

KNOWSLEY LOCAL PLAN: CORE STRATEGY**KNOWSLEY METROPOLITAN BOROUGH COUNCIL****HEARING STATEMENT 15A****MATTER 3: NEW MATTERS ARISING SINCE JULY 2014 HEARINGS****Housing need and land supply assessments****3.1 *What are the implications of the new household projections for the KLPCS, particularly in relation to the objectively assessed need for housing?*****Introduction**

- 3.1.1 The 2012-based sub-national household projections were published by the Department for Communities and Local Government (DCLG) in February 2015. A second release was published in March 2015. These projections set out the projected changes in the total number of households within each Local Authority area over a 25 year period between 2012 and 2037.
- 3.1.2 At the Inspector's request, the Council published a document with charts and tables showing the key data emerging from the household projections for Knowsley, titled "Sub-National Household Projections: Summary of data released by DCLG" (AD60). Selected parts of this document are referred to throughout this Statement.

Use of household projections

- 3.1.3 The National Planning Policy Framework ("the Framework") (paragraph 159) and Planning Practice Guidance (PPG)¹ state that household projections should be used as a key "starting point" in the process of establishing "Objectively Assessed Needs" for housing in the Local Plan preparation process. The Council has given due weight to the most up-to-date projections at each stage of preparation of the Knowsley Local Plan Core Strategy (KLPCS), particularly in setting the housing requirement identified in Policy CS3.
- 3.1.4 The PPG² states that housing needs assessments should not automatically be considered out-of-date due to the publication of new projections. However, given the Inspector's question 3.1, and the fact that the 2012-based household projections are the first 25-year household projections published since the 2008-based projections, the Council has set out its position regarding their implications within this Statement.
- 3.1.5 This statement focuses particularly on comparing the new projections with the most recently published previous projections, which are the 2011-based

¹ Paragraph 015 Reference ID: 2a-015-20140306

² Paragraph 016 Reference ID: 2a-016-20150227

interim household projections. These projections formed a key part of the evidence base for the "Submission" version of the KLPCS, as described in the Technical Report: Planning for Housing Growth (TR01). The significance of the 2011 based interim projections alongside other evidence was also referred to in the Council's Hearing Statement to the November 2013 hearings (CH03A). The Inspector found the Council's approach to setting a housing requirement for the KLPCS to be sound in his first Interim Findings document (EX26).

The 2012-based vs. the 2011-based interim household projections

3.1.6 Key data for Knowsley arising from the 2012-based household projections includes the following:

- Knowsley's total number of households is projected to rise by 5,836 households between 2012 and 2037;
- The average annual projected household increase between 2012 and 2037 is 233 households per annum; between 2012 and 2028 it is 258 households per annum; and
- The average household size in Knowsley is expected to decrease, falling from 2.35 to 2.17 persons per household between 2012 and 2037.

3.1.7 The 2012-based household projections therefore project a level of annual household growth which is very similar to that set out within the interim 2011-based projections. Table 2 and Figure 4 within document AD60 illustrate this by comparing the projected annual average household increases of the 2012-based projections (as summarised above), with the 2011-based projections, which projected an annual average increase of 240 households between 2011 and 2021. The rates of average household increase are very similar, with a difference of only 7 households per annum across the whole projection periods (i.e. 233 per annum compared with 240). The 2012-based projections as they apply to the remaining KLPCS period (i.e. 2012 to 2028) show an annual average growth of 258 households per annum which is slightly higher than the annual average for the 2011-based projections (i.e. 258 per annum compared with 240). Figure 4 of document AD60 also illustrates that the overall trend in household growth displayed by the two projections is very similar.

3.1.8 Given the similarity between the projections, the Council's position is that no changes should be made to the assessment of Objectively Assessed Needs for housing already established in the KLPCS preparation process to date. The housing requirement within Policy CS3 of the KLPCS was, and remains, sound. The following section demonstrates how the approach in the KLPCS remains compliant with the PPG on this matter.

Compliance with the PPG

3.1.9 Throughout the preparation of the KLPCS, the Council has acknowledged that the household projections form an important "starting point" for the assessment of Objectively Assessment Needs for housing, but the weight attributed to them needs to be appropriate having regard to other relevant

factors. Translating the household projections directly to an assessment of Objectively Assessed Needs for housing and hence to a housing target to incorporate within the Plan in isolation and without considering other factors would be inappropriate for the reasons which have been clearly set in the Council's earlier evidence on this matter.

- 3.1.10 The Council's approach continues to accord and comply with the PPG³ regarding the circumstances in which the household projections should be adjusted to identify Objectively Assessed Needs. Relying on household projections alone to assess Objectively Assessed Needs would not enable significant inroads to be made into the evidenced need for additional market sector housing and affordable housing in Knowsley. This would prevent the KLPCS objectives of a balanced housing market and population stabilisation from being achieved.
- 3.1.11 The Council's evidence presented at previous stages of KLPCS preparation on how its approach complies with the PPG on this matter (summarised in Appendix 1 to this Statement) remains robust and valid. Given the similarity between the 2012 based and 2011 based projections the Inspector can (and should) still rely on this evidence in drawing his conclusions on Objectively Assessed Needs and the soundness of KLPCS Policy CS3 (paragraph 3.1.8 above refers).

Trend-based projections

- 3.1.12 A key point to re-emphasise is that the household projections are trend-based. They project the numbers of households that would result using assumptions based on previous demographic trends in the population and rates of household formation. The projections assume a continuation of recent local trends in fertility, mortality and migration and do not account for the capacity of an area to accommodate a change in population. They do not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour or household formation rates.
- 3.1.13 Household projections also do not account for levels of pent-up housing need (e.g. from concealed households) which have not been addressed due to under-delivery of new homes. Evidence (including the "Knowsley Strategic Housing Market Assessment" (SHMA) (EB04)) shows that there are significant unmet affordable housing needs in Knowsley. These needs are of a scale which is unlikely to have been addressed in the period since the SHMA was published.
- 3.1.14 The modelling for sub-national household projections uses data from the preceding six years i.e. in the case of the 2012-based projections the trends within the period 2007 to 2012⁴. This includes a period of severe economic

³ Paragraph: 015 Reference ID: 2a-015-20140306; Paragraph: 016 Reference ID: 2a-016-20150227; Paragraph: 017 Reference ID: 2a-017-20140306; Paragraph: 018 Reference ID: 2a-018-20140306; Paragraph: 019 Reference ID: 2a-019-20140306; Paragraph: 020 Reference ID: 2a-020-20140306

⁴ See CLG Household Projections 2012-based: Methodological Report (CLG, 2015), available at: <https://www.gov.uk/government/statistics/2012-based-household-projections-methodology>

recession and very low levels of housing completions in Knowsley as set out within the Council's "Housing Position Statement" (SD22, page 54). These trends were also experienced in the period leading up to 2011 (on which the 2011-based projections were based). Within Knowsley there has been a trend for recently published household projections to be lower than those which predated the economic downturn, as illustrated in Appendix 2 to this statement. The 2012 based projections are consistent with this trend.

3.1.15 Planning to replicate trends influenced by the recession as demonstrated in both the 2011-based and 2012-based household projections is inappropriate for Knowsley and hence Objectively Assessed Needs must be considerably higher than these baseline household projections. Cheshire West and Chester Council adopted a similar position in assessing Objectively Assessed Needs which were greater than the latest household projections in its Local Plan. This was found to be sound in December 2014⁵.

3.1.16 It is for these reasons that it is not now appropriate or necessary to make any changes to the assessment of Objectively Assessed Needs or the housing target in the KLPCS on the basis of the 2012-based projections. This approach demonstrates consistency in the Council's approach throughout the preparation of the KLPCS, and explains how the housing target remains sound despite variations in household projections.

Other aspects of the household projections

3.1.17 In addition to the overall projections of numbers of households, the 2012-based household projections include data about the projected size, type and make-up of Knowsley's households. This information is presented in Table 1 and in Figures 5a, 6a and 7a in document AD60.

3.1.18 Like previous household projections, the 2012-based projections project that the average household size in Knowsley will decrease between 2012 and 2037 (Table 1 in document AD60, and for comparison with the 2011-based projections, see document TR01, page 53). This decreasing size of household, as for previous projections, is a driving force behind projected household growth: simply put, splitting a standard sized population into smaller household groupings results in a larger number of households. It is not considered that the trend within the 2012-based projections results in any requirements to re-assess the Objectively Assessed Needs for housing in Knowsley or any other KLPCS housing policies.

3.1.19 The data also includes information about the types of persons projected to be heading households in Knowsley in the future. In summary, this information sets out the trends that the Council was already aware of, in terms of:

- a) A projected increase in the number of female-headed households;
- b) A projected increase in the number of households headed by single and divorced persons; and

⁵ Cheshire West and Chester Local Plan Inspector's Report, December 2014, available online: http://consult.cheshirewestandchester.gov.uk/portal/cwc_ldf/cwc_lp/localplanexamination/examination

- c) A significant increase in the number of households headed by persons aged 65+ and a corresponding slight decrease in the number of households headed by working age persons.

3.1.20 This information also replicates the trends that the Council was already aware of, and has accounted for within its existing evidence base (e.g. TR01) arising from the previous household projections and the 2012-based population projections (SD31).

Conclusions in relation to the Inspector's question 3.1

3.1.21 In the light of the new 2012-based household projections the housing requirements within the KLPCS of both 450 dwellings per annum between 2010 and 2028 and 8,100 dwellings in total are still sound. The achievement of this target will ensure that Objectively Assessed Needs for housing can be fully met including the full range of market and affordable housing required over the plan period. The housing requirement contained within the Plan will perform more effectively than any alternative approach in meeting assessed needs in the way required by national policy and guidance. The Inspector has already found this aspect of the KLPCS to be sound in his first Interim Findings (EX26).

3.2 *Are there other changes in the evidence base which materially affect the assessment of housing need, such as any update to the SHMA or changes in market signals?*

3.2.1 The most recent summary of the implications of housing market signals for the KLPCS was submitted by the Council within its hearing statement to the July hearings (CH12B). The Council has not produced a new SHMA in the intervening period. However through its regular housing market monitoring activities the Council has assessed the key housing market signal changes which have arisen during this period. A summary of each of the categories is provided below. Technical information including figures and tables referred to in the following sections is contained within Appendix 3 to this Statement.

House prices, rental values and affordability

3.2.2 House price information has been updated from April 2013 to June 2014 (see Appendix 3, Figure 1). Although there is a slight decrease in average values in Knowsley to £113,000, this change is not considered to be significant. The lower quartile house prices have also seen a slight decrease (see Appendix 3, Figure 2), but again this is not considered to be significant. The Council is not aware of any changes in the prices of any particular size or type of house which would be significant in the context of the KLPCS.

3.2.3 The Council no longer has access to the Hometrack Intelligence rental data which it used to assess rental values in 2013. However, a summary of the latest Valuation Office Agency data on market rental values is provided in Table 1. The trend in the median market rental values of homes in Knowsley (shown in Appendix 3 Figure 3) indicates that there has been no significant

change in the average market rents paid by Knowsley tenants over the last four years.

- 3.2.4 For affordability data the Council no longer has access to the Hometrack data source which it previously used to establish affordability ratios. However, as recommended within the PPG, the Council has referred to the affordability ratios data published by DCLG. The latest information is contained within Table 2. This data shows that in 2013 prices were around 4 times incomes for both median and lower quartile levels for prices and incomes. This ratio exceeds the usual mortgage lending allowances which are nearer to 3 times income. Accordingly the table illustrates a fairly stable picture in terms of the affordability of market housing in Knowsley. It is possible to attribute the slight reduction in affordability ratios between 2007 and 2013 to the impacts of the economic recession and the corresponding changes in the housing and labour markets. It is therefore reasonable to conclude that there remains a significant affordable housing need in Knowsley which needs to be taken into account in the housing target and other housing policies of the KLPCS.

Mix of dwelling types

- 3.2.5 The latest information on the mix of dwelling types and sizes in Knowsley is taken from the 2011 Census. This was available in 2013, as set out in the Council's "Housing Market Update" (SD24). The Council does not have access to any comprehensive data updates in relation to this issue.

Housing delivery rates and sales volumes

- 3.2.6 The Local Plan Monitoring Report 2014 (PP30) presents updates for dwelling completions for 1 April 2013 to 31 March 14. This shows that 360 dwellings (net) were completed in Knowsley. In addition, the Council has produced an interim assessment of dwelling completions for the period from 1 April 2014 to 31 March 15. This indicates that 533 dwellings (net) have been completed in this year. This represents an increase in house building activity in the Borough compared to previous years and exceeds the annual housing requirement in the emerging KLPCS (i.e. 450 dwellings per annum net) and supports the Council's position that the requirement is realistic and deliverable.
- 3.2.7 Figure 4 within Appendix 3 to this Statement shows data about the volume and types of homes which have been sold in Knowsley between April 2012 and February 2014. There have consistently been sales of over 60 properties per month in Knowsley over this period, reaching peaks of over 100 sales per month in late 2013. The sales volumes data does not demonstrate any significant or unusual recent trend in the Knowsley housing market over this period.

Land prices

- 3.2.8 As in 2013, the Council is not aware of any evidence to indicate that land values in Knowsley are affected by matters which differ from surrounding areas and which could result in a price premium (e.g. a shortage of land for any particular use). The Council again refers to evidence within its "Economic

Viability Assessment" (EVA) which shows that land values in Knowsley appear to be more substantially constrained by the variables associated with individual sites, with no discernible patterns in recent land transactions for housing land (EB06, Appendix 1).

Overcrowding

3.2.9 The latest information on overcrowding and under occupancy in Knowsley is taken from the 2011 Census. The Council does not have access to any comprehensive data updates in relation to this issue.

3.2.10 As set out within the Local Plan Monitoring Report 2014 (PP30), the level of empty homes in Knowsley reduced in during 2013/14. This demonstrated that an increasing number of empty homes had been brought back into use. Whilst this is positive for Knowsley's housing market, the change in empty homes numbers is not considered to be significant in the context of the assessment of overall housing need.

Conclusions in relation to the Inspector's question 3.2

3.2.11 The above evidence on market signals indicates that there has been no significant change in the Knowsley housing market since the July 2014 hearings. Any slight changes in the housing market, for example through changes to average house prices, do not affect the soundness of the housing policies within the emerging KLPCS. Accordingly in answer to question 3.2 the Council's position is that there are no other changes in the evidence base which materially affect the assessment of housing need.

Appendix 1: Planning Practice Guidance: Factors requiring adjustment of the household projections to establish Objectively Assessed Needs for housing

Factors	Summary of the Council's approach	Previous evidence
Local demography and household formation rates	Like the 2011-based projections, the 2012-based projections reflect a period of significant economic recession in the UK, which has affected demographics and household formation rates in Knowsley. The period included population loss in Knowsley. Like the 2011-based projections, this means that the projections are suppressed. The translation of the 2012-based projections into a position on Objectively Assessed Needs, without any adjustment to reflect these factors, would be inappropriate.	<ul style="list-style-type: none"> • Hearing Statement CH03A • Hearing Statement CH12A • Sub-national Population Projections Update (SD31)
Past under-delivery of housing, including land supply	The economic recession leading up to 2012 affected a range of factors which are relevant to the 2012-based household projections, just as for the 2011-based projections. It brought a significant reduction in the rates of house building in the UK, which affected Knowsley as elsewhere in the country. Knowsley has also experienced housing demolitions leading up to 2012, including a significant demolition programme within North Huyton, for which homes are yet to be replaced. There has also been a documented reduction in availability of suitable and viable brownfield land for housing development over the period up to 2012. This means that the 2012-based projections, like the 2011-based projections, are suppressed and has also created a "backlog" of housing need and demand which is yet to be addressed. These factors clearly indicate that a position on Objectively Assessed Needs must be higher than the baseline household projections.	<ul style="list-style-type: none"> • Technical Report: Planning for Housing Growth (TR01) • Strategic Housing Market Assessment (EB04) • Housing Position Statement (SD22) • Hearing Statement CH03A
Employment factors including the potential change in job numbers, outcomes of	Employment and residential development have been considered together in the preparation of the KLPCS. The Council's evidence base sets out the rationale for employment growth in Knowsley. The 2012-based projections are based on a period experiencing similar economic and	<ul style="list-style-type: none"> • Technical Report: Planning for Housing Growth (TR01) • Technical Report: Planning for Employment

Factors	Summary of the Council's approach	Previous evidence
economic forecasting and commuting patterns	employment issues to the 2011-based projections.	Growth (TR02) <ul style="list-style-type: none"> • Hearing Statement CH03A
Housing market factors including house prices and rental values, land prices, affordability, overcrowding and rates of development	Knowsley has established issues within its housing market, including a high proportion of social rented homes, and a predominance of 3-bedroom homes. There are established issues of housing affordability in the Borough, as identified in the Strategic Housing Market Assessment, which must be addressed within the KLPCS (in accordance with NPPF para 159). Unless appropriate upward adjustment of the projection is made, this will remain unaddressed. Rates of development leading up to the 2011 and 2012 based projections (and within the periods which have been used by CLG to derive these projections) have been hindered by economic conditions, as set out above. All of this indicates a need to rebalance the housing market through the provision of sufficient new homes. There has not been a significant change in these factors meaning that their significance for Objectively Assessed Needs for housing remains unaltered in the light of the new household projections (NB this matter is discussed further under Matter 3.2).	<ul style="list-style-type: none"> • Technical Report: Planning for Housing Growth (TR01) • Strategic Housing Market Assessment (EB04) • Housing Market Update Report (SD24) • Hearing Statement CH03A • Hearing Statement CH12B

Source: Planning Practice Guidance, CLG 2014⁶

⁶ Paragraph numbers: Paragraph: 015 Reference ID: 2a-015-20140306; Paragraph: 016 Reference ID: 2a-016-20150227; Paragraph: 017 Reference ID: 2a-017-20140306; Paragraph: 018 Reference ID: 2a-018-20140306; Paragraph: 019 Reference ID: 2a-019-20140306; Paragraph: 020 Reference ID: 2a-020-20140306

Appendix 2: Earlier Household Projections

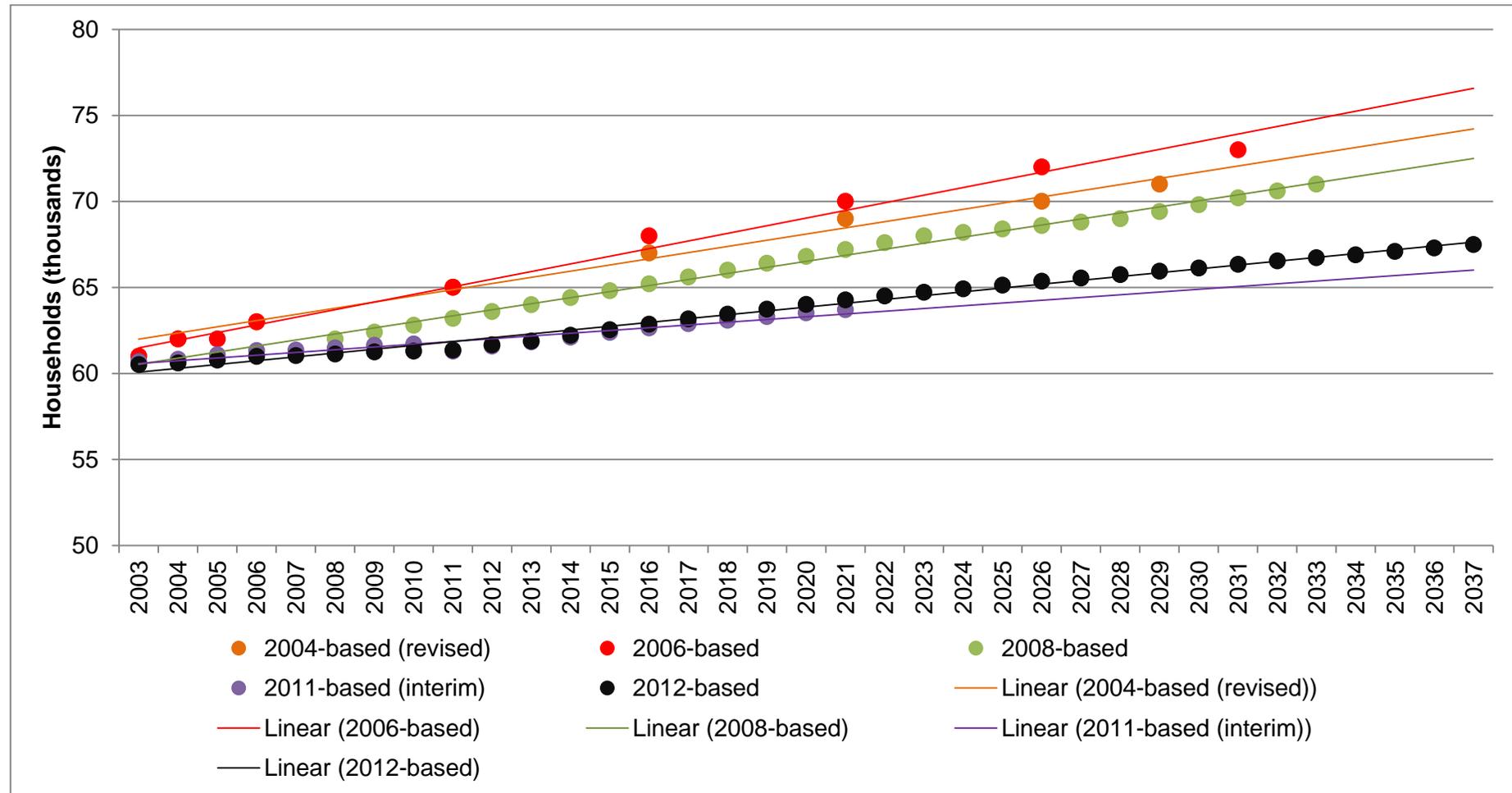
Table 1: Comparison of Earlier Household Projections

Projections	Date Published	Stage of KLPCS Preparation	Time period	Total years	Total household growth	Average annual household growth
2004-based (revised)	28 th February 2008	n/a	2004-2029	25	9,000	360
2006-based	11 th March 2009	Issues and Options	2006-2031	25	10,000	429
2008-based	26 th November 2010	Preferred Options / Proposed Submission	2008-2033	25	9,000	360
2011-based (interim)	9 th April 2013	Submission	2011-2021	10	2,121	241
2012-based	27 th February 2015	Current	2012-2037	25	5,836	233

Table 2: Completions vs. Household Projections

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Annual net housing completions	165	89	462	379	264	101	160	252	195	360	533
Projected annual household growth	2004-based (revised)	n/a	500	500	400	400	400	400	400	400	400
	2006-based	n/a	n/a	n/a	400	400	400	400	400	600	600
	2008-based	n/a	n/a	n/a	n/a	n/a	200	400	400	400	400
	2011-based (interim)	n/a	284	238							
	2012-based	n/a	223								

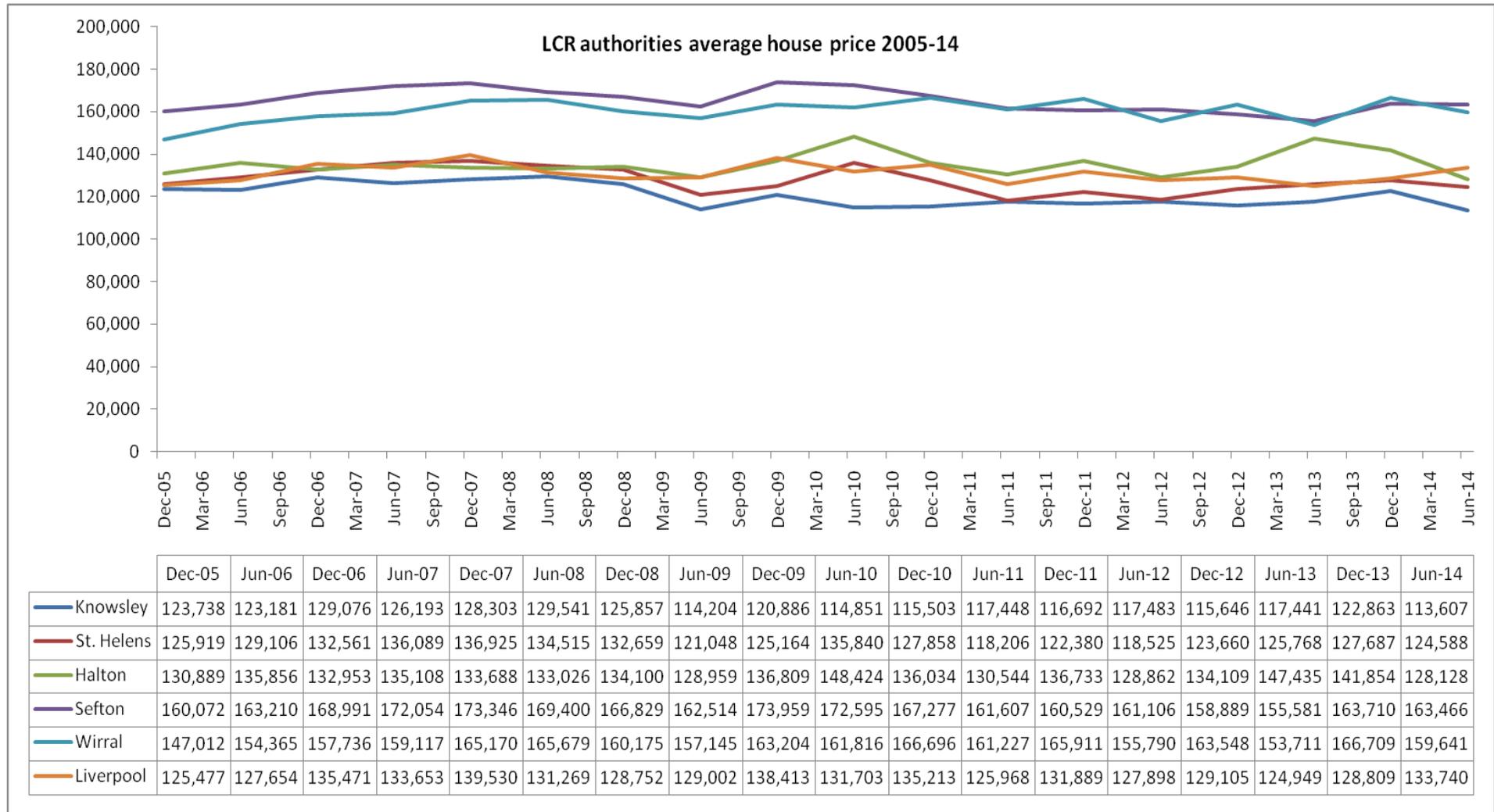
Figure 1: Comparison of Earlier Household Projections



All Sources: 2012-based, 2011-based, 2010-based, 2008-based, 2004-based Sub-National Household Projections (CLG, Various)

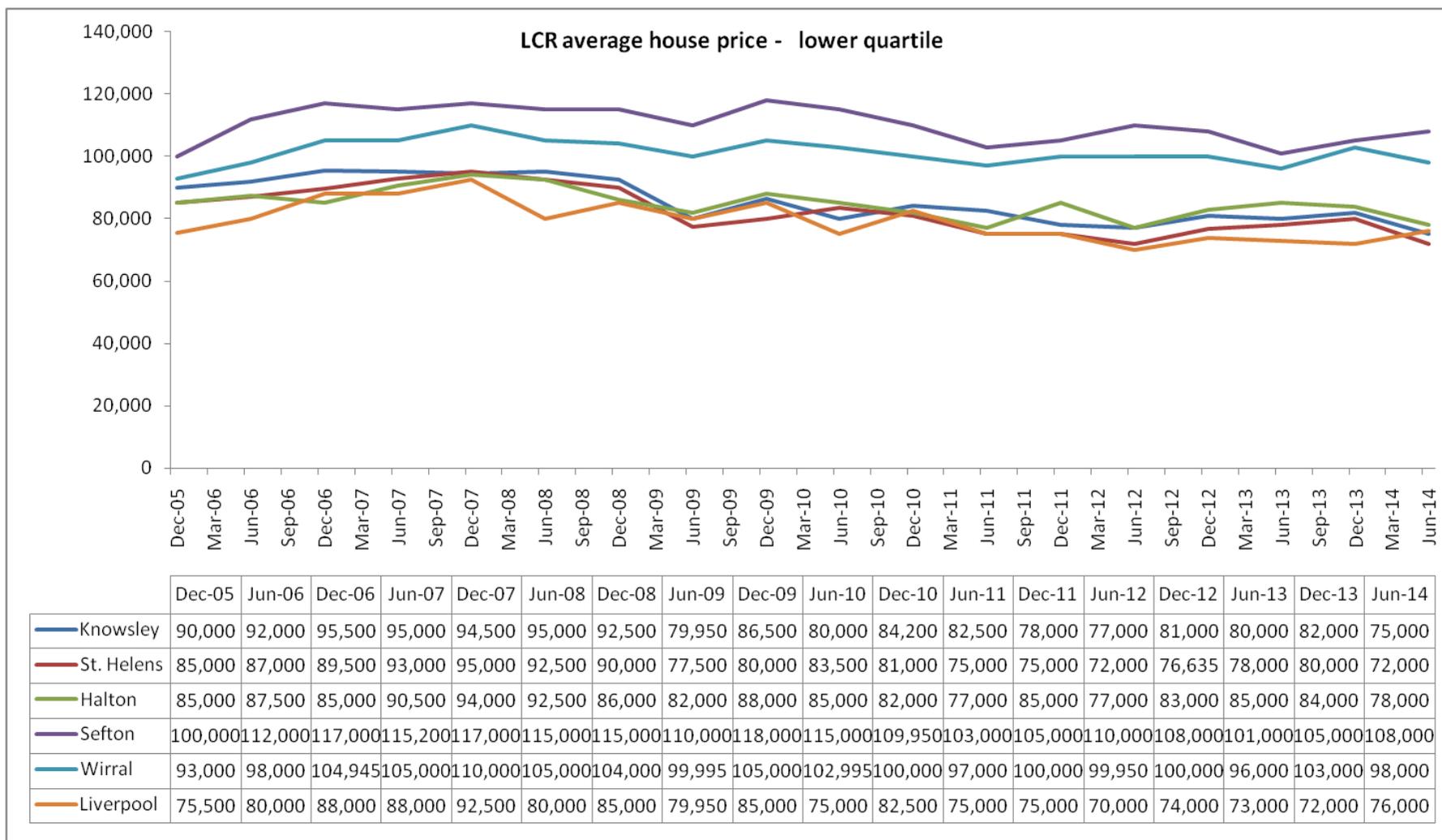
Appendix 3: Housing Market Signals – Technical Data

Figure 1: Average Market House Price – Liverpool City Region (All dwellings) 2005-14



Source: Hometrack Intelligence 2014

Figure 2: Average Market House Price – Liverpool City Region (Lower Quartile) 2005-14



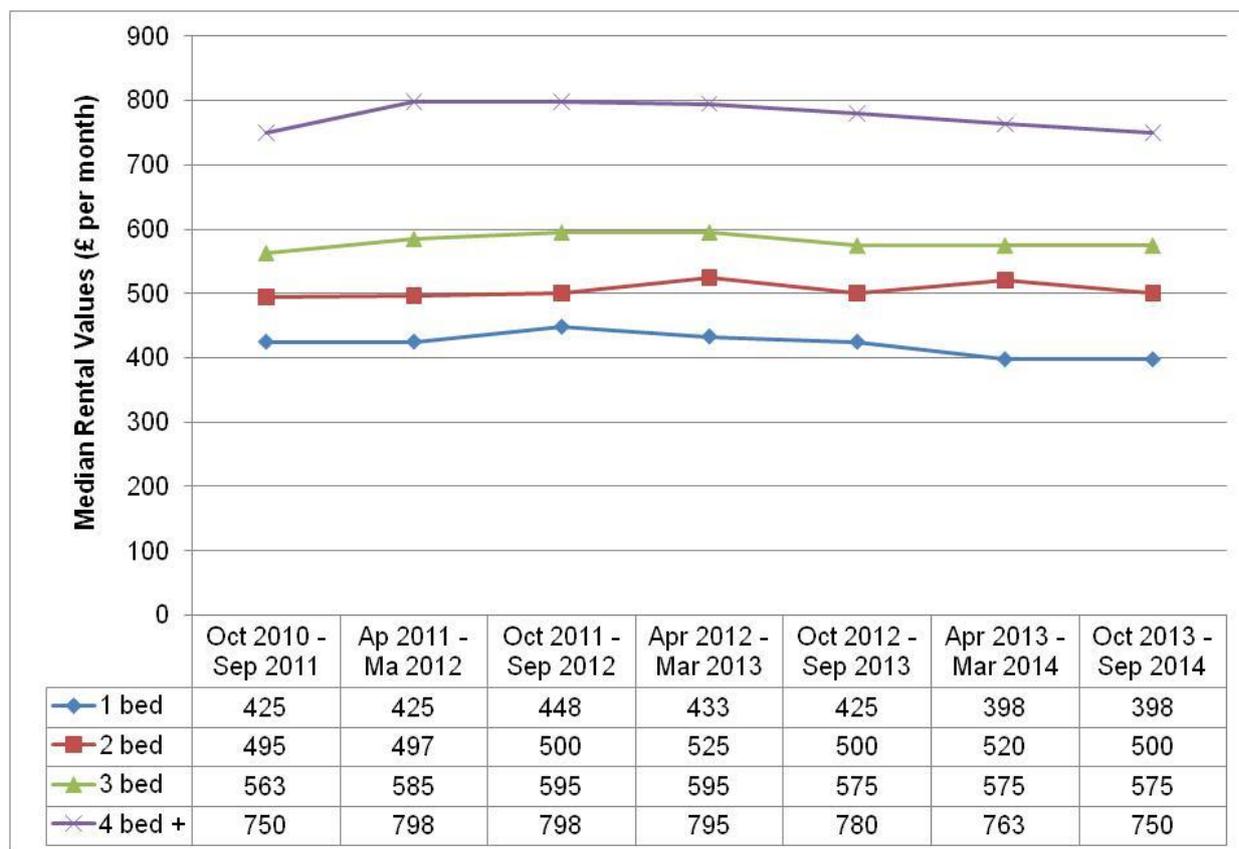
Source: Hometrack Intelligence 2014

Table 1: Rental Values in Knowsley (£ per month), October 2013 to September 2014

Size	Count of rents	Mean	Lower quartile	Median	Upper quartile
1 bed	26	401	375	398	433
2 bed	122	514	450	500	550
3 bed	126	584	525	575	650
4 bed +	24	775	625	750	801

Source: Valuation Office Agency Data

Figure 3: Rental Values in Knowsley, October 2010 to September 2014



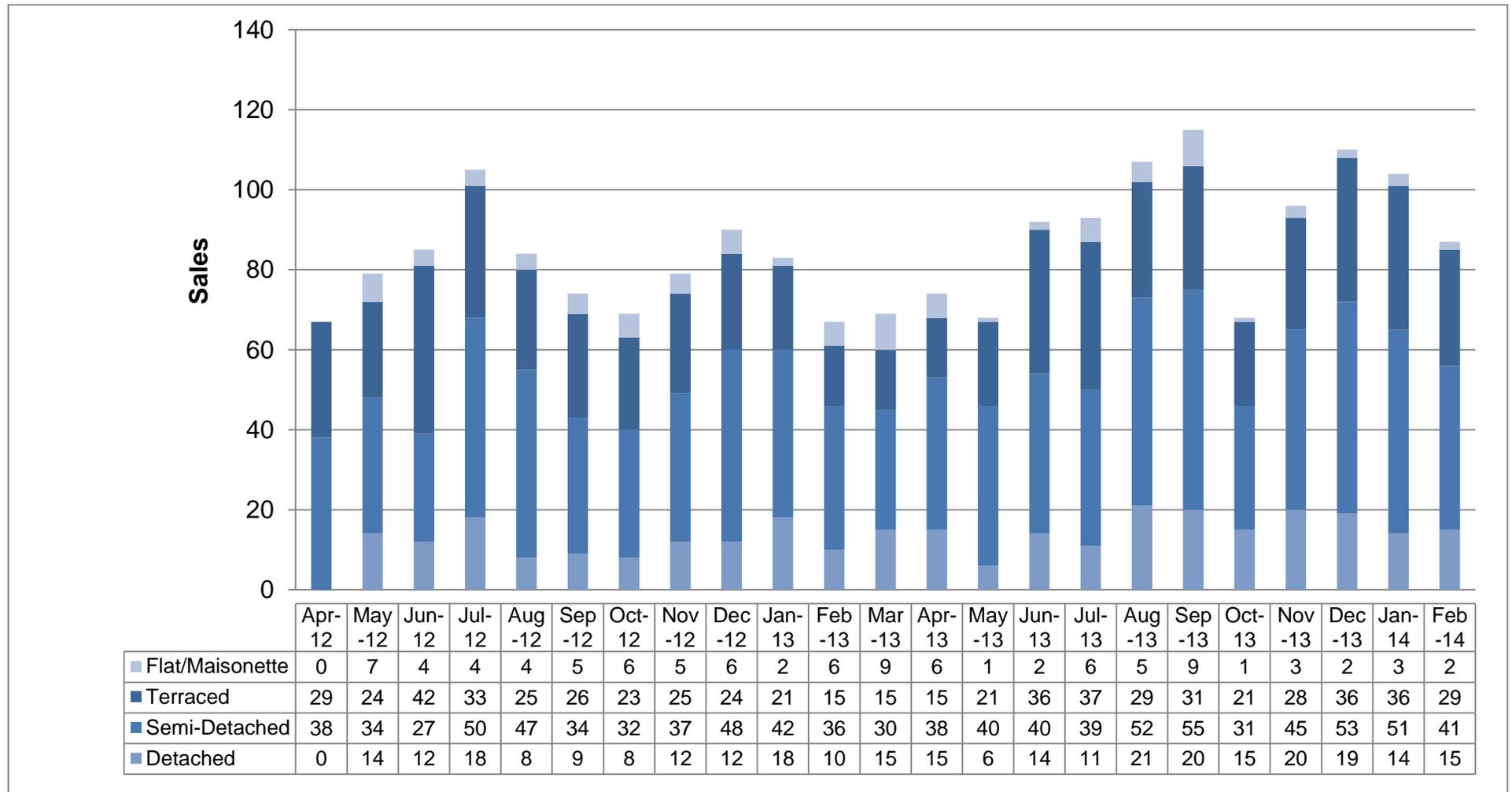
Source: Valuation Office Agency Data

Table 2: Ratio of house price to earnings, Knowsley, 2004-2013

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Median	4.36	5.36	5.54	5.12	5.21	4.12	4.49	4.35	4.16	3.94
Lower Quartile	4.51	5.07	5.73	5.23	5.63	4.35	4.25	4.37	4.33	4.14

Source: CLG 2014

Figure 4: Sales Volumes by House Type, 2012-2014



Source: Hometrack Intelligence 2014