Knowsley Local Plan Core Strategy Examination

Statement in Respect of Matter 3

Housing land and need supply assessments & Ministerial Statements and revisions to Planning Practice Guidance

Bellway Homes Ltd (North West Division)
11 May 2015
41497/02/SPM
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Appendix 1  HEaDROOM Update Report – Review of the Objectively Assessed Need for Housing
1.0 Introduction

1.1 Nathaniel Lichfield & Partners [NLP] are instructed by Bellway Homes Ltd (North West Division) [Bellway Homes] to submit a statement in respect of the Knowsley Local Plan Core Strategy Examination Matter 3: New Matters Arising since July 2014. These representations are made in respect of land at East Halewood.

1.2 NLP have previously acted on the East Halewood site on behalf of the owners of the site and Taylor Wimpey UK Limited and Redrow Homes Limited [ID1104]. We have previously submitted detailed representations to the Knowsley Local Plan Core Strategy [KLPCS]. We also participated in the original Examination in Public and submitted statements to:

- Matter 2: Spatial Development Strategy and Principles
- Matter 3: Housing Provision
- Matter 5: Green Belt

1.3 Additional representations were submitted to the reconvened hearings which took place in July 2014 [reference 104] on behalf of the landowners. These were prepared by Cass Associates and addressed the undersupply of housing land, Green Belt and the five year housing land supply.

1.4 The following representations supplement those previously made and should be read alongside those, but address specific questions raised by the Inspector for the reconvened hearings.
2.0 Housing Need and Land Supply Assessments

Question 3.1

What are the implications of the new household projections for the KLPCS, particularly in relation to the objectively assessed need for housing?

2.1 The 2012-based Sub-National Household Projections (SNHP) were the first full set of government projections (covering a full 25 year period) released since the 2008-based projections, and are based on the 2012 SNHP. Over the 25-year forecasting period (2012-37), the latest SNHP project average annual household growth in Knowsley of 233. This is lower than the 2008-based SNHP and marginally lower than the 2011-based interim SNHP, as shown in Table 2.1.

Table 2.1 Projected Household Growth in Knowsley

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Annual Household Growth</td>
<td>360</td>
<td>241</td>
<td>233</td>
</tr>
</tbody>
</table>

Source: CLG 2008/2011/2012-based Household Projections

2.2 The Planning Practice Guidance states that household projections published by Communities & Local Government (CLG) provide the initial 'starting point' estimate of overall housing need. The latest 2012-based SNHP, seen in isolation and with an added allowance to address vacancy rates/second homes, would equate to 268 dwellings per annum (dpa) across the Borough. However, whilst important to inform the baseline, such a scenario in isolation makes no allowance for market signals, affordable housing or the Council’s economic growth aspirations or national policy requirements to ‘boost significantly’ the supply of housing.

2.3 Notwithstanding this it is considered that there is also a need to adjust the household projections for two key reasons:

- To reflect higher rates of household formation than; and,
- To reflect suppressed migration and population change in recent years.

2.4 It is recognised that the 2012-based SNPP indicates lower population growth than the previous iterations. However, this is partially compensated for by the second bullet point (listed in Para 2.3) which relates to headship rates. NLP’s modelling (HEaDROOM Update Report May 2015 - Appendix 1) suggests that by applying slightly higher rates of household formation to the younger age cohorts as ‘pent up’ demand within the younger population is released over
time, a slightly higher dwelling requirement of up to 279 dpa could be justified. However, this figure merely represents an appropriate ‘starting point’ upon which to apply other market considerations needed to ‘boost significantly’ the supply of housing in the full objectively assessed need [FOAN].

2.5 Although most of the market signals relating to Knowsley are not worsening (see Question 3.2) the Borough has consistently under-delivered housing. This would justify an uplift to the figures over and above the level suggested by the demographic projections. The Practice Guidance states (paragraph 2a-020) that this should be set at a level which could be reasonably expected to improve affordability.

2.6 The Practice Guidance states that a worsening trend in any of the key indicators will require upward adjustment to planned housing numbers. It has been demonstrated that the Borough has under-delivered housing on the basis of past requirements, in the order of 1,799 dwellings between 2003/04 and 2011/12 (the start date for the PopGroup modelling). It is likely that this past under-delivery has resulted in fewer residents being able to have their own home in the Borough than would have been desirable.

2.7 The Practice Guidance states that plan makers should not attempt to estimate the precise impact of an increase in housing supply. Rather they should increase planned supply by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability. It is NLP’s judgement that, balancing the various key market indicators, an uplift in the region of around 10% would be appropriate. Such an uplift aligns with recent Inspector’s interpretations of what might constitute a ‘modest’ uplift to a demographic starting point (see for example the Uttlesford and Eastleigh Local Plan Inspector’s reports) and when applied to the adjusted demographic starting point figure of 279 dpa, would increase the OAN to 307 dpa. We address this matter in detail in the enclosed technical report and in our response to question 3.2.

2.8 There is also a need to deliver a realistic level of housing that provides for the economic needs of Knowsley Borough. A dwelling requirement figure of below 322 dpa would actually result in the economy declining, as this is the minimum housing level required to maintain the current level of jobs in the Borough. To continue the past rate of job growth in the Borough over the past ten years would require a level of housing of 604 dpa to be delivered, whilst this would increase to 749 dpa if the significantly higher job forecasts provided by Experian (455 jobs per annum) is to be achieved). Hence a housing OAN determined by economic considerations would range from 322 dpa to as high as 749 dpa. This would fulfil the economic potential of Knowsley and comply with paragraph 19 of the Framework, which seeks to ensure the planning system does everything it can to support sustainable economic growth and the economic aspirations underpinning the publication Draft Local Plan.

2.9 An economically-driven objectively assessed housing need (as above) is critical in supporting the future growth of Knowsley and to counter the significant ageing of the population, which if allowed to drive the housing
requirement would result in significant implications for the future of the Borough due to continued out-migration of the working age population.

2.10 KBC’s most up-to-date SHMA (2010) identifies an affordable housing need of 568 dpa and a need for 741 market dwellings per annum. This is significantly higher than the most recent 2012-based SNHP and all of the modelling scenarios set out above.

2.11 However, the 2010 SHMA recognises that the acute level of affordable housing need identified is a guide and that these intentions may not be able to be realised. Whilst it is important to recognise the very high level of affordable housing need identified in the SHMA, NLP considers that any housing requirements figure must be reasonable and justifiable. It is questionable whether a housing requirements figure of 1,309 (combined total of affordable and market housing need) would be deliverable or achievable in Knowsley.

2.12 In terms of how this aligns with KBC’s approach to identifying the housing OAN (as set out in Section 9.9 of the Council’s “Planning for Housing Growth – Technical Report” 2013), the Council uplifted the 241 households per annum [hpa] based on the 2011-based SNHP to “account for the outstanding need accrued over recent years”. The Council clarified in its Technical Report that a further allowance had been made on top of this provision for backlog to provide additional flexibility to re-balance the housing market by providing an enhanced range and ‘offer’ of market sector family housing, affordable housing and housing which is suitable for an ageing population. The resultant figure of 450 dpa did, in their view, stabilise the local population and delivered a suitable level of affordable housing in response to needs.

2.13 In our representations to Matter 2 in the first round of the Examination In Public [EIP] we provided evidence that a figure within the range of 500-600 was reasonable. The 450 dpa figure could be seen as being below the level of housing delivery necessary to align with economic requirements. Providing only 450 dpa will result in a very modest level of job growth that does not align fully with the Council’s economic aspirations. We remain of the view that a figure of around 600 dpa would better dovetail with the economic growth aspirations of the Council and the requirement of the Framework to meet objectively assessed needs by aligning past levels of jobs growth achieved over the last decade. A higher figure of up to 750 dpa could be justified if the Council were to actively pursue higher levels of job growth on the basis of independent, ‘policy-off’, Experian econometric projections.

2.14 However we note that in response to the original representations the Inspector was content with a figure of 450 per annum. There is no evidence to indicate that the figure should be reduced. It is considered that based on this approach, a figure of **450 dpa** represents the absolute minimum that should be taken forward in the Local Plan.
Question 3.2

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

2.15 It is not considered that there are any changes to the published evidence base that would materially affect housing need. However, there have been changes to the guidance which need to be taken into account when considering the full objectively assessed housing need.

2.16 The Practice Guidance states that the housing need number suggested by household projections (the ‘starting point’) should be adjusted if necessary to reflect appropriate market signals. High private rental levels, over-crowding and affordability ratios, and in particular, very high levels of housing backlog (and the fact that some of these indicators have worsened in recent years), suggests that there is market undersupply relative to demand in Knowsley which would require an upward adjustment to the household projections.

2.17 Knowsley has slightly higher private rent levels when compared to Merseyside. Over the last three years, the average rent in Knowsley has declined by 3.8%, however rents across Merseyside have declined by 4.3%. High and increasing costs of rent are another indicator of a shortfall in this type of housing, which may indicate a need for uplift on demographic-led needs. Although data for this is only available for the last three years, trends are still apparent.

2.18 Indicators on overcrowding, concealed families, shared households and homelessness demonstrate unmet need for housing within an area. The 2011 census data indicates that 5.94% of households are living in a dwelling that is too small for their household size and composition. This is not particularly severe when compared to figures of 8.74% nationally and 6.24% in the North West. However in regards to concealed families this figure has increased from increased in Knowsley from 1.56% to 2.02% between 2001 and 2011.

2.19 Affordability ratios refer to the cost of housing compared to the household’s ability to pay. In 2014 the lower quartile affordability ratio in Knowsley was 3.98 (i.e. lower quartile house prices in Knowsley are 3.98 times lower quartile earnings). The current ratio in Knowsley is lower than the peak in the affordability ratio seen just before the start of the recession, where the lower quartile affordability ratio in Knowsley was its highest at 5.73 in 2006. The affordability ratio in Knowsley in 2014 represents a 38% rise over the last 15 years. Whilst the affordability ratio in Knowsley is currently lower than regional and national trends (over the same period, the affordability ratio in England rose 87% and in Merseyside 71%), it is clear that house prices have far outstripped wage growth, resulting in house prices now close to four times income.

2.20 The total under-delivery of dwellings for Knowsley Council when set against the RS target requirement of 450 dpa over the period 2003/04 - 2011/12 was 1,799 dwellings. Spread across a 15-year plan period (2013 to 2028), this
would equate to an additional 120 dpa to address this past under-provision for Knowsley.

2.21 The extent to which the demographic ‘starting point’ for identifying OAN for housing needs to be boosted to address market signals is necessarily an area of judgement. However, the Practice Guidance is clear that the more significant the affordability constraints and the stronger other indicators of high demand, the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be. Hence it is considered that some modest upward adjustment over and above demographic-led projections at this time is necessary relative to adjoining areas.

2.22 It is suggested that this modest uplift could be in the region of 10% on top of the demographic baseline (as addressed in Question 3.1). However, as indicated in the conclusions to Question 3.1 we do not consider that this will materially impact upon the Inspectors previous interim conclusions on housing need.

**Question 3.3**

*Are there changes in the evidence base which materially affect the housing land supply (e.g. any significant changes to the availability of housing land, updates data on residential density, revisions to the housing trajectory, etc)? Does the latest information on housing land availability show any significant variation of recent trends?*

2.23 We are not aware of any significant changes to the evidence relating the Housing Land Supply which would impact upon the Inspectors interim conclusions that have already been reached on his site.
3.0

Ministerial Statements and Revisions to Planning Practice Guidance

Question 3.4

What are the implications (if any) of the Ministerial Statements and PPG revision for the KLPCS, particularly in relation to:

(a) Development in the Green Belt;

(c) Housing standards; and,

Development in the Green Belt

3.1

It is not considered that the changes that have been referred to by the Inspector would result in any change to the interim conclusions in terms of conclusions previously reached on Green Belt.

3.2

The Ministerial guidance “Councils must protect our precious green belt land” published the 6-10-15 refers to the new planning guidance published in relation to Green Belt. The new guidance [ID 3-045-201451006 & ID 3-029-20140306] reaffirms the role of the National Planning Policy Framework [the Framework] in respect of housing and economic needs and Green Belt.

3.3

The amended guidance states that:

“The Framework is clear that local planning authorities should, through their Local Plans, meet objectively assessed needs unless any adverse impacts of doing so would significantly and demonstrably outweigh the benefits … The Framework makes clear that, once established, Green Belt boundaries should only be altered in exceptional circumstances, through the preparation or review of the Local Plan”.

3.4

Bellway Homes consider that the release if necessary and satisfies the ‘exceptional circumstances’ test of the Framework [§82] and is fully justified as set out in our original Matter 2 paper. There is an immediate need to amend Green Belt boundaries in order to meet short term housing need across the Borough. Full justification is provided in the Matter 2 (Spatial Development Strategy and Principle) and Matter 5 (Green Belt) representations that were submitted to the Council in respect of the EIP. There is no need to repeat those representation here, but in summary, it was concluded that:

1 The KLPCS makes provision for 8,100 new dwellings to be delivered in Knowsley between 2010 – 2028 (an annual average of 450 dwellings per annum). The Council’s Housing Position Statement indicates shortfall of 1069 dwellings over the next 15 years and the Council need to consider where longer term housing growth could be accommodated.
2 There is an urgent need to reverse the trend of under delivery and boost the supply of deliverable housing sites. There is insufficient land within the Knowsley defined urban area to meet the future development requirements of the emerging LPCS. It is acknowledged in the Council’s evidence that Green Belt release will be required.

3 The release of Green Belt sites have been robustly assessed through the preparation of the 2010 Green Belt Study and Sustainability Appraisal of Green Belt Locations for Development ensuring that the Plan meets the requirements of the Framework with regards to positively meeting its development needs and meeting the three dimensions of sustainable development (economic, environmental and social).

4 If the Council does not release land from the Green Belt then they will be unable to meet their objectively assessed needs by not providing the minimum 3,076 dwellings to be accommodated in Green Belt locations.

5 In light of the 2012 SHNP NLP have prepared an HEaDROOM Update Report – Review of the Objectively Assessed Need for Housing (Appendix 1) which identifies that to meet its objectively assessed needs KBC need to provide at least 450 dpa. Therefore, there is no doubt that Green Belt is required to accommodate the Council’s housing needs.

Overall, the representations previously submitted in relation to Green Belt (Matter 5) are still pertinent and the updated guidance do not change the position in relation to Green Belt release.

Housing Standards

3.6 In account of the findings of the Housing Standard Review published 27 March 2015, planning authorities will be able to specify only housing standards provided in the ‘New National Technical Standards’ which provide specifications for accessible homes in three categories: accessibility, water efficacy and internal space. Anything other than the base line standard will only be permitted where a planning authority has demonstrated that they “address a clearly evidenced need, and where their impact on viability has been considered, in accordance with the National Planning Policy Framework and Planning Guidance”.

3.7 The Council have not sought to demonstrate any impact on viability and have deleted the requirement for Code of Sustainable Homes in the KLPCS. The plan seeks to encourage and does not require lifetime homes and buildings for life. These modifications have been made in light of the findings of the Housing Standards Review and are supported. Housing Standards is not a matter that should be dealt with in planning policy.
Appendix 1  HEaDROOM Update Report –
Review of the Objectively
Assessed Need for Housing
HEaDROOM Update Report

Review of the Objectively Assessed Need for Housing

5 May 2015

41497/02/SPM
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1.0 Introduction

Background to the Study

1.1 In 2013, Nathaniel Lichfield & Partners [NLP] was instructed to make representations on the Publication Knowsley Local Plan Core Strategy [PKLPCS] on behalf of Taylor Wimpey UK Limited and Redrow Homes Limited [ID1104]. The submissions included a Technical Paper which examined the housing requirement evidence undertaken by Knowsley Borough Council [KBC] and presented the findings of a new, independently-modelled set of demographic and employment-led projections in the light of the Inspector’s questions.

1.2 NLP is now acting in respect of land at East Halewood, acting on behalf of Bellway Homes Ltd (North West Division) and the owners of the site (Linda McLean and Michael Leary).

1.3 Since the reconvened hearings took place in July 2014, the Inspector has now indicated that he wishes to consider the effects of the 2012-based Sub-National Household Projections [SNHP] on the housing requirement figure of 450 dpa in the PKLPCS. In this respect his letter on procedural matters of the 18 December 2014 identified that:

“6. One other potential matter for discussion is the 2012-based household forecasts from DCLG, which were expected to be published in Autumn 2014 but are still awaited. If these are released prior to the hearing, the implications will have to be addressed.”

1.4 The Councils response to this (dated 8th January 2015) identified that

“The Council agrees that the new hearings should cover any implications arising from the 2012-based sub-national household projections, if these are released beforehand. Whilst such projections are clearly only one element to be considered within the calculation of Objectively Assessed Housing Need, the Council acknowledges that participants should be given an opportunity to discuss the 2012 based projections if they are available.”

1.5 NLP provided specific evidence on housing requirement and undertook a detailed modelling exercise as part of our original representations. It is also noted that the Council have prepared a factual technical note [AD60] in respect of the latest household projections.

1.6 NLP has now been instructed by Bellway Homes Ltd to update our original modelling and evidence on housing need. This Technical Report has therefore been prepared to present the findings of updated demographic analysis regarding the level of housing that may be appropriate for Knowsley to plan for in light of recent data releases, in particular the 2012-based SNHP (February 2015). These are the latest set of government household projections to project household growth (and headship rates) over a full 25-year period, which fully take into account the 2011 Census. These update the 2011-based interim
household projections (which only covered a ten year period) and the 2008-based household projections which were produced pre-Census 2011.

1.1 The 2012-based projections were based on the 2012-based Sub-National Population Projections [SNPP] (May 2014) which projected lower levels of population growth within Knowsley than previous iterations.

1.2 A number of scenarios have been modelled using a range of demographic and economic assumptions, including sensitivity testing for headship rates. The final section of the report draws together the analysis of each potential scenario to provide a basis for identifying a robust housing requirement figure to inform the Council’s PKLPCS.
2.0 

**Knowsley Context**

**Local Plan**

2.1 The Knowsley Local Plan [PKLPCS] covers the period between 2010 and 2028. Policy CS3 (Housing Supply, Delivery and Distribution) indicates that the Council will make provision for at least 8,100 dwellings over that period, at an average annual development rate of 450 dwellings.

2.2 The housing requirement figure as set out in the KLP was underpinned by the ‘Planning for Housing Growth - Technical Report [PHGTR]’ (July 2013).

2.3 The PHGTR assessed the drivers behind the need and demand for new housing; risks to delivery (including the availability of land); modelled a range of scenarios of housing growth; and outlined the implications of different levels of housing growth on land availability in Knowsley.

2.4 In total, sixteen housing ‘targets’ were modelled by KBC to inform the definition of the Objectively Assessed Need [OAN] for housing in the Borough over the 18-year Plan period. These are set out in Table 2.1.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>KBC Explanation</th>
<th>Annual dpa</th>
<th>Total 2010-28</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. RS</td>
<td>RS Target</td>
<td>450</td>
<td>8,100</td>
</tr>
<tr>
<td>B. RS + backlog</td>
<td>RS target, accounting for backlog from 2003/04 to 2009/10</td>
<td>554</td>
<td>9,972</td>
</tr>
<tr>
<td>C. Projected Household Growth</td>
<td>Baseline annual household growth from CLG household projections</td>
<td>241</td>
<td>4,338</td>
</tr>
<tr>
<td>D. Using Maximum Land Capacity</td>
<td>Using all sources of available housing land in the urban area</td>
<td>349</td>
<td>6,288</td>
</tr>
<tr>
<td>E Historic Build Rates (Long Term)</td>
<td>Historic build rates over a longer term 16-year period (1997/8-2011/12)</td>
<td>266</td>
<td>4,788</td>
</tr>
<tr>
<td>F Historic Build Rates (Short Term)</td>
<td>Historic build rates over a short term 5-year period (2008/09-2011/12)</td>
<td>194</td>
<td>3,492</td>
</tr>
<tr>
<td>G Historic Build Rates</td>
<td>Historic build rates achieved during the peak 5-year period of delivery in the past 15 years (1995/96 to 1999/00)</td>
<td>529</td>
<td>9,522</td>
</tr>
<tr>
<td>H. Housing Need and Demand</td>
<td>SHMA Housing Requirements for affordable and market housing (affordable housing need to be met within 10 years).</td>
<td>1,048</td>
<td>18,864</td>
</tr>
<tr>
<td>I. A: RSS</td>
<td>H1: distribution based on current RS distribution</td>
<td>450</td>
<td>8,100</td>
</tr>
<tr>
<td>J. B: REFP Forecasts</td>
<td>H1: distribution based on REFP population (workplace based)</td>
<td>424</td>
<td>7,632</td>
</tr>
<tr>
<td>K. B: REFP Forecasts</td>
<td>H2: distribution based on residence based employment in 2030</td>
<td>466</td>
<td>8,388</td>
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<td>L. C: ONS Forecasts</td>
<td>H1: distribution based on demographic trends</td>
<td>413</td>
<td>7,434</td>
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<tr>
<td>M. D: NHPAU Lower Range</td>
<td>H1: distribution based on current RS.</td>
<td>514</td>
<td>9,252</td>
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<td>N. D: NHPAU Lower Range</td>
<td>H2: distribution based on residence based employment in 2030</td>
<td>507</td>
<td>9,126</td>
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<tr>
<td>O. D: NHPAU Upper Range</td>
<td>H1: distribution based on current RS</td>
<td>582</td>
<td>10,476</td>
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<tr>
<td>P. D: NHPAU Upper Range</td>
<td>H2: distribution based on residence-based employment in 2030.</td>
<td>575</td>
<td>10,350</td>
</tr>
</tbody>
</table>

Source: Table 7.3 Model Runs, KBC Planning for Housing Growth - Technical Report (July 2013)

2.5 The report noted that ‘an appropriate annual target for housing growth in Knowsley will fall within the range of 194 dpa to 1,000 dpa, and is likely to appropriately centre within a range of the mid-point of these extreme scenarios [para 9.5.2].
Taking into account the information collated in the PHGTP, KBC concluded that an annual average of 450 dwellings per annum [dpa] would be appropriate from April 2010 to March 2028, or 8,100 dwellings in total.

KBC justifies this level of provision on the following grounds (inter alia):

1. It will be appropriate to meet an estimate of the Council's assessed housing needs and demands in Knowsley having regard to the majority of the various model runs;

2. It provides a level of housing which significantly exceeds the baseline requirements identified through consideration of the latest (Interim 2011-based) CLG household projections, ensuring that the predicted levels of household growth in Knowsley can be catered for, whilst also providing housing to meet outstanding needs and demands which have not been met over previous years;

3. It acknowledges that Knowsley is seeking to meet its own housing requirements within its Borough area;

4. It will help to support the Council's objectives to stabilise population levels within the Borough and provide a stable supply of affordable housing;

5. It will exceed recent historic build rates (which the Council acknowledges have been low and they have not met housing needs), allowing for growth on these levels but recognising that historic peak build rates are unlikely to be achieved in the short term;

6. It is flexible to allow for varied delivery over the plan period, recognising that macro and local economic circumstances are likely to result in uneven delivery rates;

7. Its implementation in terms of identifying available land required to meet the target will result in the availability of a range of housing sites in Knowsley, providing choice and flexibility for developers and RPs;

8. The target will be of a scale which would continue to recognise the role of Knowsley's settlements (established within the RS) of being larger suburban towns within the Liverpool City Region with a scale and function which complements that of the larger settlements in the surrounding area; and,

9. It is realistic and deliverable, and the best option for Knowsley when compared with the reasonable alternatives [para 9.9.1].

Previous HEaDROOM Analysis

Following a critique of the Council's July 2013 Housing Technical report, NLP concluded that KBC had failed to use the most up-to-date statistical evidence to inform its housing strategy for the Borough, and that there was a need for a more robust, evidence-based, approach to assessing the need for housing in Knowsley.
2.9 The 2013 Technical Paper subsequently prepared by NLP modelled various housing scenarios, incorporating the most recent demographic trends, the 2011-based (interim) SNPP and equivalent CLG household projections alongside various economic growth targets.

2.10 On the evidence contained within the Technical Paper, NLP considered that an OAN for Knowsley Borough would constitute a figure somewhere in the range of 500 dpa to 600 dpa. This would go some way towards reconciling the acute affordable and market housing need identified in KBC’s SHMA, against the more modest level of demographic growth projected for the Borough in the (then) latest projections.
Methodology behind the 2012-based SNHP

Methodology

3.1 The headline figures from the latest 2012 based SNHP were released by CLG on 27th February 2015 and supersede the 2011-based (Interim) SNHP. The 2012-based SNHP incorporate the ONS 2012-based SNPP (published on 28th May 2014) and further information from the Census 2011.

3.2 The methodology for the 2012-based SNHP broadly follows that used by CLG for the 2011-based and 2008-based projections. The 2011-based SNHP included some changes that were required to incorporate valuable information from the 2011 Census. Since then further information from the 2011 Census has become available and has been incorporated into the 2012-based SNHP where possible.

3.3 The household projections are compiled using a two stage process. Stage One produces the national and local projections for the total number of households by age group and marital status group over the projection period. The total number of households in each local area forms the basis of the control totals for Stage Two of the projection methodology, which provides the detailed household type breakdown by age.

3.4 Stage One applies projected household membership rates to a projection of the private household population disaggregated by age, sex and marital status and summing the resulting projections of household representatives. The method uses a simplified three way relationship categorisation to represent marital/cohabitational status. The categories are ‘in couples’ (including married couples who are living together and cohabiting couples); ‘separated marrieds’, ‘divorced and widowed not in couples’; and ‘people not in couples’ (not cohabiting, never married). This is an aggregation of the detailed categories in the previous CLG (Household Projection System, known as HOPS) model which captures the key household formation characteristics of the relationship status groups while retaining relative simplicity.

3.5 As in the 2011-based projections, the projection methodology for Stage One from the 2008-household projection has been maintained but adapted. The 2012-based projections includes information from the 2011 Census which, together with data from the Labour Force Survey [LFS], has been used to update the estimates for the 2011 point that are then used in the household projections methodology at a national level.

3.6 The updated national projections are then used to control a set of projections for regions and local authorities that have been derived by applying projections of the household representative rates by sex, age and status to the 2012-based household population by sex, age and status. The regional and local authority projection is then controlled to the 2011 Census aggregate household representative rate.
3.7 The projections methodology uses time-series modelling which weights together simple and dampened logistic trends. Cohort modelling is not used. The simplified time-series based projections are referred to as the Stage One projections to distinguish them from the detailed projections by household type described in Stage Two. The Stage Two data has yet to be released by CLG at the time of writing.

3.8 There are six key components to the household projections produced in Stage One each of which is given in detail below:
1. Population projections
2. Marital status composition
3. Institutional population
4. Household representative rates
5. LFS adjustments
6. Regional and local household projections

3.9 The importance of the household projections to planning is emphasised in the Planning Practice Guidance which states that "household projections produced by the Department for Communities and Local Government should provide the starting point estimate of overall housing need". Therefore, the new household projections represent an important milestone in providing evidence to inform objective assessments of housing need.

3.10 However, they do not represent the whole picture, because:

a. They are based upon applying headship rates (rates of household formation) to the already released ONS 2012-based SNPP. These underlying population projections are trend based, reflecting migration patterns seen over the recession and may not be reliable in all areas. Significantly, they are already becoming outdated, with the 2012-based SNPP at the national level under-estimating net in-migration to the UK by 170,000 persons over the past two years (2012/13 and 2013/14) compared with what ONS now know actually occurred.

b. They reflect a long term and structural under-supply of housing over the long term, during periods of both recession and growth. Since 2001 an average of 135,000 dwellings in England have been completed each year, far short of what is needed, and there has been a 16% decline in the number of completions since the start of the millennium. Lack of dwellings constrains household formation and this historic and long term under-supply will have influenced what are firmly trend-based projections.

c. They are influenced by recessionary trends since 2007, including mortgage rationing, financial instability and acute affordability constraints. Although the methodology for the household projections draw upon household formation trends over a 40 year period since 1971, they still

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1 National Planning Practice Guidance: 2a-015-20140306
contain a ‘recency bias’ reflecting trends over the last 10 years much more than trends over the longer term. The projected average household size shows that household formation rates are increasing at a rate somewhere between the pre-recession 2008-based projections at the 2011-based interim projections.

3.11 These factors impact both the underlying population base as well as the household formation rates, combining to present a level of household growth at a national level substantially below a level that would truly reflect need and demand.

What do the projections mean for planning?

3.12 The Government's population and household projections will continue to act as the starting point for considering evidence of housing need, and for all their problems, they are as good a starting point as any. However, caution should be exercised when applying them in evidence. They can and should be subject to adjustment where specific evidence justifies it. The advice contained in the Practice Guidance, that the projections may require adjustment to reflect household formation having been suppressed historically by housing undersupply and worsening affordability, has been widely considered.

3.13 Many Planning Inspectors have taken the view that the 2011-based projections represented a suppression of household formation, particularly amongst younger age groups. This has been supported by analysis into the underlying projections such as the 'Holman Paper', and whilst the 2012-based are more optimistic in household formation rates than their 2011-based predecessors, they remain lower than long term trends would indicate. Some commentators have suggested that the new projections represent a 'new normal', with reduced household formation, compared to longer term trends, likely to continue irrespective of recessionary impacts. NLP considers that applying this approach to planning would be wrong.

3.14 It is imperative to view the new projections through the prism of the Framework: this seeks to 'boost significantly' the supply of housing to meet housing demand (including demand arising from household formation) and address affordability. Were the planning system to treat the lower levels of household formation as a 'new normal' it would 'lock in' the implications of housing under-supply impacting most of all on younger age groups, particularly those starting families. With the English Housing Survey having recently shown home ownership for younger age groups falling markedly, there are profoundly negative implications for economic and social well-being. Such an approach would run counter to the stated housing priorities of all the main political parties in the run-up to the election.

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2012-based SNHP for Knowsley

Introduction

This report analyses the 2012-based SNHPs to assess the potential implications on the housing objectively assessed need [OAN] for Knowsley. The 2012-based SNHP were the first full set of government projections (covering a full 25 year period) released since the 2008-based projections, and are based on the 2012 SNPP. Over the 25-year forecasting period (2012-37), the latest SNHP project average annual household growth in Knowsley of 233. This is lower than the 2008-based SNHP and marginally lower than the 2011-based SNHP, as shown in Table 4.1.

Table 4.1  Projected Household Growth in Knowsley

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Annual</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household Growth</td>
<td>360</td>
<td>241</td>
<td>233</td>
</tr>
</tbody>
</table>

Source: CLG 2008/2011/2012-based Household Projections

Note: It is important to note that each of these household projections are based on their respective population projections. Hence applying household headship rates to different populations, (such as applying the 2011-based headship rates to the 2012-based population as in the previous update report) will result in a different household growth figure than those presented above.

The subsequent section analyses the underlying reasons behind the change in the latest SNHP in order to assess whether sensitivity tests on the demographic-led scenarios may be appropriate.

Household Formation

The 2012-based SNHP were, unlike their 2008-based counterparts, based on a period where household formation across England had slowed due to the impact of recessionary trends: namely a shortfall in supply and issues with affordability and mortgage availability. This meant that many households which would otherwise have formed (namely younger households), were not able to. Household projections (and household formation rates) are projections of recent trends. Therefore trending forward suppressed household formation might not be representative of the true need for housing within an area.

The average household size projected in each of the household projections is shown for Knowsley in Figure 4.1. The 2012-based SNHP actually represent a higher rate of household formation than the 2011-based SNHP, and broadly align with the 2008-based SNHP.
Figure 4.1  Average Household Size, Knowsley: 1991-2037 (Projected)

Source: NLP Analysis / CLG 2012-based SNHP
Note: Historic trends (since 1991) are revised upon the release of each set of full household projections. The historic rates presented here are taken from the 2012-based household projections, and were revised to slightly lower rates than the 2008-based household projections (i.e. a higher average household size).

Population

4.5 The total population for Knowsley, as forecast in the 2008, 2011 and 2012-based SNPPs, is shown in Figure 4.2. The 2008-based SNPP indicates steady population growth across the Borough from 149,000 in 2008 to 154,800 in 2033, an annual average increase of 233 persons. The 2011-based SNPP grew at a slightly higher rate, of 312 annually.

4.6 The latest 2012-based SNPP are at variance with both past projections and suggest that Knowsley’s population will grow at a much slower rate, of just 72 per annum, between 2012 and 2037. Compared to the 2008-based SNPP, the 2012 SNPP indicate that by 2033 there would be 7,300 fewer people living in Knowsley. Combined with slightly lower rates of household formation rates when compared to the 2008-based SNHP, it is unsurprising that household growth under the 2012-based SNHP is lower.

4.7 Similarly, when compared to the 2011-based (Interim) SNPP, the 2012-based SNPP is 2,300 lower by 2021. Despite the higher household representation rates in the 2012 SNHP than the 2011 equivalent, this is not enough to generate a higher level of household growth overall.
The age structure of the population is also an important consideration when examining household projections. This is because populations which are projected to see an increase in the number of older people (even when there is no population growth or even decline) are likely to see a growth in households; household size tends to decline substantially as the head of the household ages.

The population age/sex structure of Knowsley is presented in Figure 4.3. It shows a decline in almost all age groups below aged 65+, with large increases in older age groups, in particular those aged 90+. This will have implications not only for housing outcomes over time (by smaller households forming as the older age groups make up an increasing proportion of the population) but also the economic related outcomes, due to the decrease in the size of the labour force. Whilst projected increases in older age economic activity may help to offset some of this decline, particularly with the rise in State Pension Age, overall the working age population is projected to decline from 55% to around 48% of the population.
Components of Change

4.10 The differences in the projected rates of natural change and migration are the main factors behind the change in population growth over time in the Borough.

4.11 In Knowsley, natural change (arising from births and deaths) under both the 2008-based and 2012-based SNPPs are similarly positive (i.e. there are more births than deaths, resulting in an increase); however, the rate of change declines over the long term. Up to 2017 natural change is around +590 annually, with this declining over the longer term to approximately 252 per annum by 2035. This is as a result of the ageing population in Knowsley, resulting in more deaths than births over time.

4.12 Analysis of the migration figures which underpin the 2008 and 2012-based SNPP explains why the population projections vary so much. These migration projections are presented in Figure 4.4. Over the 25-year period, the 2008-based projections suggest that total net out migration from Knowsley will total 6,100 – primarily as a result of significant net out-migration throughout the first half of the projection period, and net in-migration in the second half. Similarly,
the 2012-based SNPPs projected total net out migration of 6,800 over a 25-year period.

Figure 4.4 Projected Total Net Migration for Knowsley: 2008-based and 2012-based SNPPs

4.13 The methodology used to project migration in the 2012-based SNPP is described by ONS as follows:

“...to project internal migration moves, five-year trend data from 2007/08 to 2011/12 are used...to calculate cross-border moves, and average of five years' cross-border estimates data from 2007/08 to 2011/12 has been used... for immigration (international flows) an average of six years' historic trend data from 2006/07 to 2011/12 has been used...” (Methodology: 2012-based Subnational Population Projections, ONS, 29 May 2014)

4.14 The methodology document for the 2008-based SNPP indicates that the same methods were used, i.e. looking at five year internal migration and six year international migration.

4.15 The mid-year estimates used to inform these two sets of projections are presented in Figure 4.5. It is clear that Knowsley has followed a consistent pattern of net out migration over the last 10 years or so.

4.16 The longer term (10-year) and shorter term (5-year) average net migration data from Knowsley is fairly consistent at -490 per annum and -605 per annum, respectively (net out migration).
Figure 4.5  Migration: Knowsley

Source: ONS Mid-Year Estimates - 2002/03 to 2011/12

Note: ‘5 Year Averages’ are of 5 years of internal migration and 6 years of international migration, in line with ONS SNPP methodology.

4.17 Although these averages represent a consistent level of sizeable net out migration over time from Knowsley, the 2012 SNPP projection for migration represents a substantial decline in out migration. The extent to which this represents a realistic future scenario for migration and population growth should be considered when modelling future housing need.
5.0 Objectively Assessed Housing Need

Introduction

5.1 In utilising NLP’s HEaDROOM framework, this section provides an overview of the range of scenarios generated in light of the latest CLG projections. The scenarios are:

Demographic-led Scenarios:

a Scenario A: 2012-based Household Projections and 2012 SNPP - this scenario models the housing need (and subsequent economic-related outputs) based on the population and headship forecasts for Knowsley. It takes account of dwelling vacancy rates in order to derive a housing need figure from the projections in household growth.

Sensitivity test for the headship rates modelled (also on the 2012 Sub-National Population Projections):5

i Scenario Ai: Partial Catch-Up - Using the 2012-based headship rates as a starting point, it is projected that by 2033 (starting after 2017 to allow for full economic recovery) headship rates for the younger adults age groups6 will have caught up half of the difference between the 2012 and 2008-based headship rates;

b Short Term Migration Trends - as above, but using a five year migration average from 2009/10 - 2013/14, assuming Knowsley will continue to see migration at a level in line with recent trends;

c Long Term Migration Trends - based on average gross flows of internal and international migration in Knowsley over the 10 year period from 2004/05 - 2013/14, as taken from the ONS Mid-Year Estimate Series, assuming Knowsley will continue to see migration in line with levels on average over the last decade;

Employment-led Scenarios

d Experian Jobs Growth - Based on Experian forecasts of unconstrained job growth, which forecasts job growth of 7,866 jobs between 2012 and 2031, which equates to 455 jobs per annum.

e Past Trends Growth - Taking into account average annual job growth of 301 over the past ten years (2002 to 2012), this scenario assumes this pattern will continue over the plan period to 2028.

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5 Headship rates refer to the percent of the population in a given age/sex group who will form a head of household.
6 As defined by males and females in the age groups 15-19, 20-24, 25-29 and 30-34.
Assumptions and Approach

5.2 There are a number of underlying assumptions which NLP has adopted that form the basis for most modelled scenarios. These include:

- **a** Future change assumed in the Total **Fertility** Rates (TFR) and **Standardised Mortality** Rates (SMR) are based on the birth and death projections derived from the ONS 2012-based SNPP. This in turn is used to derive projected TFRs and SMRs under each scenario in PopGroup;

- **b** Projected migration under the 2012-SNPP based scenarios is taken from the age-specific numbers of in and out internal and international migrants as projected. For the five and ten year trend scenarios, the total number of migrants is constrained to those figures, and the age-profile is based on the 2012-SNPP projections of migration. In economic-led scenarios, migration is flexed (i.e. inflated or constrained) in order to produce a population and labour force sufficient to support the given level of job change.

- **c** Inputs on **headship rates** are based on the 2012-based household projections which provide data by 5-year age groups and sex for Knowsley. These cover a 25-year period to 2037 and the sensitivity scenario is as described, taking into account the 2008-based SNHP.

- **d** In Knowsley (as in any area), housing **vacancies and second homes** will result in the number of dwellings needed exceeding the total number of households under any given scenario. In establishing future projections, it is likewise expected that the dwelling need will exceed household projections. Hence a vacant and second home rate of 4.7% is applied in all scenarios from 2015 onwards (this is the average rate for 2012, 2013 and 2014. The rates in each of these years are applied within the modelling).

- **e** In order to calculate **unemployment** rates, the figures for 2012 (12.7%), 2013 (10.3%) and 2014 (9.7%) (as taken from the Annual Population Survey) were used. The 2014 figure then gradually declines over a five year time period on a linear basis to the longer term average (2004-2011) of 7.3%. This figure is then held constant to the end of the forecasting period on the grounds that it better reflects the long term trend than the current unemployment rate.

- **f** 2011 Census **Economic Activity Rates** used for each age cohort are used as the basis for economic activity by age and sex in Knowsley. The most recent government projections for the labour force are the 2006-based ONS Labour Force projections, and hence these are re-based to the 2011 Census rates for Knowsley. Given these projections only cover the period to 2020, the rates are held constant thereafter. These projections also take into account the changes in State Pension Age occurring within the projection period, and the associated increases expected within the older age groups as a result.
It has been assumed that the commuting rate (or labour force ratio) remains static with no inferred increase or decrease in the ratio between in- and out-commuting. The 2011 Census identified the commuting rate in Knowsley of 1.09 (i.e. Knowsley is an area of net out-commuting).

Where scenarios have been demographically modelled, a full schedule of the assumptions and inputs can be found in Appendix 1, whilst the outputs can be found in Appendices 2 and 3.

**Model Outcomes**

**Demographic-led Scenarios**

The demographic-led scenarios used the components of population change (births, deaths and migration) to project future population change. Under each scenario, the assumptions around household formation and headship rates (as discussed) are applied in order to derive the number of households within the population over time. This is converted into a dwelling need; in addition, the labour force/job change is derived based on the age profile of the projected population. The outputs are presented over the period 2012-2028.


This scenario models the 2012-based SNHP and the 2012-based SNPP. This produces the same projection (in terms of total number of households) as the headline projections of the CLG’s Live Table; however, modelling the scenario through PopGroup allows the derivation of job-related outputs and more specific population change.

Under this scenario Knowsley’s population is projected to increase by 1,394 residents by 2028. This population growth arises entirely due to natural change (arising from excess births over deaths) which is consistently positive.

There is a net out migration from Knowsley of -6,596 by 2028. It is projected that, on average, Knowsley will see a decline in population through out-migration of 412 per annum. However, taking into account natural change, overall population growth is positive.

Using 2012 headship rates, and making a suitable allowance for vacant units/second homes, there is projected to be a total dwelling need of 4,282 by 2028, equivalent to 268 dpa. This is due to a combination of natural change (leading to population growth) and social changes relating to the ageing of the local population given that older people form smaller households over time.

Despite the overall population growth, the ageing profile of this population results in a significant reduction in the local labour force. Under this scenario the working population would decline 11% by 2028 and the oldest age groups (60/65-74, 75-84 and 85+) would see the most substantial increases, of 39%, 18% and 82% respectively. Taking into account overall economic activity of individual age groups, the scenario indicates that the labour force (i.e. all those
economically active within the population) would decline by 5,836 over the period to 2028 - a decline equivalent to around 9% of the current labour force. This equates to a job loss of 96 per annum on average.

5.10 The key outputs for this scenario are summarised in Table 5.1.

Table 5.1 Summary of Outputs - Scenario A: 2012 SNHP, 2012 SNPP

<table>
<thead>
<tr>
<th>Scenario A: 2012 SNPP, 2012 Headship Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-30 p.a.</td>
</tr>
<tr>
<td>Population</td>
</tr>
<tr>
<td>+1,394</td>
</tr>
<tr>
<td>+87</td>
</tr>
<tr>
<td>Dwellings</td>
</tr>
<tr>
<td>+4,282</td>
</tr>
<tr>
<td>+268</td>
</tr>
<tr>
<td>Jobs</td>
</tr>
<tr>
<td>-1,535</td>
</tr>
<tr>
<td>-96</td>
</tr>
</tbody>
</table>

Source: NLP using PopGroup

5.11 Scenario Ai: 2012 SNPP Base, Headship Rates Sensitivity

The 2012 SNHP are less optimistic than the 2011-based (Interim) counterparts and when compared to the 2008-based projections are even more pessimistic. These represented projections of headship in line with longer term trends, not taking into account impacts of the recession on both the supply of housing and the ability of households to form, given lack of mortgage availability. Therefore, NLP has tested a scenario which assumes that over time, ‘pent up’ demand within the younger population (15-34 age groups) is released, resulting in higher household formation rates which, over the long term, represents a return to longer term trends.

5.12 An example of this is illustrated in Figure 5.1. This shows the 2012-based headship rates for females in Knowsley age 30-34, and the sensitivities conducted as part of scenario Ai. It is assumed that these changes will begin to occur after a 5 year period (i.e. starting 2017) to allow for the economy to return to pre-recession trends.
Figure 5.1  Projected Headship Rates - 2012 Baseline, Partial Catch-Up Sensitivity

5.13 The population outcomes under each of these scenarios is the same as under Scenario A; the only difference is how household formation rates (used to derive the number of households and subsequently number of dwellings) are applied to the population, resulting in the different housing-related outcomes. These are shown in Table 5.2.

Table 5.2  Dwelling Outputs Ai (Headship Rate Sensitivities)

<table>
<thead>
<tr>
<th>Dwelling Outputs</th>
<th>2012-28</th>
<th>p.a.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 Baseline</td>
<td>+4,282</td>
<td>+268</td>
</tr>
<tr>
<td>Scenario A: Partial Catch Up</td>
<td>+4,469</td>
<td>+279</td>
</tr>
</tbody>
</table>

Source: NLP using POPGROUP

Partial Catch-Up - Half of the difference between 2012-based and 2008 based projections is made up by 2033 (rates trended thereafter for 2012-2037 scenario), with this change being in 2017 for selected younger age cohorts.

Scenario B: Short Term Migration Trends

5.14 Implicit within the 2012 SNPP is the assumption that net migration to Knowsley will increase post 2020. These recent trends have informed the 2012 SNPP which projects a reduction in net out migration from -400 (2012) to -200 (2030) per annum. However, compared to migration over the past 5 years, the average net out migration figure would be much higher.

5.15 This scenario assumes that recent trends in migration will continue over the projection period - equating to a net out migration of 637 per annum.
Despite the positive natural change of +7,600, there is an overall population decline of -2,576 to 2028. Associated with this level of population decline is a substantial decline in the size of the labour force and the number of jobs required to sustain it, as the labour force declines more quickly compared to Scenario A as a result of fewer in-migrants moving into the area.

In terms of the associated dwelling need derived from this model, between 2012 and 2028 there would be a need for **170 dpa**, which is significantly lower than the Baseline Scenario A (268 dpa).

**Scenario C: Long Term Migration Trends**

This scenario is based upon the same assumptions as Scenario B; however, a longer term, 10-year, migration trend is used. Migration over the past 10 years in Knowsley is fairly consistent with the shorter term trends, in that it has been consistently negative with the longer term average being -555 per annum.

Under this scenario, there is therefore a net out-migration of 555 per annum over the projection period, equating to a total of 8,880 to 2028. This results in an overall population decline of 2,672 to 2028. Despite this population decline, there is a household increase and dwelling need as the population ages and smaller households form. There is however, a substantial decline in the labour force and subsequently the number of jobs as the labour force declines more quickly compared to Scenario A as a result of net out-migration, particularly of younger age groups.

In terms of the associated dwelling need derived from this model, between 2012 and 2028 there would be a need for **170 dpa**, which is lower compared to Scenario A. The key outputs from the longer term migration trend and shorter term migration trend based scenarios are shown in Table 5.3, resulting in identical annual dwelling requirements.

**Table 5.3  Summary of Model Outputs - Scenario B and C: Short/Long Term Migration**

<table>
<thead>
<tr>
<th></th>
<th>Scenario B: 5 Year Migration Trend</th>
<th>Scenario C: 10 Year Migration Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>-2,576 ~</td>
<td>-2,672 ~</td>
</tr>
<tr>
<td>Dwellings</td>
<td>+2,724 +170</td>
<td>+2,713 +170</td>
</tr>
<tr>
<td>Jobs</td>
<td>-3,301 -206</td>
<td>-2,944 -184</td>
</tr>
</tbody>
</table>

Source: NLP using PopGroup

**Economic-Led Scenarios**

A series of employment-led scenarios were also assessed to identify how much additional housing may be needed to take account of employment growth\(^7\), over and above demographic needs.

\(^7\) Given that the economic forecasts utilised in this report end in 2030, in order to model scenarios to 2030, the job growth figure (for 2029-30) has been trended in order to obtain estimates for 2031-2035 to allow for modelling over this period.
5.22 Whilst there is a complex set of issues involving matching labour markets and housing markets (with difference occupational groups having a greater or lesser propensity to travel to work), there are some simple metrics which can explore the basic alignment of employment, demographic and housing change, notably the amount of housing needed to sustain a labour force (and therefore number of jobs) assuming certain characteristics around commuting and unemployment.

5.23 Ensuring a sufficient supply of homes within easy access of employment represents a central facet of an efficiently functioning economy and can help to minimise housing market pressures and unsustainable levels of commuting (and therefore congestion and carbon emissions). If the objective of employment growth is to be realised then it will generally need to be supported by an adequate supply of suitable housing.

**Scenario D: Zero Jobs Growth**

5.24 This scenario assumes that the number of jobs in Knowsley remains at its current level over the projection period; this means that given the ageing population there is a need for growth in the labour force, in-migration and ultimately housing. The number of jobs in this scenario is assumed to be constant, i.e. growth is equal to 0 and therefore there is no increase in the size of the labour force.

Over the period to 2028, in order to create a labour force large enough to support jobs in the Borough, there would need to be net out-migration of 3,073 which is significantly lower than the past trends for out migration from Knowsley. This would support the current number of jobs, assuming commuting levels remain constant and taking into account changes in unemployment. The result would be a population increase of 3,984, whilst 4,915 new households would form. This translates into a need for 5,158 dwellings to 2028, or **322 dpa**. The key outputs from the Zero Jobs Growth scenario are provided in Table 5.4.

<table>
<thead>
<tr>
<th>Table 5.4 Summary of Scenario D, Zero Jobs Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario D: Zero Jobs Growth</td>
</tr>
<tr>
<td>2012-2028</td>
</tr>
<tr>
<td>Population</td>
</tr>
<tr>
<td>Dwellings</td>
</tr>
<tr>
<td>Jobs</td>
</tr>
</tbody>
</table>

Source: NLP Using PopGroup

**Scenario E: Past Trends Job Growth**

5.26 This scenario assumes a continuation in the previous level of job growth in Knowsley, which is equivalent to 301 per annum over the ten years between 2002 and 2012, and projects this forward throughout the projection period.
In order to support this level of job growth, the labour force would need to increase by 1,634, with total population growth of 15,396. As a result, this could sustain household growth of 9,217 and a housing need of 604 dpa.

**Scenario F: Experian Job Growth**

This is a ‘policy-off’ scenario using Experian projections of total employment in Knowsley. This represents the unconstrained potential of the area, based on its existing business base, mix of sectors and inherent economic qualities. At a local level, past growth trends (and in particular the performance of individual sectors in the local area relative to the regional performance) represent the key driver of determining future growth, particularly with regards to growth forecasts associated with individual sectors. For Knowsley, the projected (workforce) job growth over the period 2012-31 in Experian’s December 2014 model was 8,640, or 455 annually.

In order to support this level of job growth, the labour force would need to increase by 4,532, with total population growth of 21,236. This would equate to household growth of 11,981 and a housing need of 749 dpa.

**Summary of Scenarios**

The Scenarios present a wide range of housing need for the period 2012 to 2028, based upon different indicators of what the need for housing in Knowsley could be. These are summarised in Table 5.5.

<table>
<thead>
<tr>
<th>Scenario:</th>
<th>Demographic Led</th>
<th>Economic Led</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario A. Baseline 2012 SNPPs</td>
<td>+1,394</td>
<td>+1,394</td>
</tr>
<tr>
<td>Scenario A1. Partial Catch Up SNPPs</td>
<td>-2,576</td>
<td>-2,672</td>
</tr>
<tr>
<td>Scenario B. 5 Year Past Trends (Short Term)</td>
<td>+6,208</td>
<td>+7,057</td>
</tr>
<tr>
<td>Scenario C. 10 Year Past Trends (Long Term)</td>
<td>+3,984</td>
<td>+15,396</td>
</tr>
<tr>
<td>Scenario D. Zero Jobs Growth</td>
<td>+1,634</td>
<td></td>
</tr>
<tr>
<td>Scenario E. Past Jobs Growth 301 jobs per annum</td>
<td>+4,532</td>
<td></td>
</tr>
<tr>
<td>Scenario F. Experian Jobs Growth 455 jobs per annum</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pop. Change</th>
<th>+1,394</th>
<th>+1,394</th>
<th>-2,576</th>
<th>-2,672</th>
<th>+3,984</th>
<th>+15,396</th>
<th>+21,236</th>
</tr>
</thead>
<tbody>
<tr>
<td>of which Natural Change</td>
<td>+7,989</td>
<td>+7,989</td>
<td>+7,600</td>
<td>+6,208</td>
<td>+7,057</td>
<td>+8,537</td>
<td>+9,295</td>
</tr>
<tr>
<td>of which Net Migration</td>
<td>-6,596</td>
<td>-6,596</td>
<td>-10,176</td>
<td>-8,880</td>
<td>-3,073</td>
<td>+6,859</td>
<td>+11,941</td>
</tr>
<tr>
<td>Household Change</td>
<td>+4,081</td>
<td>+4,259</td>
<td>+2,596</td>
<td>+2,585</td>
<td>+4,915</td>
<td>+9,217</td>
<td>+11,418</td>
</tr>
<tr>
<td>Dwelling Change</td>
<td>+4,282</td>
<td>+4,469</td>
<td>+2,724</td>
<td>+2,713</td>
<td>+5,158</td>
<td>+9,672</td>
<td>+11,981</td>
</tr>
<tr>
<td>Dwellings p.a.</td>
<td>+268</td>
<td>+279</td>
<td>+170</td>
<td>+170</td>
<td>+322</td>
<td>+604</td>
<td>+749</td>
</tr>
<tr>
<td>Labour Force</td>
<td>-5,836</td>
<td>-5,836</td>
<td>-7,913</td>
<td>-7,493</td>
<td>-4,031</td>
<td>+1,634</td>
<td>+4,532</td>
</tr>
<tr>
<td>Jobs</td>
<td>-1,535</td>
<td>-1,535</td>
<td>-3,301</td>
<td>-2,944</td>
<td>+0</td>
<td>+4,816</td>
<td>+7,280</td>
</tr>
<tr>
<td>Jobs p.a.</td>
<td>-96</td>
<td>-96</td>
<td>-206</td>
<td>-184</td>
<td>+0</td>
<td>+301</td>
<td>+455</td>
</tr>
</tbody>
</table>

**Source:** NLP using PopGroup
5.31 The summary suggests a wide range of potential housing requirements from 170 dpa (based on the short/long term past migration trends) to as high as 749 dpa (Experian Job Growth). The demographic scenarios, which are based on unconstrained past demographic trends as well as ONS’ projections for fertility and mortality rates, demonstrate a narrower range of between 170 dpa and 279 dpa, although associated with this is a necessarily lower level (and indeed negative) labour force/job growth) which would conflict with the Council’s objectives for economic growth for Knowsley over the plan period.
Market Signals

6.1 This section provides analysis of the necessary market signals (in line with the Practice Guidance) in light of new data for 2014 (including for house prices and rents) which provide an up-to-date indication of how these signals perform in Knowsley and the extent to which they may impact upon full objectively assessed needs for the Borough.

6.2 The Practice Guidance indicates that once an assessment of housing need based upon demographic projections is established, this should be adjusted to reflect appropriate market signals and indicators of the balance between the demand and supply of housing. The guidance explicitly sets out six market signals (Para 2a-019):

1. Land Prices;
2. House Prices;
3. Rents;
4. Affordability;
5. Rate of Development; and,
6. Overcrowding.

6.3 It goes on to indicate that appropriate comparisons of these should be made, with an upward adjustment made where such market signals indicate an imbalance in supply and demand, and the need to increase housing supply to meet demand and tackle affordability issues (Para 2a-020):

“This includes comparison with longer term trends (both in absolute and relative levels and rates of change) in the housing market area; similar demographic and economic areas; and nationally. A worsening trend in any of these indicators will require upward adjustment to planned housing numbers based solely on household projections…

In areas where upward adjustment is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints… the larger the improvement in affordability needed and therefore, the larger the additional supply response should be.”

6.4 Each of the housing market indicators will be explored for Knowsley, and compared with the equivalent indicators for Merseyside (County) and England.

Land Prices

6.5 The most readily available and nationally consistent data on unequipped agricultural land values or residential building land prices for Knowsley is available from the Value Office Agency (VOA). The VOA is an executive agency of the HM Revenue & Customs (HMRC) that provides the Government with the valuations and property advice to support taxation and benefits.
The VOA only covered major cities or areas which generate sufficient activity to determine a market pattern so data for smaller neighbouring authorities is not available. In Knowsley, land values were £0.95m per hectare in 2010. The data shows that the average bulk\(^8\) residential land values in Knowsley have increased by 137.5% since 2001. The national average bulk residential building land prices were £1.77m per hectare in 2010 which demonstrates that land values in Knowsley itself are relatively low when compared to the national average.

The above values are illustrative rather than definitive and represent typical levels of value for sites without abnormal site constraints and a residential planning permission of a type generally found within the area\(^9\). Although it is now five years out of date, it is considered that the VOA data is still valid as it represents a consistent comparison of data between different areas.

**House Prices**

The Practice Guidance identifies that longer term changes in house prices may indicate an imbalance between the demand for and supply of housing. Although it suggests using mix-adjusted prices, this data is not available at the Local Authority level. However, house price indices and price paid data are available at all three geographies (Local Authority, County and nationally), and hence analysed in the context of this report.

Figure 6.1 presents the average house prices in Knowsley, Merseyside and England over the last 15 years. The average house price in Knowsley is currently £110,000, which is lower than Merseyside (£125,000) and significantly lower than the national average (£195,000). In neighbouring West Lancashire and Liverpool, house prices are also higher than in Knowsley at £160,000 and £115,000 respectively.

Knowsley house prices have grown from just £50,000 in 1999, which represents an increase of 120% since 1999 (equivalent to £60,050). By comparison, nationally median house prices have increased 164% and house prices in Merseyside have increased 148%. House prices in both Knowsley and Merseyside have remained relatively stable over recent years and currently remain lower than their peak (in 2007 and 2010), whereas nationally house prices have continued to rise steadily in recent years and have now exceeded their pre-recession peak.

---

\(^8\) Sites in excess of 2 hectares

\(^9\) This data is sourced from VOA and comes with the caveat that the land values provided are not the results of statistical analyses of actual land transactions. They are hypothetical prices attached to a ‘typical’ site for the area in question, with planning consent for residential development and serviced to the site boundary. The figures take account of affordable housing provision in line with local trends, as well as situations where supply is mostly brownfield.

As these are hypothetical prices, they are not required to be in line with RICS Valuation Standards. They should be treated as illustrative of local land market conditions. They are not definitive figures and should not be applied to specific sites, which will have individual characteristics that will affect value, such as location, servicing or planning status.
In addition to price paid data, it is possible to track house price indices over a time. This allows for further comparison of how house prices in an area have changed over time without taking into account the absolute cost. As advocated in the Practice Guidance, house prices rising faster than local and/or national average may be an indicator of pressure on housing supply.

This house price index\(^\text{10}\) is produced by Land Registry and is shown for the relevant area in Figure 6.2. As of December 2014, the house price index in Knowsley was 175.3, i.e. house prices were 1.753 times their 1995 level. Across Merseyside, the house price index is currently 196.9 and across England the index is 286.0. This suggests that house prices in Knowsley have not increased to the extent of either the county-wide or national house prices.

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\(^{10}\) The house prices index is calculated based on the average mean house price, hence differs from the price paid data (which is based on median house prices).
### Table 6.1  House Price, Change and House Price Indices Data - Knowsley, Merseyside and England

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowsley</td>
<td>£110,000</td>
<td>315</td>
<td>+120%</td>
<td>+£60,050</td>
<td>314</td>
</tr>
<tr>
<td>Merseyside</td>
<td>£125,000</td>
<td>~</td>
<td>+148%</td>
<td>+£74,500</td>
<td>~</td>
</tr>
<tr>
<td>England</td>
<td>£195,000</td>
<td>~</td>
<td>+164%</td>
<td>+£121,000</td>
<td>~</td>
</tr>
</tbody>
</table>

Source: CLG Live Table 586 / Land Registry  *This refers to England and Wales.

6.13 It is recognised that this Borough-wide exercise to an extent masks the significant differences in house prices within Knowsley that currently exist.

**Affordability Ratio**

6.14 Assessing affordability involves comparing the cost of housing with household’s ability to pay, with the indicators for this lower quartile house prices and lower quartile earnings, which together form an affordability ratio which can be tracked over time. Further to looking at absolute house price change over time, this indicator also takes into account local earnings, which may vary between areas and impact upon how affordable housing is for certain groups of people and to what extent affordability might be considered a particular pressure in a local area.

6.15 As of 2014, the lower quartile affordability ratio in Knowsley was 3.98; i.e. lower quartile house prices in Knowsley are 3.98 times lower quartile earnings. This is lower than in Merseyside (4.73) and in England (6.88). The current ratio in Knowsley is lower than the peak in the affordability ratio seen just before the start of the recession, where the lower quartile affordability ratio in Knowsley was its highest at 5.73 in 2006.

6.16 The affordability ratio in Knowsley in 2014 represents a 38% rise over the last 15 years. Over the same period, the affordability ratio in England rose 87% and in Merseyside 71%. Figure 6.3 shows the affordability ratio in each of the areas over time, indicating that affordability in Knowsley has been more in line with regional trends over the time period.

6.17 Whilst the affordability ratio in Knowsley is currently lower than regional and national trends, it is clear that house prices have far outstripped wage growth, resulting in house prices now close to four times income, compared to 15 years ago when house prices were less than three times income.
Figure 6.3 Affordability Ratio 1999-2014

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowsley</td>
<td>3.98</td>
<td>+38%</td>
<td>320</td>
</tr>
<tr>
<td>Merseyside</td>
<td>4.73</td>
<td>+71%</td>
<td>~</td>
</tr>
<tr>
<td>England</td>
<td>6.88</td>
<td>+87%</td>
<td>~</td>
</tr>
</tbody>
</table>

Source: CLG Live Table 576 / Land Registry / ASHE

**Source:** CLG Live Table 576/Land Registry/ASHE

**Ranks are out of 326**

**Rents**

High and increasing costs of rent are another indicator of a shortfall in this type of housing, which may indicate a need for uplift on demographic-led needs. Although data for this is only available for the last three years, trends are still apparent. It can also provide an indication of how rental costs within Knowsley currently sit in the context of the wider area and nationally.

As of Q3 2014, the average rental cost in Knowsley is £525, ranging from £398 for a 1-bed dwelling to £750 for a 4+bed dwelling, the average rental cost is £595 and in Merseyside £477. This is illustrated in Figure 6.4.

Over the last three years, the average rent in Knowsley has declined by 3.8%, however rents across Merseyside have declined by 4.3%. Across England, average rental costs rose by 4.4% over the same period, indicative that compared to nationally, pressures on the rental market in Knowsley are not as significant compared to England.
Rate of Development

6.21 The rate of development is intended to be a supply-side indicator of previous under-delivery. The Practice Guidance states that:

“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”[2a-019-20140306]

6.22 The rate of development is therefore a market signal relating to the quantity of past under-supply, which will need to be made up. In Knowsley the relevant ‘planned supply’ figure is 450 dpa which was dictated by the requirement within the North West Regional Strategy [RS].

6.23 Table 6.3 presents the housing backlog in Knowsley since 2003/04 against the RS target, as well as the backlog that has accrued through under delivery.

Table 6.3  Rate of Delivery

<table>
<thead>
<tr>
<th>Year</th>
<th>New Build</th>
<th>Net Change for Conversion</th>
<th>Demolitions</th>
<th>Delivery (net completions)</th>
<th>Target (RS)</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003/04</td>
<td>683</td>
<td>-6</td>
<td>477</td>
<td>202</td>
<td>450</td>
<td>-248</td>
</tr>
<tr>
<td>2004/05</td>
<td>642</td>
<td>0</td>
<td>399</td>
<td>243</td>
<td>450</td>
<td>-505</td>
</tr>
<tr>
<td>2005/06</td>
<td>625</td>
<td>-1</td>
<td>140</td>
<td>484</td>
<td>450</td>
<td>-471</td>
</tr>
<tr>
<td>2006/07</td>
<td>453</td>
<td>-9</td>
<td>38</td>
<td>432</td>
<td>450</td>
<td>-488</td>
</tr>
<tr>
<td>2007/08</td>
<td>438</td>
<td>0</td>
<td>127</td>
<td>311</td>
<td>450</td>
<td>-627</td>
</tr>
<tr>
<td>2008/09</td>
<td>298</td>
<td>3</td>
<td>127</td>
<td>186</td>
<td>450</td>
<td>-891</td>
</tr>
<tr>
<td>2009/10</td>
<td>273</td>
<td>0</td>
<td>270</td>
<td>12</td>
<td>450</td>
<td>-1,329</td>
</tr>
<tr>
<td>2010/11</td>
<td>329</td>
<td>4</td>
<td>157</td>
<td>178</td>
<td>450</td>
<td>-1,601</td>
</tr>
<tr>
<td>2011/12</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>252*</td>
<td>450</td>
<td>-1,799</td>
</tr>
<tr>
<td>2012/13</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>195*</td>
<td>450</td>
<td>-2,054</td>
</tr>
<tr>
<td>2013/14</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>360*</td>
<td>450</td>
<td>-2,144</td>
</tr>
</tbody>
</table>

6.24 The implication is that the rate of delivery in Knowsley has fallen short of planned supply with the exception of 2005/06 where net delivery peaked at 484 – the only occasion whereby the RS target was met, let alone exceeded.

6.25 In summary, the total under-delivery of dwellings for Knowsley Council when set against the RS target requirement of 450 dpa over the period 2003/04 - 2011/12 (the base date of the PopGroup modelling period) was **1,799 dwellings**. Spread across the 15-year period (2013 to 2028), this would equate to an additional 120 dpa to address this past under-provision for Knowsley.

**Overcrowding/Homelessness**

6.26 Indicators on overcrowding, concealed families, shared households and homelessness demonstrate unmet need for housing within an area. The Practice Guidance suggests that long-term increases in the number of such households may be a signal that planned housing requirements need to be increased [Paragraph 2a-019].

**Overcrowding**

6.27 The 2001 and 2011 Censuses provide data on both household occupancy (i.e. an indicator of overcrowding) and the number of concealed families within an area. Occupancy ratings are calculated based on the relationship between people in a household and the number of rooms in a household’s accommodation. An occupancy rating of -1 or less implies that a household has one [or more] fewer rooms than required (i.e. overcrowded), a rating of +1 or more indicates a household has more rooms than required.

6.28 Table 6.4 presents overcrowding against the occupancy rating in Knowsley (2011 Census data) and indicates that just 5.94% of households are living in a dwelling that is too small for their household size and composition. This is not particularly severe when compared to figures of 8.74% nationally and 6.24% in the North West. Overcrowding in Knowsley has decreased since 2001, from 7.25% to 5.94% whereas the opposite trend has occurred nationally and across the North West where overcrowding has become more prevalent.

Table 6.4  Overcrowding: Household Room Occupancy Rating

<table>
<thead>
<tr>
<th></th>
<th>Total Households</th>
<th>-1 room occupancy or less</th>
<th>-1 room occupancy or less (%)</th>
<th>Total Households</th>
<th>-1 room occupancy or less</th>
<th>-1 room occupancy or less (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>20,451,427</td>
<td>1,457,512</td>
<td>7.13%</td>
<td>22,063,368</td>
<td>1,928,596</td>
<td>8.74%</td>
</tr>
<tr>
<td>North West</td>
<td>2,812,789</td>
<td>152,248</td>
<td>5.41%</td>
<td>3,009,549</td>
<td>187,816</td>
<td>6.24%</td>
</tr>
<tr>
<td>Knowsley</td>
<td>60,549</td>
<td>4,388</td>
<td>7.25%</td>
<td>61,323</td>
<td>3,642</td>
<td>5.94%</td>
</tr>
</tbody>
</table>

Source: Census 2001, Census 2011

6.29 The declining levels of overcrowding could be linked to the ageing population in Knowsley who tend to have smaller household sizes. It could also be a
symptom associated with the fewer residents of child bearing age which results in lower levels of larger families within the Borough.

6.30 Further, the declining (and relatively low level of) overcrowding may be a function of low private rent in Knowsley which, although slightly higher than the Merseyside average, is below neighbouring authorities such as Cheshire East, West Lancashire and Sefton and also the national average.

6.31 Table 6.5 shows the percent of families\(^ {11}\) at each of the 2001 and 2011 Censuses which were ‘concealed’\(^ {12}\).

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th></th>
<th>2011</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Families</td>
<td>Concealed</td>
<td>%</td>
<td>Families</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Families</td>
<td></td>
<td></td>
</tr>
<tr>
<td>England</td>
<td>13,846,114</td>
<td>161,254</td>
<td>1.16%</td>
<td>14,885,145</td>
</tr>
<tr>
<td>North West</td>
<td>1,898,882</td>
<td>21,162</td>
<td>1.11%</td>
<td>1,985,879</td>
</tr>
<tr>
<td>Knowsley</td>
<td>42,534</td>
<td>664</td>
<td>1.56%</td>
<td>41,994</td>
</tr>
</tbody>
</table>

Source: Census 2001, Census 2011

6.32 Across England, this has seen a rise from 1.16% to 1.85% of all families. Similarly, the North West has seen an increase in the percent of families which are concealed from 21,162 to 32,128. In Knowsley the percent of concealed families increased from 1.56% to 2.02% which represents an increase of 182 families, despite the fact that the total number of families in Knowsley has in fact declined by 540 over this ten year period. Despite an overall decline in overcrowding in Knowsley, it is likely that this increase in concealed families is a result of younger couples/families moving in with parents, particularly given that the population of Knowsley has gradually aged over recent years, with this ageing projected to accelerate in the future.

**Homelessness**

6.33 CLG publish data on the number of households in Local Authorities which are in both priority need and in temporary accommodation. As a rate per 1,000 households with each area, this can be tracked over time to compare how Knowsley sits compared to Merseyside and England.

6.34 The number of households in priority need is shown in Table 6.6. Although in 2004/05, Knowsley had a higher rate of households in priority need than Merseyside, Knowsley has seen a substantial decline in this rate (of 87%) which is a greater rate of decline than has been seen in Merseyside and across the Country.

---

\(^ {11}\) ONS defines a ‘Family’ as; a married, same-sex civil partnership, or cohabiting couple, with or without child(ren), a lone parent with child(ren), a married, same-sex civil partnership or cohabiting couple with grandchild(ren) but no children present from the intervening generation, or a single grandparent with child(ren) but no children present from the intervening generation.

\(^ {12}\) A concealed family is one living in a multiple family household in addition to the primary family, such as a young couple living with parents.
Table 6.6  Homelessness; Households in Priority Need

<table>
<thead>
<tr>
<th></th>
<th>2004/05</th>
<th>2013/14</th>
<th>Change in Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Households in Priority Need</td>
<td>/1,000 Household</td>
<td>Households in Priority Need</td>
</tr>
<tr>
<td>England</td>
<td>120,860</td>
<td>5.73</td>
<td>52,250</td>
</tr>
<tr>
<td>Merseyside</td>
<td>2,803</td>
<td>2.30</td>
<td>492</td>
</tr>
<tr>
<td>Knowsley</td>
<td>503</td>
<td>8.25</td>
<td>66</td>
</tr>
</tbody>
</table>

Source: CLG Live Table 784/P1e Returns

Table 6.7 presents this data for households in temporary accommodation. It shows a similar pattern for Knowsley, with consistently lower rates of homeless households than across the county and nationally. The rate of decline in Knowsley is similar to Merseyside (declining 70.5% and 75% respectively). As of 2013/14 Knowsley has one of the lowest rates in the country of households in temporary accommodation.

Table 6.7  Homelessness; Households in Temporary Accommodation

<table>
<thead>
<tr>
<th></th>
<th>2004/05</th>
<th>2013/14</th>
<th>Change in Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Households in Temporary Accommodation</td>
<td>/1,000 Household</td>
<td>Households in Temporary Accommodation</td>
</tr>
<tr>
<td>England</td>
<td>101,070</td>
<td>4.79</td>
<td>58,410</td>
</tr>
<tr>
<td>Merseyside</td>
<td>302</td>
<td>0.54</td>
<td>82</td>
</tr>
<tr>
<td>Knowsley</td>
<td>20</td>
<td>0.33</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: CLG Live Table 784/P1e Returns

Synthesis of Market Signals

Drawing together the market signals above allows us to build a picture of the current housing market in and around Knowsley, the extent to which demand for housing is not being met and the outcomes occurring because of this.

Knowsley Housing Market Indicators - A comparative Overview

It is clear from the analysis that the Knowsley housing market faces some challenges. The market signals point towards a housing market which, to a limited extent is failing to match demand with supply.

In order to draw meaningful conclusions regarding the extent to which such market signals indicate housing market stress in Knowsley and a level of supply that is not meeting demand, the Practice Guidance suggests that comparisons of both absolute levels, and absolute and relative rates of change should be made with similar economic/demographic areas, areas with housing market linkages and nationally. In this respect, Knowsley has been compared and ranked against other nearby local authorities and the overall indicators for England. These nearby centres have been chosen as they constitute areas which border Knowsley and/or have some connection through migration and commuting as previously described:

1. West Lancashire;
2. Liverpool;
3 Sefton;
4 St Helens;
5 Wirral;
6 Cheshire East\(^{13}\);
7 Cheshire West and Chester;
8 Warrington;
9 Halton; and,
10 Wigan.

6.39 The intention of using these 10 comparator centres (and England) is to provide a range of benchmark centres which will either compete economically with Knowsley for businesses or are similar in certain geographic, economic or demographic factors. The national average also compares how Knowsley’s housing market fares in comparison to overall trends across the country.

1.7 Table 6.8 indicates how Knowsley compares to these authorities across the range of market signals discussed. A higher ranking in this table indicates a comparatively worse performing market signal.

\(^{13}\) Due to the recent formation of Cheshire East and Cheshire West & Chester, some historic data is not available for these authorities, and hence the table is incomplete in some areas. Similarly, some Local Authorities are missing data on homelessness.
<table>
<thead>
<tr>
<th>Rank</th>
<th>House Prices</th>
<th>Affordability</th>
<th>Rents</th>
<th>Overcrowded Households</th>
<th>Households in Priority Need</th>
<th>Land Prices</th>
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<td>2</td>
<td>Cheshire East UA</td>
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<td>5</td>
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<td>6</td>
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<tr>
<td>12</td>
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<td>West Lancashire</td>
<td>Wirral</td>
<td>Wirral</td>
<td>Wirral</td>
</tr>
</tbody>
</table>

Source: NLP Analysis
The comparative assessment of market signals indicates the scale of housing market stress in Knowsley compared with similar local authority areas. Across the 10 comparator areas, Knowsley is performing better than the national average on all of them. Nevertheless, Knowsley has seen an increase in the affordability ratio albeit not at the same rate as experienced in the comparator authorities.

Summary of Market Signals in Knowsley

It would appear from the comparator table that the Knowsley housing market is experiencing moderately tightening demand (albeit from a low base) and suggest that there needs to be some improvement in housing provision within Knowsley, primarily in light of the consistent under-provision against the RS target since 2003/04.

In summary, the total under-delivery of dwellings for Knowsley Council when set against the RS target requirement of 450 dpa over the period 2003/04 - 2011/12 (the base date of the PopGroup modelling period) was 1,799 dwellings. Spread across a 15-year plan period (2013 to 2028), this would equate to an additional 120 dpa to address this past under-provision for Knowsley.

The extent to which the demographic ‘starting point’ for identifying OAN for housing needs to be boosted to address market signals is necessarily an area of judgement. However, the Practice Guidance is clear that the more significant the affordability constraints and the stronger other indicators of high demand, the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be. Hence it is considered that some modest upward adjustment over and above demographic-led projections at this time is necessary relative to adjoining areas.

The Practice Guidance states that the housing need number suggested by household projections (the ‘starting point’) should be adjusted if necessary to reflect appropriate market signals. High private rental levels, over-crowding and affordability ratios, and in particular, very high levels of housing backlog (and the fact that some of these indicators have worsened in recent years), suggests that there is market undersupply relative to demand which would require an upward adjustment to the household projections.

It is suggested that this modest uplift could be in the region of 10% on top of the demographic baseline.
Conclusions

7.0

This HEaDROOM Update Report has been drafted in the light of the recently published 2012-based SNHP to test the extent to which the 450 dpa target in the PKLPCS remains robust and represents the most appropriate strategy when considered against reasonable alternatives.

7.1

The Practice Guidance states that the housing need number suggested by household projections (the ‘starting point’) should be adjusted if necessary to reflect appropriate market signals. High private rental levels, over-crowding and affordability ratios, and in particular, very high levels of housing backlog (and the fact that some of these indicators have worsened in recent years), suggests that there is market undersupply relative to demand which would require an upward adjustment to the household projections.

7.2

A key consideration for the modelling work is the extent to which the demographic starting point should be adjusted upwards to reflect appropriate market signals, as well as other indicators of the (im)balance between the demand for and supply of dwellings. NLP’s analysis indicates that a number of indicators, notably past under-delivery of housing, are exhibiting high and worsening trends which would suggest a need to make an upward adjustment to planned housing numbers compared to ones based solely on household/population projections.

7.3

NLP recognises that the definition of FOAN is ‘not an exact science’ and an element of judgement is necessary, based upon reasonable assumptions. The scenarios also need to be balanced alongside what is realistic and is likely to happen in the future, and align with other elements of the Council’s evidence base.

7.4

Nevertheless, in defining the FOAN, it is considered that the following guiding principles should be applied, based on national guidance and KBC’s own aspirations and other background evidence:

1 Household projections published by CLG provide the initial ‘starting point’ estimate of overall housing need (Practice Guidance). The latest 2012-based SNHP, seen in isolation and with an added allowance to address vacancy rates/second homes, would equate to 268 dpa across the Borough. However, whilst important to inform the baseline, such a scenario in isolation makes no allowance for the Council’s economic growth aspirations or national policy requirements to ‘boost significantly’ the supply of housing;

2 Justification for adjusting the demographic projections: It is considered that there is some justification for adjusting the household projections for two key reasons: to reflect higher rates of household formation than; and to reflect suppressed migration and population change in recent years. In the first instance, it is recognised that the 2012-based SNPP indicates lower population growth than the previous
iterations. However, this is partially compensated for by the second point which relates to headship rates. NLP’s modelling suggests that by applying slightly higher rates of household formation to the younger age cohorts as ‘pent up’ demand within the younger population is released over time, a slightly higher dwelling requirement of up to \textbf{279 dpa} could potentially be justified. However, this figure merely represents an appropriate ‘starting point’ upon which to apply other market considerations needed to ‘boost significantly’ the supply of housing in the FOAN;

3 \textbf{Upwards adjustment in response to market signals:} Although most of the market signals relating to Knowsley are not worsening, the Borough has consistently under-delivered housing. This would justify an uplift to the figures over and above the level suggested by the demographic projections. The Practice Guidance states (paragraph 2a-020) that this should be set at a level which could be reasonably expected to improve affordability.

The Practice Guidance states that a worsening trend in any of the key indicators will require upward adjustment to planned housing numbers. It has been demonstrated that the Borough has under-delivered housing on the basis of past requirements, in the order of 1,799 dwellings between 2003/04 and 2011/12 (the start date for the PopGroup modelling). It is likely that this past under-delivery has resulted in fewer residents being able to have their own home in the Borough than would have been desirable;

\textbf{Extent of the Uplift Required:} As stated in the Practice Guidance plan makers should not attempt to estimate the precise impact of an increase in housing supply. Rather they should increase planned supply by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability. It is NLP’s judgement that, balancing the various key market indicators, an uplift in the region of \textbf{around 10\%} would be appropriate. Such an uplift aligns with recent Inspector’s interpretations of what might constitute a ‘modest’ uplift to a demographic starting point (see for example the Uttlesford\textsuperscript{14} and Eastleigh\textsuperscript{15} Local Plan Inspector’s reports) and when applied to the adjusted demographic starting point figure of 279 dpa, would increase the OAN to \textbf{307 dpa};

4 There is also a need to deliver a realistic level of housing that provides for the \textbf{economic needs} of Knowsley Borough. A dwelling requirement figure of below 322 dpa would actually result in the economy declining, as this is the minimum housing level required to maintain the current level of jobs in the Borough. To continue the past rate of job growth in the Borough over the past ten years would require a level of housing of 604 dpa to be delivered, whilst this would increase to 749 dpa if the significantly higher job forecasts provided by Experian (455 jobs per

\textsuperscript{14}Examination of the Uttlesford Local Plan: Summarised conclusions of the Inspector after the Hearing Session on 03/12/14
\textsuperscript{15}Examination of the Eastleigh Local Plan: Preliminary conclusions on Housing Needs and Supply and Economic Growth (Post Hearing Note 2) 28/11/14
annum) is to be achieved). Hence a housing OAN determined by economic considerations would range from **322 dpa to as high as 749 dpa**. This would fulfil the economic potential of Knowsley and comply with paragraph 19 of the Framework, which seeks to ensure the planning system does everything it can to support sustainable economic growth and the economic aspirations underpinning the publication Draft Local Plan.

5 An economically-driven objectively assessed housing need (as above) is critical in supporting the future growth of Knowsley and to counter the significant ageing of the population, which if allowed to drive the housing requirement would result in significant implications for the future of the Borough due to continued out-migration of the working age population.

**Figure 7.1 Summary of Modelling Outputs 2012 to 2028 in Knowsley**

Source: NLP Analysis

7.6 KBC’s most up-to-date SHMA (2010) identifies an affordable housing need of 568 dpa and a need for 741 market dwellings per annum. This is significantly higher than the most recent 2012-based SNHP and all of the modelling scenarios set out above.

7.7 However, the 2010 SHMA recognises that the acute level of affordable housing need identified is a guide and that these intentions may not be able to be realised. Whilst it is important to recognise the very high level of affordable housing need identified in the SHMA, NLP considers that any housing requirements figure must be reasonable and justifiable. It is questionable whether a housing requirements figure of 1,309 (combined total of affordable and market housing need) would be deliverable or achievable in Knowsley.
In terms of how this aligns with KBC’s approach to identifying the housing OAN (as set out in Section 9.9 of the Council’s “Planning for Housing Growth – Technical Report” 2013), the Council uplifted the 241 hpa based on the 2011-based SNHP to “account for the outstanding need accrued over recent years”. The Council clarified in its Technical Report that a further allowance had been made on top of this provision for backlog to provide additional flexibility to rebalance the housing market by providing an enhanced range and ‘offer’ of market sector family housing, affordable housing and housing which is suitable for an ageing population. The resultant figure of 450 dpa did, in their view, stabilise the local population and delivered a suitable level of affordable housing in response to needs.

Applying a similar approach to the revised modelling data and 2012-based SNHP set out above would see the Council’s former demographic starting point of 241 hpa uplifted to 279 dpa, before any consideration of economic needs, affordability, or other market signals.

Based on this approach, a figure of 450 dpa therefore represents the absolute minimum that should be taken forward in the Local Plan. Furthermore, this could be seen as being below the level of housing delivery necessary to align with economic requirements.

By providing only 450 dpa, this would result in a very modest level of job growth that does not align fully with the Council’s economic aspirations or their provision of 183.5ha of employment land in the PKLPCs [Policy CS4]. No economic modelling was undertaken by the Council to align with the housing and demographic analysis.

A figure of around 600 dpa would better dovetail with the economic growth aspirations of the Council and the requirement of the Framework to meet objectively assessed needs by aligning with past levels of job growth achieved over the last decade. A higher figure of up to 750 dpa could even be justified if the Council were to actively pursue higher levels of job growth on the basis of independent, ‘policy-off’, Experian econometric projections.
## Appendix 1 PopGroup Modelling Methodology

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Population</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Baseline Population</td>
<td>A 2012 baseline population is taken from the 2012 SNPP split by single year of age and gender</td>
<td>A 2012 baseline population is taken from the 2012-based Mid-Year Population Estimates data. This 2012 population is split by single year of age and gender.</td>
<td></td>
</tr>
<tr>
<td>Births</td>
<td>The number of projected births in Knowsley from the ONS 2012-based SNPP for 2012 to 2030 is used.</td>
<td>Fertility Rates are applied to the population forecast using projected Fertility Rates and differentials for Knowsley from the ONS 2012-based SNPP.</td>
<td></td>
</tr>
<tr>
<td>Deaths</td>
<td>The number of projected deaths in Knowsley from the ONS 2012-based SNPP for 2012 to 2030 is used.</td>
<td>A mortality rate is applied to the population forecast using projected Mortality Rates and differentials for Knowsley from the ONS 2012-based SNPP.</td>
<td></td>
</tr>
<tr>
<td>Internal Migration</td>
<td>Gross domestic in and out migration flows are adopted based on forecast migration in Knowsley from the ONS 2012-based SNPP for 2012 to 2030.</td>
<td>Gross domestic in and out migration flows are adopted based on average gross past trends from the ONS Revised MYE Series between 2002/2007 and 2012.</td>
<td>Internal in-migration and out-migration is flexed (inflated or deflated) to achieve the necessary number of economically active people to underpin the economy across Knowsley Council area in the employment scenario.</td>
</tr>
<tr>
<td>International Migration</td>
<td>As above but for international flows.</td>
<td>As above but for international flows.</td>
<td>As above but for international flows</td>
</tr>
<tr>
<td>Propensity to Migrate</td>
<td>Age Specific Migration Rates (ASMigR) for both in and out domestic migration are based upon the age profile of migrants to and from Knowsley in the 2012-based SNPP. These identify a migration rate for each age cohort within the local authority (for both in and out flows separately) which is applied to each individual age providing an Age Specific Migration Rate. This then drives the demographic profile of those people moving into and out of the District (but not the total numbers of migrants).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing</td>
<td>Headship rates that are specific to Knowsley and projected over the period to 2030 are taken from the government data which was used to underpin the 2012-based CLG SNHPs and applied to the demographic forecasts for each year as output by the POPGROUP model as a basis. These headship rates are split by age cohort and by household typology. These are the most up-to-date headship rates available at the time of writing. Within Scenario Ai Baseline Sensitivity, an increased rate of household formation is tested which assume that over time, ‘pent up’ demand within the younger population (15-34 age groups) is released and results in higher household formation which, over the long term, represents a return to longer term trends. The Baseline Sensitivity assumes that these changes will begin to occur after a 5 year period (i.e. starting in 2017) to allow for the economy to return to pre-recession trends.</td>
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</tbody>
</table>
### Population Not in Households

The number of population not in households (e.g. those in institutional care) is similarly taken from the assumptions used to underpin the 2012-based CLG household forecasts. This is set as a % of population for elderly cohorts within the CLG projections. No change is assumed in the rate of this from the CLG identified rate.

### Vacancy / 2nd Home Rate

A vacancy and second homes rate is applied to the number of households, representing the natural vacancies/not permanently occupied homes which occur within the housing market and mean that more dwellings than households are required to meet needs. The vacancy and second home rate in Knowsley averages 4.7% (2011, 2012 and 2013) this is estimated using Council Tax Base (CTB) Data.

### Economic

- **Age and gender-specific Economic Activity Rates** are used. The basis for this is the ONS 2006-based Labour Force Projections. The annual growth rates for these projections are re-based to the 2011 Census, and also take into account the 2012 Annual Population Survey. These are assumed to remain constant beyond the end year of the 2006-based labour force projections; however, they have been adjusted to take account of changing pension ages (beyond that already taken into account in the projections, i.e. to account for pension age increases for both men and women above age 65).

- **Commuting Rate**
  
  A standard net commuting rate is inferred through the modelling using a Labour Force ratio which is worked out using the formula: (A) Number of employed workers living in area ÷ (B) Number of workers who work in the area (number of jobs). In Knowsley the Census 2011 identifies a LF ratio of 1.09 for 2011. This has not been flexed over the forecasting period.

- **Unemployment**
  
  The unemployment rate uses an ILO base definition using data from the ONS Annual Population Survey estimate of economically active people not in employment. In order to calculate unemployment rates, the figures for 2012 (12.7%), 2013 (10.3%) and 2014 (9.7%) (as taken from the Annual Population Survey) were used. The 2014 figure then gradually declines over a five year time period on a linear basis to the longer term average (2004-2011) of 7.3%. This figure is then held constant to the end of the forecasting period on the grounds that it better reflects the long term trend than the current unemployment rate.
Knowsley Local Plan Core Strategy Examination: Statement in Respect of Matter 3

Applications & Appeals
Climate Change & Sustainability
Community Engagement
Daylight & Sunlight
Economics & Regeneration
Environmental Assessment
Expert Evidence
GIS & Spatial Analytics
Graphic Design
Heritage
Property Economics
Site Finding & Land Assembly
Strategy & Appraisal
Urban Design

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0117 403 1980

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