

KNOWSLEY LOCAL PLAN: CORE STRATEGY**KNOWSLEY METROPOLITAN BOROUGH COUNCIL****HEARING STATEMENT 12B****1. NEW MATTERS ARISING SINCE NOVEMBER 2013 HEARINGS****Planning Practice Guidance**

- 1.2 *What are the implications of the use of market signals (house prices, rents, affordability, rate of development and overcrowding) for the assessment of housing need? Does information on changes in market signals over time reveal any imbalances between the demand for and supply of housing which are not already addressed in the KLPCS?*
- 1.2.1 The Local Plan: Core Strategy (KLPCS) Submission version (CS01) was submitted for Examination in July 2013 i.e. before the launch of Planning Practice Guidance (PPG) (PG01b) in March 2014. This meant that the collation of evidence and preparation of the KLPCS with respect to housing policy was based on then extant guidance which has now been replaced by the PPG. Despite this, the Council considers that the KLPCS complies with the principles of the PPG with respect to the use of housing market signals (PG01a, Reference ID: 2a-019-20140306 and 2a-020-20140306).
- 1.2.2 In preparing the KLPCS policies relating to housing, the Council had due regard to the use of market indicators alongside other evidence. Key documents include the Strategic Housing Market Assessment (EB04) and the Housing Market Update (SD24), the latter having been published in July 2013 to provide up-to-date evidence to support the submission of the KLPCS. Additional information is published each year in the Local Plan Monitoring Reports (PP17-PP24), including updates on a range of indicators relating to the housing market. The most recent Monitoring Report, published in December 2013, covers the period April 2012-March 2013. These documents indicate trends in housing market signals in Knowsley compared to those previously recorded in the Borough, and compared with those recorded in comparator areas where appropriate (see in particular the commentary related to indicators M18-21, M26-27, M30-31 and M33-37 in the Monitoring Report, 2013 – document PP24).
- 1.2.3 The Council acknowledges that market signals can indicate housing need in terms of the quantity, type and tenure of housing required. The following bullets outline some examples of how this has been incorporated into the preparation of the KLPCS to date.
- House prices, rental values and affordability: Data regarding the cost of housing (including to purchase and to rent) has been considered alongside information about earnings of Knowsley residents to understand affordability. This revealed comparatively low, albeit steady values (see

SD24, section 8.1), but also comparatively low average salaries, indicating affordability issues (see SD24, section 8.6-8.8). Due to the ratio between house prices and incomes the Council remains of the view that its approach to the provision of affordable housing (within policy CS15) is appropriate, albeit subject to the modifications which are now proposed (see statement CH13C). The need for new affordable housing solutions also supports the wider housing requirement for new homes in Knowsley over the Plan period.

- Mix of dwelling types: The mix of homes in terms of their type (i.e. detached, terraced, apartments) and their size (i.e. bedroom size) has been considered in detail, leading the Council to conclude that Knowsley's current housing stock is skewed in particular towards mainly terraced and semi-detached 3-bed homes (see SD24, section 7.2-7.3). Therefore, policy CS16 of the KLPCS seeks to ensure that new development contributes towards the re-balancing of the housing market to provide an improved mix and choice of homes, with reference to the recommendations of the SHMA regarding the mix of dwelling sizes to be provided.
- Housing delivery rates and sales volumes: The Council has considered both the rate of delivery of new homes in Knowsley over recent years (SD24, section 9.1), and also the sales volumes achieved within the area (SD21, section 8.1). It has closely monitored the potential supply of new homes, including suitable sites for residential development and the existing supply of residential planning permissions (through the SHLAA process) (various references – the most up to date supply information is available in TR07). This has influenced the setting of overall targets for housing growth to meet needs (KLPCS policy CS3) which responds to the rates of delivery falling below those planned (i.e. in that the targets account for the “backlog” of under delivery accrued in recent years). This has also influenced the subsequent efforts to boost land supply for new homes (through the allocation of Sustainable Urban extensions), following the identification of a shortage of urban housing land supply in Knowsley within the Examination of the KLPCS.
- Land prices: The Council has been mindful that trends in land values can be difficult to assess, given that the particularities and variables within different sites will have major impacts on values. The Council is not aware of any evidence to indicate that land values in Knowsley are affected by matters which differ from the surrounding areas and which could result in a price premium (e.g. a shortage of land for any particular use). Land values in Knowsley appear to be more substantially constrained by the variables associated with individual sites, with no discernable patterns in recent land transactions for housing land (see evidence within EVA, EB06, Appendix 1). Within the Economic Viability Assessment (see EVA, EB06), the Council has accounted for the impact of “threshold land values” on viability of new development. This has informed policy formulation with respect to developer contributions sought (see policy CS27, as modified, see TR08) and the assessment of viability of sites within the land supply (e.g. most recently for housing within TR07, section 5 and Appendix 12).
- Overcrowding: The Council has considered the level of occupancy of homes in Knowsley, including whether homes are under- or over-occupied

(SD24, section 7.6). The latter can be considered to indicate levels of overcrowding, which have reduced in recent years in comparison to regional and national averages. This may reflect changing household sizes, the types of new housing which have been provided in Knowsley in recent years, or comparatively lower levels of housing demand in Knowsley compared to other areas (e.g. the buoyant housing markets in the South East of England). However, overcrowding remains an issue to be addressed through the provision of new homes, which supports the premise of policy CS3, and the need to ensure that new homes deliver a range of house sizes and types (policy CS17). The Council has also considered levels of under-occupation, particularly as they relate to the policy of removal of the spare room subsidy (also known as the “bedroom tax”) for occupiers of social rented homes in the Borough. Again, this supports the approach of seeking to deliver a broad range of new homes, including one- and two-bedroom homes within affordable tenures (policy CS17 and KLPCS Table 7.1).

- 1.2.4 The Council considers that the evidence base assembled on submission of the KLPCS is sufficient in terms of its coverage and was updated sufficiently recently to continue to provide a sound basis to support its policies. The Council is not aware of any new or revised data which would alter the recorded trends to such an extent that the policies of the KLPCS (including the assessment of objectively assessed housing needs) would need to be subject to any further modifications to ensure soundness.
- 1.2.5 Overall, the approach taken to responding to market signals within the plan preparation process has been consistent with the guidance in the PPG, with respect to “applying reasonable assumptions” which are “consistent with the principles of sustainable development” (PG01b, “Housing and economic development needs assessment” section). The Council intends to continue to monitor housing market signals within future Local Plan Monitoring Reports (see para 1.2.1) and consequently assess any implications for the effectiveness of KLPCS policies.
- 1.3 *Is the approach to the past under-supply of housing consistent with PPG advice? If the post 2010 backlog is included in the five year land supply calculation, as suggested by some representors, is there a reasonable prospect that the resulting target is realistic and achievable?*
- 1.3.1 The Local Plan: Core Strategy (KLPCS) Submission version (CS01) was submitted for Examination in July 2013 which preceded the launch of Planning Practice Guidance (PPG) (PG01b) on 6 March 2014. The approach within the KLPCS to the issue of developing a five year land supply position was undertaken in accordance with then extant guidance now replaced by the PPG, and in the absence of any specific guidance as to how the issue of under-supply should be dealt with in the preparation of Local Plans.

“Under-supply” and the KLPCS

- 1.3.2 The start of the KLPCS plan period is April 2010. During the three years of the plan period thus far (2010/11, 2011/12 and 2012/13), the housing target of 450 dwellings per annum has not been met. This means that the Council has accrued an “undersupply” of homes. The PPG explains (under Reference ID: 3-035-20140306) that local authorities should seek to address this issue, as follows:

“Local planning authorities should aim to deal with any undersupply within the first 5 years of the plan period where possible. Where this cannot be met in the first 5 years, local planning authorities will need to work with neighbouring authorities under the ‘Duty to Cooperate’.” [emphasis added]

- 1.3.3 Thus far in the preparation of the KLPCS, in the absence of the PPG which was published in March 2014, the Council has taken the approach that the “under-supply” should be met over the plan period, in order that overall, the target of 8100 dwellings is met over the 18 year Plan period. The Inspector’s Interim Findings (EX26, para 2) support this approach as follows:

“...allowance should be made for just one of the measures of post-2010 backlog [...] (20% NPPF buffer or early delivery of actual 2010-2013 backlog), as to include both would be double counting; [and] on balance, the 20% buffer sought by national policy is appropriate [...]”

- 1.3.4 Given the status of this advice from the Inspector, the Council has continued to work within these confines when preparing the proposed modifications to the KLPCS. However, the Council has also been mindful of the alternative available approaches to dealing with the issue of under-supply since 2010.

Alternative scenarios for dealing with under-supply

- 1.3.5 There are three generally accepted methodologies for addressing the issue of under-supply. These are summarised in the following table.

Table 1: Scenarios for dealing with under-supply

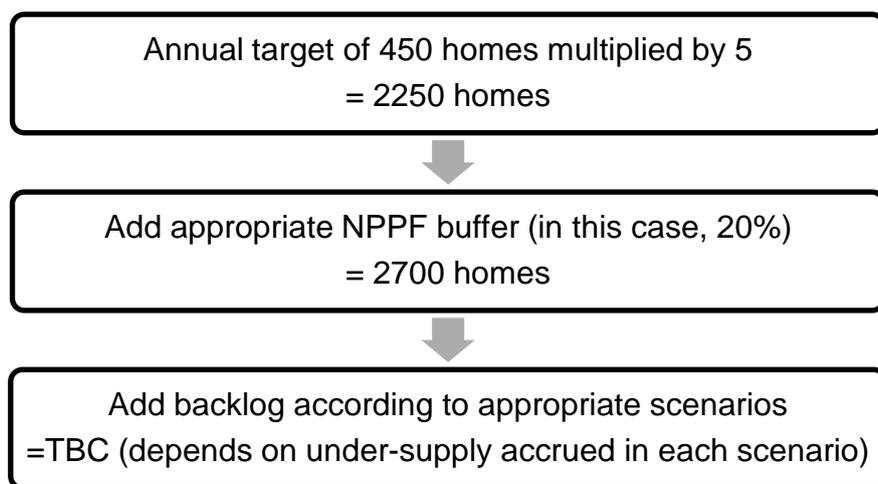
Scenario	Approach to under-supply	Also known as
Scenario 1	Under-supply met over the plan period, with no emphasis on meeting this in any particular year	n/a
Scenario 2	Under-supply met over the remaining plan period, equally spread over each remaining year	“Liverpool method”
Scenario 3	Under-supply met within the first five years of the plan period	“Sedgefield method” or “residual method”

- 1.3.6 The Council accepts that the appropriate NPPF buffer should be applied when identifying a target for a five year supply of housing land (PG01, para 47). This includes a 20% buffer when there is evidence of “persistent under

delivery” of housing. The PPG states (also under Reference ID 3-035-21040306) that there is no universal definition of what is meant by "persistent under delivery". The Council has however taken a view that the 20% buffer should be applied when the housing delivery for both of the previous two years has significantly failed to meet the annual target of 450 dwellings per annum.

- 1.3.7 The process of calculating a five year supply target and establishing a five year supply position is illustrated in figure 1.

Figure 1: Calculating a five year supply target



- 1.3.8 Table 2 illustrates the impact of the three scenarios on Knowsley’s ability to identify a five year supply of housing land. The rows stating a “target” have been calculated using the methodology in the above diagram. The under-supply position has been calculated as effectively “live” for each of these years, reflecting the delivery of homes since April 2010. The rows stating a “position” are the results of subtracting the “target” from the amount of homes the Council has identified are likely to be delivered within the subsequent five year period. Again, the supply available within five years has been calculated as “live” for each of these years.
- 1.3.9 It is important to note that within these calculations, the Council has used the revised housing land availability figures produced to support the proposed modifications to the KLPCS (see TR07, Appendix 13 and 15), which incorporate the revised phasing of availability of land within Sustainable Urban Extensions (but excluding the contribution of “safeguarded land” at Knowsley Village). The base date used is 1 April 2013. To calculate the appropriate targets for Scenarios 2 and 3, the Council has used predictions of the remaining cumulative shortfall against the target of 450 dwellings per annum. The calculations for these Scenarios are set out in Appendix 1 to this Statement.

Table 2: Performance of scenarios for calculating a five year supply target

	2013/14	2014/15	2015/16	2016/17	2017/18
Projected delivery within year (net)	410	629	327	466	999
Supply available within 5 years (from 1 April in column year)	2831	3733	3991	4367	4577
Scenario 1 target	2700	2700	2700	2700	2700
Scenario 1 position	131	1033	1291	1667	1877
Scenario 2 target ("Liverpool" method)	2948	2980	2932	3003	3023
Scenario 2 position	-116	753	1058	1364	1553
Scenario 3 target ("Sedgefield" or "residual" method)	3443	3483	3304	3427	3411
Scenario 3 position	-612	250	687	940	1166

NB. The targets for Scenarios 2 and 3 vary year-on-year, due to the calculations explained in paragraph 1.3.9. The table only covers the period up to 2017/18. By end of 2017/18, it is anticipated that the under-supply accrued since 2010 will have been dealt with. Figures may be affected by rounding.

Source: Housing supply figures are taken from the Technical Report: Sustainable Urban Extensions (TR07) (KMBC, 2014). These have been used within the detailed figures presented in Appendix 1.

1.3.10 The following bullets describe the findings of this exercise in relation to each scenario:

- **Scenario 1:** For the five year period commencing 1 April 2013, the target can be met with a small surplus. For the following five year periods, the targets can be comfortably met.
- **Scenario 2 ("Liverpool" method):** For the five year period commencing 1 April 2013, the target cannot be met, as there is a small shortage identified within the five year supply. However, the targets can be comfortably met for the five year period commencing 1 April 2014 and for five year periods following this.
- **Scenario 3 ("Sedgefield" or "residual" method):** For the five year period commencing 1 April 2013, the target cannot be met, with a moderate shortage identified within the five year supply. For the five year period commencing 1 April 2014 the target can be met with a surplus, and for the following five year periods, the targets can be increasingly comfortably met.

1.3.11 The Council's conclusion from this exercise is that if it adopts the approach which appears to be advised in the PPG (Scenario 3), the resulting targets are achievable from a base date of 1 April 2014 and in subsequent years.

1.3.12 For clarity, it should be emphasised that the base date used within these calculations is 1 April 2013 and therefore, it should be noted that the Council's

actual five year supply position from a 1 April 2014 base date is not currently available. The land supply position for this period will be published in late 2014 once the Council's update to the Strategic Housing Land Availability (SHLAA) process has been finalised in line with extant practice guidance. This information will be published alongside the Council's Local Plan Monitoring Report covering the period April 2013-March 2014. The Council intends to subsequently update its housing supply position on an annual basis, allowing for a "live" five year supply position to be calculated.

1.3.13 Having explored the implications of these alternative approaches to dealing with "under-supply", the Council does not consider that it should further re-evaluate its approach to planning for housing growth (beyond the changes which are set out in the proposed modifications to the Plan). Even if Scenario 3 is implemented, there is only a moderate shortage in supply for the five year period commencing 1 April 2013 onwards. For subsequent periods, including the five year supply period commencing 1 April 2014, the projected five year supply is expected to comfortably accommodate this target.

1.3.14 The approach in the Plan as modified will ensure that a five year supply can be identified well into the Plan period, past the point at which the under-supply accrued within the early years of the Plan period has been fully addressed. The overall amount of land identified as being available for new housing during the Plan period amounts to 8,998 dwellings, which is nearly 900 dwellings in excess of the Plan period target.

Boosting the five year supply

1.3.15 Through the proposed modifications to the KLPCS, the Council aims to maximise the available opportunities to boost the amount of housing land which is available in Knowsley in the short term. This approach will respond to the Inspector's Interim Findings relating to the Council's inability to identify a five year supply for housing from land within the urban area (EX26, paras 2-3). The proposed allocation of all the previously identified "reserve" locations for future removal from the Green Belt as Sustainable Urban Extensions ensures additional certainty for the short term land supply. This approach is justified and accounts for evidence, assessments and the consequences of previous stages of KLPCS preparation.

1.3.16 The impact of the proposed modifications, including the allocation of Sustainable Urban Extensions, on the identified housing land supply is explained in document TR07 (section 6). This describes the potential lead-in times and delivery rates for new residential development within the Sustainable Urban Extensions (TR07, sections 4 and 5). As a result of the allocation of Sustainable Urban Extensions, it is expected that these sites will begin to deliver new homes in 2015/16 and that this will result in an additional capacity for 525 homes becoming available during the five year period from 2013/14 to 2017/18. This represents a significant boost to the five year supply which will be sufficient to address the 391 shortfall identified in the Inspector's Interim Findings, with some additional flexibility. These changes are reflected in a revised housing trajectory (set out in documents TR07 and CS08, see

modification M060) and are included in the supply figures presented in Table 2 and Appendix 1 of this statement. Further information regarding the Council's justification for this approach is set out in Statement CH13A (questions 2.1 and 2.2).

Alternative approaches – spatial strategy

- 1.3.17 The Council does not consider it appropriate to propose any further modifications to the KLPCS which would further boost the land available for residential development within the first part of the Plan period. To do so would be to make substantial amendments to the spatial strategy established within the KLPCS. Whilst some representors responding to the Inspector's PPG consultation recommend that the Council adopts a "Scenario 3" or "Sedgefield" approach to dealing with the under-supply, none have argued that this should be accompanied by a substantive change to the spatial strategy within the KLPCS.
- 1.3.18 The Council does not consider it necessary at this stage to reconsider the role of the Duty to Cooperate in ensuring that the Council maintains a five year supply (in accordance with the PPG advice). This is because the Duty applies during the preparation stages of a Local Plan, i.e. before it is submitted for Examination. In any case, the Council has already explored the opportunities for joint working with neighbouring authorities on housing delivery (see document SD14). This exercise concluded that it would not be appropriate for any neighbouring district to accommodate any of Knowsley's housing requirements.
- 1.3.19 The Council also does not consider that this matter presents any rationale for reducing the housing target in the KLPCS. The overall housing requirement has been found to be sound within the Inspector's Interim Findings (EX26, para 2) and the Council is of the firm view that this target remains deliverable over the Plan period, as evidenced in document TR07 and summarised earlier in this Statement. Any reduction in the housing target would reduce the Council's ability to demonstrate that the KLPCS can meet objectively assessed needs for housing in Knowsley over the Plan period, and may therefore affect the soundness of the spatial strategy as a whole.

Alternative approaches - sites

- 1.3.20 Whilst preparing the KLPCS, the Council has sought to identify an appropriate supply of housing sites from within the urban area, complemented by "reserve" locations to be released from the Green Belt for new residential development. When identifying Green Belt locations for release the Council considered a wide range of sites using an extensive evidence base. At various stages, representors have sought to promote alternative locations within the Green Belt to those favoured by the Council for new residential development. The Inspector's Interim Findings (EX26, para 11) confirm that the Council's identification of the locations reserved to be released is sound, and that it is not necessary to release any of the alternative sites from the Green Belt.

1.3.21 The Council therefore does not consider it appropriate to propose any further allocations for Sustainable Urban Extensions, over and above the original Green Belt “reserve” locations. In any case, there is significant uncertainty about whether early release of additional Green Belt sites for residential development (in addition to the Sustainable Urban Extensions) would practically result in substantial additional delivery within the five year period. This is due to the lead in times to prepare each site for development, particularly where sites have not been included within the plan preparation process to date. None of the representors responding to the PPG consultation (EX28) have argued for additional sites to be identified for new residential development to address the PPG advice on accounting for under-supply.

Conclusions

1.3.22 The Council accepts that it can not demonstrate a five year supply at a 1 April 2013 base date which includes sufficient capacity to fully address the under-supply of housing accrued since the start of the Plan period within five years (see Scenario 3 above). In response to the question posed therefore, if the post 2010 backlog is included in the five year land supply calculation, as suggested by some representors, there would not be a reasonable prospect that the resulting target would be realistic and achievable.

1.3.23 The PPG advice in any event includes caveats about authorities “aiming” to deal within under-supply within the first five years “where possible”. The Council considers that it has taken a positive approach to boosting delivery of new homes within the early part of the Plan period, through its proposed modifications. These modifications will ensure that residential development can be delivered sooner on selected sites being removed from the Green Belt as Sustainable Urban Extensions, whilst aiming to create sustainable communities in these locations in accordance with the wider Plan strategy. This process is justified by the available evidence.

1.3.24 This issue does not require any further modifications to the Plan in terms of identifying additional sites for residential development or an alteration to the spatial strategy. Additional changes would not improve the soundness of the Plan, and would not necessarily lead to a greater delivery of homes within a five year period.

Appendix 1: Detailed data for Scenarios for calculating performance against five-year supply targets

Row	Item	Notes	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	
			Plan Period																						
1	Projected annual delivery	Taken from TR07	160	252	195	410	629	327	466	999	1312	887	703	676	576	502	458	229	126	92	99	30	0	0	
2	Projected annual target	Taken from KLPCS	450	450	450	450	450	450	450	450	450	450	450	450	450	450	450	450	450	450	450				
3	Projected annual deficit/surplus	Row 1 minus Row 2	-290	-198	-255	-40	179	-123	16	549	862	437	253	226	126	52	8	-221	-324	-358					
4	Projected cumulative delivery	Cumulative Row 1	160	412	607	1017	1647	1973	2439	3438	4750	5637	6340	7016	7591	8093	8551	8780	8906	8998					
5	Projected cumulative target	Cumulative Row 2	450	900	1350	1800	2250	2700	3150	3600	4050	4500	4950	5400	5850	6300	6750	7200	7650	8100					
6	Projected cumulative deficit/surplus	Cumulative Row 3	-290	-488	-743	-783	-604	-727	-711	-162	700	1137	1390	1616	1741	1793	1801	1580	1256	898					
7	NPPF buffer projected to apply	20% where delivery has been less than 450 for two previous years, otherwise 5%				20%	20%	20%	20%	20%	5%	5%	5%	5%	5%	5%	5%	5%	20%	20%					
8	Supply available within 5 years	Row 3 including year and following 4 years				2831	3733	3991	4367	4577	4153	3343	2914	2440	1891	1407	1004	576	347	221					
	Scenario 1																								
9	Target	2250 plus percentage given in Row 7				2700	2700	2700	2700	2700	2363	2363	2363	2363	2363	2363	2363	2363	2700	2700					
10	Position	Row 8 minus Row 9				131	1033	1291	1667	1877	1790	980	551	77	-473	-956	-1359	-1787	-2353	-2479					
	Scenario 2																								
11	Remaining plan period	Years remaining within plan period				15	14	13	12	11	10	9	8	7	6	5	4	3	2	1					
12	Projected cumulative deficit to date	Result of Row 6 for previous year				743	783	604	727	711	162	n/a													
13	Shortfall divided by remaining plan period	Row 6 divided by Row 11				50	56	46	61	65	16	n/a													
14	Shortfall to meet within five years	Row 13 times 5				248	280	232	303	323	81	n/a													
15	Target	Row 9 plus Row 14				2948	2980	2932	3003	3023	2444	n/a													
16	Position	Row 8 minus Row 15				-116	753	1059	1364	1553	1709	n/a													
	Scenario 3																								
17	Shortfall to meet within five years	Result of Row 6 for previous year				743	783	604	727	711	162	n/a													
18	Target	Row 9 plus Row 16				3443	3483	3304	3427	3411	2525	n/a													
19	Position	Row 8 minus Row 18				-612	250	687	940	1166	1628	n/a													

Source: Technical Report: Sustainable Urban Extensions (TR07) (Knowsley MBC, 2014) – Appendix 13 and 15