# Objectively Assessed Need for Housing (OAN) 2017 Liverpool City Region SHELMA
## (Strategic Housing & Employment Land Market Assessment)

## (1) Summary

> **The conclusion from the SHELMA study;**
>
> **Baseline Economic Growth - Objectively Assessed Need for housing in Halton is 8,650 dwellings (346 per annum) in the period 2012~37** (Jobs growth = 3,800).
>
> **Growth Scenario Economic Growth - Objectively Assessed Need for housing is 14,125 dwellings (565 per annum) in the period 2012~37** (Jobs growth = 12,400).

## (2) Background

Since 2012, Government has required Councils to calculate the Objectively Assessed Need (OAN) for housing within their 'Housing Market Area' and to plan positively to meet that need in full.

Government does not specify a set methodology for calculating OAN, but it does provide broad guidance on issues that should be considered.

- Government's Department of Communities and Local Government (CLG) Household Projections should be used as a starting point.
- The CLG projections may need to be adjusted to take account of;
    o newer ONS population projections:
    o local factors affecting migration;
    o local factors affecting population structure;
    o other known local circumstances.
- Likely change if job numbers, either based on;
    o past trends;
    o economic projections
    o other known local circumstances / aspirations
- Market signals, including;
    o land prices;
    o affordability
    o rate of development
    o overcrowding

The guidance, effectively sets out a number of steps to calculating housing need, including;

a) the need arising from the local population, and
b) need arising from economic (jobs) projections / aspirations.

The <u>Full</u> Objectively Assessed Need is effectively the highest of the demographic or economic need.

Halton, together with the other Liverpool City Region authorities (Knowsley, Liverpool, Sefton, St.Helens and Wirral) together with West Lancashire has commissioned the 2016 Strategic Housing and Employment Land Market Assessment (SHMA) from expert consultants to provide these figures.

## (3) Housing Market Area (HMA).

Government states that

> *"A housing market area is 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."*

There is no set methodology to defining housing market areas, but a rule of thumb is that 60% of

people moving house do so within the area and 60% of commuters live and work within the area.

The SHELMA study considered commuting and migration patterns from the 2011 Census and concluded that the 'Mid-Mersey' area comprising of Halton, St.Helens and Warrington Council's areas represents a HMA. (see separate Data Sheet). Warrington was not a partner in the SHELMA study, but was in the SHMA that preceded it produced by the same consultants. For Town Planning purposes, the starting assumption is that each authority will plan to meet its own need.

## (4) Trend Based Demographic Projections.

Halton's next development plan will cover the period from 2012 to 2037, so we will set out figures for this period.

The 2016 SHELMA looks at four scenarios for 'demographic need'

a) (2012 based) CLG Household projections.
b) Household projections (1) adjusted for 2014 based population projections.
c) Household projections adjusted for 'Unattributable Population Change' (UPC)
d) Household projections adjusted for 'blend' of 2014 based population projections and UPC.

Household projections are converted to housing need (dwellings) by including an allowance for vacant and second homes (2.6% from the 2011 Census).

a) Scenario 1; the latest CLG Projections are based on the 2014 based population projections.

b) Scenario 2 applies updated assumptions being used in Government's Mid-Year Estimates which take account of 2011 Census findings

| Scenario | (1) | (2) | (4) | (6) |
|---|---|---|---|---|
| Hhlds 2012 | 53,580 | 53,580 | 53,580 | 53,580 |
| Hhlds 2037 | 59,340 | 59,356 | 59,024 | 63,282 |
| Change | 5,759 | 5,775 | 5,443 | 9,701 |
| Hhlds p.a. | 230 | 231 | 218 | 388 |
| Dwellings p.a | 234 | 235 | 221 | 394 |

c) Scenarios 3 and 4 consider 10 and 14 year migration trends (SNPP use 5 years).

d) Scenarios 5 and 6 consider the issue of 'Unattributable Population Change'. The Office for National Statistics (ONS) uses data from the national Censuses to validate and re-base their assumptions for the components of population change, i.e.
1) Natural population change (difference between births / deaths)
2) Net migration (internal and international)

These are key components in the population projections published by ONS. In Halton (as with some other authorities) the total population counted by the 2011 Census was significantly different than expected in the ONS projection.

This indicated that there must be issues with one or more of the underlying assumptions being used for the 'components of change' in previous projections.

Technical work by ONS into this issue identified that nationally around half of the UPC error *may* result from an undercount in the 2001 Census, however, as there is no way to say conclusively whether the 'error' was in the 'natural change' or in the 'migration' assumptions and as the error would work its way out of SNPP calculations over the next 5 years, ONS quantified and classified this as being a third 'unattributable' component of change.

From the figure above (Scenario 6), it is clear that this has a dramatic upwards effect on the calculated demographic based housing need in Halton.

## (5) Economic Led Housing Need.

In order to calculate the number of dwelling needed to house the required workforce there are again a number of steps that have to be followed;

a) Forecast jobs
b) Commuting ratio (ratio of jobs to workers)
c) People with more than one job (double jobbing)
d) Working age population
e) Economic activity rates (% of people in working age groups that are in or seeking employment)

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The SHELMA considers these in order.

a) The starting point is the number of jobs the local economy is forecast to have in 2037. A number of national consultancies produce economic forecasts based on predicted performance of different sectors of the economy.

The SHELMA uses two forecasts from Oxford Economics commissioned by the Liverpool City Region Local Enterprise Partnership (LEP) which inform their Strategic Economic Strategy.

(1) Baseline growth scenario, and
(2) An aspirational *'above trend'* scenario linked to the LEP's Economic Strategy targets.

| OE Scenario : | Baseline | Growth |
|---|---|---|
| Jobs Change | 3,800 | 12,400 |
| p.a. | **+152** | **+496** |

| 2011 Census | |
|---|---|
| Live/Work in LA | 27,270 |
| Home workers | 3,741 |
| No fixed place | 3,527 |
| In-commute | 23,100 |
| **Total work in LA** | **57,638** |
| Out commute | 23,233 |
| **Total Live in LA (and working)** | **57,711** |
| Commute Ratio | 1.00 |

b) The 2011 Census showed the balance between jobs and employees living within the borough (the commuting ratio) was 1.00. This means, for every additional job created within Halton, we would expect that there would be one additional employed resident. By contrast, St.Helens has net out commuting with a commuting ratio of 1.21, meaning that for every additional job within St.Helens they would expect demand to house an additional 1.21 employed residents.

c) There will be people within the economy who hold more than one job. For Halton this is estimated to be 2.6%, so an allowance is made for this to arrive at a figure for anticipated resident workforce (3,800 jobs – 2.6% = 3,701 change in resident workforce)

d-e) Changes to the number of residents within each age group and to the proportion of these that are economically active will impact on the total population needed to generate a given workforce. Different factors affect this including general demographics (e.g. the proportion of the population over retirement age is increasing) and social and governmental factors (e.g. increases in the proportion of females working and changed school leaving and state retirement ages).

The SHELMA estimates that Halton will need an additional 7,999 households to generate sufficient employees to fill the projected 3,800 net increase in jobs in the Baseline economic forecast. If the Growth Scenario figure of 12,400 jobs is achieved it would require an additional 13,330 households to generate sufficient workers.

| OE Scenario : | Baseline | Growth |
|---|---|---|
| **Households 2012** | 53,580 | 53,580 |
| **Households 2037 *** | 61,580 | 66,911 |
| **Change *** | 7,999 | 13,330 |
| **Households p.a. *** | 320 | 533 |
| **Dwellings p.a. *** | **325** | **542** |

* 2012 Headship rates

f) Headship rates were held constant in this calculation, but are considered as a 'market signal' as part of 'affordability' under section 6.

## (6) **Aligning Economic & Demographic Need.**

The last stage is to take account of market signals'.

- o land prices;
- o affordability
- o rate of development
- o overcrowding

The SHELMA considered the above issues, looking at trends over the last 10 or 15 years. Comparisons with the North West and national situation showed that local market signals do not demonstrate that there are any abnormal local conditions.

One issue, whilst not confined to the Mid-Mersey authorities is the effects of house price and mortgage availability on first time buyers. In particular the effect on the numbers in the 25-34 age range who are able to form their own household. This age range has seen significant falls in their 'household formation rate', i.e. the proportion that have been able to leave home and form their own household.

The SHELMA has modelled the housing need that would arise if the household formation rate for this age group was increased to be more in line with historic trends (i.e. what would be expected if affordability and mortgage issues were not supressing demand). Calculations are undertaken for both baseline and growth economic scenarios.

| OE Scenario : | Baseline | Growth |
|---|---|---|
| Households 2012 | 53,580 | 53,580 |
| Households 2037 | 62,093 | 67,498 |
| Change | 8,513 | 13,918 |
| Households p.a. | 341 | 557 |
| Dwellings p.a. | 346 | 565 |
| | | |
| Uplift (p.a.) | 21 | 23 |
| % Uplift | 6% | 4% |

It can be noted that this 'uplift' due to applying these higher formation rates is significantly below the 'circa 10%' suggested by planning examinations elsewhere, however affordability pressures are not as strong in Halton as these other authorities.

**The conclusion from the above, is that the Full Objectively Assessed Need for housing in Halton (assuming jobs growth of 3,800) in the period 2012~37 is 346 dwellings per annum.**

**As the Council is planning for the 'Growth Scenario' sufficient land will need to be made available to accommodate 565 dwellings per annum.**