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Planning. Design. Economics.

HEaDROOM Update Report

Review of the Objectively Assessed Need for Housing

NON-TECHNICAL SUMMARY

Sefton Metropolitan Borough Council

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40873/JG

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1.0 **Non-Technical Summary**

Introduction

- 1.1 Nathaniel Lichfield & Partners [NLP] was appointed by Sefton Council to prepare a study analysing housing needs in the Borough in March 2011. The study set out the scale of future housing needs based on a range of housing, economic and demographic factors, trends and forecasts to help Sefton Council make informed policy choices and identify their housing requirement through the Local Plan process. The original study concluded that Sefton's housing need was around 480 dwellings per annum [dpa].
- 1.2 Following the release of the updated 2010 and 2011-based Sub-National Population Projections [SNPP] and selected 2011 Census population data in 2012, it was recognised that there was a need to refresh the previous study to ensure that the housing requirements were as up-to-date and robust as possible. The subsequent 2012 update concluded that increasing the housing need figure to 510 dpa would be appropriate. However, it was accepted that if the Council could demonstrate (through the use of policy) that it could bring empty homes back into use and thereby reduce vacancy rates significantly, then a lower figure of 510 dpa could be justified. In December 2014, in light of further data releases from CLG (the Interim 2011-based SNHP) and the 2011 Census (as well as further guidance and clarification on the process to be taken in defining objectively assessed needs), a further housing needs update was produced which concluded that full, objectively assessed housing needs for Sefton would fall in the range 600 dpa – 800 dpa.
- 1.3 The December 2014 study also recognised that when CLG published its 2012-based Sub-National Household Projections [SNHP], there would be a further need to update the study. This is because the 2012-based household projections are the first full (25 year) set of household projections that account for the 2011 Census and provide a new government 'starting point' for assessing housing needs.
- 1.4 CLG published the aforementioned 2012-based SNHP in February 2015. This non-technical summary summarises the key outcomes of this Housing Need Update report, with a step-by-step analysis of how the full, objectively assessed need [OAN] has been derived in light of the latest 2012-based SNHP, as well as background commentary of the new data which may impact on the housing need outcomes.

Implications of New Data

2012-based Household Projections

- 1.5 The 2012-based household projections were published by CLG in February 2015¹. Over the full 25 year period 2012-2037, they project annual household growth in Sefton of 533 per annum. This is a significant increase on the previous 2011-based (Interim) projections (400 household per annum [hpa] between 2011 and 2021) and the 2008-based household projections (323 hpa between 2008 and 2033)².
- 1.6 This increase to 533 hpa is attributable to a combination of factors in the population and household projections, but specifically, changes to the underlying population and household formation rates. The 2012-based household projections project higher rates of household formation compared with the 2011-based interim projections (which were heavily influenced by the impact of recession); however, they are still below rates in the 2008-based projections.
- 1.7 The prime cause of the population increase under the 2012 SNPP is a significant increase in projected migration into Sefton. The previous 2008-based SNPP projected that Sefton would see little change in the population due to migration; however, the 2012-based SNPP indicate Sefton will see large levels of net in-migration in the future, as a result of population growth in the wider sub-region (specifically in Liverpool), which results in more people out-migrating to areas such as Sefton.
- 1.8 The combination of higher projected population growth, ageing within the Sefton population (with older households tending to be smaller in size) and high rates of household formation have resulted in the 2012-based SNHP generating higher levels of household growth than their two immediate predecessors.

Defining the Housing Market Area

- 1.9 A Housing Market Area [HMA] is a geographical representation of people's choice and preferences on the location of their home, accounting for live and work patterns. The Practice Guidance defines a HMA as the geographic area at which around 70% of all local moves are self-contained. On this basis, and using commuting and migration data from the 2011 Census (as well as other data from studies relating to Sefton), it is concluded that the Borough can be considered as a single HMA for the purposes of this study. It is, however, recognised that there remains strong linkages with neighbouring areas such as West Lancashire District, and particularly with Liverpool.

¹ The February 2015 release provided headline figures for household projections at the Local Authority level (based on the 2012 Sub-National Population Projections), as well as 'Stage 1' headship rates data, which provide data on headship rates for each Local Authority, by age, sex and relationship status. At the time of writing, CLG had yet to release full 'Stage 2' outputs, which detail household typologies, though it is understood these will be released mid-summer.

² These household projections produced by CLG are produced by applying projections of household headship rates to each of the respective population projections.

Market Signals

- 1.10 The Practice Guidance indicates that once an assessment of need based upon household projections is established, this should be adjusted to reflect market signals. A worsening trend in any of the key indicators requires some upward adjustment to planned housing numbers by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability.
- 1.11 Following an analysis of market signals (which provided an update to some of the indicators where possible, as well as looking in more detail at both absolute and relative change over time) it was considered that some upward adjustment could be necessary. This was particularly so due to the under-delivery of housing in recent years and given how parts of Sefton remain (compared to other areas in Merseyside) relatively unaffordable. However, the scale of adjustment to housing supply over and above demographic-led projections at this time would be moderate, in line with the Practice Guidance.
- 1.12 On this basis it was considered appropriate to apply an additional uplift above and beyond the demographic starting point by around 10% in order to plan positively for growth; address worsening market signals; and address the consequences of past under-delivery. This uplift is considered in the context of the scenarios analysed by NLP and incorporated into the overall conclusion on objectively assessed needs.

The Future Housing Market

- 1.13 In order to identify the future need for housing in Sefton, a number of different scenarios for levels of population, housing and economic growth have been tested. These address the following questions;
- 1 Demographic Led (Scenarios A to C): “How much development is required to meet projected levels of population change?”
 - 2 Economic Led (Scenarios D to H): “How much development would be needed to ensure forecasts of future employment change are supported by the local labour supply?”
- 1.14 Scenarios A to I were modelled in PopGroup. The key outcomes for the scenarios are shown in Table 1.1.

Table 1.1 Summary of Updated Sefton Scenarios 2012-30

	Population Change	Jobs	Dwelling Change	Dwellings p.a. to 2030
Scenario A: 2012 SNHP/SNPP	+4,961	-2,642	+10,874	+604
Scenario Ai: 2012 SNPP, Partial Catch-up to 2008 Headship Rates			+11,291	+627
Scenario Aii: Reduction in Dwelling Vacancy			+10,300	+572
Scenario B: 5 Year Migration Trend	-3,494	-5,801	+7,399	+411
Scenario C: 10 Year Migration Trend	-7,823	-7,805	+5,424	+301
Scenario D: Past Job Trend	-3,236	-5,464	+7,431	+413
Scenario E: Job Stabilisation (0 additional Jobs)	+10,114	+0	+12,825	+712
Scenario F: LEP Baseline	+4,248	-2,500	+10,463	+581
Scenario G: LEP Policy On	+12,908	+900	+13,980	+777
Scenario H: Blended Jobs (Experian, Oxford Economics)	+35,652	+10,099	+23,147	+1,286

Source: NLP using PopGroup

- 1.15 A number of key themes were evident for all of these scenarios which will shape the need for future housing in Sefton:
- 1 There will be significant ageing of the population, leading to smaller household sizes;
 - 2 There is forecast to be a decline in the number of working age residents, despite increases in the State Pension Age and older age economic activity;
 - 3 Natural change is negative across all scenarios, indicating there will be more deaths than births in the Borough;
 - 4 Although past trends indicate there has been net out-migration from the Borough, the 2012 SNPP project there to be high levels of in-migration to Sefton (in line with projected population growth and ageing in the wider region).

An Objective Assessment of Housing Need

- 1.16 The modelling outputs show a range of outcomes, but also highlight the common trend of ageing in the population. This has implications for housing need and labour supply, given the overall lower economic activity associated with an older population. It is projected (in the 2012 SNPP) that migration will be the key driver of population growth in Sefton, reflective of the Borough's position within the wider housing market as a destination for older migrants from surrounding areas.
- 1.17 The Planning Practice Guidance, along with a number of recent High Court decisions, has clearly set out that a stepped approach must be taken to deriving the housing OAN. We have applied this stepped approach through our HEaDROOM framework, which has the PopGroup demographic model at

its core. NLP's work has used the most recent population and household projections, as well as available information on economic growth targets and market signals, such as house prices and affordability.

1.18 **Our work has concluded that Sefton's full, objectively assessed housing need to address demographic needs would equate to 690 dpa, whilst to meet economically driven needs, the range would be higher – from 710 dpa at the bottom end, to as high as 1,290 dpa at the top end over the plan period 2012-2030.**

1.19 This has been based on the following staged process:

- The Government's Planning Practice Guidance is clear that the 'starting point' for establishing the full objectively assessed need for housing is the CLG's latest household projections. In Sefton's case, the latest 2012-based projections would suggest a figure of **604 dpa** (including an allowance for vacant units/second homes) over the Council's plan period. However, such a scenario in isolation makes no allowance for economic growth needs or national policy requirements to 'boost significantly' the supply of housing.
- Before allowances are made for economic growth and market signals, we must determine whether it is appropriate to adjust this demographic starting point of 604 dpa. NLP considers that it may be reasonable to make a small adjustment to allow for higher rates of household formation in younger age groups; however, given the age profile of Sefton this only has a relatively small impact on overall housing needs, from 604 dpa to **627 dpa**.
- The next stage involves testing whether an upward adjustment is necessary to the demographic-led needs in response to worsening market signals. This is a supply response which helps to address issues with imbalanced demand and supply which is indicated by a number of signals such as house prices, rents, affordability, homelessness and overcrowding.
- The Practice Guidance states that worsening trends in **any** of the market signals would provide justification for uplift on the demographic-led needs. Although in Sefton the picture is mixed (with house prices and rents lower than the national average for example), in the context of the local area, Sefton is relatively less affordable. In addition, there are some issues in the Borough related to past rates of development, which are likely to have also had an impact on changes to the number of concealed households in the Borough between 2001 and 2011. It is NLP's judgement that an uplift in the region of 10% would be reasonable for Sefton, which, based on the demographic led needs of 627 dpa, would equate to **690 dpa**.
- However, even at this level of provision, the overall level of job growth would still be negative over the plan period – a figure of 712 dpa would be needed to prevent the local economy from declining.

- Some of the employment-led scenarios indicate a level of housing need and population growth which could be considered very challenging in the context of past trends and the future population of the Borough. In particular, the Oxford Economics and Experian projections would require extremely high levels of in-migration to support job growth, resulting in a complete reversal of past trends (which show steady population decline). It is necessary that an assessment of housing need is based on scenarios that could “*reasonably be expected to occur*”³ and that future assessments of job growth should be considered in the context of the likely future change in the labour force.
- In this context, it would not be unreasonable for the Borough to plan for a job growth target which aims at stabilising the current number of jobs. Indeed, the 2012 SNPP scenario indicates that the projected population growth would still result in job losses (albeit at a slower rate than past trends), with 712 dpa the point at which sufficient housing is provided to maintain the current number of jobs in the Borough. Provision of **777 dpa** would deliver enough housing to support job growth in line with the LEP’s ‘Policy On’ job growth forecast for the Borough (job growth of +900 to 2030).
- However the LEP’s forecasts of job change in the Borough are considerably more modest and achievable than the Experian, Oxford Economics [OE] or the Cambridge Econometrics [CE] forecasts, which project job growth of between 8,758 and 13,100 jobs additional jobs between 2012 and 2030. On the grounds that over 30% of the job growth forecast by CE was attributable to the public sector, which is considered unlikely given ongoing Government cutbacks in the sector, this scenario was excluded as an outlier and a ‘blended average’ of the Experian and OE forecasts (+10,099 jobs) was modelled. Providing this level of jobs would require **1,286 dpa**. To align with the Council’s Employment Land Review [ELR] and economic aspirations it is considered that, whilst high, it would be appropriate to use this scenario to inform the top end of the economic-led housing OAN range.

1.20

On the above basis it was considered that based on the staged approach to identifying the housing OAN as set out in the Practice Guidance, the **demographically-driven housing OAN would equate to 690 dpa**, whilst to address economic needs and to align with the ELR, **the economic-led OAN range would be higher, at around 710 dpa – 1,290 dpa**.

³ PPG §ID2a-003-20140306

- 1.21 This range has been derived on the basis of the above framework, with the range representing the following:
- The demographically driven housing OAN, at 690 dpa, represents the outcome of the staged approach to identifying the housing OAN as set out in the Practice Guidance. It takes the CLG's latest household projections as its starting point (604 dpa 2012-2030), adjusts this to 627 dpa to accelerate the household formation rate of the younger age groups, and finally uplifts this figure by 10% to address worsening market signals and past under-delivery.
 - Such an approach meets SMBC's demographic requirements in full; represents a substantial boost on the amount of housing that has been delivered in the past (387 dpa over the past 11 years) and exceeds the LEP's baseline projection of job growth. However, it is recognised that due to the demographic challenges facing the Borough (with a very substantial ageing of the population and the propensity of younger residents to leave the Borough), even this level of dwelling provision would lead to a decline in the total number of jobs between 2012 and 2030.
 - Taking an economically-driven housing OAN approach which doesn't lead to a decline in jobs over time, a figure of **710 dpa** would effectively stabilise the economy and ensure that at the very least the number of jobs based in the Borough stabilises over the coming years.
 - Moving upward, a figure of 780 dpa would align with the current LEP's Policy On growth aspirations (+900 jobs), whilst at the very top end of any economically-driven housing OAN range, a figure of **1,290 dpa** would align with the 'blended average' of the Experian and OE job growth projections in the Borough, equivalent to an additional 10,099 jobs by 2030.
- 1.22 In general, whilst recognising that this would be very challenging to deliver, it is considered that greater weight could be attached to a housing need figure **towards the upper end of the 710 dpa – 1,290 dpa economically driven OAN range**. This would reflect the most recent economic projections for the Borough and would enable a close alignment to the approach taken to identify employment land requirements as set out in the Borough's ELR.
- 1.23 Whilst this is the OAN that SMBC should consider, it is of course recognised that the housing requirement figure it ultimately chooses to take forward in its emerging Local Plan may be different (if justified in accordance with the Framework and Practice Guidance).
- 1.24 A relatively wide housing OAN range has been identified in this study, whilst work relating to the Council's emerging ELR is ongoing. As such, it may be that SMBC wishes to commission further work to refine the point on the OAN range SMBC should be seeking to go for as its housing requirement.
- 1.25 There are significant implications of a high OAN in terms of Sefton Borough's ability to accommodate such growth and the knock on implications for

neighbouring local authorities and their regeneration strategies and housing delivery programmes.

- 1.26 An OAN of the scale identified by the economically-driven OAN range - particularly at the top end of the range - is likely to be very challenging to deliver and may raise planning issues which can only be addressed in the context of a sub-regional assessment of housing need and supply.

Housing Needs to 2035

- 1.27 Initial analysis of housing needs in Sefton over a longer time period (2012-2035) indicates that the housing need in the latter years will start to decline. Were housing need to be assessed over this longer period, it is therefore likely that the average annual housing need would be significantly lower as a result of the reduced need between 2030 and 2035, largely caused by the ageing (and dwindling) population. It will be for the Council to consider whether to pursue these findings further and potentially use this to inform the housing requirement for the Borough over a longer timeframe.