Private rented | 2,809 | 2,680 |
| No housing (homeless/concealed) | 1,019 | 1,019 |
| Total | 8,895 | 4,018 |

*Source*: CLG Live Tales, Census (2011) and data modelling

6.48 Having established this figure, it needs to be considered that a number of these households might be able to afford market housing without the need for subsidy. For an affordability test the income data has been used, with the distribution adjusted to reflect a lower average income amongst households living in unsuitable housing – for the purposes of the modelling an income distribution that reduces the level of income to 69% of the figure for all households has been used to identify the proportion of households whose needs could not be met within the market (for households currently living in housing). A lower figure (of 42%) has been used to apply an affordability test for the concealed/homeless households who do not currently occupy housing.

6.49 These two percentage figures have been based on a consideration of typical income levels of households who are in unsuitable housing (and excluding social tenants and the majority of owners) along with typical income levels of households accessing social rented housing (for those without accommodation). These figures are considered to be best estimates, and likely to approximately reflect the differing income levels of different groups with a current housing problem.

6.50 Overall, around three-fifths of households with a current need are estimated to be likely to have insufficient income to afford market housing and so the estimate of the total current need is reduced to 2,375 households in the HMA. The table below shows how current need is estimated to vary across local authorities.

**Table 53: Estimated Current Affordable Housing Need**

| | In unsuitable housing (taken forward for affordability test) | % Unable to Afford Market Housing (without subsidy) | Revised Gross Need (including Affordability) |
|---|---|---|---|
| Chorley | 893 | 54.1% | 483 |
| Preston | 2,163 | 61.0% | 1,320 |
| South Ribble | 962 | 59.5% | 572 |
| Central Lancashire | 4,018 | 59.1% | 2,375 |

*Source*: CLG Live Tales, Census (2011), data modelling and affordability analysis

***Newly-Arising Affordable Housing Need***

6.51 To estimate newly-arising (projected future) need we have looked at two key groups of households based on the PPG. These are:

- Newly forming households; and
- Existing households falling into need.

*Newly-Forming Households*

6.52 The number of newly-forming households has been estimated through the demographic modelling with an affordability test also being applied. This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below 5 years previously to provide an estimate of gross household formation (e.g. the analysis considers the number of households aged under 45 in a particular year and subtracts the number aged under 40 five-years previously – this provides an indication of the number of new household (i.e. that didn't exist five years earlier). This differs from numbers presented in the demographic projections which are for net household growth.

6.53 The numbers of newly-forming households are limited to households forming who are aged under 45 – this is consistent with CLG guidance (from 2007 – see Annex B) which notes after age 45 that headship (household formation) rates 'plateau'. The PPG does not provide any specific guidance on how to calculate the number of newly forming households. There may be a small number of

household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households.

6.54 The estimates of gross new household formation have been based on outputs from our core demographic projection (15-year migration trends). In looking at the likely affordability of newly-forming households we have drawn on data from previous surveys. This establishes that the average income of newly-forming households is around 84% of the figure for all households. This figure is remarkably consistent across all areas (and is also consistent with analysis of English Housing Survey data at a national level analysed over a number of years).

6.55 We have therefore adjusted the overall household income data to reflect the lower average income for newly-forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average. In doing this we are able to calculate the proportion of households unable to afford market housing without any form of subsidy (such as LHA/HB). The assessment suggests that overall around two-fifths of newly-forming households will be unable to afford market housing and that a total of 1,232 new households will have an affordable need on average in each year to 2034 in the HMA.

**Table 54: Estimated Level of Affordable Housing Need from Newly Forming Households (per annum)**

| | Number of new households | % unable to afford market housing without subsidy | Total in need |
|---|---|---|---|
| Chorley | 869 | 39.8% | 345 |
| Preston | 1,169 | 45.4% | 530 |
| South Ribble | 840 | 42.4% | 356 |
| Central Lancashire | 2,879 | 42.8% | 1,232 |

Source: Projection Modelling/Income analysis

***Existing Households falling into Affordable Housing Need***

6.56 The second element of newly arising need is existing households falling into need. To assess this, we have used information from CoRe. We have looked at households who have been housed over the past three years (2012-15) – this group represents the flow of households onto the Housing Register over this period. From this we have discounted any newly forming households (e.g. those currently living with family) as well as households who have transferred from another affordable property. An affordability test has also been applied, although relatively few households are estimated to have sufficient income to afford market housing.

6.57 This method for assessing existing households falling into need (in the absence of any guidance in the PPG) is consistent with the 2007 SHMA Guidance which says on page 46 that *'Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed*

*within the year as well as households housed outside of the register (such as priority homeless household applicants)'.*

6.58 As shown in the table below, following the analysis through suggests a need arising from 893 existing households each year across the study area, with approaching half of these being in Preston.

**Table 55: Estimated level of Housing Need from Existing Households (per annum)**

| | Number of Existing Households falling into Need | % of Existing Households falling into Need |
|---|---|---|
| Chorley | 275 | 30.8% |
| Preston | 399 | 44.7% |
| South Ribble | 218 | 24.5% |
| Central Lancashire | 893 | 100.0% |

Source: CoRe/affordability analysis

***Supply of Affordable Housing***

6.59 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social/affordable rent relets and the annual supply of relets/sales within the intermediate sector.

6.60 The PPG paragraph 27 (ID: 2a-027-20140306) suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. We have used information from the Continuous Recording system (CoRe) to establish past patterns of social housing turnover. Our figures include general needs and supported lettings but exclude lettings of new properties plus an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.

6.61 On the basis of past trend data is has been estimated that 1,596 units of social/affordable rented housing are likely to become available each year moving forward, with a notably higher proportion of these being in Preston.

**Table 56: Analysis of past social/affordable rented housing supply (per annum – based on data for the 2013-16 period)**

| | Total lettings | % as non-new-build | Lettings in existing stock | % non-transfers | Total lettings to new tenants |
|---|---|---|---|---|---|
| Chorley | 857 | 89.2% | 765 | 63.9% | 488 |
| Preston | 1,448 | 93.9% | 1,359 | 55.3% | 751 |
| South Ribble | 636 | 90.4% | 575 | 62.1% | 357 |
| Central Lancashire | 2,941 | 91.7% | 2,698 | 59.2% | 1,596 |

Source: CoRe (2012-15)

6.62 The supply figure is for social/affordable rented housing only and whilst the stock of intermediate housing in the study area is not significant compared to the social/affordable rented stock it is likely that some housing does become available each year (e.g. re-sales of shared ownership).

6.63 For the purposes of this assessment we have again utilised CoRe data about the number of sales of homes that were not new- build. From this it is estimated that around 27 additional properties might become available per annum. The total supply of affordable housing is therefore estimated to be 1,623 per annum across the HMA.

**Table 57: Supply of affordable housing**

| | Social/affordable rented relets | Intermediate housing 'relets' | Total supply (per annum) |
|---|---|---|---|
| Chorley | 488 | 10 | 498 |
| Preston | 751 | 6 | 757 |
| South Ribble | 357 | 11 | 368 |
| Central Lancashire | 1,596 | 27 | 1,623 |

Source: CoRe (2012-15)

***Net Affordable Housing Need***

6.64 The table below shows our overall calculation of affordable housing need. This excludes supply arising from sites with planning permission (the 'development pipeline') to allow for a comparison with the demographic projections set out in the report. The analysis has been based on meeting affordable housing need over the 20-year period from 2014 to 2034. Whilst most of the data in the model are annual figures the current need has been divided by 20 to make an equivalent annual figure.

6.65 As the table sets the analysis calculates an overall need for affordable housing of 12,400 units over the 20-years to 2034 (620 per annum) across the HMA. The net need is calculated as follows:

**Net Need = Current Need + Need from Newly-Forming Households + Existing Households falling into Need – Supply of Affordable Housing**

**Table 58: Estimated level of Affordable Housing Need (2014-34) – HMA**

| | Per annum | 2014-34 |
|---|---|---|
| Current need | 119 | 2,375 |
| Newly forming households | 1,232 | 24,631 |
| Existing households falling into need | 893 | 17,860 |
| Total Gross Need | 2,243 | 44,866 |
| Supply from existing stock | 1,623 | 32,464 |
| Net Need | 620 | 12,402 |

Source: Census (2011)/CoRe/Projection Modelling and affordability analysis

6.66 The table below shows the annualised information for each local authority. The analysis shows a need for additional affordable housing in all areas.

**Table 59: Estimated level of Affordable Housing Need per annum – by HMA and local authority**

| | Current need | Newly forming households | Existing households falling into need | Total Need | Supply from existing stock | Net Need |
|---|---|---|---|---|---|---|
| Chorley | 24 | 345 | 275 | 645 | 498 | 146 |
| Preston | 66 | 530 | 399 | 996 | 757 | 239 |
| South Ribble | 29 | 356 | 218 | 603 | 368 | 235 |
| Central Lancashire | 119 | 1,232 | 893 | 2,243 | 1,623 | 620 |

Source: 2011 Census/CoRe/Projection Modelling and affordability analysis

## Relating Affordable Need and OAN – Legal Judgments

6.67 The analysis above clearly indicates a need for affordable housing across the HMA. However, the link between affordable need and the OAN is complex and has been subject to a number of recent High Court decisions. Below some of the key judgments and guidance have been summarised in Chronological Order.

**Satnam Millennium Limited v Warrington Borough Council (February 2015)**

6.68 In this case, a challenge to the adoption of the Warrington Local Plan Core Strategy succeeded, resulting in the quashing of the Plan's housing provision policies. With regard to affordable housing the judge found that the assessment of full, objectively assessed needs for housing had not taken account of the (substantial) need for affordable housing.

6.69 In paragraph 43 of the judgement it is concluded that 'the Local Plan should then meet the OAN for affordable housing, subject only to the constraints referred to in the NPPF, paragraphs 14 and 47'. This quote has been taken by some parties to imply that the need for affordable housing (as shown in modelling such as within the section) needs to be met in full – for example, if the affordable need is 200 per annum and delivery is likely to be 20% then an OAN for 1,000 homes would be appropriate.

6.70 It is not clear if this is exactly what the judge in this case had in mind. What is clear that such an approach in many areas would be impractical as it would require huge increases to have any significant impact.

**Oadby and Wigston v Bloor Homes (July 2015)**

6.71 In this case, a challenge by Oadby & Wigston Borough Council to the granting of planning permission through a Section 78 inquiry was dismissed.

6.72 The key issue in front of the Judge was whether or not the original inspector's adoption of a figure of 147 dwellings per annum as the full objectively assessed need for housing (FOAN) was sound. In essence the Council's position was that the need was in the range of 80-100 dwellings per annum and that this was a policy-off figure based on the most up-to-date population and household projections. The appellant suggested a need in the range of 147-161 based on long-term migration trends and the needs of the local economy (in terms of matching job growth and housing need).

6.73 The Judge's initial conclusion was that he considered the SHMA position (of 80-100 dwellings per annum) to be policy-on. He based this on a recognition that other analysis in the SHMA had indicated a need for 173 dpa to meet economic growth and a slightly lower figure (of 160 per annum) as the affordable housing need.

6.74 The uncertainty in this decision is whether or not the FOAN must include all of the affordable housing need. Some of the wording of the judgment would suggest that this was the case with Judge Hickinbottom stating that the assessment of need 'becomes policy on as soon as the Council takes a course of not providing sufficient affordable housing to satisfy the FOAN'. This however is inconsistent with the more recent judgement in Kings Lynn (below) and also contrasts with the approach recommended in the PAS Technical Advice Note.

**Kings Lynn v Elm Park Holdings (July 2015)**

6.75 The final case of reference is Kings Lynn and West Norfolk Council vs. SSCLG and Elm Park Holdings. The case involved the Council's challenge to an inspector's granting of permission for 40 dwellings in a village. Although much of the case was about the approach to take with regards to vacant and second homes, the issue of affordable housing was also a key part of the final judgment.

6.76 Focussing on affordable housing, Justice Dove considered the "ingredients" involved in making a FOAN and noted that the FOAN is the product of the Strategic Housing Market Assessment (SHMA) required by paragraph 159 of the NPPF. It is noted that the SHMA must identify the scale and mix of housing to meet household and population projections, taking account of migration and demographic change, and then address the need for all housing types, including affordable homes.

6.77 He continued by noting that the scale and mix of housing is *'a statistical exercise involving a range of relevant data for which there is no one set methodology, but which will involve elements of judgement'*. Crucially, in paragraph 35 of the judgment he says that the *'Framework makes clear that these needs [affordable housing needs] should be addressed in determining the 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 an important point, given the previous judgements in Satnam and Oadby & Wigston. And indeed in relation to Oadby and Wigston he notes that '*Insofar as Hickinbottom J in*

*the case of Oadby and Wigston Borough Council v Secretary of State [2015] EWHC 1879 might be taken in paragraph 34(ii) of his judgment to be suggesting that in determining the FOAN, the total need for affordable housing must be met in full by its inclusion in the FOAN I would respectfully disagree. Such a suggestion is not warranted by the Framework or the PPG*'.

6.78 Therefore, this most recent judgement is clear that an assessment of affordable housing need should be carried out, but that the level of affordable need shown by analysis does not have to be met in full within the assessment of the FOAN. It does however have to be a material consideration when setting the OAN.

6.79 The approach in Kings Lynn is also similar to that taken by the inspector (Simon Emerson) to the Cornwall Local Plan. His preliminary findings in June 2015 noted in paragraph 3.20 that *'National guidance requires consideration of an uplift; it does not automatically require a mechanistic increase in the overall housing requirement to achieve all affordable housing needs based on the proportions required from market sites.'*

**Legal judgments – Conclusions**

6.80 The various legal judgments above are useful background. However, the main concern is that none of these really seek to understand exactly how affordable housing sits within estimates of the overall need for housing – this is a significant shortcoming.

6.81 However, in line with the Kings Lynn judgement the affordable housing need should still be a consideration when setting the OAN. Given the inter-relationship with market signals, there is some basis for considering market signals and affordable housing alongside each other in considering adjustments within an OAN calculation.

## Planning Advisory Service – Technical Advice Note (July 2015)

6.82 At about the same time as the Oadby & Wigston judgement, the Planning Advisory Service (PAS) published the second edition of their technical advice note on Objectively Assessed Need and Housing Targets – this replaced/updated a version from June 2014 – this also looks at affordable housing.

6.83 The consideration of affordable housing need and its relationship to overall housing need is covered in some detail within Section 9 of the document. PAS set out a suggested approach for looking at the relationship between OAN and affordable housing (which is broadly in line with the approach in this report) before going on to consider their own view about the relationship.

6.84 They initially suggest that affordable housing is "a policy consideration" that bears on housing targets rather than OAN and note that they are not comparable because they relate to different meanings of the term "need." They also highlight that the OAN relates to new dwellings whereas

much of the affordable need relates to existing households, who, when moving, would free up dwellings to be occupied by other households.

6.85 PAS conclude that there is no arithmetical way of combining the OAN (calculated through demographic projections) and the affordable need before concluding that the affordable need cannot be a component part of the OAN. PAS do however note that their views 'may be' contradicted by the Satnam judgement referred to above, and *Kings Lynn*.

## Relating Affordable Need and OAN

6.86 On one level, the PAS view looks to be entirely sensible. When the components of need are looked at it is clear that the relationship between affordable housing and overall housing need is complex. Firstly, the modelling contains a category in the projection of 'existing households falling into need'; these households already have accommodation and hence if they were to move to alternative accommodation, they would release a dwelling for use by another household – there is no net need to provide additional homes. The modelling also contains 'newly forming households'; these households are a direct output from the demographic modelling and are therefore already included in the overall housing need figures.

6.87 This just leaves the 'current need'; much of this group will be similar to the existing households already described (in that they are already living in accommodation) although it is possible that a mall number will be households without housing (mainly concealed households).

6.88 Overall the above analysis above does however indicate a clear need for affordable housing. The Planning Practice Guidance sets out how it expects the affordable housing need to be considered as part of the plan-making process. It outlines in Paragraph 029 that:

*"The total affordable housing need should 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."*

6.89 Core Strategy Policy 7 seeks 35% affordable housing in rural areas and sites adjoining villages over a 5 dwelling/ 0.15 ha threshold; and 30% on sites within/ adjoining urban areas over a 15 dwelling/ 0.5 ha threshold. 100% affordable housing delivery is envisaged on rural exception sites. Given the Core Strategy's focus of growth within/ adjoining urban areas, GL Hearn notionally assumed 30% of housing is delivered as affordable housing, and the table below considers the overall housing provision which would in theoretically be required on this basis.

6.90 The affordable needs evidence provides some basis for considering an upward adjustment from the starting point demographic need. In theory 2,067 dwellings pa would be required to deliver the affordable housing need across the HMA in full. This is 121% above the level of housing need shown in the 2014-based household projections (934 dpa) and a level of housing provision which

GL Hearn does not consider to be realistically achievable. The market would not support this level of provision, not is it a level of housing provision which is necessarily required when the affordable housing need is considered in context.

**Table 60: Notional Housing Provision to Deliver Affordable Need in Full**

| | Affordable Need pa | Assumed % Affordable Delivery | Notional Overall Provision to Meet Affordable Need in Full | 15 Year Migration Demographic Need |
|---|---|---|---|---|
| **Chorley** | 146 | 30% | 487 | 419 |
| **Preston** | 239 | 30% | 797 | 402 |
| **South Ribble** | 235 | 30% | 783 | 351 |
| **HMA** | 620 | 30% | 2067 | 1171 |

6.91 It should be borne in mind that any adjustments from the demographic starting point within an OAN calculation will deliver additional market and affordable housing.

6.92 Additionally, if the Councils were to increase planned housing figures, then this would generate increased migration and population growth, which would mean a lower level in other areas (and hence other locations would logically be expected to plan for fewer dwellings).

6.93 As it is, the identified affordable housing need across the HMA of 620 per annum comprises around half of the 1,171-1,184 dpa need resulting from either the demographic or economic based scenarios. The affordable housing need thus provides a supporting justification for planning within this range. There is no evidence that higher provision than thus could be supported by the market.

6.94 Given the level of affordable housing need, the Councils should however seek to maximise delivery where possible and it should be borne in mind that besides delivery of affordable housing on mixed-tenure development schemes, there are a number of other mechanisms which deliver affordable housing. These include:

- National Affordable Housing Programme – this (administered by the HCA) provides funding to support Registered Providers in delivering new housing including on sites owned by RPs;
- Building Council Homes – following reform of the HRA funding system, Councils can bring forward affordable housing themselves;
- Empty Homes Programmes – where local authorities can bring properties back into use as affordable housing. These are existing properties, and thus represent a change in tenure within the current housing stock;
- Rural Exception Site Development – where the emphasis is on delivering affordable housing to meet local needs.

6.95 Funding for specialist forms of affordable housing, such as extra care provision, may also be available from other sources; whilst other niche agents, such as Community Land Trusts, may deliver new affordable housing. Net changes in affordable housing stock may also be influenced by estate regeneration schemes, as well as potentially by factors such as the proposed extension of the Right to Buy to housing association properties. Affordable housing can be met by changes in the ownership of existing housing stock, not just by new-build development.

6.96 The discussion above has already noted that the need for affordable housing does not generally lead to a need to increase overall provision (with the exception of potentially providing housing for concealed households). It is however worth briefly thinking about how affordable need works in practice and the housing available to those unable to access market housing without Housing Benefit. In particular, the increasing role played by the Private Rented Sector (PRS) in providing housing for households who require financial support in meeting their housing needs should be recognised.

6.97 Whilst the Private Rented Sector (PRS) does not fall within the types of affordable housing set out in the NPPF 'for planning purposes', it has evidently been playing a role in meeting the needs of households who require financial support in meeting their housing need. Government recognises this, and indeed legislated through the 2011 Localism Act to allow Councils to discharge their "homelessness duty" through providing an offer of a suitable property in the PRS.

6.98 It is also worth reflecting on the NPPF (Annex 2) definition of affordable housing. This says: 'Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market' [emphasis added]. Clearly where a household is able to access suitable housing in the private rented sector (with or without Housing Benefit) it is the case that these needs are being met by the market (as within the NPPF definition). As such the role played by the private rented sector should be recognised – it is evidently part of the functioning housing market.

6.99 Data from the Department of Work and Pensions (DWP) has been used to look at the number of Housing Benefit supported private rented homes. As of May 2016 it is estimated that there were around 6,800 benefit claimants in the private rented sector in Central Lancashire (1,761 in Chorley, 2,485 in Preston and 1,539 in South Ribble) – this serves to illustrate that there is some flexibility within the wider housing market.

6.100 However, national planning policy does not specifically seek to meet the needs identified through the Needs Assessment Model in the Private Rented Sector. Government's benefit caps may reduce the contribution which this sector plays in providing a housing supply which meets the needs of households identified in the affordable housing needs model. In particular future growth in households living within the PRS and claiming LHA cannot be guaranteed.

## Need for Different Types of Affordable Housing

6.101 Having studied housing costs, incomes and affordable housing need the next step is to make an estimate of the proportion of affordable housing need that should be met through provision of different housing products. We therefore use the income information presented earlier in this section to estimate the proportion of households who are likely to be able to afford intermediate

housing and the number for whom only social or affordable rented housing will be affordable. There are three main types of affordable housing that can be studied in this analysis:

- Intermediate
- Affordable rent
- Social rent

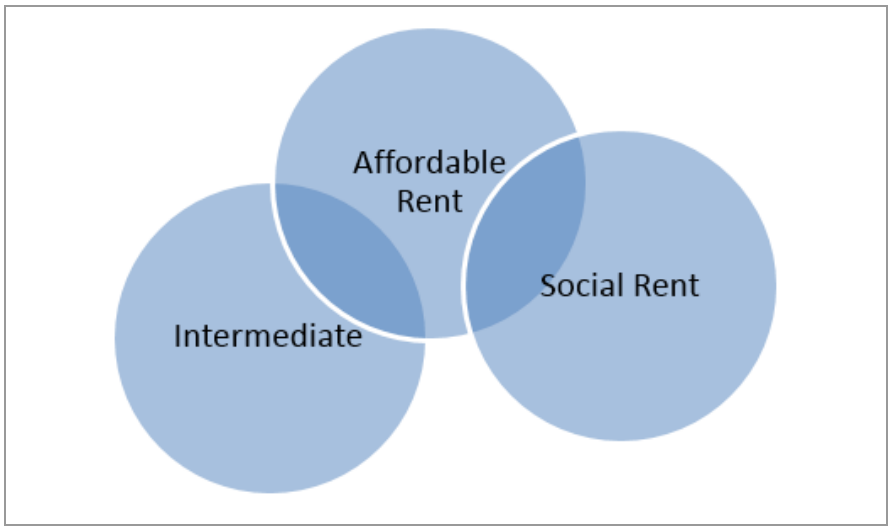
6.102 Whilst the process of separating households into different income bands for analytical purposes is quite straightforward, this does not necessarily tell us what sort of affordable housing they might be able to afford or occupy.

6.103 For example, a household with an income close to being able to afford market housing might be able to afford intermediate or affordable rent but may be prevented from accessing certain intermediate products (such as shared ownership) as they have an insufficient savings to cover a deposit. Such a household might therefore be allocated to affordable rented or intermediate rented housing as the most suitable solution.

6.104 The distinction between social and affordable rented housing is also complex. Whilst rents for affordable rented housing would be expected to be higher than social rents, this does not necessarily mean that such a product would be reserved for households with a higher income. In reality, as long as the rent to be paid falls at or below LHA limits then it will be accessible to a range of households (many of whom will need to claim housing benefit). Local authorities' tenancy strategies might set policies regarding the types of households which might be allocated affordable rented homes; and many authorities will seek to avoid where possible households having to claim higher levels of housing benefit. This however needs to be set against other factors, including viability and the availability of grant funding. Over the spending period to 2021 grant funding is primarily available to support delivery of shared ownership. A significant level of affordable housing delivery is however through developer contributions (Section 106 Agreements).

6.105 For these reasons it is difficult to exactly pin down what proportion of additional affordable homes should be provided through different affordable tenure categories. In effect there is a degree of overlap between different affordable housing tenures, as the figure below shows.

**Figure 41: Overlap between Affordable Housing Tenures**




6.106 Given this overlap, for analytical purposes we have defined the following categories:

- Households who can afford 80% or more of market rent levels;
- Households who would potentially be able to afford more than existing social rent levels but could not afford 80% of market rents;
- Households who can afford no more than existing social rent levels (or would require housing benefit or an increased level of housing benefit to do so).

6.107 The first of these categories would include equity-based intermediate products such as shared ownership and shared equity homes. The latter two categories are both rented housing and in reality can be considered together (both likely to be provided by Registered Providers (or the Council) with some degree of subsidy). Additionally, both affordable rented and social rented housing is likely to be targeted at the same group of households; many of whom will be claiming Housing Benefit. For this reason, the last two categories are considered together for the purposes of drawing conclusions.

6.108 Detailed information on households' savings is not readily available. For the purposes of the analysis of affordability it has been assumed that all households with an income which would allow them to afford 80% or more of market rents would represent the potential market for equity-based intermediate products such as shared ownership and shared equity homes with the remainder needing a rented product.

6.109 When working the above assumptions through the affordability models developed in the affordable needs analysis it is estimated that around an eighth of households would be able to afford a product priced at 80% of the market cost.

**Table 61: Gross need for Intermediate and affordable/social rented housing**

| Component of need (all per annum) | Intermediate housing | Social/ Affordable rented | TOTAL |
|---|---|---|---|
| Current need | 14 | 105 | 119 |
| Newly forming households | 179 | 1,052 | 1,232 |
| Existing households falling into need | 76 | 817 | 893 |
| Total | 269 | 1,975 | 2,243 |
| Percentage of total | 12% | 88% | 100% |

Source: Affordable Housing Needs Analysis

6.110 However, the figures in the table above should not be directly taken to be the proportion of housing that should be provided as intermediate. There are two factors which need to be considered and these are described below:

- Savings and or access to a deposit – as noted, there is no information about household savings and their ability to afford an equity-based intermediate product. In reality, many households with a modest income may not be able to afford intermediate housing due to this factor. For this reason, the figures presented in the table above are arguably too high;
- Supply of intermediate housing – however, the current supply of affordable housing also needs to be considered. As previous analysis has shown, the vast majority of the affordable housing stock and relets is in the social/affordable rented category with only a modest supply of intermediate housing. Therefore, it is arguable that a higher proportion of intermediate housing would be needed due to this imbalance.

6.111 As can be seen these two factors suggest that the need is either higher or lower than presented in the table above. Given this, it is suggested that a prudent response would be to consider the figures in the table as being broadly reflective of the need for intermediate products. Given the range of figures the following is suggested as a reasonable tenure mix for affordable housing across the HMA:

- 10-15% - intermediate housing
- 85-90% - social and affordable rented housing

6.112 The table below shows a summary of the same information for each local authority. This shows relatively little difference between location, with all areas suggesting that around an eighth of housing should be intermediate and the remaining being some form of rented product.

**Table 62: Gross need for Intermediate and affordable/social rented housing – by local authority**

| | Intermediate housing | Social/ Affordable rented | TOTAL |
|---|---|---|---|
| Chorley | 13% | 87% | 100% |
| Preston | 11% | 89% | 100% |
| South Ribble | 12% | 88% | 100% |
| Central Lancashire | 12% | 88% | 100% |

Source: Affordable Housing Needs Analysis

6.113 In determining policies for affordable housing provision on individual sites, the analysis in the table above should be brought together with other local evidence such as from the Housing Register. Consideration could also be given to areas with high concentrations of social rented housing where additional intermediate housing might be desirable to improve the housing mix and to create 'housing pathways'.

## Housing and Planning Bill

6.114 In October 2015, the Government published the Housing and Planning Bill 2015-16 (this received Royal Ascent as the Housing and Planning Act 2016 on the 12th May 2016). This set out a number of government initiatives which are likely to directly influence the supply and demand for housing and affordable housing. The key change looks likely to be the introduction of Starter Homes and analysis of this topic is provided in the following section.

6.115 There were also a number of other initiatives which may impact on the supply and demand for general and affordable homes, although the full impact is yet to be understood. These include:

- **A requirement for social/affordable rents to be reduced by 1% for four years from April 2016.** The likely impact of this will be to reduce income for both the local authorities (which have housing stock) and housing associations. This in turn may reduce the LA or RP reinvestment funding/borrowing power and may subsequently reduce the development of new affordable homes.

- **The extension of the Right to Buy to RP tenants**. Although not enforceable this could reduce affordable housing stock and reduce thus the number of re-lets. Research by Joseph Rowntree Foundation predicts that nationally 8.3% of housing association tenants will be eligible for and could afford the RTB, and that 71% of those will purchase their home over the first five years.

- **Local authorities to sell high value social housing stock as it becomes vacant**. Whilst the detail of this has yet to be confirmed this is will reduce the number of available properties which are available for re-lets each year. Higher value areas will be impacted most although it may provide additional funding for smaller affordable properties.

- **Capping social housing rents at Local Housing Allowance.** For some Registered Providers this will limit their income to a multiple of the Local Housing Allowance. In the long term this is likely to influence the type of homes they build with more smaller homes being likely. The proposal will see any single claimants under 35 only being eligible for the LHA Shared Accommodation Rate which at present is much lower than the LHA for one bedroom flats. This could result in reduced demand for RP properties with a shift toward the PRS.

- **The introduction of 3% higher stamp duty on buy to let properties and second homes.** This may result in the number of Buy-to-let landlords being reduced; through both sales of their existing properties and new landlords seeing the market as unviable. The Bank of England expressed their concerns that the proliferation of Buy-to-let landlords could result in a housing crash if they flood the market with their unwanted property. While the introduction of the new rules may not result in a flood of sales it may well reduce the supply of PRS properties.

6.116 It is too early to fully quantify the impact these changes will have on the supply and demand for affordable homes. However, the local authorities should monitor the situation. We would however

add that any reduction in the supply would need to be offset with increasing the need within the affordable housing calculations.

6.117 The Housing White Paper Published in February 2017 also set out the Government's proposals to introduce a clear policy expectation that housing sites deliver a minimum of 10% affordable home ownership units.

6.118 This would be part of an overall review of the NPPF. On this basis it would seem reasonable for the Central Lancashire authorities to plan delivery on this basis. This would form part of the affordable housing need mix set out in the following chapters.

**Affordable Housing Need: Key Messages**

- An assessment of affordable housing need has been undertaken which is compliant with Government guidance to identify whether there is a shortfall or surplus of affordable housing in Central Lancashire. Overall, in the period from 2014 to 2034 a net deficit of 620 affordable homes per annum is identified. There is thus a requirement for new affordable housing in the HMA and the Councils are justified in seeking to secure additional affordable housing.

- How affordable housing need sits with the overall need for housing needs to be properly understood, it is important to bear in mind that the affordable housing needs model includes existing households who require a different size or tenure of accommodation rather than new accommodation per se. Additionally, the modelling includes newly forming households, who are already part of the demographic projections (i.e. they are already included within the need). Furthermore, many households secure suitable housing within the Private Rented Sector, supported by housing benefit.

- Once account is taken of the range of outputs with the modelling (including for different affordability thresholds) and the fact that many of the households in need are already living in accommodation (existing households) and the role played by the private rented sector, the analysis does not suggest that there is any strong evidence of a need to consider additional housing to help meet the affordable need. However the affordable housing evidence does support the basis for an upward adjustment from the demographic starting point; and the wider SHMA analysis helps to determine what scale of adjustment could be achievable.

- Additional analysis was carried out to look at how much of the affordable need could be met by different products, with a conclusion that around 10-15% of housing should be of an intermediate tenure (e.g. shared ownership) and the remainder being social or affordable rented housing. The analysis identified a particular need for social rented housing; although it is recognised that with the inclusion of housing benefit, many of these households would potentially be able to access an affordable rented product.

- A number of proposals were introduced in the Housing and Planning Act which may impact on the future supply of and demand for affordable housing. The impact of these proposals should be monitored by the local authorities to understand the likely impact these are having on levels of affordable housing need.

# 7 MARKET SIGNALS

## Introduction

7.1 The Planning Practice Guidance sets that an assessment of market signals should be undertaken considering land prices; house prices; rents; affordability ratios; rates of development and overcrowding. Absolute and relative long-term trends are expected to be compared to those across similar demographic and economic areas; and nationally. Where a worsening trend is evident over the longer-term, the PPG advises that:

> *"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*[11]*"*

7.2 An adjustment to planned supply where appropriate is expected to be reasonable – this being that on reasonable assumptions and consistent with the principles of sustainable development, it could be expected to improve affordability.

7.3 This section reviews these market signals and where appropriate benchmarking them against county, regional and national comparators. In line with the PPG these findings were also benchmarked against 'comparable areas.'

7.4 ONS publish a list of the most similar local authorities to each local authority. This is calculated using a Squared Euclidean Distance (SED) value assessed across 59 different census variables. The local authorities are then bracketed into five categories depending on their similarity. The categories are: Extremely Similar, Very Similar, Similar, Somewhat Similar and Less Similar.

7.5 In the case of the Central Lancashire authorities ONS identified nine local authorities which are considered the most similar. For the purpose of the analysis below the three most comparable authorities to each of the areas across have been identified and presented in Table 62.

**Table 63: Comparator areas in local authority level**

| Authority | Comparable authority |
|---|---|
| **Chorley** | Lichfield |
| | Stafford |
| | Vale of Glamorgan |
| **Preston** | Leeds |
| | Derby |
| | Sheffield |
| **South Ribble** | Fareham |
| | Gedling |
| | Flintshire |

*Source:* ONS

[11] PPG ID: 2a-019-20140306

## Land Values

7.6 The DCLG produce data on residential land values in a publication *Land value estimates for policy appraisal* (DCLG, Dec 2015). This publication indicates post permission residential land values per hectare. The land value estimates published are based on valuing the proposed development and deducting the development costs, including allowances for base build cost, developer's profit, marketing costs, fees, and finance to leave a "residual" for the site value. The values also assume nil affordable housing provision.

7.7 The HMA has an average land value of £1,378,000. This figure falls below the national equivalent (excluding London) of £1,398,000. Including London the national figure is significantly higher at £6,017,000.

7.8 Residential land values are lowest in South Ribble (£963,000). The residential land value in Chorley is £1,415,000 and in Preston is £1,756,000.

**Table 64: Residential Land Values, 2015**

| Area | Estimated Value per ha |
|---|---|
| Chorley | £1,415,000 |
| Preston | £1,756,000 |
| South Ribble | £963,000 |
| **HMA (Average)** | **£1,378,000** |
| England excluding London | £1,958,000 |

Source: CLG December 2015

7.9 The table below provides a breakdown of estimated values of typical residential sites for the comparator areas. The highest values can be found in Lichfield (£2,825,000) and Fareham (£2,554,000) while the lowest values outside the HMA can be found in Stafford (£1,150,000) and Gedling (£1,175,000). These are higher than the value in South Ribble (£963,000). Figures for Vale of Glamorgan and Flintshire are not available due to their geographical location.

**Table 65: Residential Land Values, 2015**

| Area | Estimated Value per ha |
|---|---|
| Lichfield (C) | £2,825,000 |
| Fareham (SR) | £2,554,000 |
| Leeds (P) | £1,966,000 |
| Derby (P) | £1,925,000 |
| **Preston** | **£1,756,000** |
| Sheffield (P) | £1,718,000 |
| **Chorley** | **£1,415,000** |
| Gedling (SR) | £1,175,000 |
| Stafford (C) | £1,150,000 |
| **South Ribble** | **£963,000** |

Source: CLG December 2015

7.10 Land Values in Preston are below those in two of its three comparable authorities. Chorley is below one of its comparable authorities and above the other. No land values estimates were published for Vale of Glamorgan as it was an England only database.

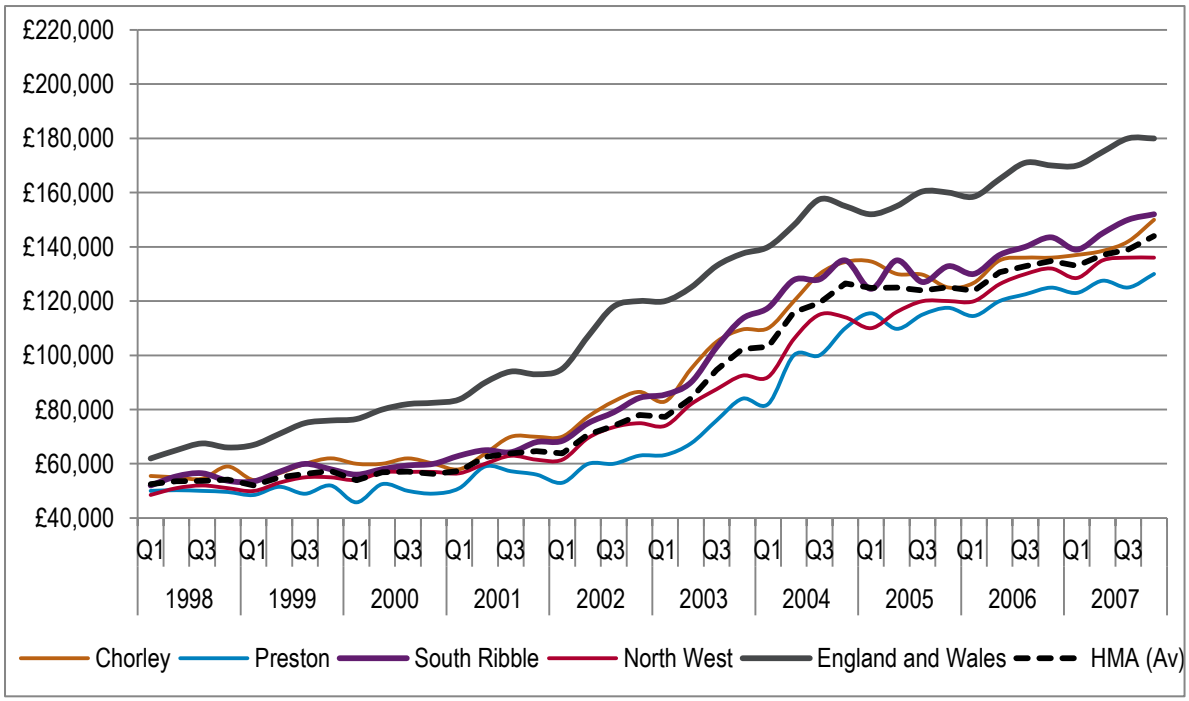
## House Prices

7.11 We have assessed house prices over a range of different periods, taking account of housing market cycles.

7.12 Figure 42 shows the growth in median house prices over the pre-recession decade of 1998-07. Over that period the median house price in Chorley saw a substantial increase of £81,500 or 147% from £55,500 in 1998 to £137,000 in 2007. Similarly in Preston the prices increased by £73,000 (146%). In South Ribble the median price had increased by £86,963 (167%), the highest rate of growth across the HMA. It should be noted that the majority of the growth in house prices occurred between 2002 and 2004.

7.13 With regards to the wider comparators, the regional house prices had increased by £80,000 over this period (165%). Nationally the median prices increased by £108,000 (174%). With the exception of South Ribble therefore the HMA has tended to see slower growth than wider comparators.

**Figure 42: Median House Price (1998- 2007)**

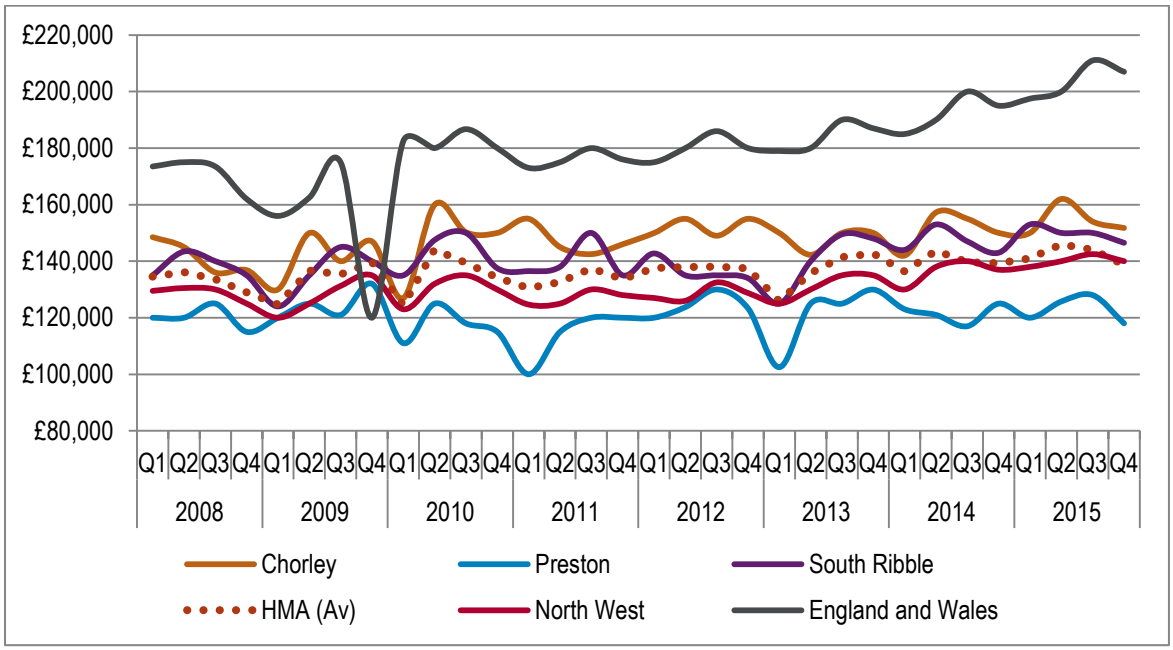



*Source:* DCLG Live Tables, Land Registry Data

7.14 All three authorities experienced price falls in late 2008/ early 2009 and as presented in Figure 43 but have seen some recovery since. Chorley's prices showed a modest 1% increase between Q1 2008 and Q1 2015 (representing a fall in prices in real terms). Post- recessionary recovery was slower still in Preston with values in 2008 still to recover to 2008 levels. The highest increase over

the same period occurred in South Ribble, where median house prices increased by £17,995, an increase of over 13% in the 7 year period.

**Figure 43: Median House Price (2008- 2015)**




*Source:* GLH Analysis of HMLR Price Paid Data

7.15 Table 66 presents in detail the house price growth figures for 2008-15 period.

**Table 66: House Price Changes, Q1 2008- Q1 2015**

| | Change | % Change | CAGR |
|---|---|---|---|
| Chorley | £1,500 | 1.0% | 0.1% |
| Preston | £0 | 0.0% | 0.0% |
| South Ribble | £17,995 | 13.3% | 1.8% |
| **HMA (Av)** | **£6,498** | **4.8%** | **0.7%** |
| North West | £8,500 | 6.6% | 0.9% |
| England and Wales | £24,000 | 13.8% | 1.9% |

*Source*: GLH Analysis of HMLR Price Paid Data

7.16 Table 66 compares changes in house prices over the last one, five, ten and 15 years across the local authorities, North West and England and Wales. The highest long term change in median house prices across the authority level can be found in South Ribble (173.2%), followed by Preston (162.2%). This is above the regional (155.6%) and national (158.2%) figures. However the figures are significantly influenced by price growth between 2002-4.

7.17 This is shown when looking at the last 10 years, over which the median house prices increased by a much more modest 4 – 23%, with once again the highest growth being observed in South Ribble. Median house price changed by 11.4% in Chorley and by only 3.9% in Preston while the regional equivalent was 25.5% and the national 29.9% over this period. Growth in prices has been more modest than wider comparators.

7.18 Looking at the shorter term market changes, during the last five years there was an 18.2% increase in the average house price in Chorley, 13.3% in South Ribble and 8.1% in Preston. In comparison, values increased by 12.2% at regional and 8.2% at national level.

7.19 To sum up, there was a substantial growth during the pre- recessionary period. Small or negative changes occurred over the last five years suggesting slow recovery rate in local level compared to the results at a regional and national level.

**Table 67: Benchmarking House Price Inflation in Central Lancashire**

| | 1 Year Change | 5 Year Change | 10 Year Change | 15 Year Change |
|---|---|---|---|---|
| Chorley | 5.6% | 18.2% | 11.4% | 150.0% |
| Preston | -2.4% | 8.1% | 3.9% | 162.2% |
| South Ribble | 6.2% | 13.3% | 22.9% | 173.2% |
| North West | 6.2% | 12.2% | 25.5% | 155.6% |
| England and Wales | 6.8% | 8.2% | 29.9% | 158.2% |

*Source*: GLH Analysis: Land Registry Price Paid Data

7.20 The housing price market performance of the comparator authorities is presented below. Looking over a 10 year period, South Ribble has seen stronger comparative growth than a number of areas, but a growth rate below which remains below regional and national averages. It is also the only of the three authorities in which longer-term price growth over 15 years has been notably above regional and national levels and the relevant 'peer' areas.

**Table 68: Benchmarking House Price Inflation in Central Lancashire**

| | 1 Year Change | 5 Year Change | 10 Year Change | 15 Year Change |
|---|---|---|---|---|
| **South Ribble** | **6.2%** | **13.3%** | **22.9%** | **173.2%** |
| **Derby (P)** | 2.7% | 9.3% | 13.0% | 171.0% |
| **The Vale of Glamorgan (C)** | 3.4% | 8.8% | 27.6% | 164.3% |
| **Preston** | **-2.4%** | **8.1%** | **3.9%** | **162.2%** |
| **England and Wales** | 6.8% | 8.2% | 29.9% | 158.2% |
| **North West** | 6.2% | 12.2% | 25.5% | 155.6% |
| **Sheffield (P)** | 1.9% | 5.9% | 16.4% | 154.7% |
| **Chorley** | **5.6%** | **18.2%** | **11.4%** | **150.0%** |
| **Flintshire (SR)** | 6.4% | 11.6% | 17.3% | 148.5% |
| **Gedling (SR)** | 4.6% | 9.3% | 16.1% | 145.8% |
| **Stafford (C)** | 4.2% | 7.5% | 17.0% | 145.7% |
| **Leeds (P)** | 3.0% | 5.5% | 15.1% | 139.1% |
| **Lichfield (C)** | 4.4% | 5.8% | 16.9% | 135.2% |
| **Fareham (SR)** | 7.5% | 19.5% | 34.2% | 127.0% |

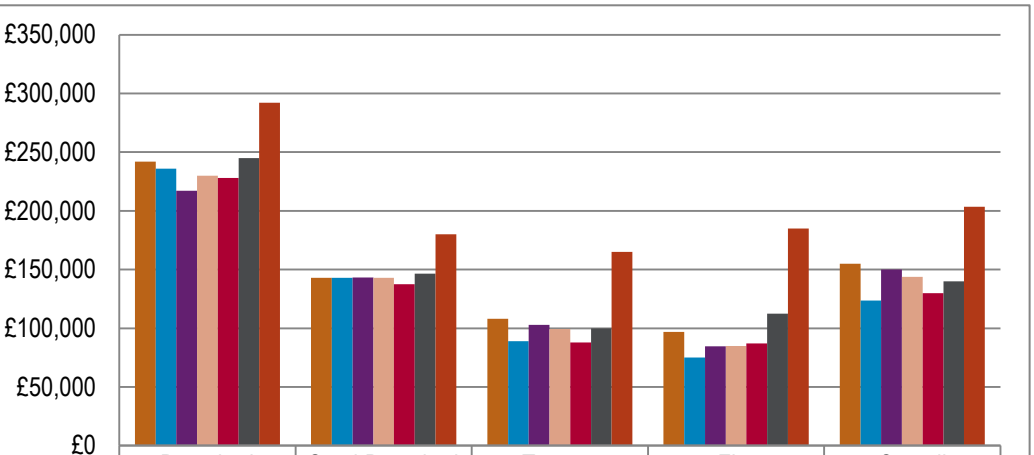
*Source:* GLH Analysis, Land Registry Price Paid Data

## Current House Prices by Type

7.21 Average house prices can be skewed by the mix of properties sold. We have therefore benchmarked house prices by type using data on sales over the last full year (2015). Figure 45 shows median house prices by different dwelling type in local authority level.

7.22 On average house prices in Central Lancashire are significantly below the national average. Overall median house prices in Lancashire are £143,000 compared to £140,000 at the regional and £203,500 at the national level. At a local authority level, the highest median prices can be found in Chorley (£155,000) and South Ribble (£150,000). The lowest values are in Preston (£123,700). All of the authorities fall below the values at the national level.

**Figure 44: Median House Prices by Property Type (2015)**




| | Detached | Semi-Detached | Terrace | Flat | Overall |
|---|---|---|---|---|---|
| Chorley | £241,995 | £142,950 | £108,000 | £97,000 | £155,000 |
| Preston | £236,000 | £143,000 | £89,000 | £75,000 | £123,700 |
| South Ribble | £217,000 | £143,350 | £103,000 | £84,500 | £150,000 |
| HMA | £230,000 | £143,000 | £99,250 | £85,000 | £143,700 |
| Lancashire | £227,995 | £137,500 | £88,000 | £87,000 | £130,000 |
| North West | £245,000 | £146,500 | £100,000 | £112,500 | £140,000 |
| England and Wales | £292,000 | £180,000 | £165,000 | £185,000 | £203,500 |

*Source:* GLH Analysis: Land Registry Price Paid Data

7.23 Detached properties have the highest values as a whole. Chorley has the highest detached values at £241,995, with Preston (£236,000) and South Ribble (£217,000). All areas are considerably lower than the national figure of £292,000.

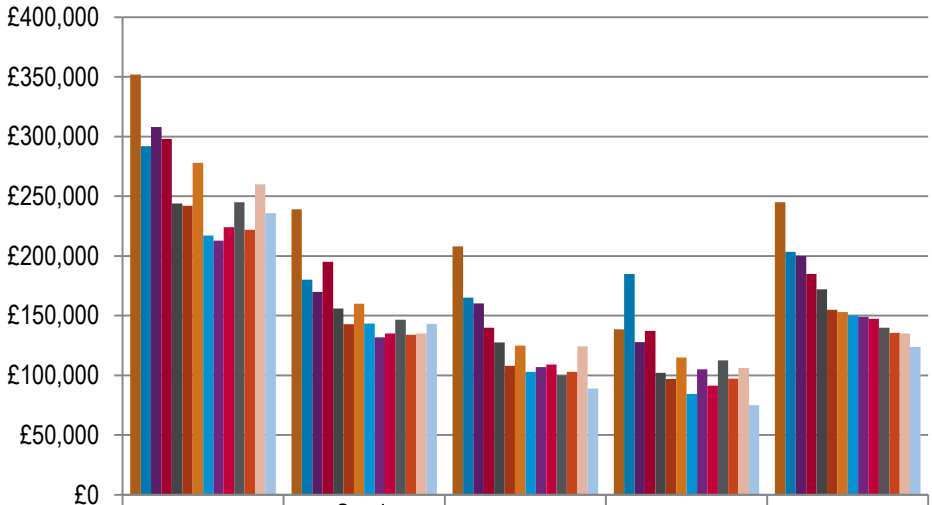
7.24 Semi-detached properties are very similar across the three authorities. The median price for a semi-detached unit in Chorley is £142,950. This is slightly below the values in Preston and South Ribble, where values are £143,000 and £143,350 respectively. These are all below the regional (£146,500) and national (£180,000) averages.

7.25 The highest terraced median value is found in Chorley (£108,000). This can be compared to £103,000 in South Ribble and £89,000 in Preston. Once again the median values for this type of property at the local level fall below the regional and national figures.

7.26 The highest median value for flats is found in Chorley (£97,000), followed by South Ribble (£84,500) and Preston (£75,000). Again these values are substantially lower than the national figure of £185,000 but also the regional figure (£140,000).

7.27 When prices in Central Lancashire are measured against the ones in comparable areas (Figure 45) they tend to be at the lower end of scale. Both Preston and Chorley have the lowest overall median prices with their respective areas; whilst although South Ribble has the second highest overall median price the prices are very similar to those below it.

**Figure 45: Median House Prices by Property Type across the comparable authorities (2015)**




| | Detached | Semi-Detached | Terrace | Flat | Overall |
|---|---|---|---|---|---|
| Fareham (sr) | 352000 | 239000 | 208000 | 138500 | 244995 |
| England and Wales | 292000 | 180000 | 165000 | 185000 | 203500 |
| Lichfield ( c) | 308000 | 169950 | 160250 | 127950 | 199950 |
| The Vale of Glamorgan ( c) | 298000 | 195000 | 139997.5 | 137100 | 185000 |
| Stafford ( c) | 244000 | 156000 | 127500 | 102000 | 172000 |
| Chorley | 241995 | 142950 | 108000 | 97000 | 155000 |
| Leeds (p) | 278000 | 160000 | 124997 | 115000 | 153000 |
| South Ribble | 217000 | 143350 | 103000 | 84500 | 150000 |
| Flintshire (sr) | 212750 | 132000 | 107000 | 105000 | 148995 |
| Gedling (sr) | 224000 | 135000 | 109000 | 91500 | 147500 |
| North West | 245000 | 146500 | 100000 | 112500 | 140000 |
| Derby (p) | 222000 | 134000 | 103000 | 97200 | 135500 |
| Sheffield (p) | 260000 | 135000 | 124250 | 106250 | 135000 |
| Preston | 236000 | 143000 | 89000 | 75000 | 123700 |

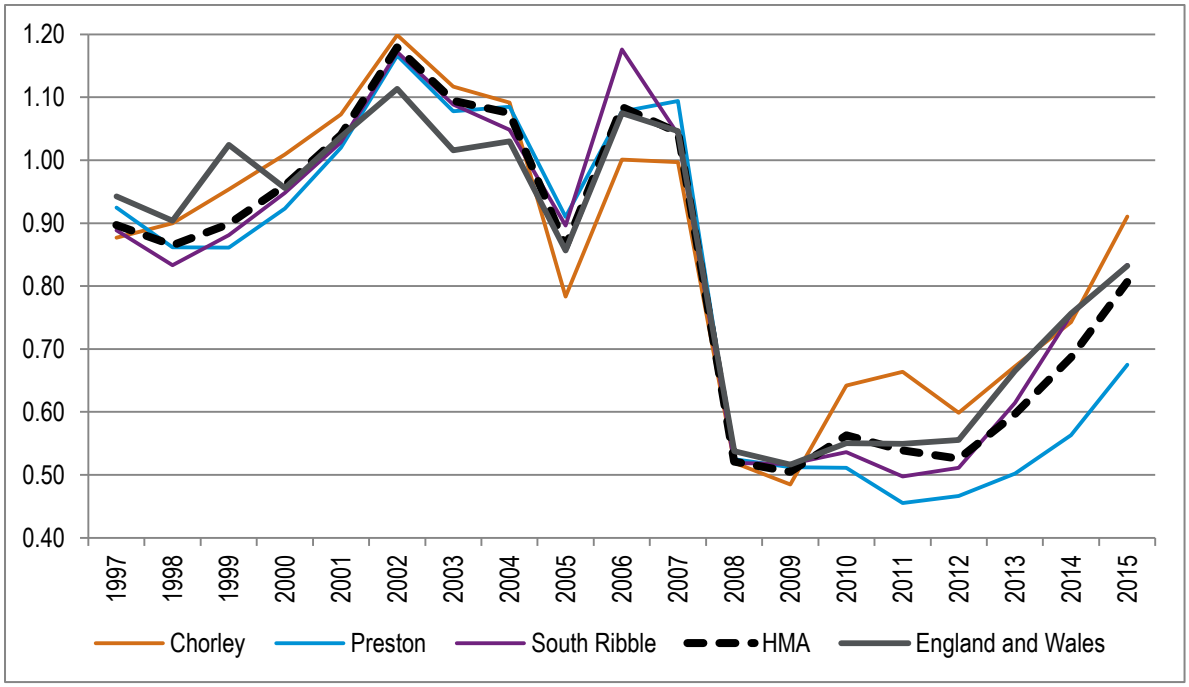
*Source:* GLH Analysis: Land Registry Price Paid Data

7.28 The highest figures for all types of properties can be found in Fareham while the lowest value detached and semi-detached prices are in Flintshire. Preston has the lowest values for terraced (£89,000) and flats (£75,000) prices.

## Sales Volumes and Effective Demand

7.29 Sales are an important indicator of effective demand for market housing. Benchmarking sales performance against long term trends allows plan makers to assess the relative demand. Figure 46 presents the annual sales across local authority, region and national levels over the period of 1997 to 2015. It uses an index where 1.00 is the average annual sales over the 1998-2007 pre-recessionary period.

**Figure 46: Indexed Analysis of Sales Trends[12] (1998- 20015)**




*Source:* DCLG and Land Registry Price Paid Data

7.30 Evidently, there was a sharp drop in sales between 2007 and 2008 as a result of the recession. The data in Figure 47 shows that the national housing market and housing market area has not fully recovered. Preston has had the slowest rate of recovery, having recovered to 62% of the 2007 sales figure, with South Ribble recovering by 80%. In contrast, Chorley is at 91% of pre-recession levels.

## Rental Costs

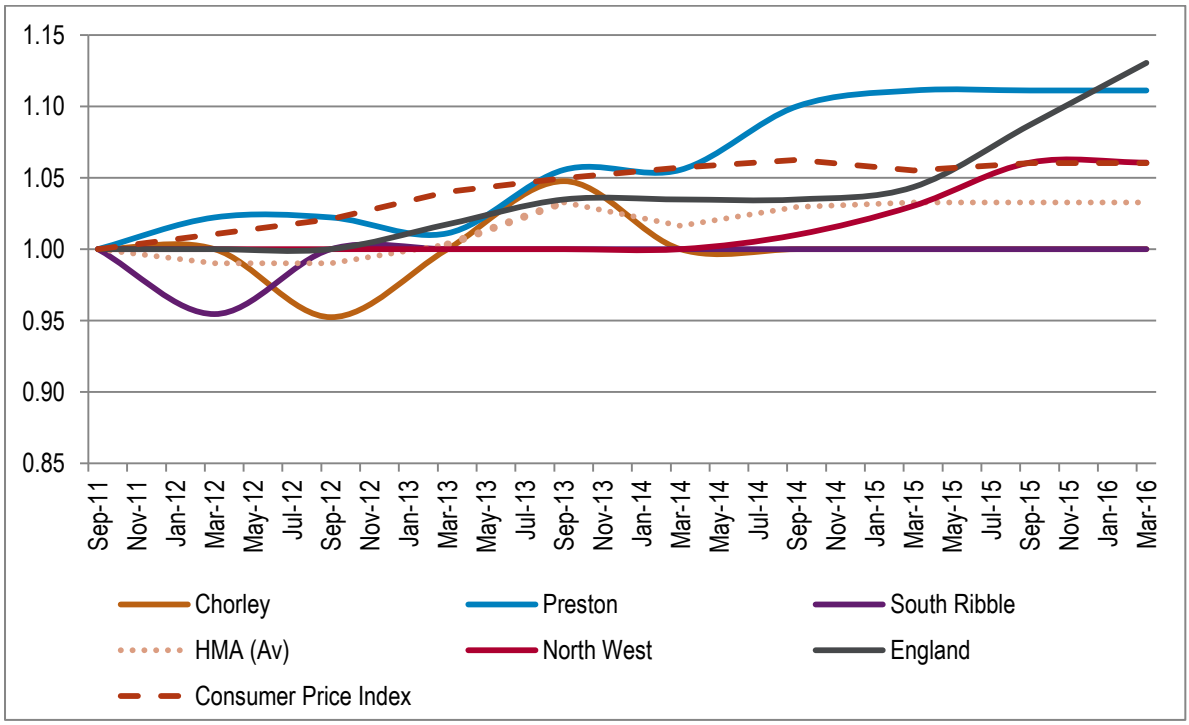
7.31 The most recent data release of the Valuation Office Agency's (VOA) rental data covered the year to March 2016. This shows that the median rental price in Chorley is £525 per calendar month

[12] No available data at regional level

(pcm) and £500 pcm in both Preston and South Ribble. This compares to £525 pcm in North West and £650 pcm across England. Only in Chorley are rental costs above the regional average, albeit only marginally so.

7.32 Figure 47 shows changes in median rental values benchmarked to September 2011 values (this being the longest time series published by VOA). This shows growth in private rental values across the HMA and wider comparators. Whilst values have remained respectively flat in Chorley and South Ribble over the last 5 years, there was a steady but small increase in Preston, with median rental values growing by 11% over the last 5 years period.

**Figure 47: Benchmarked trend in median private rental values (Sep 2011- March 2016)**

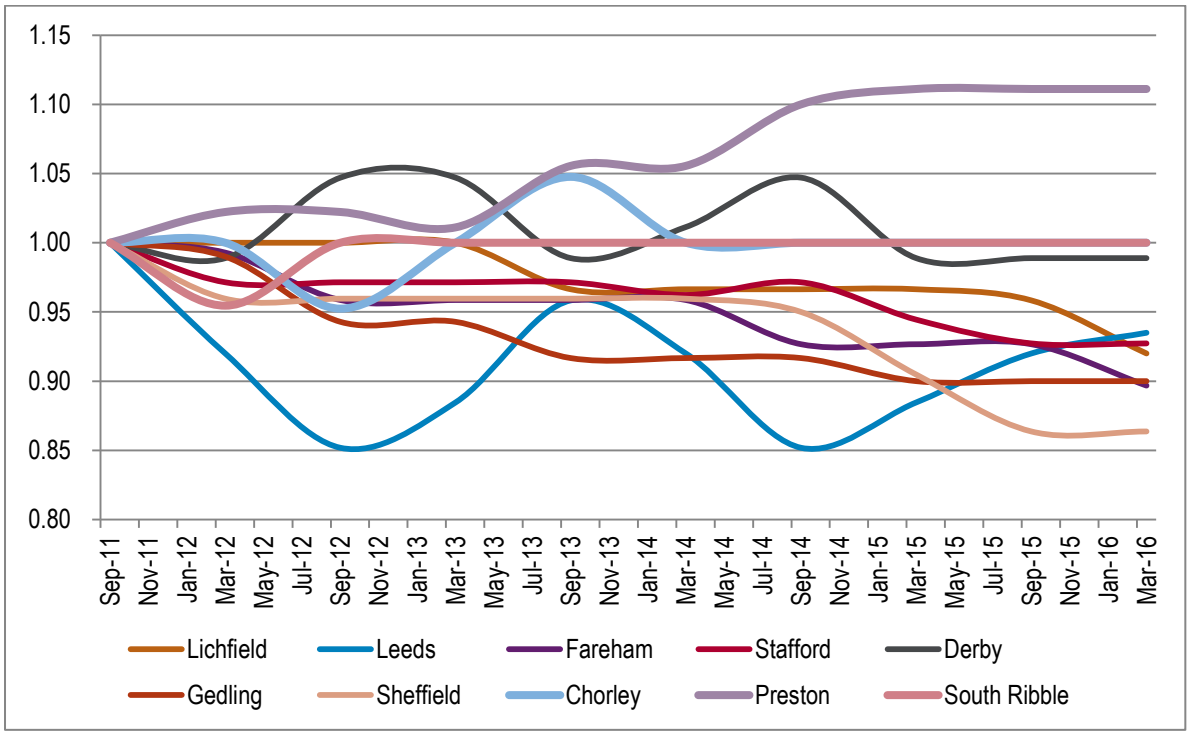



*Source:* VOA Private Rental Data

7.33 Figure 48 shows changes in median rental values of the comparator authorities benchmarked to September 2011 values similarly to the above. The rental market across the similar authorities performed below the national levels with all of the authorities recording a decrease in median rents over the period of 2011 and 2016.

7.34 In March 2016 rental values in Lichfield stood at £625 pcm which reflects 92% of the values from 2011. The highest decrease in rental values can be found in Sheffield (86%) and Gedling (90%) while the lowest decrease could be observed in Derby (99%), Stafford (93%) and Leeds (93%).

**Figure 48: Benchmarked trend in median private rental values across the comparable authorities (Sep 2011- March 2016)**




*Source:* VOA Private Rental Data

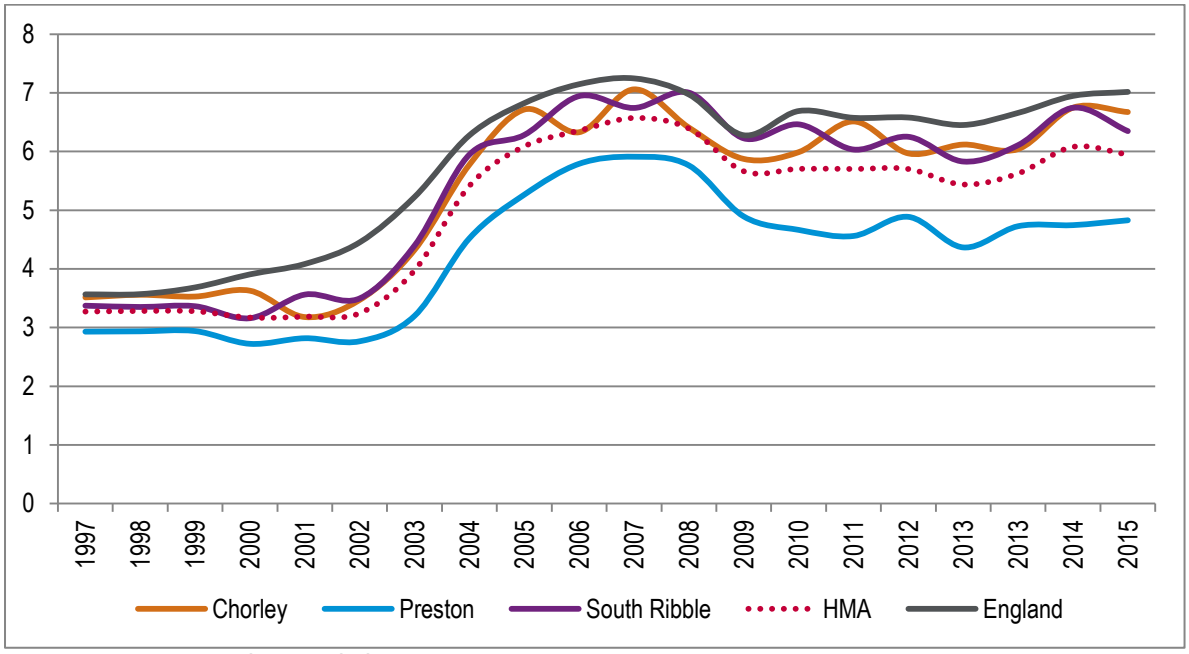
## Affordability of Market Housing

7.35 We have considered evidence of affordability by looking specifically at the relationship between house prices/rental costs and earnings. Figure 49 presents the affordability trends across the HMA.

7.36 The most affordable area in terms of lower quartile purchase costs in 2015 was Preston with a ratio of 4.83, followed by South Ribble (6.35) and Chorley (6.67). All of these areas are below the national figure of 7.02 which means that in general the HMA is more affordable than a lot of other areas in the country.

7.37 The LQ price to income ratio increased notably between 2003 and 2005, but since 2007 the ratio has fallen in Chorley from 7.06 in 2007 to 5.97 in 2012. Generally, during the post-recessionary period there has a stabilisation of the affordability ratio across the HMA. Stable recent trends point towards a situation in which supply and demand are in balance.

**Figure 49: Lower Quartile Affordability Trend[13] (1997- 2015)**




*Source:* DCLG Housing Statistics

7.38 Table 69 compares the lower quartile affordability ratio to the median price- earnings ratio to identify whether affordability is an issue across the market or within a particular segment. In the case of Chorley and Preston, the median ratio is above the lower quartile ratio by 0.19 and 0.20. In the case of South Ribble the lower quartile affordability ratio is slightly above the median ratio which suggests that affordability issues in South Ribble are more acute at the entry level.

**Table 69: Comparison of Lower Quartile and Median Affordability (2015)**

| Area | Lower Quartile | Median | Difference |
|---|---|---|---|
| Chorley | 6.67 | 6.86 | -0.19 |
| Preston | 4.83 | 5.02 | -0.20 |
| South Ribble | 6.35 | 6.28 | 0.06 |
| **HMA** | 5.95 | 6.06 | -0.11 |
| **England** | 7.02 | 7.63 | -0.61 |

*Source:* DCLG Housing Market Live Tables

7.39 With regards to the comparator areas, whilst regional differences are evident, the analysis overall does not show comparatively acute affordability issues relative to similar areas in any of the three HMA authorities.

[13] No data available at regional level

**Table 70: Comparison of Lower Quartile and Median Affordability (2015)**

| Area | Lower Quartile | Median | Difference |
|---|---|---|---|
| **Preston** | **4.83** | **5.02** | **-0.20** |
| **Chorley** | **6.67** | **6.86** | **-0.19** |
| Sheffield (P) | 5.32 | 5.33 | -0.02 |
| Leeds (P) | 5.80 | 5.76 | 0.04 |
| Gedling (SR) | 6.10 | 6.04 | 0.06 |
| **South Ribble** | **6.35** | **6.28** | **0.06** |
| Lichfield (C) | 8.33 | 7.80 | 0.54 |
| Stafford (C) | 7.55 | 6.88 | 0.67 |
| Derby (P) | 4.73 | 3.99 | 0.74 |
| Fareham (SR) | 9.61 | 8.86 | 0.75 |

*Source*: DCLG Housing Market Live Tables

7.40 Preston has one of the lowest affordability ratio for both Median and Lower Quartile levels. Although Chorley has the highest affordability ratio by both measures in the HMA, it is the lowest of its directly comparable areas.

7.41 We have also looked at the Rental Affordability Ratio which is expressed as the percentage of lower quartile income which goes towards lower quartile rental costs for all categories of lower quartile rental homes.

**Table 71: Rental Affordability Ratio (2013-2015 average)**

| Local Authority | Rental Affordability Ratio |
|---|---|
| **Chorley** | 31.3% |
| **Preston** | 24.8% |
| **South Ribble** | 34.0% |
| **Lichfield (C)** | 33.2% |
| **Stafford (C)** | 28.7% |
| **Derby (P)** | 19.2% |
| **Gedling (SR)** | 29.1% |
| **Leeds (P)** | 30.9% |
| **Sheffield (P)** | 29.1% |
| **Fareham (SR)** | 39.0% |
| **North West** | 37.8% |
| **England and Wales** | 41.8% |

Source: ASHE and VOA

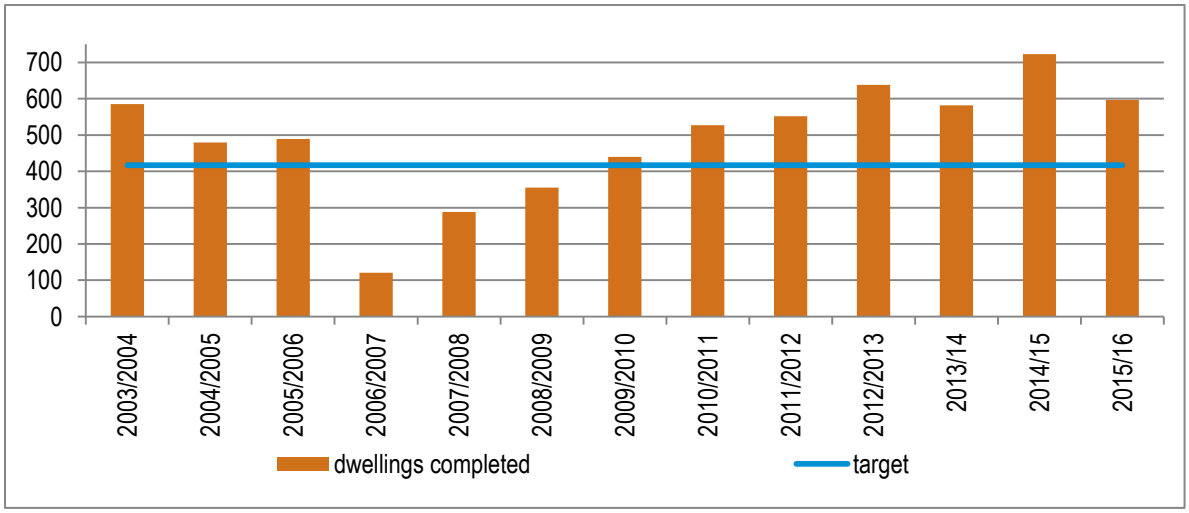
7.42 As shown in Table 71 Preston's lower quartile rental costs equate to less than a quarter of lower quarter earnings. This rises to 34% in South Ribble with Chorley at 31.3%. However, all three local authorities have a rental affordability ratio below the North West and England and Wales figures.

## Housing Delivery Performance

7.43 Housing completions over the period since 2003/2004 have been compared against the relevant monitoring target in place at the relevant point. The data is derived from local authority Annual Monitoring Reports and/or Housing Land Position Statements.

7.44 In Chorley, from 2003/04 to 2005/06 the housing completions exceeded the target of 417 dwellings per annum. Between 2006/07 and 2008/09 the number of completions decreased significantly, with only 61% of dwellings being delivered against the target during this period. Despite the worsened economic circumstances, housing provision has exceeded the target in 2009 onwards, with 2012/13 seeing 221 completions above the 417 target. In total between 2003 and 2016 cumulatively there was 790 dwelling surplus. High housing completions are likely to have been influenced by the delivery of the Buckshaw Village development scheme.

**Figure 50: Chorley- Housing Supply vs Target (2003/4- 2015/16)**

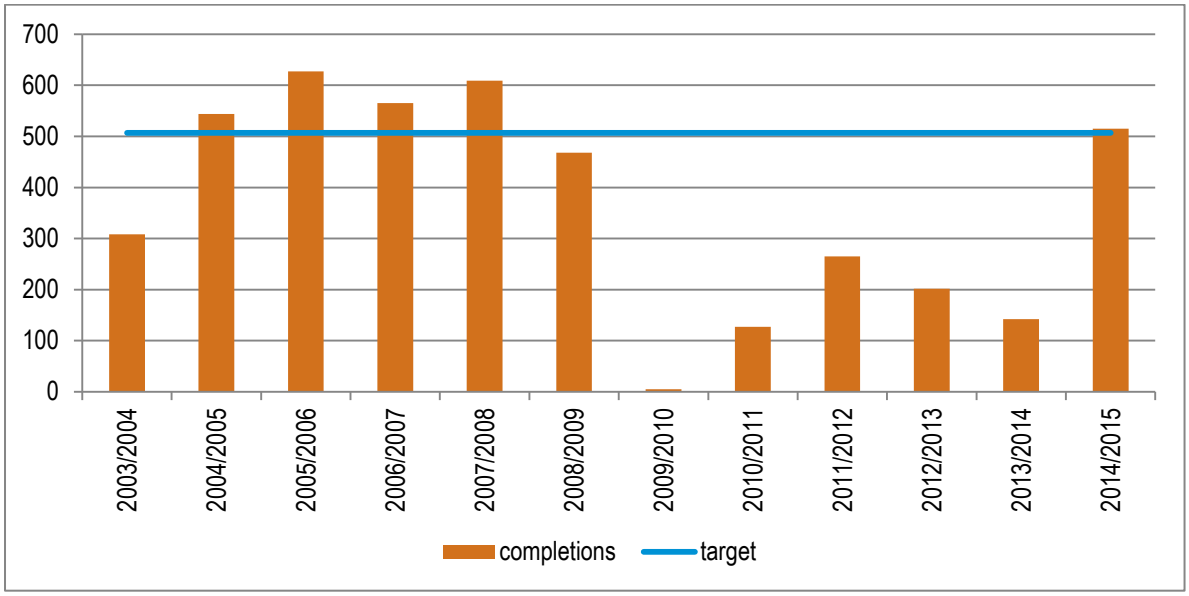



*Source:* Annual Monitoring Reports, Housing Land Monitoring Reports 2003-2016

7.45 It should be borne in mind that the high housing delivery in recent years is likely to have influenced short-term population trends, and projections based on these. This is a consideration in interpreting the demographic scenarios presented in this report. Conversely the official projections lock in the recent under-delivery against target in Preston and South Ribble (as shown in the following figures). Projections based on longer-term trends mitigate these short-term impacts.

7.46 The housing provision in Preston was close to the target of 507 dpa between 2004 and 2009 with 2,813 units completed over the 2,535 requirement. Since then the provision has decreased significantly. Only in the last available monitoring year have completions reached the target post-recession. Cumulatively there is an undersupply of more than 1,800 homes in Preston since 2003/4.

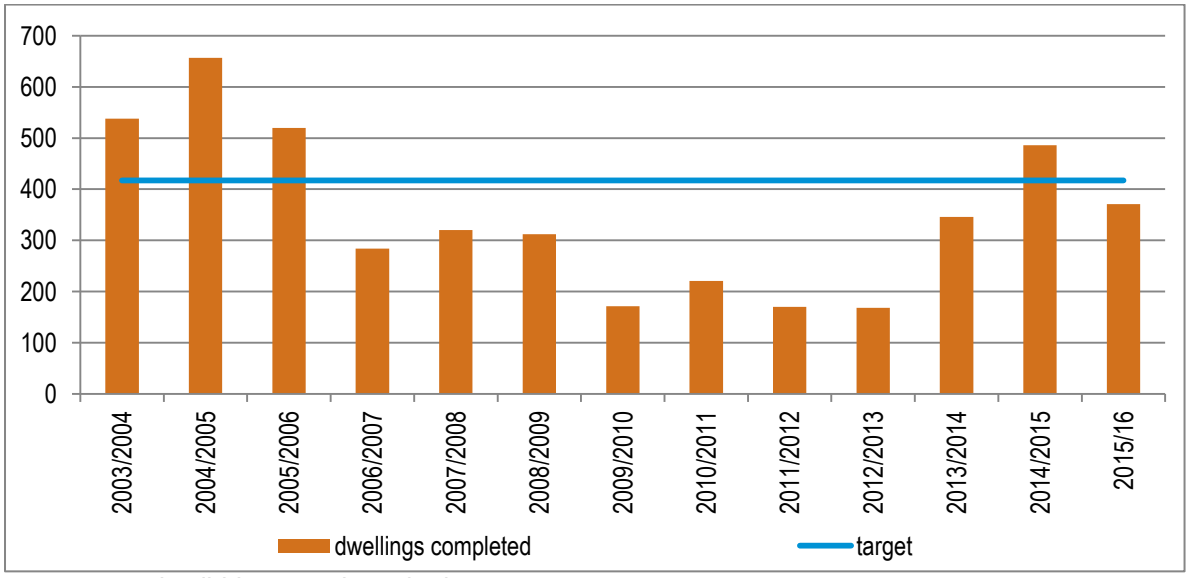
**Figure 51: Preston- Housing Supply vs Target (2003/4- 2014/15)**




*Source: Housing Land Position Preston, 2015*

7.47 In South Ribble, the borough's housing completion totalled 4,748 residential units between 2003/04 and 2015/16. This has resulted in an undersupply of 857 for the 2003-2016 period. The area has seen a long period of consistent under-delivery with their target only being met four times in this period. The profile of housing completions in South Ribble (and Preston) however correlates with that at a national level where there was a sharp and significant drop in completions from 2009 – highlighting the influence of the credit crunch and market downturn on the new-build market.

**Figure 52: South Ribble- Housing Supply vs Target (2003/4- 2015/16)**




*Source:* South Ribble Annual Monitoring Report

### Overcrowding and Under-Occupancy

7.48 Studying levels of overcrowding and under-occupancy in the housing stock is an important part of the SHMA. The Guidance identifies overcrowding as an indicator of the supply/demand balance. Analysis of housing occupancy levels are also useful as an indicator of the potential mismatch between households and house sizes.

**Table 72: Under-occupancy and overcrowding**

| | Under-occupied | % of all households | Over-occupied | % of all households |
|---|---|---|---|---|
| Chorley | 37,330 | 83.1% | 1,692 | 3.8% |
| Preston | 42,099 | 73.1% | 4,292 | 7.5% |
| South Ribble | 39,118 | 84.9% | 1,396 | 3.0% |
| **HMA** | **118,547** | **79.8%** | **7,380** | **5.0%** |
| North West | 2,302,256 | 76.5% | 187,816 | 6.2% |
| England and Wales | 17,070,912 | 73.1% | 1,995,860 | 8.5% |

*Source:* Census 2011

7.49 Overcrowding is defined by the number of households who have one or more rooms less than their household need. For example, a couple with a young child would have a need for two rooms but may only have one. Under-occupancy is the opposite when a household has one or more spare rooms than required.

7.50 Table 72 presents the under-occupancy and overcrowding percentages of the housing stock in local authority level as well as regionally and nationally. All of the authorities have high level of under-occupancy.

7.51 In terms of overcrowding households' rates, there is low percentage in the HMA at 5.0%. Preston presents the highest rate across HMA but still lower than the national equivalent of 8.5%. Both Chorley (3.8%) and South Ribble (3.0%) have even smaller percentage of over-crowded households.

7.52 Table 72 presents a comparison between 2001 and 2011 overcrowding rates. The highest increase in overcrowding occurred in South Ribble (25.5%) which is slightly above the increase at a regional level (23.4%) but well below that seen nationally England and Wales (32.1%). Across the HMA over-occupied properties increased by 22% which is only 1% lower than the regional change but substantially (10%) lower than the national one (32.1%).

**Table 73: Under-occupancy and overcrowding change since 2001**

| | Under-occupied change | % change | Over-occupied change | % change |
|---|---|---|---|---|
| Chorley | 3,487 | 10.3% | 289 | 20.6% |
| Preston | 2,414 | 6.1% | 756 | 21.4% |
| South Ribble | 2,998 | 8.3% | 284 | 25.5% |
| **HMA** | **8,899** | **8.1%** | **1,329** | **22.0%** |
| North West | 121,919 | 5.6% | 35,568 | 23.4% |
| England and Wales | 816,092 | 5.0% | 485,438 | 32.1% |

*Source:* Census 2011 & 2001

7.53 There has also been an increase in under-occupancy rates which varied between 6.1% in Preston to 10.3% in Chorley. The national change in under-occupancy reached only 5% and the regional 5.6%.

7.54 The growth in overcrowding within the HMA is likely to have been influenced in part by demographic change including a growing student population.

**Concealed Families**

7.55 According to the PPG concealed and shared households indicate un-met housing requirements for an area. A concealed family is defined as one living in a multi-family household in addition to the primary family, such as a young couple living with their parents.

7.56 Similar to the overcrowding rates presented above, Preston City is the only authority across the HMA that presents a notable rate of concealed families as well as shared households. Both Chorley and South Ribble present lower figures than both the regional and national equivalents.

**Table 74: Concealed families 2001 & 2011**

| | 2001 | % of all house-holds | 2011 | % of all house-holds | 2011-2001 Change | %change |
|---|---|---|---|---|---|---|
| Chorley | 246 | 0.8% | 339 | 1.1% | 93 | 37.8% |
| Preston | 558 | 1.6% | 814 | 2.3% | 256 | 45.9% |
| South Ribble | 262 | 0.8% | 444 | 1.3% | 182 | 69.5% |
| **HMA** | **1,066** | **1.1%** | **1,597** | **1.6%** | **531** | **49.8%** |
| North West | 21,162 | 1.1% | 32,128 | 1.6% | 10,966 | 51.8% |
| England & Wales | 169,765 | 1.2% | 289,295 | 1.8% | 119,530 | 70.4% |

*Source:* Census 2011 & 2001

7.57 There has been an increase in concealed households of 49.8% across the HMA, but the proportional increase reflects the low base, with the number of concealed households' reaching just 1.6% of all households. The rate across the HMA remains below the regional equivalent (1.6%) and lower than the national figure (1.8%).

7.58 The highest percentage growth occurred in South Ribble (69.5%), which is still lower than the national change but higher than the regional equivalent, where the concealed households represent 1.3% of the total. In absolute terms the highest growth was in Preston influenced in its younger population.

7.59 The aggregate growth in concealed households across the HMA over the 2011-11 period was modest, at 531 households. Provision of affordable housing will be important in addressing this, and concealed households are considered in the modelling of affordable housing need. The SHMA considers upwards adjustments from the starting point (2014-based) demographic projections which will deliver additional market and affordable homes, and the scale of upward adjustments made more than addresses the scale of concealed households shown.

**Shared Households**

7.60 In 2011 the highest percentage of sharing households was found in Preston where 4.4% of the families share their home with others. This is below the national level (4.4%) but above the regional trend (3.4%).

7.61 Table 75 shows the percentage of shared household in 2001 and 2011 the change during this period. There has been an increase of 32.7% across HMA with shared households representing 3.2% of all households in 2011. This was lower than the national (32.4%) and regional (35.5%) comparators.

**Table 75: Shared households 2001 & 2011**

| | 2001 | | 2011 | | 2011-2001 | |
|---|---|---|---|---|---|---|
| | Shared house-holds | % of all house-holds | Shared house-holds | % of all house-holds | Change | % change |
| Chorley | 841 | 2.0% | 1,099 | 2.4% | 258 | 30.7% |
| Preston | 1,774 | 3.3% | 2,340 | 4.1% | 566 | 31.9% |
| South Ribble | 918 | 2.1% | 1,250 | 2.7% | 332 | 36.2% |
| **HMA** | **3,533** | **2.6%** | **4,689** | **3.2%** | **1,156** | **32.7%** |
| North West | 76,626 | 2.7% | 103,801 | 3.4% | 27,175 | 35.5% |
| England & Wales | 784,745 | 3.6% | 1,038,993 | 4.4% | 254,248 | 32.4% |

*Source:* Census 2011 & 2001

7.62 The highest percentage change occurred in South Ribble (36.2%) although in absolute terms Preston had a greater change (1,156). The growth in shared households in South Ribble was above the regional (35.5%) and national (32.5%) figures, whereas in Chorley and Preston was below all three.

## Qualitative Assessment

7.63 In order to further understand the performance of the Central Lancashire market, GL Hearn carried out a targeted consultation with several local estate agents across HMA during July-August 2016. This section aims to complement the findings of the above quantitative analysis. It provides some insight in to the local market and identifies differences in the local markets. It should however be interpreted as representing the situation at the point in time of the assessment.

7.64 Overall, respondents tended to have a positive outlook about the local market and stated that the sales and lettings market had performed reasonably strongly. The following paragraphs present the findings for each local authority.

**Chorley**

7.65 The sales market in Chorley performs well with interest increasing around the upper price range of the market at the time of the assessment. Agents indicated that there had been a notable decrease in the lower end of the market, with buyers less interested in cheaper properties over the last few months. This is linked to April's Stamp Duty changes which resulted in a significant decrease in investors' activity across the market. This in our experience was a national trend at that time. One of the agents indicated that the level of sales is around 30 properties per month which was significantly above their target.

7.66 Buyers across Chorley tended to be couples or families seeking to upgrade and/or upsize their property. Agents indicated strong demand for 3-bed properties and in particular bungalows and detached units. There are few first-time buyers who usually target the lowest end of the market.

7.67 Comparing to last year, values had remained fairly stable and were expected to continue to do so. The vote to leave the EU has not had notable impacts yet. Moreover there have been a proportion of cash buyers that positively influenced the market. In general the number of buyers increased significantly with agents reporting a level of sales almost doubling over the past year.

7.68 The most popular location within Chorley is Euxton, according to agents, as it offers good accessibility and transport facilities, followed by other locations in Central Chorley.

7.69 The lettings market is was also reported to be strong, with a lot of properties being let in a very short period of time. Young families expecting to get onto the property ladder in the near future are the main groups of tenants.

7.70 Rental values hadn't increased over the past few months according to agents. This was primarily caused by the sharp spike in the number of properties released on the market during the pre-Stamp Duty changes. Given the existing growth in demand, it is anticipated that the values would increase soon.

**Preston**

7.71 There is a fair amount of interest across Preston according to local agents. The most notable change over the last few months was the reduced activity by investors, which had eased the competition at the lower end of the market. As a result there has been a gradual increase in first-time buyers, a trend which has continued over the last 2 to 3 years.

7.72 The main group of buyers in Preston are young professionals and couples in their mid-20s to mid-30s looking to get on the property ladder. Usually they seek to buy terraced or semi-detached properties.

7.73 There is a strong demand for properties in Central Preston primarily driven by the setting and good transport links to the main urban areas such as Manchester and Liverpool. There is also a strong interest for the market in Ashton-on-Ribble.

7.74 Some of the respondents indicated that more diversity of the stock (more flats) could be beneficiary as some of the prospective buyers entering the housing ladder cannot afford to purchase terraced properties.

7.75 Prices had stabilised over the last few months and were expected to continue to do so in the short term. Over the longer term it is expected that prices will slightly increase given the increasing demand in the area. This is further linked to the supply issue, with fewer new builds being delivered in the area. The agents noted that new build units perform slightly better than the secondary stock, nevertheless the respondents were not sure how much of a premium new-builds achieve.

7.76 Comparing the sales market to the last few years, agents indicated a marginal change, with small or no difference observed in the volume of the stock being transacted. Nevertheless, there was a significant shift in the profile of the buyers, with more professional couples and families replacing investor activity.

7.77 Lettings agents suggested that the market was good and there was demand from professionals in their mid-20s and mid-30s moving into the area as a stepping stone to purchasing locally. A significant amount of tenants are students whose activity decreases over the summer period.

7.78 Flats or shared accommodation are in demand with a particular focus on 2-bed en-suite flats in central areas. This accommodation achieves around £500 pcm in rental values which is broadly similar to the values achieved in terraced homes in less desirable location.

7.79 Overall, respondents indicated a small growth in rental values across Preston, with rents increasing on average 2-5% compared to last year. Usually, the values achieved are approximately £500 for a 2-bed flat located in central Preston or a terraced house on the outskirts of the City.

7.80 Finally the activity of Buy-to-Let investors has decreased since April 2016. The remaining investors focus on flats and the low value terraced houses.

**South Ribble**

7.81 Agents reported that the sales market across South Ribble performs well with most of the properties being sold fairly quickly after being released onto the market. In comparison to neighbouring areas, South Ribble attracts families or more senior people with more disposable incomes. First-time buyers represent a small percentage of the prospective buyers. Investor activity was reported to be limited.

7.82 The market was fairly stable and despite the increasing interest in the area over the past few months, it is anticipated to remain flat throughout the next 12 to 18 months. This is primarily due to the future uncertainty derived by the recent vote to Leave European Union.

7.83 Bungalows and detached units are the most popular types of properties in the area. There is a high demand on 3-bed detached properties, with prices starting from £150,000- £200,000 depending on the location and the quality of the units. The agents suggested that buyers were more likely to adjust their preferences on the basis of the available stock.

7.84 The agents suggested that there was a need for more detached properties, as these are currently in high demand. They also suggested buyers in the area typically expressed interest in larger gardens.

7.85 Similarly to the sales market, the lettings market is performing well across the South Ribble District, with properties being let shortly after appearing onto the market. The most popular group of tenants were senior couples and families relocating from more urban locations such as Preston, Blackburn or even Liverpool.

7.86 The rental values start from £600 pcm for 3-bed properties, with the highest values of £750 pcm achieved on high quality detached units. Finally, Penwortham and Walton-le-Dale are the most attractive areas within the district as they offer, according to agents, a great setting in proximity to Preston.

## Responding to Market Signals

7.87 The PPG sets out that "*a worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections*". In the context of the PPG, the appropriate test is therefore whether an upward adjustment should be made from the starting point household projections (in this case the 2014-based Household Projections) to take account of market signals.

7.88 There is however no guidance as to what an appropriate upwards adjustment should be: the PPG simply sets out that it should be "*at a level that is reasonable*". There have been a number of inspectors reports which have examined what is "reasonable". The conclusions emerging from an analysis of some key reports are set out below.

**Inspectors' Views on Market Signals Uplifts**

7.89 Probably the most cited inspectors' reports where market signals have been considered are in Eastleigh and Uttlesford, where different inspectors suggested that the local authorities should consider increasing housing need by 10% as a result of the evidence. Key quotes from these reports are provided below.

Eastleigh (February 2015) – *'It is very difficult to judge the appropriate scale of such an uplift. I consider a cautious approach is reasonable bearing in mind that any practical benefit is likely to be very limited because Eastleigh is only part of a much larger HMA. Exploration of an uplift of, say, 10% would be compatible with the "modest" pressure of market signals recognised in the SHMA itself'*

Uttlesford (December 2014) – *'I conclude that it would be reasonable and proportionate, in Uttlesford's circumstances, to make an upward adjustment to the OAN, thereby increasing provision with a view to relieving some of the pressures. In my view it would be appropriate to examine an overall increase of around 10%...'*

7.90 There are more recent from higher value areas in the South East of inspectors or consultants judging that higher adjustments are warranted, such as 25% in Waverley in Surrey or Cambridge; or 20% in Mid Sussex.

7.91 To balance the analysis, however, it should be noted that there are a number of inspectors who have not suggested any need for an uplift due to market signals and these would include:

Mendip (October 2014 – Appendix 7) – *'these findings indicate that trends in Mendip sit fairly comfortably alongside county, regional and national trends and do not, therefore, justify an upward adjustment of the housing numbers that came out of the housing projection'*

Crawley (May 2015 – Appendix 8) – *'I am not convinced that the market signals uplift is justified by the evidence, for the various indicators reveal a situation in Crawley which is not as severe as in other North West Sussex authorities, and one that has not worsened in recent years'* (this is an interesting case given that the Council themselves had suggested an uplift for market signals)

Cornwall (June 2015) – *'National guidance is that a worsening trend in any relevant market signal should result in an uplift. But for the reasons given below I do not consider that I should require such an uplift to be made for Cornwall at this time'* (this one is also interesting given that it was the same inspector as Eastleigh).

7.92 Other more recent examples where adjustments have been found not to be required include Stratford-on-Avon and Warwick in the West Midlands; and Maidstone in Kent.

**Addressing Affordability**

7.93 It is sensible in considering what adjustments, if any, might be warranted to consider both the market signals and affordable housing needs' evidence.

7.94 The affordable housing need and market signals information point towards some modest affordability pressures in Central Lancashire, although these vary in each of the local authorities. Most notably Chorley and to a lesser extent South Ribble have some challenging market signals data; while Preston is one of the most affordable location in the country although it does have quite high affordable housing need (influenced in part by its younger population).

7.95 Overall the market signals evidence shows the following:

- Residential land values which across the HMA are below the national average (excluding London). Land values are highest in Preston.
- House prices which grew strongly between 2002-4, but with the evidence showing prices which have fallen in real terms when considered over this market cycle (4.8% pa growth 2008-2015) or over the last decade;
- Within the HMA whilst Chorley had marginally the highest house price of the three authorities (£155,000, 2015), the evidence indicates that this is influenced in part by the mix of properties sold. Prices for comparable house types look reasonably similar, with values for semi-detached homes of around £143,000 and for terraced homes of £89,000 - £108,000 across the three authorities. Sales volumes in Chorley had recovered slightly more strongly than in other areas.
- Rental costs which in South Ribble and Chorley have remained flat over the 2010/11 – 2015/16 period, but grown by 11% in Preston. Taking account of inflation, in Chorley and South Ribble rental costs have fallen in real terms.
- A lower quartile affordability ratio which stood in 2015 at 6.7 in Chorley, 4.8 in Preston and 6.3 in South Ribble giving an HMA average of 6.0. In all cases this fell below the national average (7.0). The North West average is 5.4.
- Housing delivery performance which saw an over-delivery of homes in Chorley, but an under-delivery in South Ribble and Preston relative to the Joint Core Strategy/ Regional Strategy requirement figures.
- Some modest growth in overcrowding, numbers of concealed families and shared households between 2001-11, but with growth in all cases below that seen nationally. In Chorley the number of overcrowded households increased by 289, with a growth of 258 shared households and evidence of 339 concealed families in the Borough in 2011 (an increase of 93 on 2011).

7.96 Reflecting the range of inspector's decisions and the guidance we would conclude that an adjustment of around 10% on the demographic starting point would be justified in Chorley and South Ribble; but no adjustment is warranted in Preston given the market signals evidence which does not point to notable affordability pressures.

7.97 Applying the 10% upward adjustment to the 2014-based SNPP figures gives a need for 562 dpa in Chorley (511 x 1.1) and 200 dpa in South Ribble (182 x 1.1) which combined with the need for 241 dpa in Preston results in a need for 1003 dpa across the HMA. The upwards adjustments will deliver additional market and affordable homes.

7.98

**Market Signals: Key Messages**

- The analysis of market signals points to house prices which are generally below the national trends, modestly above the regional average in South Ribble and Chorley and generally below both in Preston. The evidence does not point to particular 'market imbalance' across the whole housing market area. There is evidence that affordability deteriorated over the 2001-11 period however the situation considering more recent trends is one which suggests broad stability between supply and demand.

- The City of Preston for example is one of the most affordable locations in the country. House prices relative to earnings are higher in Chorley and to a lesser extent South Ribble but below the national average. Rents on the other hand have been stable in these areas.

- The evidence justifies some upward adjustment from the demographic starting point, but one which is modest. Applying a 10% upward adjustment in Chorley and South Ribble results in a need for 1003 dpa. This sits below that suggested by the economic-led need.

# 9 NEED FOR DIFFERENT SIZES AND TYPES (TENURES) OF HOMES

## Introduction

9.1 As discussed in previous sections, there are a range of factors which influence housing demand. These factors play out at different spatial scales and influence both the level of housing demand (in terms of aggregate household growth) and the nature of demand for different types, tenures and sizes of homes. It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level.

9.2 This section assesses the need for different sizes of homes in the future, modelling the implications of demographic drivers on need/demand for different sizes of homes in different tenures. The assessment is intended to provide an understanding of the implications of demographic dynamics on need and demand for different sizes of homes.

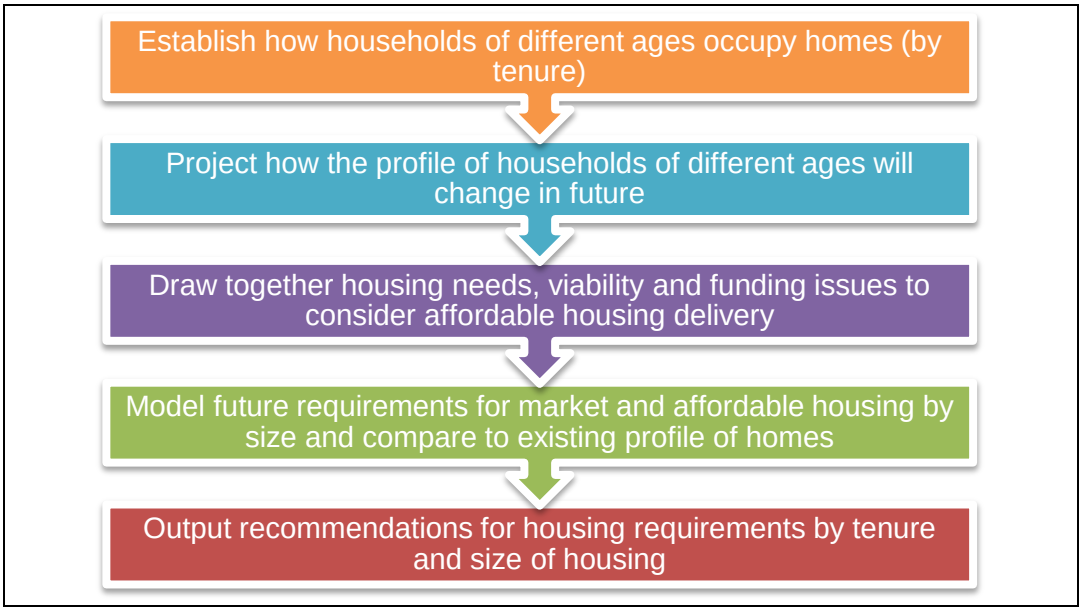
9.3 The analysis in this section seeks to use the information available about the size and structure of the population and household structures; and consider what impact this may have on the sizes of housing required in the future. For analysis purposes, the analysis assumes population and household growth in line with the demographic projection linked to the 2014-based household projections and also with 15-year migration trends (the highest of the demographic projections developed). These two projections represent the range to be considered when looking at objectively assessed need. These projections indicate household growth of between about 18,200 and 22,800 across the HMA between 2014 and 2034.

9.4 It should be noted that these projections will not necessarily be translated into policy, but have been used to indicate the likely need for different sizes of homes moving forward.

## Methodology

9.5 The figure below describes the broad methodology employed in the housing market model which is used to consider the need for different sizes of market and affordable homes. Data is drawn from a range of sources including the 2011 Census and demographic projections.

**Figure 53: Stages in the Housing Market Model**




## Understanding how Households Occupy Homes

9.6 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households in to a suggested profile for additional housing to be provided. The main reason for this is that in the market sector households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.

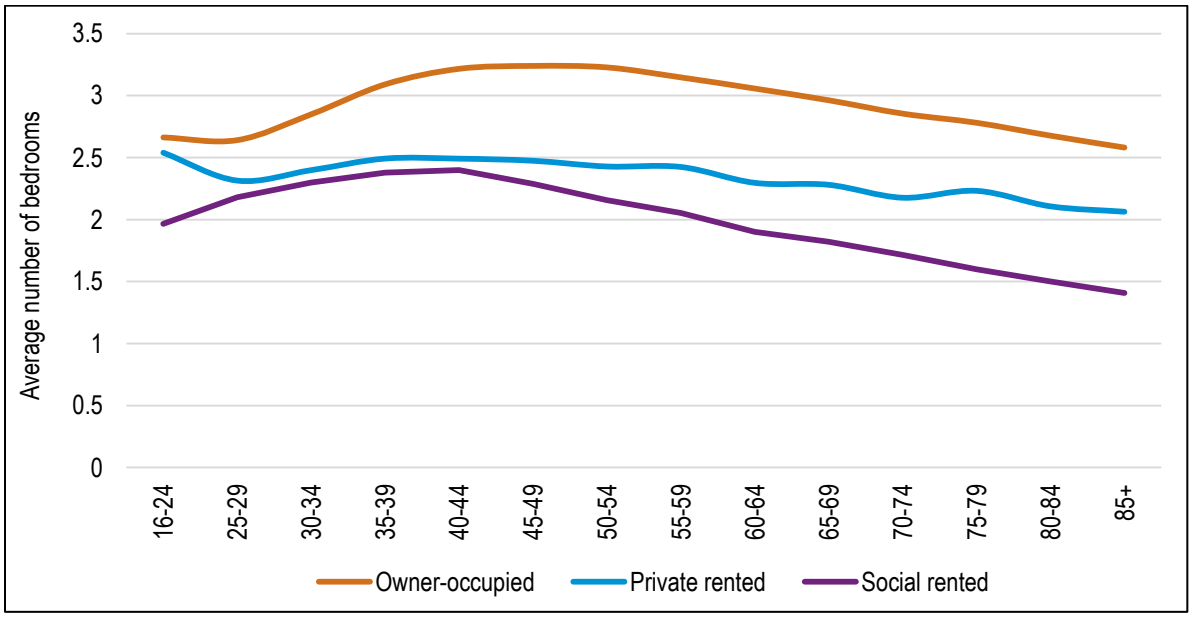
9.7 The size of housing which households occupy relates more to their wealth and age than the number of people which they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a four-bedroom home as long as they can afford it and hence projecting an increase in single person households does not automatically translate in to a need for smaller units. This issue is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to under-occupy housing.

9.8 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table CT0621 which provides relevant data for all local authorities in England and Wales from the 2011 Census).

9.9 The figure below shows an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group. In the owner-occupied sector the average size of accommodation rises over time to typically reach a peak around the age of 40-54; a similar pattern

(but with smaller dwelling sizes and lower reductions is seen in the private rented sector). In the social rented sector, this peak appears earlier. After this peak, the average dwelling size decreases – as typically some households downsize as they get older. It is also notable that the average size for affordable housing dwellings are lower than those for market housing for all age groups.

**Figure 54: Average Bedrooms by Age and Tenure – Central Lancashire**




Source: Derived from ONS Commissioned Table CT0621

9.10 In terms of the analysis to follow, the outputs have been segmented into three broad categories. These are market housing, which is taken to follow the occupancy profiles in the owner-occupied sector; affordable home ownership, which is taken to follow the occupancy profile in the private rented sector (this is seen as reasonable as the Government's desired growth in home ownership looks to be largely driven by a wish to see households move out of private renting) and affordable housing, which is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow is expected to largely be rented housing and would include affordable rented housing.

## Tenure Assumptions

9.11 The housing market model has been used to estimate the future need for different sizes of property over the 20-year period from 2014 to 2034. The model works by looking at the types and sizes of accommodation occupied by different ages of residents, and attaching projected changes in the population to this to project need and demand for different sizes of homes. However, the way households of different ages occupy homes differs between the market and affordable sectors (as shown earlier). Thus it is necessary to consider what the mix of future housing will be in the market and affordable sectors.

9.12 It is necessary on this basis to make some judgement for modelling purposes on what proportion of net completions might be of market and affordable housing. For modelling purposes, the analysis assumes that 30% of net completions are either affordable housing (rented) or low-cost home ownership and therefore that 70% are market housing (designed to be sold for owner-occupation). The figure of 30% is consistent with Policy 7(a) of the Adopted Core Strategy (which has a range from 30%-35% depending on location). Within the 30% affordable/low-cost a split of 2:1 has been used; this means an estimated total of 20% of completions as affordable housing (rented) and 10% as low-cost home ownership. The 10% low-cost home ownership has been selected to be consistent with the Housing White Paper, with the recognition that the affordable needs assessment in this report does suggest that the greatest needs are for rented housing.

9.13 It should be stressed that these figures are not policy targets. Policy targets for affordable housing on new development schemes in some cases are above this; but not all sites deliver policy-compliant affordable housing provision, whist some delivery is on sites below affordable housing policy thresholds. Equally some housing development is brought forward by Registered Providers and local authorities and may deliver higher proportions of affordable housing than in current policy. The figures used are not a policy position and has been applied simply for the purposes of providing outputs from the modelling process. To confirm, it has been assumed that the following proportions of different tenures will be provided moving forward:

- Market housing – 70%
- Low-cost home ownership – 10%
- Social/affordable rent – 20%

## Key Findings: Market Housing

9.14 There are a range of factors which can influence demand for market housing in different locations. The focus of this analysis is on considering long-term needs, where changing demographics are expected to be a key influence. It uses a demographic-driven approach to quantify demand for different sizes of properties over the 20-year period from 2014 to 2034.

9.15 Looking first at projecting on the basis of the 2014-based SNPP, an increase of 12,700 additional households is modelled. The majority of these need two- and three-bed homes. The data suggests that housing need can be expected to reinforce the existing profile, but with a shift towards a requirement for smaller dwellings relative to the distribution of existing housing (particularly towards a need for 2-bedroom homes). This is understandable given the fact that household sizes are expected to fall slightly in the future – particularly as a result of a growing older population living in smaller households.

**Table 76: Estimated Size of Dwellings Needed 2014 to 2034 – Market Housing – 2014-based SNPP – Central Lancashire)**

| Size | 2014 | 2034 | Additional households 2014-2034 | % of additional households |
|---|---|---|---|---|
| 1 bedroom | 2,259 | 2,604 | 345 | 2.7% |
| 2 bedrooms | 24,680 | 28,550 | 3,870 | 30.4% |
| 3 bedrooms | 56,174 | 62,669 | 6,496 | 51.1% |
| 4+ bedrooms | 25,853 | 27,865 | 2,013 | 15.8% |
| Total | 108,965 | 121,688 | 12,723 | 100.0% |

Source: Housing Market Model

9.16 When looking at a demographic projection based on 15-year migration trends, it can be seen that the number of households in the market sector would be projected to increase by 15,900. The estimated size profile required is still focused on two- and three-bedroom homes but there is a slightly larger need shown for larger (4+ bedroom) accommodation. This difference will be due to the 15-year migration based projection having a higher level of in-migration; migrants tending to be younger people and more likely to be part of family households (who tend to live in larger homes).

**Table 77: Estimated Size of Dwellings Needed 2014 to 2034 – Market Housing – 15-year migration trends – Central Lancashire)**

| Size | 2014 | 2034 | Additional households 2014-2034 | % of additional households |
|---|---|---|---|---|
| 1 bedroom | 2,259 | 2,674 | 415 | 2.6% |
| 2 bedrooms | 24,680 | 29,272 | 4,592 | 28.8% |
| 3 bedrooms | 56,174 | 64,418 | 8,244 | 51.7% |
| 4+ bedrooms | 25,853 | 28,549 | 2,697 | 16.9% |
| Total | 108,965 | 124,913 | 15,948 | 100.0% |

Source: Housing Market Model

9.17 The statistics are based upon the modelling of demographic trends. As has been identified, it should be recognised that a range of factors including affordability pressures and market signals will continue to be important in understanding market demand; this may include an increased demand in the private rented sector for rooms in a shared house due to changes in housing benefit for single people. In determining policies for housing mix, policy aspirations are also relevant.

9.18 At the strategic level, a local authority in considering which sites to allocate, can consider what type of development would likely be delivered on these sites. It can also provide guidance on housing mix implicitly through policies on development densities.

9.19 The analysis has also been undertaken by local authority with the table below showing the outputs for the 15-year migration based projection. This shows only small variations between areas, with arguably the most notable being the relatively low need for 4+ bedroom accommodation in South

Ribble (and a higher figure in the two-bedroom category). However, on balance, the differences between areas are not so great that a different approach in different locations necessarily needs to be taken.

**Table 78: Estimated size mix of dwellings by local authority – market housing**

| | 1-bedroom | 2-bedrooms | 3-bedrooms | 4+ bedrooms |
|---|---|---|---|---|
| Chorley | 2% | 29% | 50% | 18% |
| Preston | 3% | 26% | 53% | 18% |
| South Ribble | 3% | 32% | 52% | 14% |
| Central Lancashire | 3% | 29% | 52% | 17% |

Source: Housing Market Model

## Key Findings: Low-cost home ownership

9.20 The tables below show estimates of the need for different sizes of affordable home ownership based on the analysis of demographic trends (firstly linked to the 2014-based SNPP and then to the 15-year migration based scenario). The data suggests in the period between 2014 and 2034 that the main need is again for homes with two- or three-bedrooms, although the proportions in the 1-bedroom category are higher than for market housing.

9.21 As with the market analysis, the outputs linked to the 15-year migration based projection show a greater need for larger homes (although both sets of data very much focus on smaller (particularly two-bedroom) dwellings). There is less variation in the findings for low-cost home ownership under the different projection scenarios than for market housing. This is because this analysis tends to focus on younger households who are not impacted by downsizing in the same way as the market sector (due to the relatively low number of older person households in this category).

**Table 79: Estimated Size of Dwellings Needed 2014 to 2034 – low-cost home ownership – 2014-based SNPP – Central Lancashire)**

| Size | 2014 | 2034 | Additional households 2014-2034 | % of additional households |
|---|---|---|---|---|
| 1 bedroom | 3,580 | 3,930 | 350 | 19.3% |
| 2 bedrooms | 8,047 | 8,773 | 726 | 40.0% |
| 3 bedrooms | 6,684 | 7,263 | 579 | 31.9% |
| 4+ bedrooms | 2,229 | 2,391 | 162 | 8.9% |
| Total | 20,540 | 22,358 | 1,818 | 100.0% |

Source: Housing Market Model

**Table 80: Estimated Size of Dwellings Needed 2014 to 2034 – low-cost home ownership – 15-year migration trends – Central Lancashire)**

| Size | 2014 | 2034 | Additional households 2014-2034 | % of additional households |
|---|---|---|---|---|
| 1 bedroom | 3,580 | 4,004 | 423 | 18.6% |
| 2 bedrooms | 8,047 | 8,953 | 906 | 39.8% |
| 3 bedrooms | 6,684 | 7,423 | 738 | 32.4% |
| 4+ bedrooms | 2,229 | 2,440 | 211 | 9.2% |
| Total | 20,540 | 22,819 | 2,278 | 100.0% |

Source: Housing Market Model

9.22 The analysis has also been undertaken by local authority with the table below showing the outputs for the 15-year migration based projection. This shows some variations between areas, this includes a relatively low need for 1-bedroom accommodation in South Ribble and a relatively high figure for 4+ bedrooms in Preston. The first of these figures (1-bed in South Ribble) is likely in part to be influenced by the demographic and current stock profile in the area, whereas the 4+ bedroom finding in Preston is likely to some degree to be influenced by the student population (given that households in the private rented sector are driving much of this analysis). Hence, whilst the differences between areas are more notable than was the case for market housing, it is still questionable if these are substantial enough for different targets in different areas to be set.

**Table 81: Estimated size mix of dwellings by local authority – low-cost home ownership**

| | 1-bedroom | 2-bedrooms | 3-bedrooms | 4+ bedrooms |
|---|---|---|---|---|
| Chorley | 21% | 40% | 32% | 7% |
| Preston | 22% | 37% | 28% | 12% |
| South Ribble | 12% | 42% | 38% | 8% |
| Central Lancashire | 19% | 40% | 32% | 9% |

Source: Housing Market Model

## Key Findings: Affordable Housing (rented)

9.23 The tables below show estimates of the need for different sizes of affordable homes based on the analysis of demographic trends (firstly linked to the 2014-based SNPP and then to the 14-year migration based scenario). The data suggests in the period between 2014 and 2034 that the main need is for homes with one- or two-bedrooms. The outputs linked to the 15-year migration projection show a greater need for larger homes (although both sets of data very much focus on smaller dwellings).

9.24 This analysis provides a longer-term view of the need for different sizes of affordable housing and does not reflect any specific priorities such as for family households in need rather than single people. In addition, it should be noted that smaller properties (i.e. one bedroom homes) typically offer limited flexibility in accommodating the changing needs of households, whilst delivery of larger

properties can help to meet the needs of households in high priority and to manage the housing stock by releasing supply of smaller properties. That said, there may in the short-term be an increased requirement for smaller homes as a result of welfare reforms limiting the amount of housing benefit being paid to some working-age households.

**Table 82: Estimated Size of Dwellings Needed 2014 to 2034 – affordable housing (rented) – 2014-based SNPP – Central Lancashire)**

| Size | 2014 | 2034 | Additional households 2014-2034 | % of additional households |
|---|---|---|---|---|
| 1 bedroom | 7,827 | 9,560 | 1,733 | 47.7% |
| 2 bedrooms | 6,704 | 7,680 | 976 | 26.8% |
| 3 bedrooms | 6,858 | 7,695 | 837 | 23.0% |
| 4+ bedrooms | 744 | 833 | 89 | 2.5% |
| Total | 22,132 | 25,768 | 3,635 | 100.0% |

Source: Housing Market Model

**Table 83: Estimated Size of Dwellings Needed 2014 to 2034 – affordable housing (rented) – 15-year migration trends – Central Lancashire)**

| Size | 2014 | 2034 | Additional households 2014-2034 | % of additional households |
|---|---|---|---|---|
| 1 bedroom | 7,827 | 9,882 | 2,055 | 45.1% |
| 2 bedrooms | 6,704 | 7,946 | 1,242 | 27.3% |
| 3 bedrooms | 6,858 | 7,999 | 1,142 | 25.1% |
| 4+ bedrooms | 744 | 861 | 118 | 2.6% |
| Total | 22,132 | 26,689 | 4,557 | 100.0% |

Source: Housing Market Model

9.25 As with market housing, the data again shows that relative to the current profile there is a slight move towards a greater proportion of smaller homes being needed (again related to the ageing population and the observation that older person households are more likely to occupy smaller dwellings).

9.26 The analysis has also been undertaken by local authority with the table below showing the outputs for the 15-year migration based projection. This shows relatively little variation between areas, with arguably the most notable being the relatively high need for 3-bedroom accommodation in Preston (albeit only 4% different from the other areas). Given the differences between areas, it is not considered that different strategic mixes for local authorities would be justified (based on this evidence alone).

**Table 84: Estimated size mix of dwellings by local authority – affordable housing (rented)**

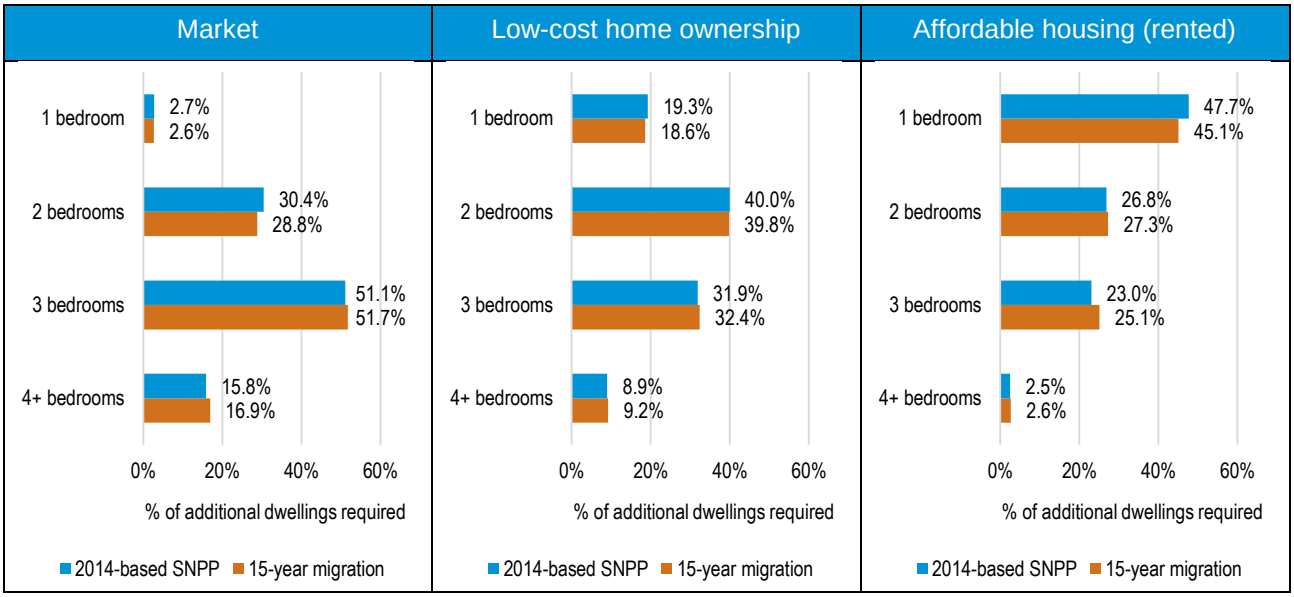
| | 1-bedroom | 2-bedrooms | 3-bedrooms | 4+ bedrooms |
|---|---|---|---|---|
| Chorley | 46% | 28% | 23% | 3% |
| Preston | 44% | 26% | 27% | 3% |
| South Ribble | 45% | 28% | 25% | 2% |
| Central Lancashire | 45% | 27% | 25% | 3% |

Source: Housing Market Model

## Indicative Targets by Tenure

9.27 The figure below summarises the above data in both the market and affordable sectors under the modelling exercise. The analysis clear shows the different profiles in the three broad tenures with affordable housing being more heavily skewed towards smaller dwellings, and affordable home ownership sitting somewhere in between the market and affordable housing.

**Figure 55: Average Bedrooms by Age and Tenure – Central Lancashire**




Source: Housing Market Model

9.28 Whilst the output of the modelling provides estimates of the proportion of homes of different sizes that are needed, there are a range of factors which should be taken into account in setting policies for provision. This is particularly the case in the affordable sector where there are typically issues around the demand for and turnover of one bedroom homes (as well as allocations to older person households) – e.g. one bedroom homes provide limited flexibility for households (e.g. a couple household expecting to start a family) and as a result can see relatively high levels of turnover – therefore, it may not be appropriate to provide as much one-bedroom stock as is suggested by the modelling exercise. At the other end of the scale, conclusions also need to consider that the stock of four-bedroom affordable housing is very limited and tends to have a very low turnover. As a result, whilst the number of households coming forward for four or more bedroom homes is typically quite small the ability for these needs to be met is even more limited.

9.29 For these reasons it is suggested in converting the long-term modelled outputs into a profile of housing to be provided (in the affordable sector) that the proportion of one bedroom homes required is reduced slightly from these outputs with a commensurate increase in four or more bedroom homes also being appropriate.

9.30 There are thus a range of factors which are relevant in considering policies for the mix of affordable housing (rented) sought through development schemes. At a HMA-wide level, the analysis would support policies for the mix of affordable housing (rented) of:

- 1-bed properties: 35-40%
- 2-bed properties: 30-35%
- 3-bed properties: 20-25%
- 4-bed properties: 5-10%

9.31 The strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

9.32 The need for affordable housing of different sizes will vary by area (at a more localised level) and over time. In considering the mix of homes to be provided within specific development schemes, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.

9.33 In the low-cost home ownership and market sectors a profile of housing that closely matches the outputs of the modelling is suggested. The recommendations take some account of the time period used for the modelling and the fact that the full impact of the ageing population will not be experienced in the short-term.

9.34 On the basis of these factors it is considered that the provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households. On this basis the following mix of low-cost home ownership is suggested:

- 1-bed properties: 15-20%
- 2-bed properties: 40-45%
- 3-bed properties: 30-35%
- 4-bed properties: 5-10%

9.35 Finally, in the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile, this sees a slightly larger recommended profile compared with other tenure groups. The following mix of market housing is suggested:

- 1-bed properties: 0-5%
- 2-bed properties: 25-30%
- 3-bed properties: 50-55%
- 4-bed properties: 15-20%

9.36 Although the analysis has quantified this on the basis of the market modelling and an understanding of the current housing market, it does not necessarily follow that such prescriptive figures should be included in the plan making process. The 'market' is to some degree a better judge of what is the most appropriate profile of homes to deliver at any point in time, and demand can change over time linked to macro-economic factors and local supply. The figures can however be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area.

**Housing Mix (Size of Homes Needed): Key Messages**

- There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. The analysis linked to long-term (2014-34) demographic change concludes that the following represents an appropriate mix of affordable and market homes:

| | 1-bed | 2-bed | 3-bed | 4+ bed |
|---|---|---|---|---|
| Market | 0-5% | 25-30% | 50-55% | 15-20% |
| Low-cost home ownership | 15-20% | 40-45% | 30-35% | 5-10% |
| Affordable housing (rented) | 35-40% | 30-35% | 20-25% | 5-10% |

- The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

- The mix identified above should inform strategic policies. In applying these to individual development sites regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

- Based on the evidence, it is expected that the focus of new market housing provision will be on two- and three-bed properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay.

- The analysis of an appropriate mix of dwellings should also inform the 'portfolio' of sites which are considered by each local authority through its local plan process. Equally it will be of relevance to affordable housing negotiations.

- The analysis within the main report also looked at the housing mix in each of the three local authority areas. Whilst there were differences between locations, it is not considered that these are so great as to point towards a different profile of new housing being needed when compared to HMA level findings.

# 10 SPECIALIST HOUSING NEEDS

## Introduction

10.1 This report has established the need for different sizes of properties and tenures over the 20-year period to 2034, however there can be specific groups within the population who require specialist housing solutions or for whom housing needs may differ from the wider population. These groups are considered within this section and there is a particular focus on older persons and people with disabilities. This leads through into analysis of the need for the Councils to consider Housing Technical Standards.

10.2 Planning Practice Guidance note 56 (Housing: optional technical standards) sets out how local authorities can gather evidence to set requirements on a range of issues (including accessibility and wheelchair housing standards, water efficiency standards and internal space standards). This section looks at the first two of these (i.e. accessibility and wheelchair housing) as well as considering the specific needs of older people.

10.3 The PPG sets out that the reason for the approach to setting standards is designed to *'rationalise the many differing existing standards into a simpler, streamlined system which will reduce burdens and help bring forward much needed new homes'* (56-001) and that *'local planning authorities will need to gather evidence to determine whether there is a need for additional standards in their area'* (56-002).

10.4 The PPG sets out that local authorities should be using their assessment of housing need (and other sources) to consider the need for M4(2) (accessible and adaptable dwellings), and/or M4(3) (wheelchair user dwellings), of the Building Regulations. It sets out that there are a range of published statistics which can be considered, including:

- the likely future need for housing for older and disabled people (including wheelchair user dwellings);
- size, location, type and quality of dwellings needed to meet specifically evidenced needs (for example retirement homes, sheltered homes or care homes);
- the accessibility and adaptability of existing housing stock;
- how needs vary across different housing tenures; and
- the overall impact on viability.

10.5 This section of the report draws on a range of statistics, including those suggested in the PPG (for which the Government has provided a summary data sheet 'Guide to available disability data') – termed the Guide in analysis to follow. The discussion below begins by looking at older persons' needs.

## Current Population of Older People

10.6 The table below provides baseline population data about older persons and compares this with other areas. The data for has been taken from the published ONS mid-year population estimates and is provided for age groups from 65 and upwards. The data shows, when compared with England that the HMA has a similar proportion of older persons; but a proportion below equivalent data for the County and region. In 2016, it was estimated that 18% of the population of the HMA was aged 65 or over; there is some notable variation by area with Preston only seeing 15% of its population aged 65 and over, compared with 19% in Chorley and 21% in South Ribble.

**Table 85: Older Person Population (2016)**

| | | Under 65 | 65-74 | 75-84 | 85+ | Total | Total 65+ |
|---|---|---|---|---|---|---|---|
| Chorley | Popn | 92,175 | 13,193 | 6,640 | 2,343 | 114,351 | 22,176 |
| | % of popn | 80.6% | 11.5% | 5.8% | 2.0% | 100.0% | 19.4% |
| Preston | Popn | 121,061 | 11,137 | 6,949 | 2,654 | 141,801 | 20,740 |
| | % of popn | 85.4% | 7.9% | 4.9% | 1.9% | 100.0% | 14.6% |
| South Ribble | Popn | 87,429 | 12,734 | 7,170 | 2,785 | 110,118 | 22,689 |
| | % of popn | 79.4% | 11.6% | 6.5% | 2.5% | 100.0% | 20.6% |
| Central Lancashire | Popn | 300,665 | 37,064 | 20,759 | 7,782 | 366,270 | 65,605 |
| | % of popn | 82.1% | 10.1% | 5.7% | 2.1% | 100.0% | 17.9% |
| Lancashire | % of popn | 79.8% | 11.2% | 6.4% | 2.5% | 100.0% | 20.2% |
| North West | % of popn | 81.7% | 10.1% | 5.9% | 2.3% | 100.0% | 18.3% |
| England | % of popn | 82.1% | 9.8% | 5.7% | 2.4% | 100.0% | 17.9% |

Source: ONS Mid-Year Population Estimates

## Future Change in the Population of Older Persons

10.7 As well as providing a baseline position for the proportion of older persons in the HMA, population projections can be used to provide an indication of how the numbers might change in the future compared with other areas. The data presented below uses the 2014-based SNPP for consistency across areas and runs from 2014 to 2034 to be consistent with the projections developed in this report.

10.8 The data shows that the HMA is expected to see a notable increase in the older person population with the total number of people aged 65 and over expected to increase by 46% over the 20-years from 2014; this compares with overall population growth of 7% and a decrease in the Under 65 population of 1%. All areas are projected to see a notable increase in the number of older persons, the figures are highest in Chorley and lowest in Preston, this will to some extent be influenced by overall levels of population growth (as shown in the 2014-based SNPP).

**Table 86: Projected Change in Population of Older Persons (2014 to 2034)**

| | Under 65 | 65-74 | 75-84 | 85+ | Total | Total 65+ |
|---|---|---|---|---|---|---|
| Chorley | 6.1% | 28.5% | 76.3% | 175.8% | 15.9% | 58.6% |
| Preston | -2.8% | 31.3% | 31.5% | 81.1% | 3.1% | 37.8% |
| South Ribble | -7.0% | 20.2% | 49.8% | 128.3% | 2.9% | 42.6% |
| Central Lancashire | -1.3% | 26.5% | 51.6% | 126.2% | 7.0% | 46.4% |
| Lancashire | -3.6% | 22.1% | 45.6% | 111.9% | 5.2% | 40.9% |
| North West | -0.7% | 26.5% | 43.7% | 105.3% | 7.0% | 41.9% |
| England | 6.2% | 33.5% | 50.3% | 110.3% | 13.8% | 49.3% |

Source: ONS subnational population projections (2014-based)

10.9 In total population terms, the projections show an increase in the population aged 65 and over of 29,200 people, this is against a backdrop of an overall increase of 25,200 and a decrease in the population aged under 65 of 4,000.

**Table 87: Projected Change in Population of Older Persons (2014 to 2034) – Central Lancashire (2014-based SNPP)**

| | 2014 population | 2034 population | Change in population | % change |
|---|---|---|---|---|
| Under 65 | 298,171 | 294,203 | -3,968 | -1.3% |
| 65-74 | 35,461 | 44,859 | 9,398 | 26.5% |
| 75-84 | 19,983 | 30,286 | 10,303 | 51.6% |
| 85+ | 7,521 | 17,013 | 9,492 | 126.2% |
| Total | 361,136 | 386,361 | 25,225 | 7.0% |
| Total 65+ | 62,965 | 92,158 | 29,193 | 46.4% |

Source: ONS subnational population projections (2014-based)

10.10 The figures above are all based on the latest (2014-based) SNPP. It is possible to also show how the outputs would be expected to change under different scenarios. The table below shows a similar analysis when linked to 15-year migration trends. In this case there is still a significant ageing of the population but the decrease in the population aged under 65 has turned into a small level of positive growth. The large change in the under 65 age group relative to older groups reflects the migration assumptions, migration being largely concentrated in typical working-age groups (and their associated children).

**Table 88: Projected Change in Population of Older Persons (2014 to 2034) – Central Lancashire (15-year migration trends)**

| | 2014 population | 2034 population | Change in population | % change |
|---|---|---|---|---|
| Under 65 | 298,171 | 304,414 | 6,243 | 2.1% |
| 65-74 | 35,461 | 45,580 | 10,119 | 28.5% |
| 75-84 | 19,983 | 30,617 | 10,634 | 53.2% |
| 85+ | 7,521 | 17,221 | 9,700 | 129.0% |
| Total | 361,136 | 397,832 | 36,696 | 10.2% |
| Total 65+ | 62,965 | 93,418 | 30,453 | 48.4% |

Source: Demographic Projections

## Health-related Population Projections

10.11 In addition to providing projections about how the number and proportion of older people is expected to change in the future, an analysis can look at the likely impact of population change on the number of people with specific illnesses or disabilities. For this data from the Projecting Older People Information System (POPPI) website has been used which provides prevalence rates for different disabilities by age and sex. For the purposes of the SHMA, analysis has focussed on estimates of the number of people with dementia and mobility problems.

10.12 For both of the health issues analysed the figures relate to the population aged 65 and over. The figures from POPPI are based on prevalence rates from a range of different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order.

10.13 The table below shows that both of the illnesses/disabilities are expected to increase significantly in the future although this would be expected given the increasing population. In particular, there is projected to be a large rise in the number of people with dementia (up 81%-83%) along with a 65%-67% increase in the number with mobility problems.

10.14 When related back to the total projected change to the population, the increase of 7,400 people with a mobility problem represents around 20% of the total population growth projected by the projections (when linked to 15-year migration trends).

**Table 89: Estimated Population Change for range of Health Issues (2014 to 2034) – Central Lancashire**

| | | Type of illness/ disability | 2014 | 2034 | Change | % increase |
|---|---|---|---|---|---|---|
| Chorley | 2014-based SNPP | Dementia | 1,288 | 2,711 | 1,423 | 110.4% |
| | | Mobility problems | 3,541 | 6,606 | 3,065 | 86.6% |
| | 15-year migration | Dementia | 1,288 | 2,685 | 1,397 | 108.4% |
| | | Mobility problems | 3,541 | 6,547 | 3,006 | 84.9% |
| Preston | 2014-based SNPP | Dementia | 1,408 | 2,170 | 762 | 54.1% |
| | | Mobility problems | 3,692 | 5,398 | 1,706 | 46.2% |
| | 15-year migration | Dementia | 1,408 | 2,197 | 789 | 56.0% |
| | | Mobility problems | 3,692 | 5,471 | 1,779 | 48.2% |
| South Ribble | 2014-based SNPP | Dementia | 1,417 | 2,568 | 1,151 | 81.2% |
| | | Mobility problems | 3,818 | 6,215 | 2,397 | 62.8% |
| | 15-year migration | Dementia | 1,417 | 2,662 | 1,245 | 87.8% |
| | | Mobility problems | 3,818 | 6,439 | 2,621 | 68.6% |
| Central Lancashire | 2014-based SNPP | Dementia | 4,114 | 7,449 | 3,335 | 81.1% |
| | | Mobility problems | 11,051 | 18,219 | 7,168 | 64.9% |
| | 15-year migration | Dementia | 4,114 | 7,544 | 3,431 | 83.4% |
| | | Mobility problems | 11,051 | 18,462 | 7,411 | 67.1% |

Source: Data from POPPI and demographic projections

## People with Disabilities

10.15 The CLG Disability data guide provides data about households with a long-term illness or disability from the English Housing Survey. Whilst this provides a national perspective, the source cannot provide more localised data. Hence the analysis below has drawn on the 2011 Census (which has a definition of long-term health problem or disability (LTHPD)).

10.16 The table below shows the proportion of people with a long-term health problem or disability (LTHPD) and the proportion of households where at least one person has a LTHPD. The data suggests that across the HMA some 26% of households contain someone with a LTHPD. This figure is slightly lower than seen across the County and region, but is in line with the national average. The figures for the population with a LTHPD again show a similar pattern in comparison with other areas (an estimated 18% of the population of the HMA have a LTHPD).

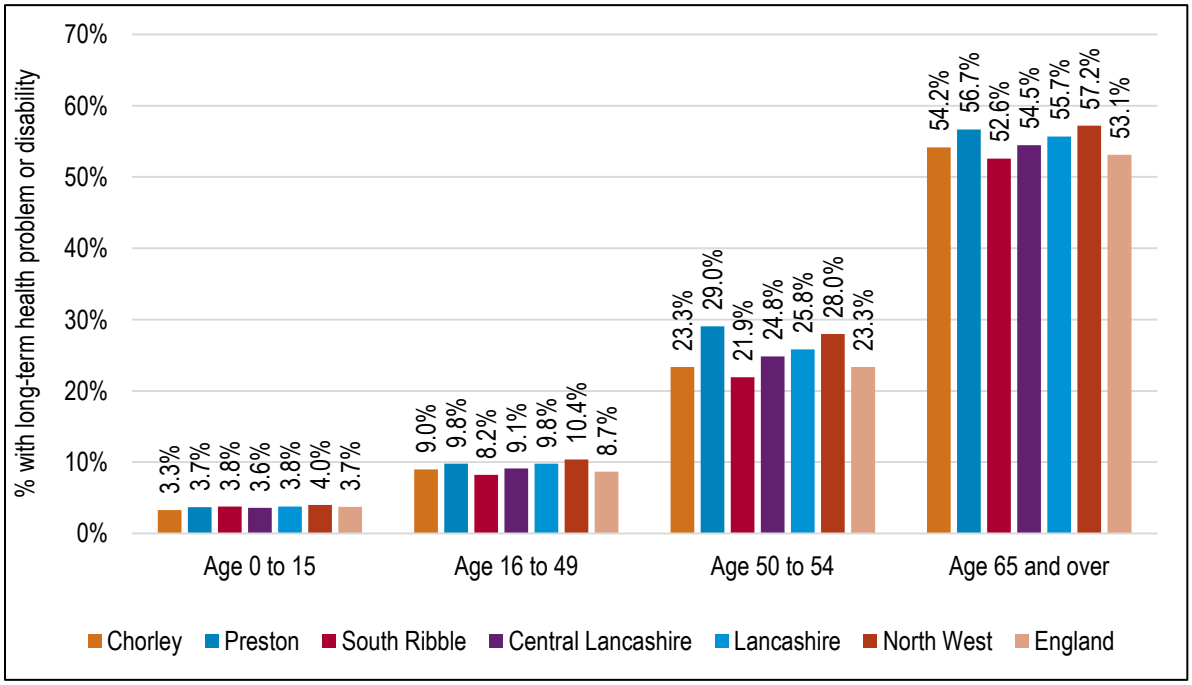
**Table 90: Households and people with Long-Term Health Problem or Disability (2011)**

| | Households containing someone with health problem | | Population with health problem | |
|---|---|---|---|---|
| | Number | % | Number | % |
| Chorley | 11,505 | 25.6% | 19,738 | 18.4% |
| Preston | 15,504 | 26.9% | 25,485 | 18.2% |
| South Ribble | 11,734 | 25.5% | 19,636 | 18.0% |
| Central Lancashire | 38,743 | 26.1% | 64,859 | 18.2% |
| Lancashire | 138,733 | 28.0% | 235,012 | 20.1% |
| North West | 857,462 | 28.5% | 1,426,805 | 20.2% |
| England | 5,659,606 | 25.7% | 9,352,586 | 17.6% |

Source: 2011 Census

10.17 It is likely that the age profile of the area will impact upon the numbers of people with a LTHPD, as older people tend to be more likely to have a LTHPD. Therefore, the figure below shows the age bands of people with a LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have a LTHPD – for example some 54% of people aged 65 and over have a LTHPD. The data at a local authority level is also notable for showing relatively high levels of LTHPD in Preston.

**Figure 56: Population with Long-Term Health Problem or Disability in each Age Band**




Source: 2011 Census

10.18 The age specific prevalence rates shown above can be applied to the demographic data to estimate the likely increase over time of the number of people with a LTHPD. In applying this information to the demographic projections (the 2014-based SNPP) it is estimated that the number of people with a LTHPD will increase by around 17,500 (a 26% increase); with a slightly higher figure if using 15-year migration trends.

10.19 Across the HMA, the vast majority of this increase (99%-105%) is expected to be in age groups aged 65 and over. The population increase of people with a LTHPD represents 52%-70% of the total increase in the population estimated by the projections.

**Table 91: Estimated change in population with LTHPD (2014-2034) – linked to 2014-based SNPP**

| | Population with LTHPD | | Change (2014-34) | % change from 2014 |
|---|---|---|---|---|
| | 2014 | 2034 | | |
| Chorley | 20,671 | 29,142 | 8,471 | 41.0% |
| Preston | 25,629 | 29,535 | 3,907 | 15.2% |
| South Ribble | 20,326 | 25,490 | 5,164 | 25.4% |
| Central Lancashire | 66,626 | 84,167 | 17,541 | 26.3% |

Source: Derived from demographic modelling and Census (2011)

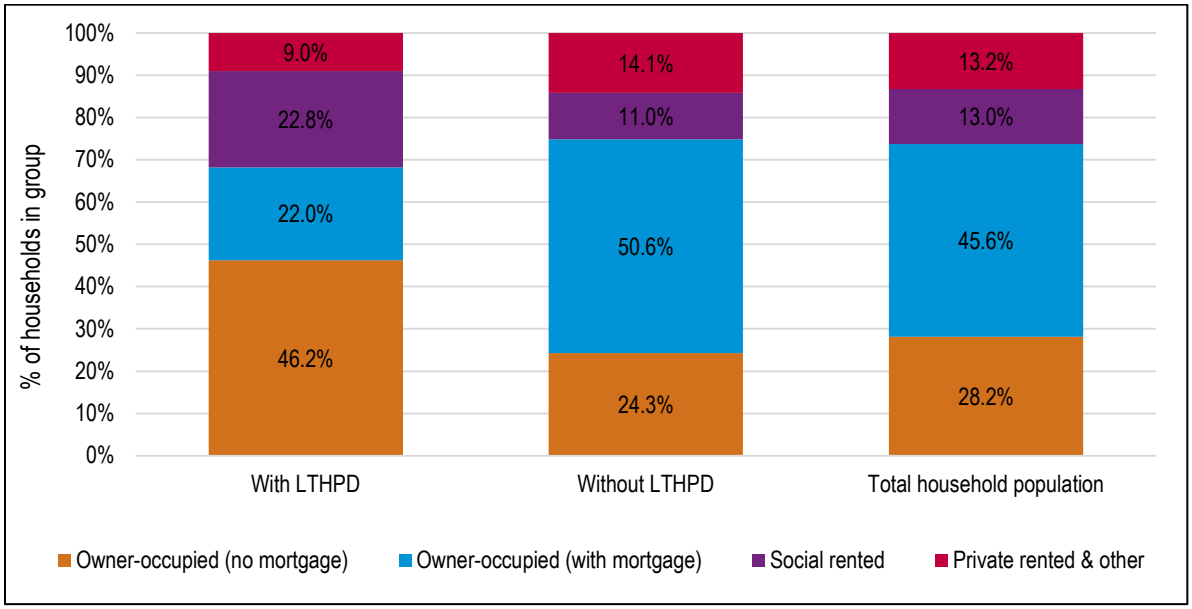
**Table 92: Estimated change in population with LTHPD (2014-2034) – linked to 15-year migration trends**

| | Population with LTHPD | | Change (2014-34) | % change from 2014 |
|---|---|---|---|---|
| | 2014 | 2034 | | |
| Chorley | 20,671 | 28,568 | 7,897 | 38.2% |
| Preston | 25,629 | 30,509 | 4,881 | 19.0% |
| South Ribble | 20,326 | 26,778 | 6,452 | 31.7% |
| Central Lancashire | 66,626 | 85,856 | 19,230 | 28.9% |

Source: Derived from demographic modelling and Census (2011)

10.20 The figure below shows the tenures of people with a LTHPD – it should be noted that the data is for population living in households rather than households. The analysis clearly shows that people with a LTHPD are more likely to live in social rented housing and are also more likely to be outright owners (this will be linked to the age profile of the population with a disability). Given that typically the lowest incomes are found in the social rented sector and to a lesser extent for outright owners the analysis would suggest that the population/households with a disability are likely to be relatively disadvantaged when compared to the rest of the population.

**Figure 57: Tenure of people with LTHPD – Central Lancashire**




Source: 2011 Census

10.21 The table below shows further information about the tenure split of the household population with a LTHPD. This shows that people living in the social rented sector are nearly twice as likely to have a LTHPD than those in other tenures.

**Table 93: Tenure of people with a LTHPD**

| | % of social rent with LTHPD | % of other tenures with LTHPD |
|---|---|---|
| Central Lancashire | 30.9% | 15.7% |

Source: 2011 Census

## Older Persons' Housing Needs

10.22 Given the ageing population and higher levels of disability and health problems amongst older people there is likely to be an increased requirement for specialist housing options moving forward. The analysis in this section draws on data from the Housing Learning and Information Network (Housing LIN) along with demographic projections to provide an indication of the potential level of additional specialist housing that might be required for older people in the future.

### Current Stock of Specialist Housing

10.23 The table below shows the current supply (stock) of specialist housing for older people. This is split between sheltered housing (which contains two categories) and extra-care housing; analysis is also provided of the tenure of the housing (split between market and affordable). The categories of specialist housing are defined as:

- *Sheltered housing:* Schemes/properties are included where some form of scheme manager (warden) service is provided on site on a regular basis but where no registered personal care is

provided. A regularly visiting scheme manager service may qualify as long as s/he is available to all residents when on site. An on-call-only service does not qualify a scheme to be included in sheltered stats. In most cases schemes will also include traditional shared facilities - a residents' lounge and possibly laundry and garden.

- *Enhanced sheltered housing.* Schemes/properties are included where service provision is higher than for sheltered housing but below extra care level. Typically, there may be 24/7 staffing cover, at least one daily meal will be provided and there may be additional shared facilities.
- *Extra care housing:* Schemes/properties are included where care (registered personal care) is available on site 24/7.

10.24 At present, it is estimated that there are just under 3,300 units of specialist accommodation across the HMA; this is equivalent to 117 units per 1,000 people aged 75 and over. The analysis shows a significantly higher proportion of the stock is in the affordable than the market sector (88% vs. 12%).

**Table 94: Current Supply (Stock) of Specialist Housing for Older People**

| | Type of housing | Market | Affordable | Total | Supply per 1,000 aged 75+ |
|---|---|---|---|---|---|
| Chorley | Sheltered | 78 | 708 | 786 | 90 |
| | Extra-Care | 0 | 24 | 24 | 3 |
| | Total | 78 | 732 | 810 | 93 |
| Preston | Sheltered | 190 | 1,043 | 1,233 | 129 |
| | Extra-Care | 0 | 74 | 74 | 8 |
| | Total | 190 | 1,117 | 1,307 | 136 |
| South Ribble | Sheltered | 115 | 976 | 1,091 | 112 |
| | Extra-Care | 0 | 74 | 74 | 8 |
| | Total | 115 | 1,050 | 1,165 | 119 |
| Central Lancashire | Sheltered | 383 | 2,727 | 3,110 | 111 |
| | Extra-Care | 0 | 172 | 172 | 6 |
| | Total | 383 | 2,899 | 3,282 | 117 |

Source: Housing LIN

**Projected Future Need for Specialist Housing**

10.25 A toolkit has been developed by Housing LIN, in association with the Elderly Accommodation Council and endorsed by the Department of Health, to identify potential demand for different types of specialist housing for older people and model future range of housing and care provision. It suggests that there should be around 170 units of specialised accommodation (other than registered care home places) per thousand people aged over 75 years.

10.26 The table below shows the change in the population aged 75 and over and what this would mean in terms of provision at 170 units per 1,000 population. The analysis shows a potential need for around 3,400-3,500 units – 168-173 per annum in the 2014-34 period – this is between 15% and 18% of the total need identified in the demographic modelling. The table below also provides annual figures for each of the local authorities. Generally, needs are projected to be lower in Preston than other areas, this reflects the age profile of the area.

**Table 95: Projected need for Specialist Housing for Older People (2014-34) – Central Lancashire**

| | 2014-based SNPP | 15-year migration |
|---|---|---|
| Population aged 75+ (2014) | 27,504 | 27,504 |
| Population aged 75+ (2034) | 47,300 | 47,838 |
| Change in population aged 75+ | 19,796 | 20,334 |
| Specialist housing need (@ 170 units per 1,000) | 3,365 | 3,457 |
| Per annum need (2014-34) | 168 | 173 |
| Chorley | 74 | 72 |
| Preston | 37 | 38 |
| South Ribble | 58 | 62 |

Source: Derived from demographic projections and Housing LIN

**Types and Tenures of Specialist Housing**

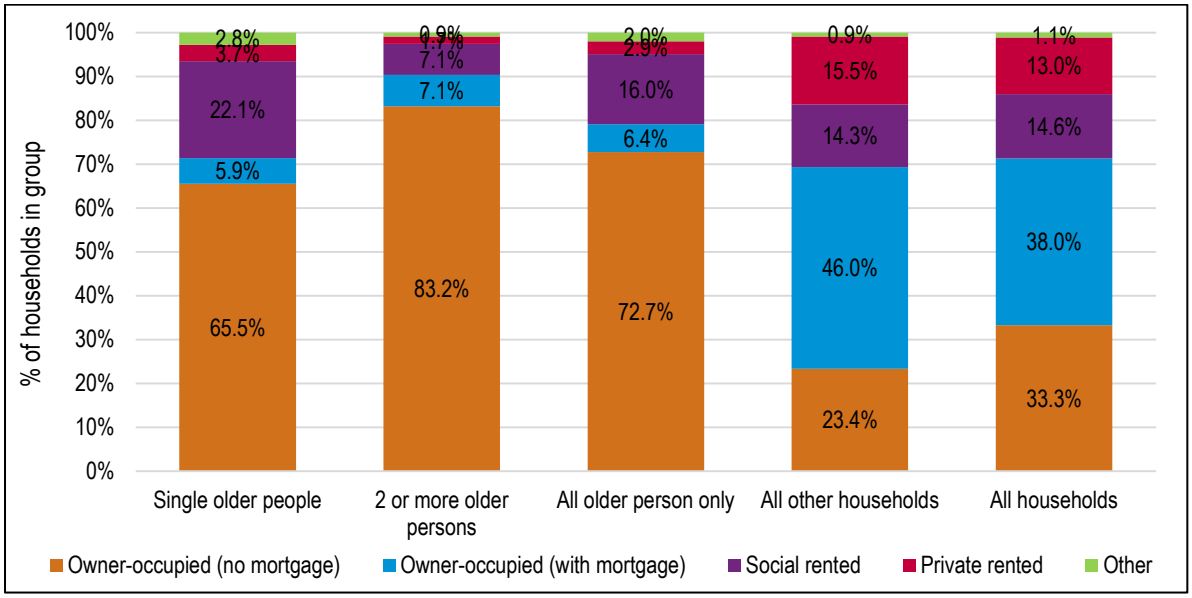
10.27 The figure below shows the tenure of older person households – the data has been split between single older person households and those with two or more older people (which will largely be couples). The data shows that older person households are relatively likely to live in outright owned accommodation (73%) and are also slightly more likely than other households to be in the social rented sector. The proportion of older person households living in the private rented sector is relatively low (3% compared with 13% of all households in the HMA).

10.28 There are however notable differences for different types of older person households with single older people having a much lower level of owner-occupation than larger older person households – this group also has a much higher proportion living in the social rented sector.

10.29 Given that the number of older people is expected to increase in the future and that the number of single person households is expected to increase this would suggest (if occupancy patterns remain the same) that there will be a notable demand for affordable housing from the ageing population. That said, the proportion of older person households who are outright owners (with significant equity) may mean that market solutions will also be required to meet their needs.

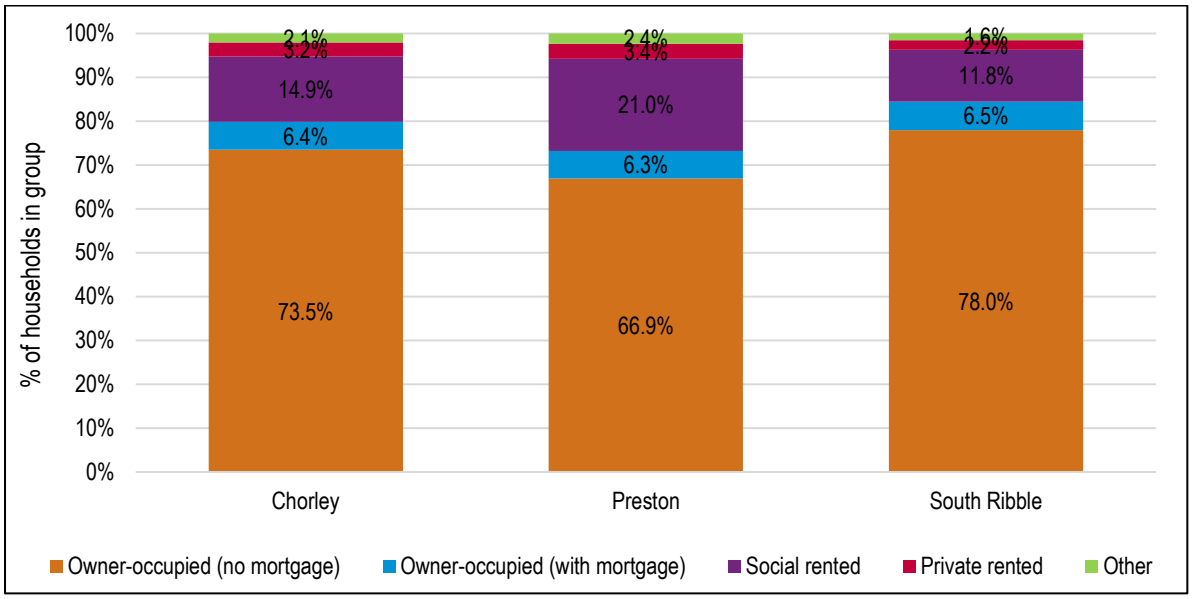
10.30 For individual local authorities (data in the second figure below) the tenure profile of older persons is broadly similar; although Preston sees a lower level of outright ownership (and more households in the social rented sector); the opposite being the case in South Ribble. The data shown is for all older person households (i.e. combining single person households and those with two or more older people).

**Figure 58: Tenure of Older Person Households – Central Lancashire (2011)**




Source: 2011 Census

**Figure 59: Tenure of Older Person Households – by local authority (2011)**




Source: 2011 Census

10.31 The analysis therefore shows that the current profile of older person households is significantly biased towards outright ownership, with the current supply having a notably higher proportion of affordable homes. Moving forward, it is suggested that additional specialist housing should be split roughly 60:40 between the market and affordable sectors. This reflects the likely 'market' for specialist housing products as well as the current tenure profile of older person households (including the likely increase in the number of single person older households where levels of home ownership are slightly lower). The 60:40 split is consistent with suggestions by Housing LIN[14].

[14] See: http://www.housinglin.org.uk/_library/Resources/Housing/Support_materials/Reports/MCGVdocument.pdf

10.32 The analysis is not specific about the types of specialist housing that might be required; we would consider that decisions about mix should be taken at a local level taking account of specific needs and the current supply of different types of units available (for example noting that at present the dominant type of housing is traditional sheltered accommodation). There may also be the opportunity moving forward for different types of provision to be developed as well as the more traditional sheltered and Extra-Care housing.

10.33 Within the different models and assumptions made regarding the future need for specialist retirement housing (normally defined as a form of congregate housing designed exclusively for older people which usually offers some form of communal space, community alarm service and access to support and care if required), there may for example be an option to substitute some of this specialist provision with a mix of one and two bedroomed housing aimed to attract 'early retired' older people which could be designated as age specific or not. Such housing could be part of the general mix of one and two bedroom homes but built to Lifetime Homes standards in order to attract retired older people looking to 'down size' but perhaps not wanting to live in specialist retirement housing.

10.34 Our experience when carrying out stakeholder work as part of other similar commissions typically identifies a demand for bungalows. Where developments including bungalows are found it is clear that these are very popular to older people downsizing. It should be acknowledged that providing significant numbers of bungalows involves cost implications for the developer given the typical plot size compared to floor space – however providing an element of bungalows should be given strong consideration on appropriate sites, allowing older households to downsize while freeing up family accommodation for younger households.

## Registered Care Bedspaces (C2 use class)

10.35 As well as the need for specialist housing for older people the analysis needs to consider Registered Care. As with the analysis of potential need for specialist accommodation, the analysis below considers changes to the number of people aged 75 and over who are expected to be living in some form of institutional housing. This is a direct output of the demographic modelling which indicates an increase of 1,850-1,900 people living in institutions over the 2014-34 period (92-94 per annum). These figures are important to note if the Councils intend to include C2 class uses in their assessment of 5-year housing land supply as it will be necessary to include figures on both the need and supply side of the equation.

**Table 96: Potential Need for Residential Care Housing (2014-34) – Central Lancashire**

| | 2014-based SNPP | 15-year migration |
|---|---|---|
| Institutional population aged 75+ (2014) | 2,178 | 2,178 |
| Institutional population aged 75+ (2034) | 4,024 | 4,067 |
| Change in institutional population aged 75+ | 1,846 | 1,889 |
| Per annum 'need' (2014-34) | 92 | 94 |
| Chorley | 44 | 43 |
| Preston | 20 | 20 |
| South Ribble | 29 | 31 |

Source: Derived from demographic projections

## Wheelchair User Housing

10.36 Information about the need for housing for wheelchair users is difficult to obtain (particularly at a local level) and so some brief analysis has been carried out based on national data within a research report by Habinteg Housing Association and London South Bank University (Supported by the Homes and Communities Agency) - *Mind the Step: An estimation of housing need among wheelchair users in England*. This report provides information at a national and regional level although there are some doubts about the validity even of the regional figures; hence the focus is on national data.

10.37 The report identifies that around 84% of homes in England do not allow someone using a wheelchair to get to and through the front door without difficulty and that once inside, it gets even more restrictive. Furthermore, it is estimated (based on English House Condition Survey data) that just 0.5% of homes meet criteria for 'accessible and adaptable', while 3.4% are 'visitable' by someone with mobility problems (data from the CLG Guide to available disability (taken from the English Housing Survey) puts the proportion of 'visitable' properties at a slightly higher 5.3%).

10.38 Overall, the report estimates that there is an unmet need for wheelchair adapted dwellings equivalent to 3.5 per 1,000 households – in Central Lancashire, as of 2014, this would represent a need for about 530 wheelchair adapted dwellings. Moving forward, the report estimates a wheelchair accessibility need from around 3% of households. If 3% is applied to the household growth in the demographic projections (2014-34) then there would be an additional need for around 545-683 wheelchair user homes. If this figure is brought together with the estimated current need then the total wheelchair user need would be for around 1,076-1,214 homes – this is about 5%-6% of the total household growth in the projections.

**Table 97: Estimated need for wheelchair user homes (2014-2034) – Central Lancashire**

| | | Current need | Projected need (2014-34) | Total | Total household growth | % wheelchair |
|---|---|---|---|---|---|---|
| Chorley | 2014-based SNPP | 164 | 299 | 464 | 9,968 | 4.7% |
| | 15-year migration | 164 | 245 | 409 | 8,161 | 5.0% |
| Preston | 2014-based SNPP | 203 | 139 | 342 | 4,648 | 7.4% |
| | 15-year migration | 203 | 233 | 436 | 7,762 | 5.6% |
| South Ribble | 2014-based SNPP | 163 | 107 | 270 | 3,560 | 7.6% |
| | 15-year migration | 163 | 206 | 369 | 6,859 | 5.4% |
| Central Lancashire | 2014-based SNPP | 531 | 545 | 1,076 | 18,176 | 5.9% |
| | 15-year migration | 531 | 683 | 1,214 | 22,783 | 5.3% |

Source: Derived from demographic projections and Habinteg prevalence rates

10.39 Information in the CLG Guide to available disability data, also provides some historical national data about wheelchair users by tenure (data from the 2007/8 English Housing Survey). This showed around 7.1% of social tenants to be wheelchair uses, compared with 2.3% of owner-occupiers (there was insufficient data for private renting, suggesting that the number is low). This may impact on the proportion of different tenures that should be developed to be wheelchair accessible (although it should be noted that the PPG (56-009) states that *'Local Plan policies for wheelchair accessible homes should be applied only to those dwellings where the local authority is responsible for allocating or nominating a person to live in that dwelling'*).

**Specialist Housing Needs: Key Messages**

- Planning Practice Guidance note 56 (Housing: optional technical standards) sets out how local authorities can gather evidence to set requirements on a range of issues (including accessibility and wheelchair housing standards, water efficiency standards and internal space standards). The SHMA considered the first two of these (i.e. accessibility and wheelchair housing) as well as considering the specific needs of older people. The SHMA draws on a range of data sources, as suggested by CLG and also some more traditionally used in assessments such as this (e.g. from Housing LIN). This is to consider the need for Building Regulations M4(2) (accessible and adaptable dwellings), and M4(3) (wheelchair user dwellings).

- The data shows that in general, Central Lancashire has a similar level of disability when compared with the national position, but that an ageing population means that the number of people with disabilities is expected to increase substantially in the future. Key findings include:

  - 46%-48% increase in the population aged 65+ (accounting for potentially over 100% of total population growth);
  - 15%-18% of household growth identified in the CLG projections to be specialist housing for older persons;
  - 65%-67% increase in the number of older people with mobility problems (representing around a fifth of all population growth);
  - 26%-29% increase in the number of people with a long-term health problem or disability (LTHPD) (representing at least 50% of all population growth);
  - concentrations of LTHPD in the social rented sector; and
  - a need for around 5%-6% of dwellings to be wheelchair adapted (M4(3))

- This would suggest that there is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings. The exact proportion of homes in categories M4(2) and M4(3) is for the Council to consider based on this evidence and also any other relevant information (e.g. about viability). In seeking M4(2) compliant homes the Council should also be mindful that such homes could be considered as 'homes for life' and would be suitable for any occupant, regardless of whether or not they have a disability at the time of initial occupation.

- The Councils should also consider if a different approach is prudent for market housing and affordable homes, recognising that Registered Providers may already build to higher standards, and that households in the affordable sector are more likely to have some form of disability.

# 11 CONCLUSIONS AND RECOMMENDATIONS

11.1 This final section brings together the findings of the SHMA Report. It is structured to set out GL Hearn's conclusions in turn: regarding the geography of the housing market area; the overall objectively assessed need for housing; findings relating to the need for different types of homes.

11.2 It should be reiterated that **the OAN figure is not the housing target.** It is an input to determining or reviewing housing targets in local plans alongside wider evidence. The housing target itself will be informed by the OAN but will also take into account wider factors such as sustainability, infrastructure constraints and land availability. It may also be necessary to take into account the unmet needs of neighbouring housing market areas.

## Housing and Functional Economic Market Areas

11.3 The balance of evidence across the three local authorities suggests that they fall within a single and common housing market area. In market-terms (as reflected in the house price analysis) there are some distinction particularly in relation to the urban areas of Preston and more rural areas of Chorley, South Ribble and indeed northern Preston. However for some products, such as semi-detached homes, house prices are almost identical.

11.4 Both migration and Travel to Work patterns identify a degree of self-containment which approaches or exceeds expected thresholds for housing market areas. Preston has a high level of self-containment in its own right influenced by its size, but together the self-containment level increases with over 80% self-containment of migration flows (excluding long distance) shown across the three authorities together. There are clear migration and commuting relationships between the three authorities which fall within a common Travel to Work Area, which extends to include some parts of Wyre, Fylde and Ribble Valley administrative areas.

11.5 In GL Hearn's view, the triangulation of the sources strongly supports defining a single HMA and FEMA across the Central Lancashire area.

11.6 It is however important to recognise overlaps between authorities and markets in this area. As with any HMA, the boundaries are porous and overlapping. In the context of the Duty to Cooperate, the authorities should continue to engage on strategic housing issues – not only in the preparation of the SHMA but also the subsequent development or review of plan policies – with most of their neighbouring authorities, in particular Wyre, Fylde and Ribble Valley, Bolton, Wigan, Blackpool and West Lancashire administrative areas.

## Housing Need

11.7 The report has followed the approach set out in the PPG to defining housing need. It has started out by considering trend-based demographic projections; and then considered whether there is a case

for adjusting the assessed housing need – to either support economic growth, or improve affordability (taking account of evidence from market signals and of affordable housing need).

**Demographic Analysis**

11.8 In line with the NPPF and PPG (and reflecting the recent St Modwen's decision) housing need should be across the HMA, with the authorities then working together to meet the need identified where it is sustainable to do so.

11.9 The HMA has a baseline population of just over 350,000 people. The latest official household projections are CLG 2014-based Household Projections. These expect an increase of around 18,200 households between 2014-34, equivalent to 12% household growth. This is based on a 7% increase in population.

11.10 Updating these figures to take account of the latest population estimates increases the growth across the HMA to just over 19,000 for the same period, equivalent to 12.5% household growth; with a 7.4% increase in population.

11.11 The short-term migration trends feeding into the official projections have however been below longer-term migration trends across the HMA. Taking account of the latest mid-year population estimates and returning migration levels back to that seen over the last 15-years would see the population growth increase by some 10.2%. It is suggested in drawing conclusions, both the official (2014-based) and the 15-year trends should be used to understand potential housing need. These projections set out a range of population growth of up to 10.2%. They provide a set of parameters for how the population could be expected to grow on a trend basis.

11.12 The household formation rates in the 2014-based household projections have been examined and notwithstanding local variation appear reasonable. There is no substantive evidence that these project forward suppressed household formation based on interrogation of the data. Furthermore the majority of historic change/suppression can be attributed to structural changes in the population.

11.13 Applying the 2014-based household formation rates to the longer-term migration trends scenario suggests a need for about 1,171 dwellings per annum across the HMA for the 2014 to 2034 period.

11.14 Both the scale and geography of housing need are influenced by the period from migration is projected, with the conclusions pointing to a demographic-led need for housing of between 923 – 1,171 dpa across the HMA (2014-34). The different demographic scenarios show variation in the distribution of housing need within the HMA, influenced in part by migration dynamics within the HMA. The evidence points to net out-migration from Preston to South Ribble and Chorley.

**Supporting Economic Growth**

11.15 We have purchased forecasts for the Central Lancashire HMA from Oxford Economics. These showed a growth of employment at around 515 jobs per annum. These forecasts were augmented with information from each of the local authorities in relation to factors which could result in a higher level of employment growth than the baseline forecasts. This planned growth scenario result in a job growth of 766 jobs per annum. The SHMA identifies these as parameters for economic growth.

11.16 The 15 year migration scenario supports growth in the economically active population of 16,100 across the HMA. This exceeds the economic growth in the Planned Growth Scenario of 15,300 (2014-34).

11.17 The economic-led scenarios modelled show a need for housing between 1,031 – 1,184 dpa across the Housing Market Area. At 1,184 dwellings per annum across the HMA, the resultant housing need from the economic-led need is broadly Is similar to the higher end of the demographic-led projections, suggesting that this is a reasonable projection scenario.

11.18 However workforce growth is expected to be strongest in Preston, influenced by its younger population structure; whereas jobs growth is expected to be stronger in South Ribble and Chorley. The issue which arises is particularly one of spatial distribution of housing provision. The evidence points to the three authorities sitting in a common Travel to Work Area and shows strong commuting and migration inter-relationships between them. In GL Hearn's experience, stronger weight should also be given to the realism of assessments of economic growth at the HMA level given the complexity of influences on future economic performance and the inter-relationship between this and housing need.

11.19 The distribution of housing can be achieved through considering and potentially agreeing a distribution of housing provision through the Duty to Cooperate.

**Affordable Housing Need and Market Signals**

11.20 The report has considered the need for affordable housing; using the Basic Needs Assessment Model recommended in the PPG. Using the available information, it identifies a net need for 620 affordable homes per annum across the HMA for the 2014-34 period.

11.21 As the report explains this would represent the 'theoretical need' for affordable homes if all households who needed some form of support in meeting their housing need were to be allocated an affordable home. However the affordable needs calculations include the needs arising from existing households who require an alternative type/ size of home (and would thus release their current homes) and from newly forming households who are already included in the demographic growth.

11.22 The analysis of market signals points to house prices which are generally below the national trends and above the regional trends in South Ribble and Chorley and generally below both in Preston. The evidence does not point to particular 'market imbalance' across the whole housing market area. There is however some evidence that affordability deteriorated over the 2001-11 period. Over this period – like in many areas across the country – levels of renting grew and home ownership fell. However the recent evidence is of reasonable stable house prices in real terms, and a real term fall in rents in two of the authorities.

11.23 Any response to market signals should be proportionate and applied to the baseline demographic "starting point". However across the HMA the economic-led scenario is already 27% above the "starting point" while the longer term trend demographic output is 25% above it. Therefore the use of any of these scenarios would make a positive contribution to addressing affordability issues.

**OAN Conclusions**

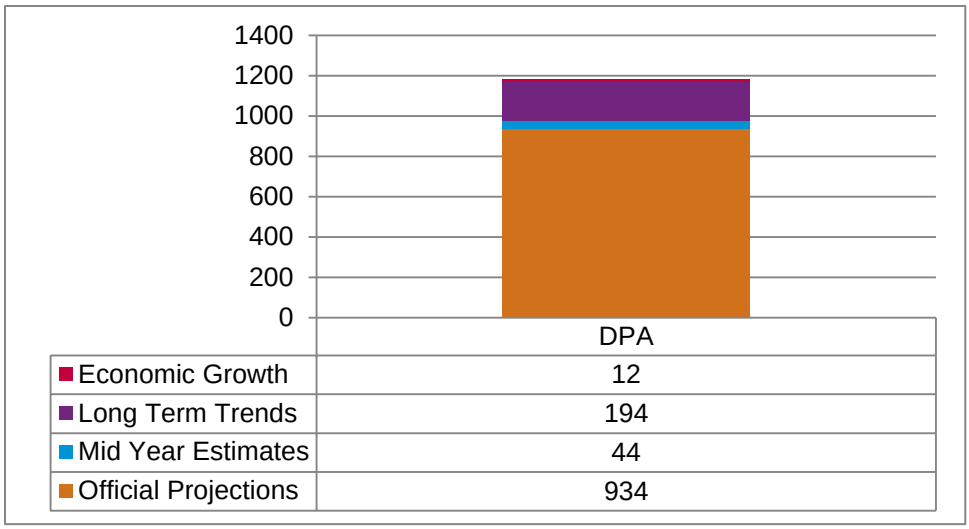
11.24 The SHMA brings this analysis together and draws conclusions on overall objectively-assessed housing need (OAN) at both an HMA level and for individual authorities. Greater weight should be given to the HMA-level conclusions.

11.25 At the HMA level, the demographic starting point (2014-based SNPP) is a need for 934 dpa (2014-34). A 10 year migration would see this fall slightly to 923 dpa, whilst a 15 year scenario would see a need for 1,171 dpa.

11.26 The evidence does not show acute affordability issues or a particular imbalance between supply/demand within the HMA There is evidence of affordable housing need in all three authorities, which would however justify consideration of an upward adjustment in drawing conclusions on OAN. Our analysis finds that a 10% upward adjustment could be warranted to the demographic starting point in Chorley and South Ribble, based on the market signals and affordable housing evidence. This results in a need across the HMA of 1,003 dwellings.

11.27 The economic evidence however suggests that additional in-migration could be required to support employment growth. The economic-led scenarios show a need for between 1,031 – 1,184 dpa. The consistency of the higher end of the range with the 15 year migration trend scenarios shows that it is realistic. GL Hearn conclude that the OAN is for 1184 dpa across the Central Lancashire HMA over the 2014-34 period. The derivation of the objectively-assessed need for the HMA is as shown below.

**Figure 60: Objectively-Assessed Housing Need, Dwellings per annum, 2014-34**




11.28 The spatial distribution of need within the HMA varies depending on judgements made on projections. There has been a historical over-delivery of homes in Chorley relative to housing requirement policies, compared to an under-delivery in Preston and South Ribble. Economic growth is expected to be stronger in Chorley and South Ribble, but there is a younger population structure in Preston which will see stronger workforce growth. There are choices to be made about where employment and housing growth are directed in this respect.

11.29 At an local authority basis, we have therefore drawn conclusions on OAN expressed as a range:

- Chorley: 419- 519 dpa;
- Preston: 225 - 402 dpa;
- South Ribble: 351- 440 dpa;

11.30 However primacy should be given to the HMA-level conclusions in line with national policy which emphasises assessment of OAN at a housing market area level.

11.31 Furthermore GL Hearn considers that where an authority is meeting the unmet needs from another, this will support population and workforce growth within the receiving authority's area. On this basis it is important not to double count unmet needs and provision to meet economic growth.

**Housing Mix**

11.32 Overall, a net need for 640 affordable homes per annum across the HMA for the 2014-34 period has been identified, based on a sliding affordability threshold). There is thus a requirement for new affordable housing in the HMA (and each District) and the Councils are justified in seeking to secure additional affordable housing.

11.33 The analysis undertaken suggests that of the affordable need, as currently defined in the NPPF, 12% of the need is for intermediate housing and 88% for social/ affordable rent.

11.34 There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability.

11.35 The analysis linked to long-term (2014-34) demographic change concludes that the table below represents an appropriate mix of affordable and market homes.

**Table 98: Recommended Housing Mix by Size and Tenure**

| | 1-bed | 2-bed | 3-bed | 4+ bed |
|---|---|---|---|---|
| Market | 0-5% | 25-30% | 50-55% | 15-20% |
| Low-cost home ownership | 15-20% | 40-45% | 30-35% | 5-10% |
| Affordable housing (rented) | 35-40% | 30-35% | 20-25% | 5-10% |

11.36 The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

11.37 The mix identified above should inform strategic policies. In applying these to individual development sites regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

11.38 The analysis of an appropriate mix of dwellings should also inform the 'portfolio' of sites which are considered by each local authority through its local plan process. Equally it will be of relevance to affordable housing negotiations.

11.39 The analysis within the main report also looked at the housing mix in each of the three local authority areas. Whilst there were differences between locations, it is not considered that these are so great as to point towards a different profile of new housing being needed when compared to HMA level findings.

**Needs of Specific Groups**

11.40 The SHMA draws on a range of data sources, as suggested by CLG and also some more traditionally used in assessments such as this (e.g. from Housing LIN). This is to consider the need for Building Regulations M4(2) (accessible and adaptable dwellings), and M4(3) (wheelchair user dwellings).

11.41 The data shows that in general, Central Lancashire has a similar level of disability when compared with the national position, but that an ageing population means that the number of people with disabilities is expected to increase substantially in the future. Key findings include:

- 46%-48% increase in the population aged 65+ (accounting for potentially over 100% of total population growth);

- 15%-18% of household growth identified in the CLG projections to be specialist housing for older persons;
- 65%-67% increase in the number of older people with mobility problems (representing around a fifth of all population growth);
- 26%-29% increase in the number of people with a long-term health problem or disability (LTHPD) (representing at least 50% of all population growth);
- concentrations of LTHPD in the social rented sector; and
- a need for around 5%-6% of dwellings to be wheelchair adapted (M4(3))

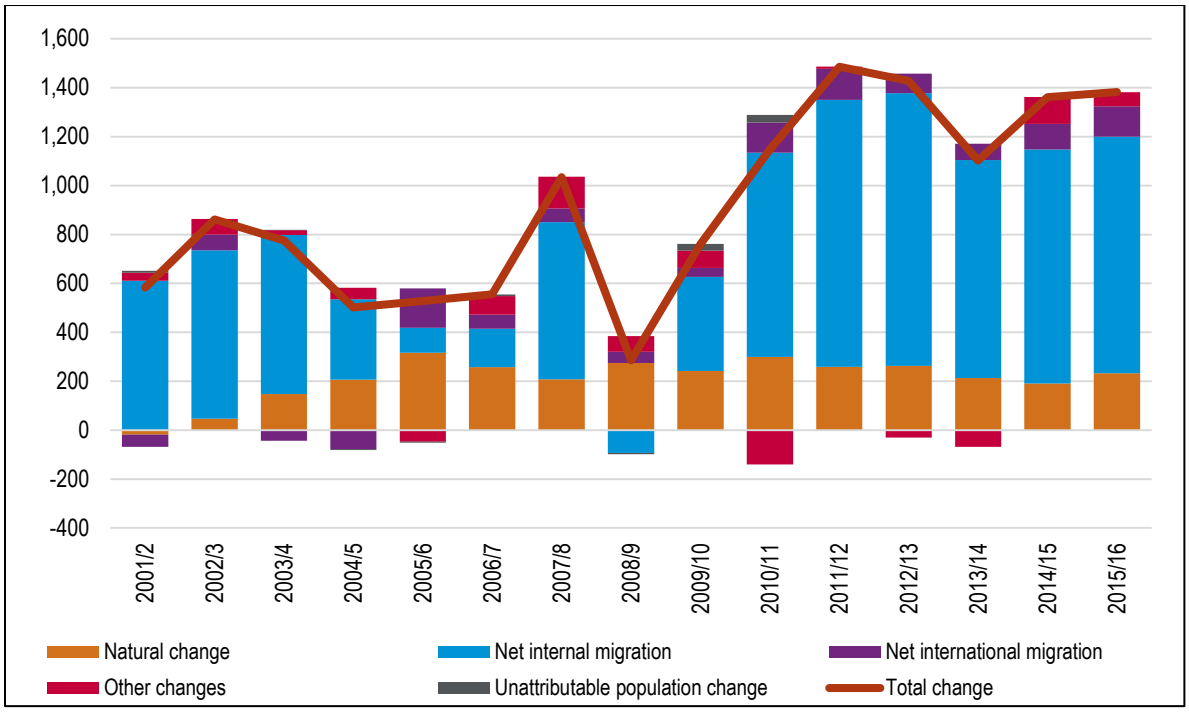
11.42 This would suggest that there is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings. The exact proportion of homes in categories M4(2) and M4(3) is for the Council to consider based on this evidence and also any other relevant information (e.g. about viability).

11.43 The Councils should also consider if a different approach is prudent for market housing and affordable homes, recognising that Registered Providers may already build to higher standards, and that households in the affordable sector are more likely to have some form of disability.

# Appendices

## APPENDIX A: Demographic Projections – Background Data

**Figure 61: Components of population change, mid-2001 to mid-2016 – Chorley**



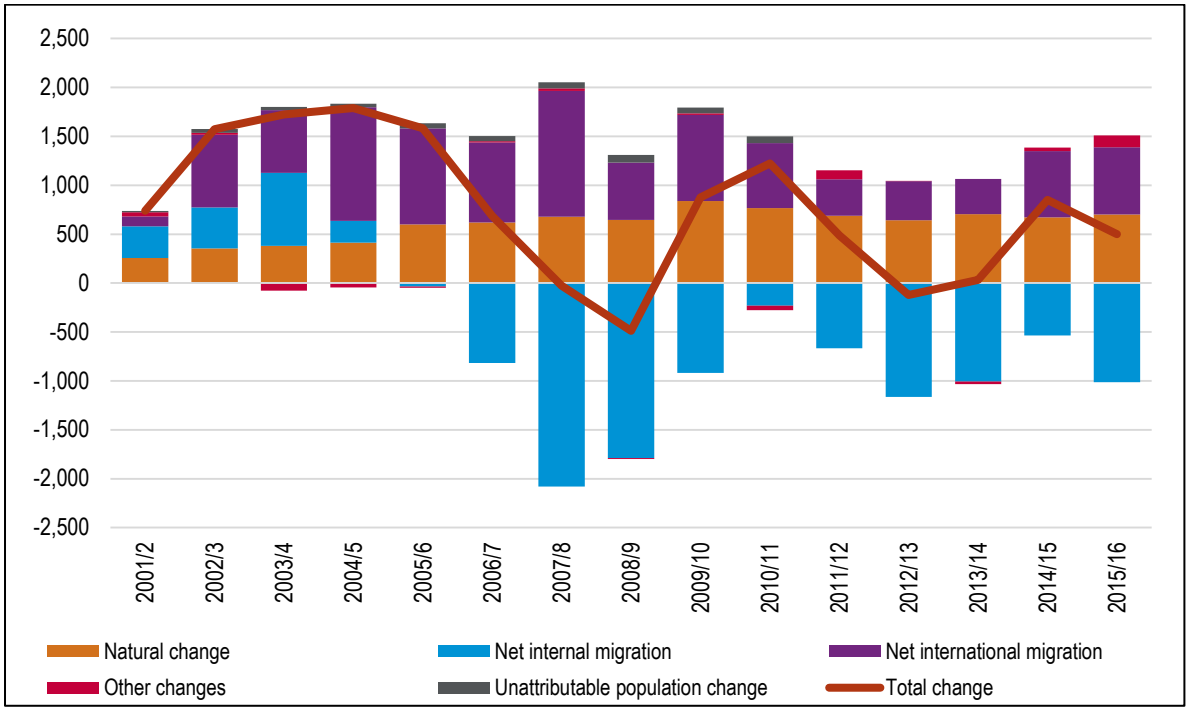

Source: ONS

**Table 99: Components of population change, mid-2001 to mid-2016 – Chorley**

| Year | Natural change | Net internal migration | Net international migration | Other changes | Other (unattrib-utable) | Total change |
|---|---|---|---|---|---|---|
| 2001/2 | -19 | 611 | -50 | 32 | 9 | 583 |
| 2002/3 | 47 | 688 | 65 | 64 | -3 | 861 |
| 2003/4 | 148 | 650 | -44 | 20 | 1 | 775 |
| 2004/5 | 207 | 328 | -77 | 47 | -4 | 501 |
| 2005/6 | 317 | 102 | 160 | -48 | -3 | 528 |
| 2006/7 | 258 | 157 | 57 | 76 | 7 | 555 |
| 2007/8 | 208 | 643 | 56 | 129 | -2 | 1,034 |
| 2008/9 | 274 | -93 | 46 | 65 | -6 | 286 |
| 2009/10 | 242 | 384 | 37 | 71 | 27 | 761 |
| 2010/11 | 299 | 836 | 123 | -141 | 31 | 1,148 |
| 2011/12 | 259 | 1,091 | 127 | 9 | 0 | 1,486 |
| 2012/13 | 263 | 1,115 | 80 | -30 | 0 | 1,428 |
| 2013/14 | 213 | 892 | 66 | -69 | 0 | 1,102 |
| 2014/15 | 191 | 956 | 105 | 110 | 0 | 1,362 |
| 2015/16 | 232 | 968 | 124 | 58 | 0 | 1,382 |

Source: ONS

**Figure 62: Components of population change, mid-2001 to mid-2016 – Preston**



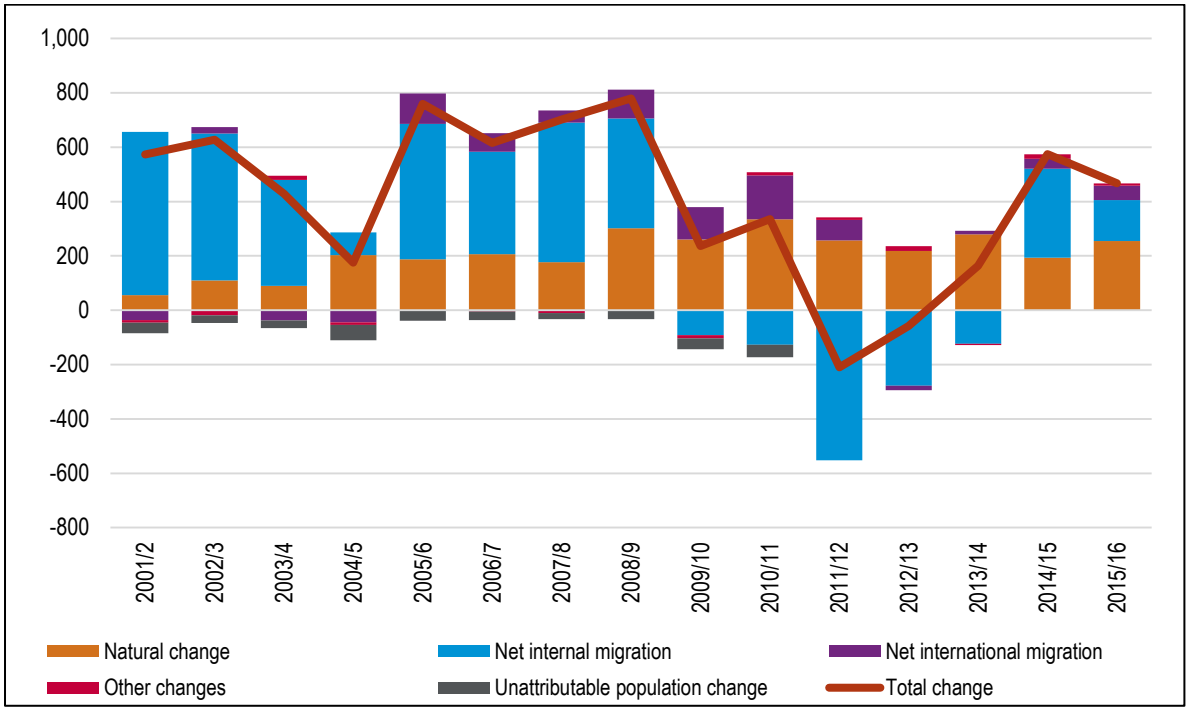

Source: ONS

**Table 100: Components of population change, mid-2001 to mid-2016 – Preston**

| Year | Natural change | Net internal migration | Net international migration | Other changes | Other (unattrib-utable) | Total change |
|---|---|---|---|---|---|---|
| 2001/2 | 255 | 326 | 101 | 41 | 15 | 738 |
| 2002/3 | 355 | 419 | 741 | 21 | 39 | 1,575 |
| 2003/4 | 382 | 745 | 642 | -76 | 32 | 1,725 |
| 2004/5 | 413 | 223 | 1,163 | -45 | 36 | 1,790 |
| 2005/6 | 599 | -35 | 981 | -14 | 53 | 1,584 |
| 2006/7 | 620 | -818 | 818 | 13 | 53 | 686 |
| 2007/8 | 677 | -2,079 | 1,289 | 24 | 62 | -27 |
| 2008/9 | 646 | -1,789 | 584 | -9 | 81 | -487 |
| 2009/10 | 839 | -918 | 879 | 16 | 59 | 875 |
| 2010/11 | 766 | -231 | 666 | -47 | 69 | 1,223 |
| 2011/12 | 689 | -668 | 371 | 94 | 0 | 486 |
| 2012/13 | 642 | -1,164 | 399 | 2 | 0 | -121 |
| 2013/14 | 703 | -1,008 | 363 | -25 | 0 | 33 |
| 2014/15 | 672 | -536 | 678 | 36 | 0 | 850 |
| 2015/16 | 700 | -1,012 | 689 | 122 | 0 | 499 |

Source: ONS

**Figure 63: Components of population change, mid-2001 to mid-2016 – South Ribble**



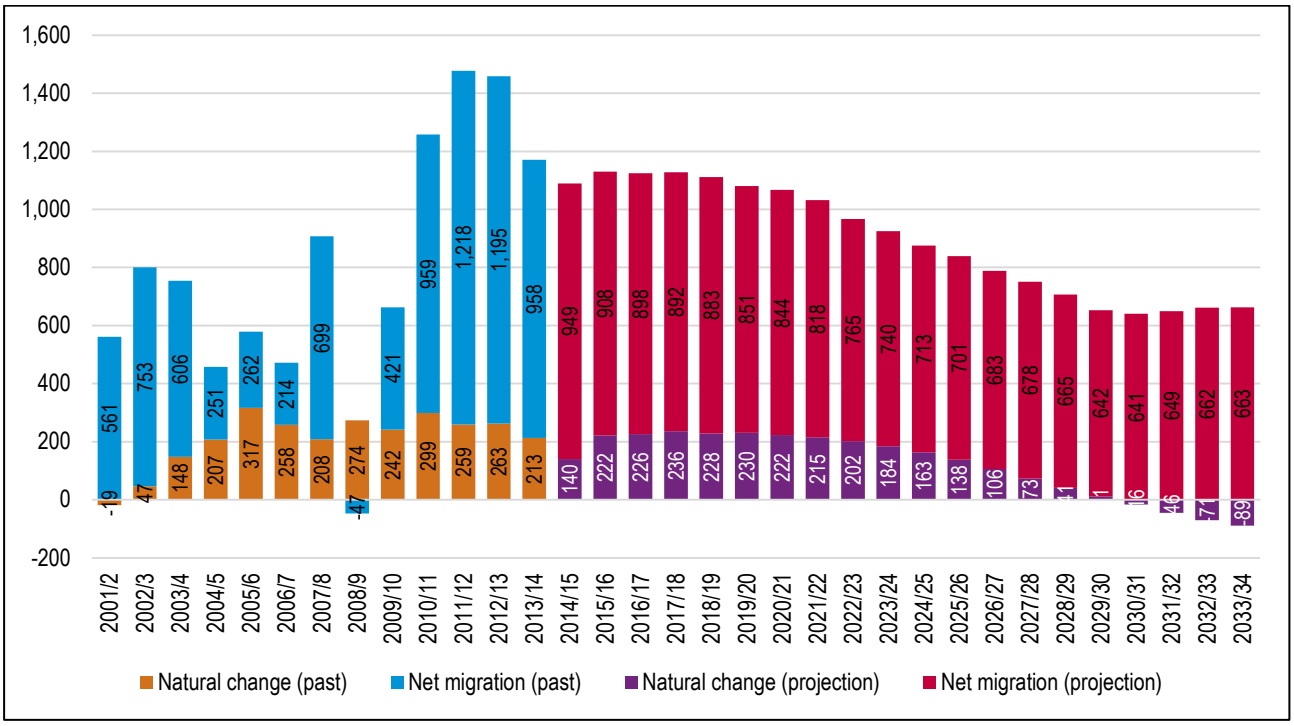

Source: ONS

**Table 101: Components of population change, mid-2001 to mid-2016 – South Ribble**

| Year | Natural change | Net internal migration | Net international migration | Other changes | Other (unattrib-utable) | Total change |
|---|---|---|---|---|---|---|
| 2001/2 | 56 | 601 | -36 | -10 | -38 | 573 |
| 2002/3 | 110 | 540 | 24 | -19 | -28 | 627 |
| 2003/4 | 90 | 390 | -37 | 15 | -29 | 429 |
| 2004/5 | 203 | 83 | -45 | -9 | -57 | 175 |
| 2005/6 | 187 | 499 | 112 | -2 | -37 | 759 |
| 2006/7 | 206 | 377 | 69 | -5 | -31 | 616 |
| 2007/8 | 177 | 513 | 45 | -10 | -23 | 702 |
| 2008/9 | 302 | 404 | 106 | 0 | -33 | 779 |
| 2009/10 | 261 | -92 | 119 | -11 | -40 | 237 |
| 2010/11 | 335 | -127 | 161 | 12 | -46 | 335 |
| 2011/12 | 257 | -552 | 75 | 10 | 0 | -210 |
| 2012/13 | 218 | -278 | -16 | 18 | 0 | -58 |
| 2013/14 | 279 | -124 | 13 | -4 | 0 | 164 |
| 2014/15 | 194 | 327 | 36 | 17 | 0 | 574 |
| 2015/16 | 255 | 150 | 54 | 8 | 0 | 467 |

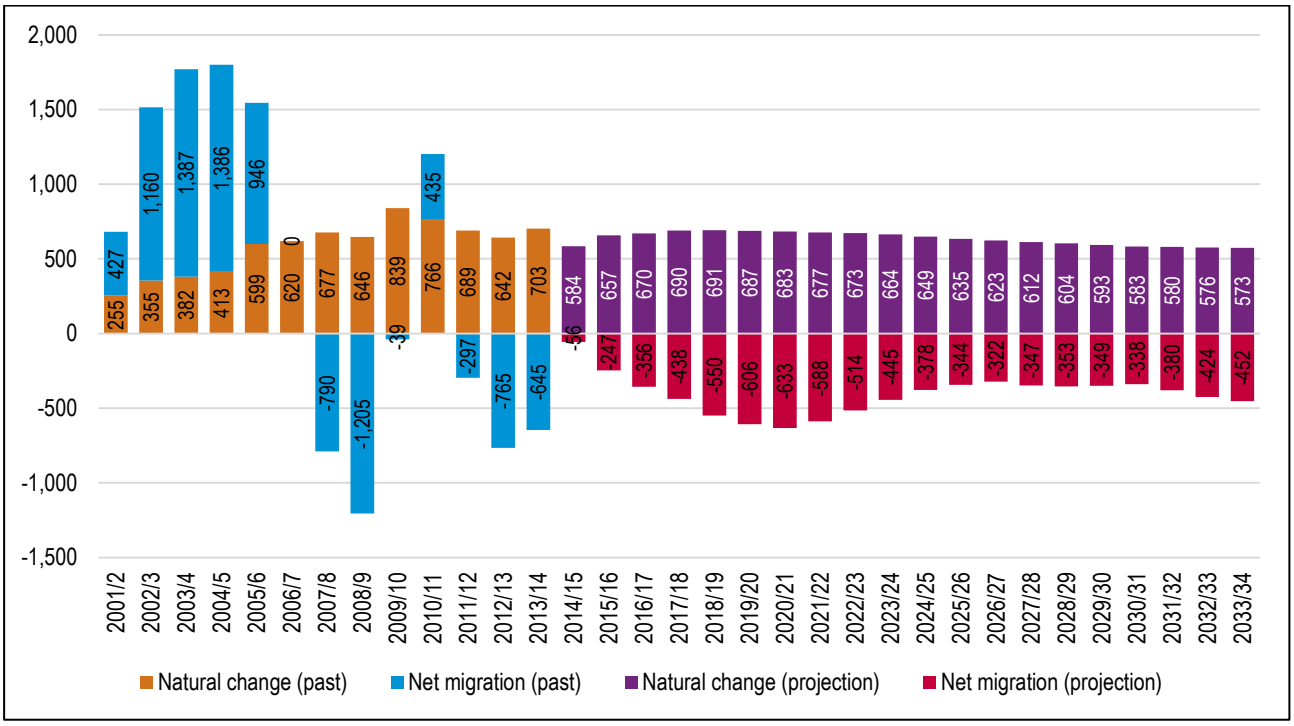
Source: ONS

**Figure 64: Components of population change, mid-2001 to mid-2034 (summary chart) – Chorley**



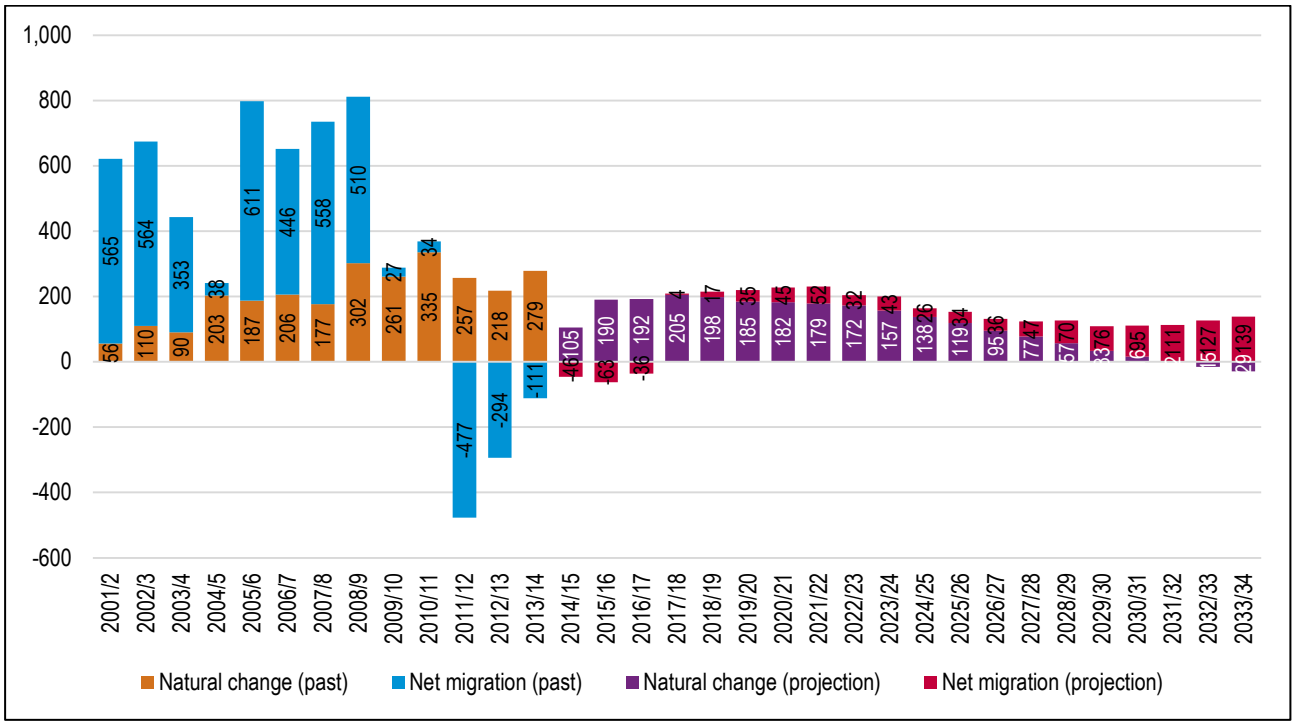

Source: ONS

**Figure 65: Components of population change, mid-2001 to mid-2034 (summary chart) – Preston**




Source: ONS

**Figure 66: Components of population change, mid-2001 to mid-2034 (summary chart) – South Ribble**




Source: ONS

**Table 102: Population change 2014 to 2034 by fifteen-year age bands (2014-based SNPP) – Chorley**

| Age group | Population 2014 | Population 2034 | Change in population | % change from 2014 |
|---|---|---|---|---|
| Under 15 | 19,181 | 21,183 | 2,002 | 10.4% |
| 15-29 | 18,858 | 19,619 | 761 | 4.0% |
| 30-44 | 22,018 | 23,287 | 1,269 | 5.8% |
| 45-59 | 23,893 | 23,707 | -186 | -0.8% |
| 60-74 | 19,243 | 24,463 | 5,220 | 27.1% |
| 75+ | 8,414 | 17,101 | 8,687 | 103.2% |
| Total | 111,607 | 129,360 | 17,753 | 15.9% |

Source: ONS

**Table 103: Population change 2014 to 2034 by fifteen-year age bands (2014-based SNPP) – Preston**

| Age group | Population 2014 | Population 2034 | Change in population | % change from 2014 |
|---|---|---|---|---|
| Under 15 | 25,767 | 25,472 | -295 | -1.1% |
| 15-29 | 34,476 | 35,739 | 1,263 | 3.7% |
| 30-44 | 26,993 | 25,455 | -1,538 | -5.7% |
| 45-59 | 26,267 | 22,605 | -3,662 | -13.9% |
| 60-74 | 17,381 | 21,604 | 4,223 | 24.3% |
| 75+ | 9,568 | 13,885 | 4,317 | 45.1% |
| Total | 140,452 | 144,760 | 4,308 | 3.1% |

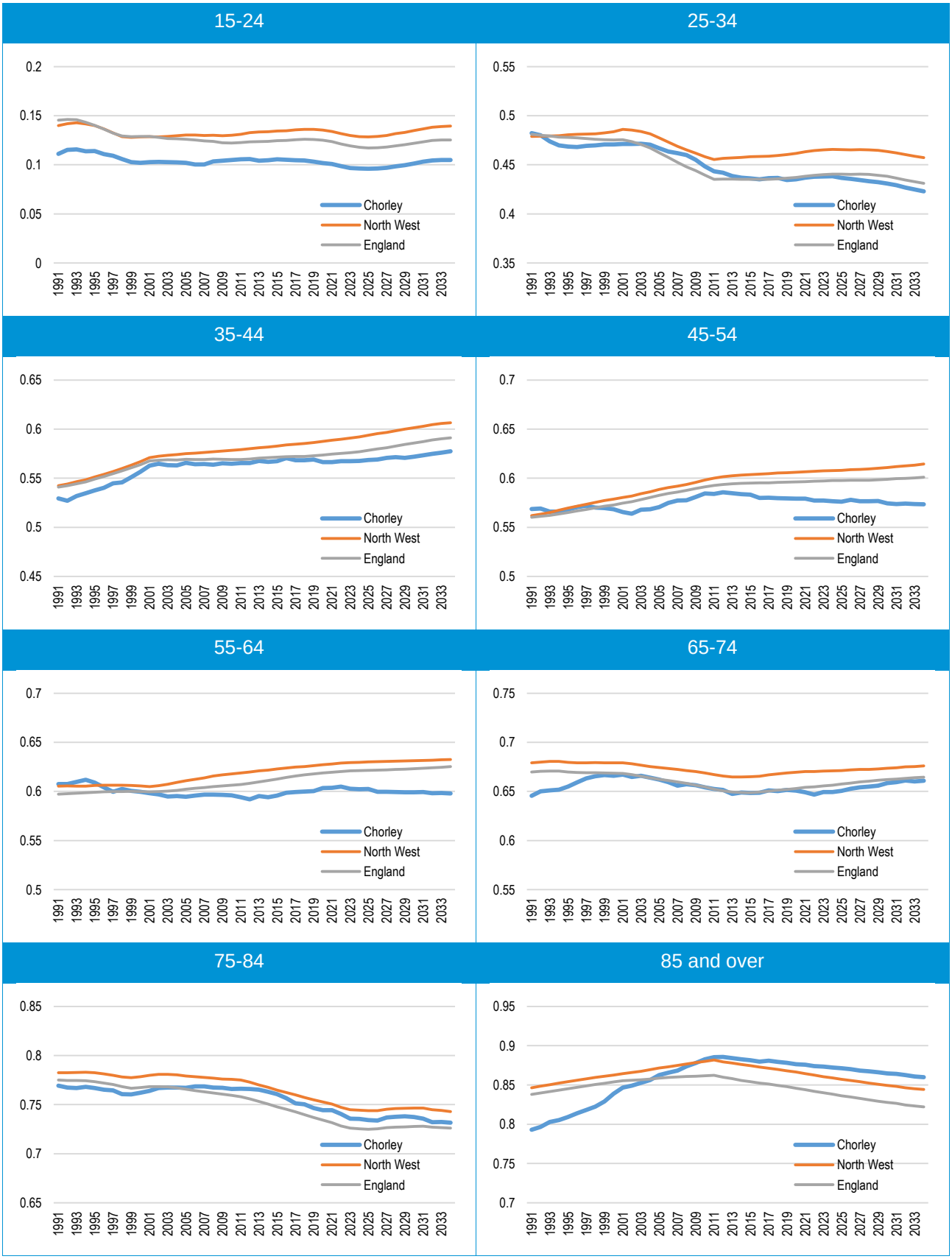
Source: ONS

**Table 104: Population change 2014 to 2034 by fifteen-year age bands (2014-based SNPP) – South Ribble**

| Age group | Population 2014 | Population 2034 | Change in population | % change from 2014 |
|---|---|---|---|---|
| Under 15 | 18,408 | 18,144 | -264 | -1.4% |
| 15-29 | 18,617 | 17,643 | -974 | -5.2% |
| 30-44 | 20,289 | 19,215 | -1,074 | -5.3% |
| 45-59 | 23,358 | 19,062 | -4,296 | -18.4% |
| 60-74 | 18,883 | 21,864 | 2,981 | 15.8% |
| 75+ | 9,522 | 16,314 | 6,792 | 71.3% |
| Total | 109,077 | 112,243 | 3,166 | 2.9% |

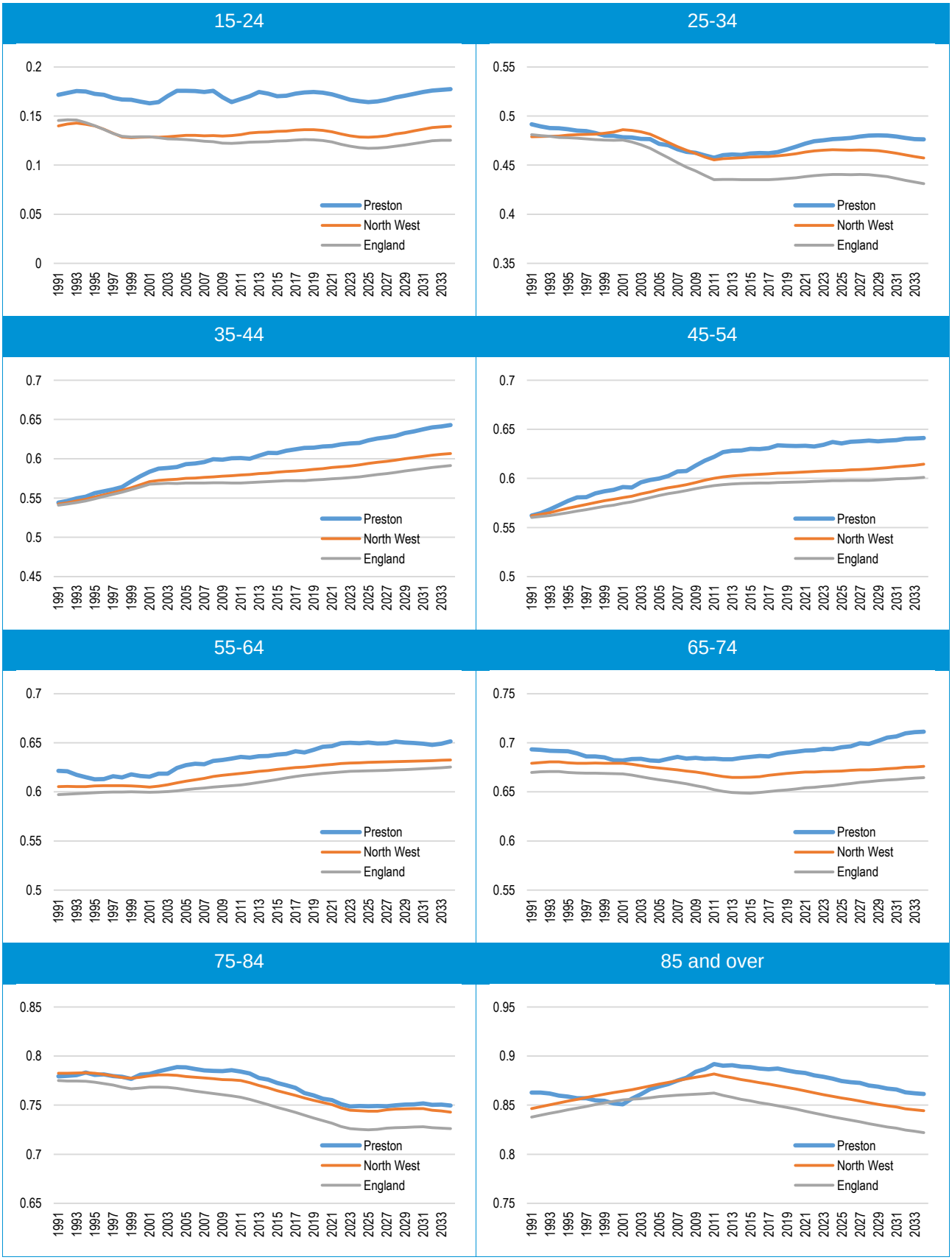
Source: ONS

**Figure 67: Projected household formation rates by age of head of household – Chorley**



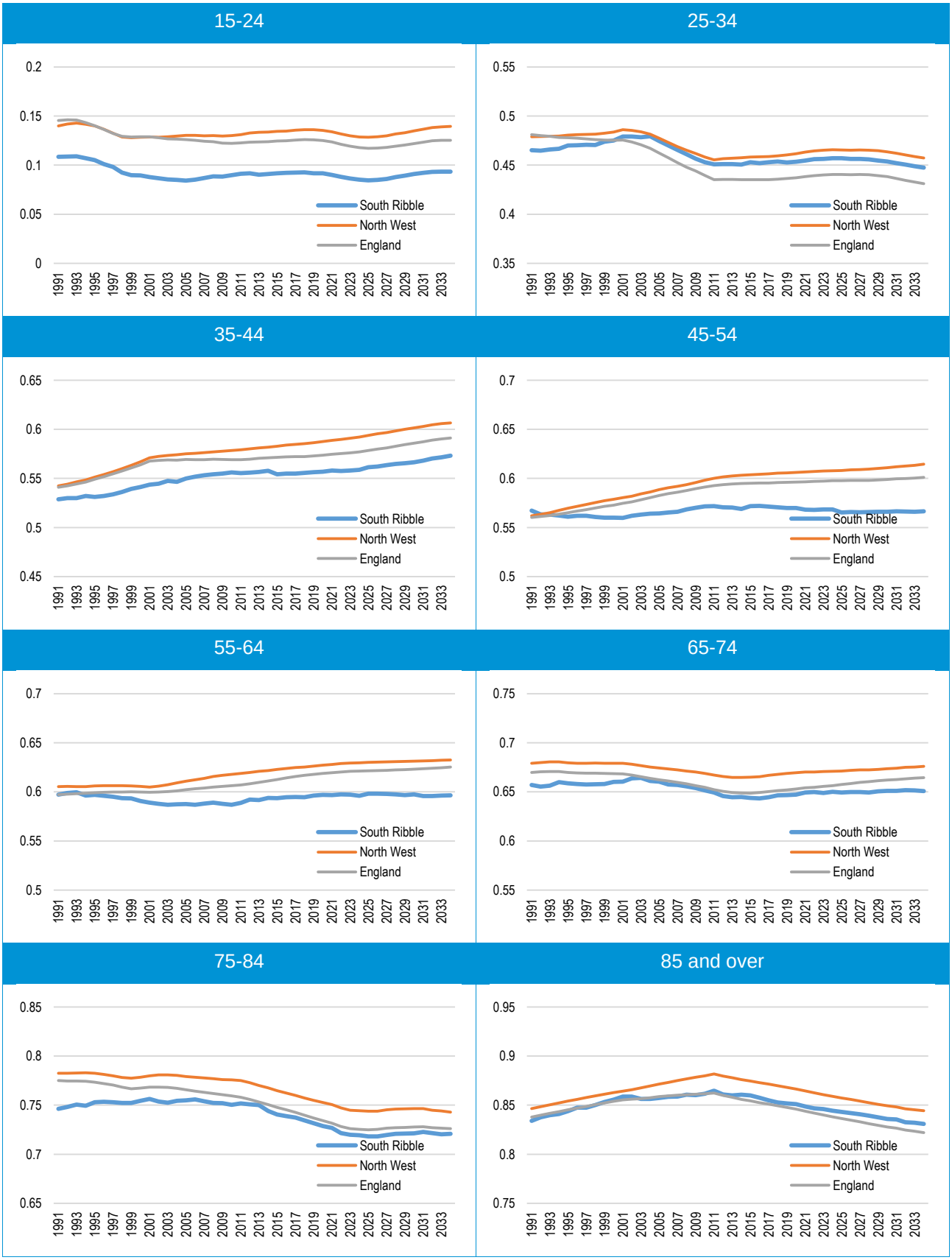

Source: Derived from CLG data

**Figure 68: Projected household formation rates by age of head of household – Preston**




Source: Derived from CLG data

**Figure 69: Projected household formation rates by age of head of household – South Ribble**




Source: Derived from CLG data

**Table 105: Changes to Black and Minority Ethnic and White (British/Irish) Population by age (2001-11) – Chorley**

| | Black and Minority Ethnic | | | White (British/Irish) | | |
|---|---|---|---|---|---|---|
| | Population 2001 | Population 2011 | Change | Population 2001 | Population 2011 | Change |
| 15-24 | 389 | 638 | 249 | 10,748 | 11,625 | 877 |
| 25-34 | 507 | 932 | 425 | 13,472 | 11,548 | -1,924 |
| 35-44 | 472 | 879 | 407 | 15,167 | 15,189 | 22 |
| 45-54 | 350 | 532 | 182 | 14,756 | 15,254 | 498 |
| 55-64 | 170 | 294 | 124 | 11,604 | 14,060 | 2,456 |
| 65-74 | 141 | 136 | -5 | 7,570 | 10,245 | 2,675 |
| 75-84 | 79 | 85 | 6 | 4,770 | 5,335 | 565 |
| 85+ | 17 | 37 | 20 | 1,677 | 2,124 | 447 |
| TOTAL | 2,125 | 3,533 | 1,408 | 79,764 | 85,380 | 5,616 |

Source: Census (2001 and 2011)

**Table 106: Changes to Black and Minority Ethnic and White (British/Irish) Population by age (2001-11) – Preston**

| | Black and Minority Ethnic | | | White (British/Irish) | | |
|---|---|---|---|---|---|---|
| | Population 2001 | Population 2011 | Change | Population 2001 | Population 2011 | Change |
| 15-24 | 4,123 | 6,258 | 2,135 | 15,530 | 18,253 | 2,723 |
| 25-34 | 3,747 | 7,008 | 3,261 | 15,403 | 13,064 | -2,339 |
| 35-44 | 2,654 | 4,803 | 2,149 | 15,980 | 13,991 | -1,989 |
| 45-54 | 1,857 | 2,938 | 1,081 | 13,875 | 15,188 | 1,313 |
| 55-64 | 1,135 | 1,819 | 684 | 11,109 | 12,433 | 1,324 |
| 65-74 | 877 | 918 | 41 | 9,369 | 8,991 | -378 |
| 75-84 | 266 | 596 | 330 | 6,356 | 6,192 | -164 |
| 85+ | 50 | 108 | 58 | 2,025 | 2,441 | 416 |
| TOTAL | 14,709 | 24,448 | 9,739 | 89,647 | 90,553 | 906 |

Source: Census (2001 and 2011)

**Table 107: Changes to Black and Minority Ethnic and White (British/Irish) Population by age (2001-11) – South Ribble**

| | Black and Minority Ethnic | | | White (British/Irish) | | |
|---|---|---|---|---|---|---|
| | Population 2001 | Population 2011 | Change | Population 2001 | Population 2011 | Change |
| 15-24 | 355 | 587 | 232 | 10,978 | 12,235 | 1,257 |
| 25-34 | 386 | 929 | 543 | 13,426 | 11,480 | -1,946 |
| 35-44 | 524 | 737 | 213 | 15,312 | 14,999 | -313 |
| 45-54 | 376 | 565 | 189 | 14,724 | 15,303 | 579 |
| 55-64 | 227 | 284 | 57 | 11,801 | 13,953 | 2,152 |
| 65-74 | 144 | 163 | 19 | 8,732 | 10,544 | 1,812 |
| 75-84 | 81 | 71 | -10 | 5,452 | 6,280 | 828 |
| 85+ | 30 | 27 | -3 | 1,743 | 2,327 | 584 |
| TOTAL | 2,123 | 3,363 | 1,240 | 82,168 | 87,121 | 4,953 |

Source: Census (2001 and 2011)

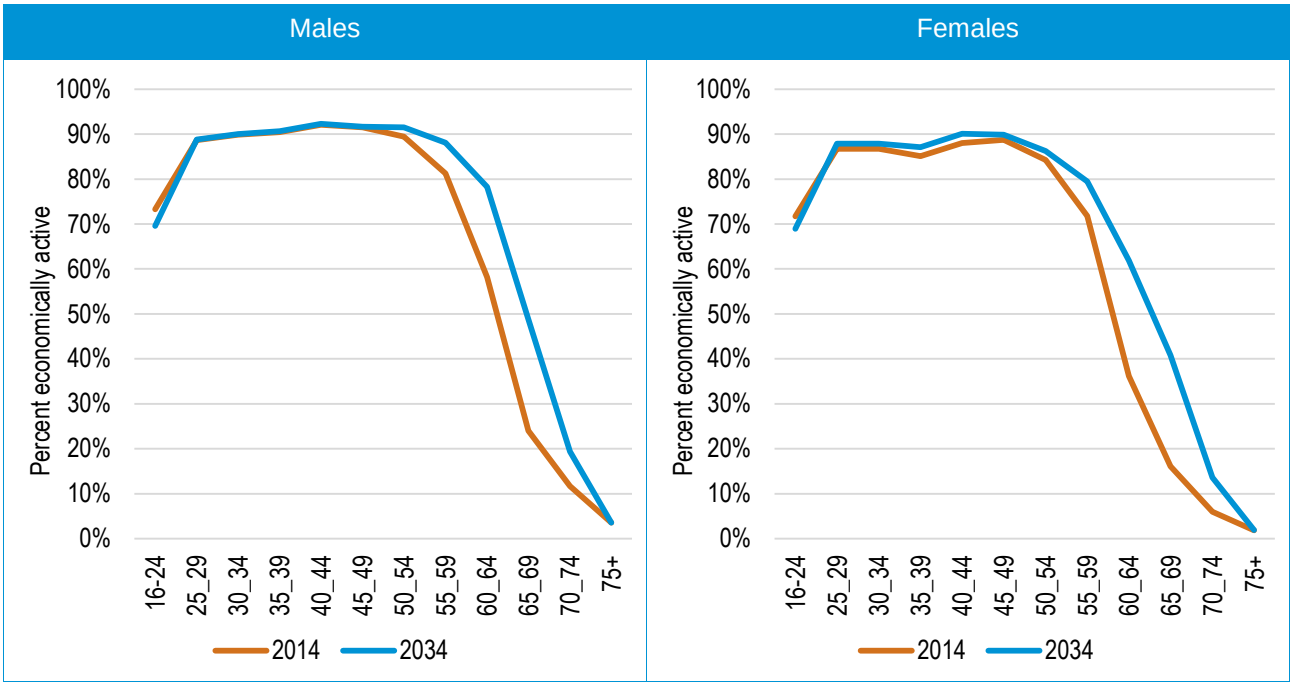
**Table 108: Projected housing need – Start Point projection (2014-based CLG household projections)**

| | Chorley | Preston | South Ribble | Central Lancashire |
|---|---|---|---|---|
| **2014/15** | 639 | 241 | 180 | 1,059 |
| **2015/16** | 648 | 278 | 220 | 1,145 |
| **2016/17** | 640 | 284 | 237 | 1,161 |
| **2017/18** | 613 | 242 | 241 | 1,096 |
| **2018/19** | 582 | 197 | 232 | 1,011 |
| **2019/20** | 578 | 192 | 212 | 981 |
| **2020/21** | 578 | 209 | 203 | 990 |
| **2021/22** | 538 | 193 | 202 | 933 |
| **2022/23** | 513 | 187 | 184 | 883 |
| **2023/24** | 505 | 218 | 185 | 908 |
| **2024/25** | 491 | 230 | 164 | 885 |
| **2025/26** | 514 | 278 | 182 | 974 |
| **2026/27** | 491 | 272 | 170 | 934 |
| **2027/28** | 466 | 279 | 156 | 900 |
| **2028/29** | 445 | 269 | 166 | 880 |
| **2029/30** | 426 | 267 | 144 | 837 |
| **2030/31** | 429 | 261 | 156 | 846 |
| **2031/32** | 388 | 250 | 143 | 780 |
| **2032/33** | 378 | 233 | 126 | 736 |
| **2033/34** | 361 | 236 | 139 | 737 |

Source: Demographic projections

## APPENDIX B: Economic-led projections – additional background data

**Figure 70: Projected changes to economic activity rates (2014-34) – Chorley**



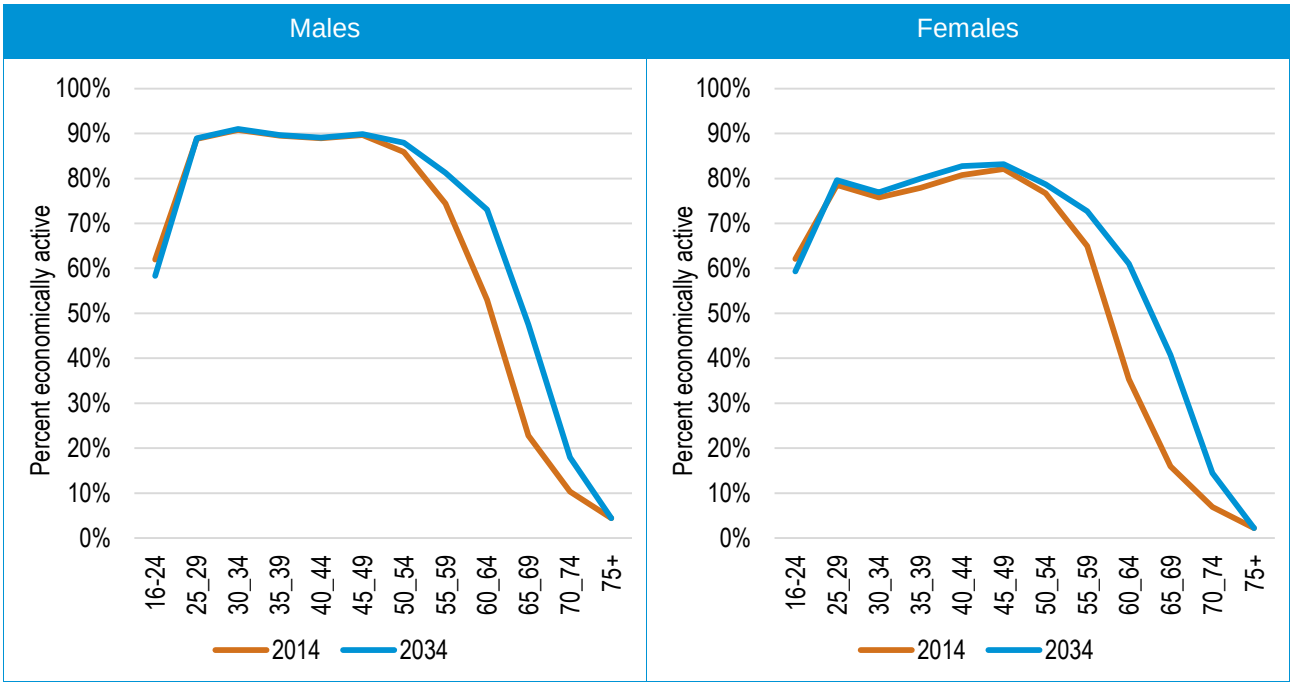

Source: Based on Experian and Census (2011) data

**Table 109: Projected changes to economic activity rates (2014-34) – Chorley**

| | Males | | | Females | | |
|---|---|---|---|---|---|---|
| | 2014 | 2034 | Change | 2014 | 2034 | Change |
| 16-24 | 73.3% | 69.6% | -3.7% | 71.7% | 68.9% | -2.7% |
| 25-29 | 88.6% | 88.8% | 0.2% | 86.8% | 87.9% | 1.1% |
| 30-34 | 89.9% | 90.0% | 0.2% | 86.8% | 87.9% | 1.1% |
| 35-39 | 90.5% | 90.6% | 0.2% | 85.1% | 87.1% | 2.0% |
| 40-44 | 92.1% | 92.3% | 0.2% | 88.0% | 90.1% | 2.1% |
| 45-49 | 91.5% | 91.7% | 0.2% | 88.7% | 89.8% | 1.1% |
| 50-54 | 89.5% | 91.5% | 2.1% | 84.2% | 86.3% | 2.0% |
| 55-59 | 81.3% | 88.1% | 6.8% | 71.8% | 79.5% | 7.7% |
| 60-64 | 58.2% | 78.2% | 20.1% | 36.2% | 61.9% | 25.7% |
| 65-69 | 24.0% | 48.7% | 24.7% | 16.1% | 40.8% | 24.7% |
| 70-74 | 11.7% | 19.3% | 7.6% | 6.0% | 13.6% | 7.6% |
| 75+ | 3.6% | 3.6% | 0.0% | 1.9% | 1.9% | 0.0% |

Source: Based on Experian and Census (2011) data

**Figure 71: Projected changes to economic activity rates (2014-34) – Preston**



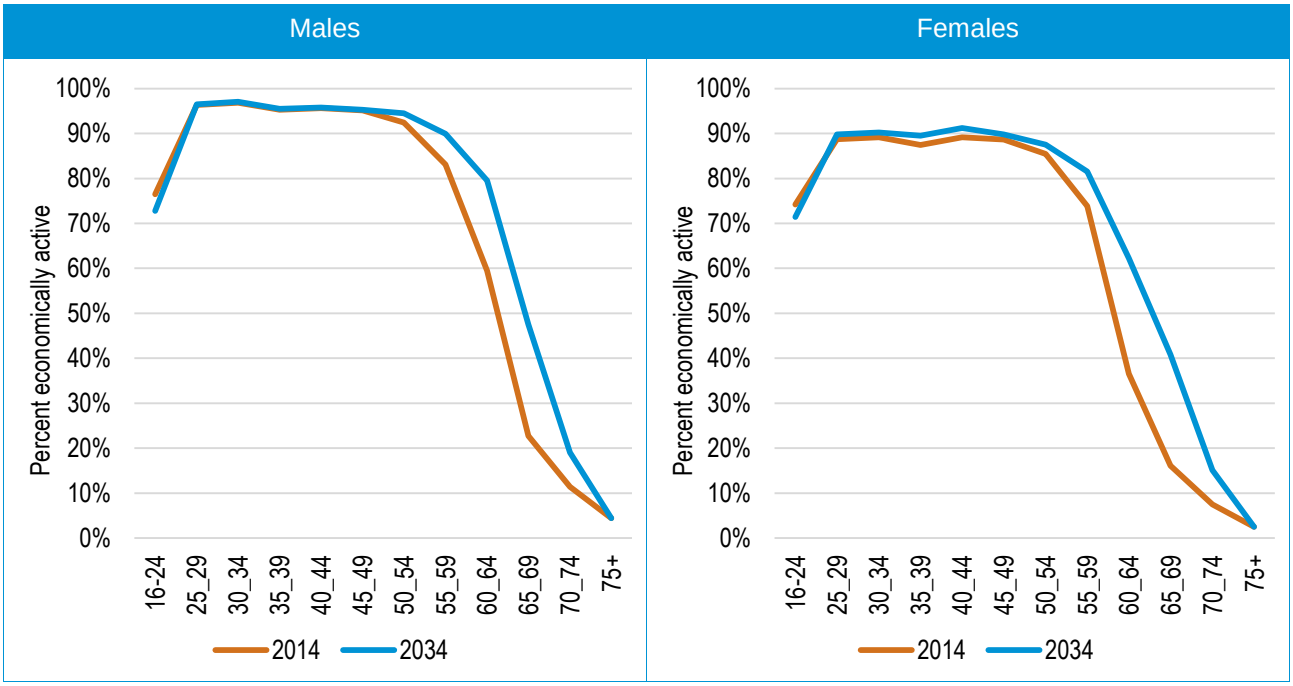

Source: Based on Experian and Census (2011) data

**Table 110: Projected changes to economic activity rates (2014-34) – Preston**

| | Males | | | Females | | |
|---|---|---|---|---|---|---|
| | 2014 | 2034 | Change | 2014 | 2034 | Change |
| 16-24 | 62.0% | 58.3% | -3.7% | 62.1% | 59.3% | -2.7% |
| 25-29 | 88.8% | 88.9% | 0.2% | 78.5% | 79.6% | 1.1% |
| 30-34 | 90.8% | 91.0% | 0.2% | 75.8% | 76.9% | 1.1% |
| 35-39 | 89.5% | 89.7% | 0.2% | 77.9% | 80.0% | 2.0% |
| 40-44 | 88.9% | 89.1% | 0.2% | 80.7% | 82.8% | 2.1% |
| 45-49 | 89.7% | 89.8% | 0.2% | 82.1% | 83.2% | 1.1% |
| 50-54 | 85.9% | 88.0% | 2.1% | 76.7% | 78.7% | 2.0% |
| 55-59 | 74.4% | 81.2% | 6.8% | 65.0% | 72.7% | 7.7% |
| 60-64 | 53.0% | 73.0% | 20.1% | 35.3% | 61.0% | 25.7% |
| 65-69 | 22.8% | 47.5% | 24.7% | 16.0% | 40.7% | 24.7% |
| 70-74 | 10.3% | 17.9% | 7.6% | 6.9% | 14.5% | 7.6% |
| 75+ | 4.4% | 4.4% | 0.0% | 2.2% | 2.2% | 0.0% |

Source: Based on Experian and Census (2011) data

**Figure 72: Projected changes to economic activity rates (2014-34) – South Ribble**




Source: Based on Experian and Census (2011) data

**Table 111: Projected changes to economic activity rates (2014-34) – South Ribble**

| | Males | | | Females | | |
|---|---|---|---|---|---|---|
| | 2014 | 2034 | Change | 2014 | 2034 | Change |
| 16-24 | 76.5% | 72.8% | -3.7% | 74.2% | 71.4% | -2.7% |
| 25-29 | 96.3% | 96.5% | 0.2% | 88.7% | 89.8% | 1.1% |
| 30-34 | 96.9% | 97.0% | 0.2% | 89.1% | 90.2% | 1.1% |
| 35-39 | 95.3% | 95.5% | 0.2% | 87.5% | 89.5% | 2.0% |
| 40-44 | 95.6% | 95.8% | 0.2% | 89.2% | 91.2% | 2.1% |
| 45-49 | 95.1% | 95.3% | 0.2% | 88.7% | 89.8% | 1.1% |
| 50-54 | 92.5% | 94.5% | 2.1% | 85.4% | 87.5% | 2.0% |
| 55-59 | 83.1% | 89.9% | 6.8% | 73.8% | 81.6% | 7.7% |
| 60-64 | 59.5% | 79.5% | 20.1% | 36.5% | 62.3% | 25.7% |
| 65-69 | 22.7% | 47.5% | 24.7% | 16.1% | 40.8% | 24.7% |
| 70-74 | 11.4% | 19.0% | 7.6% | 7.5% | 15.1% | 7.6% |
| 75+ | 4.4% | 4.4% | 0.0% | 2.5% | 2.5% | 0.0% |

Source: Based on Experian and Census (2011) data