



**Nathaniel Lichfield
& Partners**

Planning. Design. Economics.

HEaDROOM Update Report

**Review of the Objectively Assessed
Need for Housing in Sefton**

Sefton Metropolitan Borough Council

16 December 2014

40873/JG/CRo/NMi

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Preface

Following the abolition of Regional Strategies in 2013, the Government's National Planning Policy Framework [the NPPF] has placed the onus on Local Planning Authorities [LPAs] to determine their own housing requirements in Local Plans. The LPA's Housing Requirement assessment forms part of the evidence base for the Local Plan. The Government requires that an LPA's evidence base must identify the full objectively assessed need for housing, which must meet the needs associated with population and household growth for all types of housing (including affordable) and cater for housing demand. The objectively assessed need cannot be constrained by supply considerations (i.e. Green Belt/environmental designations) at this stage. Furthermore, a planned level of housing to meet objectively assessed needs must drive and support wider opportunities for economic growth and take account of market signals, including affordability¹.

NLP was appointed by Sefton Borough Council to prepare its housing needs evidence base in March 2011. The analysis was subsequently updated in 2012 and 2014 to take into account newly released data, which is used to build up a picture of housing need. NLP uses a bespoke framework for assessing local housing need, which is termed 'HEaDROOM'. This framework sets out the scale of future housing needs based upon a range of housing, economic and demographic factors, trends and forecasts to help LPAs such as Sefton to make informed policy choices and identify their housing requirement through their Local Plan process.

At the heart of HEaDROOM is the demographic modelling tool 'PopGroup'. PopGroup is now owned by the Local Government Association and is a software model that uses a variety of inputs to project population, household and labour force change for areas and social groups.

The main inputs to PopGroup comprise the Sub-National Population Projections [SNPP] produced by the Office for National Statistics [ONS] and the equivalent Sub-National Household Projections [SNHP] produced by the Department for Communities and Local Government [CLG]. Both datasets are usually published every two years, with a lag of around 6 months between the SNPP and the SNHP. The SNPP provides estimates of the future population of the English regions and local authorities and are based on the latest mid-year population estimates as well as underlying demographic assumptions regarding births, deaths and migration based on local trends. NLP's 2014 Housing Need Update used the 2012-based SNPP, which were published on 29th May 2014 and supersede previous ONS projections.

Importantly:

"The trends for these projections take into account information from the 2011 Census. The primary purpose of the subnational projections is to provide an

¹CLG (March 2012): The National Planning Policy Framework, paragraph 17 bullet point no. 3

estimate of the future size and age structure of the population of local authorities in England. These are used as a common framework for informing local-level policy and planning in a number of different fields as they are produced in a consistent way.² [page 2].

The projections are trend-based, making assumptions about future births, deaths and migration levels based on trends in recent estimates, usually over a 5-year reference period. Hence for the 2012-based SNPP, much of the trend based data covers the period 2007/08-2011/12. They provide an indication of what the future population size and age and sex structure might be if recent trends continued. They are not forecasts and take no account of policy nor development aims that have not yet had an impact on observed trends³.

The other key demographic input to PopGroup relates to the SNHP which are derived by CLG from their household projections model, based on the equivalent SNPP dataset from ONS. As with the SNPP, the household projections are generally updated every other year following the publication of updated mid-year estimates of population but occasionally an interim set of projections are produced to meet user needs, for example after census results are published.

The most recent household projections (at the time of writing) are the 2011-based (interim) household projections, which are based on the 2011-based interim SNPP. The 2011-based household projections provide data up to 2021. The only long term household projections remain the previous 2008-based household projections, which provide information up to 2033.

PopGroup incorporates a cohort component methodology for its population projection model (essentially the interplay between births, deaths and migration to/from an area over time); a household formation rate model for its household projection model and an economic activity rate model for its labour-force projection model. The evidence used is primarily trend-based, although a wide range of different future scenarios can be modelled by changing assumptions and inputs to the model depending upon the future outcome desired (i.e. a target level of job growth, reduced housing vacancy rates and so on).

PopGroup is widely used by over 100 LPA and private sector bodies including Sheffield and Leeds, and has been endorsed by a number of Inspectors at Local Plan Examinations in Public [EiP] and at appeal, such as at Lichfield, Cannock Chase and South Worcestershire. Likewise, Inspectors have criticised authorities which have used methodologies that are not as well established or are seen as 'black box'.

For example, at the recent EiP into the Stroud District Local Plan⁴, the Inspector commented as follows:

“although Dr Woodhead uses CLG projections and other official ONS/Census

²ONS (May 2014): 2012-based SNPP for England, Statistical Bulletin

³ONS (29 May 2014): Methodology: 2012-based SNPP, page 1

⁴ Stroud District Council Examination of the Stroud District Local Plan: Inspector's Initial Conclusions on Stage 1 of the Examination, 2nd June 2014

*material and refers to recognised housing and employment forecasting models, his own methodology is not as transparent as it could be and the range of assumptions used are strongly disputed by other parties. He considers several population/household figures and projections, headship rates, economic and social factors, with a wide range of assumptions. However, he does not use established models such as "POPGROUP" or "HEaDROOM", which he feels might over-estimate housing and employment needs; but **such models provide a consistent approach, provided the assumptions are realistic and the implications are acknowledged.**" [NLP emphasis, §29]*

In the non-technical summary we provide an overview of how the recently released demographic data has informed the update to the previous HEaDROOM report(s) and 2014 Update.

1.0 **Non-Technical Summary**

Introduction

- 1.1 Nathaniel Lichfield & Partners [NLP] was appointed by Sefton Council to prepare a study analysing housing needs in the Borough in March 2011. Using NLP's 'HEaDROOM' Framework⁵, the study set out the scale of future housing needs based upon a range of housing, economic and demographic factors, trends and forecasts to help Sefton Council make informed policy choices and identify their housing requirement through their Local Plan process. The original study concluded that Sefton's housing need was around 480 dwellings per annum [dpa].
- 1.2 Following the release of the updated 2010 and 2011-based Sub-National Population Projections [SNPP] and selected 2011 Census population data in 2012, it was recognised that there was a need to refresh the previous HEaDROOM work to ensure that the housing requirements were as up-to-date and robust as possible. The subsequent 2012 Update concluded that increasing the figure to 575 dpa would be appropriate. However, it was accepted if the Council could demonstrate (through the use of policy) that it could bring empty homes back into use and thereby reduce vacancy rates significantly, then a lower figure of 510 dpa could potentially be justified.
- 1.3 Since that time, a significant amount of new data has been released by the Office for National Statistics [ONS], the Department for Communities and Local Government [CLG] and the 2011 Census. In addition, the Government's new Planning Practice Guidance and a series of definitive High Court judgements have helped to clarify the process to be taken in defining the full objectively assessed need for housing.
- 1.4 These factors mean that it is appropriate for the Housing Needs Study to be updated again in order to ensure that the evidence contained within it is fully up-to-date in order to inform continued work on the Sefton Local Plan.
- 1.5 In this respect, NLP's appointment was extended to update the relevant parts of the HEaDROOM Study and 2012 Update to provide evidence on the housing market within Sefton and assess how much housing is needed to support the current and future population of the Borough to 2030.
- 1.6 This Non-Technical Summary summarises the key outcomes of the report, with a specific step-by-step analysis of how the full objectively assessed need was derived. We begin with an overview of the recently released demographic data and how it differs from the previous projections that informed the earlier HEaDROOM report and 2012 Update.

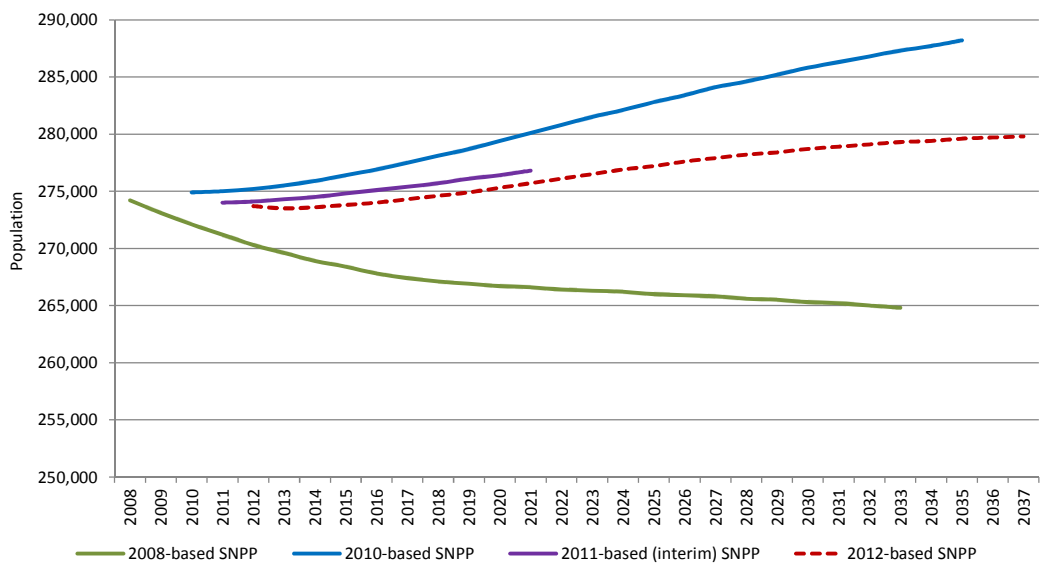
⁵ HEaDROOM is NLP's bespoke framework for identifying locally generated housing requirements based upon an analysis of the Housing, Economic and Demographic factors within an area

Implications of the New Demographic Data

Population Growth

- 1.7 The results of the 2011 Census revealed that the ONS over-estimated the level of population decline in Sefton between 2001 and 2011. Because the sub-national population projections [SNPPs] are based upon births, deaths and migration adjustments to each previous year, the further away from the Census year the projections are, the more they are prone to under/over-estimation. Greater weight can be placed on the recently published 2012-based SNPP because it contains the latest data from the 2011 Census.

Figure 1.1 Comparison ONS 2008/2010/2011/2012 based SNPPs for Sefton Borough



Source: NLP Analysis / ONS 2008/2010/2011/2012-based SNPPs

- 1.8 As can be seen from Figure 1.1, whilst the 2012-based projections continue to suggest a growth in population over the plan period, this is at a much slower rate than had previously been envisaged, primarily due to downward revisions in the number of migrants likely to move into Sefton from abroad.

Household Growth

- 1.9 Whilst population growth is a key component of change, ultimately it is household growth that drives dwelling requirements. Situations can arise whereby an area's population may decline over time but its housing need can increase, due to accelerating household formation rates (i.e. more people living alone, and/or forming smaller households). The latest 2011-based (interim) household projections project a growth of 399 households annually between 2011-2021, which is similar to the 393 per annum projected by the previous 2008-based dataset.
- 1.10 However, as the 2011-based (interim) household projections data ceases after 2021, a critical consideration for this study is long term household growth in Sefton. This is driven in large part by assumptions regarding household size

(or formation rates). Evidence suggests that Sefton Borough has sustained a pattern of decreasing household size since 2001, including during the recession. It is difficult to make a case that average household size would not continue to decrease (with household formation rates increasing) post 2021. The issue is, what rate of decrease is likely?

- 1.11 Research by Alan Holmans for the Town and Country Planning Association⁶ found that there was an abrupt break with longer term trends in household formation in England between 2001 and 2011 with almost 1 million fewer one-person households in 2011 than had been projected. His research concluded that just under half of this suppression was due to the economic downturn (and particularly the inability of younger would-be households to obtain a suitable mortgage), with the remainder attributed to the tendency of recent immigrants to form larger households.
- 1.12 Sefton Borough has historically had a relatively low number of immigrants moving into the area compared to national and regional rates. It is likely therefore that much of the slowdown in household formation was due to the economic downturn. Over a longer period to 2030, it is likely that household formation will begin to accelerate as the wider economy returns to growth and people's personal circumstances, and access to mortgage finance, continue to improve.
- 1.13 A key issue is that whilst the 2008 household projections provide household formation rates up to 2033 (25 years after the base date), the (interim) 2011 household projections only provide data for a ten-year period up to 2021. As Sefton's plan period is from 2012-2030, there is therefore a gap between 2021 and 2030 if the most recent household projections were used alone. NLP's approach was to model a range of different projections to model the speed at which pre-recessionary household formation rates would return, or begin to 'catch up' in the medium to long term.
- 1.14 To take an example, one of these scenarios involved a situation whereby household formation rates increase after 2021 to a point roughly halfway between the 2033 end point of the CLG 2011-based household projections (trended on a pro-rata basis after 2021) and the more optimistic pre-recession CLG 2008-based household projections. This was termed the 'partial catch up' scenario. A further scenario was modelled that saw an earlier recovery in household formation, starting at 2016 rather than 2021 (termed the 'accelerated partial catch up' scenario).

Defining the Housing Market Area

- 1.15 A Housing Market Area [HMA] is a geographic representation of people's choices and preferences on the location of their home, accounting for live and work patterns. The Practice Guidance defines an HMA as the geographic area at which around 70% of local moves are self-contained. On this basis, and using 2001 Census data on migration, 2011 Census data on commuting

⁶ Alan Holmans (2013): TCPA Tomorrow Series Paper 16: New Estimates of Housing Demand and Need in England 2011 to 2031.

patterns and data within the draft 2013 Strategic Housing Market Assessment, the Borough has a self-containment rate of above 70% and can be considered a single HMA for the purposes of this study. It is, however, recognised that there remain strong linkages between Southport to the north of the Borough and West Lancashire District to the east, as well as strong commuting linkages with Liverpool City generally.

Market Signals

- 1.16 The Practice Guidance indicates that once an assessment of need based upon household projections is established, this should be adjusted to reflect key market signals. A worsening trend in any of the key indicators requires some upward adjustment to planned housing numbers by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability.
- 1.17 Following an analysis of market signals it was considered that some upward adjustment could be necessary compared to adjoining areas, particularly due to the under-delivery of housing in recent years. However, the scale of adjustment to housing supply over and above demographic-led projections at this time would need to be moderate, in line with the Practice Guidance.
- 1.18 It was considered appropriate to apply an additional uplift above and beyond the demographic starting point by around 10% in order to plan positively for growth; to address worsening market signals; improve affordable housing issues; and address the consequences of past under-delivery. The extent of the uplift is approximate to the 53 dpa past under-delivery and also closely relates to the amount of concealed households (i.e. a household that neither owns nor rents the dwelling within which they reside and wishes to move and form a separate household) in the Borough.

The Future Housing Market

- 1.19 In order to identify what might be the future need for housing in Sefton, a number of different scenarios for levels of population, housing and economic growth have been tested to answer different questions:
- 1 Demographic Led (Scenarios A to D): *“How much development is required to meet projected levels of population change?”*
 - 2 Economic-led Scenarios (Scenarios E to I): *“How much development is required to ensure forecasts of future employment change are supported by the local labour supply?”*
 - 3 Housing Led Reality Checks (Scenario J-L): *“What would be the implications in social and economic terms, of delivering a set target of dwellings” (note – these do not directly inform the definition of the full objectively assessed need but remain useful comparators to the other scenarios).*

- 1.20 All the scenarios (save A and J) were modelled in PopGroup. The outcomes of each scenario in terms of population change, household change and economic change over the period 2012 to 2030 are presented in the Table overleaf.

Table 1.1 Summary of Updated Sefton Scenarios 2012-2030

	Natural Change	Net Migration	Population Change	Dwelling 2012-2030	Dwelling Change p.a.	Job Growth
A. CLG 2011 Household Projections		-		7,536	419	-
B. Baseline 2012 SNPP				9,033	502	
Ba. Baseline – Static				7,481	416	
Bb. Baseline – Trend				7,351	408	
Bc. Baseline – Partial Catch Up				9,866	548	
Bd. Baseline – Accelerated Partial Catch Up	-5,650	10,611	4,961	10,113	562	-6,052
Be. Baseline – Catch Up				12,370	687	
Bf. Baseline + 4.294% Vac (index)				8,560	476	
Bg. Baseline + Trend Ec. Activity Rate				9,033	502	+7,477
C. Natural Change	-3,732	0	-3,732	3,872	215	-8,072
D. Zero Net Migration	-888	0	-888	3,285	182	-5,446
E. Experian Job Growth	-1,411	35,380	33,969	20,194	1,122	6,114
F. LEP Baseline Job Growth	-4,033	17,551	13,518	12,343	686	-2,500
G. LEP 'Policy On' Job Growth	-2,338	24,328	21,990	15,717	873	+900
H. Job Stabilisation	-3,711	22,922	19,211	14,451	803	0
I. Past Trends Job Growth	-9,962	-17,083	-27,045	-3,403	-189	-19,440
J. Average Past Delivery*		-		8,797	463	-
K. Urban Containment*	-6,770	171	-6,599	4,530	252	-10,970
L. Draft Local Plan Preferred Option*	-4,428	13,727	9,300	10,700	594	-4,344

Source: CLG Household Projections / NLP Analysis of PopGroup Outputs / Sefton Council

*Note: These Supply-led scenarios have been included for comparative purposes only and do not comprise OAN

- 1.21 A number of key themes were evident for all of these scenarios and are central to future housing provision in Sefton:

- 1 An Ageing Population, with the number of over 85s in particular increasing at a very high rate;
- 2 The number of residents of working age is forecast to decline sharply over the Plan period;
- 3 Natural change is a negative demographic driver in the Borough, with deaths increasingly exceeding births over the Plan period; and
- 4 Although out-migration is likely to continue, overall net migration is positive over the plan period.

An Objective Assessment of Housing Need

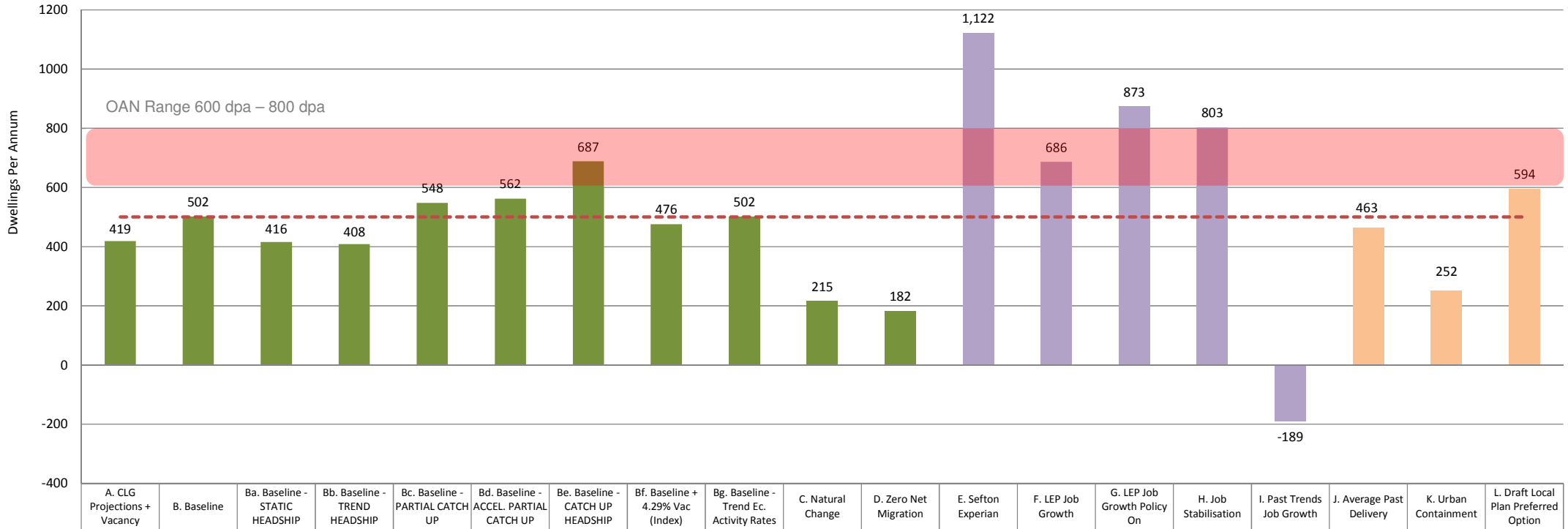
- 1.22 The outputs from the modelling show a range of outcomes, but also highlight a number of common trends, particularly the ageing population. This will have implications for planning for an elderly population, including elderly housing and constraints on the labour supply, with lower economic activity associated

with an older demographic profile. Migration is expected to be the driving force behind the population growth in the authority area.

1.23

It is important to note that it is implied within each of the higher (employment-led) scenarios where net in-migration is a core growth component, that the Borough will be meeting housing needs originating from outside of the HMA.

Figure 1.2 Sefton Updated Modelling Scenarios 2012-2030

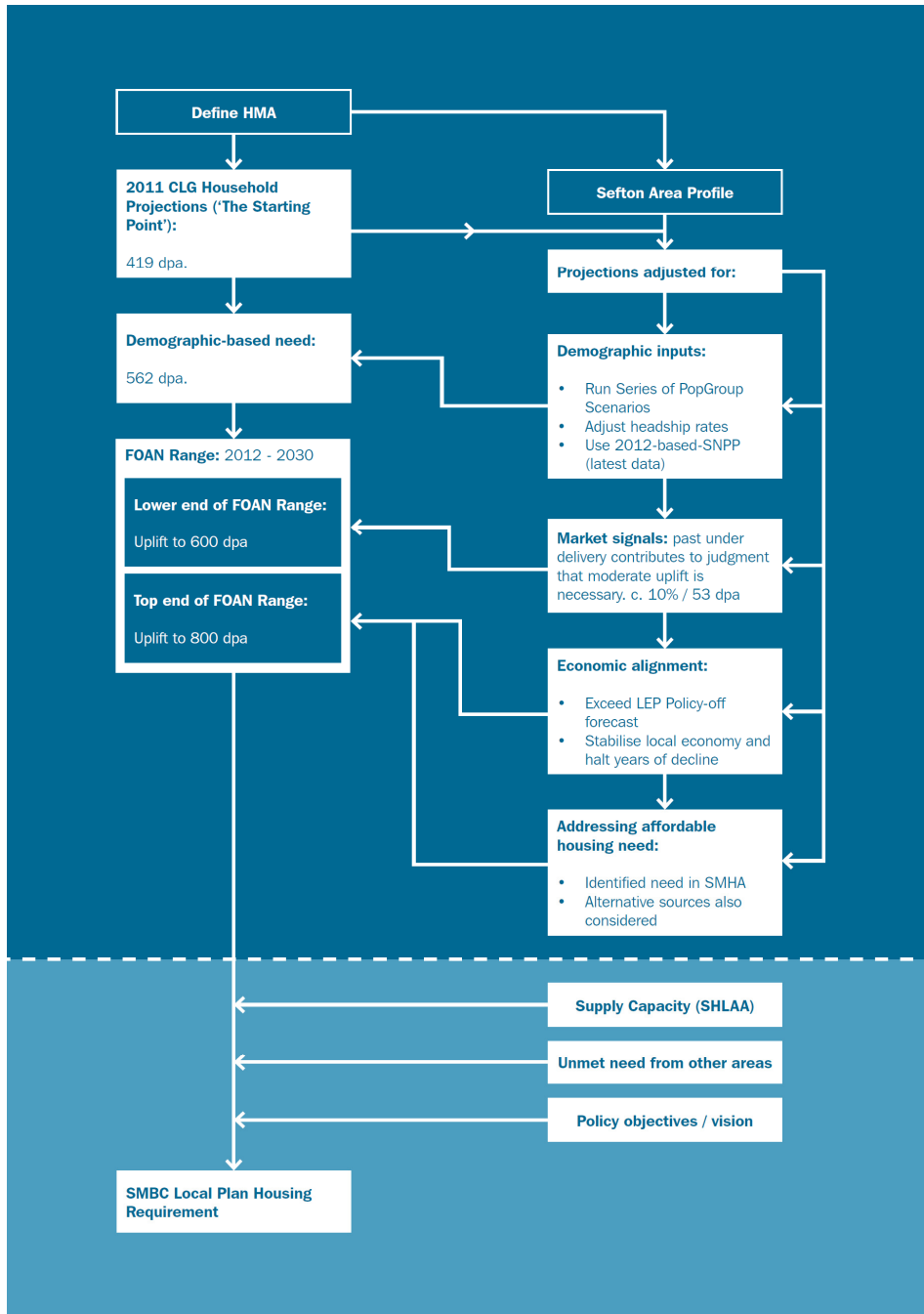


Source: NLP Analysis

1.24

In practice, applying the NPPF and the Practice Guidance to arrive at a robust and defensible housing requirement figure is a staged and logical process. NLP's overarching approach is summarised overleaf.

Figure 1.3 NPPF and PPG Approach to Objectively Assessing Housing Needs, adapted for Sefton



Source: NLP

1.25

The Government's Practice Guidance, aligned with a number of recent High Court decisions, has clearly set out that a stepped approach must be taken to deriving the housing OAN. We have applied this stepped approach through our HEaDROOM framework, which has the PopGroup demographic model at its core. NLP's work has used the most recent population and household projections, as well as available information on economic growth targets and market signals, such as house prices and affordability. Our work has concluded that Sefton's full, objectively assessed housing need would fall

within the broad range of **between 600 dpa and 800 dpa over the plan period 2012-2030.**

1.26

We have based this judgement on the following staged process (as summarised above):

- The Government's Planning Practice Guidance is clear that the 'starting point' for establishing the full objectively assessed need for housing is the CLG's latest household projections. In Sefton's case, the latest 2011-based projections would suggest a figure of 419 dpa (including an allowance for vacant units/second homes). However, such a scenario in isolation makes no allowance for the Council's economic growth needs or national policy requirements to 'boost significantly' the supply of housing.
- Before we begin to make allowances for economic growth and market signals, we must determine whether it is appropriate to adjust this demographic starting point of 419 dpa. NLP considers that an adjustment should be made for two key reasons: 1) to reflect higher rates of household formation than assumed within the 2011-based household projections, which is likely to be overly influenced by the recent recession and economic downturn; and 2) to reflect the latest population projections in the 2012-based SNPP.
- It is considered that Sefton's household formation rates are more likely to begin to catch up to the 2008-based household projections, which are based on data that is less likely to have been distorted by the economic downturn, and which better reflects long term trends. The 'accelerated partial catch up rate' (as illustrated in Scenario Bd) was chosen as a better proxy for household growth in this instance. This follows the 2011-based household projections to 2016, before beginning to 'catch up' to the level of household formation rates (i.e. people moving out and forming new households) that might have been achieved in Sefton had the recession not taken place (as exemplified by the 2008-based projections, which did not take into account the recession and subsequent economic downturn). **This scenario assumes that by 2033 household sizes in Sefton will be roughly midway between the levels indicated by the 2011 and 2008-based projections (i.e. 'partial') and reflects a situation whereby economic conditions continue to improve (i.e. 'accelerated').**
- Were this to happen, this would suggest that Sefton would need **562 dpa** (as illustrated in Scenario Bd). This addresses demographic needs arising from both natural change and migration.
- The next stage involves testing whether an upward adjustment is necessary to this figure in response to **worsening market signals** – essentially building more homes to dampen down rising house prices, rents, affordability ratios and other indicators of a housing market under stress.

- The Practice Guidance states that a worsening situation in any of 6 key housing market signals (which also includes past development rates) could justify an increase to the demographic starting point of 562 dpa. Whilst a number of market signals do not indicate signs of worsening and whilst there are very clear disparities across the Borough (most notably between the northern and central areas, such as Formby, and the southern urban areas, most notably Bootle), some of the key indicators - particularly past under-delivery of housing - suggest **an upward adjustment (or uplift) could be justified.**
- The extent of this uplift is essentially a subjective judgement, but should be set at a level which could reasonably be expected to improve affordability. It is NLP's judgement that, balancing the various key market indicators, an uplift in the region of **around 53 dpa** would be appropriate. This increase is **around 10%** and is also approximate to addressing the past under-delivery/concealed households over an 18-year plan period. Applied to the 562 dpa figure, this would equate to a housing need of **615 dpa**. Rounded down to the nearest hundred, 600 dpa broadly equates to the lower end of the range.
- At the top end of the range, there is a need to deliver a realistic level of housing that provides for the economic needs of the Borough. A figure of around **800 dpa** broadly equates to the job stabilisation scenario (as illustrated in Scenario H), and would be necessary to stop the local economy from declining. This may not appear to be particularly aspirational, but must be seen in the context of low (indeed negative) job forecasts from the Local Enterprise Partnership; years of declining jobs in the Borough and a strongly ageing population (and hence a much smaller available workforce).
- Providing 600 dpa at the lower end of the range would also provide for around half of the identified affordable housing need in the Strategic Housing Market Assessment (361 dpa) even setting aside alternative sources of provision. At the top end of the range, 800 dpa could provide around two thirds of the identified affordable housing need based on a typical rate of around 30% of total housing provision.

1.27 On the above basis it was considered that an objective assessment of housing need and demand for Sefton Borough falls within the broad range of 600 dpa to 800 dpa, equivalent to between 11,070 and 14,400 net additional dwellings over the 18-year plan period 2012 to 2030. Whilst it is for Sefton Council to form a view on a suitable housing requirement within this broad range for their emerging Local Plan, if asked to express a preference, NLP considers that a figure of around 615 dpa would be most appropriate and realistic, as this represents the output of the stepped approach to defining the full objectively assessed need for housing as outlined in the Practice Guidance.

1.28 In determining whether any selected Local Plan Housing Requirement should align with the upper end of the full objectively assessed need range, Council consideration will need to be given to Sefton's economic role within the sub-

region and whether there is a realistic prospect of this changing through the application of policy. This is particularly the case in the light of the significant growth projected in the economically inactive population, in particular those over the age of 85.

- 1.29 Whilst the lower end of the full objectively assessed need range would fully meet the Borough's demographic requirements and would boost supply in line with national policy requirements to address worsening market signals and past under-delivery, it would see the number of jobs able to be supported by the indigenous workforce declining.
- 1.30 The Council would need to consider whether a figure below 800 dpa would realistically enable them to boost economic growth, given that at best this level of housing would result in the number of jobs remaining broadly stable over time. Whilst acknowledging that Sefton Council is not pursuing a 'jobs-led' Plan, it is for the Council to consider how this full objectively assessed need translates into their housing requirement and the extent to which it aligns with their economic objectives and other key documents in their evidence base, notably their Employment Land Review. Sefton Council would also need to consider whether a housing target that provides between half and two thirds of the identified affordable housing need (excluding other sources of provision and the role of the Private Rented Sector) aligns with their policy aspirations. If not, a higher housing requirement could potentially be justified.
- 1.31 Post 2030, due to weakening household formation rates towards the end of the plan period, any long term housing need between 2030 and 2035 would be significantly lower, in the order of 497 dpa (452 dpa plus an allowance for uplift of around 10%). However, less weight can be attached to this figure due to concerns over the robustness of local area-based demographic data that looks so far ahead into the future.

Conclusion

- 1.32 A full objectively assessed need for housing range of between 600 dpa and 800 dpa has been identified for Sefton Borough over the period 2012 to 2030 on the basis of taking the latest household and population projections as the starting point for identifying full objectively assessed need; accelerating household formation rates to anticipate a return to growth over the longer term; and uplifting the requirement further as an appropriate supply-side response to allow for adverse / worsening market signals, affordable housing requirements and economic / employment needs.
- 1.33 In simple numeric terms, the housing need has evolved as follows:
- 419 dpa: demographic 'starting point', based on CLG's latest 2011-based household projections;
 - 562 dpa: Adjusted upwards to reflect latest population projections and higher rates of household formation;

- 600-800 dpa: full objectively assessed need for housing range - at the lower end, an upward adjustment of around 10% to address worsening housing market signals, the need to address past under delivery and go a significant way towards meeting affordable housing needs; at the top end of the range, 800 dpa stabilises the local economy, exceeds Local Enterprise Partnership 'Policy off' job growth targets and provides a higher level of affordable housing. This level of uplift is in line with recent Inspector's advice at Local Plan EiPs in Eastleigh⁷ and Uttlesford⁸.

1.34 It is considered that greater weight could be placed on a figure of around 615 dpa within this broad range because this comprises the result of the clear stepped approach to defining housing need as set out in the Practice Guidance and the NPPF. Such a figure would be realistic and would represent a significant 'boost' to past supply. However, the Council would need to consider the extent to which the delivery of 615 dpa would dovetail with their economic objectives and provide sufficient affordable housing to meet needs, and whether a higher level of housing delivery within the 600-800 dpa range would be more appropriate to address their policy aspirations.

1.35 This Study is just one part of the planning balance that must be weighed by the Council and a number of other factors will be relevant for Officers in defining Sefton's local housing requirement and which may require further consideration:

- 1 The wider policy objectives for the Borough, taking account of national policy and the implications of the statutory 'duty to cooperate' in terms of what is planned in neighbouring authorities;
- 2 The constraints to housing delivery and other development, including assessments of infrastructure capacity, the 2013 Consequences Study, land supply, environmental capacity, and development viability;
- 3 How future levels of housing delivery can align with Sefton Council's Employment Land Review, support relevant economic and employment strategy objectives to maintain and boost Sefton's economy, including for local businesses and providing local employment choices for residents;
- 4 The views of local residents and other stakeholders as identified through consultation exercises; and
- 5 The policy provisions of the NPPF which state, among other things, that "*local planning authorities should positively seek opportunities to meet the development needs of their area*" and "*Local Plans should meet objectively assessed needs... unless any adverse impact of doing so would significantly and demonstrably outweigh the benefits.*" [§14]

1.36 **It is stressed that it was always the Council's intention to review any housing requirement following the publication of the 2012-based SNPP**

⁷ Examination of the Eastleigh Borough Local Plan (28th November 2014): Inspector's Preliminary Conclusions on Housing Needs and Supply and Economic Growth

⁸ Examination of the Uttlesford Local Plan (ULP) Summarised conclusions of the Inspector after the hearing session on 3 December 2014

and it is understood that it will do so again once the 2012-based household projections are published in early 2015.

2.0 Introduction

- 2.1 This Objectively Assessed Housing Needs Study has been produced for Sefton Council to ensure that the Local Plan is based on adequate, up to date and relevant evidence in accordance with The National Planning Policy Framework [The NPPF].
- 2.2 The NPPF makes it clear that each Council should ensure that their assessment of, and strategies for, housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals such as land prices to inform judgments about levels of demand [§17].
- 2.3 Furthermore, the NPPF makes clear that the Government's key housing objective is to increase significantly the delivery of new homes. To enable this, the NPPF states that the planning system should aim to deliver a sufficient quantity, quality and range of housing consistent with the land use principles and other policies of the NPPF. Councils should use their evidence-base to ensure that their Local Plan meets the full requirements for market and affordable housing in the housing market area, including identifying key sites which are critical to the delivery of their housing strategy over the plan period [§ 47].
- 2.4 Sefton Council appointed Nathaniel Lichfield & Partners [NLP] to establish the Borough's objectively assessed need for housing, using their HEaDROOM framework. This was developed by NLP in response to the uncertainty that was brought about by the Secretary of State's July 2010 announcement that Regional Strategies were to be abolished. The NPPF now states that local authorities should '*use their evidence base to ensure their Local Plan meets the full, objectively assessed need for market and affordable housing...over the plan period*' [§47].

Background to the Study

- 2.5 In March 2011 NLP produced a study on behalf of Sefton Council analysing local housing requirements in the Borough. Using NLP's HEaDROOM Framework, the study set out the scale of future housing need based upon a range of housing, economic and demographic factors, trends and forecasts to help Sefton Council make informed policy choices and identify their housing requirement through their Local Plan process.
- 2.6 It is important to note that this work has been actively encouraged by Sefton Council in order for it to fulfil its obligations to plan positively and accommodate the full objectively assessed need for housing in the Borough.
- 2.7 At the heart of the HEaDROOM framework is the 'PopGroup' software, which was developed for, and is owned by, the Local Government Association and is widely utilised by over 100 public and private sector organisations. PopGroup's population forecasting model estimates future population change based on fertility, mortality and migration assumptions. Population projections

can be used to derive likely household and housing profiles and household projections are based upon an application of headship rates. These are standard approaches that are used by each of the UK statistical agencies.

- 2.8 Historical data, official forecasts and policy-led assumptions can be inputted into the PopGroup software to derive future population levels and dwelling requirements. Alternative scenarios may be benchmarked against the 'official' population and household statistics produced by the Office for National Statistics [ONS] and the Department for Communities and Local Government [CLG]. The robustness and transparency of PopGroup mean that it is ideally suited to the rigorous nature of public scrutiny that accompanies the production of local development plans. A detailed overview of the PopGroup model is presented in Appendix 4.
- 2.9 NLP is a market leader in this relatively new area of local evidence base work and its HEaDROOM framework leads the way. As well as previous work for Sefton Council, NLP has undertaken over 100 HEaDROOM analyses for both Councils and house-builder clients. Our approach has been identified as providing the basis for a comprehensive and reliable assessment of the issues relating to population and household change and our HEaDROOM model has been held up as an example of best practice at a number of Local Plan Examinations in Public [EiP]. Examples are provided in Appendix 1.
- 2.10 Following the release of the ONS 2010-based Sub-National Population Projections [SNPP] and selected 2011 Census population data, it was recognised that there was a need to undertake a refresh of the previous HEaDROOM work to ensure that the objectively assessed housing need identified for Sefton was as up-to-date and robust as possible to support the advanced stages of the Borough's Local Plan preparation process. In December 2012 NLP prepared a HEaDROOM Update Report which presented the findings of this new demographic analysis over the period 2011 to 2031.
- 2.11 The demographic data which underpinned NLP's modelling work in the 2012 Update Report has since been updated by ONS. In particular, new data has become available following the release of the 2012-based SNPP and the CLG's (interim) 2011-based household projections.
- 2.12 ONS Population projections provide an indication of the size and age/sex structure of the future population if specified assumptions about future fertility, mortality and migration were to be realised. They are not forecasts and do not attempt to predict the impact that future government policies, changing economic circumstances or other factors (whether in the UK or overseas) might have on demographic behaviour.
- 2.13 Household projections, produced by CLG, are trend-based and indicate the number of additional households that would form if recent demographic trends continue.
- 2.14 Sub-national projections are usually published every two years, with the projections released two years after the base date of the projections. Hence

the 2012-based SNPP was released by ONS on 29th May 2014, whilst the equivalent household projections are usually produced by CLG around 6-months afterwards (hence we might expect the 2012-based household projections to be released in late autumn 2014).

2.15 The National Planning Practice Guidance [The Practice Guidance] states that household projections published by CLG should provide the starting point estimate of overall housing need [§2a-015-20140306]. It goes on to state that Local Plans should be kept up-to-date. Whilst a meaningful change in the housing situation should be considered in this context, this does not mean that housing assessments are rendered outdated every time new projections are issued [§2a-016-20140306].

2.16 It should be noted that it was always the Council's intention to review any housing requirement following the publication of the 2012-based SNPP. It is understood that it will do so again once the 2012-based household projections are released.

2.17 NLP has therefore prepared this HEaDROOM Update Report for Sefton Council to remodel the scenarios to take account of this new data and other changes that have taken place since the previous full objectively assessed need was calculated. This report updates the work to take into account the recently published Practice Guidance, specifically the approach to analysing housing market signals and Housing Market Areas [HMAs]. This ensures that the evidence base upon which the Council's Local Plan is to be founded is as robust as possible moving forward to the Examination in Public [EiP].

2.18 The Report focuses on the following:

- 1 An analysis of the latest demographic and population releases for the Borough, notably the ONS 2012-based SNPP and the CLG's 2011-based (interim) Household Projections, and how these forecasts compare with the data underpinning the previous HEaDROOM report and subsequent updates;
- 2 A series of model runs to reflect the scenarios modelled in the 2012 HEaDROOM Update Report, including projections exploring the implications of a variety of economic job growth projections;
- 3 An exploration of the reasons behind any significant changes to the forecasts and the extent to which the previous forecasts underpinning the Local Plan housing requirement remains valid;
- 4 A breakdown by sub-area, as set out previously and reliant on similar data sources; and,
- 5 An update in the light of the Practice Guidance and specifically an appraisal of the Housing Market Signals relevant to Sefton and whether the housing need should be adjusted as a result.

3.0 Context

Sefton's Previous Housing Need

- 3.1 In March 2011 NLP published a HEaDROOM report which reviewed the Regional Strategy [RS] housing requirement for Sefton. Based on past trends and the baseline demographic, economic and housing context of Sefton Borough, as part of the study, NLP identified 11 scenarios which reflected potential future growth within the Borough. These were identified to reflect what had occurred previously, as well as what might occur in the future given a range of factors affecting population and household growth. Based on housing factors, the level of housing requirement identified varied from **427** dpa reflecting past delivery rates, to as high as **500** dpa based on the RS requirement.
- 3.2 Overall NLP concluded that taking into account the scenarios tested and the core constraints on development delivery as shown by current evidence, that an appropriate dwelling requirement for Sefton Borough should be around **480** dwellings per annum to 2027. This figure was below the RS figure of 500 dpa to reflect the reduced household growth forecasts produced by the CLG while applying locally relevant demographic, economic and household data and the challenges to housing delivery in the Borough in the medium to long term;
- 3.3 Following the release of the ONS 2010-based Sub-National Population Projections [SNPP] in March 2012, Interim 2011-based SNPP released in September 2012, and selected 2011 Census population data (released in July 2012), it was recognised that there was a need to undertake a refresh of the previous HEaDROOM work to ensure that the housing requirements were as up-to-date and robust as possible to support the advanced stages of the Borough's Local Plan preparation process.
- 3.4 There was a particular need to understand the implications of the 2010-based SNPP, which suggested that Sefton's population would increase by around 11,300 between 2011 and 2031, compared to a fall of 6,000 residents over the same time period using the 2008-based SNPP. As a result NLP produced an update report for Sefton in 2012.
- 3.5 This 2012 report presented the findings of NLP's updated demographic analysis regarding the level of housing that may be appropriate for Sefton Council to plan for over the plan period. It sought to replicate the contextual analysis undertaken previously, but focused specifically on revised modelling work, analysis and implications. This report also provided an updated sub-area split, using the latest available data regarding completions, commitments, affordable housing delivery and need.
- 3.6 Based on 8 scenarios, the 2012 update found that projected dwelling requirements ranged from 189 dpa (based on the stable population forecasts with an allowance for reducing the vacancy rate) to as high as 2,017 dpa (Local Plan Employment Land Based). It concluded that a forward dwelling

requirement of **575** per annum could be appropriate between 2011 and 2031⁹, although if the Council could demonstrate that through the use of policy it could reduce vacancy rates significantly (to 4%, which the Council considered could be achieved) by the end of the plan period as a result of re-occupation, then a lower figure of **510** dpa could potentially be justified.

Changes since the Original 2011 HEaDROOM and the 2012 Update

Policy/Guidance Changes

National Planning Policy Framework

- 3.7 In March 2012 the government published the National Planning Policy Framework [NPPF]. This publication was not an adopted document at the time of the March 2011 study but was considered as part of the December 2012 update.
- 3.8 The Government's policy approach to planning has been focused on applying the principles of 'localism' to give Local Planning Authorities [LPAs] greater autonomy in planning for housing, and in particular setting local housing requirements in their local plans. This presents a major opportunity for local authorities to shape the agenda for their localities, but with it comes new responsibilities.
- 3.9 Following the revocation of Regional Strategies [RS] and the consequent removal of the housing requirements and job targets therein, it now falls upon LPAs to establish local development requirements.
- 3.10 The NPPF states that LPAs should:
- "Use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework ..."* [§47]
- 3.11 The NPPF [§159] outlines the evidence required to underpin a local housing target, and concludes that LPAs should:
- "Prepare a Strategic Housing Market Assessment [SHMA] to assess their full housing needs, working with neighbouring authorities where HMAs [Housing Market Areas] cross administrative boundaries. The SHMA should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:*
- *Meets household and population projections, taking account of migration and demographic change;*
 - *Addresses the needs for all types of housing, including affordable housing and the needs of different groups in the community (such as,*

⁹ This timeframe was agreed with the Council due to the estimated end date of the Local Plan period, which has now been adjusted by SMBC to 2030

but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes); and

- *Cater for housing demand and the scale of housing supply necessary to meet this demand.”*

3.12 The starting point for plan-making is to use the evidence base to objectively assess the need for development within an area and then seek to meet that in full, where it is appropriate to do so. This is underlined in the NPPF which identifies in respect of plan-making that local plans should, *“meet objectively assessed needs ... unless any adverse impacts of doing so would significantly and demonstrably outweigh the benefits...”* [§14]

3.13 With the planning system expected to do ‘*everything it can*’ to support economic growth and strategic plans required to address any potential barriers to achieving this, Local Plans need to demonstrate how they are effectively and positively planning to support the economy in their local area, including delivering sufficient housing to ensure economic potential is realised.

3.14 Where there is evidence of objectively assessed development needs, but these needs are not achievable within the boundaries of a Local Authority, the NPPF sets out a requirement to plan positively across boundaries to meet the need elsewhere within the market area. This helps to ensure that any shortfall in provision in one authority area is still met in other local authority area. This is practically achieved through the statutory ‘duty to cooperate’.

The National Planning Practice Guidance [The Practice Guidance]

3.15 The Practice Guidance was published in March 2014 which followed the completion of the latest study update produced for Sefton in December 2012.

3.16 It states that the assessment of development needs should be objective, based on facts and unbiased evidence. Plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historic under performance, infrastructure or environmental constraints. However, these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans. [§2a-004-20140306]

3.17 The Practice Guidance advises that Housing Market Areas [HMAs] can be broadly defined by using three different sources of information as follows: house prices and rates of change in house prices; household migration and search patterns; and, contextual data (e.g. travel to work area boundaries, retail and school catchment areas). [§2a-011-20140306]

3.18 It defines a Housing Market Area as a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. It might be the case that housing market areas overlap. [§2a-010-20140306]

- 3.19 The Guidance states that household projections published by CLG should provide the starting point estimate of overall housing need. [§2a-015-20140306]
- 3.20 The Guidance advises that housing need, as suggested by household projections (the starting point), should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings. Relevant signals may include land prices, house prices, rents, affordability (the ratio between lower quartile house prices and the lower quartile income or earnings can be used to assess the relative affordability of housing), rate of development and overcrowding. [§2a-019-20140306]
- 3.21 In areas where an upward adjustment in planned housing numbers is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be. [§2a-020-20140306] Put simply the more severe the worsening affordability identified by the analysis of housing market signals the greater the increase in the housing requirement over and above the housing need figure identified by the household projections (the starting point).
- 3.22 The Guidance recognises that market signals are affected by a number of economic factors, and 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, and monitor the response of the market over the plan period. [§2a-020-20140306]

Data Releases

- 3.23 The original HEaDROOM report (March 2011) and the subsequent December 2012 update, featured demographic modelling incorporating data from the ONS's 2008-based SNPP and the 2010-based SNPP respectively. The 2011 document was reliant on headship rates contained within the CLG's 2006-based household projections for the Borough, whilst the later update was able to incorporate the CLG's 2008-based household projections into the modelling work.
- 3.24 Since that time the demographic data which underpinned NLP's modelling work for Sefton Council has been extensively updated by both ONS and CLG.
- 3.25 This new data includes the 2012-based SNPP, published by ONS on 29th May 2014¹⁰. It replaces the 2011-based (interim) SNPP equivalents (published in September 2013). The latest projections are based on the 2012 Mid-Year

¹⁰ONS (29 May 2014): 2012-based SNPP for England: Statistical Bulletin page 1

population estimates published in June 2013 (which are themselves rolled forward from the 2011 mid-year population estimates and ultimately the 2011 Census) and a set of underlying demographic assumptions regarding fertility, mortality and migration, based on local trends.

- 3.26 As with previous projections, the 2012-based SNPP are not forecasts and do not attempt to predict the impact that future government or local policies, changing economic circumstances or other factors might have on demographic behaviour¹¹. However, unlike the 2008-based and 2010-based SNPPs, the trends for the 2012-based projections are able to fully take into account information from the 2011 Census.
- 3.27 It should be noted that we have been advised by ONS that once a new SNPP is released, this has the effect of rendering previous SNPPs obsolete. As such, the 2012-based SNPP supersede, and replace, the 2011-based (interim) SNPP and the others before that.
- 3.28 The data is also considered to be more robust than its immediate predecessor, the 2011-based (interim) SNPP, as the latter assumed a continuation of the estimated trends in fertility, mortality and migration as used in the 2010-based SNPP. The trends from the 2010-based projections were used because a revised historic data series was not available to update the assumptions.
- 3.29 As described in the user guidance section of the ONS's 2011-based SNPP Statistical Bulletin (2012), this limited the robustness of the data as¹²:
- a The fertility rates used to set the assumptions are based on birth registrations and population estimates up to 2010. However, population estimates for women of childbearing age were too low over the decade to mid-2010, as the 2011 Census showed more women aged 16 to 44 than estimates rolled forward from the 2001 Census. This means the fertility rates used to set the 2010-based SNPP assumptions were too high, leading to an over-projection of births at the national level;
 - b There was a similar issue with the mortality rates, since the number of older people (who are most affected by mortality rates), was estimated to be lower in the 2011 mid-year estimates than in the estimates rolled forward from the 2001 Census. The impact was not as great for deaths as for births, but it also resulted in a projected increase in the population;
 - c Differences in the age structure at local authority level also resulted in changes to projected levels of internal migration. This is because migration rates based on historic trend data were applied to the new population base. Where the size and structure of the new population base in a local authority was very different from the 2010-based projections for 2011, particularly at ages most likely to migrate, the applied migration rate over or under-estimated the number of people moving from an area.

¹¹Ibid, page 2

¹² ONS (28 September 2012): Interim 2011-based SNPP for England, pages 2-3

3.30 Full use of the 2011 Census statistics makes demographic modelling more robust. In this regard, they can be considered to provide the best estimates of the future population of English regions and local authorities currently available.

Comparison of 2012-based SNPP with earlier projections

3.31 We would expect population projections to be different over time, but larger differences are likely to be due to the fact that the trends used in the 2012-based SNPP are based on a historical population series rebased following the 2011 Census while the trends used in the 2011-based SNPP are based on an older population series that does not reflect the findings of the 2011 Census. Other reasons include:

- changes in the population estimate used as the base year in the projections, between mid-2011 and mid-2012,
- changes in the trends (births, deaths and migration),
- changes in assumptions for international migration at a national level¹³,
- changes in the methodology used by ONS to compile the data¹⁴.

Implications of the 2011 Census

3.32 Table 3.2 sets out the 2011 Mid-Year population estimates for Sefton Borough, rolled forward from the 2011 Census. This indicates that the ONS considered that Sefton's resident population would decrease by 0.4%, or just under 10,000 residents, over the ten years following the 2001 Census. However, the results of the 2011 Census revealed that ONS's model over-estimated the level of population decline in Sefton, by 1,051. These figures underpinned the modelling of the 2008 and 2010-based SNPPs and will have had an important impact on fertility, mortality and migration rates underpinning the 2011-based SNPP. The Table indicates that the disparities were even more pronounced for some of Sefton's neighbours, most notably Liverpool and Wirral.

¹³ ONS Questions and Answers: 2012-based Subnational Population Projections page 5 29th May 2014

¹⁴ Methodology: 2012-based SNPP (ONS, 29 May 2014)

Table 3.1 Changes in population estimates - 2011

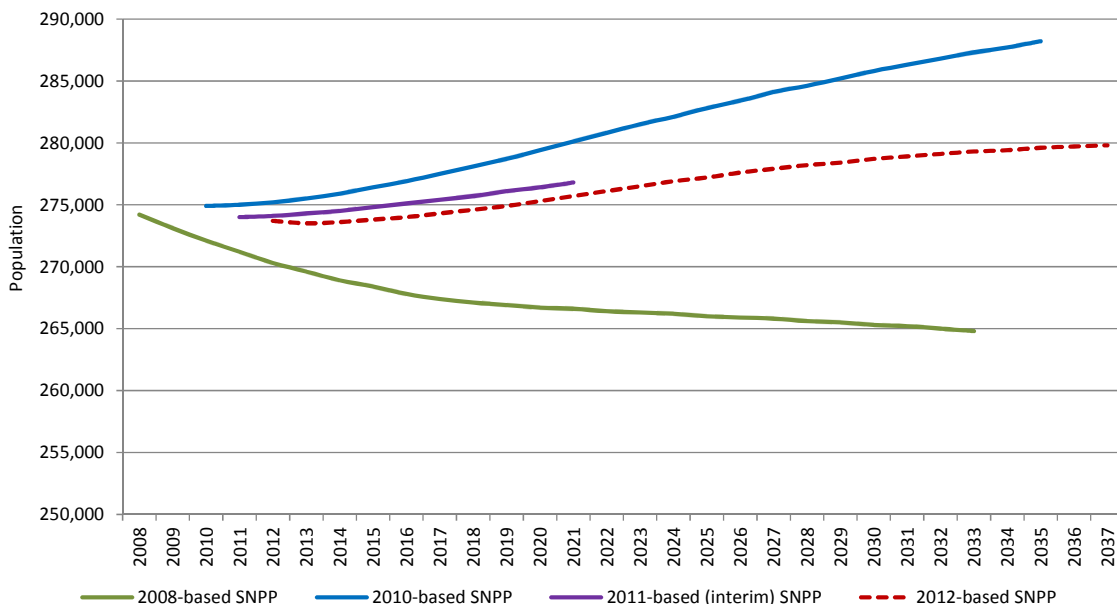
Resident Population	Mid 2001 Census-based (official)	Mid 2011 rolled-forward estimate	Mid-2011 Census-based (official) estimate	Difference between 2011 MYE and Census
Sefton	282,884	272,918	273,969	+1,051
Liverpool	441,858	448,611	465,656	+17,045
Wirral	315,004	308,756	319,837	+11,081
West Lancashire	108,480	110,226	110,617	+391
Knowsley	151,238	148,975	145,903	-3,072

Source: ONS Components of difference underlying the revised mid-2002 to mid-2010 population estimates (30th April 2013)

Population Change

3.33 Figure 3.1 compares the ONS SNPP data for the years 2008, 2010, 2011 (interim) and 2012. It clearly illustrates the divergence between the four projections. Whereas the 2008-based projections indicate a declining population from 270,300 in 2012 to 265,300 in 2030 (a fall of 5,000 or 1.8%), the 2010-based projections show a growth in population of over the same period of 10,600 (+3.9%).

Figure 3.1 Comparison ONS 2008/2010/2011/2012 based SNPPs for Sefton Borough



Source: NLP Analysis / ONS 2008/2010/2011/2012-based SNPPs

3.34 The 2010-based projections (which were used to inform the previous housing needs update in Sefton) suggest a gradual and increasing growth in population in Sefton across the plan period (2012-2030). Whilst the 2012-based projections continue to suggest a growth in population over the plan period, this is at a much slower rate than had previously been envisaged.

3.35 The 2012-based SNPP suggest limited population growth between 2012 (273,697) and 2021 (275,715), which is an increase in population of 224 per annum. Population is projected to increase to 278,658 by 2030, an overall increase of 4,961 (just under 2%) since 2012 – but still around 4,200 lower than the population recorded at the time of the 2001 Census. This projected growth is less than the rate of growth projected in the 2010-based SNPP, which indicated a growth in population of 10,600 (3.9%) between 2012 and 2030.

3.36 Table 3.2 shows the estimated total population in Sefton in 2012, 2021 and 2030 applying the 2010, 2011 and 2012-based SNPPs and shows the difference between the estimates over time.

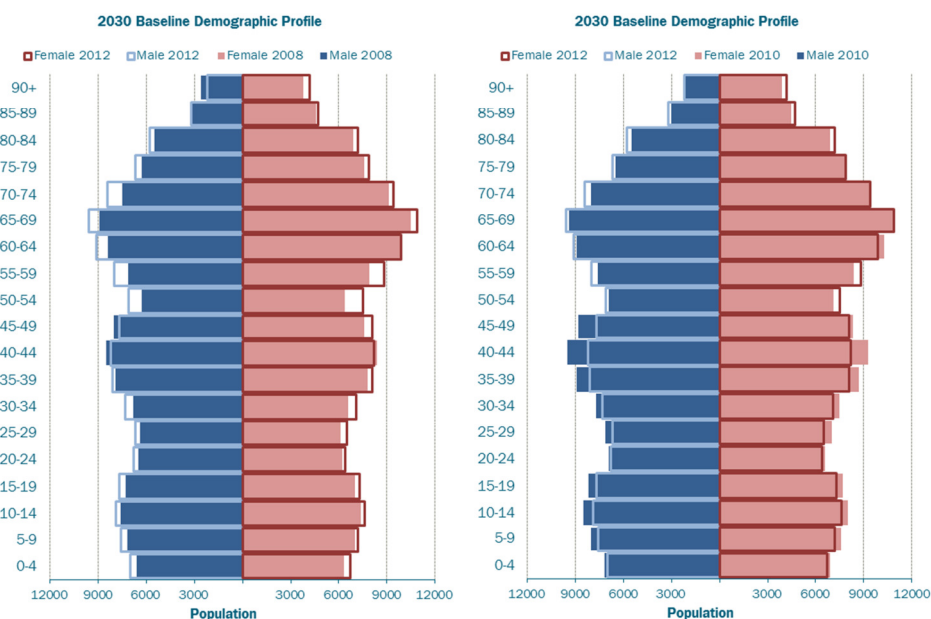
Table 3.2 Comparison of Population Projections (rounded)

	2008-Based SNPP	2010-Based SNPP	2011-Based SNPP (Interim)	2012-Based SNPP	Difference between 2010-based and 2012-based SNPP
2012	270,300	275,200	274,100	273,700	-1,500
2021	266,600	280,100	276,800	275,700	-4,400
2030	265,300	285,800	-	278,700	-7,100

Source: ONS SNPP 2008, 2010, 2011 and 2012-based population projections

3.37 Sefton is not the only borough that has experienced significant differences between the recent population projections. Liverpool was projected to grow by around 16,900 residents between 2012 and 2030 in the 2008-based projections; this was subsequently increased to 31,600 residents in the updated forecasts (2010-based). The expected growth has now been reduced to 18,300 over the same period in the 2012-based projections.

Figure 3.2 Sefton Baseline Demographic Profile 2030



Source: NLP/ONS

- 3.38 The change across the various age cohorts over the Plan period as projected by the 2008, 2010 and 2012-based SNPPs is presented in Figure 3.2. The 2008-based projections projected a declining population overall. When compared to the 2012-based SNPP, the 2008 projections under-represent the older population (65+), particularly for the male population and also under-represents those in younger age cohorts (i.e. those under 19). The core working population between 35 and 49 was broadly similar for both the 2008 and 2012 projections.
- 3.39 The 2010-based projections over-estimated the younger population (under 19) in comparison to the latest projections. It is also noticeable that the 2012-based projections indicate fewer residents aged between 15 and 49 (particularly female) when compared to the 2010-based SNPP. The key working age population (35-49) was also overrepresented in the 2010 projections.

Components of Change

Natural Change

- 3.40 Natural change, or the balance between births and deaths, differs between the various projections – the 2010-based SNPP indicated that deaths would exceed births by an average of 22 residents per annum between 2012 and 2021, compared to an annual net loss of around 233 residents over the same time period using the 2012 based SNPP. Interestingly the 2012-based projections identify an identical annual net loss of residents from this source as the 2008-based SNPP.
- 3.41 The reasons behind the significant difference in natural change between the 2010-based SNPP and 2012-based SNPP are likely to be complex, but could be at least partly due to the under-estimation of population change since the 2001 Census by ONS. The fertility rates used to set the assumptions are based on birth registrations and population estimates up to 2010/2012 respectively for the 2010-based SNPP and 2012-based SNPP. However, as we have seen, the ONS population estimates of the number of women of childbearing age in Sefton were much lower over the decade to mid-2010, than was ultimately revealed in the 2011 Census. The latter showed more women aged 16 to 44 than estimates rolled forward from the 2001 Census. This could suggest that the derived fertility rates used in the 2010-based SNPP assumptions were too high, leading to an over-estimation of births in the Borough. This will also have affected the 2011 based (interim) SNPP, which used the same Total Fertility Rates as the 2010-based SNPP.

Migration

- 3.42 Another key difference between the data sets relates to migration rates. Table 3.3 indicates that the various components of net migration have fluctuated widely across the four different sets of SNPPs. The very low level of immigration forecast under the 2008-based SNPP is more than out-weighted by

levels of emigration. The resultant net out-migration therefore plays a major part in the population decline overall under that scenario. In contrast, the 2010-based SNPP was considerably more bullish when it came to projecting both domestic in-migration and immigration, resulting in a net increase in population due to migration of 629 residents, annually. In contrast, the 2008-based SNPP forecast significantly higher levels of emigration, which suppressed the growth forecasts accordingly. Whilst the latest 2012-based SNPP indicates a level of net population growth due to migration that is very similar to the previous 2011-based (interim) projections, the former has far fewer immigrants/emigrants moving to/from the Borough, hence it is likely that the composition of the remaining residents will be very different in terms of household formation rates and age.

- 3.43 Overall, projected population growth has declined since the 2010-based data which suggested an annual 629 net increase in population compared to the 2012-based data which projects a net annual increase of 456.

Table 3.3 Changes to Migration: Comparison of Recent SNPPs (Annual Average)

2013-2021	ONS 2008-based SNPP	ONS 2010-based SNPP	ONS 2011-based SNPP	ONS 2012-based SNPP
Domestic Migration In	8,276	8,194	8,178	8,078
Domestic Migration Out	7,741	7,982	7,867	7,711
International Migration In	400	994	1,000	711
International Migration Out	1,000	576	878	500
Net Annual Average Migration	-65	+629	+444	+456

Source: ONS 2008/2010/2011/2012 SNPP Population projections

Household Projections

- 3.44 The 2011-based (interim) household projections produced by CLG represent the most up-to-date indication of household change currently available at a national, regional and local level. The projections incorporate the most up to date information from the 2011 Census, and supersede the 2008-based household projections which underpinned NLP's Housing Need Update in 2012.
- 3.45 It should be noted that whilst population growth is a key component of change, ultimately it is household growth that drives dwelling requirements. Therefore situations can arise whereby an area's population may decline over time but its housing need can increase, due to accelerating household formation rates (i.e. more people living alone, and/or forming smaller households).
- 3.46 It is important to note that there are a variety of limitations with the projections, not least the fact that these are demographic and trend-based only. They do not take into account any policy changes that may affect actual household formation in future.
- 3.47 The most obvious statistical shortcoming is that the 2011-based (interim) household projections only span a 10-year period, which presents difficulties for LPAs looking to plan for a minimum of 15 years into the future.

Furthermore, although Census 2011 data was used where possible, where data was not available (for example, household representative rates by age and marital status) information was used from the Labour Force Survey data or from previous projections instead. In this regard:

*"The household projections are derived from the SNPP, so any limitations with the interim population projections would also need to be taken into account when interpreting household projections. For example, population projections generally update underlying demographic assumptions on fertility and migration in line with new available data, but for the 2011-based SNPP trends from the 2010-based projections were used."*¹⁵

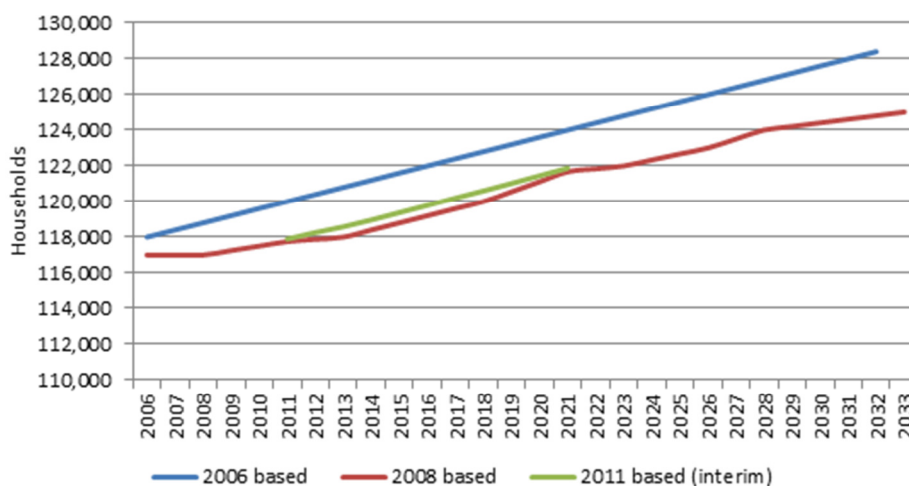
3.48 The extent to which the associated trends in household formation will continue over the longer term is unclear. In their Quality Report accompanying the new household projections, CLG cautions against simply rolling forward the household growth projected for 2011 to 2021 over the longer term beyond 2021.

3.49 Instead they identify:

*"There are also particular limitations in the use of the 2011-based interim household projections. The projections only span for a 10-year period so users that require a longer time span would need to judge whether recent household formation trends are likely to continue."*¹⁵

3.50 Figure 3.3 compares the 2006, 2008 and 2011 based household projections for Sefton.

Figure 3.3 Comparison of Household Projections



Source: NLP/CLG

3.51 It can be seen that the 2006-based projections forecast significantly more bullish levels of growth than subsequent projections. The 2011 based projections, which incorporated Census 2011 data (2011-2021), are very similar to the trend predicted by the 2008-based –projections. The 2008-based projections forecast household growth of 393 per annum compared to 399 in

¹⁵ CLG (2013): 2011-Based Interim Household Projections – Quality Report

the 2011-based projections. The number of households projected for 2021 based on the 2008-projections was 121,678, compared to 121,881 based on the 2011 projections – hence there is a high degree of correlation here.

3.52 Recent household formation rates between 2001 and 2011 are likely to reflect constraints on housing availability and affordability that took place particularly towards the latter half of that decade (both through supply-side factors such as reduced house building and demand-side factors such as mortgage availability and household incomes, both associated with the recession). This will have placed constraints on new households forming in the same manner as observed in previous trends, potentially leading to higher rates of concealed households, higher rates of household sharing and factors such as young adults staying at their parental home for much longer than has been seen historically.

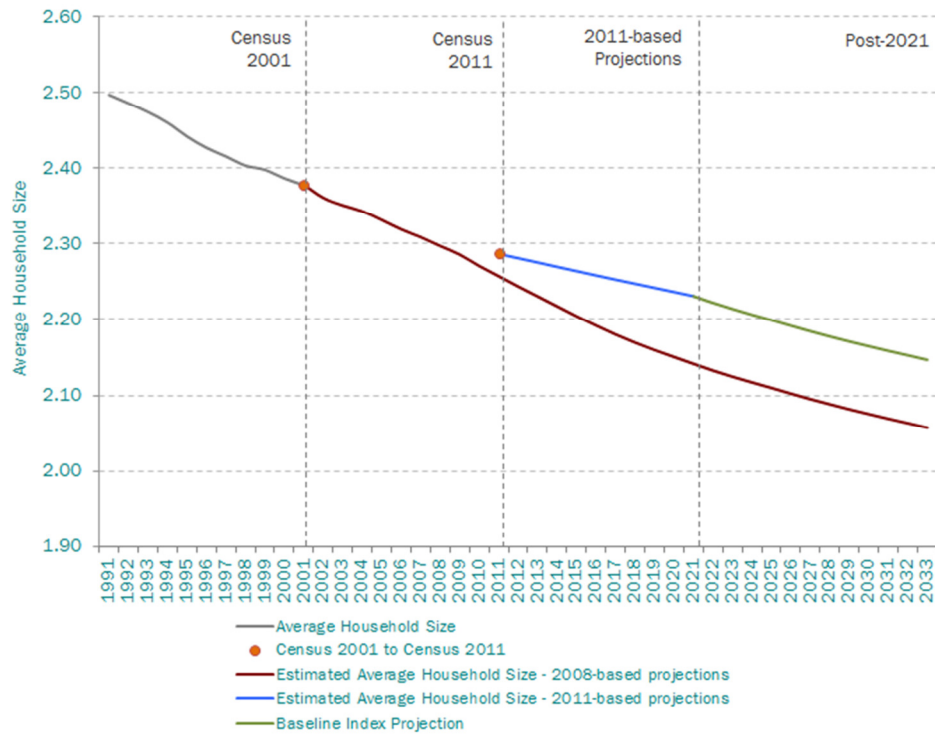
3.53 Research by Alan Holmans as part of his Town and Country Planning Association (TCPA) Tomorrow Series Paper 16 entitled “*New Estimates of Housing Demand and Need in England 2011 to 2031*” (2013) found that there was an abrupt break with longer term trends in household formation in England between 2001 and 2011. Net additional household formation was down by some 20%, with almost 1 million fewer one-person households in 2011 than had been projected [page 1]:

“The central question for the household projection is whether what happened in 2001-11 was a structural break from a 40-year trend; or whether household formation was forced downwards by economic and housing market pressures that are likely to ease with time. At the time of the 2011 Census, the British economy was still in recession and the housing market was depressed. The working assumption in this study is that a considerable part but not all of the 375,000 shortfall of households relative to trend was due to the state of the economy and the housing market. 200,000 is attributed to over-projection of households due to the much larger proportion of recent immigrants in the population, whose household formation rates are lower than for the population as a whole. This effect will not be reversed. The other 175,000 is attributed to the economy and the state of the housing market and is assumed to gradually reverse.” [page 5]

3.54 This report identifies that 47% of the suppression seen in household formation rates between 2001 and 2011 is attributable to the economic downturn with the remainder being attributed to the culture of recent immigrants forming larger households than seen historically in England.

3.55 Figure 3.4 illustrates trends in household formation from 1991 to 2033 for Sefton. The trend is consistently towards smaller household sizes. However, between 2001 and 2011 the reduction in household size slowed slightly (although not to the extent that they did nationally).

Figure 3.4 Trend in Household Formation: Average Household Size in Sefton (1991-2033)

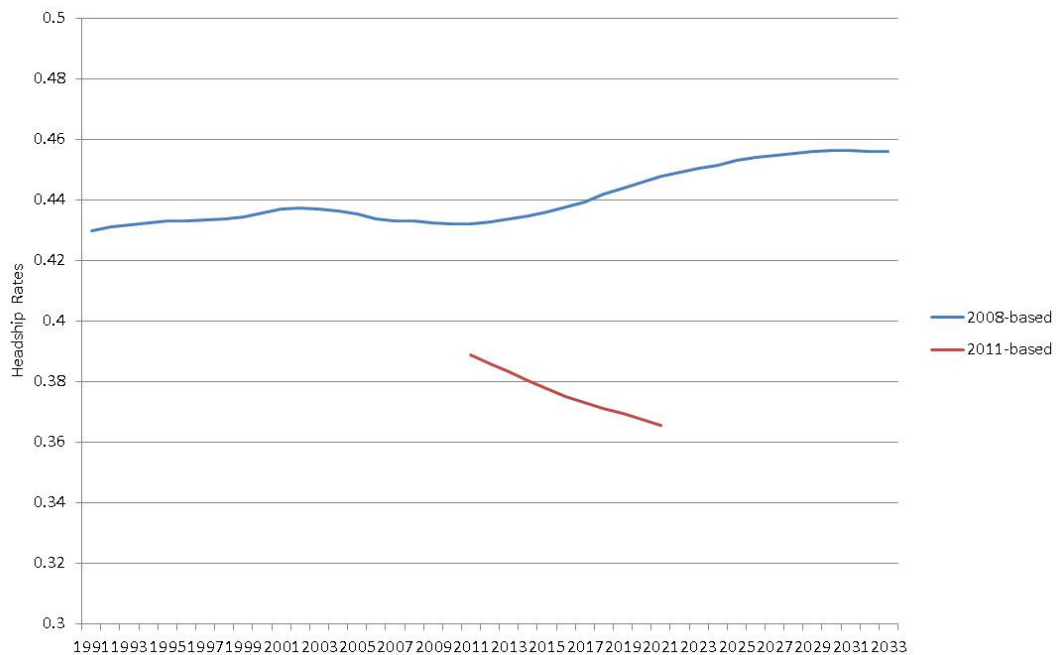


Source: Census 2001, Census 2011 and ONS/CLG Population and Household Estimates and Projections

Note: The term 'Baseline Index projection' refers to a scenario whereby the change in headship rates/household size post 2021 is taken from the CLG 2008-based Household Projections

- 3.56 In Sefton, the 2011-based projections continue to project an increasing household formation rate for the authority area and a continuing decrease in household size, albeit at a slower rate than projected in the previous 2008-based household projections.
- 3.57 By looking at the household formation rates of individual groups, it becomes clear that the 2008-based household projections and the 2011-based (interim) household projections for Sefton Borough suggest very different future outcomes. Figure 3.5 compares the headship rates for a key age cohort of first time buyers, namely those aged between 25 and 34. The Figure demonstrates that the 2011-based (interim) projections foresee a sharp drop in household formation for Sefton residents aged between 25-34, whereas the 2008-based projections maintain a gradual increase in headship rates for this age cohort that comprise a much closer match with longer term trends stretching back to 1991.
- 3.58 Considering Sefton Borough has sustained a pattern of decreasing household size since 2001, including during the recession, it would be difficult to substantiate a plausible reason whereby average household size would not continue to decrease (with household formation rates increasing) post 2021. The issue is, what rate of decrease is likely?

Figure 3.5 Comparison of Headship Rates: Sefton 25-34 year olds



Source: CLG 2008-based and 2011-based (interim) household projections / NLP analysis

3.59

The key question in interpreting the 2011-based projections is the extent to which the projected lower household formation rates is likely to continue. The RTPI Research Report no.1 (January 2014) by Neil McDonald and Peter Williams¹⁶ sought to address the key issue of whether the trends that have been projected forward in the latest projections are likely to continue unchanged:

“There are two reasons why those trends may not continue unchanged:

- *Increased international migration in the first decade of this century may have been responsible for a significant proportion of the changes to previous trends in household formation patterns. The further increases in international migration that would be needed for this factor to continue to apply are perhaps unlikely (a continuation of recent rates of international migration should not have a further effect on household formation rates);*
- *It seems likely that the 2011 Census results were influenced by both the economic downturn and the effects of a long period of poor housing affordability. If conditions in the housing market and the economy more generally improve, there may be a return towards previous trends.*

Both of these factors suggest that planning on the basis of the latest projections could lead to an under-provision of housing” [pages 1-2].

3.60

In terms of how this applies to Sefton, the 2011-based projections continue to project an increasing household formation rate for the authority area and a

¹⁶MacDonald and Williams, University of Cambridge (January 2014): RTPI Research Report no.1: Planning for housing in England: Understanding recent changes in household formation rates and their implications for planning for housing in England.

continuing decrease in household size, albeit at a relatively slower rate than projected in the previous 2008-based household projections.

- 3.61 It is probable that much of this reduction was due to the economic downturn rather than larger household sizes associated with immigration, as Sefton Borough has relatively low levels of international migration from abroad compared to other parts of the UK. For example, between 2001 and 2011, just 5,107 residents arrived from abroad and were still settled in the Borough at the time of the 2011 Census¹⁷; this equates to just 1.87% of the total resident population in 2011. In contrast, for the North West as a whole, the percentage of the resident population who had arrived in the UK between 2001 and 2011 was more than double Sefton's rate (at 4.21%), whilst the national rate was even higher, at 6.95%.
- 3.62 For the purpose of this Housing Need Update, NLP has considered which rates of household formation are appropriate for testing beyond 2021. Given long term trends, and the way the recession has impacted upon household formation in Sefton, it is anticipated that formation rates will begin to increase again in the future reflecting change in line with long term trends. Over a longer period to 2030, it is considered likely that household formation will begin to accelerate, particularly as the wider economy returns to growth; peoples' circumstances improve; household incomes increase and there is better access to mortgage finance. Such factors will improve peoples' confidence and their ability to form a new household.
- 3.63 NLP has projected forward a scenario for household formation beyond 2021, which indexes household formation against the 2008 projections beyond 2021. The household formation rates within these projections are applied to the projected population in Sefton to arrive at an estimate of likely growth in households at the local level.
- 3.64 On the above basis, as a baseline position, NLP has assumed that beyond 2021, the rate of change in household formation for Sefton will again move in line with the rate of change assumed for that period within the 2008-based household projection. This essentially 'indexes' post-2021 change to the 2008 projections on the assumption that household formation will increase in line with long term trends (i.e. annual change for 2021 to 2030 is taken from the 2008-based household projections). This is considered reasonable in that it does not perpetuate the suppressed rates of household formation in the 2011-based projections (alluded to in both the Holmans TCPA research and RTPI Research Report no.1 referenced above), whilst still being more conservative than some evidence may suggest.
- 3.65 It should be noted that the 2008-based CLG household projections are not six years out of date; they remain the only available long term household projections available (at the time of writing). It therefore appears sensible to retain these projections as a proxy for the long term trend until new data is

¹⁷2011 Census: Year of Arrival in the UK, 2011 (QS801EW)

made available (i.e. the 2012-based CLG household projections later in the year).

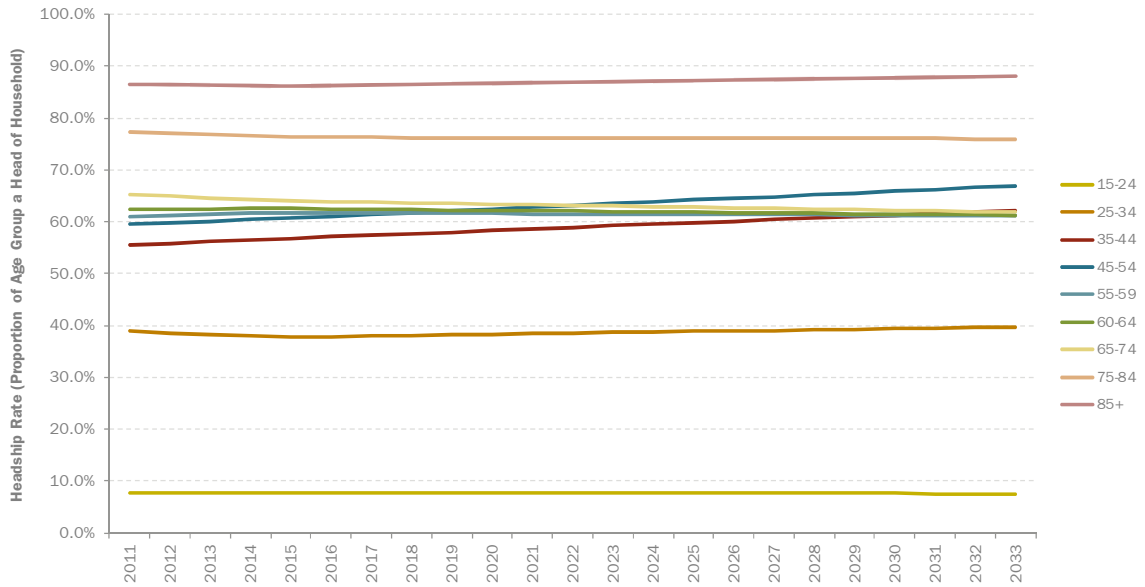
- 3.66 As discussed above, Sefton has a significantly lower proportion of international migrants from abroad (which has been responsible for just over half of household formation suppression in the past ten years according to Holmans). This suggests that such dynamics at the national level have had a lesser impact on the lower household formation seen in Sefton, which is therefore more related to the state of the economy and the housing market, both of which are recovering strongly.
- 3.67 For example, Cambridge Centre for Housing and Planning Research [CCHPR] reviewed work undertaken by NLP in relation to the Joint Core Strategy for Cheltenham Borough Council, Gloucester City Council and Tewkesbury Borough Council and concluded that it was “*highly likely that there will be some return towards previous trends in household formation rates if the economy recovers and housing supply increases*” [14.3]¹⁸.
- 3.68 NLP’s baseline position on household formation represents a reasonable middle ground projection which falls between merely trending forward suppressed household formation rates and assuming that household formation rates will fully recover to the rates projected in the 2008-based projections.
- 3.69 Drawing upon the above evidence, beyond 2021, NLP has applied the rate of annual change in household formation from the 2008-based household projections. This is intended to reflect long term trends and is termed the ‘Indexed Projection’. Importantly, this avoids rolling forward the impact of recessionary (and constrained housing supply) factors upon household formation into the future, thereby avoiding an assessment of housing need that would be commensurate with a policy that plans to deliver such adverse household and housing outcomes continuing (contrary to the NPPF). However, taking account of the above CCHPR report it is clear that NLP’s indexed approach in the Sefton context is a conservative estimate as it is not until post 2021 that trends are projected to ‘catch up’. Hence ‘partial catch up’ and ‘accelerated partial catch up’ (whereby the recovery begins to take place from 2016 onwards rather than 2021) scenarios have also been modelled as sensitivity tests.
- 3.70 NLP has aligned housing need with the ‘accelerated partial catch up’ Scenario Bd, which is around 60 dpa higher than the baseline scenario due to an increased number of households forming (and at an earlier stage) despite a similar level of population growth. This is a reasonable approach because it would meet needs that have been suppressed within the existing demographic characteristics of Sefton Borough, and therefore would assist in meeting change within the existing population such as allowing concealed households to ‘emerge’. This is considered to represent an appropriate response in the context of Sefton rather than basing need on the more straightforward Index approach.

¹⁸ <http://www.gct-jcs.org/Documents/EvidenceBase/CGT-JCS-Final-Report.pdf>

- 3.71 This level of increase also appears reasonable to address concerns raised by Alan Holmans¹⁹ in his TCPA paper that just less than half of the lack of expected household growth nationally (and reflected in the 2011-based interim CLG household projections) is due to market factors, with the remainder being attributable to other issues (notably international migration). As Sefton's population has a relatively low proportion of residents settling in the area from abroad, this is likely to have had a lesser impact on household formation than elsewhere. On this basis, it appears reasonable to consider that as the economy continues to recover, rates are more likely to return, and begin to catch up, to the long term trends seen in the 2008-based household projections (i.e. the accelerated partial catch up Scenario Bd).
- 3.72 NLP considers that as the market recovers the suppressed demand resulting from the recessionary constraints on household formation is likely to be improved. Although this is likely to affect all age groups, it is likely to particularly impact upon people in the 25-44 age bracket who may have comparatively little savings or equity in property (and who are in many cases seeking to start families) being able to get on the housing ladder and form new households.
- 3.73 The 'accelerated partial catch up' scenario models a situation whereby household formation rates increase to a point roughly halfway between where the 2008 and 2011-based household projections suggest they would have been in 2033. It differs from the 'partial catch up' scenario in that instead of departing from the 2011-based household projection trend in 2021, this takes place from 2016 onwards – i.e. the economic recovery (and people's ability to move out and access mortgage finance) happens sooner.
- 3.74 This is illustrated for individual age cohorts in Figure 3.6, which shows increasing headship rates (the proportion of population that will form a head of household) within Sefton among the 85+ in particular (and to a less pronounced extent, 45-54 and 55-59 year olds) but a decreasing headship rates amongst some other age cohorts (albeit older cohorts continue to have significantly higher headship rates than younger groups).

¹⁹ Alan Holmans (2013): TCPA Tomorrow Series Paper 16: New Estimates of Housing Demand and Need in England 2011 to 2031.

Figure 3.6 Sefton Headship Rates



Source: CLG 2008/2011-based Household Projections / NLP Analysis

3.75 These age specific projections of household ‘headship rates²⁰’ are applied to the projected population of Sefton Borough to arrive at an estimate of the future number of households in the area.

Summary

3.76 Overall, the latest evidence regarding Sefton’s demographic characteristics and the active housing market in the Borough provides a backdrop against which to consider future changes in Sefton’s housing market and its economy. The evidence highlights that there have been strong structural demographic drivers of the housing market, caused by declining household sizes and decreasing in-migration leading to a declining population for the Borough in recent years.

3.77 Overall the latest 2012-based SNPP show significantly lower growth prospects compared to the 2010 and 2011-based equivalents. It is generally considered that the 2012-based projections are the most robust currently available statistics due to the revised methodology that has been utilised by the ONS and because unlike the 2008-based and 2010-based SNPPs, the trends for the 2012-based projections are able to fully take into account information from the 2011 Census.

3.78 The data is also considered to be more robust than its immediate predecessor, the 2011-based (interim) SNPP, as the latter assumed a continuation of the

²⁰ Headship Rates are defined as the proportion of a population that will form a ‘head of a household’. Headship rates by age and sex are applied to the population by age and sex to derive a total number of households (by household type). As the eldest male in the household is classed as the head of the household, the older age male cohorts tend to have very high headship rates, whilst the headship rate for those under the age of 15 should be zero. Headship Rates and Household Representative Rates are inter-changeable terminology.

estimated trends in fertility, mortality and migration as used in the 2010-based SNPP.

3.79

However, it is emphasised that some caution remains regarding the 2012-based SNPP, not least because the projections are essentially trend based and much of the data is based on births, deaths and migration levels over the past 5/6 years – a period which has been distorted by the unprecedented worldwide recession and economic stagnation. Nevertheless, with this caveat in mind, the 2012-based SNPP forms the basis for considering future projections of Sefton's economic performance and future projections of the Borough's population and the use of these latest projections conforms with government advice (the Practice Guidance).

4.0 Defining the Housing Market Area

Introduction

4.1 The Localism Act 2011 includes the statutory duty to cooperate on strategic planning for cross-boundary issues, and this requirement is reiterated in the NPPF in terms of addressing housing figures and job growth. In particular, The NPPF states:

“...LPAs should: use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area.”[§159]

4.2 Over the past year or so Inspectors²¹ have consistently taken the view that Strategic Housing Market Assessments must be undertaken for the whole Housing Market Area [HMA] and that objectively assessed housing needs should reflect such geographies. This section considers the appropriate HMA for Sefton.

4.3 The former CLG Guidance²² recommends that a typical self-contained HMA would be expected to exist where there is at least a 70% containment rate of migratory activity. As we shall see, NLP’s analysis confirms that Sefton has relatively high levels of self-containment, in excess of 70%. Excluding long distance moves, self-containment in Sefton Borough is around 73.0%. This would suggest that notwithstanding the relationships with adjoining Boroughs (and particularly Liverpool City for commuting flows), the Borough could be considered a self-contained HMA for the purposes of this Housing Needs assessment.

Communities and Local Government Guidance on Defining Housing Market Areas

4.4 The Community and Local Government’s [CLG’s] guidance note ‘*Identifying sub-regional housing market areas*’ (March 2007) was revoked in March 2014. However, in the absence of any replacement detailed guidance, it provides a reasonable basis for defining HMAs. In this context, it notes that:

- 1 HMAs are inherently difficult to define. They are a geographic representation of people’s choices and preferences on the location of their home, accounting for live and work patterns. They can be defined at varying geographical scales from the national scale to sub-regional scale, down to local and settlement specific scales.
- 2 HMAs are not definitive. As well as a spatial hierarchy of different markets and sub-markets, they will inevitably overlap. However, CLG provides some advice in this regard.

²¹ Waverley Borough Council Core Strategy Examination in Public, Letter from Inspector Michael Hetherington June 2013; and Hart District Council Core Strategy Examination in Public, Letter from Inspector Kevin Ward July 2013

²² Department for Communities and Local Government (March 2007): Identifying Sub-Regional Housing Market Areas

- 4.5 The former CLG Guidance recommends that a measure of migration flow patterns can identify the geographical relationships of where people move house within an area with a 70% containment rate of migratory activity typically representing a HMA. In particular:
- “The typical threshold for self-containment is around 70 per cent of all movers in a given time period. This threshold applies to both the supply side (70 per cent of all those moving out of a dwelling move within that same area) and the demand side (70 per cent of all those moving into a dwelling have moved from that same area). Some areas may be relatively more or less self-contained, and it may be desirable to explore different thresholds.”*
- 4.6 This level of self-containment is also recommended in the Practice Guidance (March 2014). This provides some guidance on defining HMAs including consideration of household migration and search patterns. The Practice Guidance states:
- “Migration flows and housing search patterns reflect preferences and the trade-offs made when choosing housing with different characteristics. Analysis of migration flow patterns can help to identify these relationships and the extent to which people move house within an area. The findings can identify the areas within which a relatively high proportion of household moves (typically 70 per cent) are contained. This excludes long distance moves (e.g. those due to a change of lifestyle or retirement), reflecting the fact that most people move relatively short distances due to connections to families, friends, jobs, and schools.” [§2a-011-20140306]*
- 4.7 Migration flows and calculation of self-containment percentages within and between local authorities have been used by NLP to assist in defining the Sefton HMA.

Previous Strategic Housing Market Assessment and Housing Market Area Analyses

The Definition of HMAs in the North West Region (2008)

- 4.8 This study²³ defined HMAs across the North West region using a combination of information from existing studies followed by analysis of migration, commuting patterns and house prices (supplemented by the views of developers and estate agents) in line with good practice.
- 4.9 Sefton fell within the Merseyside sub-region as defined within the study. The Merseyside sub-region is made up of the local authorities of Knowsley, Liverpool, Sefton, St Helens and Wirral.
- 4.10 To inform the wider study of the ‘Definition of HMAs in the North West Region’, in 2005, Liverpool City Council on behalf of the Merseyside sub-region commissioned consultants to undertake housing market assessments for the Liverpool City Region in two phases. The first phase identified a study

²³ The Definition of HMAs in the North West Region (2008) Nevin Leather Associates

reference area and three housing market assessments. The second phase produced HMAs for these three areas and a draft housing strategy (the Liverpool City Region Housing Strategy).

4.11 In order to define the HMAs and their relationship to one another, the Liverpool City Region Housing Strategy (2007) applied a series of five thematic tests. Patterns of movement were examined, including analysis of travel to work and migration data over time. The role and function of areas was examined in relation to shopping, employment and educational catchments. Socio-economic and neighbourhood characteristics were analysed and mapped and differences in house prices were examined. The Local Authorities that were considered to make up the Northern HMA are listed in Table 4.1 and Figure 4.1.

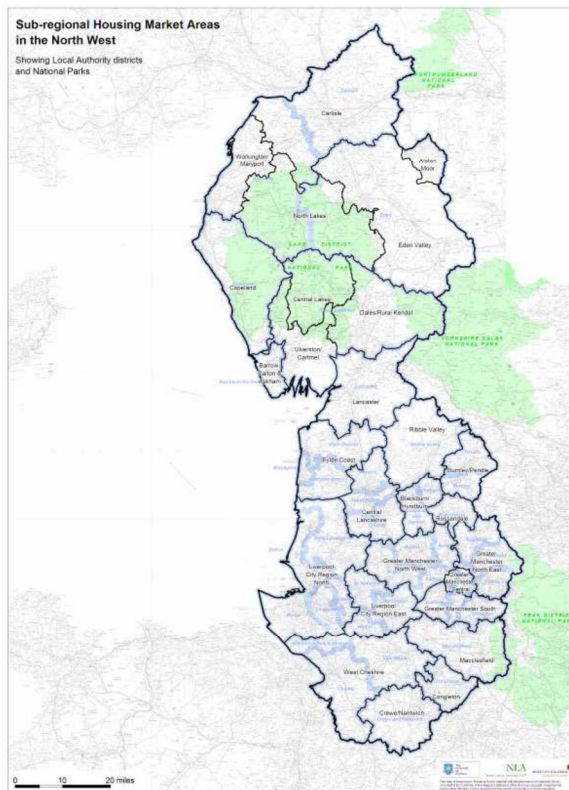
Table 4.1 Northern Housing Market Area

Northern Housing Market
Sefton
Knowsley
Wirral
Liverpool
West Lancashire

Source: The definition of housing market areas in the north west region final report (2008) for 4NW

4.12 The same report named the Liverpool City Region North as comprising Sefton and four other Local Authorities.

Figure 4.1 Sub-regional housing market areas in the North West



Source: The definition of housing market areas in the north west region final report (2008) for 4NW

4.13 The defined boundaries of the various areas are relatively imprecise for plan making at a local level and cannot be definitive as the basis for preparing Strategic Housing Market Assessments for local plan purposes. For example, there are HMAs adjoining the Liverpool City Region North HMA including Liverpool City Region South and Liverpool City Region East. These HMAs have been identified as being separate to the Sefton HMA, but are not entirely independent, with some interrelations across defined boundaries.

4.14 In this study Sefton was considered to form part of a wider Liverpool City Region North HMA rather than being a self-contained HMA.

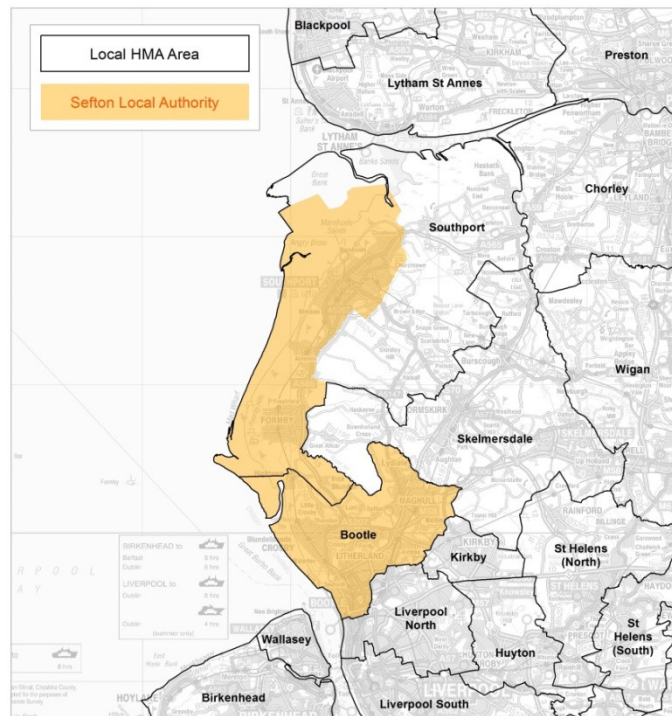
Study of the Geography of Housing Market Areas (2010)

4.15 A CLG study of HMAs was published in 2010 and considered the extent of HMAs at various levels across England. Figure 4.2 presents the HMA boundaries as defined in the CLG publication ‘*Geography of HMAs: Final Report*’ (November 2010), mapped against the Local Authority boundaries of Sefton and those of adjoining districts.

4.16 The HMA boundaries shown differ from those defined in the North West regional study, showing Sefton as spanning two individually defined HMAs of ‘Southport’ and ‘Bootle’. The Bootle HMA is covered solely by Sefton’s authority boundary whereas the Southport HMA is covered by both Sefton and West Lancashire local authorities.

4.17 This study also defined wider strategic HMAs based on commuting flows. In this analysis Sefton sits completely within the ‘Liverpool’ strategic HMA.

Figure 4.2 Local HMAs



Source: NLP / CLG

Sefton Strategic Housing Market Assessment (2008) and the Draft Strategic Housing Market Assessment (2013)

Sefton Strategic Housing Market Assessment 2008

4.18 The Sefton 2008 Strategic Housing Market Assessment considered the extent of the HMA through a consideration of migration, commuting and qualitative research.

4.19 The main findings were as follows:

- 1 Investigation of the boundaries of housing markets in the Liverpool City Region by Ecotec identified that Sefton is part of the Liverpool North HMA;
- 2 Looking at Borough-wide levels of self-containment for both migration and travel to work, the data suggested that Sefton could be considered as a HMA in its own right;
- 3 Through extensive qualitative research in the area and discussions with stakeholders and members of the community the idea of Sefton being a single HMA was questioned by some. Analysis of survey data suggested that whilst Sefton can be considered a self-contained housing market area, there are two distinct sub-areas within the Borough;
- 4 For the purpose of the 2008 Strategic Housing Market Assessment, the sub-areas of Southport, Formby, Crosby, and Maghull/Aintree were considered as a separate HMA to the sub-areas of Bootle and Netherton, as evidence from primary data, secondary data, local residents and stakeholders suggested that there were few household moves between these two parts of the Borough.

Sefton Draft Strategic Housing Market Assessment 2013

4.20 The most recent Sefton Strategic Housing Market Assessment was published in June 2014 in draft. The aim of the Draft Strategic Housing Market Assessment was to enable the Council to understand the nature and level of housing demand and need within the Housing Market Area.

4.21 The need assessment concludes that there is a shortfall of almost 6,500 affordable homes over the period from 2012 to 2030, equivalent to 361 dpa. The Strategic Housing Market Assessment recognises that such a scale of need is unlikely to be fully addressed through the Section 106 process.

4.22 However, the Strategic Housing Market Assessment suggests that the significant shortfall between the need for and supply for affordable housing is largely being met by the Private Rented Sector [PRS] which currently has over 10,000 individual claimants for Local Housing Allowance. The report concludes that the level of housing need shown by the analysis supports a target of 30% as contained in the draft Local Plan.

Extent of the Sefton Housing Market Area

Migration & Travel to Work Patterns

- 4.23 NLP has analysed the latest available data on commuting, migration and other relevant HMA indicators in line with the Practice Guidance. The most detailed data remains the migration and commuting statistics from the 2001 Census. Although some migratory data is available for 2013, the data used for this analysis was obtained from the ONS's Migration Statistics Unit and not the 2011 Census (which remains unavailable at the time of writing), hence it does not provide the detailed internal migration or ward-based statistics necessary for an in-depth analysis.
- 4.24 As noted above, patterns of migration are a function of a range of housing market factors combined with household circumstances. Key factors which influence migration patterns and the geography of housing markets include affordability, which itself is influenced by a range of factors, and accessibility, particularly related to place of work and ease of commuting.
- 4.25 Using data from ONS Migration Statistics Unit for 2013, Table 4.2 and Figure 4.3 demonstrate that the highest levels of inter-dependency are between Sefton and Liverpool. Outside this area, there are high levels of inter-dependency between Sefton and West Lancashire and to a lesser extent, Knowsley, Wirral and Manchester. The highest out-migration rates from Sefton are to Liverpool and West Lancashire with high levels of out migration also to Knowsley, Wirral and Manchester.

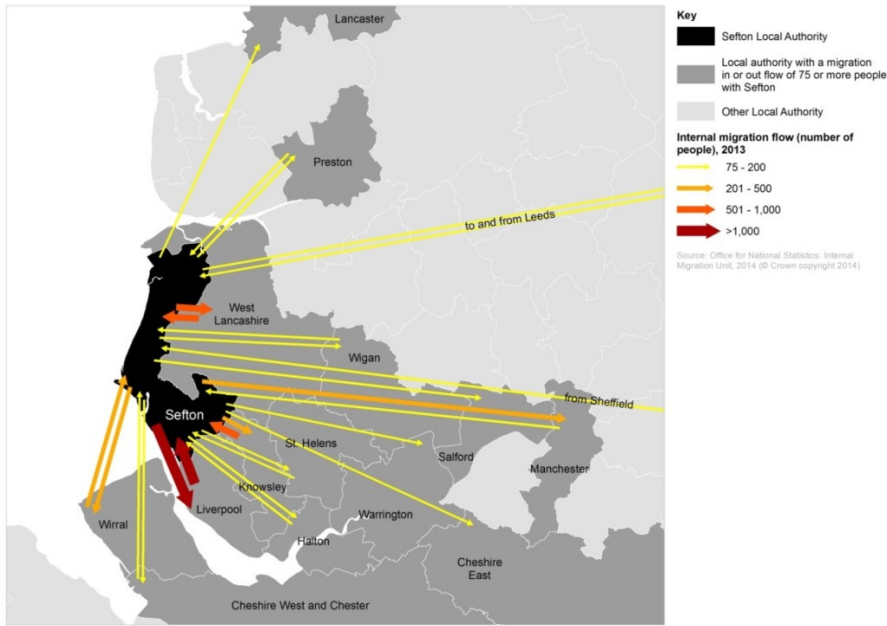
Table 4.2 Migration between Local Authorities

	Migration in to Sefton	Migration out of Sefton
Liverpool	2,590	2,240
West Lancashire	850	810
Knowsley	520	450
Wirral	230	290
Manchester	170	220
Overall	7,860	7,890

Source: ONS Migration Statistics Unit 2011

- 4.26 Overall, the general trend is that there is a marginally greater level of out-migration than in-migration to Sefton, with 7,890 people choosing to migrate out of Sefton, compared with 7,860 moving in.

Figure 4.3 Internal Migration Flows 2011

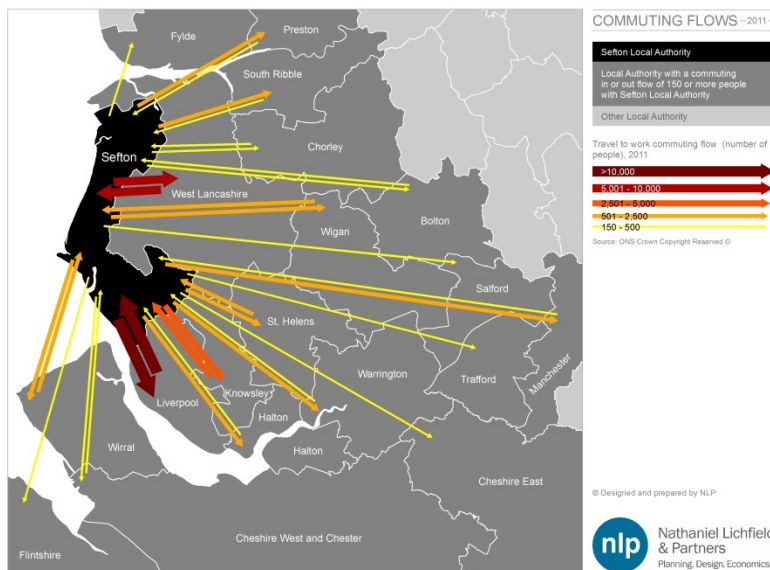


Source: ONS Migration Statistics Unit (2011)

4.27

In terms of other HMA indicators, the highest levels of **commuting** are between Sefton and Liverpool, with 24,208 commuting from Sefton and 11,542 moving in the opposite direction. Of all those working in Sefton, 72% also live in the Borough. Figure 4.4 also indicates high levels of commuting between Sefton and West Lancashire, Knowsley, St Helens and Warrington. Overall, there is a net out-flow of commuters from Sefton (-19,181). This is a reduction from the 21,171 net loss of commuters from Sefton Borough as recorded in the 2001 Census, suggesting a certain rebalancing. This is primarily due to more commuters coming into the Borough from Liverpool, which has increased from 9,842 to 11,542 in ten years.

Figure 4.4 Travel to work commuting flow 2011



Source: Census 2011 / NLP Analysis

Implications for the Sefton Housing Market Area

- 4.28 In accordance with the Practice Guidance's approach to defining HMAs on the basis of migratory patterns, NLP undertook a modelling exercise to ascertain the extent to which a 70% self-containment threshold could be said to apply to Sefton. This involved a breakdown of the internal migratory relationships between the Local Authorities, using the most detailed information currently available.
- 4.29 The 2008 Strategic Housing Market Assessment defined Sefton as a single HMA following the findings of previous studies (Ecotec study 2006 and Nevin Leather research 2008) and following a new assessment of the three factors: Household migration; Travel to work areas; House prices. The Strategic Housing Market Assessment reported that this assessment showed a strong self-containment area in terms of internal migration flows and to a lesser extent commuting and therefore could consider Sefton as a self-contained HMA. However, it went on to state that whilst analysis of survey data suggested that whilst Sefton could be considered a self-contained housing market area, there were two distinct sub-areas within the Borough.
- 4.30 Our own analysis confirms that Sefton has relatively high levels of self-containment, in excess of 70%. Including long distance moves, self-containment is at least 67.6% and this increases to 73.0% once long distance moves are excluded. The exclusion of all 'long distance'²⁴ moves is in accordance with the Practice Guidance [§2a-011-20140306]. Table 4.3 sets out self-containment of in and outward migration in the HMA.

Table 4.3 Sefton –Migratory Self-Containment (2001 Census)

Inward Migration Self-containment with HMA (including long distance moves) (%)	Inward Migration Self-containment with HMA (excluding long distance moves) (%)	Outward Migration Self-containment within HMA (including long distance moves)(%)	Outward Migration Self-containment within HMA (excluding long distance moves)(%)
71.6	75.5	67.6	73.0

Source: 2001 Census / NLP

- 4.31 On the basis of the high levels of migratory self-containment and commuting patterns identified, supported by the Practice Guidance's definition, it is considered that Sefton can be seen as a self-contained HMA.

Summary

- 4.32 The assessment of the extent of the HMA for Sefton demonstrates that the Borough can be satisfactorily considered as a self-contained HMA.

- 4.33 In summary:

- 1 The Practice Guidance defines an HMA as a geography at which 70% of local moves are contained, whilst the former CLG Guidance notes that the benchmark for self-containment may be lower in more rural areas;

²⁴ Long distance moves are all moves equal to or exceeding 100 miles as this is considered to be a change in lifestyle.

- 2 The 2008 Strategic Housing Market Assessment stated that due to the high levels of migratory and commuting self-containment that Sefton could be considered to be a self-contained HMA;
- 3 Excluding long-distance movements, an assessment of 2001 Census data on migration suggests that the Borough has a self-containment of comfortably over 70%, at up to 75.5%;
- 4 There are high levels of commuting self-containment of up to 72.5% recorded in the 2011 Census;
- 5 On this basis Sefton can be considered as a single HMA for the purpose of considering housing needs in the context of the Local Plan;
- 6 Notwithstanding, an objective assessment of need for Sefton will still fully account for cross-boundary dynamics, due to modelling assumptions concerning future migration patterns, and there remain strong linkages between Southport in the north of the Borough, and West Lancashire District to the east, as well as strong commuting linkages with Liverpool City.

5.0 **Market Signals**

Introduction

5.1 The National Planning Practice Guidance [the Practice Guidance] indicates that once an assessment of need based upon household projections is established, this should be adjusted to reflect appropriate market signals and indicators of the balance between the demand for and supply of housing.

5.2 The Guidance explicitly sets out six market signals [§2a-019-20140306]:

- 1 land prices;
- 2 house prices;
- 3 rents;
- 4 affordability;
- 5 rate of development; and,
- 6 overcrowding.

5.3 It goes on to indicate that appropriate comparison of these should be made with 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:

“This includes comparison with longer term trends (both in absolute 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 compared to ones based solely on household projections. Volatility in some indicators requires care to be taken: in these cases rolling average comparisons may be helpful to identify persistent changes and trends.

In areas where an upward adjustment is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be.” [§2a-020-20140306]

5.4 The Guidance sets out a clear and logical ‘test’ for the circumstances in which objectively assessed needs (including meeting housing demand) will be in excess of demographic-led projections.

Housing Market Indicators

5.5 Each of the housing market indicators is taken and applied to data for the Sefton Local Authority area.

Land Prices

- 5.6 The most readily available and nationally-consistent data on unequipped agricultural land values or residential building land prices for Sefton is available from the Valuation Office Agency [VOA]. The VOA is an executive agency of HM Revenue & Customs [HMRC] that provides the Government with the valuations and property advice to support taxation and benefits.
- 5.7 The VOA only covers major centres or areas which generate sufficient activity to determine a market pattern so data for smaller neighbouring authorities is not available. In Sefton land values are £0.56m per hectare in 2010. The data shows that average bulk²⁵ residential land values in Sefton have increased by 12% since 2001. The national average bulk residential building land prices were £1.77m per hectare in 2010 which demonstrates that land values in Sefton itself are relatively low when compared to the national average.
- 5.8 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 area²⁶. Although it is now four 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

- 5.9 The Practice Guidance identifies that longer term changes in house prices may suggest an imbalance between the demand for and supply of housing. Although it suggests using mix-adjusted prices and / or House Price Indices, these are not available at local authority level on a consistent basis, and therefore for considering market signals in the Sefton area, price paid data is the most reasonable indicator.
- 5.10 Land registry price paid data suggests current (2014) median prices in Sefton are £140,000 compared to £125,000 across Merseyside and £185,000 nationally (Table 5.1). The median house price in Sefton (based on price paid data) is 24.3% lower than the median national cost. These prices illustrate that the housing stock in Sefton is more expensive when compared to Merseyside but is still relatively cheap when compared to national rates. The data represents the dwelling price across both new and old housing.

²⁵ Sites in excess of 2 hectares

²⁶ 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.

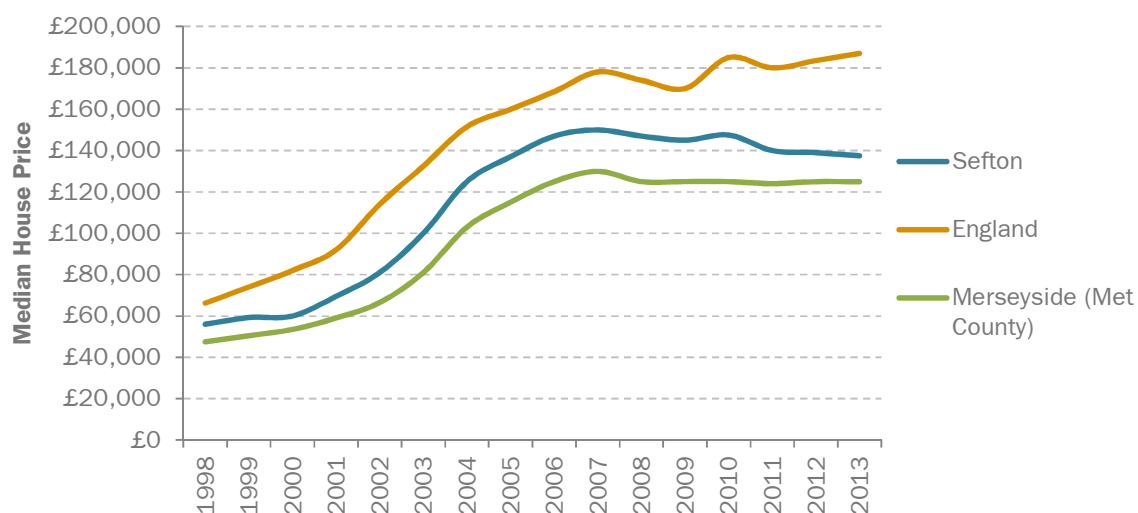
Table 5.1 Median Dwelling Prices (2014)

	Dwelling Prices
Sefton	£140,000
Merseyside	£125,000
England	£185,000

Source: Land Registry Price Paid Data (2014)

- 5.11 CLG publish series data on median house prices based on the same Land Registry price paid data series. This currently runs from 1996 to 2013 and is illustrated in Figure 5.1. It indicates that Sefton has experienced consistently lower house prices than the country as a whole, but higher than the Merseyside median. The median house price for Sefton has been changing at a similar rate and displays similar trends to Merseyside. Since 2007 prices in Sefton have gradually declined with a very limited increase seen in the most recent data between 2013 and 2014. In Merseyside prices have stayed stable over this period whereas nationally house prices have increased since 2011 and in 2013 are at their highest level.

Figure 5.1 Median House Prices



Source: CLG Live Table 586

- 5.12 In 2013, median house prices in Sefton were 36% lower than the national average but 9% higher than the Merseyside average. Sefton is ranked as being the 82nd cheapest local authority to live in England. It is cheaper than neighbouring West Lancashire (which ranks 126th) but slightly more expensive than Liverpool (which ranks 79th).
- 5.13 Over the previous 17 years (1996-2013), median house prices increased 163% in Merseyside, with house prices in Sefton increasing by 146%. Nationally house prices increased by 182%. This demonstrates that although house prices have increased in Sefton, the change in median house prices is greater across Merseyside as a whole and to an even greater extent nationally.
- 5.14 As set out in the Practice Guidance, higher house prices than comparator areas and long term rises tend to indicate an imbalance between the demand for housing and the supply. Sefton has lower house prices than the

neighbouring authority of West Lancashire but slightly higher median house prices than Liverpool. In Sefton house prices are relatively expensive compared to the Merseyside average due in part to the lower house prices in Liverpool, Knowsley and St Helens.

- 5.15 It is recognised that this Borough-wide exercise to an extent masks the considerable differences in house prices within the Borough, and particularly between the north and south of Sefton. Whilst disparities in the housing market are likely to be apparent in all large local authority areas, clearly there are particularly marked differences in Sefton Borough. For example, the draft 2013 Sefton Strategic Housing Market Assessment demonstrates that Lower Quartile House Prices are very low in Bootle, at £55,000 in September 2013 and to a lesser extent Netherton (£74,000). This compares to £112,000 in Southport, £129,000 in Crosby, £138,000 in Maghull/Aintree, and up to £184,000 in Formby²⁷.

Rents

- 5.16 On a similar basis, high and increasing rents in an area are a further signal of stress in the housing market. Data from the Valuation Officer Agency [VOA] relating to private rental market statistics shows that median rents in Sefton are £550 per month. This ranges from £425 per month for a 1 bed flat, to £750 per month for a 4+ bed house. The median rent paid in Merseyside as a whole is lower, at £495 per month. However, this ranges from £407 per month for a 1-bedroom dwelling, to £750 for a 4+ bed house. Hence with the exception of the rent of 4+ bed properties, rents are consistently higher in Sefton than in Merseyside. Even so, rental values in Sefton remain 6% below the national average.
- 5.17 Series data for rents from VOA statistics is only available for Q2 2011 to Q1 2013. However, the VOA data demonstrates that median rents in Sefton Borough have stayed relatively static since 2011. This contrasts sharply with national figures, where there has been a growth in rents of 2.6%. Conversely there has been a decline of 0.7% across Merseyside since 2011. The static rent level in Sefton suggests that affordability within the private market rental sector has remained relatively stable in the last couple of years.
- 5.18 Again, as with house prices, these figures mask a north/south imbalance in the market in Sefton. Lower Quartile Private Rental levels are again comparatively low in Bootle, at £400 pcm in September 2013 and to a lesser extent Crosby (£450 pcm). This compares to £475 pcm in Netherton, £495 pcm in Southport, £595 pcm in Maghull/Aintree, and up to £600 pcm in Formby²⁸.

²⁷JG Consulting in association with CBA (February 2014): 2013 Sefton Strategic Housing Market Assessment (Draft), Figure

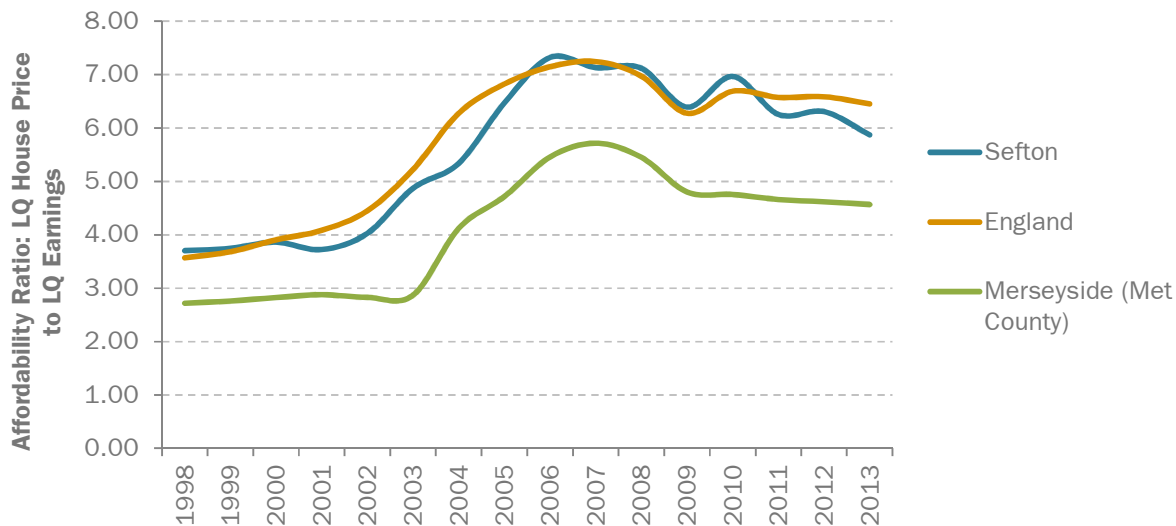
5.12

²⁸ibid

Affordability

- 5.19 The former CLG Strategic Housing Market Assessment Practice Guidance²⁹ defines affordability as a ‘*measure of whether housing may be afforded by certain groups of households*’ [Annex G, page 36]. The former Practice Guidance concludes that assessing affordability involves comparing costs against the ability to pay, with the relevant indicator being the ratio between lower quartile house prices and lower quartile earnings. Using CLG affordability ratios, Figure 5.2 illustrates that affordability in Sefton has been broadly consistent with national trends across the same period. There has been a slight divergence occurring since 2011 with Sefton’s affordability improving at a greater rate than nationally.
- 5.20 It can be seen in Figure 5.2 that over the past 15 years, the ratio of lower quartile house prices to lower quartile earnings in Sefton has been variable, but always above the average for Merseyside. In 2013, the lower quartile house price to earnings ratio was 5.87 in Sefton compared to 4.57 in Merseyside and 6.45 nationally. Affordability in Sefton has improved gradually since a peak in 2006 (7.32).
- 5.21 Affordability ratios (i.e. the ratio of median house price to median earnings) in Sefton have increased from 3.75 in 1997 to 5.87 in 2013. Affordability has worsened by more than a third over this period. Combined with increasing house prices this has contributed to worsening affordability across the Sefton HMA. However, since the recession in 2008, affordability in Sefton has actually improved slightly from 7.12 in 2008 to 5.87 in 2013.

Figure 5.2 Affordability Ratios, Sefton Borough



Source: CLG Live Table 576

- 5.22 The 2013 Sefton Draft Strategic Housing Market Assessment looked at households’ ability to afford either home ownership or private rented housing (whichever is the cheapest) without financial support. The report estimated

²⁹ Department for Communities and Local Government (August 2007): Strategic Housing Market Assessments Practice Guidance, Version 2

that across the Borough, around 43% of households are unable to access market housing on the basis of income levels. The area with the highest proportion unable to afford is Netherton (at 50.1%) followed by Maghull/Aintree (at 46.8%), with the lowest proportion unable to afford being estimated to be in the Crosby sub-area (36.4%)³⁰.

Rate of Development

5.23 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]

5.24 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 Sefton the relevant ‘planned supply’ figure is 500 dpa which was dictated by the requirement within the North West Regional Strategy [RS].

Table 5.2 Net Annual Household Requirement by Local Planning Authority 2003-2021

	Improvement Scenario	
	Lowest	Highest
Sefton	66	1,414
Knowsley	40	744
West Lancashire	311	617
St Helen’s	55	861
Wirral	150	1,421
Halton	-8	667
Liverpool	-111	2,656

Source: North West Household Growth Estimates Study 6 August 2005

5.25 Table 5.2 demonstrates that although the highest net annual household requirement figure for Sefton generated by the 2005 study is more than three times the housing requirement ultimately adopted in the RS, the adopted requirement of 500dpa for Sefton is more than 7-times greater than the lowest requirement identified.

5.26 In 2006, NLP was instructed by NWRA to update the 2005 study and consider the impact of the CLG’s 2003-based household projections, published in March 2006. The study was undertaken at regional and sub-regional levels, rather than by authority area. The NLP study report published 7th September 2006, indicates that the 2003-based projections forecast a higher level of indigenous households in the North West by 2021, than the previous projections.

5.27 In its September 2006 briefing paper, the NWRA Panel indicated that the NLP figures provided a ‘demand side’ base to be considered alongside other relevant information when determining the suggested housing figures for inclusion in the RS [§2.5] and that supply-side issues and policy direction emerging from the RS process must also inform the RS requirements. This is

³⁰JG Consulting in association with CBA (February 2014): 2013 Sefton Strategic Housing Market Assessment (Draft), Figure 7.1

an approach that is materially different to that which is now required by the NPPF.

- 5.28 Table 5.3 illustrates backlog in Sefton since 2003/04 against the RS target, as well as the backlog that has accrued through under delivery of the target.

Table 5.3 Rate of delivery

Year	New Build	Conversions	Demolitions	Delivery (net completions)	Target (RS)	Backlog
2003/04	469	63	53	479	500	-21
2004/05	308	157	78	387	500	-134
2005/06	425	102	101	426	500	-208
2006/07	475	46	243	278	500	-430
2007/08	703	156	295	564	500	-366
2008/09	424	176	336	264	500	-602
2009/10	429	131	159	401	500	-701
2010/11	247	242	222	267	500	-934
2011/12	471	138	137	472	500	-962
2012/13	372	86	53	405	500	-1,057
2013/14	274	49	11	312	500	-1,245

Source: Sefton Council/NLP Analysis

- 5.29 The implication is that the rate of delivery in Sefton has fallen short of planned supply with the exception of the year 2007/08 where net delivery peaked at 564. The scale of demolitions associated with housing market renewal [HMR] initiatives in Sefton has influenced the net delivery figures significantly. The total number of demolition across the three years 2006/07, 2007/08 and 2008/09 totals 874. It should be noted that the Borough's housing restraint policy, which operated from 2003 to 2008³¹, constrained the number of dwellings built during this period. This may have contributed towards the other housing market signals which indicate that there has been some stress in the housing market as a product of demand not being met. This is particularly evident in the affordability ratio which is significantly higher in Sefton than the Merseyside average as well as relatively high house prices and average rents when compared to other authorities within Merseyside.
- 5.30 The number of property demolitions has dramatically tailed off since 2011 due to the cessation of the HMR programme, with the exception of the planned demolition of c.500 dwellings to take place in 2015 as part of regeneration proposals for the 'Klondyke and Canal Corridor' areas in Bootle. However, any future regeneration scheme is likely to require some demolition work.
- 5.31 In summary, the total under-delivery of dwellings for Sefton Borough when set against the RS target requirement of 500 dpa over the period 2003/04–2011/12 (the base date of the PopGroup modelling period) was 962 dwellings. Spread across the 18-year plan period (2012 to 2030), this would equate to an additional 53 dpa to address this past under-provision for Sefton.

³¹Policy H3 of the Sefton UDP applied a housing restraint mechanism when the number of homes built exceeds Sefton's target by 20% over a three-year period. The housing restraint mechanism was relaxed in December 2008, due to the recently published NWRS increasing the housing target for Sefton from 350 a year to 500 a year from 2003 to 2021, meaning that there no longer was an over-supply of new housing compared to the housing target.

Overcrowding

- 5.32 Indicators on overcrowding, sharing 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. [§2a-019-20140306]
- 5.33 The 2011 Census includes data on household occupancy. The occupancy rating provides a measure of whether a household's accommodation is overcrowded or under-occupied based upon the number of rooms in a household's accommodation. The ages of the household members and their relationships to each other are used to derive the number of rooms they require, based on a standard formula. The number of rooms required is subtracted from the number of rooms in the household's accommodation to obtain the occupancy rating. An occupancy rating of -1 implies that a household has one fewer room / bedroom than required, whereas +1 implies that they have one more room / bedroom than the standard requirement.
- 5.34 Table 5.4 presents overcrowding against the occupancy rating in Sefton (2011 data) and indicates that just 4.1% 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 8.74% nationally and 6.24% in the North West. Overcrowding in Sefton has decreased since 2001 from 4.79% to 4.10% whereas the opposite trend has occurred nationally and across the North West where overcrowding has become more prevalent.

Table 5.4 Overcrowding: Household Room Occupancy Rating

	2001			2011		
	Total Households	-1 room occupancy or less	-1 room occupancy or less (%)	Total Households	-1 room occupancy or less	-1 room occupancy or less (%)
England	20,451,427	1,457,512	7.13%	22,063,368	1,928,596	8.74%
North West	2,812,789	152,248	5.41%	3,009,549	187,816	6.24%
Sefton	116,846	5,594	4.79%	75,736	3,102	4.10%

Source: Census 2001 / Census 2011

- 5.35 The declining levels of overcrowding could be linked to the ageing population in Sefton 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.
- 5.36 In addition, the declining (and relatively low level of) overcrowding may be a function of low private rent in Sefton which, although slightly higher than the Merseyside average, is below neighbouring authorities such as Cheshire East and West Lancashire and also the national average. House prices are relatively high in Sefton when compared to the median house price across Merseyside but cheaper again than in other adjoining authorities outside of Merseyside.

Synthesis of Market Signals

- 5.37 Drawing together the individual market signals above allows us to build a picture of the current housing market in and around Sefton; the extent to which demand for housing is not being met; and the outcomes that are occurring because of this.

Sefton Housing Market Indicators – A Comparative Overview

- 5.38 It is clear from this analysis that the Sefton 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 with worse affordability and higher house prices than other authorities in Merseyside. In Sefton delivery figures have fallen each year since 2011 and, as a result of high levels of demolitions, the net delivery rate has failed to meet the 500 dpa RS target.
- 5.39 The peak in supply in 2007/08 in Sefton and subsequent decline broadly correlates with adverse market signals such as declining affordability and increasing median house prices. The rate of change of house prices has led to a worsening of affordability in Sefton although this has not been as pronounced as the Merseyside rate of change or the change seen nationally. With house prices the 82nd lowest in the country, resident-based incomes are likely to be a significant factor in the worsening affordability in Sefton. An increase in resident-based incomes would be expected to show noticeable improvements to affordability. There are signs of improving affordability already evident with the affordability ratio declining since 2006.
- 5.40 In order to draw meaningful conclusions regarding the extent to which such market signals indicate housing market stress in Sefton and a level of supply that is not meeting demand, the Practice Guidance suggests that comparison of both absolute levels and rates of change in such indicators should be made with similar areas and nationally. [§2a-020-20140306]
- 5.41 In this respect, Sefton 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 Sefton and / or have some connection through migration and commuting as described elsewhere in this report:
- | | | | |
|---|------------------|----|-----------------------------------|
| 1 | West Lancashire; | 6 | Cheshire East; |
| 2 | Liverpool; | 7 | Cheshire West and Chester [CWaC]; |
| 3 | Knowsley; | 8 | Warrington; |
| 4 | St Helens; | 9 | Halton; |
| 5 | Wirral; | 10 | Wigan. |
- 5.42 Table 5.5 compares Sefton's market signals against those of comparator areas.

Table 5.5 Comparison of Sefton Housing Market Signals

Rank	House Prices		Affordability Ratio (LQ House Price to LQ Earnings)		Rents		Land Prices	Overcrowding		Homelessness	
	Median (2013)	Change % (1998-2013)	Ratio 2013	Change (1998-2013)	Median Monthly Rent	Change % (Q2 2011-Q1 2013)	Resi Bulk Development Land (£ per ha)	% of Housing Over-Occupied	Change 2001-2011 (% points)	Incidence of homeless h'holds (2012/13)	Change (04/05-12/13)
1	England	Cheshire East	W Lancashire	Wirral	England	W Lancashire	Warrington	Liverpool	Liverpool	England	Warrington
2	Cheshire East	England	Cheshire East	England	CWaC	Warrington	CWaC	England	England	St Helens	W Lancashire
3	CWaC	Liverpool	CWaC	Warrington	Cheshire East	CWaC	England	Knowsley	Cheshire East	Halton	CWaC
4	W Lancashire	Wirral	England	W Lancashire	Sefton	Halton	Cheshire East	Halton	Wigan	Wigan	Cheshire East
5	Warrington	CWaC	Sefton	Halton	Knowsley	England	Wigan	St Helens	Wirral	W Lancashire	St Helens
6	Sefton	W Lancashire	Warrington	Liverpool	W Lancashire	Knowsley	Liverpool	Warrington	Warrington	Wirral	Sefton
7	Wirral	Warrington	Wirral	St Helens	Wirral	Cheshire East	Knowsley	Wigan	CWaC	Knowsley	England
8	Halton	Halton	St Helens	Sefton	Warrington	Sefton	Sefton	CWaC	St Helens	Warrington	Halton
9	Liverpool	Sefton	Wigan	Wigan	Halton	Wirral	~	Sefton	W Lancashire	Liverpool	Liverpool
10	Knowsley	St Helens	Halton	Knowsley	St Helens	Wigan	~	Wirral	Halton	CWaC	Wirral
11	St Helens	Wigan	Knowsley	~	Wigan	St Helens	~	Cheshire East	Sefton	Cheshire East	Knowsley
12	Wigan	Knowsley	Liverpool	~	Liverpool	Liverpool	~	W Lancashire	Knowsley	Sefton	Wigan

Worsening housing market outcomes

Improving housing market outcomes

Source: NLP analysis of VOA, CLG and ONS Statistics

- 5.43 The comparative assessment of market signals highlights the scale of housing market stress within Sefton. Although absolute house prices are lower in Sefton compared to West Lancashire and Cheshire East, they are significantly more expensive than the neighbouring Merseyside authorities of Liverpool, St Helens and Knowsley.
- 5.44 Affordability is relatively poor in the Borough compared to other Merseyside authorities although there have been some signs of improvement since 2006. The affordability ratio is currently around the national level, which is concerning in itself given that house prices are far lower in the Borough. Irrespective of the evidence of some improvement this is still of some concern, as Sefton is less affordable than neighbouring authorities in Merseyside. This masks considerable disparities across the Borough, with house prices many times higher in northern settlements such as Formby, compared to towns such as Bootle to the south.
- 5.45 As noted above, Sefton has also under-delivered housing when set against the previous adopted RS target of 500 dpa. As one of the key market signals, the Practice Guidance has the following to say regarding how past under-delivery should be factored into the establishment of full objectively assessed need:
- "Formation rates may have been suppressed historically by under-supply and worsening affordability of housing. The assessment will therefore need to reflect the consequences of past under-delivery of housing. As household projections do not reflect unmet housing need, LPAs should take a view based on available evidence of the extent to which household formation rates are or have been constrained by supply."* [§2a-016-20140306]
- 5.46 This is clarified further:
- "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-020-20140306]
- 5.47 In terms of the role that other key market indicators should have on the degree of uplift necessary for Sefton, average rents are stable but relatively high in Sefton. Sefton performs around mid-table when considering rental prices and the rate of change. It is of note that when compared to other local authorities in Merseyside, Sefton has high median rents but when compared with neighbouring authorities outside Merseyside, Sefton could be considered to be a relatively cheap location.
- 5.48 The market signals provide an indication of demand and suggest that although certain market signals are improving in Sefton, there needs to be further improvement in affordability within Sefton. Even though they are at a relatively low level at present (certainly when compared to the national rate) there is a requirement to stabilise the increasing house prices. However, since 2006 house prices have begun to stabilise/decline in Sefton. House prices in 2013 were approximately £10,000 cheaper than in 2006, although it is likely that more recent data will have seen an increase in line with national trends as the

economy continues to recover. In particular, the Borough has under-delivered housing (by 1,245 dwellings 2003-2014, or 962 dwellings 2003-2012) when set against the RS target.

- 5.49 2011 Census data collected for concealed households indicates that there were 1,174 concealed households in Sefton in 2011. This represented an increase in the 956 concealed households recorded in the 2001 Census. Caution should be taken in comparing the two as they were based on slightly different criteria, with the 2011 data being restricted to 'families', and therefore excluding, for example, young, single, adults living in the family home.
- 5.50 These concealed households are real people who are currently living in Sefton in sub-optimal housing conditions and who will wish to move and create new housing when market conditions allow. This suggests a return to accelerated partial catch up headship rates would be appropriate as these are the people who will be 'released' into the market when affordability indicators improve.
- 5.51 In terms of how this uplift should be quantified, it would appear sensible to make suitable provision to address the past under-delivery of housing in Sefton. This would equate to around 960 dwellings, or 53 dpa, over the course of the plan period to 2030. This would meet needs that have been suppressed within the existing demographic characteristics of the Borough, and therefore would only meet change within the existing population (such as allowing concealed households to 'emerge').

Conclusion

- 5.52 The extent to which the demographic 'starting point' for identifying full objectively assessed need for housing (i.e. the CLG's household projections) needs to be boosted to address market signals is necessarily an area of judgement. 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.
- 5.53 In summary it is considered that some upward adjustment could be necessary relative to adjoining areas (notably elsewhere in Merseyside), particularly because of the under-delivery of housing in recent years. However, the scale of adjustment to housing supply over and above demographic-led projections at this time would be moderate, in line with the Practice Guidance.
- 5.54 It is NLP's judgement that in this instance, market signals suggest that an uplift above and beyond the 562 dpa of the baseline 'accelerated partial catch up' headship rates (Scenario Bd) to around 615 dpa would be appropriate. This increase is slightly below 10%, which appears reasonable in order to plan positively for growth; to address worsening market signals; improve affordable housing issues; and address the consequences of past under-delivery. The extent of the uplift is approximate to the 53 dpa backlog. This is necessary to meet needs that have been suppressed within the existing demographic characteristics of the Borough, and therefore would assist in meeting change

within the existing population such as allowing concealed households to 'emerge'.

6.0 Modelling Housing Need

Introduction

- 6.1 Taking forward the methodological approach outlined in detail in the 2011 HEaDROOM report and subsequent 2012 Update, the HEaDROOM framework was adapted to take into account the requirements of the NPPF and the Practice Guidance. The following changes differentiate the scenarios requested by Sefton Council from the previous reports:

Demographic-led Projections:

- a **CLG Household Projections** – incorporating the 2011-based interim CLG household projections to derive household growth (399 households per annum in Sefton), plus the application of the latest vacancy rates for the Borough to convert households to dwellings.
- b **Updated PopGroup Baseline:** This scenario models demographic changes based on recent trends in Sefton. The updated scenario uses the same broad approach as for the previous baseline (Scenario A in the 2011 report and Scenario 1 in the 2012 update), but incorporates the 2011-based CLG household forecast headship rates and 2012-based SNPP ONS population projections. It has been assumed that post 2021, the 2008-based headship rates are applied (the ‘index’ approach).

Other differences include a base date of 2012 rather than 2010/2011; an extension of the end of the Plan period to 2030/2035 rather than 2027/32; and changes to the commuting, economic activity and unemployment rates to reflect the latest data from National Online Manpower Information System [NOMIS].

Sensitivity Tests (not previously modelled). Headship rates simply refer to the likelihood of a person of a particular age and sex forming a head of a household:

- i **Scenario Ba: Static Headship Rates** – A scenario which incorporates the ONS / CLG inputs of Scenario A to provide a projection to 2021; after this time, the 2021 headship rates are held constant;
- ii **Scenario Bb: Trend Headship Rates** – As above, although post-2021 the CLG 2011-based household projection trends are continued on a linear basis;
- iii **Scenario Bc: Partial Catch-Up Headship Rates** – As above; change post 2021 is targeted to partially achieve (by around half, as suggested by the Alan Holmans TCPA work³² referenced in Section 3.0) the CLG 2008-based Household Projections end-rates by 2033;

³²Alan Holmans (2013): TCPA Tomorrow Series Paper 16: New Estimates of Housing Demand and Need in England 2011 to 2031

- iv **Scenario Bd: Accelerated Partial Catch Up Headship Rates** – As the Partial Catch Up, but begins to accelerate headship rates from 2016 rather than 2021 to reflect the economic recovery. This is particularly relevant for Sefton as it is likely that the slowdown in household formation rates in recent years is more likely to have been due to the economic downturn rather than immigration (as a relatively low proportion of Sefton’s residents moved into the area from abroad between 2001 and 2011);
 - v **Scenario Be: Catch Up Headship Rates** - As above; change post 2021 is targeted to achieve the CLG 2008-based Household Projections end-rates by 2033 (the end date of the projections);
 - vi **Scenario Bf: Reducing the Vacancy Rate** – Whereby the number of empty homes brought back into use in Sefton is increased over the course of the plan period in line with policy aspirations. Currently at 4.63% of all dwellings in the Borough as of April 2014 (including 0.294% second homes), this would be gradually reduced by 2030 to 4.294% (4.0% vacancy, plus 0.294% for second homes);
 - vii **Scenario Bg: Trended Economic Activity Rate** – Whereby the economic activity rate is accelerated between 2011 and 2030 on the basis of the annual rate of increase achieved in Sefton Borough between the 2001 and 2011 Censuses.
- c **Natural Change** – Where in and out-migration is reduced to zero, hence growth is driven purely by natural change, or the interaction between births and deaths – as before;
 - d **Zero Net Migration:** whereby the annual international and domestic migration flows under the baseline scenario are equalised to result in a net migration of zero (i.e. an identical number of people move into the area as leave the Borough) – as before;

Employment-led Projections:

- e **Baseline Experian Job Growth** – A ‘policy-off’ trend scenario based upon Experian’s local area based econometric model for June 2014. This provides potential unconstrained employment growth (workforce jobs) in Sefton Council of 6,114 between 2012 and 2030³³;
- f **Local Enterprise Partnership [LEP] Job Growth Baseline** – A ‘policy-off’, predominantly trend-based scenario based upon the Liverpool LEP’s local area based econometric model. This does not take into account known investment/significant development projects in the Borough. This provides potential unconstrained employment decline (total jobs) in Sefton Council of -2,500 between 2012 and 2030;
- g **LEP Job Growth ‘Policy On’** – A ‘Policy On’ scenario based upon the Liverpool LEP’s local area based econometric model, whereby known

³³ Experian’s local authority forecasting model is run separately for LAs in each region and takes the regional forecast as given. Accordingly, local forecasts are constrained to the regional forecasts of the parent region. Experian’s local model is based on the resolution of demand and supply for labour and takes into account commuting between local areas.

projects and growth opportunities are factored into the model, boosting job growth. This provides potential unconstrained employment growth (total jobs) in Sefton Council of +900 between 2012 and 2030;

- h **Constant Labour Supply** - This explores the resulting housing requirements of Sefton if a hypothetical situation were to arise whereby the current local labour supply in the Borough remains constant to 2030/2035;
- i **Past Trends Job Growth:** A scenario which projects forward recent past trends in job growth in Sefton Borough. Based on ONS Job Density data, around 13,000 jobs were lost in Sefton Borough between 2000 and 2012, at an annual rate of around 1,080 job losses annually. This rate of losses was projected forward over the remainder of the plan period as a worst case scenario.

Reality Checks³⁴:

- j **Past delivery rates:** The rate of delivery of dwellings provides a proxy for realisable demand for housing development within Sefton and provides an indication of what might be delivered going forward. Based on long term paper records and Housing Flows Reconciliation [HFR] returns, Sefton Council estimate that the total net new build annual average figure for the Borough as a whole over the long term between 1981/82 and 2013/14 has been **463 dpa** (586 dpa gross). This was projected forward to 2030/2035 on a pro-rata basis.

6.2

The following scenarios were originally modelled by NLP before the publication of the NPPF, whereupon it clearly became apparent that the use of supply-led scenarios to inform the objectively assessed need for housing in the Borough would be non-compliant (i.e. they would include supply-side constraints to the definition of the full objectively assessed need for housing range, which according to the NPPF is no longer appropriate). The results of the modelling exercises for these scenarios have been included in Appendix 2 to allow comparisons to be made with the previous HEaDROOM analysis.

- k **Updated urban containment option:** This supply-led scenario comprises a variation on the baseline model which constrains the housing supply at a given level (at around **4,530 additional units**, up from the 3,845 units modelled previously) from 2012 to 2030, based on the availability of deliverable and developable brownfield sites in Sefton Council's SHLAA;
- l **Local Plan Preferred Option:** This supply-based scenario presents the demographic and economic implications of providing the level of housing identified in the latest Sefton Local Plan Preferred Option. This is equal to 10,700 dwellings, or **594 dpa**, over the 18 year plan period.

³⁴ Linking the theoretical modelling back to actual delivery and using this as a proxy

Scenarios – Assumptions and Approach

6.3

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 future projected TFRs and SMRs through PopGroup;
- b The 2011 and 2012 population figures (by age cohort) are **constrained** to align with the latest 2011-based and 2012-based mid-year population estimates for the Borough;
- c Inputs on **headship (effectively household formation) rates** (using the CLG 2011-based household forecast headship rates up to 2021, and the 2008-based rates after this time, sensitivity tests excepted). The method of using 2008-based rates after 2021 is explained in Section 3.0 and is referred to as the 'index' approach;
- d In Sefton (as in any area), it is expected that housing **vacancies and second homes** will result in the number of dwellings exceeding the number of households. In establishing future projections, it is likewise expected that the dwelling requirement will exceed the household forecast. Hence a vacant and second homes rate of 4.63% is factored into the model for all the scenarios (with the exception of Scenario Bf, which examines the implications of reducing/increasing the vacancy rate over time);
- e To calculate the **unemployment rate** for Sefton Council, NLP took the January-December 2012 NOMIS (modelled) unemployment figure (8.5%) to equate to 2012 and the equivalent 2013 figure (8.4%) to equate to 2013. NLP held the 2013 figure constant for 2014 and 2015 to reflect initial stabilisation at the current high rate, and then gradually reduced the rate on a linear basis to the long term average (04-13) of 7.22% over a five-year time frame. This figure was then held constant to the end of the forecasting period on the grounds that this is a better reflection of the long-term trend than the current high rate;
- f 2011 Census **Economic Activity Rates** used for each age cohort to equate to 2010 and 2011 economic activity profile for Sefton Borough. From 2012 onwards, an adjustment has been made to reflect the changes to the State Pension Age; the propensity for people to live longer and retire later; and the growth of part time opportunities amongst other challenges. The NLP approach mirrors that put forward by Kent County Council in their Technical Paper: "*Activity Rate projections to 2036, Research and Evaluation, Business Strategy and Support*" (October 2011). The increase in rates, which is most pronounced for women over the age of 60 and males between the ages of 65-69, are gradually increased from 2012 onwards up to 2020, whereby they are held constant across the remainder of the forecasting period;

- g It has been assumed that the **commuting rate** remains static with no inferred increase or decrease in commuting levels. According to the 2011 Census, this equated to a rate of 1.1853 (i.e. more people commute out of Sefton than commute in on a daily basis).
- h There will also be an additional driver to growth in household formation due to the **strong trend towards smaller average household sizes** nationally.

6.4 Where scenarios have been demographically modelled, a full schedule of the assumptions and inputs underpinning each one is contained within Appendix 1, and the outputs from the modelling are contained within Appendices 2 and 3.

Modelling Results

Demographic-led Scenarios

6.5 The demographic scenarios use components of population change (births, deaths and migration) to project how the future population, their household composition, and consequently their requirements for housing, will shift in the future. It also projects the proportion of the population who will be economically active and will support employment growth. The headline results for each scenario for the period 2012 to 2030/2035 are outlined below.

Scenario A – 2011 CLG (Interim) Household Projections

6.6 This scenario takes the latest national population and household projections at face value and projects the average annual increase forward beyond 2021 to the end of the plan period. This scenario does not incorporate the projections into the PopGroup model.

6.7 The 2011-based (interim) SNPP indicates that the population of Sefton will increase by 2,700 residents, to 276,800, between 2012 and 2021, equivalent to an increase of 300 people per annum. The (interim) 2011-based CLG household projections for the same base year translate this into an increase in households by 3,993 to 121,881 over the period 2011-21 (399 dpa). Taking into consideration the vacant / second home rate (4.63%), this would result in a requirement of 419 dpa.

Scenario A:

Sefton 2012-2030/2035: 419 dpa

Scenario B – 2012 SNPP Baseline

6.8 The baseline scenario is predicated upon the rates of projected migration, births and deaths in Sefton identified within the ONS 2012-based SNPP and the 2011-based (interim) household projections.

- 6.9 Under this scenario the population of Sefton is projected to increase by 4,961 residents over the period 2012 to 2030, and by 5,866 to 2035. The former figure consists of 10,611 additional residents from net migration countered by a substantial decline in natural change (-5,650). The growth in migration is primarily driven by domestic rather than international migration, with the former contributing a net increase of 7,333 residents to 2030, and the latter 3,278 (net). As noted in Section 3.0, this is a much lower level of population growth than underpins the 2011 and 2010-based previous SNPPs, although the 2008-based SNPP (upon which the equivalent CLG long term household projections are based) actually had a negative population growth of -5,000 between 2012 and 2030.
- 6.10 The associated increase in households in Sefton is projected to reach 8,614 by 2030, and 10,051 by 2035.
- 6.11 However, it is important to put this in context and to note that the baseline demonstrates that there will be a significant shift in the Borough's demographic profile if trends continue over the Plan period. This specifically relates to the ageing population and the steep decline in the number of residents of working age. Between 2012 and 2030, the number of residents aged between 18 and 59 (female) and 18-64 (Male) is forecast to fall by 16,635 residents, or -11.%. In contrast, the number of residents over the age of 65 is projected to increase by 21,119, or 35.7%. Even more strikingly, the number of residents over the age of 85 is projected to increase by 6,404, or 81.1% by 2030.
- 6.12 As a result, despite the substantial increase in the population, this scenario would actually result in a big reduction in the labour force, of -9,572 people to 2030. Due to the fact that unemployment rates are likely to fall in the coming years as the economy recovers, this translates into a lower rate of decline in jobs, equal to 6,052 over the 18-year plan period. Ultimately this scenario would generate a need for 9,033 additional dwellings, or 502 dpa. This compares with the equivalent (2011-based SNPP) PopGroup Baseline model run figure of 747 dpa (over the slightly different time period of 2011-31) in the previous 2012 Update.

Scenario B:

Sefton 2012-2030: 502 dpa

Sefton 2012-2035: 458 dpa

Scenarios Ba – Be – Sensitivity: Headship Rate Adjustments

- 6.13 There are specific issues with regards to the headship rates used to underpin the latest 2011-based interim household projections, not the least of which is the fact that headship rates are only provided over the period 2011-21. To demonstrate the extent to which NLP's 'index' approach (see Section 3.0) that underpins Scenario B represents a reasonable compromise, a variety of sensitivity tests were modelled using higher / lower household representation post 2021 as illustrated in Table 6.1.

- 6.14 The data indicates that the indexed household representation rates scenario sits roughly midway between the static and trend headship rates at the lower end of the range, and the partial catch up / accelerated partial catch up headship rates scenarios. However the most optimistic approach, the catch up headship rates scenario, is more than 40% higher than the indexed approach.

Table 6.1 Modelling Scenarios Varying Household Representation Rate assumptions post 2021

Dwelling Change	Sefton			
	2012-2030	dpa	2012-2035	dpa
PopGroup Baseline (Index)	9,033	502	10,539	458
Static Headship Rates	7,481	416	8,955	389
Trend Headship Rates	7,351	408	8,695	378
Partial Catch Up Headship Rates	9,866	548	12,370	538
Accelerated Partial Catch Up Headship Rates	10,113	562	12,370	538
Catch Up Headship Rates	12,370	687	16,045	698

Source: NLP PopGroup Modelling

Index = Annual change for 2021 to 2030 from CLG 2008-based Household Projections

Static = Constant 2021 rate applied for each year post-2021

Trend = CLG 2011-based household projection trend on a linear basis post 2021

Partial Catch Up = Change post 2021 is targeted to end at a point halfway between the CLG 2011-based end rates trend and the CLG 2008-based Household Projections Catch Up end rates by 2033 (High Rate)

Accelerated Partial Catch Up = As for Partial Catch Up, although change begins earlier in 2016.

Catch Up = Change post 2021 is targeted to achieve CLG 2008-based Household Projections end rates by 2033 (High Rate)

- 6.15 In terms of the merits of the four approaches to headship rate assumptions post 2021, recent Inspectors' reports at Local Plan Examinations in Public have tended to lend weight to the soundness of the 'indexed' approach, with examples provided in Appendix 1. Furthermore, the recent PAS Technical Advice Note on Housing Need³⁵ also concludes that the index approach is the most appropriate to use until the 2012-based SNHP are provided (with the South Worcestershire example included in Appendix 1 of this report):

"It is a matter of judgment whether, and how soon, household formation will return to its pre-recession long-term trend. The forthcoming CLG 2012 projections will take a view on this, which will become the new standard. Meanwhile, local authorities and others that create their own projections need to take a view about HRRs. Useful guidance has been provided by the Inspector examining the South Worcestershire Development Plan.

In line with the Cambridge research quoted above, the Inspector advised that up to 2021 to assess housing need the plan-makers should use the interim 2011-based assumptions. Thereafter they should assume that rates of change in HRRs ('headship rates') should return to the earlier trends, as projected in CLG 2008. This method is known as 'indexed' or 're-based'. It assumes that after 2021 headship rates return to the pre-recession rates of

³⁵ Peter Brett Associates on behalf of PAS (June 2014): *Objectively Assessed Need and Housing Targets – Technical Advice Note*

change used in the CLG 2008 projection. But they do not catch up with the levels in CLG 2008. In other words, the pre-recession trends are interrupted by the recession and resume after a long pause.

While we await CLG 2012, housing needs assessments should consider demographic scenarios based on the 'indexed' method" [§5.25-§5.27]

- 6.16 As for the remaining two scenarios, the static headship rates sensitivity test, which keeps the 2021 rates constant to the end of the plan period, is not robust as it is highly unlikely that the long term trend towards smaller household sizes across the country will suddenly halt. Similarly, the 'trend' headship rate sensitivity test, which applies the 2011-based rates on a linear basis post 2021, is also questionable, as it risks perpetuating the recent negative outcomes associated with constraints on housing availability and affordability.
- 6.17 However, as discussed in detail in Section 3.0, and based on the Holmans paper, it is considered that in the context of Sefton and the relatively low proportion of international immigrants that have made up the Borough's population growth since 2001, the partial catch up and in particular the accelerated partial catch up approaches to household formation would also have considerable merit alongside the index approach as the most defensible 'starting points' for defining housing Objectively Assessed Need.

Scenario Bf – Sensitivity: Vacancy Rate Adjustments

- 6.18 A further sensitivity test has been applied that seeks to model the implications of varying the levels of vacant units / second homes in the Borough. Hence instead of the 4.63% rate used to underpin the other scenarios, a sliding scale of gradually reducing this rate down (to 2030) was explored. All the other assumptions remained the same. The various iterations are reproduced in Appendix 2. The Council's target of reducing the vacancy rate down to 4.0% (plus 0.294% second homes) is reproduced in the Table below, utilising both Index and partial catch up headship rates for comparison.
- 6.19 Whilst the population, jobs and household growth forecasts remain constant, the dwelling requirement decreases from 502 dpa under the Baseline Index (4.63%), to 476 dpa once the vacancy rate is reduced to 4.29%.

Table 6.2 Modelling Scenarios Varying Household Representation Rate assumptions post 2021

Dwelling Change	Sefton			
	2012-2030	dpa	2012-2035	dpa
B. PopGroup Baseline (Index -4.63%)	9,033	502	10,539	458
<i>Bf. Reduced Vacancy Rate to 4.294%</i>	<i>8,560</i>	<i>476</i>	<i>10,061</i>	<i>437</i>

Source: NLP PopGroup Modelling

Scenario Bg – Sensitivity: Trend Economic Activity Rates

- 6.20 A final sensitivity test has been applied that seeks to model the implications of adjusting the economic activity rates in the Borough over the period 2012 to 2030 on the basis of past trends (and specifically the rate of change achieved for individual age cohorts between the 2001 and 2011 Censuses). All the

other assumptions remained the same. As such, the population, household and dwelling growth projected under the Baseline Index Scenario (B) are identical. The change relates to the number of economically active residents.

- 6.21 The growth in the number of economically active residents in Sefton Borough was very strong in many of the age cohorts between 2001 and 2011. As can be seen in Table 6.3, growth was particularly high in the older age categories of 55-69, most notably for females.

Table 6.3 Economic Activity Rates by Age Cohort in Sefton (2001/2011)

	Males		Females	
	2001	2011	2001	2011
15-19	42.0%	38.6%	42.4%	40.8%
20-24	84.7%	84.8%	74.3%	80.2%
25-29	88.5%	90.9%	74.6%	82.8%
30-34	89.1%	89.8%	73.6%	80.6%
35-39	89.4%	88.6%	74.2%	81.0%
40-44	87.4%	89.1%	76.4%	83.0%
45-49	84.7%	89.2%	76.4%	83.1%
50-54	79.8%	85.0%	69.1%	78.6%
55-59	66.9%	76.1%	54.1%	68.4%
60-64	43.0%	54.1%	22.6%	35.7%
65-69	11.5%	22.0%	6.8%	15.0%
70-74	5.7%	6.6%	3.1%	3.6%
75-79	5.7%	6.6%	3.1%	3.6%
80-84	5.7%	6.6%	3.1%	3.6%
85+	5.7%	6.6%	3.1%	3.6%

Source: 2001 Census / 2011 Census

- 6.22 Trending this incremental level of change on a pro-rata basis over the plan period has no impact on the level of homes required when compared to the Baseline, but has a profound impact on the number of jobs that the Borough could support, which instead of decreasing by 6,052 by 2030, would actually increase by 7,477 as a result. Although the rate of change in economic activity rates suggested by these projections is unlikely to be maintained into the long term even allowing for the forthcoming changes to the pension age³⁶, it is nevertheless a useful comparator.

³⁶ To take one example, given the strong growth between 2001 and 2011, the proportion of females aged between 25-29 who become economically active would rise to 100% by the end of the plan period if current growth continued at a constant rate, which is clearly highly unlikely. Economic activity rates for this and other age cohorts where similar increases approached 100% have been capped at 98% for the purpose of this sensitivity test.

Table 6.4 Modelling Scenarios Varying Household Representation Rate assumptions post 2021

	2012-2030	dpa	Jobs	2012-2035	dpa	Jobs
B. PopGroup Baseline	9,033	502	-6,052	10,539	458	-7,082
Bg. Baseline Trend Economic Activity Rate	9,033	502	+7,477	10,539	458	+9,017

Source: NLP PopGroup Modelling

Scenario C – Natural Change

- 6.23 This scenario examines the consequences of stripping out all the migration both into and out of Sefton over the Plan period. As a consequence, the only population growth that can be generated results from the interaction of births and deaths (i.e. natural change).
- 6.24 By removing all migration inputs, the population in Sefton is forecast to decrease by 3,732 residents between 2012 and 2030. However, due to social changes and declining household size, this still equates to a certain level of household growth, of 3,693 over the same time period, or 3,872 dwellings (215 dpa). Under this scenario, the workforce will decline significantly, by 12,153 over the plan period whilst the number of jobs based in the Borough would fall by 8,072. This demonstrates the extent to which Sefton's future growth prospects are very much influenced by net inward migration, particularly in key demographic groups including those of working age.
- 6.25 Ultimately this scenario would generate a need for 3,872 additional dwellings, or 215 dpa to 2030.

Scenario C:

Sefton 2012-2030: 215 dpa

Sefton 2012-2035: 172 dpa

Scenario D – Zero Net Migration

- 6.26 The Zero Net Migration Scenario represents the population impacts of equalising migration (i.e. ensuring that the number of international and domestic migrants coming into the Borough equals the number moving out). Thus whilst in the short term the population is unchanged from the natural change scenario, the profile of the population changes over time due to the different demographic characteristics of in-migrants and out-migrants.
- 6.27 As with the Natural Change approach, this scenario would lead to a population decline (albeit of a lower level) of 888 people over the period 2012-2030; an increase in households of 3,133; and a commensurate increase in dwellings of 3,285, or 182 dpa. As this is lower than the natural change scenario despite the greater number of residents, this suggests that the household size of those moving into the area is larger than those leaving (and / or vice versa). Extending the time period to 2035 would further reduce the requirement as the difference between deaths and births widens.

- 6.28 Both this Scenario and Natural Change Scenario C (above) are unrealistic as it is impossible to restrict migration to/from the Borough - thus the scenarios present hypothetical 'what if' scenarios that demonstrate the importance of migration to the Borough's future economic growth prospects.

Scenario D:

Sefton 2012-2030: 182 dpa

Sefton 2012-2035: 153 dpa

Employment-Led Scenarios

- 6.29 A series of employment led scenarios have also been identified to assess how much additional housing may be needed, if any, to take account of economic growth, over and above demographic needs.

- 6.30 There is a complex set of issues involved in matching labour markets and housing markets (with different occupational groups having a greater or lesser propensity to travel to work). However, there are some simple calculations that can explore the basic alignment of employment, demographic and housing change, notably the amount of housing needed to sustain a given labour force assuming certain characteristics of commuting and employment levels.

- 6.31 Ensuring a sufficient supply of homes within easy access of employment opportunities represents an important 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 E – Experian Baseline Job Growth

- 6.32 This comprises a 'policy-off' trend based-scenario using Experian's 'policy off' Regional Planning Service (RPS) model, which is an economic forecasting service that provides comprehensive coverage of the UK economy and its constituent regions and counties. The data provided covered the period from 2012 to 2030.

- 6.33 Experian employment projections reflect the unconstrained potential of an 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 determining future growth, particularly with regards to growth forecasts associated with individual sectors.

- 6.34 This represents an estimate of how Sefton's economy could perform in the future. It therefore presents an objective forecast of how this part of Merseyside could perform based on the nature of its economy and current expectations of national and regional economic performance.

- 6.35 In the wake of job losses / gains between 2011 and 2012 (which have already happened), the job growth scenario has incorporated the 2011 and 2012 Mid-Year Population Estimates and used annual projected job growth figures thereafter. For Sefton, the projected job growth in Experian's June 2014 model is 6,114 between 2012 and 2030.
- 6.36 To sustain this level of additional jobs in Sefton would require an increase in the number of economically active residents by 5,970, equating to 33,969 additional residents 2012-2030. This in turn would require an increase of 19,259 households and 20,194 dwellings, equivalent to 1,122 dpa.

Scenario E:

Sefton 2012-2030: 1,122 dpa

Sefton 2012-2035: 1,021 dpa

Scenario F LEP Job Growth Baseline; Scenario G: Local Enterprise Partnership Job Growth 'Policy On'

- 6.37 From the forecasting work undertaken by the Local Enterprise Partnership [LEP] for the Local Growth Plan submission to Government, Sefton Council has access to baseline (i.e. essentially trend-based projections that do not take into account significant development projects or growth policies) and 'Policy-On' scenario forecasts for employment and GVA growth in the Borough over the period to 2030.
- 6.38 The 'policy-on' scenario figures relates the potential for job creation through the enablement of key employment sites across the Liverpool City Region that were included in the Local Growth Plan. Oxford Economics, who provided the forecasting figures, modelled two sets of 'policy-on' figures: 'gross' job outputs and 'net' job outputs, with the latter taking into consideration the effects of displacement. For the purposes of the modelling we have used the 'net' rather than 'gross' forecasts as this better reflects the 'true' level of additional jobs likely to be created.
- 6.39 The baseline LEP job growth projection suggests a decline in jobs between 2012 and 2030 of -2,500, whilst the 'Policy On' projection is rather more optimistic, at +900 over the same time period. To underpin these changing job forecasts in Sefton, there would need to be an increase in the population by 13,518 and 21,990 for the LEP baseline and 'Policy On' scenarios respectively, and of households by 11,771/14,989 between 2012 and 2030. This would equate to a dwelling requirement of 12,343 under the LEP baseline (or 686 dpa), and 15,717 dwellings (or 873 dpa) under the LEP's (net) 'Policy On' analysis.
- 6.40 Both scenarios represent realistic estimates of how the Borough's economy may perform in the future. It therefore presents an objective forecast of how this part of Merseyside could perform in economic terms.

Scenario F:

Sefton 2012-2030: 686 dpa

Sefton 2012-2035: 619 dpa

Scenario G:

Sefton 2012-2030: 873 dpa

Sefton 2012-2035: 776 dpa

Scenario H – Job Stabilisation

6.41

A further employment-led scenario examined the number of dwellings necessary to sustain a broadly neutral level of job growth from 2012 to 2035. Such an outcome would result in Sefton’s population increasing by 19,211 residents by 2030; the number of households by 13,782; and the number of dwellings by 14,451 (or 803 dpa). The job stabilisation scenario is therefore higher than the baseline Scenario A, which forecasts a decline in the number of jobs over time.

Scenario H:

Sefton 2012-2030: 803 dpa

Sefton 2012-2035: 755 dpa

Scenario I – Past Trends Job Growth

6.42

The final employment-led scenario projected forward recent past trends in job growth in Sefton Borough. Based on ONS Job Density data, around 13,000 jobs were lost in Sefton Borough between 2000 and 2012, at an annual rate of around 1,080 job losses annually. This rate of losses was projected forward over the remainder of the plan period as a worst case scenario (i.e. 19,440 jobs are lost over the 18-year plan period).

6.43

Such an unsatisfactory outcome would result in Sefton’s population declining by 27,045 residents by 2030; the number of households by 3,246; and the number of dwellings by 3,403 (or -189 dpa).

Scenario I:

Sefton 2012-2030: -189 dpa

Sefton 2012-2035: -267 dpa

Policy / Supply-Led Scenarios

- 6.44 The policy / supply led scenario tests the implications of delivering a certain level of development (i.e. a set number of dwellings) based on the given parameters of various scenarios.
- 6.45 We recognise that the Objective Assessment of Need cannot be founded on supply led scenarios as per the Practice Guidance, but they nevertheless remain useful comparators with the previous demographic and employment-led approaches and also the modelling results from the previous HEaDROOM report and the 2012 Update.

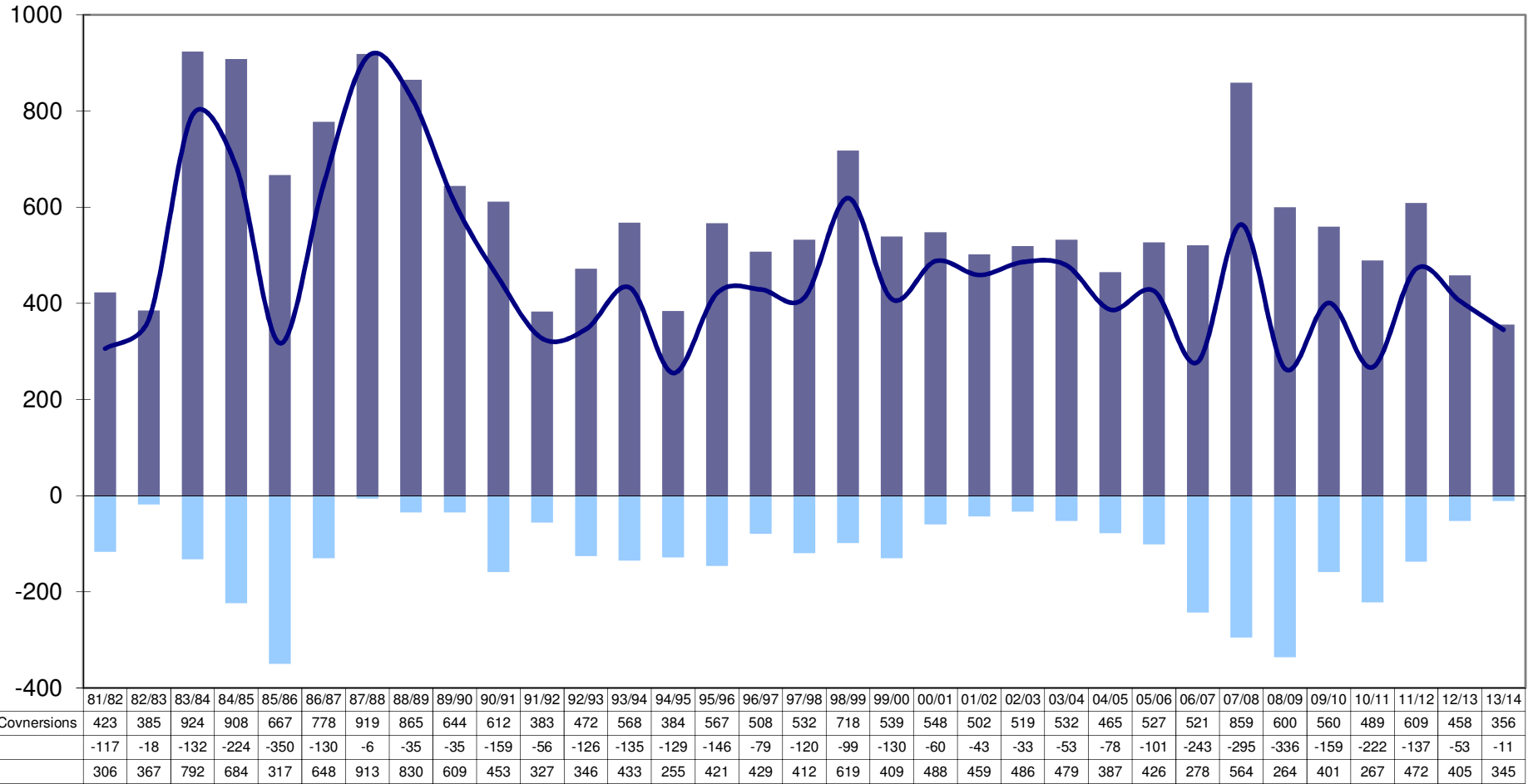
Scenario J – Past Delivery Rates

- 6.46 Figure 6.1 indicates that past net completions in Sefton have averaged 463 dwellings (net) per annum over the past 33 years, stretching back to 1981-82³⁷. Since 2003/04 (which aligns with when the North West RS came into force), net delivery rates were much lower, at 390 dpa, in part due to very high levels of demolition associated with the HMR programme between 2006/07 and 2010/11.
- 6.47 As noted in the previous HEaDROOM reports, past delivery rates were restricted by Policy H3 of the Sefton UDP, which applied a housing restraint mechanism when the number of homes built exceeded Sefton's target by 20% over a three-year period. The housing restraint mechanism which applied a housing restraint mechanism (apart from Bootle, Litherland, Netherton, Seaforth and central Southport) was relaxed in December 2008, having been in operation since June 2003³⁸.

³⁷ For the period 04/05 to 11/12 and on review there was a historical under recording of demolitions and this affects the net completion figures for those years

³⁸ The relaxation was due to the recently published Regional Spatial Strategy for the North West increasing the housing target for Sefton from 350 a year to 500 a year from 2003 to 2021 (the former a maximum figure, the latter a minimum figure), meaning that there no longer was an over-supply of new housing compared to the housing target.

Figure 6.1 Sefton Long Term Housing Data – Completions/Conversions



Source: Based on data provided by Sefton Council Officers 2012

- 6.48 Following consistently high delivery rates in the 1980s, development dropped off in the 1990s and into the 2000s, with a notable exception comprising a peak of 859 new dwellings built/converted in 2007/08 despite the policy of housing restraint. It is understood that this was primarily due to the large pool of historical planning permissions which the Council could not control the delivery of (i.e. when the housing would be built out).
- 6.49 In this regard, looking at a 33-year build rate period allows consideration of typical build rates over several economic cycles; the 463 dpa long term average figure sits between the supply-led housing constraint scenarios and zero-net migration figures at the bottom end, and the unconstrained demographic and economic scenarios at the top end.

Scenario J:

Sefton 2012-2030/2035: 463 dpa

Scenario K – Updated Urban Containment Scenario

- 6.50 This supply-led scenario comprises a variation on the baseline model which constrains the housing supply at a given level (at around 4,530 additional units, up from the 3,845 units modelled previously) from 2012 to 2030, based on the availability of deliverable and developable brownfield sites in Sefton Council's SHLAA.
- 6.51 Whilst not forming part of the full objectively assessed need for housing debate, this scenario demonstrate that if the number of homes delivered were to be restricted to just 4,530 between 2012 and 2030, the local population would conceivably decline by around 6,600, whilst the number of economically active residents would fall by 15,854. This would be associated with job losses in the order of 10,970.

Scenario K:

Sefton 2012-2030: 252 dpa

Scenario L – Draft Local Plan Preferred Option Scenario

- 6.52 This supply-based scenario makes provision for the Preferred Option housing target of 10,700 in the Draft Sefton Local Plan. At around 594 dpa over the 18-year plan period to 2030, this scenario has been modelled to demonstrate the population, household and economic implications of delivering this level of housing.
- 6.53 Again, whilst not forming part of the full objectively assessed need for housing debate, this scenario demonstrates that if the number of homes delivered were to total 10,700 between 2012 and 2030, the local population would conceivably increase by 9,300, whilst the number of economically active residents would still fall by 7,389. This would be associated with job losses in the order of - 4,344.

Scenario L:

Sefton 2012-2030: 594 dpa

Summary

- 6.54 The Scenarios indicate a wide range of housing requirements for the period 2012 to 2030, based upon different indicators of what the need for housing within Sefton could be. These are summarised in Table 6.5.
- 6.55 As discussed above, projected dwelling requirements range from a low of -189 dpa (based on the Past Trends Job Growth Scenario I) to a high of 1,122 dpa (Experian Job Growth Scenario E). The PopGroup Baseline Scenario B (based on the Index approach to household formation post 2021) suggests a need for around 502 dpa to 2030. This is substantially lower than the equivalent Baseline Scenario in the 2012 Update, which at 747 dpa reflected the fact that this was underpinned by the significantly higher 2010-based SNPP, than the latest 2012-based SNPP. The 502 dpa is higher than the 419 dpa indicated by the 2011-based CLG Household Projections, which CLG considers to be the 'starting point' for identifying the full objectively assessed need for housing.
- 6.56 In general, if Sefton were to achieve a reduction in the number of vacant dwellings (from 4.63% of the total housing stock to, say, 4.29%), this would reduce the average annual requirement by around 26 dpa.
- 6.57 It is apparent that the supply-led scenarios in particular sit well below the long term housing delivery rate of 463 dpa and also the 500 dpa former RS figure, whilst four of the five economic scenarios E to I are well above these two benchmarks.
- 6.58 The wide variation in the demographic-led scenarios is primarily attributable to the different scales of net migration each one assumes. Each of these scenarios represent a different estimate of future migration, which is based upon observed past migration trends over different time periods.
- 6.59 Whilst the scale of household growth is variable depending on the scenario adopted, the above represents broad trends in household formation for the Borough which underpin all of the scenarios, with a rise in smaller households, largely driven by an ageing population and a substantial reduction in the number of economically active residents in the key 15-64 age cohorts.

Table 6.5 Summary of Updated Sefton Scenarios 2012-2030

	Natural Change	Net Migration	Population Change	Dwelling 2012-2030	Dwelling Change p.a.	Job Growth
A. CLG 2011 Household Projections		-		7,536	419	-
B. Baseline 2012 SNPP				9,033	502	
Ba. Baseline – Static				7,481	416	
Bb. Baseline – Trend				7,351	408	
Bc. Baseline – Partial Catch Up				9,866	548	
Bd. Baseline – Accelerated Partial Catch Up	-5,650	10,611	4,961	10,113	562	-6,052
Be. Baseline – Catch Up				12,370	687	
Bf. Baseline + 4.294% Vac (index)				8,560	476	
Bg. Baseline + Trend Ec. Activity Rate				9,033	502	+7,477
C. Natural Change	-3,732	0	-3,732	3,872	215	-8,072
D. Zero Net Migration	-888	0	-888	3,285	182	-5,446
E. Experian Job Growth	-1,411	35,380	33,969	20,194	1,122	6,114
F. LEP Baseline Job Growth	-4,033	17,551	13,518	12,343	686	-2,500
G. LEP 'Policy On' Job Growth	-2,338	24,328	21,990	15,717	873	+900
H. Job Stabilisation	-3,711	22,922	19,211	14,451	803	0
I. Past Trends Job Growth	-9,962	-17,083	-27,045	-3,403	-189	-19,440
J. Average Past Delivery*		-		8,797	463	-
K. Urban Containment*	-6,770	171	-6,599	4,530	252	-10,970
L. Draft Local Plan Preferred Option*	-4,428	13,727	9,300	10,700	594	-4,344

Source: CLG Household Projections / NLP Analysis of PopGroup Outputs / Sefton Council

*Note: These Supply-led scenarios have been included for comparative purposes only and do not comprise full objectively assessed need

6.60

A number of key themes are evident for all of these scenarios and are likely to be central to future housing provision in Sefton. Accordingly, it will be necessary for the Local Planning Authority [LPA] to pay due consideration to the following implications of these matters if the objective of ensuring and enhancing the social, economic and environmental well-being of the wider area is to be realised:

- 1 An Ageing Population, with the number of over 85s in particular increasing at a very high rate (+81% 2012-30 according to the 2012 based SNPP);
- 2 The number of residents of working age is forecast to decline sharply over the Plan period. The number of economically active residents is likely to fall by around 7%, according to the 2012-based SNPP baseline;
- 3 Natural change is a negative demographic driver in the Borough, with deaths increasingly exceeding births over the Plan period;
- 4 The reality that, regardless of the housing option that is ultimately selected by the LPA, gross out-migration is likely to continue in the future; and,
- 5 A clear migration pattern, whereby (net) international and domestic migration is positive over the plan period in Sefton.

- 6.61 Furthermore, whilst it is useful to compare each of the scenarios in graphical and tabular form, careful regard should be given to the implications of each in terms of:
- 1 Their economic implications;
 - 2 Their impact upon the demographic structure of the wider area;
 - 3 The reliance upon migration to achieve the necessary level of population change and the implications associated with this for services and infrastructure provision;
 - 4 Their potential for delivery, judged against past trend completions, land availability and challenging viability factors.
 - 5 Their realism over an 18-year plan period.
- 6.62 Taking account of all of these matters, we set out below an assessment of our recommendations regarding the most appropriate level of growth within the Borough over the Plan period 2012 to 2030.

Bringing the Evidence Together

- 6.63 The outputs from the modelling show a range of outcomes, but also highlight a number of common trends, particularly the ageing population. This will have implications for planning for an elderly population, including elderly and related specialist needs housing and constraints on the labour supply, with lower economic activity associated with an older demographic profile. Migration is expected to be the driving force behind the population growth in the authority area.
- 6.64 It is important to note that within each of the higher (employment-led) scenarios where net in-migration is a core growth component, the Borough will be meeting housing needs originating from outside of the Housing Market Area [HMA], which is effectively Sefton. Key migratory relationships with areas where the HMA receives net in-migration, such as West Lancashire and Liverpool, are therefore integrated into the assessment of future needs.
- 6.65 Simply put, this objective assessment of housing need for Sefton Borough takes full account of the migratory relationship of the HMA with the rest of the wider sub-region. This is consistent with the NPPF, which states that objective assessments of housing need should take account of migration.
- 6.66 These projections form a core component of evidence for informing what an objective assessment of overall housing need and demand in Sefton will be. Although they will have to be considered alongside other indications, including an assessment of affordable housing need, they provide 'book-end' scenarios of bottom-up, locally derived, demand-led estimates of future housing need based on structural demographic and economic drivers in the Borough.

7.0 **An Objective Assessment of Housing Need**

Introduction

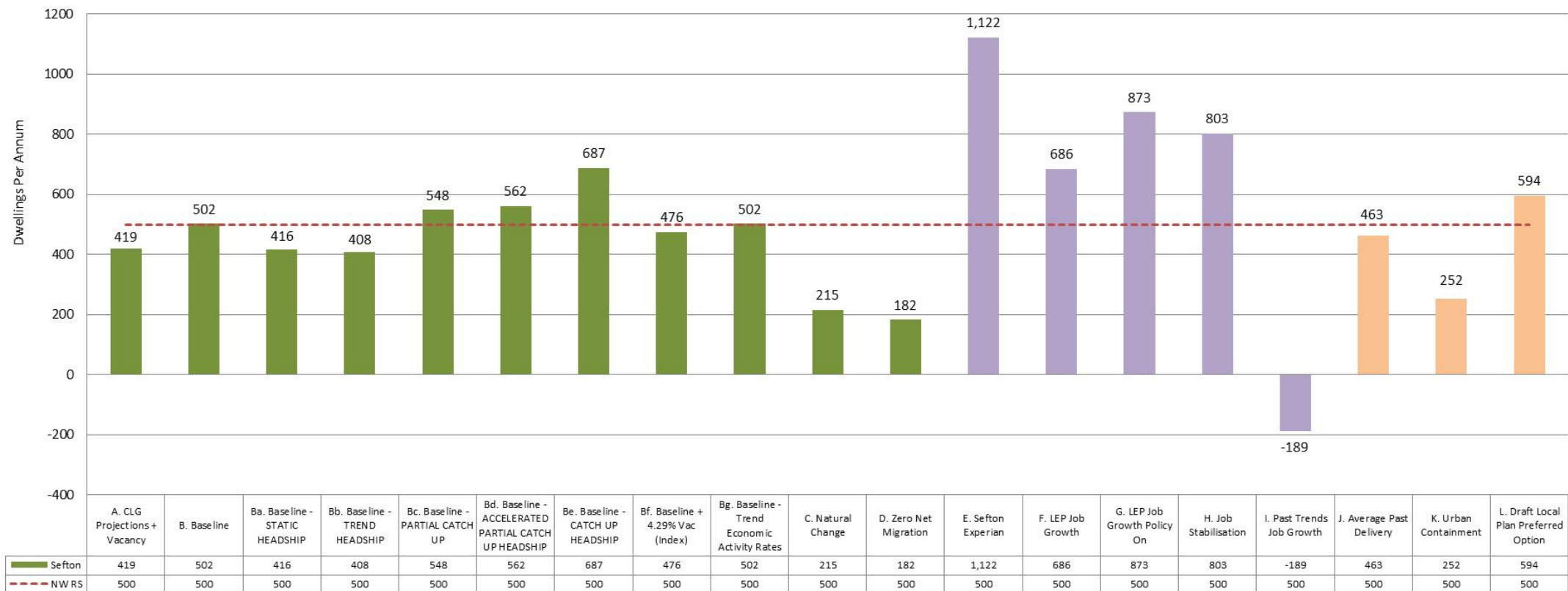
7.1 This report has been prepared to present the findings of an updated demographic analysis regarding the level of housing that may be appropriate for Sefton to plan for in the light of recent data releases by Office of National Statistics and Communities and Local Government. In particular, this update has sought to examine the implications of the 2012-based Sub-National Population Projections [SNPP], which suggests that Sefton's population will increase by just 4,961 between 2012 and 2030, compared to an increase of 10,600 residents over the same time period using the 2010-based SNPP. In total, 12 scenarios were modelled, alongside a series of sensitivity tests examining the implications of changing headship, economic activity and vacancy rates in the Borough.

7.2 This final section draws together the analysis of each potential scenario to provide a basis for identifying a robust housing requirement figure to inform the Council's Local Plan. The scenarios indicate a wide range of housing requirements for the period 2012 to 2030, based upon different indicators of what the need for housing within Sefton could be, as summarised in Figure 7.1.

7.3 In defining the Objectively Assessed Need for housing range, full reference was made to the Practice Guidance (March 2014), which clarifies the position on how the NPPF should be interpreted and applied. It confirms that an assessment of need must fulfil the following criteria:

- Based on facts and unbiased evidence. Plan makers should not apply constraints to the overall assessment of need;
- Up-to-date household projections published by the CLG should provide the starting point estimate of overall housing need; and,
- The housing need number suggested by household projections (the starting point) should be adjusted to reflect local demographic factors, employment trends as well as appropriate market signals including market indicators of the balance between the demand for and supply of dwellings.

Figure 7.1 Summary of Sefton Borough's Updated Housing Need and Demand Scenarios



Source: NLP Analysis

- 7.4 The approach taken to setting housing requirements must therefore be grounded in the background evidence of 'need' within an area, and this evidence must be sound and robust to inform the strategy making process, which will identify the housing 'requirement'.
- 7.5 The NPPF identifies that local authorities should use their evidence base to define the full, objectively assessed, needs for both business and housing in their area, and then seek to ensure that their Local Plan meets these needs.
- 7.6 This is further reiterated in the tests of soundness which the NPPF sets for the examination of local plans. In addition to ensuring the plan is justified, being the most appropriate strategy based on proportionate evidence, the plan should be:
- "Positively prepared... based on a strategy which seeks to meet objectively assessed development and infrastructure requirements, including meeting unmet requirements from neighbouring authorities where it is reasonable to do so..."*
- 7.7 The NPPF (§59) outlines the evidence required to underpin a local housing target identifying that Councils should:
- "Prepare a SHMA to assess their full housing needs... identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which;*
- *Meets household and population projections, taking account of migration and demographic change;*
 - *Addresses the needs for all types of housing, including affordable housing...; and*
 - *Caters for housing demand and the scale of housing supply necessary to meet this demand."*
- 7.8 In practice, applying the NPPF requires the following key steps in order to arrive at a robustly evidenced housing target:
- The starting point for Local Plans is to meet the full objectively assessed development needs of an area (§6, §47 and §156).*
- An objective assessment of housing need must be a level of housing delivery which meets the needs associated with population and household growth, addresses the need for all types of housing including affordable and caters for housing demand (§159).*
- Furthermore, a planned level of housing to meet objectively assessed needs must respond positively to wider opportunities for growth and should take account of market signals, including affordability (§17).*
- In choosing a housing requirement which would not meet objectively assessed development needs, it must be evidenced that the adverse impacts of meeting needs would significantly and demonstrably outweigh the benefits, when assessed against the policies within the Framework (§14).*

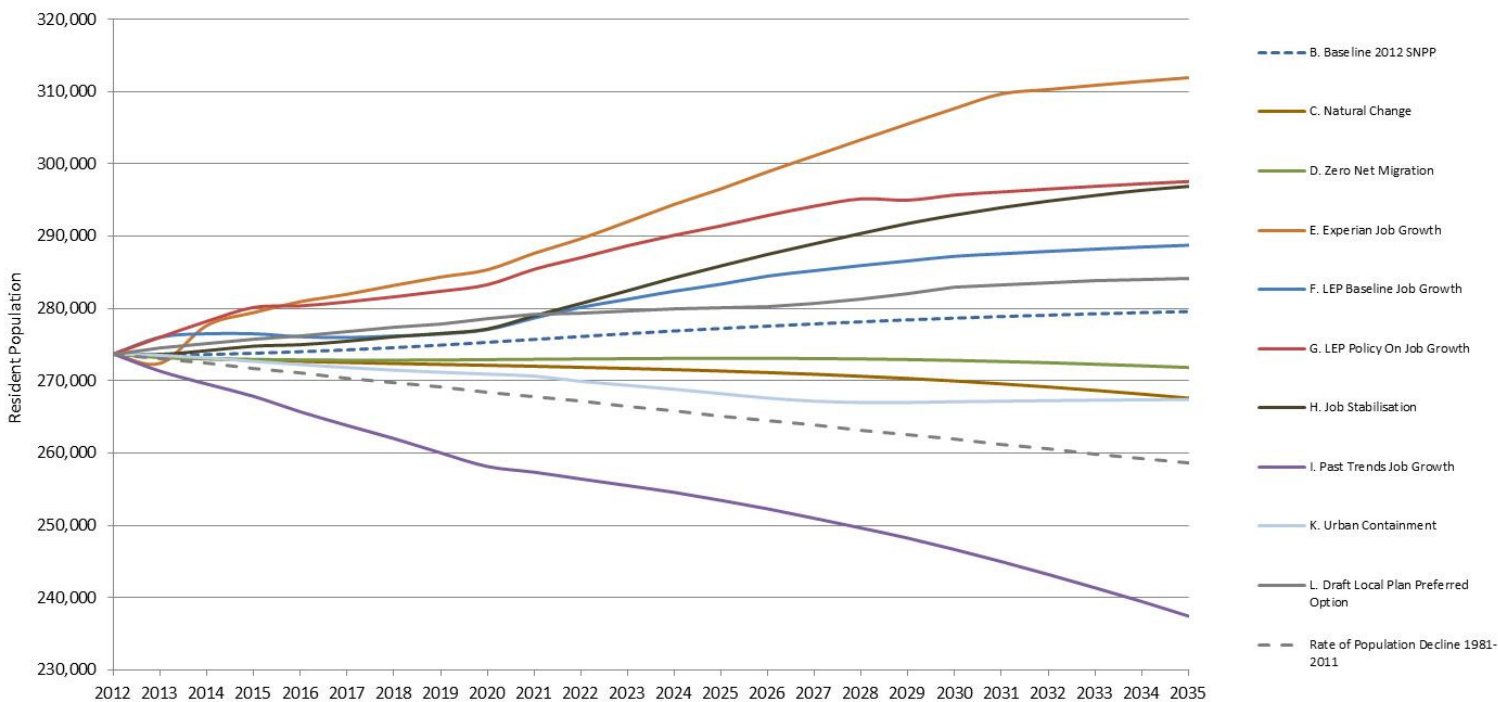
Where an authority is unable to meet its objectively assessed development needs or it is not the most appropriate strategy to do so, it must be demonstrated under the statutory duty-to-cooperate that the unmet need is to be met in another local authority area in order to fully meet development requirements across housing market areas (§179 and §182 bullet point 1).

- 7.9 It is against these requirements of the NPPF which the Council’s housing requirement will be identified. This has recently been brought into sharp focus following the high court judgement ‘(1) *Gallagher Homes Limited* and (2) *Lioncourt Homes Limited v Solihull Metropolitan Borough Council [2014] EWHC 1283*’ which reiterates the imperative need to firstly identify full objectively assessed need for housing and then define a strategy which seeks to meet it, consistent with the NPPF.
- 7.10 This HEaDROOM Update provides the necessary evidence for considering the scale of objectively assessed development needs for Sefton Council.

Future Housing Need

- 7.11 As can be seen in Figure 7.1, the overall quantum of Objectively Assessed Need for housing for the period 2012 to 2030 varies considerably depending upon the demographic or economic scenarios adopted for the Borough. Projected dwelling requirements range from as low as -189 dpa (based on the Past Trends Job Growth Scenario I) to as high as 1,122 dpa (Experian Job Growth Scenario E). These different housing projections can be set against the population forecasts associated with each of the modelled PopGroup scenarios, as seen in Figure 7.2.

Figure 7.2 Projected Population Change in Sefton



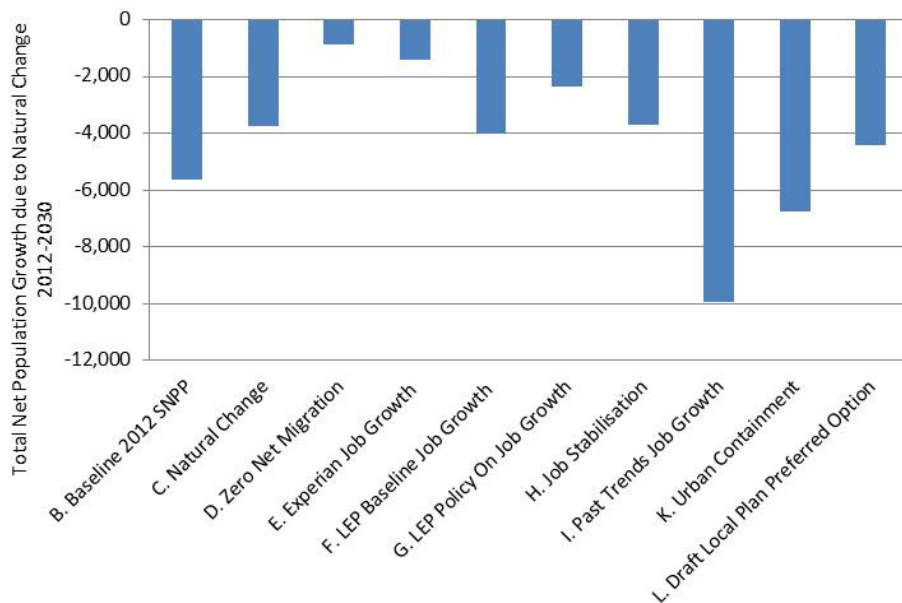
Source: ONS Mid-Year Population Estimates 1981-2011/2012-based SNPP/NLP Analysis

Note: Sefton Metropolitan Borough was formed in 1974 by the amalgamation of five former local government units, hence the historic data used only covers the period 1981-2011

7.12 Figure 7.2 suggests that the situation is highly variable across the 10 main modelled scenarios. The strongest population growth of 12% is forecast for Scenario E (the Experian Job Growth scenario), followed by Scenarios H (Job Stabilisation) and G (LEP 'Policy On') at around 7-8% and Scenario F (LEP Baseline Job Growth) at 5%. There is then a short drop to the aforementioned Baseline Scenario, after which all of the modelled scenarios show either very limited population growth, or in four cases, a decline over time, with the Past Trends Job Growth Scenario I showing the sharpest fall, of -10% by 2030.

7.13 As an indication of how realistic these projections are, a trend line has been added based on the actual level of population growth (or in this case decline) over the period 1981-2011. It indicates that over this time, the Borough actually lost 26,300 residents, at a fairly consistent rate of around -650 annually. Were this change to continue over the Plan period, there would clearly be a significant disconnect with almost all of the modelling scenarios with the (partial) exception of the past trends job growth scenario. Whilst all the latest projections suggest that this decline will be reversed, it does, however, result in a question arising as to the realism of the higher population growth projections, and specifically the growth resulting from Scenario E: Experian Job Growth.

Figure 7.3 Natural Change Implications of the Modelled Scenarios



Source: NLP Analysis of PopGroup Outputs

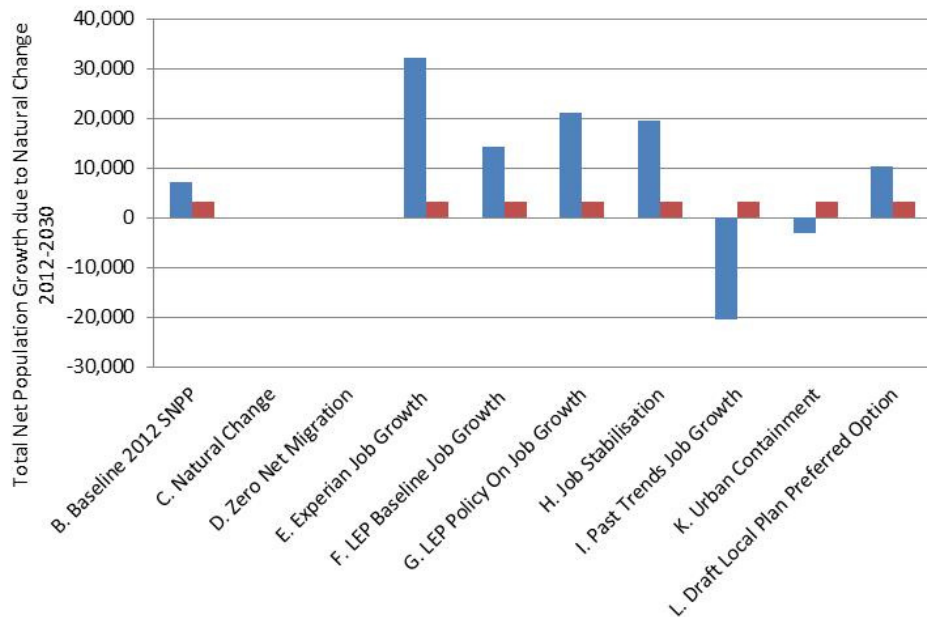
7.14 The level of natural change associated with all of the Sefton main scenarios is negative (i.e. with the number of deaths exceeding the number of births) as illustrated in Figure 7.3. As a consequence, without in-migration, the Borough's population would decline by -5,650 over the 18 years 2012-30, based on the Baseline PopGroup Scenario B, whilst the supply-led scenarios would result in even higher levels of net population losses due to natural

change. Conversely, natural change remains the main driver for population growth under the stable population scenario and is also important for the economic growth-driven Scenarios E-I.

7.15 In this context, the key question relates to the level of net migration that Sefton would accommodate. Figure 7.4 presents a summary of the migration implications for each scenario and indicates the extent to which Sefton is expected to experience very high levels of net in-migration under some of the scenarios. Of particular note is the migration rates forecast for the PopGroup Baseline (Scenario B), which indicates an annual net increase of 407 residents due to domestic in-migration (144,938 in, 137,605 out) and 182 net additional residents moving into the area from abroad (15,472 in, 12,194 out).

7.16 As noted in Section 3.0, this is a major change from the previous ONS projections. Migration growth is far higher for the employment-led scenarios (notably the Experian job growth, which would require a net increase of 35,380 residents due to domestic migration alone), which require much higher levels of in-migration to take up the new jobs due to the dwindling indigenous labour force.

Figure 7.4 Annual Net Migration Implications for Sefton of each Scenario



Source: NLP Analysis of PopGroup Outputs

7.17 Clearly, Sefton will continue to be an attractive destination for a range of migrants (particularly those with greater levels of disposable income/seeking retirement) and this reality cannot be changed simply by restricting the supply of housing. The current pattern of out-migration amongst younger people is the consequence of a number of factors, including the greater availability and range of employment opportunities in Liverpool, Manchester and elsewhere; the affordability of housing in adjoining districts (whilst recognising that southern parts of the Borough have less of an issue than Southport and Formby in this regard); as well as social and personal reasons. Were housing

completions to be restricted, then the result could be an exacerbation of affordability problems as the demand/supply balance serves to increase house prices to the detriment of those that already find it hard to enter – or remain on – the local housing ladder.

- 7.18 As noted in the previous Update, Sefton is left with a situation whereby the level of migration will determine the amount of housing that is required. If insufficient provision is made, then the consequence will be a risk of increased affordability concerns and adverse impacts on the balance of the population, with a greater rise in more affluent, older residents and fewer younger, economically active but asset-poor residents.

Meeting Affordable Housing Needs

- 7.19 As noted in Section 4.0, the most recent Sefton Strategic Housing Market Assessment was published in June 2014 in draft. The need assessment concludes that there is a shortfall of 6,490 affordable homes over the period from 2012 to 2030, equivalent to 361 dpa. The report states that the level of housing need shown by the analysis supports a target of 30% as contained in the draft Local Plan.
- 7.20 To address the 361 dpa affordable housing need, at a typical rate of around 30% of total housing provision, this would lead to a requirement of around 1,200 dpa. This is in excess of all of the modelled Scenarios A-L, and would even be higher than the 1,122 dpa suggested by the Experian Job Growth Scenario E.
- 7.21 In this regard, the Practice Guidance is clear that assessing housing development needs should be proportionate and does not require the consideration of purely hypothetical future scenarios, “*only future scenarios that could be reasonably expected to occur*” [ID: 2a-003-20140306].
- 7.22 Furthermore, the Strategic Housing Market Assessment states that such a scale of need is unlikely to be fully addressed through the Section 106 process, and suggests that the significant shortfall between the need for and supply for affordable housing is largely being met by the Private Rented Sector [PRS]. NLP considers that there are significant downside risks from such a situation continuing unchecked. The PRS is not a designated form of affordable housing and may be unaffordable for many households in need and is unlikely to meet the requirements of households with specific needs. It cannot therefore be netted-off the overall affordable housing requirement because this is unlikely to ensure that the affordable housing needs of the community are fully addressed.
- 7.23 The extent to which Sefton Council wishes to see this situation continue over the course of the Plan period is a policy intervention issue for the Council to consider, and one that is outwith the scope of this study. Nevertheless the high level of affordable housing need provides added justification for uplifting the level of housing provision above the demographic starting point suggested by Scenario B.

Appropriateness of Scenarios

Demographic scenarios (Scenarios B - Bg)

- 7.24 The starting point for assessing an appropriate full objectively assessed need for housing is the latest Household Projections (Scenario A, equal to 419 dpa), but this is only one consideration. As noted in the Practice Guidance, the household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends:
- “For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing. The assessment will therefore need to reflect the consequences of past under delivery of housing. As household projections do not reflect unmet housing need, LPAs should take a view based on available evidence of the extent to which household formation rates are, or have been, constrained by supply” [2a-016-20140306]*
- 7.25 As has been discussed in Section 3.0, it is considered that there is a case for adjusting the demographic projections from the starting point of the CLG 2011-based (interim) household projections. This is to reflect the latest 2012-based SNPP, but also higher household formation than has been assumed within the 2011-based household projections. This allows for the likelihood that recent international immigration played a lesser role in shifting household formation in Sefton than temporary economic and supply factors. Furthermore, the past migration trends are also likely to have been dampened by Policy H3 of the Sefton UDP, which applied a housing restraint mechanism between June 2003 and December 2008.
- 7.26 The housing requirement figure for Sefton should not solely rely on demographic data but (in accordance with the NPPF and the Practice Guidance) should also be balanced against the economic aspirations for the area. The baseline (demographic-led) scenario (Scenario B) factors in an increase in household formation over time above and beyond the level forecast in the latest CLG (interim) 2011-based household projections. Because of the expected ageing population, the labour force will decline significantly by 2030.
- 7.27 As might be expected, the partial catch up and accelerated partial catch up headship rate sensitivity tests (Scenarios Bc and Bd) result in a higher dwelling need (548 dpa / 562 dpa respectively) than the ‘indexed’ dwelling requirement (502 dpa). This is due to the CLG’s 2011-based (interim) headship rates growing at a lower rate than those applied in the CLG 2008 based household projections.
- 7.28 The (full) catch up headship rate sensitivity test (Scenario Be) would significantly increase the baseline dwelling requirement for Sefton, to 687 dpa.
- 7.29 As for the remaining two ‘headship’ scenarios, the static headship rates sensitivity test is not robust as it is highly unlikely that the long term trend towards smaller household sizes across the country will suddenly halt. Similarly, the ‘trend’ headship rate sensitivity test, is also questionable as it

risks perpetuating the recent negative outcomes associated with constraints on housing availability and affordability.

7.30

A further sensitivity test modelled the implications of bringing empty homes back into use over the course of the Plan period. By ensuring that a proportion of housing need is addressed through making better use of the existing housing stock, the dwelling requirement would drop accordingly, from 502 dpa to 476 dpa (if vacancy levels were reduced to just 4%, plus 0.29% for second homes, by 2030) on the basis of the 'index' headship rates. However, whilst interesting as a comparator, in this instance it would be inappropriate to include this in the derivation of the full objectively assessed need for housing as it would move towards 'requirement', rather than 'need' considerations and would be a policy choice for Sefton Council to justify.

Table 7.1 Comparison of Economic Activity Rates by Age Cohort in Sefton (2011-2030)

	Males			Females		
	2011 Census	Trend Based	KCC / NLP approach	2011 Census	Trend Based	KCC / NLP approach
	2011	2030	2030	2011	2030	2030
15-19	38.6%	32.0%	37.4%	40.8%	37.8%	40.3%
20-24	84.8%	85.0%	82.2%	80.2%	91.2%	79.2%
25-29	90.9%	95.4%	90.1%	82.8%	98.0%	84.3%
30-34	89.8%	91.0%	89.1%	80.6%	93.9%	82.1%
35-39	88.6%	87.1%	88.0%	81.0%	94.1%	81.3%
40-44	89.1%	92.3%	88.5%	83.0%	95.6%	83.3%
45-49	89.2%	97.8%	89.4%	83.1%	95.7%	86.3%
50-54	85.0%	94.9%	85.2%	78.6%	96.7%	81.7%
55-59	76.1%	93.7%	76.3%	68.4%	95.5%	71.0%
60-64	54.1%	75.1%	57.1%	35.7%	60.7%	47.6%
65-69	22.0%	41.9%	26.6%	15.0%	30.8%	19.5%
70-74	6.6%	8.4%	6.2%	3.6%	4.5%	3.6%
75-79	6.6%	8.4%	6.2%	3.6%	4.5%	3.6%
80-84	6.6%	8.4%	6.2%	3.6%	4.5%	3.6%
85+	6.6%	8.4%	6.2%	3.6%	4.5%	3.6%

Source: 2011 Census / NLP analysis

7.31

The final sensitivity test (Bg) examined the implications of increasing Sefton residents' economic activity rates at a similar rate to that achieved over the past ten years (2001-2011). As all other inputs were identical to the Sefton Baseline Scenario B, it derived the same population, household and dwelling growth as Scenario B (i.e. 502 dpa). However, instead of resulting in a loss of jobs (-6,052), the significantly increased number of people (particularly in the older age categories) who are now identified as being in a position to work results in a net gain in jobs, of +7,477. However it is likely that the pace of change in economic activity rates is too optimistic to be taken forward because the profile of the economically active residents would suggest a level of growth that is not credible in the longer term (i.e. some age cohorts would be close to 100% economically active by 2030 – see Table 7.1), which lends weight to the

Kent County Council approach adopted by NLP for the rest of the modelling work.

Excluding net in-migration (Scenarios C and D)

- 7.32 The zero-migration and natural change scenarios are useful to demonstrate the future need that is generated by the existing resident population across the HMA. However, they do not offer realistic scenarios of what will happen in Sefton in the years to come.
- 7.33 For example, it is not possible to prevent the movement of people into or out of the HMA and, following on from an understanding of what has happened in the past, it is evident that migration will continue to play an important part in demographic change in the future. Migration, particularly of the working age population, can be of considerable benefit for the social and economic well-being of an area. Without this, Sefton's economy would undoubtedly suffer.
- 7.34 It ensures a good mix of people of all age groups, including those of working age that are able to work within the local area. As such, it can contribute towards a more balanced and economically functional society. It is important to acknowledge these benefits and to respond to them by making adequate housing provision for the future needs of migrants in Sefton.
- 7.35 At present, migration is the sole driver behind population growth in Sefton – under the Baseline Scenario, 10,611 residents would be gained (net) over the 18-year plan period due to migration. However, with migration neutralised, population decline due to natural change continues apace with the result that the number of dwellings and jobs would fall dramatically.
- 7.36 In practice these are unrealistic scenario and beyond the Council's ability to control. Hence whilst they remain a useful indicator of potential indigenous demand, it is not considered to be either realistic or robust to pursue these forecasts further.

Demographic Conclusions

- 7.37 In summary, based on the evidence brought together through the modelled scenarios, and excluding the unrealistic migration-led trends, a demographic-led estimate of housing need and demand for Sefton Borough lies within the range of 419 dpa to 687 dpa between 2012 and 2030. NLP ordinarily places most weight on the Index baseline scenario, which, at 502 dpa, sits roughly mid-way within the range.
- 7.38 However, in the context of the Holmans paper, recent international migration is likely to have played a lesser role in shifting household formation patterns in Sefton in comparison with temporary economic and supply-side factors.
- 7.39 As such, an upwards adjustment to the demographic baseline (Scenario B) scenario is considered reasonable, with the Accelerated Partial Catch Up Headship Rate Scenario considered appropriate in this instance, as discussed

in Section 3.0 (562 dpa – an uplift of 60 dpa on the Baseline Index headship rates).

- 7.40 Furthermore, the market signals analysis undertaken in Section 4.0 of this report potentially necessitates some form of upwards adjustment to levels of housing provision above the purely demographic needs of Sefton. The picture is complicated, as on many of the indicators Sefton appears to be relatively low risk (i.e. land values, overcrowding). However, the Borough's Affordability Ratios have been almost identical to the national rate for many years despite having much lower house prices, whilst levels of over-crowding have risen above the national rate. Following on from the housing restraint policy, which was operational between 2003 and 2008, Sefton has also under-delivered against previous RS targets, in the order of 962 dwellings between 2003/04 and 2011/12. Spread across the 18-year plan period (2012 to 2030), this would equate to an additional 53 dpa to address this past under-provision.
- 7.41 As such, a further moderate upwards adjustment to the demographic baseline (Scenario Bd) scenario is considered reasonable. The Practice Guidance states that in areas where an upward adjustment is required, plan makers should set this adjustment at a level that is 'reasonable', with the more significant the affordability constraints, the larger the improvement in affordability needed. Whilst an element of judgement is required here, it is suggested that the level of uplift required would be moderate, given that the area appears to be relatively low risk in terms of most of the market indicators.
- 7.42 In terms of what may constitute a 'moderate' uplift to the demographic starting point, a number of recent Inspector's Reports at Local Plan EiPs have helped to clarify the issue. For example, on 28th November 2014 the Inspector examining the Eastleigh Borough Local Plan published his Preliminary Conclusions on Housing Needs and Supply and Economic Growth. In that document, the Eastleigh Inspector concluded that overall, market signals justified an upward adjustment above the housing need derived from demographic projections only:
- "It is very difficult to judge the appropriate scale of such an uplift. I consider a cautious approach is reasonable bearing in mind that any practical benefit is likely to be very limited because Eastleigh is only a part of a much larger HMA. Exploration of an uplift of, say, 10% would be compatible with the "modest" pressure of market signals recognised in the SHMA itself."* [§36]
- 7.43 In addition, the Inspector at the Examination of the Uttlesford Local Plan recently published his summarised conclusions³⁹, which also concluded that the application of a nominal 10% uplift to the demographic projections to reflect market signals and affordable housing needs would be appropriate.
- 7.44 Applying similar logic to the Sefton market signals, which also suggest that a moderate uplift could be required to the demographic baseline, would indicate that a similar 10% uplift would be appropriate in this instance. This would very

³⁹Examination of the Uttlesford Local Plan (ULP) Summarised conclusions of the Inspector after the hearing session on 3 December 2014

approximately equate to the past under-delivery of around 53 dpa. Such an increase would address the worsening market signals, go some way to meet affordable housing needs and past under-delivery of housing and would also significantly boost the supply of housing in line with the requirements of the NPPF.

- 7.45 Such an approach would equate to a figure of around 615 dpa for the plan period 2012 to 2030.

Employment-led Projections (Scenarios E-I)

- 7.46 The Practice Guidance requires plan makers to assess likely employment growth, based on past trends and/or employment forecasts. Where the labour force supply is found to be less than the projected job growth, the Guidance states that this could result in unsustainable commuting patterns which could reduce the resilience of local businesses. In such circumstances, plan-makers should consider how the location of new housing or infrastructure development could help address these problems.

- 7.47 Recognising the importance of achieving a strategy that is internally consistent, it is evident that the objectively assessed housing requirement should seek to consider both demographic and economic implications to avoid any unsustainable outcomes (i.e. an increase in commuting and congestion resulting from an imbalance between the provision of new jobs and homes).

- 7.48 Helping to stem the decline of working age residents in Sefton would achieve a more balanced population structure and reduce potential future economic difficulties and the demands of services associated with an ageing population and a more limited supply of labour.

- 7.49 The housing requirement figure for the Borough should not solely rely on demographic data but (in accordance with the NPPF and the Practice Guidance) should also align with economic and employment growth needs.

- 7.50 A number of scenarios have been modelled to demonstrate the impact of a range of likely growth scenarios based on stabilizing job growth, Experian baseline projections, past trends and an LEP baseline/‘Policy On’ job growth approach. These scenarios also show the scale of change that would be required if demographic trends were to be reversed. Figure 7.1 presents the clear divergence between the trend-based and more aspirational scenarios for the Borough.

- 7.51 More specifically, all of the demographic projections would result in the local labour supply declining substantially, from -12,153 under the Natural Change scenario, to -9,572 under the Baseline scenarios. Even under the two LEP scenarios, the number of jobs based in the Borough would decline. Only the Experian growth projection would result in significantly positive job growth, of 6,114.

- 7.52 However, to sustain such a level of job growth, the Experian Job Growth (Scenario E) would require an increase in net migration overall of 35,380

between 2012 and 2030; a population growth of 33,969, and a dwelling requirement of 20,194 (or 1,122 dpa). Furthermore, it is understood that the Experian June 2014 projection incorporates population data from the 2010-based SNPP, rather than the latest (and lower) 2012-based SNPP.

- 7.53 This scenario is unlikely to be achievable in terms of local market and cross boundary implications, the impact on local services and the scale and pace of change required over a period to 2030.
- 7.54 Whilst these are local authority considerations, crucially, the full objectively assessed need must be reasonable. As illustrated in Figure 7.2, the level of population growth required to sustain such a growth in jobs would be more than 7-times greater than the level projected in the 2012-based SNPP. This sits completely at odds with the long term decline in population in the Borough since the 1970s and beyond. It is therefore questionable whether this anticipated level of growth can realistically be achieved.
- 7.55 On this basis, it is considered that in this instance, and when compared to the other economic scenarios produced by the LEP, the Experian Job Growth Scenario E could be considered an outlier. A similar conclusion was reached by the Inspector at the recent Lichfield District Local Plan EiP⁴⁰.
- 7.56 The only alternatives to the significant reversal of migratory trends necessary to underpin job growth at the scale of the Experian job forecasts would be through a change in commuting patterns, by clawing back local residents currently commuting out to adjoining boroughs; increasing economic activity rates / reducing unemployment; or through planning for a mix of housing and employment which encouraged the retention of residents of an economically active age, or which encouraged younger, economically active people to move into the Borough.
- 7.57 It should be noted that whilst there is not a direct causal relationship between job growth and housing requirements, the two are nevertheless fundamentally related. On this basis, it is considered that greater weight should be placed on the LEP job growth projections the Borough. Weight should also be attached to the Job Stabilisation Scenario H, which would still require a significant shift in demographic patterns to be achieved given the ageing population of the Borough.

Conclusions on Objectively Assessed Need

- 7.58 The NPPF requires LPAs to use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the HMA, as far as is consistent with the policies set out elsewhere in that document [§47]. However, recent High Court Judgements⁴¹ have clarified that the full objectively assessed need is not necessarily the same as the 'Housing Requirement' figure ultimately taken forward in a Local Plan. The

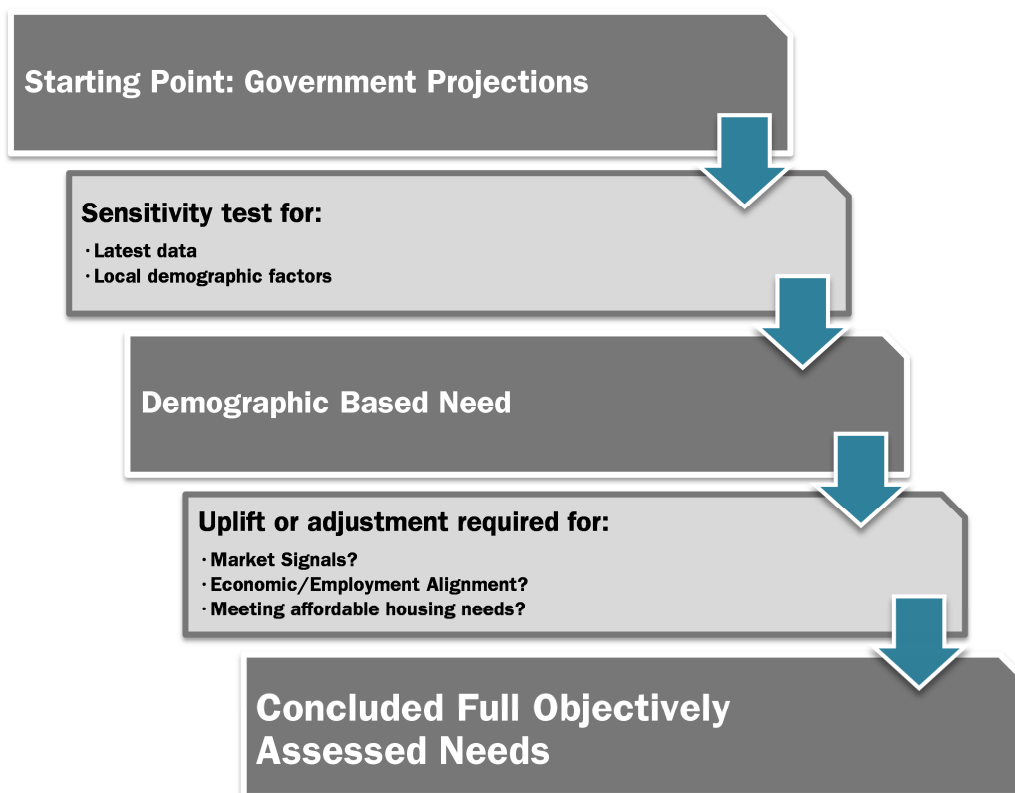
⁴⁰ Lichfield District Council Local Plan: Strategy Examination, Inspector's Letter dated 3rd September 2013

⁴¹ Between Gallagher Homes Limited / Lioncourt Homes Limited and Solihull Metropolitan Borough Council 30/04/2014 Case No. CO/17668/2013

full objectively assessed need sets aside policy considerations and is closely linked to the relevant household projections (although it is not necessarily the same). The Housing Requirement figure meanwhile, reflects not only the assessed need for housing, but also any policy considerations that might require that figure to be adjusted in the light of capacity constraints.

- 7.59 This Housing Needs Update provides a forward-looking objective assessment of future housing needs using a base date of 2012 up to 2030, concentrating on the full objectively assessed need – the derivation of a 'Housing Requirement' is a matter for the LPA. Allowance for past unmet needs has also been considered as a worsening housing market indicator.
- 7.60 The definition of full objectively assessed need 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.
- 7.61 In practice, applying the NPPF and the Practice Guidance to arrive at a robust and evidenced objective assessment of housing need is a staged and logical process. An objective assessment of housing need must be a level of housing delivery which meets the needs associated with population and household growth, addresses the need for all types of housing including affordable and caters for housing demand [the NPPF, §159]. Furthermore, a planned level of housing to meet full objectively assessed need must respond positively to wider opportunities for growth and should take account of market signals, including affordability [the NPPF, §17]. NLP's overarching approach is summarised in Figure 7.5 and reflected in the way housing needs have been considered for Sefton Borough in this report.

Figure 7.5 NPPF and PPG Approach to Objectively Assessing Housing Needs



Source: NLP

- 7.62 Due to the various factors and assumptions which feed into the assessment of future needs, there is not a single figure which can be definitively identified as the Borough's objectively assessed housing needs. This is noted in the former CLG Strategic Housing Market Assessment Guidance⁴² which identifies that estimates of need may be expressed either as a single number or as a range.
- 7.63 Taking into account the range of evidence reviewed above, it is considered that the appropriate stepped approach within the Practice Guidance should be applied to Sefton's full objectively assessed need for housing is as follows:
- 1 **The starting point:** Household projections published by CLG provide the 'starting point' estimate of overall housing need. The most recent CLG household projections (2011-based) of 419 dpa 2011-2021 (including a 4.63% allowance for empty/second homes) therefore provide the starting point for considering needs. However, such a scenario in isolation makes no allowance for the Council's economic growth needs or national policy requirements to 'boost significantly' the supply of housing;
 - 2 **Justification for adjusting the demographic projections:** It is considered that there is justification for adjusting the household projections for two key reasons: to reflect higher rates of household formation than assumed within the 2011-based household projections; and to reflect updated migration and population change from the 2012-

⁴²Department for Communities and Local Government (August 2007): Strategic Housing Market Assessments Practice Guidance, Version 2

based SNPP. In the first instance, it is considered that the 2012-based SNPP indicates slightly lower population growth than the previous iteration, of 2,018 between 2012-2021, compared to 2,731 in the 2011-based (interim) SNPP. However, this is more than compensated for by the second point which relates to headship rates. It is NLP's judgement that on the basis of the evidence before us in Sefton, the rate of household formation underpinning the 2011-based CLG household projections is too conservative. In the context of the Holmans paper⁴³, and the likelihood that recent international immigration is likely to have played a lesser role in shifting household formation in Sefton, it is considered that the deceleration of household formation in recent years has been more likely to have been associated with temporary economic and supply-side factors (i.e. restricted supply from new dwelling completions or limited access to mortgages for first time buyers).

- 3 It is widely acknowledged that the 2011-based household projections incorporate suppressed household formation rates (see, for example, the PAS Technical Advice Note on Objectively Assessed Need and Housing Targets, paragraph 5.24⁴⁴). The main issue for debate generally concerns the extent to which this suppression will revert back to a rate more in line with long term trends, and when this process will begin. NLP's usual baseline position is to take the 2011-based headship rates up to 2021, but then to move in line with the 2008-based household projections after this time. We term this the 'Indexed' approach to household formation⁴⁵. This is justified on the basis that the rate of household formation will begin to accelerate as the economy (and people's access to mortgage finance and consequent ability to purchase a property) continues to recover.
- 4 However, in the case of Sefton, it is clear that as the number of immigrants settling in the area from abroad is lower than might be expected based on national figures. It is therefore likely that a disproportionate number of these 'lost households' were not as a result of structural changes, but rather as a result of economic circumstances (and therefore will start to form as the economy picks up). On this basis, it is considered that Sefton's household formation rates are more likely to begin to catch up to the 2008-based household projections. Whilst the partial catch up scenario would represent a simple translation of Holmans' principles to household formation rates⁴³, in this instance, the 'accelerated partial catch up rate' Scenario Bd would be more appropriate to use to reflect the increased likelihood that as economic conditions continue to improve, this will enable more local residents to access the housing market.

5 **The demographic-led needs:** On the basis of the above, it is

⁴³ Alan Holmans (2013): TCPA Tomorrow Series Paper 16: New Estimates of Housing Demand and Need in England 2011 to 2031

⁴⁴PBA (June 2014): PAS Objectively Assessed Need and Housing Targets Technical Advice Note

⁴⁵ The Index approach assumes that beyond 2021, the rate of change in household formation for Sefton will again move in line with the rate of change assumed for that period within the 2008- based household projection. This essentially 'indexes' post-2021 change to the 2008 projections on the assumption that household formation will increase in line with long term trends.

considered that demographic-led needs are best represented by Scenario Bd, 562 dpa.

- 6 **Upwards adjustment in response to market signals:** A slight worsening of some of the market signals, and particularly past under-delivery of dwellings, provides an indication of tightening demand and suggests that there needs to be some improvement in affordability to stabilise the increasing house prices and affordability ratios. This would justify a slight 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.
- 7 Whilst a number of market signals do not indicate signs of worsening, and whilst there are very clear disparities across the Borough (most notably between the northern and central areas, such as Formby, and the southern urban areas most notably Bootle), 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 Sefton has under-delivered housing on the basis of past requirements, in the order of 962 dwellings between 2003/04 and 2011/12. 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. This is supported by the fact that the 2011 Census data collected for concealed families indicated that there were 1,174 concealed families in Sefton, which is similar to the under-delivery identified against the RS target.
- 8 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 around 53 dpa would be appropriate, to 615 dpa. This is just under a 10% uplift and is also approximate to addressing the past under-delivery/concealed households over an 18-year plan period. Rounded down to the nearest hundred, 600 dpa broadly equates to the lower end of the range.
- 9 **Alignment with affordable housing, economic and employment growth needs:** At the top end of the range, there is a need to deliver a level of housing that provides for the economic needs of the Borough, but crucially, not to an extent which is unrealistic. In this regard, it is considered that the Experian job growth would result in a level of housing need that would generate population growth many times in excess of anything that has been achieved in recent years and should be discounted.
- 10 Whilst recognising that there is not a direct causal relationship between employment growth and dwelling requirements, clearly the two are

fundamentally related. As such, a level of housing growth of 803 dpa would be necessary to stabilise the job market in Sefton and sustain the economy moving forward in line with Scenario H (Job Stabilisation). This is in excess of the LEP job growth baseline (686 dpa) but below the LEP 'Policy On' figure of 873 dpa which, as the title suggests, would be a housing 'requirement' consideration rather than a 'need' test.

- 11 Whilst maintaining the current level of jobs in the Borough may not seem aspirational, this has to be seen in the context of an ageing population very heavy and protracted job losses that have taken place in the Borough for decades – if this trend of losses were to continue, it would actually generate a negative demand for housing, which is clearly unpalatable.
- 12 **Alignment with affordable housing needs:** The objectively assessed need should go a significant way towards meeting the affordable housing needs of the local population, identified as being as high as 361 dpa identified in the 2013 Draft Sefton Strategic Housing Market Assessment between 2012 and 2030. However, the Draft Strategic Housing Market Assessment concludes that such a scale of need is unlikely to be fully addressed through the Section 106 process, and that in practice, the significant shortfall between the need for and supply for affordable housing is largely being met by the Private Rented Sector. Whether this is acceptable is a policy choice for Sefton Council to make. Providing around 600 dpa at the bottom end of the range would provide for half of the identified affordable housing need in the Draft Strategic Housing Market Assessment even setting aside these alternative sources. At the top end of the range, 800 dpa could provide around two thirds of the identified affordable housing need based on a typical rate of around 30% of total housing provision.

7.64 **On the above basis it is considered an objective assessment of housing need and demand for Sefton Borough falls within the broad range 600 dpa to 800 dpa, equivalent to between 10,800 and 14,400 net additional dwellings over the 18-year plan period 2012 to 2030.**

7.65 This range has been derived on the basis of taking the latest household and population projections as the starting point for identifying the objectively assessed need for housing, accelerating household formation rates to anticipate a return to growth over the longer term and uplifting the requirement further is an appropriate supply-side response to allow for adverse / worsening market signals, affordable housing requirements and economic / employment needs.

7.66 Whilst it is for Sefton Council to form a view on a suitable housing requirement within this broad range for their emerging Local Plan, if asked to express a preference, NLP would consider that a figure of **around 615 dpa** would be most appropriate. This is for the following reasons:

- 1 615 dpa presents the result of the clear stepped approach to defining housing need as set out in the Practice Guidance and the NPPF, with the

demographic starting point adjusted to take into account local issues such as the low rate of immigration and the likelihood of a return to long term household formation rates; and uplifting the resultant demographic figure to account for a worsening of certain (although by no means all) market signals in order to improve affordability;

- 2 615 dpa would represent a significant 'boost' to past supply, increasing long term delivery rates by almost a third; and,
- 3 615 dpa is realistic when set in the context of past population and job growth (or rather decline), and would represent a substantial uplift to both the latest household projections and the previous Regional Strategy target of 500 dpa.

7.67 It is recognised, however, that in considering whether the Council should align the Local Plan Housing Requirement with the upper end of the full objectively assessed need range, Sefton Council will need to consider Sefton's economic role within the sub-region and whether there is a realistic prospect of this changing through the application of policy. This is particularly the case in the light of the significant growth projected in the economically inactive population, in particular those over the age of 85.

7.68 Whilst acknowledging that Sefton Council is not pursuing a 'jobs-led' Plan, were the Council to consider that a policy of stabilising the workforce or even increasing it, were to be appropriate, than a higher figure may be necessary. However, even here it is worth raising a point of caution, as there is a highly complex relationship between job growth and housing need – as illustrated by the Economic Activity Sensitivity Test (Scenario Bg), were rates to accelerate in the older age categories at a higher rate than the Kent County Council approach suggests, then the existing residential population could sustain a significantly higher number of jobs without the need to accommodate higher numbers of in-migrants.

7.69 Furthermore, going for higher rates of growth would be a policy choice for Sefton Council to make and would have significant impacts on adjoining authorities, potentially drawing in population and households from Liverpool and to a lesser extent West Lancashire and Knowsley, with whom Sefton Borough has strong commuting and migratory relationships. There would be a clear risk that planning for a level of housing growth that is well in excess of the level of the household projections, and one based solely on going for unrealistic levels of job growth, would risk undermining the regeneration of Liverpool City and other nearby Merseyside, Lancashire and Cheshire authorities.

7.70 It is also worth recognising that were the Council able to robustly demonstrate that the proportion of vacant homes was going to fall by the end of the plan period as a result of programmes designed to bring empty homes back into use, then this could potentially justify a slightly lower figure at the bottom end of the range (see Scenario Bf - the Baseline 2012 SNPP figure would fall from 502 dpa to 476 dpa as a consequence of the vacancy rate decreasing from 4.63% to 4.29% by 2030). However, this is a policy response for the Council

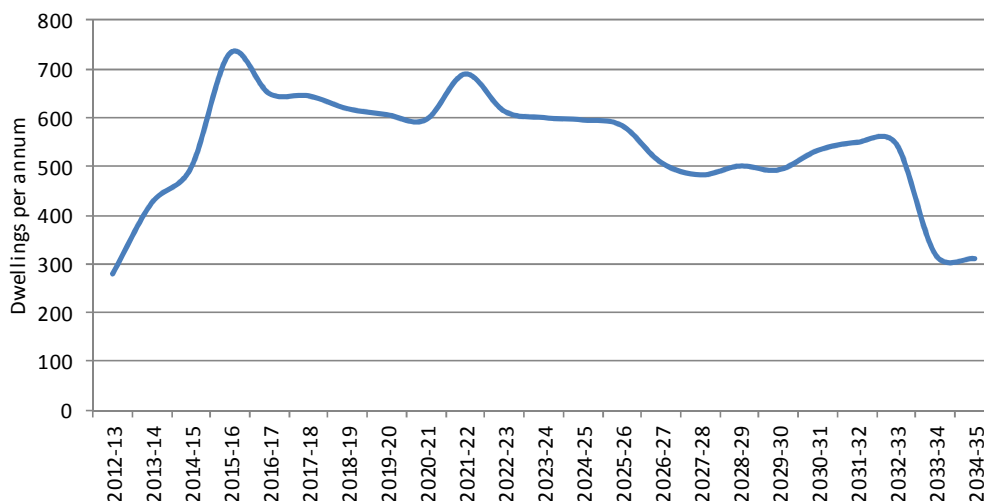
to consider in defining their housing requirement, rather than influencing the objectively assessed need for housing in this report.

- 7.71 Whilst the lower end of the objectively assessed need range would fully meet the Borough's demographic requirements and would boost supply in line with national policy requirements to address worsening market signals and past under-delivery, it would see the number of jobs able to be supported by the indigenous workforce declining. The Council would need to consider whether a figure below 800 dpa would realistically enable them to boost economic growth, given that at best it would result in the number of jobs remaining broadly stable over time. It is for the Council to consider how this full objectively assessed need translates into their housing requirement and the extent to which it aligns with their economic objectives and the delivery of sufficient affordable housing to meet identified needs.

Housing Need 2030-2035

- 7.72 Whilst the focus of this report has been upon identifying the objectively assessed need for housing in Sefton Borough for the years 2012-2030 to align with the Council's emerging Local Plan, Sefton Council has requested that NLP provides some indication of likely requirements between 2030 and 2035 in order that they may understand the extent of safeguarded land that may be required post 2030.
- 7.73 There are a number of problems with planning for development needs so far into the future, not least the fact that trend-based data becomes less reliable (particularly at a local area level) the further one goes from the base date. Furthermore, the most up to date household projections currently available for Sefton Borough stop at 2021 (for the 2011-based interim projections) and 2033 (for the 2008-based equivalents) respectively – hence the headship rates would need to be held constant from 2033 onwards.
- 7.74 Nevertheless, and bearing in mind that considerably less weight can be attached to these findings than with the more detailed analysis in the previous sections, an initial appraisal has been undertaken of housing need between 2030 and 2035.
- 7.75 As can be seen in Figure 7.6, whilst the level of annual housing growth under the Baseline Sensitivity Accelerated Partial Catch Up (Bd) increases sharply between 2012 and 2016, it then begins to gradually decline up to 2033, whereupon it drops sharply. Hence the housing growth of 562 dpa (excluding any upwards adjustment for market signals at this point), averaged between 2012-2030, drops to just 2,257 dwellings, or 452 dpa, between 2030 and 2035 (12,370 dwellings in total between 2012 to 2035 at a rate of 538 dpa overall). This fall is predominantly due to the long term population decline in Sefton Borough.

Figure 7.6 Annual Housing Growth in Sefton Borough 2012-2035, based on Scenario Bd: Accelerated Partial Catch Up



Source: NLP

- 7.76 Bearing in mind the caveats expressed above concerning the robustness of this approach, if this analysis was taken forward to its logical conclusion, then the demographic-led housing need between 2030-2035 would be lower than that recorded between 2012-2030, at **452 dpa**.
- 7.77 Even though it may be hoped that the worsening housing market signals would have been addressed through the uplift of around 10%, for the sake of consistency, applying this figure on top of the 452 dpa would result in a need for around **497 dpa, or 2,485 additional dwellings in total**. At around 118 dpa lower than the 2012-2030 figure, this could form the lower end of the full objectively assessed need for housing range for the period 2030-2035. A revision to this initial analysis will need to be taken once the updated 2012-based household projections are released by CLG in autumn 2014, as these will provide household growth projections up to and including 2035.

8.0 Sub-Area Analysis

- 8.1 As noted in the previous March 2011 HEaDROOM report and subsequent 2012 Update, Sefton's Local Plan will seek to provide defined policy responses for the 6 sub-areas within the Borough, specifically Bootle, Crosby, Southport, Formby, Netherton and Maghull/Aintree⁴⁶. Whilst it will be for the Local Plan to determine the most appropriate split of housing required for each of these sub-areas, NLP has provided some context by exploring the potential for splitting the Borough-wide requirement.
- 8.2 It is important to stress that this is not based on a detailed sub-area demographic analysis⁴⁷. The caveat remains that any future split within a locally generated housing requirement will ultimately be guided by the spatial strategy set out through the Local Plan documents and will need to take into consideration availability of sites; the overall amount of housing growth planned; the deliverability of this within different parts of the Borough as well as the vision; local circumstances; and aspirations for development in different parts of the Borough. For this reason, it was not appropriate to generate sub-borough demographic projections as these would be less reliable. Notwithstanding, there are some simple metrics which will help guide the likely split of housing between the six sub-areas, based on an appreciation of a number of measures, providing a background for making further policy choices:
- Current population/household split;
 - Past housing delivery rates;
 - Forward supply of housing development in the pipeline; and
 - Affordable Housing Need as defined in the Draft Sefton Strategic Housing Market Assessment.
- 8.3 This report has updated the four categories using the latest data provided by Sefton Council. The results are summarised in Table 8.1.

⁴⁶ Note: as before, the following wards are in each of the 6 sub-areas:
Southport – Ainsdale, Birkdale, Cambridge, Dukes, Kew, Meols, Norwood;
Formby – Harington, Ravenmeols
Maghull/Aintree – Molyneux, Park, Sudell
Crosby – Blundellsands, Church, Manor, Victoria
Bootle – Derby, Linacre, Litherland
Netherton – Ford, Netherton and Orrell, St Oswald

⁴⁷ Whilst the HEaDROOM work was able to split the deliverable / developable sites identified in the SHLAA across the individual sub-areas, NLP was not able to provide a similar split for demographic change by sub-area due to issues regarding the reliability/robustness of data at sub-district level, particularly regarding migration trends. Projections are more robust at higher levels of aggregation, either by age or by area, since more detailed levels mean smaller counts contributing to the projection process. At a smaller sample level, statically samples are also smaller and therefore less robust. Furthermore, many (if not all) of the sub-areas within Sefton have overlapping housing markets, and therefore development in one area could potentially meet some of the needs arising in another.

Table 8.1 Possible metrics to inform division of Borough-wide housing requirement

Sub Area	2011 Population Estimates ^a		Past housing delivery rates 1984/85-2013/14 ^b		Housing development in the pipeline ^c		Net annual housing need 2012-30 ^d	
	Population	%	DPA	%	Total	%	Total	%
Southport	90,381	33.0%	170	32.5%	1,441	44.0%	237	52.2%
Formby	23,845	8.7%	35	6.8%	166	5.1%	63	13.9%
Maghull / Aintree	37,338	13.6%	61	11.7%	230	7.0%	109	24.0%
Crosby	49,097	17.9%	70	13.4%	264	8.1%	45	9.9%
Bootle	35,896	13.1%	123	23.5%	628	19.2%	-66	n/a
Netherton	37,233	13.6%	63	12.1%	546	16.7%	-27	n/a
Sefton Total	273,790	100.0%	523	100.0%	3,275	100%	361	-

^a Source: Census Area Statistics (CAS) Ward population estimates for England and Wales, 2011 Census

^b Source: Sefton Council 2014

^c Source: Sefton Council 2014 SHLAA Update. Note – figures include sites with and without planning permission, adjusted to exclude likely demolitions

^d Source: Draft Sefton SHMA 2013 (Published February 2014) (combination of data sources)

- 8.4 The most accurate recent Ward population estimates for England and Wales are the 2011 Census data. The 2009 dataset used in the original HEaDROOM report indicated that Southport had around 32.7% of the Borough's total population; Formby 8.8%; Maghull/Aintree 13.8%; Crosby 17.8%; Bootle 13.3% and Netherton 13.5%. The 2011 Census-based population estimates unsurprisingly do little to change the overall balance, although there is a slight increase in the proportion of the Borough's residents living in Southport, Bootle and Netherton, at the expense of Maghull/Aintree, Formby and Crosby.
- 8.5 Secondly, we have undertaken an assessment of the rate of delivery of dwellings within the 6 sub-areas. Whilst this could provide a rough proxy for realisable demand for housing development in the area, clearly historic delivery will have depended on the availability of suitable development sites in different settlements and will also have been affected by the housing restraint policy that was in place between 2003 and 2008.
- 8.6 At the time of the 2011 HEaDROOM report, gross new build housing completions for 1990-2010 were reported, whilst the 2012 Update had access to data over a thirty-year time period to 2012. This was considered necessary to smooth out distortions caused by the housing restraint policy that restricted development outside of Bootle/Netherton and central Southport between 2003 and 2008 and the effects of the HMR programme in Bootle (2003-2011). This 2014 report has two years extra data, keeping the 30 year overall time period.
- 8.7 There are more pronounced differences between the two sets of data, although again the overall pattern is the same – Southport having by far the

largest amount of housing developed historically (averaging 170 dpa over the past 30 years and 32.5% of Sefton's total compared to 35.8% in the HEaDROOM report), followed by Bootle (a slight increase from 20.6% in the original HEaDROOM report, to 23.5% now).

- 8.8 The biggest change has been in Crosby, which averaged just 47 dpa (gross) between 1990-2010, but on the basis of a wider time horizon, delivered 70 dpa, 13.4% of Sefton's total compared to just 9.7% previously. This is due to strong levels of take up in the late 1980s rather than growth in the last few years, which have remained very low. Netherton and Maghull/Aintree's rate has declined, whilst Formby's has very slightly increased. Overall however, it is considered that the additional data used does not warrant an adjustment in the overall level of housing distribution across the Borough from before.
- 8.9 The 2014 SHLAA update was produced by Sefton Council to inform this housing requirement assessment for Sefton. It provided further data on recent permissions by sub-area. The 2012 report stated that as of April 2010, there were sufficient development sites in Sefton with extant planning permission to provide some 2,544 units. This more detailed information provides information on extant permissions and sites without planning permission (but which are considered suitable for housing), with planned demolitions deducted from the figures.
- 8.10 **It is important to remember that whilst the evidence within this report takes into consideration the need and demand for housing, crucially, it does not seek to make a planning or policy judgement – this is a matter for Sefton Council taking account of the information before it. This report therefore represents a first stage for further consideration of all relevant factors through the Local Plan process.**

9.0 Overall Study Conclusions

- 9.1 Having assessed all the scenarios tested it is NLP's recommendation that an objective assessment of housing need and demand for Sefton Borough, falls within the broad range **600 dpa to 800 dpa**, equivalent to between 10,800 and 14,400 net additional dwellings over the plan period 2012 to 2030.
- 9.2 The range takes the CLG's most recent household projections as the starting point for identifying need, accelerating household formation post 2021 to allow for the return to growth and increased headship rates. A judgement was then taken to increase this starting point (i.e. the PopGroup Baseline Accelerated Partial Catch Up Scenario B, of 562 dpa) to allow for worsening housing market signals and particularly to account for the under-delivery of dwellings in recent years.
- 9.3 Whilst a degree of subjectivity is necessary here, it is considered reasonable to increase the lower end of the requirement by around 53 dpa. This would equate to a roughly 10% increase on the adjusted demographic starting point and would broadly align with past under-delivery and the number of concealed households in the Borough as recorded in the latest 2011 Census data.
- 9.4 Whilst recognising that there is not a direct causal relationship between employment growth and dwelling requirements, clearly the two are fundamentally related. As such, at the top end of the range, the level of housing growth for Sefton Borough is broadly aligned with the Local Enterprise Partnership 'Policy On' Job Growth Scenario (Scenario F) and more particularly the Job Stabilisation Scenario (H). Whilst halting further decline in jobs may not seem to be a suitably pro-growth scenario, this must be seen within the context that according to the 2012-based SNPP Scenario, the Borough is likely to lose over 9,500 of its current economically active workforce by 2030, and almost 11,000 by 2035.
- 9.5 Whilst it is for Sefton Council to form a view on a suitable housing requirement within this broad range for their emerging Local Plan, if asked to express a preference, NLP would consider that a figure of **around 615 dpa** would be most appropriate. The 615 dpa figure presents the result of the clear stepped approach to defining housing need as set out in the Practice Guidance and the NPPF, with the demographic starting point adjusted to take into account local issues such as the low rate of immigration and the likelihood of a return to long term household formation rates; and uplifting the resultant demographic figure to account for a worsening in certain (although by no means all) market signals to improve affordability.
- 9.6 The broad range provides a realistic level of housing delivery which will support economic growth needs and address potentially worsening housing market signals, whilst meeting the full demographically-assessed need for housing in the Borough. The top end of the range would also help to deliver around 240 affordable dwellings annually (180 dpa at the bottom end of the

range), based on a target of 30% affordable housing provision. The lower end of the range equates to around half of the total affordable housing need (361 dpa) identified in the Council's draft 2013 Strategic Housing Market Assessment, whilst the top end of the range would deliver around two-thirds of the target. Given that affordable housing is likely to come forward through other sources as well as s.106 agreements on private market-led housing developments, and as 100% achievement of the affordable housing need would necessitate a level of delivery considerably in excess of all of the modelled scenarios, these appear reasonable outcomes. Clearly if the Council were to target a greater level of affordable housing provision then a higher overall housing target may be a reasonable policy choice open to them.

- 9.7 It is recognised that the top end of this range is significantly higher than the 510 dpa to 575 dpa range recommended in the previous Update, despite the population projections increasing at a reduced rate. However, the 2012 Update was undertaken before the advent of the Practice Guidance, whilst the approach to be taken to identifying the full objectively assessed need for housing and the role of market signals in particular, has been clarified from a number of recent High Court judgements, appeals and Local Plan Examinations in Public. As such, the removal of any supply-side scenarios (see paragraph 9.9) from the definition of full objectively assessed need, alongside the production of more robust population projections from ONS using a consistent approach to migration and the clear guidance on what constitutes housing 'need', as separate from 'requirement', justifies the difference.
- 9.8 If the Council were to pursue a figure significantly lower than the top end of the recommended ranges (which align with economic growth projections) whilst also planning for substantial job growth despite an ageing population, it would need to justify how they would mitigate or avoid the adverse housing, economic and other outcomes that a lower-growth approach would give rise to. It would also need to evidence how the adverse impacts of meeting housing need would *'significantly and demonstrably outweigh the benefits'* [the NPPF, §14] as well as make provision, through the duty-to-cooperate, for those needs to be met in full elsewhere within the wider strategic Housing Market Area.
- 9.9 Supply-side factors, such as development constraints, policy constraints, infrastructure and environmental capacity (not least from the 2013 Consequences Study), land supply and development viability amongst other considerations, are beyond the remit of this Housing Needs Update, but may give an indication as to where the target may sit within the full objectively assessed need ranges defined above. Similarly, such factors may provide Sefton Council with the rationale to deliver more or less than an objective assessment of need, based upon the range of evidence supporting its Local Plan.
- 9.10 **Since NLP was first commissioned to review the Borough's housing requirement in early 2011, the Council has regularly sought to update this work taking account of demographic and other changes, including key**

government guidance, and this study represents the latest stage in that process. Furthermore, it is stressed that it was always the Council's intention to review any housing requirement following the publication of the 2012-based SNPP and it is understood that it will do so again once the 2012-based household projections are published in early 2015.

Glossary

ASMigR (Age Specific Migration Rate)	Average number of migrants per 1,000 people by year of age.
Base Year	Starting year for assessment. Currently 2012 due to data availability.
CLG	Department for Communities and Local Government
Concealed Households	A household that neither owns nor rents the dwelling within which they reside AND which wants to move into their own accommodation and form a separate household.
Derived Forecast Model	<p>New development in the PopGroup suite of software that incorporates the previous features of HouseGroup and LabGroup. The DF model allows data to be entered for any variable that is closely related to the age-sex structure of the population as forecast by PopGroup or independently, including household structure, economic activity rates and disability projections, and to prepare projections from these data sources.</p> <p>In specific respect of this analysis, the DF model projects future household levels and resultant dwelling requirements and future economic activity and the number of jobs likely to be sustained in a particular area.</p>
Dpa	Dwellings per annum.
Economic Activity Rate	The % of population (both employed and unemployed) that constitutes the manpower supply of the labour market.
HEaDROOM	NLP housing requirement framework which takes account of demographic, housing and economic factors as well as policy and delivery matters to set out future housing requirements.
Household Headship Rates	Head of a household expressed as % of each age – sex population category. For married/cohabiting couples, males are taken as heads of household.
Household to Dwelling Conversion Factor	<p>Factor for conversion of number of households to the number of dwellings. It takes account of transactional and long term vacancies and 2nd/holiday homes.</p> <p>Expressed as 100 minus the vacant homes/2nd homes rate (%) Over time, an objective could be to move towards a 3% vacancy level – expressed as a household to dwelling factor of 97.</p>
Internal Migration	Migration to/from another part of UK.
International Migration	Migration to/from another country.
Labour Force / Employment Conversion Rate	Factor for conversion of number of workers to number of jobs in an area it takes account of economic activity and commuting levels calculated by # workers in area ÷ # jobs in area over time, an objective would be to move towards a ratio of 1 = self-containment

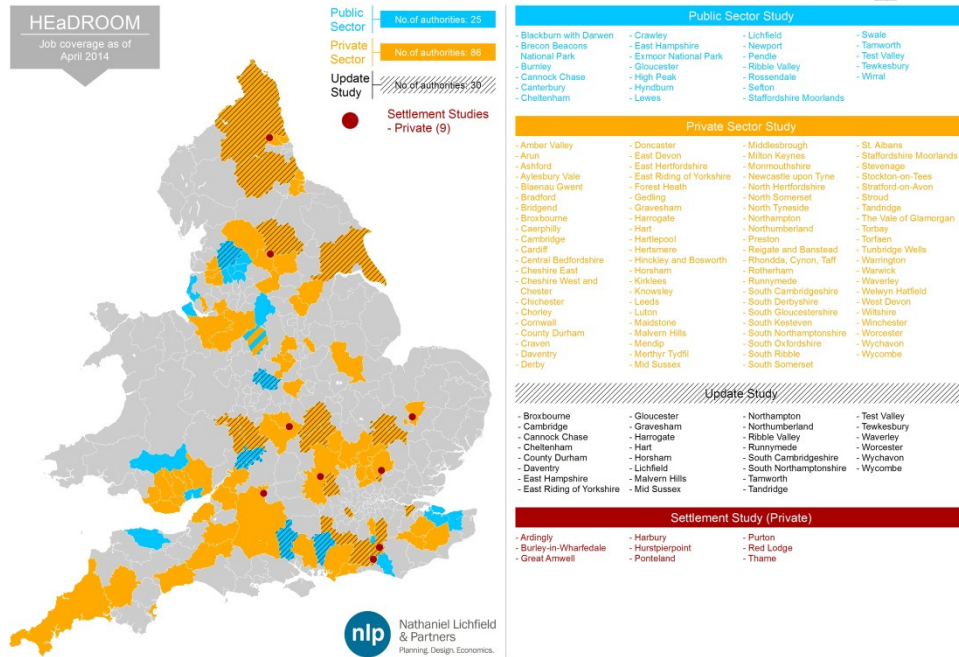
LEP	Local Enterprise Partnerships are partnerships between local authorities and businesses. They decide what the priorities should be for investment in roads, buildings and facilities in the area. Sefton is located within the Liverpool City Region LEP, which also includes the nearby local authority areas of Wirral, Liverpool, St Helens, Halton and Knowsley.
Natural Change	The difference (in any given time period) between the number of births and the number of deaths. A natural change projection ignores migration and shows the future population where any births and deaths affect it.
NLP	Nathaniel Lichfield & Partners [NLP] is one of the largest independent planning consultancies in the UK. NLP is a market leader in demographic analysis and the identification of local housing demand and supply.
NOMIS	NOMIS, an acronym for 'National Online Manpower Information System' is a service provided by the Office for National Statistics to provide free access to detailed and up-to-date UK labour market statistics from official sources.
NPPF	The National Planning Policy Framework (adopted in March 2012) sets out the Government's planning policies for England and how these are expected to be applied.
ONS	Office for National Statistics
Planning Practice Guidance	On 6 th March 2014 CLG launched the Planning Practice Guidance web-based resource (http://planningguidance.planningportal.gov.uk/). This website brings together many areas of English planning guidance into a new format, linked to the National Planning Policy Framework.
Plot Ratio	The ratio of the total floor area of buildings on a certain location to the size of the land of that location, or the limit imposed on such a ratio, i.e. if a gross area of 1ha is required to develop 4,000sqm of employment floorspace, this is said to be equal to a plot ratio of 40%.
PopGroup	Forecasting model to project future population levels, based upon assumptions regarding fertility, mortality and migration when used in conjunction with HouseGroup and LabGroup it will also project the future dwelling requirements associated with the population change and the economic activity/job effects of change.
SHLAA	Strategic Housing Land Availability Assessment
SHMA	Strategic Housing Market Assessment
SMR (Standard Mortality Rate)	Number of deaths per 1,000 population per year.
SNPP	The Sub-National Population Projections [SNPP] for England provide an indication of the possible size and structure of the future population, based on the continuation of recent demographic trends and are produced on a consistent basis across all local authorities in England. Subnational projections are usually published every two

	<p>years by ONS, although interim 2011-based projections were published in September 2012 to fulfil a specific user requirement for projections based on the 2011 Census results.</p> <p>The projections are trend-based, making assumptions about future fertility, mortality and migration levels based on trends in recent estimates, usually over a five-year reference period. They give an indication of what the future population size and age and sex structure might be if recent trends continued. They are not forecasts and take no account of policy nor development aims that have not yet had an impact on observed trends.</p>
<p>Special Populations</p>	<p>Particular groups within the wider population that exhibit particular demographic characteristics (e.g. students/school boarders/armed forces/prisoners).</p>
<p>Sub-Groups</p>	<p>Individual areas to be tested that collectively form part of a broader study area.</p>
<p>TFR (Total Fertility Rate)</p>	<p>Average number of children that would be born to a woman over her lifetime if she were to experience the exact current age specific fertility rates (ASFR) through her lifetime and if she were to survive from birth to the end of her productive life.</p>

Appendix 1 NLP Housing OAN Track Record

NLP is a market leader in this relatively new area of local evidence base work and its HEaDROOM framework leads the way. As well as previous work for Sefton Council NLP has undertaken over 100 HEaDROOM analyses for both Councils and house-builder clients. NLP has extensive experience of producing housing need studies for a number of Council's across England, having undertaken such studies for 25 Councils and update studies in 30, as illustrated in Figure A.1.

Figure A.1 NLP HEaDROOM Job Coverage as of April 2014



No NLP housing need study incorporating the PopGroup Model has been directly criticised by an Inspector as being flawed. Rather, our analysis has been identified as providing the basis for a comprehensive and reliable assessment of the issues relating to population and household change and our HEaDROOM model has been held up as an example of best practice at a number of Local Plan Examinations in Public [EIP], including Lichfield, Cannock Chase and South Worcestershire. Relevant excerpts from Inspector's reports relating to these examples are included below:

Lichfield District Council Local Plan: Strategy Examination: Inspector's Preliminary Findings (3rd September 2013)

"The [NLP] Housing Needs Study and its associated documents were subjected to detailed demographic and statistical scrutiny - particularly by those arguing for a lower housing figure than proposed in the Plan – with matters such as migration rates, household representation rates, the inherent model volatility when dealing with small areas and the accuracy of iterative models as the length of projection increases, all being thoroughly canvassed." [§14]

*“Overall I am satisfied that **the Housing Need Study is a robust piece of evidence and that the broad range of housing figures it identifies provides an appropriate basis for determining the objective assessment of housing need.** This was generally accepted at the hearings.”* [§20, NLP emphasis]

Cannock Chase District Council Local Plan (Part 1) Development Plan Document: Inspector’s Report (14th February 2014)

“CCDC provides extensive evidence outlining how the objective assessment of housing requirements for the district was established. The overall level of provision evolved through the preparation of the former WMRSS Phase 2 Revision, including an earlier SHMA produced in 2008, but has been subject to more recent studies, including a joint Housing Needs Study and SHMA update in 2012⁴⁸. This established the overall housing requirement of 19,800 dwellings for the southern Staffordshire districts (including Cannock Chase, Tamworth and Lichfield), based on the 2008 DCLG population and household projections, and set a target of 250-280 dwellings/year for Cannock Chase district. More recently, the implications of the 2011-based DCLG household interim projections were assessed, which suggested a slightly lower figure of 220-250 dwellings/year for Cannock Chase District. The equivalent figure in the submitted CCLP is 241 dwellings/year (or 264 dwellings/year with the additional 500 dwellings in Lichfield DC area). This overall level of provision is within the recommended target and would fully meet the objectively assessed housing needs of the district.” [§36]

*“The joint Housing Needs Study & SHMA Update [CD55] includes a range of methodology, scenarios and assumptions, covering demographic, housing and economic trends and scenarios, including migration rates, household size and formation and housing forecasts, as well as examining economic and employment factors and other housing factors, including trends in delivery, market demand and the need for market and affordable housing. It assesses household and employment growth, using recognised and reliable “HEaDROOM” models, to establish overall housing requirements and ensure that the strategy would not lead to more out-commuting, decrease job density or reduce jobs and the workforce. Although there may be other ways of establishing housing requirements, **I am satisfied that it is a robust and credible piece of evidence, with soundly based methodology and assumptions; the broad range of housing figures set out provides a reliable and appropriate basis for determining the contribution that Cannock Chase district should make to the objectively assessed housing needs of the housing market area.** Moreover, the figures remain robust when assessed against the latest 2011-based household projections. Overall, I consider this objective assessment of housing requirements is properly prepared, soundly based and consistent with the guidance in the NPPF.”* [§37, NLP emphasis]

⁴⁸NLP (2012): Southern Staffordshire Districts Housing Needs Study and SHMA Update

Stage 1 of the examination of the South Worcestershire Development Plan: Inspector's interim conclusions on the Stage 1 Matters (2014)

"A recent Town and Country Planning Association paper argues persuasively that just under half that reduction is attributable to suppressed household formation due to the state of the economy and the housing market. The corollary of this is that, under the more favourable economic conditions expected in future years, there will almost certainly be a return to higher rates of household formation. Thus it would be unwise to rely on the household growth rates shown in the 2011-based projections persisting throughout the Plan period." [§30]

"NLP follow this logic by employing two alternative sets of HRR in their modelling. The first, on which their "index" scenarios are based, uses HRR drawn from the 2011-based household projections for the period 2011-2021, then for the rest of the Plan period uses an index of HRR drawn from the 2008-based household projections. This effectively assumes that current trends in household formation will persist until 2021, after which there will be a return to the household growth rates experienced in the years before the financial downturn." [§31]

"Taking into account all the evidence I heard on this point, this is a reasonable assumption. On the basis of current economic trends, I consider it less likely that, after 2021, household growth rates will accelerate beyond the rates experienced before 2008, as envisaged in NLP's alternative "partial catch-up" scenarios." [§32]

"On their "index" basis, NLP's three trend-based "baseline" scenarios produce dwelling requirements for the Plan period of between about 23,500 and 24,600. NLP then apply employment forecasts to their first baseline scenario, in much the same way as was done by the SHMA to produce CS4. NLP test the effects of applying both the 2009 CE forecasts used in the SHMA, and recent forecasts produced by Experian. The additional in-migration required to provide enough employees to meet these job forecasts raises the dwelling requirement to 25,300 based on the CE forecasts, and 32,000 based on the Experian forecasts. NLP recommend the latter as the minimum housing requirement for the Plan." [§33]

"NLP's methodology is generally sound. In particular they use realistic assumptions about both future falls in local unemployment rates and increases in economic activity among older age-groups in the period to 2020..." [§34, NLP emphasis]

"...in my view the demographic stage of that analysis should be carried out using the latest available official population projections, combined with NLP's "index" approach to translate those projections into future household numbers. [§44]

"endorse, in principle, NLP's assumptions about both future falls in local unemployment rates and increases in economic activity among older age-groups in the period to 2020." [§46]

Appendix 2 Inputs and Assumptions

DEMOGRAPH IC	Scenario A: Baseline (Scenario Ba-Be Headship Sensitivities; Scenario Bf – adjusted Vacancy Rates, Scenario Bg – Trend Economic Activity Rates)	Scenario C – Natural Change	Scenario D – Zero Net Migration
Population			
Baseline Population	A 2012 baseline population is taken from the 2012 Mid-year population estimates for Sefton Borough, split by age cohort and gender. For Scenario A and the sensitivities, the populations for 2012-35 are constrained to the 2012-based SNPP for the Borough, by age and sex.		
Births	Future change assumed in the Total Fertility Rate [TFR] uses the birth projections from the ONS 2012-based Interim SNPP. This in turn is used to derive future projected TFRs through PopGroup.		
Deaths	Future change assumed in the SMR uses the death projections from the ONS 2012-based Interim SNPP. This in turn is used to derive future projected SMRs through PopGroup.		
Internal Migration	Gross domestic in and out migration flows are adopted based on forecast migration in Sefton Borough from the ONS 2012-based SNPP for the actual internal migration flows 2012-2035. This is the sum of internal migration (elsewhere in England) and cross-border migration (elsewhere in the UK) (SNPP Table 5). Internal migration includes moves to all other Local Authority areas, including to neighbouring areas (i.e. a move of two streets might be classed as internal migration if it involves a move to another LA area).	Internal in and out migration is set at zero over the Plan period.	Gross domestic in and out migration flows are adopted based on forecast migration in the Borough from the ONS 2012-based SNPP for the actual internal migration flows 2011-2035. To achieve zero net migration the difference between in and out flows is split to equalise the in and out flows at the middle point of the two.
International Migration	Gross international in and out migration flows are adopted based on forecast migration in Sefton Borough from the ONS 2012-based SNPP for the actual internal migration flows 2012-2035.	International in and out migration is set at zero over the Plan period.	As above, but for international rather than internal migration.
Propensity to Migrate (Age Specific Migration Rates)	Age Specific Migration Rates (ASMigR) for both in and out domestic migration are based upon the age profile of migrants to and from Sefton Borough in the 2012-based SNPP. These identify a migration rate for each age cohort within the Borough (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 Borough (but not the total numbers of migrants).		

DEMOGRAPH IC	Scenario A: Baseline (Scenario Ba-Be Headship Sensitivities; Scenario Bf – adjusted Vacancy Rates, Scenario Bg – Trend Economic Activity Rates)	Scenario C – Natural Change	Scenario D – Zero Net Migration
Housing			
Headship Rates	<p>Headship rates that are specific to Sefton Borough and forecast over the period to 2033 were taken from the government data which was used to underpin the 2011-based CLG household forecasts and applied to the demographic forecasts for each year as output by the PopGroup model. These headship rates were split by age cohort and by household typology. These are the most up-to-date headship rates available at the time of writing. Beyond 2021 this is assumed to resume the long term trends identified within the 2008-based household projections with index trends from the 2008-based projections applied to the 2021 end point of the 2011-based household projections.</p> <p>For the Baseline sensitivity tests (Ba, Bb, Bc and Bd), a variety of headship rates has been modelled using higher / lower household representation rates post 2021:</p> <ul style="list-style-type: none"> • Static = Constant 2021 rate applied for each year post-2021; • Trend = CLG 2011-based household projection trend continued on a linear basis post 2021; • Partial Catch Up = Change post 2021 is targeted to partially achieve CLG 2008-based Household Projections end rates by 2033; • Accelerated Partial Catch Up = As for Partial Catch Up, although change begins earlier in 2016; • Catch Up = Change post 2021 is targeted to achieve CLG 2008-based Household Projections end rates by 2033 (generally the High Rate). <p>Post 2033, the rate is held constant.</p>		
Population not in households	<p>The number of population not in households (e.g. those in institutional care) is similarly taken from the assumptions used to underpin the 2011-based CLG household forecasts. No change is assumed to the rate of this from the CLG identified rate.</p>		
Vacancy / 2nd Home Rate	<p>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. This means that more dwellings than households are required to meet needs. The vacancy / second home rate in Sefton Borough totals 4.63% (estimated by Sefton Council using data from the Council Tax Base for Formula Grant Purposes, including 0.294% second homes (October 2013)), held constant over the forecast period. For Scenario Bf, the rate was gradually reduced to 4.294%.</p>		
Economic			
Economic Activity Rate	<p>2011 Census Economic Activity Rates used for each age cohort to equate to the 2010 and 2011 economic activity profile for Sefton Borough. From 2012 onwards, an adjustment has been made to reflect the changes to the State Pension Age; the propensity for people to live longer and retire later; and the growth of part time opportunities amongst other challenges. The NLP approach mirrors that put forward by Kent County Council in their Technical Paper: “<i>Activity Rate projections to 2036, Research and Evaluation, Business Strategy and Support</i>” (October 2011). The increase in rates, which is most pronounced for women over the age of 60 and males between the ages of 65-69, are gradually increased from 2012 onwards up to 2020, whereby they are held constant across the remainder of the forecasting period.</p> <p>For Scenario Bg, the economic activity rates were increased/decreased for each age cohort in line with the rate of change achieved in Sefton Borough between 2001 and 2011 as recorded in the respective Censuses.</p>		

DEMOGRAPHIC	Scenario A: Baseline (Scenario Ba-Be Headship Sensitivities; Scenario Bf – adjusted Vacancy Rates, Scenario Bg – Trend Economic Activity Rates)	Scenario C – Natural Change	Scenario D – Zero Net Migration
Commuting Rate	<p>A standard net commuting rate is inferred through the modelling using a Labour Force Ratio which is worked out using the latest 2011 Census, which indicates that 19,181 more residents commute of the Borough on a daily basis than commute in.</p> <p>Based on the data in the Census suggesting that 122,709 Sefton residents are in employment, compared to 103,528 who work in the Borough daily, this results in a labour force ratio of 1.185 (i.e. more people commute out of Sefton than commute in on a daily basis).</p> <p>This has not been flexed over the forecasting period with no assumed increase or reduction in net commuting rates.</p>		
Unemployment	<p>To calculate the unemployment rate for Sefton Council, NLP took the January-December 2012 NOMIS (modelled) unemployment figure (8.5%) to equate to 2012 and the equivalent 2013 figure (8.4%) to equate to 2013. NLP kept the former figure constant for 2014 and 2015 to reflect initial stabilisation at the current high rate, and then gradually reduced the rate on a linear basis to the long term average (2004-13) of 7.22% over a five-year time frame. This figure was then held constant to the end of the forecasting period on the grounds that this is a better reflection of the long-term trend than the current high rate.</p>		

DEMOGRAP HIC	Scenario E. Experian Job Growth	Scenario F: LEP Baseline Job Growth	Scenario G LEP 'Policy On' Job Growth	Scenario H: Constant Labour Supply	Scenario I: Past Trends Job Growth	Scenarios K: Urban Containment and L: Draft Local Plan Preferred Option
Population						
Baseline Population	A 2012 baseline population is taken from the 2012 Mid-year population estimates for Sefton Borough, split by age cohort and gender.					
Births	Future change assumed in the Total Fertility Rate [TFR] uses the birth projections from the ONS 2012-based Interim SNPP. This in turn is used to derive future projected TFRs through PopGroup.					
Deaths	Future change assumed in the SMR uses the death projections from the ONS 2012-based Interim SNPP. This in turn is used to derive future projected SMRs in PopGroup.					
Internal Migration	<p>Internal in-migration and outmigration is flexed (inflated or deflated) to achieve the necessary number of economically active people to underpin the economy in the Borough for this employment scenario.</p> <p>This was based on taking forward forecast job growth based on Experian projections (+6,114 jobs 2012-2030).</p>	<p>Internal in-migration and outmigration is flexed (inflated or deflated) to achieve the necessary number of economically active people to underpin the economy in the Borough for this employment scenario.</p> <p>This was based on taking forward forecast job growth based on LEP baseline projections (+2,500 jobs 2012-2030).</p>	<p>As Scenario F, but with potential unconstrained employment growth (total jobs) in Sefton Borough of +900 between 2012 and 2030.</p>	<p>Internal in-migration and outmigration is flexed (inflated or deflated) to achieve the necessary number of economically active people to underpin the economy in the Borough for this employment scenario.</p> <p>This was based on job stabilisation between 2012 and 2030/35.</p>	<p>As Scenario F, but with potential unconstrained employment decline (total jobs) in Sefton Borough of -1,080 jobs annually, based on past losses between 2000 and 2012 in the Borough..</p>	<p>Internal migration is flexed to increase the current level of dwellings in Sefton by 4,530 units between 2011 and 2030 for Scenario J, and 10,700 for Scenario J.</p>
International Migration	As above, but for international rather than internal migration.					
Propensity to Migrate (Age Specific Migration Rates)	Age Specific Migration Rates (ASMigR) for both in and out domestic migration are based upon the age profile of migrants to and from Sefton Borough in the 2012-based SNPP. These identify a migration rate for each age cohort within the Borough (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 Borough (but not the total numbers of migrants).					

DEMOGRAP HIC	Scenario E: Experian Job Growth	Scenario F: LEP Baseline Job Growth	Scenario G LEP 'Policy On' Job Growth	Scenario H: Constant Labour Supply	Scenario I: Past Trends Job Growth	Scenarios K: Urban Containment and L: Draft Local Plan Preferred Option
Housing						
Headship Rates	Headship rates that are specific to Sefton Borough and forecast over the period to 2033 were taken from the government data which was used to underpin the 2011-based CLG household forecasts and applied to the demographic forecasts for each year as output by the PopGroup model. These headship rates were split by age cohort and by household typology. These are the most up-to-date headship rates available at the time of writing. Beyond 2021 this is assumed to resume the long term trends identified within the 2008-based household projections with index trends from the 2008-based projections applied to the 2021 end point of the 2011-based household projections. Post 2033, the rate is held constant.					
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 2011-based CLG household forecasts. No change is assumed to 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. This means that more dwellings than households are required to meet needs. The vacancy / second home rate in Sefton Borough totals 4.63% (estimated by Sefton Council using data from the Council Tax Base for Formula Grant Purposes, including 0.294% second homes (October 2013)), held constant over the forecast period.					
Economic						
Economic Activity Rate	2011 Census Economic Activity Rates used for each age cohort to equate to the 2010 and 2011 economic activity profile for Sefton Borough. From 2012 onwards, an adjustment has been made to reflect the changes to the State Pension Age; the propensity for people to live longer and retire later; and the growth of part time opportunities amongst other challenges. The NLP approach mirrors that put forward by Kent County Council in their Technical Paper: " <i>Activity Rate projections to 2036, Research and Evaluation, Business Strategy and Support</i> " (October 2011). The increase in rates, which is most pronounced for women over the age of 60 and males between the ages of 65-69, are gradually increased from 2012 onwards up to 2020, whereby they are held constant across the remainder of the forecasting period.					
Commuting Rate	A standard net commuting rate is inferred through the modelling using a Labour Force Ratio which is worked out using the latest 2011 Census, which indicates that 19,181 more residents commute of the Borough on a daily basis than commute in. Based on the data in the Census suggesting that 122,709 Sefton residents are in employment, compared to 103,528 who work in the Borough daily, this results in a labour force ratio of 1.185 (i.e. more people commute out of Sefton than commute in on a daily basis). This has not been flexed over the forecasting period with no assumed increase or reduction in net commuting rates.					
Unemployment	To calculate the unemployment rate for Sefton Council, NLP took the January-December 2012 NOMIS (modelled) unemployment figure (8.5%) to equate to 2012 and the equivalent 2013 figure (8.4%) to equate to 2013. NLP kept the former figure constant for 2014 and 2015 to reflect initial stabilisation at the current high rate, and then gradually reduced the rate on a linear basis to the long term average (2004-13) of 7.22% over a five-year time frame. This figure was then held constant to the end of the forecasting period on the grounds that this is a better reflection of the long-term trend than the current high rate.					

Appendix 3 PopGroup Summary

	SCENARIO B: PopGroup Baseline			
	2012	2030	Change 2012-30	% Change 2012-30
Population	273,697	278,658	4,961	2%
Households	118,318	126,932	8,614	7%
Dwellings	124,062	133,095	9,033	7%
Size of Labour Force	133,389	123,817	-9,572	-7%
Number of Jobs	102,973	96,920	-6,052	-6%

	SCENARIO Ba: PopGroup Baseline STATIC Headship			
	2012	2030	Change 2012-30	% Change 2012-30
Population	273,697	278,658	4,961	2%
Households	118,318	125,453	7,135	6%
Dwellings	124,062	131,543	7,481	6%
Size of Labour Force	133,389	123,817	-9,572	-7%
Number of Jobs	102,973	96,920	-6,052	-6%

	SCENARIO Bb: PopGroup Baseline TREND Headship			
	2012	2030	Change 2012-30	% Change 2012-30
Population	273,697	278,658	4,961	2%
Households	118,318	125,328	7,010	6%
Dwellings	124,062	131,412	7,351	6%
Size of Labour Force	133,389	123,817	-9,572	-7%
Number of Jobs	102,973	96,920	-6,052	-6%

	SCENARIO Bc: PopGroup Baseline PARTIAL CATCH UP Headship			
	2012	2030	Change 2012-30	% Change 2012-30
Population	273,697	278,658	4,961	2%
Households	118,318	127,728	9,410	8%
Dwellings	124,062	133,928	9,866	8%
Size of Labour Force	133,389	123,817	-9,572	-7%
Number of Jobs	102,973	96,920	-6,052	-6%

	SCENARIO Bd: PopGroup Baseline ACCELERATED PARTIAL CATCH UP Headship			
	2012	2030	Change 2012-30	% Change 2012-30
Population	273,697	278,658	4,961	2%
Households	118,318	127,962	9,645	8%
Dwellings	124,062	134,175	10,113	8%
Size of Labour Force	133,389	123,817	-9,572	-7%
Number of Jobs	102,973	96,920	-6,052	-6%

	SCENARIO Be: PopGroup Baseline CATCH UP Headship			
	2012	2030	Change 2012-30	% Change 2012-30
Population	273,697	278,658	4,961	2%
Households	118,318	130,116	11,798	10%
Dwellings	124,062	136,432	12,370	10%
Size of Labour Force	133,389	123,817	-9,572	-7%
Number of Jobs	102,973	96,920	-6,052	-6%

	SCENARIO Bf. Baseline + 4.29% Vac			
	2012	2030	Change 2012-30	% Change 2012-30
Population	273,697	278,658	4,961	2%
Households	118,318	126,932	8,614	7%
Dwellings	124,062	132,622	8,560	7%
Size of Labour Force	133,389	123,817	-9,572	-7%
Number of Jobs	102,973	96,920	-6,052	-6%

	Bg. Baseline - Trend Economic Activity Rates			
	2012	2030	Change 2012-30	% Change 2012-30
Population	273,697	278,658	4,961	2%
Households	118,318	126,932	8,614	7%
Dwellings	124,062	133,095	9,033	7%
Size of Labour Force	134,200	141,900	7,700	6%
Number of Jobs	103,599	111,075	7,477	7%

	SCENARIO C: Natural Change			
	2012	2030	Change 2012-30	% Change 2012-30
Population	273,697	269,965	-3,732	-1%
Households	118,318	122,011	3,693	3%
Dwellings		127,934	3,872	3%
Size of Labour Force	133,389	121,236	-12,153	-9%
Number of Jobs	102,973	94,900	-8,072	-8%

	D. Zero Net Migration			
	2012	2030	Change 2012-30	% Change 2012-30
Population	273,697	272,809	-888	0%
Households	118,318	121,451	3,133	3%
Dwellings	124,062	127,347	3,285	3%
Size of Labour Force	133,389	124,591	-8,798	-7%
Number of Jobs	102,973	97,526	-5,446	-5%

	E. Sefton Experian			
	2012	2030	Change 2012-30	% Change 2012-30
Population	273,697	307,666	33,969	12%
Households	118,318	137,577	19,259	16%
Dwellings	124,062	144,256	20,194	16%
Size of Labour Force	133,389	139,359	5,970	4%
Number of Jobs	102,973	109,087	6,114	6%

	F. LEP Job Growth			
	2012	2030	Change 2012-30	% Change 2012-30
Population	273,697	287,215	13,518	5%
Households	118,318	130,089	11,771	10%
Dwellings	124,062	136,405	12,343	10%
Size of Labour Force	133,389	128,355	-5,034	-4%
Number of Jobs	102,973	100,473	-2,500	-2%

	G. LEP Job Growth 'Policy On'			
	2012	2030	Change 2012-30	% Change 2012-30
Population	273,697	295,687	21,990	8%
Households	118,318	133,307	14,989	13%
Dwellings	124,062	139,779	15,717	13%
Size of Labour Force	133,389	132,699	-690	-1%
Number of Jobs	102,973	103,873	900	1%

	H. Job Stabilisation			
	2012	2030	Change 2012-30	% Change 2012-30
Population	273,697	292,908	19,211	7%
Households	118,318	132,099	13,782	12%
Dwellings	124,062	138,513	14,451	12%
Size of Labour Force	133,389	131,549	-1,840	-1%
Number of Jobs	102,973	102,973	0	0%

	I. Past Trends Job Growth			
	2012	2030	Change 2012-30	% Change 2012-30
Population	273,697	246,652	-27,045	-10%
Households	118,318	115,072	-3,246	-3%
Dwellings	124,062	120,659	-3,403	-3%
Size of Labour Force	133,389	106,714	-26,675	-20%
Number of Jobs	102,973	83,533	-19,440	-19%

	K. Urban Containment			
	2012	2030	Change 2012-30	% Change 2012-30
Population	273,697	267,098	-6,599	-2%
Households	118,318	122,638	4,320	4%
Dwellings	124,062	128,592	4,530	4%
Size of Labour Force	133,389	117,535	-15,854	-12%
Number of Jobs	102,973	92,003	-10,970	-11%

	L. Draft Local Plan Preferred Option			
	2012	2030	Change 2012-30	% Change 2012-30
Population	273,697	282,997	9,300	3%
Households	118,318	128,522	10,205	9%
Dwellings	124,062	134,762	10,700	9%
Size of Labour Force	133,389	126,000	-7,389	-6%
Number of Jobs	102,973	98,629	-4,344	-4%

SENSITIVITY TEST: ADJUSTING THE VACANCY RATE

Modelling Scenarios Varying Vacancy Rate assumptions to 2030

Dwelling Change	Sefton			
	2012-2030	dpa	2012-2035	dpa
Reduced Vacancy Rate to 3%	6,796	378	8,277	360
Reduced Vacancy Rate to 3.5%	7,474	415	8,963	390
Reduced Vacancy Rate to 4%	8,159	453	9,656	420
Ae. Reduced Vacancy Rate to 4.294% (index-based headship rate)	8,560	476	10,061	437
Reduced Vacancy Rate to 4.5%	8,852	492	10,356	450
Reduced Vacancy Rate to 5%	9,551	531	11,063	481
A. PopGroup Baseline (Index -4.63%)	9,033	502	10,539	458

Source: NLP PopGroup Modelling

Appendix 4 PopGroup Modelling Outputs (Presented Separately)

Appendix 5 PopGroup

For the demographic and labour supply scenarios where demographic modelling is necessary, NLP has used specialist demographic modelling and forecasting tool **PopGroup** to model future trends in demography, household and dwelling estimates.

PopGroup was first developed at Bradford Council, supported by six Local Authorities: Shropshire, Worcestershire, Bradford, Derbyshire, Buckinghamshire and Staffordshire, and later by the Economic and Social Research Council (ESRC). It is now owned by the Local Government Association. Programming, support and promotion have been provided since 2009 by Edge Analytics Ltd, UK.

The PopGroup software uses a variety of inputs including ONS population projections and comparable CLG household forecasts. It is widely used by over 100 LA and private sector bodies including Sheffield and Leeds.

PopGroup is a family of software developed to forecast population, household and labour force for areas and social groups. Users develop alternative assumptions as scenarios. PopGroup replicates official projections in regular Data Modules for population and households, with plans for Data Modules for illness and disability, the labour force, ethnic groups and adult care. PopGroup incorporates a cohort component methodology for its population projection model, a headship rate model for its household projection model and an economic activity rate model for its labour-force projection model.

In the UK, PopGroup replicates official projections in regular Data Modules for population and households, with plans for Data Modules for illness and disability, the labour force, ethnic groups and adult care. The software adopts authoritative methods also used by national and United Nations agencies, uses single years of age for population, and has published two peer reviews

Historical data on population, births, deaths and migration flows provides the basis for the development of alternative population forecasts. PopGroup provides national fertility, mortality and migration schedules against which local profiles can be calibrated. For scenario development, users may choose a time horizon up to 50 years and may select a variety of demographic assumptions and constraints to which scenarios are linked, allowing comparisons of a variety of official projections, trend-based scenarios or policy-constrained forecasts.

More information on PopGroup, and the technical methodology of the model itself, can be found via the following weblink: www.ccsr.ac.uk/popgroup