



THE HOME BUILDERS FEDERATION

Date: 14th December 2015

Consultee ID: 707

Matter: 3a

SEFTON LOCAL PLAN EXAMINATION

Matter 3 – Housing Need and Provision

1. The HBF would like to submit the following further comments in respect of Matter 3, Issue 3a. This should be read in conjunction with our matter 3b statement.

Issue 3a: Whether the evidence base (including the Strategic Housing Market Assessment and latest population and household projections) provides a sufficiently clear and thorough understanding of the full objectively assessed housing needs of the Plan area.

3.1 What is the baseline estimate of housing need derived from demographic projections? Is the analysis of the components of population and household change (particularly migration trends) in the Council's July 2015 Update report (document HO.1) sound?

2. The HBF is generally supportive of the methodology employed by the Council's consultants, NLP, and its HEaDROOM model which has been successfully used at numerous local plan examinations. The latest reports published July 2015 (ref: HO1) and November 2015 (ref: HO21) correctly identify that the 2012 sub-national household projections (2012 SNHP) should be used as the starting point for identifying the full objectively assessed housing needs (OAN) of the area. The 2012 based sub national household projections (2012 SNHP) identify an average requirement of 576 dwellings per annum (dpa) over the plan period (2012 to 2030). It should, however, be noted that this is not a uniform requirement as greater needs are anticipated within the 2012 SNHP early in the plan period.
3. Once allowances are made to convert the household requirement into a dwelling requirement (by taking account of vacant and second homes), a partial return to higher rates of household formation and market signals a demographic need for 690dpa is identified. The HBF largely agrees with the methodology, although we do make specific comments against later questions.
4. The main driver behind the demographic growth is undoubtedly migration, and in particular internal migration. The July 2015 report clearly identifies that this is due to the inter-relationship between Sefton and Liverpool, with many older migrants moving from Liverpool to Sefton. The higher rates of migration compared to past trends is essentially due to a higher overall population in Liverpool than anticipated, leading to a larger 'pool' of potential migrants (paragraph 3.28, HO1). The HBF concur with the study that;

'It is reasonable to assume that, in line with the ONS projections, higher projected population growth in areas such as Liverpool will ultimately impact upon Sefton as migration trends filter across the region, particularly given

Sefton's position within the wider HMA as a destination for older migrants, and the pronounced ageing within the local population'. (HO1, paragraph 3.29)

5. The HBF would also point towards the fact that earlier population and household projections may have been subdued in Sefton due to the effect of the housing moratorium imposed upon the area. Prior to the adoption of the Regional Spatial Strategy for the North West (NWRSS) Sefton was subject to restrictive planning policies to restrain growth. These restrictions were not lifted until 2008 in response to the NWRSS. These policies are likely to have impacted upon migration trends into Sefton, it is therefore plausible that had such policies not been in place, a higher overall rate of migration into Sefton may have occurred. The HBF consider the impact of these trends are evident in scenarios B and C of the July 2015 report (HO1).

3.2 Are there specific sub-regional factors which led to the greater than expected migration into Sefton in the 2000s, and are these likely to continue over the plan period? Is there agreement among sub-regional authorities over future migration patterns and the implications for household growth in the LCR authorities?

6. The HBF refers to our comments against question 3.1 above.
7. In reference to agreement between sub-regional authorities there remains an absence of a genuinely co-ordinated strategic approach. It is, however, noted that the Liverpool City Region (LCR) Combined Authority were in the process of commissioning further work to understand issues such as migration and their implications for household growth. Progress upon this work is paramount to the success of the LCR and the HBF would like to see further commitment to such work. However, at present, there is no justification to diverge away from the most up to date household projections for the determination of the housing needs of the area.

3.3 Does the 2014 Strategic Housing Market Assessment (SHMA) provide a robust assessment of the need for affordable housing over the Plan period?

8. The HBF has no further comments at this stage.

3.4 Is it appropriate to assume an unchanged proportion of vacant dwellings when adjusting the baseline demographic projection of household need for vacancies? Is it appropriate to adjust the baseline projection to take into account historic trends in household formation, and if so, is the scale of the adjustment sound?

9. These issues are considered in turn below.

Vacant dwellings

10. The study identifies the Council's target for reducing vacant dwellings would identify a requirement 32dpa less than the demographic baseline. The HBF agree with the study (HO1, paragraph 7.21) that this would be a policy intervention and as such would require evidence to justify. This is consistent with the PPG which states;

'...Any approach to bringing empty homes back into use and counting these against housing need would have to be robustly evidenced by the local planning authority at the independent examination of the draft Local Plan, for example to test the deliverability of the strategy and to avoid double counting (local planning authorities would need to demonstrate that empty homes had not been counted within their existing stock of dwellings when calculating their overall need for additional dwellings in their local plans)' (paragraph 3-039).

11. The HBF is, at the time of writing, unaware of any such evidence. It is also notable that the Inspector of the South Worcestershire Plan within the interim conclusions (28th October 2013) noted that a supply side reliance upon properties being brought back into use was unsound due to a lack of evidence.

Household formation

12. The PPG (paragraph 2a-015) identifies that whilst the 2012 SNHP should be identified as the starting point these may require adjustment due to local demographic factors, including the suppression of household formation rates. The household formation rates within the 2012 SNHP are higher (particularly in younger age groups) than the 2011-based (Interim) SNHP, but remain lower than the 2008-based SNHP. The household formation rates within the 2011 (interim) SNHP were undoubtedly influenced by the economic recession and as such led to much lower rates of household formation than previously experienced. During this time a 'pent-up' demand for housing amongst the younger age groups has occurred, due to issues associated with mortgage availability. Since 2012 the mortgage market has started to 'open-up' providing greater opportunities to release this 'pent-up' demand. The Government has also responded to this issue by introducing market stimuli including Help to Buy and the forthcoming Starter Homes. The latter is specifically aimed at the younger end of the housing market and first time buyers. The HBF consider that this release of pent-up demand due to improving economic conditions combined with Government stimuli will provide higher rates of household formation, more akin to those experienced in 2008. The HBF is supportive of the study in attempting to address the impact upon the younger age groups. However, in an area such as Sefton the impact is likely to be moderate.

3.5 Is the adjustment made in response to market signals (including trends in house prices, rents, affordability, overcrowding and rate of development) sound and based on appropriate time periods? Overall, is the demographically-driven figure of 690 dwellings per annum in the July 2015 Update justified?

13. Market signals are a fundamental element of determining the OAN (PPG 2a-019) and a worsening trend in **any** of market signals will require upward adjustment to planned housing numbers (PPG 2a-020). The HBF agrees with the analysis within the 2015 OAHN report (ref: HO1) that some of the signals appear low. However issues are apparent in relation to concealed households, over-crowding, rate of development and affordability.

14. In terms of the rate of development the Council has failed to meet its housing requirement, set by the now revoked NWRSS, in all but one year since 2003/4. This has led to under-delivery of 1,245 dwellings at 2013/14, in such cases the PPG advises;

'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.' (ID 2a-019)

15. The July 2015 OAN report (HO1) notes that affordability has been almost identical to the national rate for many years despite having much lower house prices. The affordability issues are further highlighted by the 2014 SHMA (ref: HO5) which identifies a need for 434 affordable dwellings per annum, or 7,815 over the plan period (figure 7.9). In such cases the PPG advises that;

'An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.' (ID 2a-029)

16. In conformity with the July 2015 OAN report the HBF therefore considers that there is a strong case for an uplift above the demographic starting point to take account of market signals. The July 2015 OAN report considers that the market signals are of a moderate nature and as such recommends an uplift of approximately 10%. Paragraphs 7.25 to 7.28 of the report provide examples of other examinations, principally Eastleigh and Uttlesford. Whilst these Inspector's reports are noted the HBF consider the merits of each set of market signals needs to be considered in the context of the plan and the severity of the signal. It is also worth noting that Eastleigh was part of a much wider Housing Market Area and as has a different context to Sefton. The HBF considers that a more pronounced uplift could be justified within Sefton, of up to 20%, given the levels of previous under-delivery and significant affordability issues.

3.6 What is the relationship between economic growth and household growth? How robust are the employment-led scenarios of dwelling need, particularly in light of some significant changes between recent projections (December 2014 (HO.2) and July 2015 (HO.1))? Should a direct relationship between changes in the number of jobs and dwelling need be assumed?

17. The PPG states that;

'Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area.....' and '...Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems'. (Paragraph 2a-018)

18. It is therefore clear that housing and employment strategies should align. The folly of not doing this is clearly discussed within the interim conclusions of the Inspector of the Cheshire East plan (dated 12th November 2014).

19. The large increase in the OAN range is significantly affected by the age structure of Sefton. This is explained in detail within the November 2015 study (HO21). Given this age structure within Sefton it is considered entirely reasonable that scenarios seeking economic growth will require a higher housing requirement. In terms of Sefton a figure of 710dpa is required simply to stabilise the economy. To reflect the NPPF requirement for positive planning and economic growth the 710dpa should therefore be seen as a minimum.

3.7 Have the implications of changes in commuting patterns and economic activity/unemployment rates been assessed? The July 2015 Update refers to such changes as policy choices for the Council – is this appropriate?

20. The HBF agrees with the July 2015 Update study (ref HO1), in that changes in commuting patterns and economic activity/unemployment rates are essentially policy choices which would need to be justified by evidence that they could be achieved. Given that Sefton borders the major city of Liverpool with its high density of jobs and significant potential for job creation it is unlikely that a significant change to commuting patterns will occur over the plan period. Furthermore any amendments to the commuting ratio would also require joint working and agreement

with neighbouring authorities, particularly Liverpool. The HBF is unaware that the Council has such agreements with neighbouring authorities. This stance is supported by the July 2015 PAS guidance '*Objectively Assessed Need and Housing Targets: Technical advice note*', paragraphs 8.15 and 8.16 which state;

'... A number of housing assessments have been criticised by Inspectors for expecting very fast increases in economic activity rates. Such increases reduce the population growth, and hence number of homes, that is required to support a given number of new jobs. But unrealistic figures put the emerging plan at risk.'

'Another risky approach is to plan for recalling commuters, so the ratio of workplace jobs to resident workers – and hence to population and number of dwellings – is assumed to rise over the plan period. Like increasing activity rates, this assumption means that more jobs can be accommodated for a given number of dwellings, or a given number of jobs needs fewer dwellings. But the expected shift in commuting should be believable, and acceptable to the other local authorities affected by it. Strategies of recalling commuters should not be adopted unilaterally; they require cross-boundary agreement in line with the Duty to Cooperate.'

21. The November 2015 study (HO21) does sensitivity test economic activity rates. This testing lowers the OAN range by reducing the employment led scenarios. The sensitivity test seeks provide an improvement economic activity rates equivalent to pre-recession averages. This provides an OAN range of 710dpa to 1,180dpa. Whilst the HBF has not undertaken its own modelling work, this would appear reasonable providing that the reductions can be fully justified by evidence.

3.8 In determining the objectively assessed housing need, is there a robust case for attaching greater weight to a figure at the upper end of the 710-1,290dpa economically driven range, as suggested in the July 2015 Update report?

22. Yes, see our response to paragraph 3.7 above.

23. The HBF support an OAN which closely aligns with the economic potential of the area with housing growth. It is, however, clear that as part of the LCR, Sefton must consider the wider growth implications of the city region. Whilst the HBF does not support early plan reviews the current circumstances within Sefton are that without a plan in place now, delivery will continue to lag significantly behind need and hinder economic growth. This will only add to the current affordability issues across many parts of district. This combined with the need to understand growth across the LCR means that in this situation early review of the plan would appear the only pragmatic solution. For this to be justified there must be a clear commitment to;

- the work required at LCR level, to be undertaken in a timely manner;
- an immediate review of the plan; and
- no restriction upon sites being brought forward in the interim.

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