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Dear Mr Richards

## **Liverpool City Region Strategic Housing and Employment Land Market Assessment**

1. Thank you for consulting the Home Builders Federation (HBF) on the proposed Methodology for the Liverpool City Region Strategic Housing and Employment Land Market Assessment (SHELMA) and the associated paper on Housing Market Area (HMA) and Functional Economic Market Area (FEMA) geographies affecting the city region authorities.
2. The HBF is the principal representative body of the house building industry in England and Wales and our representations reflect the views of our membership of multinational PLCs, through regional developers to small, local builders. Our members account for over 80% of all new housing built in England and Wales in any one year including a large proportion of the new affordable housing stock.
3. The following provides a brief commentary upon the headline issues identified within the study. Due to the fact that only two weeks were provided for comment engagement with our members has been limited and as such we would appreciate further opportunities to comment and engage our members as this important piece of work progresses. A more detailed response will be provided upon the draft SHELMA once published.
4. The following comments are set out in conformity with the structure of the relevant document and identified sub-sections and paragraphs.

## **Liverpool City Region Strategic Housing & Employment Land Market Assessment – Method Statement**

### **General Comments**

5. The HBF is principally concerned with the identified methodology for the objectively assessed housing needs (OAN) of the area and as such our comments focus upon

these issues. It is, however, important that the housing needs identified for the area match the economic aspiration and potential of the Liverpool City Region.

6. In general the methodology proposed to determine the OAN of the city region appears appropriate and is considered to conform to the guidance set out within the National Planning Practice Guidance (PPG). The outputs from the assessment of OAN will, however, be heavily influenced by the assumptions used. The current method statement, whilst identifying where assumptions will be utilised, does not set out what the assumptions are likely to be. The HBF will therefore reserve judgement upon these elements of the OAN methodology until such a time that they are known.

### **Introduction**

7. The scope of the work is identified in paragraph 1.3 and identifies amongst other things that the study will;

*“Identify the objectively assessed need (OAN) for housing across the City Region as a whole **and set out an approach to distribute the City Region OAN for each of the local authorities over the next 25 years;**” (our emphasis)*

8. The method statement does not build upon this by indicating how the distribution will be decided or the level of geography to be utilised (i.e. local authority, settlement, etc.). It is recommended that further work and engagement be provided upon this very important issue in the near future.

### **Demographic-Led Projections**

9. The HBF agrees that the 2012 based Sub-National Household Projections (2012 SNHP) should be used as the starting point for determining the Liverpool City Region OAN. These should be supplemented by further national projections once available, including the recently released 2014 based Sub-National Population Projections (2014 SNPP).

10. Similarly we broadly agree that the three possible demographic scenarios identified at paragraph 2.13 of the method statement are appropriate. However the final scenario ‘10 Year Migration adjusted for UPC’ must be considered carefully. The utilisation of UPC, whilst accepted at some examinations, is fraught with uncertainty. It is notable that the ONS do not make future adjustments for UPC as they do not consider that it measures a bias in the trend data which will continue into the future. If UPC is considered the analysis must consider its potential causes and the implications for the scenario.

11. Paragraph 2.16 of the method statement identifies that consideration will be given to projected headship rates for younger age groups (those in their 20s and 30s) and the extent, or otherwise, to which household formation has been constrained by economic circumstances over the last decade; and how household formation for these groups is expected to change moving forwards. The HBF agrees with this and notes that nationally the Government is actively seeking to increase headship rates through interventions such as Help to Buy and Starter Homes, the latter of which is aimed directly at the under 40 age groups. Given the improving economic conditions and these Government stimuli, it would appear appropriate to ensure that headship rates for these age groups in particular are seen to improve over the period of the plan.
12. The HBF agrees and notes it is common practice in the derivation of an OAN to assess the relationship between households and household spaces; and to apply these ratios (which account for vacant and second homes) in projecting housing need. This should be applied to all scenarios, not just those based upon demographic-led projections.

### **Examining Economic Growth Potential**

13. Whilst stating that SuperPort, Mersey Gateway, Atlantic Gateway, improved rail connectivity as well documents such as the new LEP Single Growth Plan will be considered it is unclear whether the wider implications of the Northern Powerhouse will be captured. It is also worth noting that in January 2015 the Prime Minister and Chancellor set out within the *Long Term Economic Plan for the North West* their six-point long-term economic plan for the north-west. These included;

“to increase the long term growth rate of the north-west to at least the forecast growth rate of the whole UK, by building a northern powerhouse, which could generate an £18 billion real terms increase in the size of the north-west economy by 2030”.

“To raise the employment rate in the north-west to that of the UK average. That will ensure over 100,000 more people in employment in the north-west during the next Parliament by supporting the private sector...”

14. Given that the Liverpool City Region is a key economic area within the North West and the Northern Powerhouse, and is likely to be a key beneficiary of

Government investment it would appear appropriate that the city region play a significant role in delivering this growth.

### **Economic-led Projections for Housing Need**

15. The HBF is supportive of aligning economic and housing strategies and as such the work upon OAN must take account of economic growth. It is noted that paragraphs 2.38 and 2.39 refer to amending commuting ratios and economic participation rates. The assumptions used upon commuting and economic participation are often contentious issues which are susceptible to challenge at examination. It is therefore essential that any changes are conservative and based upon clear evidence. In terms of any amendments to existing commuting ratios this is likely to require agreement from neighbouring authorities outside of the Liverpool City Region. It is, however, acknowledged that the changes to the State Pension Age (SPA) are likely to have an impact upon economic participation rates.

### **Review of Affordable Housing Needs Evidence**

16. It is noted that this element of the housing need will not be updated but rather will draw upon existing studies within the city region. Whilst the HBF has not undertaken a full assessment of all available information it is likely that there will be significant differences in the quality of data available. The information for some local authorities within the city region is likely to be significantly out of date and as such will require updating. It is also apparent that the base date for affordable housing need and backlog will vary between authorities. The study will therefore need to address any disparities. Without a consistency of data it will be difficult for the study to draw any meaningful conclusions in relation to likely delivery as part of mixed tenure development schemes, as suggested in paragraph 2.41.

17. The HBF agrees with paragraph 2.42 that due to the uncertainties surrounding '*Starter Homes*' this element of the study cannot be finalised until relevant guidance is provided within the PPG.

### **Housing Market Signals**

18. The method statement does not identify the period over which house prices, rents, land values, affordability and housing delivery will be considered. It is recommended that this is a sufficiently long period to take account of both pre and post-recession trends. The PPG is clear that a worsening in any trend should require an appropriate uplift. Market signals should also be judged against relevant comparator areas.

## **Conclusions on OAN for Housing**

19. Paragraph 2.56 identifies that a single figure for objectively assessed needs will be identified for the whole city region. However, a range of figures incorporating different levels of economic growth may be more desirable. This will enable an informed discussion regarding the implications of growth and enable the city region authorities to plan for the level of growth to which they aspire. The consultant could identify their preferred scenario from the identified range.

## **Reporting and Engagement**

20. The HBF, and our members, would like to be involved in the stakeholder event and consulted upon the draft report noted in paragraphs 2.69 and 2.70. We would also welcome other opportunities for engagement to ensure that the study is founded upon a robust understanding of the local markets.

## **Defining the Housing Market Area & Functional Economic Market Area**

21. Whilst it is recognised that a significant quantum of data has been collected and analysed it is clear that it could be interpreted in a number of ways. For example the data could easily suggest that a number of authorities could legitimately be identified as separate HMAs. Indeed the recent Sefton SHMA identifies that the authority boundary represents the Housing Market Area (HMA). This argument was also pursued at the recent examination hearing sessions into the Sefton Local Plan. This study, however, identifies Sefton as part of a much wider HMA including Liverpool, Knowsley, West Lancashire and potentially Wirral.

22. The HMA and FEMA also have different footprints, with St. Helens and Halton within the FEMA but within the separate Mid-Mersey HMA. This is further confused because the Mid-Mersey HMA also includes Warrington who are not part of the Liverpool City Region or FEMA. This relationship will need careful consideration and will require significant work under the duty to co-operate.

23. The SHELMA Method Statement identifies that the HMA and FEMA work is something to build upon (paragraph 2.8). The HBF agree but consider that a significant amount of further work is required to provide clarity upon why the two HMAs identified in the study should be used in preference to the HMAs identified in other documents and the relationship between the HMAs, FEMA and neighbouring authorities.

24. The HBF has not, at this stage, formed any firm view upon the number or geographic scope of HMAs within the city region. We would, however, point out that our members have significant experience in these issues and as such recommend that the HBF and our members are engaged in this process.

**Further Consultations**

25. The HBF would like to be kept informed of all forthcoming consultations upon the city region plan and associated documents. Please use the contact details provided in this response for future correspondence.

Yours sincerely,

MJ Good

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