Examination of the East Lindsey Core Strategy and the East Lindsey Settlement Proposals Development Plan Document (DPD)

Inspectors' matters, issues and questions (MIQs) Stage 1 – Core Strategy   26 May 2017

Note: The MIQs for Stage 2 relating primarily to the Settlement Proposals Development Plan Document and 5 year supply of housing will be made available separately. Some cross-cutting issues relating to both plans will be considered in Stage 1.

Abbreviations:
ADM – additional minor modification proposed by the Council
CS – Core Strategy
Framework – National Planning Policy Framework
Regulations – The Town and Country Planning (Local Planning) (England) Regulations 2012

The Council`s answers are in italics with any suggested modifications in red italics

Matter 3: Objectively assessed need for housing (OAN) and the housing requirement (Policy SP3 and section on Housing Growth)

<u>Context</u>

*The Plan states that the OAN for the plan period (2016-31) is **7215 homes**.*

*A figure of **553 homes** has been added to this to deal with 'past under supply' as of 1 February 2016, which 'included a 5% buffer'. This results in a housing target of **7768**.*

Policy SP3 states that sites will be allocated for the phased delivery of these homes as follows:
2016-21   av 591/year
2021-25   av 481/year
2025-31   av 482/year

The evidence relating to the OAN for housing is set out in several documents:
- *Housing Topic Paper – March 2017*
- *Demographic Forecasts Updating the Evidence – Oct 2016 (Edge Analytics) **EA2016***

- *Updating the Demographic Evidence – June 2015 (Edge Analytics)* ***EA2015***
- *SHMA Update – January 2014 (Opinion Research Services)*
- *SHMA – Sept 2012 (Opinion Research Services)*

Main issues - OAN: Has the HMA been appropriately defined? Does the plan appropriately identify the objectively assessed housing needs for the HMA in accordance with national policy and the planning practice guidance? Is the identified OAN of 7215 homes for 2016-31 (average 481/year) soundly based and supported by robust and credible evidence? Does it correctly take into account household projections, demographic factors, economic factors and market signals?

Main issues – housing requirement: Is the housing target/requirement for 7768 homes justified.   What is the justification for the phased delivery?

The Council should produce a concise and focused summary paper explaining how the OAN has been established in line with the Planning Practice Guidance on 'Housing and economic development needs assessments', including:

- *the justification for the **HMA** and then:*
- *the base date for establishing OAN*
- *the starting point – **Government household projections** (para 15 of PPG)*
- *any adjustment due to factors affecting **local demography and household formation rates which are not captured in past trends** (for example, where formation rates may have been suppressed historically by under-supply and worsening affordability of housing and the extent to which household formation rates may have been constrained by supply. (para 15 of the PPG)*
- *any adjustments based on **specific local circumstances based on alternative assumptions in relation to underlying the demographic projections and household formation rates**, for example relating to migration levels and demographic structure (para 17 of the PPG)*
- *any adjustment due to **employment trends** and the supply of working age population that is economically active (para 18 of the PPG)*
- *any adjustment due to **market signals** (para 19 & 20 of the PPG)*

This summary paper should set out references to the relevant supporting evidence. It should also take account of the questions set out below. The aim of the paper should be to set out the justification for the OAN figure of 7215 in a clear and transparent manner.

HMA

1. What is the justification for treating East Lindsey as the HMA for the purposes of establishing the OAN? [the PPG refers to house prices, household migration and search patterns and contextual data, for example including travel to work area boundaries]

East Lindsey is relatively self-contained in terms of its housing market. East Lindsey is bordered by three other authorities; North East Lincolnshire to the north, Boston Borough Council to the south who are undertaking a local plan with South Holland District Council (South East Lincolnshire Local Plan) and West Lindsey District Council with a small portion of North Kesteven District Council whose local plan area falls into Central Lincolnshire.

The SHMAA 2012 (CD4) stated that East Lindsey is in a housing market with Boston. However, South East Lincolnshire`s SHMAA 2017 states that Boston Borough is its own housing market. North East Lincolnshire`s SHMAA states that there are strong linkages with that Borough and East Lindsey, North Lincolnshire and West Lindsey. The impact of Central Lincolnshire is minimal because of the distance between settlements with East Lindsey.

Looking at work flows for the District, from the 2011 census data set out in the Edge Analytics Document (CD10) 43370 of East Lindsey`s 51,000 workforce aged 16 – 74 work and live in the District, this is 77% with only 2841 working in Boston; more people travel out to North East Lincolnshire with 3578 people going in that northerly direction. In terms of work pattern linkages with the Lincoln area this is weaker than with Boston with only 1224 people going out of the District to work in the Lincoln area. The figure normally for a self-contained housing market would be 70%, therefore East Lindsey falls higher than this, supporting its relative self-containment. The tables below taken from CD10 set out the figures for each authority.

Table 2: East Lindsey 2011 Census commuting flows: workers (ages 16–74)

Where do people who live in East Lindsey work?			Source: ONS
Live	Work	Number	%
East Lindsey	East Lindsey	43,370	77.0%
	North East Lincolnshire	3,319	5.9%
	Boston	3,255	5.8%
	Other	6,367	11.3%
	Workers	56,311	100.0%

Table 3: East Lindsey 2011 Census commuting flows: employment (ages 16–74)

Where do people who work in East Lindsey live?			Source: ONS
Live	Work	Number	%
East Lindsey	East Lindsey	43,370	83.8%
Boston		1,421	2.7%
North Kesteven		1,395	2.7%
Other		5,568	10.8%
	Jobs	51,754	100.0%

Population migration flows show that with regard to surrounding authorities gross inflows are matched by gross outflows (pg. 11 and 12 of the 2015 Edge Analytics Document - Demographic Forecasts CD9), these have remained relatively steady since 2001. Most of East Lindsey`s population growth comes from other places in the country, this reflects the fact that the population grows through the in migration of mainly older persons. The only exception is the outflow of young people but this is associated with student moves to higher education.

With regard to house prices, in 2015, the average price of a semidetached property was £126k in East Lindsey, £120k in Boston, £128k in North East Lincolnshire and £148k in Lincoln. East Lindsey and North East Lincolnshire being the nearest in price. However, there are marked differences in market rent prices with the median rent for a 3 bed property varying from £451 per month (PM) in Grimsby, £527PM in Louth, £695PM in Boston and £724PM in Lincoln. Overall in terms of house prices both sales and rental East Lindsey is nearer to North East Lincolnshire as a housing market rather than Boston.

Overall the evidence points to a relatively self-contained housing market for East Lindsey with some movement of residents to North East Lincolnshire and Boston but with the majority living and working in the District.

Both North East Lincolnshire and Boston Borough Council have been asked if they needed to move any of their housing need into East Lindsey, they have stated that they could accommodate all their housing need in their

own area, East Lindsey can do the same in this plan period. This matter will be discussed again as part of the five year review of the local plan.

2.   Is the HMA clearly set out in the Plan?

The Local Plan does not mention the housing market area in its text, the Council would recommend a modification by the addition of an extra paragraph after paragraph 5 in the section Housing Growth and the Location of Inland Growth which reads;

"East Lindsey is a relatively self-contained housing market area with 77% of those working in the District living in the District. There are some wider linkages to Boston in the south and North East Lincolnshire in the north but migration to surrounding authority areas has only a relatively small net impact upon population change"

3.   The Council's DtC statement (3.31) states that East Lindsey lies in a housing market with Boston? How does this relate to the HMA used to inform the OAN in this plan?

From the answer to question 1, East Lindsey is relatively self-contained with regard to its Housing Market Area. The 2012 SHMAA (CD4) did place East Lindsey in a housing market area with Boston and discussions were held with Boston Borough Council about whether there should be any of their housing need taken into account by East Lindsey. They declined on 20/4/12 and 12/12/14. On the 12/8/16 South East Lincolnshire wrote to the Council asking about East Lindsey`s housing need and if it could be accommodated in its own area. The Council replied that it could and that we supported their plan. (CD95 details in the Appendix 2, Part A) As East Lindsey can accommodate its own growth within its own boundary the OAN was formulated just for East Lindsey.   East Lindsey`s housing need could not go the other way into Boston because firstly, there was no need, the Council could accommodate its own growth and secondly the flood risk situation for the Borough is worse than East Lindsey`s with a greater proportion of their urban area being subject to high flood risk.

OAN - general

4.   The establishment of the OAN does not appear to be directly based on the standard methodology which is strongly recommended by the PPG (para 5). Are there local circumstances that have led to the approach used?

The Council has worked out its OAN using the starting point as the DCLG household projections and population projections. Both the Edge Analytics Demographic Evidence Documents (CD9 and CD10) have used data and

assumptions from the latest DCLG household projection models. (Page iv in CD9 and page 3 in CD10).

The Council looked at different trend scenarios for population growth alongside dwelling led scenarios and the official scenario and chose the one that fitted the demographic growth profile of the District, which in this case was the in migration of mainly older persons, so therefore a migration led scenario fitted. The Council chose a long period in migration profile because that gave a wider picture of in migration growth patterns over a longer period. The Council also looked at growth scenarios for the Coastal Zone, given the key policy driver for this area was that the population should not strategically grow because of flood risk and more people should not be put at risk from flooding. Therefore there were two additional scenarios for the coast; a zero population growth scenario which analysed new household formation from the existing population and allowed new dwelling development and a zero dwelling growth which did not allow any new dwellings in the Coastal Zone. The scenario which fitted the policy driver of not strategically growing the population of the coast was the zero population growth scenario, this allowed for some growth and new household formation.

The Council has had to look back further in time than what would have been expected because of the situation the District was left in with regard to the East Midlands Regional Plan, whereby the District did not have a properly assessed housing target. This is set out in the Housing Topic Paper on page 6 at paragraph 2.11 (CD15).

The major local difference for East Lindsey is twofold. Firstly, population growth is driven by the in migration of mainly older persons. Both the Edge Analytics Documents (CD9 and CD10) set this out. The natural population is declining. Secondly, the flood risk situation in the Coastal Zone. The Coastal Zone is approximately 38% of the District, and has a population of approximately 42,000 people, which is 31% of the population. The Council had to work out a way of allowing some growth and new household formation in the Coast without strategically growing the population and ultimately placing more people at risk. The reason for the situation with the East Midlands Plan in the first place was the inability to find a solution to the situation of coastal flood risk. The Inspector of the Plan could not resolve the issue and therefore ordered a review and in the interim gave East Lindsey a housing target of 600 a year. The Council could never work out where that figure came from and as the matter was being reviewed just accepted it at the time. The Council worked with partners which included the Environment Agency, Lincolnshire County Council, Boston Borough Council, South Holland District Council, East Midlands Regional Council, Natural England, Government Office and the Drainage Boards to try and

resolve the flood risk issue on the coast. This was how the Coastal Study was formulated. The main agreed principle of the Study was to follow the current Shoreline Management Plan policies in relation to the line and standard of protection of coastal flood defences. The Study was therefore concerned with residual flood risk. The primary principle is to increase the safety of people by reducing the number of people at risk of flood hazard in the Study Area. The Council supported this principle which is set out in CD8 and continues to support it. Even though this was developed prior to the NPPF it does conform to it in that paragraph 99 of the NPPF states that "Local Plans should take account of climate change over the longer term including factors such as flood risk……..New development should be planned to avoid increased vulnerability to the range of impacts arising from climate change". Paragraph 100 goes onto to say that inappropriate development in areas at risk of flooding should be avoided by directing development away from areas of highest risk…….Local Plans should apply a sequential, risk-based approach to the location of development to avoid where possible flood risk to people, property and manage any residual risk……." Sequentially the District has safe settlements away from flood risk to locate its main growth into and this is what the Council has done.

The Council has not reduced its overall housing target because of this, it has worked out what the existing household formation rate will be in the Coastal Zone over the plan period and then moved the residual housing inland to settlements which are safe from flood risk. The Council has then looked at deliverability of housing, impacts of employment, including market signals.

OAN time period

5.   What period is the OAN figure based on? The plan refers to the OAN for the plan period (2016-2031) but the Housing Topic Paper refers to other time periods (eg 2014-2039 and 2011-2037 and, in paras 1.6 and 2.12, to a 2011 date).

The time period for the Local Plan is 2016 – 2031, which is 15 years as set out in the NPPF. However because of the unique situation the Council found itself in after the 2009 Regional Plan Examination, whereby the Council considered it did not have a robust housing target and the length of time it has taken to get to a new local plan, it was decided to use the more robust calculations set out by Edge Analytics – Demographic Document (CD9) which set out the target back to 2011. The Housing Topic Paper (CD15) sets out the history behind the East Midlands Plan at 2.11 on page 7.

Therefore from the time of the East Midlands Plan onwards the Council had no housing target, which could be said to have been worked out as an objectively assessed need. The country was still in recession and therefore completions were not really a robust indicator of housing need and it was felt that for completeness the Council should look back to this period and work forwards, in order to work out what the overall housing target should be.

When Edge Analytics in CD10 did the work on the 2014 projections they used 2016 as the starting point, looking at the 2014 household projections and then working out the same scenarios for the District as the 2015 work so that the Council could compare the sets of data.

The Council believed it was more robust in terms of setting out the housing target to work forwards from 2011 as set out above.

When the work carried out 2016 by Edge Analytics (CD10) is assessed, for the 10 year migration led scenario the yearly dwelling requirement is 425, which is only 56 homes less a year than the 481 of the chosen target. The SNPP-14 requirement would be 381 but the 10 year completion of dwellings shows a figure of 474. Overall, 481 is much nearer what the District has actually been delivering over the previous 10 years on average than 425 or 381. The delivery of housing appears to be starting to rise with 356 completions last year. The Council has a record for completions going back to 1981, there are peaks and troughs in that record, but even if we average completions over the last 16 years back to 2001, the District was building on average 488 homes per year.

2001   663
2002   624
2003   487
2004   568
2005   497
2006   619
2007   732
2008   578
2009   681
2010   573
2011   246
2012   240
2013   276
2014   278
*2015   405 * Includes the delivery of 100 houses from the Housing Capital Programme.*
2016/17   356

OAN – starting point

6.   The PPG states that the starting point estimate to establish need is the DCLG *household* projections. EA2016 (Table 7 – *'starting point' estimate*) states that the 2014-based DCLG household projections, suggest an increase in households of **356/year** from 2016-2031 and para 2.16 of the Topic Paper suggests **333/year** for 2014- 2039 [using the 2014-based household projections underpinned by the 2014-based SNPP] or **399/year** using the earlier '2012-based model'. However, the scenarios in the Topic Paper (page 8) appear to be based on the 2012 sub-national *population* projections? Why have these been used as a starting point rather than the DCLG household projections as suggested in the PPG?

     Page 20 of the Edge Analytics Document June 2015 (CD9) sets out household growth outcomes in that it is the 2012-based DCLG household projection model for East Lindsey, underpinned by the 2012 based SNPP. Page 24 explains that sensitivity testing has been conducted to examine the impact of alternative headship rates upon dwelling growth outcomes, using assumptions from the DCLG 2012-based and the 2008 – based household models. This is where the official projection scenario is derived from and it underpins the other migration scenarios. This format is repeated in the 2016 work carried out by Edge Analytics (CD10)

OAN – adjustments to the starting point (demographic factors)

7.   Have any adjustments been made to the DCLG household projections (or the household projections used) due to factors affecting local demography and household formation rates (ie PPG paras 15 and 17). If so, what scale of adjustment has been applied, where is this set out and with what justification? Does the OAN figure of 481/year include any such adjustments?

     The Council has chosen a 10 year migration led scenario which is a higher adjustment than the official projections because the population of the District grows through the in migration of mainly older people. The natural population of the District is declining as set out in paragraphs 2.17 of CD10. The District has an excess of deaths over births and this is a reflection of the relatively old age profile. The population has a net outflow of young adults with a net inflow of older persons, particularly in the 50+ age range. Out migration has remained steady over the last 15 years with in migration having a sharp fall in 2007/08 and 2008/09. In 2013/14 it rose sharply and has remained at a relatively high level compared to the 2011 low point. (Para 2.21 of CD10).

As set out above after the 2009 Regional Plan Examination the Council was left with a housing target of 600 a year based on completions. However, it was never possible to work out how that figure was calculated. It was not robust and not evidenced and was supposed to be a stop gap until the review of the Regional Plan, which did not take place. The Council did a lot of work around the 2012 household and population projections (CD09) with its consultants and when it came to analysing the difference between the 2012 and 2014 sets of data, headship rates had changed very little with an approximate population growth rate difference of just 3.6%. Given that the 10 year completion rate across the District was approximately 474 homes and that included part of the recession period, the Council therefore determined to stay with the work already carried out on the 2012 data sets.

The Council has not put any scale of adjustment of the figures as in a % figure; it has chosen a 10 year migration led scenario in developing its OAN because that is how the population of the District grows and because of a lack of housing target from 2011, took the average of the 2008 household projections and the 2012 projections. This then incorporated what would have happened had the local plan been complete in 2011 with the more up to date projections of 2012.

The Council then had to consider whether to adjust that figure either up or downwards. It was felt that adjustment downwards would not take into account a possible return to somewhere near pre-recession growth levels also the 481 figure was not far off the average completion rate for the past 10 years which was 474 in the Edge Analytics document 2016 (CD10). It was not considered to adjust the figure upwards because the official projection and the in migration projection in the Edge Analytics document 2016 (CD10) came out less that the 481 figure chosen.

8. Scenarios 1 to 3 in the Housing Topic Paper (page 8) are based on population growth and net in-migration assumptions as set out below. These appear to be based on ONS 2012 sub-national population projections rather than the DCLG household projections. Do these scenarios represent an adjustment to, or divergence from, the demographic starting point set by the national household projections? If so, for what reasons? Which of the scenarios is the most realistic and why, including in terms of population growth and migration? Why is a 10 year migration trend preferred to a 5 year trend? Why does a 10 year trend lead to a higher OAN figure?

(period 2011-37?)	Population growth	Net in-migration/year	Dwellings/year
1. ONS 2012 SNPP	12.4%	1259 persons	**413**
2. 5 year migration	5.4%	900 persons	**230**
3. 10 year migration	13.4%	1309 persons	**460**

At 4.5, page 19 of the Edge Analytics Demographic Document 2015 (CD09) it states that "In the assessment of need, the PPG states that DCLG household projections should provide the starting point estimate……" and then it goes on to say at paragraph 5.3 on page 24 that "sensitivity testing has been conducted to examine the impact of alternative headship rates upon dwelling growth outcomes, using assumptions from the DCLG 2012-based and the 2008-based household models". Therefore this is the starting point it being called the SNPP-2012 scenario. The same model was applied in the 2016 Edge Analytics document (CD10).

The two migration scenarios do represent an adjustment to the demographic starting point because East Lindsey`s natural population, i.e. births versus deaths is declining, the population grows through the in migration of the older birth cohorts particularly above 50+. A 10 year migration trend is preferred over a 5 year trend because it gives a longer view of the pattern of in migration, particularly with regard to the economic changes which have occurred since 2008. It results in a higher figure than the 5 year migration trend because it takes in more peaks and troughs. The Council believes that the 10 year migration figure is more realistic because migration into the District has continued and despite a fall in numbers during the recession, in 2013/2014 it was nearly up to 2007/2008 level again.

9. The scenarios set out above vary from those presented in EA2016 (page 25) which are based on the period 2016 to 2031. Which are the most appropriate in terms of establishing the OAN for the plan period?

(period 2016-2031)	Dwellings/year
SNPP-2014 scenario	**381**
SNPP-2012 scenario	**453**
10 year scenario	**425**
5 year scenario	**334**

The Council believes that the 10 year migration scenario set out in the Edge Analytics Document 2015 (CD09) is the most appropriate. The Council asked Edge Analytics to carry out the work in 2016 which resulted in the paper CD10 to compare the results with CD09 because a further set of official projections had been produced.

As set out above, because of the failure of the East Midlands Regional Plan to allocate the District a properly formulated housing target and the length of time it has taken to reach a point of having a local plan examined, the Council felt it had to look back to 2011. In 2011 the most robust official projections were the 2008 ones and therefore taking an average between 2008 and 2012 should have given the Council a more realistic housing

target up to 2016. The question then is should the Council lower the target to the 10 year migration led scenario set out above 425 dwellings a year? It was felt that adjustment downwards from 481 a year would not take into account a possible return to somewhere near pre-recession growth levels also the 481 figure was not far off the average completion rate for the past 10 years which was 474 in the Edge Analytics document 2016 (CD10).

If the Council had lowered the OAN then the figure would have been 6375 for the 15 year period 2016 – 2031 meaning that the yearly dwelling figure would be 425 a year.

The Council would still then have had to have some robust figure for previous years from 2011 to 2016. If it used 481 and calculated the undersupply differently from the methodology used as set out in the 5 year supply section of these questions it would have been 481 a year from 2011 to 2015 = 2405 with a delivery of completions of 1445 = 960

2011	*246*
2012	*240*
2013	*276*
2014	*278*
2015	*405*

Above are the completions from 2011 - 2015

If this is then added onto 6375 it comes to 7335 which then gives the Council a 12% buffer. Overall, this is not a great deal of difference, the Council does not consider that it has a great undersupply of housing and this is discussed further down in the questions.

10. The Topic Paper concludes that the district wide 'target' (should this reference be to the OAN – ie 'need'?) should be **481/year** (7215 for 2016-31) based on a 10 year migration scenario and 'at an average with the 2008-based headship rate'. What justifies this upward adjustment from 460 to 481/year?

The Council uses the term "housing target" in the Housing Topic Paper because it is easier for members of the public to understand, it does also mean the objectively assessed need.

The upward adjustment from 460 to 481 is the average between the 2008 based headship rates and the 2012 based headship rates. The Council believed that this would give a more robust OAN for the District, looking back to the fact that the District did not have a robust calculated housing figure from the East Midlands Regional Plan 2009 and then looking forward.

The Council could of then lowered the figure when the 2014 figures came out but looking at the same set of scenarios the 10 year migration scenario would have led to a difference of 840 homes less over the 15 years and it was not tying in with the 10 year completions rate of 474, which was nearer to the 481 figure.

11.   Has the OAN taken into account any under delivery of housing in the years before 2016 which may have resulted in unmet housing needs and household formation rates which have been constrained by supply? If so, what relevant period was considered?

The Council is not convinced that there is an undersupply of housing nor has there been one, at least back as far as 2011. The population growth in the District comes from the in migration of mainly older persons with a declining natural population in that deaths outweigh births. Constraints on supply caused by increased demand have not shown any of the market signals that would be expected, the housing register has gone down from 7160 in 2012 to 2029 in June 2016. Even taking into account changes in the way the register is managed this is a 71% decrease (taken from the Core Strategy paragraph 3 of Policy SP7); house prices have not risen significantly, set out in the Housing Topic Paper CD15 at paragraph 7.5 a table from the ONS median house prices from December 2016 it shows that terrace houses have fallen in price slightly.

	Q2 – 2008	Q2 - 2016
All House Types	145,000	147,250
Detached Houses	177,000	179,950
Terrace Houses	115,000	110,000

Building completion rates as set out below, though recovering have not significantly increased to try and meet a perceived demand or to fill a supply gap. In migration appears to be continuing.

2001   663
2002   624
2003   487
2004   568
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2014   278

2015   405 * Includes the delivery of 100 houses from the Housing Capital Programme.
2016/17   356

Pulling that evidence together and trying to work out how in migration can continue but there be no market signals to show that there is an issue with supply, the Council believes that the churn of the older population (in that those in migrants of the older cohorts are dying and leaving second hand houses empty and available) is substantial enough that it has soaked up any constraint on supply. This population churn not only stems from older people dying and leaving properties available for sale but there is some evidence that the over 75s are leaving the District. The Edge Analytics Document CD10 shows this at 2.23 on page 11 and 12 and the accompanying table. Quite clearly there is out migration from the younger age cohorts but also from the over 75s. This is confirmed anecdotally that there are some who move into the District as couples, one dies leaving the other unable to drive in a more isolated settlement and they then choose to return to their community of origin. The Council believes that this has been happening for a number of years, most likely since the recession hit the District, though it is impossible to pin point an exact year when it commenced. The Council therefore looked at the 5 year supply figure at the time of the start period of the Local Plan and worked out what the gap was between what the 5 year supply figure was and what it should have been and then added that onto the OAN.

OAN – adjustments for employment trends

*Note: EA2016 (page 32) states that the preferred scenario based on 10 year migration trends would support an estimated annual employment growth of **124 jobs/year** (2016-2031). It also states that East Lindsey Economic Baseline 2016 (Document CD42 – page 77) has a jobs growth outlook/forecast of **240/year** averaged over a 25 year period.*

12.   Given the estimated jobs growth based on the assessment of housing needs (124 jobs/year) is less than the stated economic forecast (240 jobs/year), has the OAN adequately taken account of projected employment trends? Are the plans premised on meeting a jobs growth target of 240 jobs/year? Will the supply of working age population be sufficient to support the projected or planned job growth? Has any adjustment been included in the OAN figure of 481/year to account for this? What might be the effect on commuting patterns and the resilience of local businesses? (PPG para 18)

The Council has not made any stated adjustment for employment trends. The Councils Economic Baseline Study 2016 (CD42) had two scenarios in it, the first one was a scenario of an economy which remained in a low skill, low wage equilibrium, which is the present day scenario, though there are some signs that the economy of the District is starting to grow. The second scenario was a positive higher growth outcome with a change to the way the economy performs in the District. The 2016 Edge Analytics Document (CD10) did show an increase in the number of jobs created each year than was previously shown and unemployment has fallen from a high of 7.5% in 2011 to 4.8% in 2015 and there has been an upturn particularly in the tourism industry. Though this is not reflected in the formation of new households in the Coastal Zone which has fallen from 735 in (CD09) predicted over the plan period to 630 (CD10). It could however relate back to the large decrease in unemployment. However, the baseline study also shows that there will be a need to increase the economically active workforce in the District from 66% to 81% to sustain the local jobs market.

The Council did not make a calculated adjustment as in a % for employment trends because the evidence overall is quite weak at the moment with regard to a major upturn in the economy. The District is in a dilemma with regard to housing and jobs because the population grows at the moment by the in migration of older persons, an increase to the housing target in effect may just provide housing for the economically inactive or it could mean that houses will not get built, given that there appears to be no obvious constraint on supply.

A dynamic change to the economy will mean large external investment for which there is no evidence that this is forthcoming in the short to medium term. However, the housing target chosen being a higher one as set out above was felt to provide adequate housing in the short term whilst more work is carried out in the 5 year review to bring forward the projects set out in the East Lindsey Economic Action Plan which details on a series of major works that are underway and potential new investments on the horizon that will it is hoped contribute to increased economic growth and prosperity throughout the District.

OAN – adjustments for market signals

Note: The PPG (para 19) states that the housing need number (starting point) should be adjusted to reflect appropriate market signals and other indicators of the balance between the demand for, and supply of, dwellings. The market signals are: land prices, house prices, rents, affordability, rate of development and overcrowding.

13. Have the market signals in the PPG been considered and what conclusions have been drawn from them? *[Section 6 of the Housing Topic Paper refers to house prices, house sales and housing completions]* Is there a worsening trend in any of these indicators and if so, should there be an upward adjustment to the OAN? Does the 481/year figure include any adjustment for this reason?

The Council has not made any adjustment for market signals as in a % adjustment at the moment. As set out above in question 11, there does not appear to be a constraint on supply, none of the market signals are there that would indicate demand is outstripping supply. The new build market is slowly recovering from the recession, second hand house sales are still quite robust and continue to rise but this is not being matched by new build sales. As set out above, the Council believes this is because population churn is feeding the second hand housing market. This population churn not only stems from older people dying and leaving properties available for sale but there is some evidence that the over 75s are leaving the District. The Edge Analytics Document CD10 shows this at 2.23 on page 11 and 12 and the accompanying table. Quite clearly there is out migration from the younger age cohorts but also from the over 75s. This is confirmed anecdotally that there are some who move into the District as couples, one dies leaving the other unable to drive in a more isolated settlement and they then choose to return to their community of origin.

Rental prices do not appear to be increasing significantly but remain steady as set out on page 39 at paragraph 7.09 of the Housing Topic Paper (CD15). There is an appetite for bringing forward housing through the submission of planning applications with the Council granting over 1000 houses in the first year of the life of the Local Plan and having in total as at the end of April 2017 5140 outstanding commitments. The overall trend for housing does appears to be going downwards; when a trend line is placed on the house sales and completions graphs as set out in the Housing Topic Paper on pages 37 and 38 (CD15) it is over the very long term going downwards. This could also support the fact that there has not been a constraint on supply from demand. Making an upward adjustment to the OAN above what is already proposed would not, the Council believes change the housing market, nor would it bring forward more housing because there is no sign of constraint on supply or that demand is rising to the point of affecting market signals.

Conclusion on OAN

14. Is the OAN of **7215** for 2016-2031 (average **481/year**) justified?

The Council believes that the OAN of 7215 is justified as set out above. East Lindsey`s population dynamics are complicated and there are many factors at work that affect how it operates and how the housing market is operating. The Council believes it should have a target that has flexibility in it but it is deliverable but if it was to go any higher then it would just become an aspiration that is unlikely to be delivered.

15. Should there be a commitment to an early review of the plan within 5 years to re-assess the OAN for housing? If so, should this be expressed in a policy and what should the time period be?

    There is a commitment for an early review of the plan. Members are already committed to such a review because of the Coastal Policy and the need to ensure that it does not have a detrimental effect on the Coastal Zone. Work has already been set out for that review including a re-assessment of the OAN. The Council will put this in a policy if it makes matters clearer, and expand paragraph 36 of the Housing Growth and Inland Growth Section, a suggested modification would read as set out below;

    There are a number of factors in the Local Plan which mean there is uncertainty around delivery and the impact of the policies, especially as this is the first time the Council has constrained housing growth on the Coast. The Council will carry out a full review of its housing policy with a review being submitted for examination by 2022. This review will examine the impact of the policy alongside the Coastal Policies SP17 to SP21 and re-assess the objectively assessed need for housing.

    Additional clause 6 - The Council will review Policy SP3 with a review being submitted for examination by December 2022, including re-assessing the objectively assessed housing need

Housing requirement questions:

Past under supply and the 553 figure

16. What is the justification for adding **553** homes to the OAN of **7215** to arrive at a housing target or requirement of **7768** homes? The plan states that the 553 figure represents past under supply as of 2016 (para 8, page 22), whereas the Housing Topic Paper (para 3.5 page 17) appears to indicate it has been added to help ensure that there is a 5 year supply of housing? [on the basis that there was a 3.85 year supply as of Feb 2016] How was this 'undersupply' calculated, to what time period does it apply and is it justified? Is the approach applied here justified by national policy or guidance?

The Council is not convinced that there is an undersupply of housing nor has there been one, at least back as far as 2011. The population growth in the District comes from the in migration of mainly older persons with a declining natural population in that deaths outweigh births. Constraints on supply have not shown any of the market signals that would be expected, the housing register has gone down from 7160 in 2012 to 2029 in June 2016. Even taking into account changes in the way the register is managed this is a 71% decrease (taken from the Core Strategy paragraph 3 of Policy SP7; house prices have not risen significantly, set out in the Housing Topic Paper CD15 at paragraph 7.5 a table from the ONS median house prices from December 2016 it shows that terrace houses have fallen in price slightly.

	Q2 – 2008	Q2 - 2016
All House Types	145,000	147,250
Detached Houses	177,000	179,950
Terrace Houses	115,000	110,000

Building completion rates though recovering have not significantly increased to try and meet a perceived demand or to fill a supply gap. In migration is continuing and the Council believes that the churn of the older population (in that those in migrants of the older cohorts are dying and leaving second hand houses empty and available) is substantial enough that it has soaked up any constraint on supply. The Council believes that this has been happening for some time, though it is impossible to pin point an exact year when it commenced. The Council therefore looked at the 5 year supply figure at just before the time of the start period of the Local Plan and worked out what the gap in housing was between what the 5 year supply figure was and what it should have been if the Council had a five year supply and then added that onto the OAN.

Up to and including 2010 the only target the Council had was the 600 homes a year from the East Midlands Regional Plan. The Council could have taken completions from that date but there was a recession on and it was not deemed to be very robust information.

Therefore from 2011 the Council has calculated its target as set out in the Housing Topic Paper (CD15) at 481 homes per year and counted forward 5 years from 2016, the start period of the Local Plan (5 year supply) meaning that from 2006 to 2021 the District should deliver 7810 homes.

Up to February 2016 the District had delivered 4695 homes, this leaves 3115 homes to be delivered. Added onto that is a 5% buffer of 155 homes. This means that the District needs to deliver 3270 homes. As at February 2016 the District could only deliver 3.35 years of that figure, including a

15% windfall allowance and therefore the gap between 5 years supply and 3.35 years supply is 553 homes which is added onto the housing target. This means that when you factor in the site allocations in the local plan and the deliverability of sites with permission (existing commitments), at the start of the Plan period the District has a five year supply of housing.

As far as the Council is aware there is no national set way of calculating the housing supply, this is being discussed in the emerging Housing White Paper. The Council worked it out by answering the questions set out by the Planning Advisory Service in their information paper on housing supply because it seemed like a methodical transparent approach.

17. Is the 553 figure intended to represent any under-supply since the plan base date and, if so, is it justified?

    The 553 figure is construed as an undersupply figure. National policy states that you need a 5 year supply of housing. If the Council did not have one, despite all the existing commitments then technically there must be an undersupply. As set out above the Council is not convinced there is an actual undersupply in the sense that historical demand is outstripping supply but the actual build of new houses has been low since the recession. The Council therefore looked at the 5 year supply figure at the time right before the start period of the Local Plan and worked out what the gap was between what the 5 year supply figure was and what it should have been and then added that onto the OAN. This allows for some flexibility to the OAN.

18. Is the housing *target* of **7768** justified? Should this be referred to as the housing *requirement*? Should the plan indicate that this is a *minimum* requirement (as indicated in para 2.25, page 9 of the Housing Topic Paper)?

    The Council believes that the housing target of 7768 is justified. The word "target" can be changed to "housing requirement" if it is believed that it is clearer for readers of the Plan, it is a modification the Council would support. The overall housing target could have the words "minimum requirement" at paragraph 8 of policy SP3 and at clause 1 of the policy, the Council would support this modification.

Phased delivery

19. Is the phased delivery of the 7768 homes in Policy SP3 2 justified? Is this intended as a control over the amount of housing to be delivered in these three time periods, as a prediction of likely delivery based on when sites will be developed or an intention that the 'under supply' of 553 homes will

be recovered in the first 5 years of the plan? Should this be made clear in the plan?

It is proposed to recover the undersupply in the first five years of the plan, which is compliant with the Sedgefield method; that is why the target is higher at 591 homes per year for 2016 – 2021. The trajectory is not meant to be a control over the amount of housing to be delivered but is just a prediction of likely delivery rates. The Council would suggest the following modification to paragraph 19 of the policy SP3 and clause 2 to make this clearer;

Paragraph 19. The Council will allocate sites in the Settlement Proposals Document for 3901 homes. The delivery of the 7768 minimum housing requirement will be over the following trajectory;

2016 – 2021 – an average of 591 homes per annum
2921 -2025 – an average of 481 homes per annum
2025 – 2031 – an average of 482 homes per annum

This includes the 553 undersupply of homes which is to be brought forward within the first five years of the Plan. At the start period of the Plan period there were 4085 homes with planning permission across the District.

20. Is the reference in the policy to the phased delivery applying to allocated sites correct, given the supply includes commitments?

Paragraph 19 of Policy SP3 could give the impression that the Council is allocating sites up to 7768 homes and it does not mention existing commitments. The Council would suggest a modification to rectify this, see the modification as set out in question 19.