

KNOWSLEY CORE STRATEGY

RECONVENED EXAMINATION HEARINGS

MATTER 1: NEW MATTERS SINCE NOVEMBER 2103 HEARINGS

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ON BEHALF OF JUNCTION PROPERTY LTD

JULY 2014

2102-based Population Projections

Question1.1: What are the implications of the ONS 2012-based SNPPs for the objectively assessed need for housing in Knowsley Borough?

- 1 The Inspector came to an interim finding (paragraph 1) that the objectively assessed housing need (OAHN) of Knowsley Borough is 8100 dwellings over the plan period (approximating to 450 dwellings per annum).
- 2 The Inspector has not yet given his reasons for this finding but in coming to it he would have been mindful of the results of the CLG 2011-based Sub National Household Projections (SNHPs) which showed a much lower level of household increase than 450 per annum. The actual figure was 241 households per annum.
- 3 The Inspector's finding on this matter is entirely consistent with the evidence presented to him and national policy. NPPF paragraph 159 makes clear that an upward adjustment may be made to the household projection-based element of need in order to address "*the need for all types of housing, including affordable housing*", and to cater "*for housing demand and the scale of housing supply necessary to meet this demand.*" The need for an upward adjustment was agreed between the Council and most of the other participants at the hearing sessions, including Junction Property Ltd (JPL). The evidence supporting the upward adjustment was the Knowsley SHMA which identified the need for affordable housing as approximating to 568 dwellings per annum, and the scale of housing required to cater for market demand as being equivalent to 741 dwellings per annum.

- 4 The 2012-based SNPP for Knowsley changes very little in this context. The 2012-based SNPP projects a slightly lower population total for Knowsley at 2021 (-1800 people) than the 2011-based SNPP. Most of this is due to higher net migration out of the Borough (-4100) than that projected by the 2011-based series (-2600).
- 5 It is not possible to predict the implications for households of the 2012-based SNPP as the Government will not publish the 2012-based SNHPS until November 2014 at the earliest. As the Council's Paper (SD31) rightly points out, there is no strict correlation between the population and household levels over different projection series because of varying assumptions on household formation rates. In this context, the household formation rates used by the 2011-based SNHPS were widely criticised as being too low and taking too much account of the impacts of the recent economic downturn. This criticism is partly reflected in the PPG (2a-016) which makes clear that the 2011-based SNHPS are interim only and *"only cover a ten year period up to 2021, so plan makers would need to assess likely trends after 2021 to align with their development plan periods"*. It may well be that the annual household increase for Knowsley in the 2012-based SNHP is not dissimilar to that in the 2011-based SNHP. However, we simply do not know. That is why the PPG makes clear that the latest CLG SNHPS are the *"starting point"* for the assessment of need and not the latest SNPP (2a-015).
- 6 We must also emphasise that the 2012-based SNPPs are trend-based, i.e. they provide the population levels and structures that would result if the assumptions based on previous demographic trends in the population were to be realised. They do not attempt to predict the impact that policies, changing economic circumstances and other factors might have on demographic behaviour. In Knowsley's case, the past trends on which the 2012-based SNPP are based cover a period when there was significant and persistent under-delivery of housing. In the six years leading up to April 2012 (2006-2012), net additions only averaged 270 dwellings per annum, significantly less than the RS requirement of 450 dwellings per annum. It should be no surprise that in these circumstances net rates of migration over this period were highly negative. The issue is whether this harmful situation should be allowed to continue in the future.
- 7 The PPG specifically states that in circumstances where there has been such under-provision in the past, there is a case to increase significantly the level of housing supply above the household projection-based estimate of housing need. ID 2a-215 says:-

"The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are

not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing. The assessment will therefore need to reflect the consequences of past under-delivery of housing. As household projections do not reflect unmet housing need, local planning authorities should take a view based on available evidence of the extent to which household formation rates are, or have been, constrained by supply."

This guidance is clearly appropriate to the Knowsley circumstances.

- 8 Finally, the 2012-based SNPP for Knowsley highlights clearly the harmful demographic consequences if action is not taken to increase significantly housing supply, including an ageing population, a decline in the resident workforce, less children, and out-migration of younger and more able people from the Borough. Such an outcome is likely to have serious and adverse implications for economic growth and for community facilities and services in Knowsley, as highlighted in SD31.
- 9 In conclusion, we consider that the 2012-based SNPP should not alter the Inspector's initial finding on the objectively assessed housing needs of Knowsley.

Planning Practice Guidance (PPG)

Question 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?

- 10 The PPG (2a-019) says that the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings.
- 11 The main evidence base document dealing with market signals (and other market indicators of the balance between demand for and supply of dwellings) is the Knowsley Strategic Housing Market Assessment (SHMA). The SHMA estimates OAHN as being equivalent to about 1048 dwellings per annum. We understand that the Council has concerns over this figure but it does indicate that a large upward adjustment is required to the household projection-based estimate of need, in line with the PPG.

- 12 The PPG (2a-019) indicates that a key market indicator is "*the rate of development*". The PPG says (2a-019),

"If the historic rate of development shows that actual supply falls below planned supply, future supply should be increased to reflect the likelihood of under-delivery of a plan." (our underlining)

This statement by the PPG reinforces the case for a significant increase in supply above the household projection-based estimate of need.

- 13 The PPG makes clear that there is no precise formula by which market signals and other market indicators should be factored into assessments of need. It says (2a-020):-

"A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections."

"(Plan makers) should increase planned supply by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability..."

- 14 In conclusion, we consider that market signals and other indicators justify an upward adjustment of the household projection-based estimate of need.

Question 1.3: Is the approach to the past under-supply of housing consistent with PPG advice? If the past 2010 backlog is included in the five year supply calculation, as suggested by some representors, is there a reasonable prospect that the resulting target is realistic and achievable?

- 15 It is now well established by Secretary of State and Inspector decisions that separate allowances must be made for persistent under-delivery and backlog. The normal practice for Section 78 Inquiries is for the backlog to be added to the annual requirement multiplied by 5, and then the 20% buffer to be applied to the resulting total, in order to produce the overall five year requirement.

- 16 This method of calculation is endorsed by the PPG which says (3-035):-

"Local planning authorities should aim to deal with under-supply within the first 5 years of the plan period where appropriate. 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."

- 17 Applying the standard method of calculation to Knowsley results in the following five year requirement at April 2013:-

Annual requirement x 5	2250
Backlog (2010-2013)	743
20% buffer	599
Total	3572

- 18 The Inspector asks in his question whether this target is "*realistic and achievable*". However, these are not tests which are set out in national policy or guidance. Moreover, it must be remembered that, firstly, the purpose of the five year requirement is to ensure that the planned supply is provided (in Knowsley's case 2993 dwellings for the period 2013- 2018); and secondly that the 20% buffer is "*to provide a realistic prospect of achieving the planned supply and to ensure choice and competition in the market for land*" (NPPF paragraph 47). In other words, the 20% buffer is not to increase the number of dwellings provided above the planned supply, but to enhance the prospects of that planned supply being achieved.

Employment Land Supply

Question 1.4: In the light of the new information (AD48), what is the robust figure for the supply of employment land?

- 19 The Council's paper AD48 sets out a risk-assessed supply of 153.95ha for the plan period for the remainder of the plan from 2013 to 2028. This figure includes a contribution of 49.39ha from the three sites currently in the Green Belt (Cronton Colliery, East of Knowsley Industrial Park and Knowsley Lane). It compares to the Inspector's suggested "*minimum*" net requirement of 149ha in EX26 (paragraph 8). There is consequently a broad match, although little room for flexibility.
- 20 JPL has reservations about the approach taken by the Council to assess whether sites are developable over the plan period. In particular, the methodology used does not fully accord with the PPG on 'Housing and economic land availability assessment'. However, we are satisfied that it does establish the broad quantum of land potentially available for economic development in the plan period and is adequate for this purpose.

- 21 JPL does have considerable reservations over the Council's assessment of whether there are sufficient "*deliverable*" sites in quantitative terms "*to meet the needs for employment development over the following five year period*" (Policy CS4 clause 4). This assessment is set out in AD36 Appendix 2. For the record it excludes the proposed Green Belt locations.
- 22 The starting point is that we consider that a five year supply of land is not adequate to provide the full range of sites required by the employment market in terms of location, type and market sector. In this regard, there is no support in national policy or guidance for the five year measure for employment land availability. There is also no evidence from the Council to support it.
- 23 There is also the issue of what is "*deliverable*" in terms of employment land. National policy and guidance offers no assistance with this matter. However, applying by analogy the definition of deliverability for housing land, the emphasis should be on the ability to deliver units at the start of the five year period. In this regard, NPPF footnote 11 emphasises the word "*now*" in relation to both availability and suitability.
- 24 It is clear from the previous Matter 4 discussion that there are substantial doubts over the ability of a significant number of sites identified within AD36 to deliver employment development in the short term. This is recognised by the document itself. Of the 52 sites listed by AD36, 36 sites are assessed as requiring a discount of 50% or more because of fundamental constraints such as ransom strips, viability and ownership difficulties. All such sites should be excluded from the "*deliverable*" supply. If this is done, there would be significantly less than a five year supply (3.5 years) even without taking into account backlog because of under-performance between 2010 and 2013.
- 25 After saying this, the issue of the five year supply of "*deliverable*" employment land is of little relevance to JPL's interests as the Council no longer proposes to link the release of the Green Belt locations to the five year supply position. It only becomes relevant if the Inspector is not persuaded to support the Council's proposed modification.

Question 1.5: Does the identified employment land supply pay sufficient regard to the needs of different market sectors?

- 26 Our Matter 4 Statement sets out the references in the NPPF that emphasise the importance of meeting qualitative as well as quantitative employment needs (for example, paragraphs 21 and 161).
- 27 The PPG reinforces the same message. It says (2a-003):-

"Need for all land uses should address both the.....quantity of economic development floorspace needed based on quantitative assessments but also an understanding of each market segment."

28 It adds (2a-32):-

"Plan makers should consider forecasts of qualitative and quantitative need.....but also its particular characteristics (eg footprint of economic uses and proximity to infrastructure). The key output is an estimate of future needs, broken down by economic sectors."

29 Similar to the Framework, the PPG emphasises the importance of target sectors (like distribution in Knowsley), saying (2a-032):-

"Emerging sectors that are well suited to the area being covered by the analysis should be encouraged where possible. Market segments should be identified within the employment property market so that need can be identified for the type of employment land advocated."

30 In this respect, the Council conceded at the Examination that it had not carried out a gap exercise of the type required by national policy and guidance. When a rough-and-ready version of it was undertaken at the Examination last year, it was clearly shown that there were few deliverable sites for large distribution uses in the currently identified supply (not including the proposed Green Belt exclusion sites), especially those potentially attractive to the market. This is important because the Knowsley Economic Regeneration Strategy and other local economic development documents identify that there is likely to be a substantial demand for sites for larger distribution uses in Knowsley over the plan period, especially those well related to the main transport infrastructure of the Borough, including its motorways.

31 The release of the Cronton Colliery site will overcome the issue as it will provide market attractive opportunities for the distribution sector (as well as potentially high amenity industrial uses for which there is also a shortfall of suitable sites).

Question 1.6: Are there any other matters arising since the November 2013 hearings?

- 32 JPL is not aware of any other matters arising which would affect the main issues in front of the Inspector. However it will review the matter before the start of the reopened hearing sessions.