Liverpool Strategic Housing Market Assessment

Liverpool City Council

Final Report

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Prepared by

GL Hearn Limited
280 High Holborn
London WC1V 7EE

T +44 (0)20 7851 4900
glhearn.com
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<tr>
<th>DATE</th>
<th>ORIGINATORS</th>
<th>APPROVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2016</td>
<td>Paul McColgan</td>
<td>Nick Ireland</td>
</tr>
<tr>
<td></td>
<td>Associate Director</td>
<td>Director</td>
</tr>
</tbody>
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1 INTRODUCTION

Context and Purpose

1.1 GL Hearn has been commissioned to prepare an Integrated Evidence Study, comprising a Strategic Housing Market Assessment (SHMA), Employment Land Review and an Open Space Study for Liverpool City Council. This report provides the Strategic Housing Market Assessment. GL Hearn leads a consultancy team which includes Justin Gardner Consulting (JGC).

1.2 The preparation of the SHMA has followed relevant national policy and guidance, specifically the National Planning Policy Framework\(^1\) and Planning Practice Guidance (PPG) on *Housing and Economic Development Needs Assessments*\(^2\). It defines the Objectively Assessed Need (OAN) for housing as national planning policy requires, as well as considering the need for different types of housing and the housing needs of different groups within the community.

1.3 The preparation of a new SHMA has been commissioned to respond to the requirements of the NPPF and PPG to provide a fit-for-purpose evidence base to inform and support planning and housing policies, including to:

- Reflect the latest datasets including population and household projections;
- Comply with the requirements of the NPPF and Planning Practice Guidance;
- Inform engagement with adjoining authorities through the Duty to Cooperate;
- Provide an integrated evidence base for housing and employment land;
- Inform the development of planning policy for the City.

National Planning Policy Framework (NPPF)

1.4 The National Planning Policy Framework (NPPF) was published in March 2012. The Framework sets a presumption in favour of sustainable development whereby local plans should meet objectively assessed development needs, with sufficient flexibility to respond to rapid change, unless the adverse impacts of doing so would significantly or demonstrably outweigh the benefits or policies within the Framework indicate that development should be restricted.

1.5 The NPPF highlights the Strategic Housing Market Assessment as a key piece of evidence in determining housing needs. Paragraph 159 in the Framework outlines that this should identify the scale and mix of housing and the range of tenures which the local population is likely to need over the plan period which:

\(^1\) CLG (March 2012) *National Planning Policy Framework*
\(^2\) [http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/]
• Meets household and population projections, taking account of migration and demographic change;
• Addresses the need for all types of housing, including affordable housing and the needs of different groups in the community; and
• Caters for housing demand and the scale of housing supply necessary to meet this demand.

1.6 Paragraph 158 of the NPPF also emphasises the alignment of the housing and economic evidence base and policy. Paragraph 17 in the NPPF reaffirms this, and outlines that planning should also take account of market signals, such as land prices and housing affordability. However, it also makes clear that plans must be deliverable.

1.7 Paragraph 181 sets out that Local Planning Authorities (LPAs) will be expected to demonstrate evidence of having effectively cooperated to plan for issues with cross-boundary impacts when their Local Plans are submitted for examination. This highlights the importance of collaborative working and engaging constructively with neighbouring authorities, as required by Section 33A of the 2004 Planning and Compulsory Purchase Act.

1.8 Local plans must be ‘sound.’ The NPPF sets out that this means that they must be positively prepared, justified, effective and consistent with national policy. This is tested by an independent Inspector through the plan examination process. To be positively prepared, a Plan “should be prepared based on a strategy which seeks to meet objectively assessed development and infrastructure requirements, including unmet needs from neighbouring authorities where it is reasonable to do so and consistent with achieving sustainable development.” Thus local authorities in preparing plans must seek to work with their neighbours to consider whether there are unmet needs in one area which could be met within another – principally through joint working at a HMA level.

Planning Practice Guidance

1.9 Planning Practice Guidance was issued by Government in March 2014 and is maintained online and updated periodically. Guidance is provided on ‘Assessment of Housing and Economic Development Needs’. This is relevant to this report in that it provides clarity on how key elements of the NPPF should be interpreted, including the approach to deriving an objective assessment of the need for housing. The approach in this report follows that in the Planning Practice Guidance (PPG).

1.10 The Guidance defines “need” as referring to:

‘the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet this need.’
1.11 It sets out that the assessment of need should be realistic in taking account of the particular nature of that area, and should be based on future scenarios that could be reasonably expected to occur. It should not take account of supply-side factors or development constraints. Specifically, the Guidance sets out that:

"plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historical 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."

1.12 Against this context it is important to recognise that the SHMA assesses need for housing, it does not set housing targets – which need to take account both of unmet needs from other areas and other factors including land availability, development constraints and delivery of supporting infrastructure.

1.13 The Guidance outlines that estimating future need is not an exact science and that there is no one methodological approach or dataset which will provide a definitive assessment of need. However, the starting point for establishing the need for housing should be the latest household projections published by the Department for Communities and Local Government (CLG). At the time of the preparation of this report the latest available projections were the 2012-based Household Projections published by CLG in February 2015. The Guidance also outlines that the latest population estimates should be considered. Demographic projections herein thus take into account the ONS 2013 and 2014 Mid-Year Population Estimates, in that the population for these years is fixed to the published Mid-Year Estimate for the City.

1.14 The Guidance sets out that there may be instances where these national projections require adjustment to take account of factors affecting local demography or household formation rates, in particular where there is evidence that household formation rates are or have been constrained by supply.

1.15 It suggests that proportional adjustments should be made where the market signals point to supply being constrained relative to long-term trends or to other areas in order to improve affordability.

1.16 In regard to employment trends, the Guidance indicates that job growth trends and/or economic forecasts should be considered having regard to the growth in working-age population in the HMA. It sets out that where the supply of the working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility and other sustainable options such as walking and cycling) and could reduce the resilience of local businesses. In such circumstances, plan
makers will need to consider how the location of new housing and infrastructure development could help to address these problems.

1.17 In setting housing targets evidence of affordable housing needs is also relevant with the Guidance suggesting that the total affordable housing need should be considered in terms of its likely delivery as a proportion of mixed market and affordable housing developments, given the probably percentage of affordable housing to be delivered through market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.

**Overview of the Approach to Deriving OAN**

1.18 The NPPF and PPG set out a clear approach to defining the Objectively Assessed Need (OAN) for housing. We have sought to summarise this within Figure 1. This summarises the approach we have used to considering OAN.

1.19 Those elements of Figure 1 within the dashed line will be considered through this SHMA process, the core output of which will be an objective assessment of housing need. This will then be considered by Liverpool City Council alongside wider factors such as unmet need from other areas, land supply, delivery constraints and sustainability appraisal in deriving a housing target for the City through the plan-making process.

1.20 The starting point for assessing housing need is the mostly recently published trend based population and household projections. The core inputs to these - migration rates and household formation rates - are assessed. Future economic performance is then considered, and how this may influence future migration. The report also considers market signals and whether there is a case for increasing the assessed housing need to improve affordability. These factors are drawn together to set out the overall objectively assessed need for housing.

1.21 The report also objectively assesses the need for affordable housing. The process for doing so is different from that used to consider overall housing need, and is geared to assessing if there is a shortfall or surplus of affordable housing and quantifying in theory what level of provision would be needed to address this. The report considers how, in policy terms, the affordable housing need might be treated and whether the evidence supports higher housing provision relative to the demographic-led need to increase delivery of affordable housing.

1.22 The report provides an up-to-date assessment of the Objectively Assessed Need (OAN) for housing. This is based on a ‘policy off’ assessment which leaves aside issues relating to land availability, development constraints and the viability of bringing forward sites for development, as well as policy...
aspirations. The SHMA evidence is brought together with these factors to define a ‘policy on’ housing target through the process of developing the Local Plan.

1.23 For the purposes of five year housing land supply calculation, the Planning Practice Guidance sets out housing requirements in up-to-date adopted local plans should be used as a starting point for calculating five-year housing land supply and considerable weight will be given to figures in adopted plans which have successfully passed the examination process. It outlines that evidence which dates back several years, such as that drawn from revoked Regional Spatial Strategies, may not adequately reflect current needs.

1.24 Liverpool City Council does not have up-to-date policies on housing provision within an adopted local plan. In such circumstances the PPG sets out that information provided in the latest full assessment of housing needs should be considered, but the weight given to this in decision-making should take account of the fact that it has not been tested or moderated against relevant constraints. For the purposes of assessing five-year housing land supply in advance of the adoption of a new local plan for the City, it would be appropriate for the Council to draw on evidence within this SHMA.

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3 Reference ID: 3-030-20140306
Figure 1: Overview of Approach

- Market Signals Evidence
- Affordable Housing Needs Analysis
  - Trend-based Population & Household Projections
  - Testing Migration Trends
  - Consider Migration Projections
  - Economic Growth Prospects
- Case for Adjustments to Improve Affordability
- Objectively Assessed Housing Need (OAN)
- Unmet Needs from Other Areas
  - Land Supply, Constraints, Sustainability Appraisal
- Aligning Housing & Economic Strategy
- Housing Target in Plan

SHMA Process
Evidence across the Housing Market Area

1.25 The PPG outlines that where possible assessments of housing need should be undertaken by local planning authorities working collaboratively across the relevant Housing Market Area. The definition of the Housing Market Area is considered herein in Section 2.

1.26 At the current time, timetables for the preparation of Local Plans across the different local authorities within the Housing Market Area are not aligned with one another. The PPG sets out that in such circumstances:

“local planning authorities can build upon the existing evidence base of partner local authorities in their housing market area but should co-ordinate future housing reviews so they take place at the same time.”

1.27 This is the approach adopted herein for these reasons. Appendix B includes a review of evidence and policies for housing provision across the HMA. No authority within the HMA has identified at the time of preparation of this SHMA that it has an unmet housing need to which Liverpool City Council might need to contribute to addressing.

1.28 The local authorities across the Liverpool City Region have agreed, moving forwards, to work together to develop evidence examining economic growth potential and housing need across the City Region. There is thus a firm commitment moving forward to align evidence and policy development.

Report Structure

1.29 Following this introductory section, the remainder of this Report is structured as follows:

- Section 2: Identifying Housing Market Area (HMA);
- Section 3: Characteristics of the Housing Market;
- Section 4: Trend Based Demographic Projections;
- Section 5: Relating Economic Growth and Housing Need;
- Section 6: Market Signals;
- Section 7: Affordable Housing Need;
- Section 8: Needs for Different Sizes and Types of Homes;
- Section 9: Specialist Housing Needs and Market Segments;
- Section 10: Conclusions.
IDENTIFYING THE HOUSING MARKET AREA

National Planning Policy Framework

2.1 The National Planning Policy Framework (NPPF) sets out that local planning authorities (LPAs) should have a clear understanding of housing needs in their area, and that they should prepare a Strategic Housing Market Assessment (SHMA) to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. In Paragraph 47 the NPPF outlines that to significantly boost the supply of housing, local planning authorities should use their evidence base to ensure that their local plan meets the full, objectively assessed need for market and affordable housing in the housing market area, as far is consistent with the policies set out in the Framework.

2.2 The NPPF emphasises that housing need is expected to be assessed where feasible through collaborative working between local authorities across the Housing Market Area. However, Planning Practice Guidance clarifies that:

"Where Local Plans are at different stages of production, local planning authorities can build upon the existing evidence base of partner local authorities in their housing market area but should co-ordinate future housing reviews so they take place at the same time."

2.3 An understanding of the relevant housing and functional economic market areas however remains an important building block for sub-regional working and dialogue through the Duty to Cooperate.

Planning Practice Guidance

2.4 Planning Practice Guidance (PPG) on Housing and Economic Development Needs Assessments provides a definition of a Housing Market Area (HMA) and Functional Economic Market Area (FEMA) and provides guidance on how these should be defined.

2.5 The PPG outlines what a housing market area is, setting out:

"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.

The extent of the housing market areas identified will vary, and many will in practice cut across various local planning authority administrative boundaries. Local planning authorities should work with all the other constituent authorities under the duty to cooperate."

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5 Reference ID: 2a-007-20150320
6 Reference ID: 2a-011-20140306
2.6 The PPG sets out that housing market areas can broadly be defined using three different sources of information:

- **House prices and rates of change in house prices** – providing a market-based definition based on areas with similar house price characteristics;
- **Household migration and search patterns** – considering the extent to which people move house within an area, with a housing market area considered to be that in which typically 70% or more of local moves are contained within (excluding long-distance moves);
- **Contextual data** - such as travel to work areas, retail and school catchments – with travel to work areas providing information regarding commuting.

2.7 The three strands of information look at different aspects of household behaviour, and there is no right or wrong answer regarding what weight should be applied to different factors. What the PPG says is that:

> No single source of information on needs will be comprehensive in identifying the appropriate assessment area; careful consideration should be given to the appropriateness of each source of information and how they relate to one another. For example, for housing, where there are issues of affordability or low demand, house price or rental level analyses will be particularly important in identifying the assessment area. Where there are relatively high or volatile rates of household movement, migration data will be particularly important. Plan makers will need to consider the usefulness of each source of information and approach for their purposes.

### Practical Issues

#### Housing Market Areas

2.8 The PPG largely reiterates previous advice on defining HMAs set out within the CLG’s 2007 Advice Note on *Identifying Sub-Regional Housing Market Areas*. There has been effectively no change in guidance, which continues to emphasise that there is no right or wrong answer as to how an HMA or FEMA should be defined and that the approach should, in effect, reflect local market characteristics and circumstances.

2.9 There are some further practical issues which are dealt with in the recent Planning Advisory Service (PAS) Technical Advice Note on *Objectively Assessed Need and Housing Targets*. This outlines that in practice, the main indicators used to define HMAs are migration and commuting flows, but goes on to point out that:

> “One problem in drawing boundaries is that any individual authority is usually most tightly linked to adjacent authorities and other physically close neighbours. But each of these close neighbours in turn is most tightly linked to its own closest neighbours, and the chain continues indefinitely.”

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7 Peter Brett Associates (PBA) for PAS (July 2015) *Objectively Assessed Need and Housing Targets*, Paras 5.5 and 5.6
Therefore, if individual authorities worked independently to define HMAs, almost each authority would likely draw a different map, centred on its own area. This of course would produce nearly as many HMAs as local authorities, with huge overlaps."

2.10 The PAS Note argues that to address this issue, it is useful to start with a “top down analysis” which looks at the whole country. This is provided by a research study led by the Centre for Urban and Regional Development Studies (CURDS) at Newcastle University to define HMAs across England, which was published by Government in November 2010. This has defined a consistent set of HMAs across England based on migration and commuting data from the 2001 Census.

2.11 Peter Brett Associates (PBA), the authors of the PAS Guidance, emphasise that this should be considered ‘only a starting point’ and should be sense-checked against local knowledge and more recent data, especially on migration and commuting. GL Hearn agrees with Peter Brett Associates’ conclusions in this respect.

2.12 A further practical issue regards the geographical building blocks that housing market areas are built up from. A key purpose of an SHMA is to define the Objectively Assessed Need (OAN) for housing. The PPG is clear that the starting point are the official population and household projections. These are published at a national level, and for local authorities. They are not published below local authority level, nor is the data available (regarding migration and trends in household formation which are key drivers within the projections) below local authority level. On this basis we consider that Housing Market Areas should be based on the ‘best fit’ to local authority boundaries; albeit that SHMAs can (and should) recognise cross-boundary influences and interactions. The PAS Guidance supports this, concluding that:

"it is best if HMAs, as defined for the purpose of needs assessments, do not straddle local authority boundaries. For areas smaller than local authorities, data availability is poor and analysis becomes impossibly complex"

2.13 This approach seems widely accepted and is a practical response to data availability and one we would wish to adopt. In practical terms, we are of the view that towards the edges of most housing markets there are likely to be influences in two directions.
Review of Previous Research

2.14 This section of the report reviews existing research which has sought to consider the definition of HMAs in the Merseyside area.

CLG/CURDS Study 2010

2.15 National research undertaken for Government by a consortium of academics led by the Centre for Urban and Regional Development Studies (CURDS) at Newcastle University has sought to define housing markets across England. The PAS Technical Advice Note recommends that this is used as a 'starting point' for considering the HMA geography.

2.16 The CURDS Study for CLG considers commuting and migration dynamics (based on 2001 Census data) and house prices (standardised to account for differences in housing mix and neighbourhood characteristics). This information is brought together to define a three tiered structure of housing markets, as follows:

- Strategic (Framework) Housing Markets – based on 77.5% commuting self-containment;
- Local Housing Market Areas – based on 50% migration self-containment; and
- Sub-Markets – which would be defined based on neighbourhood factors and house types.

2.17 The Strategic and Local HMAs are mapped across England, with the Local HMAs embedded within the wider Strategic HMAs. Both are defined based on wards at a “gold standard” and based on local authorities for the “silver standard”.

2.18 Within the Liverpool City Region, the CURDS Study defined two strategic housing market areas, based on:

- Liverpool; and
- Chester and Birkenhead.
Figure 2: CURDS-Defined Strategic Housing Market Areas

Source: CURDS, 2007
2.19 There are a number of local housing market areas embedded within the Liverpool Strategic HMA. These (based on 50% migration self-containment) are defined as follows:

- Southport
- Bootle
- Skelmersdale
- Wigan
- North Liverpool
- South Liverpool
- Kirkby
- St Helens North
- St Helens South
- Leigh
- South Warrington
- Runcorn
- Widnes

2.20 The CURDS work thus defines a ‘Birkenhead and Chester’ Strategic HMA which includes Chester, Ellesmere Port, and extends into Wales to include Wrexham, Flint and Mold.

**Figure 3:** CURDS-Defined Local Housing Market Areas

Source: CURDS, 2007
2.21 The CURDS Study recognises that for practical purposes it is useful to be able to aggregate local authorities to housing market areas. It thus identifies a ‘silver standard’ geography which is a ‘best fit’ of local authority boundaries to the Strategic Housing Market Area. The best fit of local authorities to the Liverpool SHMA is shown below:

- Wigan;
- Knowsley;
- Liverpool;
- St Helens;
- Sefton;
- Halton;
- Warrington;
- Vale Royal; and
- West Lancashire.

2.22 As an alternative to the ‘two-tier’ geography, the CURDS Study also identifies a Single Tier Geography with a best fit of this to local authority boundaries set out in Figure 4. This is consistent to the above, with the exception that it excludes the former Vale Royal District (which now forms part of Chester West and Chester).
The geography of what is described as the “Liverpool City Region” has varied. The Liverpool City Region was defined in 2004 in *Moving Forward: The Northern Way* as comprising the local authorities of Liverpool, Sefton, Wirral, St Helens, Knowsley and Halton (i.e. the Merseyside...
authorities plus Halton). The document however recognised a wider economic area which included overlapping economic centres and the travel to work areas of Ellesmere Port, Warrington, Chester and Deeside.

2.24 In 2009, the local authorities of Halton, Knowsley, Liverpool, Sefton, St Helens and Wirral signed a Multi-Area Agreement (MAA) with Government. This was referred to as the MAA for the City Region. In 2010 a Liverpool City Region Local Enterprise Partnership was designated. This continued to be based on these six local authorities. This six authority definition was also used in the now revoked North West of England Regional Spatial Strategy, although this recognised a wider geography/area of influence. Most recently in 2014, Parliament approved the establishment of a Liverpool City Region Combined Authority. This again reflects the six authority geography.

**2007 Liverpool City Region Housing Strategy**

2.25 The 2007 Liverpool City Region Housing Strategy defined the geography for the City Region comprising not just the authorities which together now form the LCR Combined Authority / LEP but authorities in West Cheshire & North East Wales (Wrexham, Flintshire, Ellesmere Port and Neston and Chester) as well as Vale Royal, Warrington and West Lancashire. To avoid confusion we will refer to this as the ‘wider LCR.’

2.26 Housing market areas were defined in the 2007 Liverpool City Region Housing Strategy through a process which involved five thematic tests. Patterns of movement were examined, including analysis of travel to work and migration 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.

2.27 Drawing these strands of work together, the Strategy defined three functional housing market areas which demonstrated high levels of “functional integrity” or shared characteristics. These were:

- Northern HMA – comprising Liverpool, Sefton, Wirral, Knowsley and West Lancashire;
- Southern HMA – comprising Chester, Flintshire, Wrexham, Ellesmere Port and Vale Royal; and
- Eastern HMA – comprising Warrington, Halton and St Helens.

2.28 The assessment drew in particular on work undertaken by Philip Leather at Ecotec in 2005 to map travel to work flows. This was used to map the area in which more than 5% of people travel to work to destination authorities. This showed a strong pattern of commuting into Liverpool from adjacent districts, but with less flows from the south of the wider LCR than other areas. It showed that the areas of influence for Sefton, Wirral, West Lancashire, Knowsley, Halton and St Helens were all broadly encompassed within that for Liverpool using a 5% threshold.

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9 Chester and Vale Royal now form part of Chester West and Chester
2.29 The Housing Strategy however concluded that the main commuting flows were with Sefton, Knowsley and Wirral, with weaker links with Halton, St Helens and West Lancashire. It found that in the case of Wirral, there were flows both into Liverpool and south towards Ellesmere Port and Chester. Looking at patterns of net migration alongside the commuting flows and other data however supported a split into three HMAs.

2.30 The Housing Strategy however recognised “zones of flexibility” or overlap in which there were influences in a number of directions. Ellesmere Port, Halton and St Helens were all recognised as within a zone of flexibility/ overlap with the (Liverpool-focused) Northern HMA. These are shown spatially on the plan below.

**Figure 5: Housing Market Areas and Zones of Flexibility**

![Housing Market Areas and Zones of Flexibility](image)

Source: GVA, 2007

2.31 Key features of the Northern HMA identified in the City Region Housing Strategy included:

- Past trend in population decline and economic restructuring;
- Prevalence of stigmatised markets and areas of low demand / vulnerability;
- Concentrations of social rented housing and small terraced properties;
• Limited provision of larger family homes;
• Affordability pressures linked to low incomes.

2011 Liverpool Strategic Housing Market Assessment

2.32 The 2011 SHMA did not seek to review the sub-regional HMA geography as identified in the 2007 Liverpool City Region Housing Strategy, but did drill in to analyse housing market conditions for a number of sub-areas within the City, based on those defined in the Housing Strategy Statement. The seven areas used are shown below:

Figure 6: Housing Market Sub-Areas within Liverpool

Source: GVA, 2011
2.33 This SHMA takes a more strategic view and has not sought to re-assess sub-markets/areas within Liverpool.

2011 Liverpool City Region Partners Housing & Economic Development Evidence Base Overview Study

2.34 This report, again from GVA, did not seek to directly review the definition of the three strategic HMAs defined across the wider City Region in the 2007 LCRHS. It noted strong travel to work flows between Liverpool and Wirral; high self-containment of commuting flows within Sefton; but also noted flows between West Lancashire and the Central Lancashire authorities. Overall it concluded that the Housing Market Geography shown in Figure 5 above would represent an appropriate HMA.

Studies undertaken by Other Local Authorities

2.35 Sefton and Wirral Metropolitan Borough Councils have undertaken evidence-base studies over the last few years which have re-considered the geography of housing markets. These studies, prepared by NLP, consider that these two authorities represent separate housing market areas in their own right, whilst recognising links to Liverpool. This conclusion is particularly drawn on the basis of these authorities individually achieving self-containment rates – for migration and commuting – which exceed the 70% threshold referred to in the PPG.

Reviewing the Latest Evidence

2.36 In this section we move on to consider what more recent data, including information from the 2011 Census, reveals about HMA geography. The PPG sets out that there are three principal sources of information in considering HMA geographies – house prices and price changes; migration; and contextual information of which the most relevant is commuting flows. We have focused the analysis on these factors.

House Prices

2.37 House prices can be used to provide a ‘market based’ definition of HMA boundaries, based on considering areas which (as the PPG describes) have clearly different price levels compared to surrounding areas.

2.38 It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level. There are a number of key influences on housing demand, which are set out in the diagram below:
2.39 At the macro-level, the market is particularly influenced by interest rates and mortgage availability, as well as market sentiment (which is influenced by economic performance and prospects at the macro-level). The market is also influenced by the economy at both regional and local levels, recognising that economic employment trends will influence migration patterns (as people move to and from areas to access jobs) and that the nature of employment growth and labour demand will influence changes in earnings and wealth (which influences affordability).

2.40 Housing demand over the longer-term is particularly influenced by population and economic trends: changes in the size and structure of the population directly influence housing need and demand, and the nature of demand for different housing products.

2.41 There are then a number of factors which play out at a more local level, within a functional housing market and influence demand in different locations. Local factors include:

- quality of place and neighbourhood character;
- school performance and the catchments of good schools;
- the accessibility of areas including to employment centres (with transport links being an important component of this); and
- the existing housing market and local market conditions.

2.42 These factors influence the demand profile and pricing within the market. At a local level, this often means that the housing market (in terms of the profile of buyers) tends to be influenced and consequently reinforce to some degree the existing stock profile.
2.43 The important things to recognise here is that we are likely to see localised variations in housing costs which reflect differences in the housing offer, quality of place and accessibility of different areas. Some parts of Liverpool are likely for instance to have command higher prices than others reflecting these factors. These are relevant in considering housing sub-markets (the third tier of market using the CURDS definition).

2.44 What this section is focused upon is considering market geographies at a higher spatial level. Consideration of price differentials at a sub-region and regional level is therefore of most relevance.

2.45 Figure 8 illustrates house prices across a wider area in 2014. The house price geography demonstrates:

- A differential between prices in urban and rural areas (with higher prices in the latter);
- Higher house prices in West Wirral and North Sefton, and in parts of West Lancashire;
- Similar prices in many urban areas including Liverpool, Widnes, Warrington, St Helens, Wigan, Southport, Skelmersdale, Bolton etc. for similar products;
- A concentration of higher house prices in South Warrington and Cheshire.

2.46 The analysis points to some differential in house prices with parts of Cheshire where there are concentrations of notably more expensive properties; but otherwise is not particularly helpful in assessing the definition of HMAs. Figure 8 shows house prices across 12 equally-sized bands to provide a fine-grain differentiation of differences in housing costs. It indicates lower house prices in North Liverpool, South Sefton, the eastern half of Wirral, Ellesmere Port, Widnes and Runcorn and much of Knowsley and Wigan. Higher house prices are evident in parts of South Liverpool, West Wirral and the northern parts of Sefton as well as much of West Lancashire.
2.47 We would expect a degree of price differentiation within an HMA reflecting differences in housing offer and quality of place. Figure 9 therefore moves on to consider house price on a like-for-like basis, considering prices of semi-detached and terraced housing.

2.48 The rural / urban distinction in prices is still evident within this plan as are a number of the wider features described above; and against this context we can see a band of typically lower prices in the towns stretching along the M62 Corridor. Parts of South Liverpool clearly demonstrate stronger house prices than other parts of the City.
Figure 9: Prices of Terraced and Semi-Detached Homes, 2014

Broad Rental Market Areas

2.49 The Broad Rental Market Area (BRMA) is an area defined by the Valuation Office Agency and is where a person could reasonably be expected to live taking into account access to facilities and services. As illustrated in the Figure 10 below the Greater Liverpool Broad Rental Market Area extends into parts of Sefton and Knowsley.
Figure 10: Broad Rental Market Areas

Source: Valuation Office Agency

Migration Patterns

2.50 We have used the newly released 2011 Census data\(^{10}\) to explore migration flows between local authorities (the data is not available below this geographical level).

2.51 Table 1 shows the origins of people moving to Liverpool in 2010-11. 61% of those living in Liverpool in 2011 (who moved over the 2010-11 period) were living in the City a year previously. This

\(^{10}\) Table MM01CUK_ALL Origin and Destination of Migrants by Age, released July 2014
represents the level of migration self-containment and shows that a significant proportion of moves are internal within the City. 70% of people had previously been living within the City Region; and 69% in the Housing Market Area as defined in the 2007 LCRHS.

2.52 If we exclude long-distance moves from the analysis, focusing instead on those with an origin within the North West region excluding Cumbria, the self-containment rate of moves within the City Region increases to 92%, with 91% in the Northern HMA as defined in 2007. Within Liverpool specifically, self-containment of 70% is achieved. This exceeds the threshold set out in the PPG for a housing market area.

2.53 The main(local) flows of people moving to Liverpool were from:

- Sefton;
- Knowsley; and
- Wirral.

**Table 1: People Moving to Liverpool in 2010-11**

<table>
<thead>
<tr>
<th></th>
<th>No of Persons</th>
<th>%</th>
<th>% Excl. Long- Distance Moves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Persons</td>
<td>75,304</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liverpool</td>
<td>45,787</td>
<td>61%</td>
<td>79%</td>
</tr>
<tr>
<td>Sefton</td>
<td>2,467</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Knowsley</td>
<td>2,354</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Wirral</td>
<td>1,322</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Halton</td>
<td>531</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>St Helens</td>
<td>489</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Liverpool City Region Total</td>
<td>52,950</td>
<td>70%</td>
<td>92%</td>
</tr>
<tr>
<td>Cheshire West &amp; Chester</td>
<td>586</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Manchester</td>
<td>561</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Warrington</td>
<td>350</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Cheshire East</td>
<td>328</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>West Lancashire</td>
<td>305</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>2007 HMA</td>
<td>52,235</td>
<td>69%</td>
<td>91%</td>
</tr>
<tr>
<td>Wales</td>
<td>1,274</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>1,217</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Scotland</td>
<td>362</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Abroad</td>
<td>6,549</td>
<td>9%</td>
<td></td>
</tr>
</tbody>
</table>

**Source: 2011 Census**

2.54 Table 2 analyses flows of people who moved between 2010-11, who were living in Liverpool in 2010. Of these, 73% stayed within the City. 83% stayed within the Northern HMA – modestly above the self-containment level for the Liverpool City Region. If long-distance moves are excluded, the
self-containment levels rise further (to 95% and 94% respectively). The main out-flows of people from Liverpool were to again to Sefton, Knowsley and Wirral.

### Table 2: People Moving from Liverpool in 2010-11

<table>
<thead>
<tr>
<th></th>
<th>No of Persons</th>
<th>%</th>
<th>% Excl. Long-Distance Moves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Persons</td>
<td>62,852</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liverpool</td>
<td>45,787</td>
<td>73%</td>
<td>83%</td>
</tr>
<tr>
<td>Sefton</td>
<td>2,055</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Knowsley</td>
<td>1,903</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Wirral</td>
<td>1,078</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Halton</td>
<td>441</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>St Helens</td>
<td>413</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Liverpool City Region Total</td>
<td>51,677</td>
<td>82%</td>
<td>94%</td>
</tr>
<tr>
<td>Cheshire West &amp; Chester</td>
<td>573</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Manchester</td>
<td>700</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Warrington</td>
<td>298</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Cheshire East</td>
<td>209</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>West Lancashire</td>
<td>276</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>2007 HMA</td>
<td>52,235</td>
<td>83%</td>
<td>95%</td>
</tr>
<tr>
<td>Wales</td>
<td>1,274</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>1,217</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Scotland</td>
<td>362</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Abroad</td>
<td>6,549</td>
<td>10%</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** 2011 Census

2.55 Analysis of migration flows to/from Liverpool does not tell us how strong these flows are with an authority, relative to flows from that authority to others (i.e. whether the authority has stronger links with other areas). We have therefore used the Census data to analyse the hierarchy of flows from different local authorities.

2.56 Liverpool is the primary destination of out-migrants from Sefton, Knowsley and Wirral. Flows with these three authorities also represent the top three flows for those migrating out of the City. The migration analysis suggests that it is these authorities with which there are the strongest links. It is also the top outflow destination of migrants from Halton.

2.57 An analysis looking at Wigan, as it was included in the CURDS analysis as within the Liverpool HMA based on historic 2001 data, indicates that this has stronger migration links with areas within...
Greater Manchester, suggesting that the most recent data does not suggest that this forms part of the HMA.

2.58 Flows from West Lancashire are split, with flows from both the Liverpool City Region (LCR) and Central Lancashire authorities; although the scale of flows is stronger between West Lancashire and the Liverpool City Region authorities. Its strongest flows are with Sefton.

2.59 The strongest migration flows from Warrington are to Halton, followed by Manchester and St Helens. There are stronger links with Cheshire West than with Liverpool.

Table 3: Analysis of Key Migration Flows to Destinations Listed – Flows of Over 250 Persons, 2010-11

<table>
<thead>
<tr>
<th>Origins</th>
<th>Destinations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1st</td>
</tr>
<tr>
<td>Halton</td>
<td>Liverpool (441)</td>
</tr>
<tr>
<td>Sefton</td>
<td>Liverpool (2055)</td>
</tr>
<tr>
<td>Knowsley</td>
<td>Liverpool (1903)</td>
</tr>
<tr>
<td>West Lancashire</td>
<td>Sefton (692)</td>
</tr>
<tr>
<td>Wirral</td>
<td>Liverpool (1078)</td>
</tr>
<tr>
<td>St Helens</td>
<td>Wigan (543)</td>
</tr>
</tbody>
</table>

Source: 2011 Census

2.60 Overall the migration analysis provides a clear rationale including Liverpool, Sefton, Knowsley, and Wirral as falling within a single HMA. This results in a 91% self-containment level, excluding long-distance moves. There is however a good justification for including West Lancashire as well, given
its stronger relationship with Merseyside than Central Lancashire or Greater Manchester. Including West Lancashire, the self-containment rate remains at 91%.

**Figure 11: Gross Migration Flows, 2010-11**

![Gross Migration Flows Map]

Source: ONS, Census 2011

2.61 Including St Helens and Halton, the self-containment level however falls marginally to 90%. This continues to suggest that there is a relationship in housing market terms with these authorities, but somewhat supports the definition of a separate Mid Mersey/ Eastern HMA. This has a lower self-containment rate, of 81%, reflecting flows within this area and other parts of the LCR, Greater Manchester and Cheshire. Given the area’s strategic accessibility, we would expect lower self-containment.
An analysis of net flows shows a similar picture to that which we find in most areas in and around Core Cities across the UK. Cities tend to attract in migrants from across the country and internationally, but then see a net out-migration to surrounding areas. The cities tend to have a younger population structure. Net out-migration to surrounding areas partly reflects a lifestyle model, with middle-aged households from cities to moving to more suburban and rural environments. Movement is influenced a range of factors including house prices, quality of place, housing offer and schools.
Commuting Flows

2.63 Liverpool is the sub-region’s key employment centre and can be expected to have a sub-regional catchment. Of all of the local authorities in the North West, it has the second highest workplace population (at 210,000) behind Manchester. The third ranked authority is Cheshire East, with a significantly lower 147,000 persons.

2.64 Table 4 analyses where Liverpool’s workforce is drawn from. 56.6% is drawn from the City itself, with the strongest inflows coming from:

- Sefton: 11.5%
- Knowsley: 9.4%; and
- Wirral: 8.6%.

2.65 These authorities (above) have a flow of 18,000 – 24,000 persons daily to Liverpool to work. There are then smaller scale flows (2,000 – 5,100 persons daily) from St Helens, Halton, Cheshire West and Chester, West Lancashire and Warrington into Liverpool. These in effect reflect the wider Liverpool City Region geography as defined in the 2007 LCRHS.

Table 4: Commuting Flows to Liverpool, 2011

<table>
<thead>
<tr>
<th>Live in</th>
<th>Work in Liverpool</th>
<th>% Workforce drawn from Authority</th>
<th>Cumulative % of Workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>209,735</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liverpool</td>
<td>118,413</td>
<td>56.5%</td>
<td></td>
</tr>
<tr>
<td>Sefton</td>
<td>24,208</td>
<td>11.5%</td>
<td>68.0%</td>
</tr>
<tr>
<td>Knowsley</td>
<td>19,655</td>
<td>9.4%</td>
<td>77.4%</td>
</tr>
<tr>
<td>Wirral</td>
<td>18,094</td>
<td>8.6%</td>
<td>86.0%</td>
</tr>
<tr>
<td>St. Helens</td>
<td>5,053</td>
<td>2.4%</td>
<td>88.4%</td>
</tr>
<tr>
<td>Halton</td>
<td>4,518</td>
<td>2.2%</td>
<td>90.6%</td>
</tr>
<tr>
<td>Cheshire West and Chester</td>
<td>3,754</td>
<td>1.8%</td>
<td>92.4%</td>
</tr>
<tr>
<td>West Lancashire</td>
<td>3,042</td>
<td>1.5%</td>
<td>93.8%</td>
</tr>
<tr>
<td>Warrington</td>
<td>2,628</td>
<td>1.3%</td>
<td>95.1%</td>
</tr>
<tr>
<td>Wigan</td>
<td>1,584</td>
<td>0.8%</td>
<td>95.8%</td>
</tr>
<tr>
<td>Wales</td>
<td>1,372</td>
<td>0.7%</td>
<td>96.5%</td>
</tr>
<tr>
<td>West Midlands</td>
<td>830</td>
<td>0.4%</td>
<td>96.9%</td>
</tr>
<tr>
<td>Manchester</td>
<td>666</td>
<td>0.3%</td>
<td>97.2%</td>
</tr>
<tr>
<td>Cheshire East</td>
<td>604</td>
<td>0.3%</td>
<td>97.5%</td>
</tr>
</tbody>
</table>

Source: 2011 Census
2.66 Table 5 ranks the workplace population in different local authorities by size. This identifies secondary employment centres within the LCR and surrounding areas as:

- Warrington;
- Chester;
- Wigan;
- Preston.

2.67 We have used the Census data to map the commuting catchments of these areas, which have then been overlaid on one another to understand the primary (strongest) commuting flows from different areas.

### Table 5: Workplace Population of Local Authorities, 2011

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>Workplace Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool</td>
<td>209,735</td>
</tr>
<tr>
<td>Warrington</td>
<td>99,646</td>
</tr>
<tr>
<td>Cheshire West and Chester</td>
<td>131,364</td>
</tr>
<tr>
<td>Wigan</td>
<td>95,852</td>
</tr>
<tr>
<td>Wirral</td>
<td>91,428</td>
</tr>
<tr>
<td>Sefton</td>
<td>84,047</td>
</tr>
<tr>
<td>Preston</td>
<td>78,483</td>
</tr>
<tr>
<td>St. Helens</td>
<td>54,774</td>
</tr>
<tr>
<td>Halton</td>
<td>50,370</td>
</tr>
<tr>
<td>Knowsley</td>
<td>49,158</td>
</tr>
<tr>
<td>West Lancashire</td>
<td>40,466</td>
</tr>
</tbody>
</table>

*Source: 2011 Census*

2.68 Figure 13 plots commuting flows to Liverpool. It shows areas where 5% or more of the resident population in work commutes to Liverpool.
2.69 Liverpool draws a notable proportion of commuters from Sefton (and particularly South Sefton), Wirral, Neston, Knowsley, Widnes, St Helens and Skelmersdale; with more than 5% of workers commuting from other parts of Halton, St Helens and West Lancashire.

Source: GLH Analysis of 2011 Census
2.70 We have overlaid the catchment areas of the other main employment centres identified. Figure 14 plots the core catchment areas using a 5% threshold.

Figure 14: Core Employment Catchments, 2011

Source: GLH Analysis of 2011 Census data

2.71 Figure 15 illustrates that there are clearly areas in which there are flows in a number of directions, particularly in Halton, St Helens and West Lancashire. We therefore drill down to understand what the strongest flows from different areas are.
Figure 15: Most Popular Employment Destination, 2011

Source: GLH Analysis of 2011 Census data

2.72 This analysis effectively plots a Liverpool Travel-to-Work Area which includes Wirral, the area around Neston in Cheshire West and Chester, Sefton, the majority of West Lancashire in population terms (including Skelmersdale), Knowsley, the western part of St Helens (including the town itself), and parts of Halton (principally the western part of Widnes).
2.73 ONS released new definitions of Travel-to Work Areas (TTWAS) based on 2011 Census data on 19th August 2015. These provide a standardised assessment of labour markets across the country. The plan below shows Travel to Work Areas covering different parts of Merseyside.

2.74 The new travel-to-work areas show a Liverpool-based TTWA which includes Sefton, Knowsley and the majority of West Lancashire (including the main settlements). It includes a small area within the south-western part of St Helens. Separate Warrington and Wirral TTWAs are defined, and a Birkenhead-based TTWA.

Figure 16: 2011-based Travel to Work Areas

Source: ONS 2011-based Travel to Work Areas
Conclusions

2.75 This section has sought to consider the geography of the Housing Market Area (HMA) to inform work on the Liverpool Integrated Evidence Base Study. It is intended to be used principally to set an analysis of economic and housing market dynamics within Liverpool within its wider context, such as through enabling comparator analysis of housing offer, economic base etc.; and consideration of policies and land supply in surrounding areas within the HMA/ FEMA which may influence future demand/provision within the City. The SHMA and Employment Land Study do not provide an assessment of housing need nor economic forecasts/employment land need for areas outside of the City.

Previous Research & Geographies

2.76 Liverpool has previously been defined as part of a Northern Housing Market Area, one of three covering the wider city region. The Northern HMA comprised the local authorities of Liverpool, Sefton, Wirral, Knowsley, and West Lancashire.

2.77 National research undertaken by CURDS has suggested a slightly different HMA geography, in which Wirral is defined is part of a Chester-focused HMA and a Liverpool HMA which includes the remainder of the Northern HMA, the Eastern HMA, as well as Wigan. This is based on 77.5% commuting self-containment, but from now dated 2001 Census data.

2.78 In respect of administrative geographies, in 2009 the local authorities of Halton, Knowsley, Liverpool, Sefton, St Helens and Wirral signed a Multi-Area Agreement (MAA) with Government. This was referred to as the MAA for the City Region. In 2010 a Liverpool City Region Local Enterprise Partnership was designated covering the same area – suggesting that Government considers this an appropriate functional economic geography.

Review of Key Evidence

2.79 GL Hearn has taken account of the above, but sought to reaffirm the HMA definitions taking account of the new evidence now available – particularly from the 2011 Census.

2.80 An analysis of house prices indicates that higher house prices are evident in parts of South Liverpool, in West Wirral, North Sefton and more rural areas. However, we would expect some differences in house prices within an HMA reflecting differences in housing and quality of place in different areas.

2.81 The key new analysis relates to consideration of migration and commuting patterns drawing on 2011 Census data. This indicates a strong set of flows between Liverpool and Sefton, Wirral and
Knowsley providing evidence that these should be considered within the same HMA albeit that individual authorities in some instances demonstrate migration self-containment levels exceeding 70%. The analysis shows that Wigan relates more strongly in migration terms to Greater Manchester. There are flows between West Lancashire and both Merseyside and Central Lancashire; but the stronger links are towards Liverpool (and particularly with Sefton). This supports the inclusion of West Lancashire within a Liverpool-focused HMA. Halton and St Helens have links both with Liverpool, and with Warrington.

2.82 Analysis of commuting flows indicates that the Liverpool sees the strongest commuting flow (relative to other main employment centres), from Sefton, Wirral and Knowsley; as well as Neston; the majority of West Lancashire (including Ormskirk and Skelmersdale), the western part of St Helens (including the town itself), and the western part of Widnes (in Halton).

Implications

2.83 The updated analysis thus broadly confirms the conclusions of the 2007 LCRHS which identified a sub-regional HMA based on the best fit of local authority boundaries comprising Liverpool, Sefton, Wirral, Knowsley and West Lancashire, whilst recognising a degree of overlap with Halton and St Helens, that form part of the Mid Mersey HMA.

2.84 On the basis of the above analysis, we have for analytical purposes where possible provided contextual and comparator analysis for the SHMA elements of Integrated Evidence Study for the Northern HMA area which comprises Liverpool, Sefton, Wirral, Knowsley, and West Lancashire.

2.85 As set out in Section 1, the authorities within the HMA are at different stages in preparing local plans. This SHMA therefore focuses on assessing housing need in Liverpool. In doing so, it provides comparisons with trends and data across the HMA more widely. The local authorities across the Liverpool City Region have committed to working together to assess employment growth potential and housing need across the City Region moving forwards and it may be necessary to review conclusions on this report in due course to take account of this HMA level work.
3 **SOCIO-ECONOMIC AND HOUSING STOCK PROFILE**

3.1 It represents good practice to prepare a socio-economic profile to understand the dynamics of the City before going on to consider future housing needs. This is recommended in the Planning Advisory Service’s Technical Advice Note on *Objectively Assessed Need and Housing Targets* (PAS, July 2015).

3.2 This section provides a profile of the City’s population considering the population size and structure, economic participation and skills, and the housing stock profile and how this has been changing.

**Population Profile**

3.3 Liverpool has an estimated population of 473,100 in mid-2014, representing 36% of the population of the Liverpool HMA\(^1\). Section 4 of this report considers past population trends and how the population is expected to grow, looking forwards.

3.4 Figure 17 profile’s the structure of the City’s population. The largest age cohorts within the City’s population are those aged between 19 – 24, reflecting the concentration of students within the City. The age structure is comparable with other cities with large student populations.

**Figure 17: Population Structure, 2014**

![Population Structure, 2014](image)

*Source: 2014 Mid-Year Population Estimates*

\(^1\) ONS 2014 Mid-Year Population Estimates
3.5 It is notable that of the core student age group between 19-22 years of age there are 12% more women than men. Women also outnumber men in all age groups over 69, with the population of women in these older age groups of 69 and over almost a third (32%) greater than that of men.

3.6 Figure 18 clearly shows that a high proportion of the City’s population is of younger adults aged between 19-35 years. The proportion of the population in their late thirties and early forties is lower, with this being reflected in a lower proportion of children aged between 8 – 15 years of age.

3.7 The age profile of the population of Liverpool is slightly different to that seen in wider HMA, region and country. Figure 18 confirms that the City has an above average proportion of people aged between 18-36 years. It has a below average proportion of people in all age cohorts over 40 years relative to the HMA as a whole. The population profile overall is evidently younger than average (which is characteristic of cities and larger urban areas across the UK).

3.8 Some 19.6% of the City’s population is aged 60 years and over, compared with 24.1% across the HMA, 23.5% regionally and 22.9% for England as a whole. In contrast almost half of the City’s population is aged under 35 (49.6%) compared to 43.6% across the HMA and the North West.

Figure 18: Population Age Profile (2014)

3.9 We have sought to analyse how the age structure of the population has changed over three five-year periods between 1998-2013. The analysis points to the effects of an urban renaissance and
student growth in supporting a growing population in their twenties through the 2000’s which has been retained and is now contributing to rising birth rates and growing numbers of younger children.

3.10 There has been some growth in population of older persons, not least given improving life expectancy, but this is modest – with the population aged over 60 in the City falling from 90,300 in 1998 to 85,900 in 2003 and since growing to 91,700 persons in 2013. As Figure 18 shows, the population aged between 59-74 years in Liverpool is comparatively modest relative to wider comparators.

3.11 In particular, it is notable that the population of people in their twenties in the City has grown from 68,600 in 1998 to 93,500 in 2013. In contrast those in their thirties have fallen by 9%.

3.12 These findings should however be treated as indicative and with some caution –there are some doubts about the accuracy of past population levels in the City and this will impact on the age specific changes recorded by ONS over time. These issues are considered further in our analysis of Unattributable Population Change (UPC) within Section 4.

**Table 6: Changes in Population Structure, Liverpool**

<table>
<thead>
<tr>
<th>Period</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-2003</td>
<td>Growing population, people aged between 15-24 years (students), in their forties and early fifties, and between 80-84 years (reflecting age cohort effects and improving life expectancy). Decline in population of adults in their late twenties and thirties, and children under 15 (reflecting out-migration of family households).</td>
</tr>
<tr>
<td>2003-2008</td>
<td>Strong growth of the population in their twenties (potentially influenced by student growth and urban renaissance) driving overall population growth. Continued reduction of population in their thirties (and early forties) but at a slightly lower rate. Growth in population between 45 – 64 years (reflecting age cohort effects).</td>
</tr>
<tr>
<td>2008-2013</td>
<td>Age cohort effects mean strongest population growth in now of those in their early thirties (as well as continuing but more modest growth of those in their twenties). This contributes to growing numbers of younger children (0-9 years) and a rising birth rate. Modest falls in population of those aged 35-44 years with continuing growth of those aged 50-69 years and in their eighties (the later continuing to reflect improving life expectancy).</td>
</tr>
</tbody>
</table>
3.13 Figure 20 profiles the population by ethnic group from the 2011 Census. Around 85% of the City’s population are White British. The City is more ethnically diverse than other parts of the HMA and the North West region as a whole. The proportion of the population from Black and Minority Ethnic Groups (BME)\(^\text{12}\) is however below the national average.

3.14 The largest minority groups in the City is the White Other (which includes the Irish population) (4%), Black (2.6%) and those of a Mixed Race (2.5%).

\(^{12}\) Defined as Non White-British
Figure 20: Population by Ethnic Group, 2011

Source: Census 2011

3.15 Ethnic diversity of the City’s population has increased between 2001-11 (as has been the case across most UK cities). Liverpool saw significant growth in the population of Asian/Asian British heritage; Black/Black British; and White Other and Other Ethnic origin, in each case with numbers increasing by over 6,000 over the decade. In contrast the White British population fell by 2%.

Table 7: Changes in Ethnic Composition of the Population, 2001-11

<table>
<thead>
<tr>
<th>Ethnic Group</th>
<th>2001</th>
<th>2011</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>White British</td>
<td>403,625</td>
<td>395,485</td>
<td>-8,140</td>
<td>-2%</td>
</tr>
<tr>
<td>White Irish</td>
<td>5,349</td>
<td>6,914</td>
<td>1,565</td>
<td>29%</td>
</tr>
<tr>
<td>White Other</td>
<td>5,552</td>
<td>12,272</td>
<td>6,720</td>
<td>121%</td>
</tr>
<tr>
<td>Mixed Race</td>
<td>7,907</td>
<td>11,756</td>
<td>3,849</td>
<td>49%</td>
</tr>
<tr>
<td>Asian or Asian British</td>
<td>9,962</td>
<td>19,403</td>
<td>9,441</td>
<td>95%</td>
</tr>
<tr>
<td>Black or Black British</td>
<td>5,377</td>
<td>12,308</td>
<td>6,931</td>
<td>129%</td>
</tr>
<tr>
<td>Other Ethnic Group</td>
<td>1,701</td>
<td>8,277</td>
<td>6,576</td>
<td>387%</td>
</tr>
<tr>
<td>Total</td>
<td>439,473</td>
<td>466,415</td>
<td>26,942</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: 2001 Census, 2011 Census
Socio-Economic Profile

3.16 We have next sought to profile the socio-economic characteristics of the City’s population, considering occupations, qualifications and earnings; as well as levels of multiple deprivation.

Occupations

3.17 The profile of occupations of Liverpool residents shows a higher relative proportion employed in elementary occupations, professional occupations, and sales and customer services relative to the North West profile. A low proportion of residents are managers/ senior officials or employed in skilled trades in relative terms. Relative to the remainder of the HMA, the City has a high proportion of residents employed in elementary occupations and low numbers in skilled trades and managerial and professional occupations.

Figure 21: Occupational Profile (2011)

Source: Census 2011

3.18 Overall 41.4% of the City’s population are employed in managerial or professional occupations (Categories 1-3 in Figure 21). This is consistent with the HMA average, and sits between regional and national trends. At the other end of the scale, 28.1% of the working age population in Liverpool work in unskilled jobs. This category includes people working in sales and customer service occupations, process or machine operatives and other elementary occupations. Levels in Liverpool are slightly higher than the rest of HMA (25.3%), FEMA (26.4%), North West region (26.9%) and England (24.7%).

3.19 It is interesting to compare the occupational profile of those working in Liverpool, as against those living in the City. The numbers of people working in the City within professional occupations is 20%
higher than those who living within it. The evidence (see Figure 22) points to net in-commuting of people to Liverpool across a range of service-sector occupations, but particularly to administrative and secretarial and professional/associate professional occupations.

**Figure 22: Occupational Profile of those Living and Working in Liverpool, 2011**

![Bar chart showing the occupational profile of those living and working in Liverpool, 2011.]

*Source: Census 2011 WD606, KS608*

**Qualifications**

3.20 Turning to look at qualifications, a high proportion of the population aged over 16 in Liverpool has no formal qualifications (28.7%). Relative to regional and national benchmarks and other parts of the HMA, the City has a higher relative proportion of people with Level 3 skills (A-level or equivalent). This is likely to be influenced by the student population. Despite the presence of three universities, the proportion of people with qualifications at Level 4 or above (degree level or equivalent) at 22.4% is relatively low – it compares to 24.4% across the North West and 27.4% across England.
3.21 However, the City has seen a notable increase in the percentage of working age population who are qualified to level 4 or above. Between 2001 and 2011 this figure increased by 7.16 percentage points from 15.2% to 22.4%. This suggests that the City is becoming increasingly successful in retaining their student population.

3.22 Over the same period the percentage of working age population with no qualifications fell by 9.1 percentage points to 28.7%.

**Earnings**

3.23 The profile of jobs by skill and occupational level is an influence on earnings. We have sought to consider earnings of those living in Liverpool, and those working in the City, based on data from the Annual Survey of Hours and Earnings (ASHE). Data is based on those in full-time work.

3.24 The ASHE recorded median gross workplace earnings in Liverpool in 2014 of £509 per week. This is 4% above the average for the Housing Market Area (£491), and 5% above the North West average (£483). It is notable however that earnings in 2014 were 0.5% down on the previous year.

3.25 Workplace earnings for those in full-time work have grown by an average of 2.5% per annum (pa) in Liverpool over the 2004-14 decade, which is stronger than the 2.0% per annum across in earnings seen across the North West, and 2.1% nationally. This has resulted in a narrowing of the gap in earnings of those in full-time work between Liverpool and the national average. This is consistent with the evidence of an improving skills profile.

---

**Figure 23: Qualifications (2011)**

![Bar chart showing qualifications distribution across different levels and regions.](attachment:image.png)

*Source: Census 2011*
3.26 Median earnings for those living in Liverpool (and in full-time work) averaged £493 per week in 2014 which is 3% below the average earnings of those working in the City. This suggests that those who commute on average command higher earnings, a feature characteristic of many UK cities.

3.27 Residents’ earnings in the City are higher than the HMA and North West averages (£490 and £484 per week). As Figure 25 shows, earnings have grown more strongly in relative terms than regional or national benchmarks over the last decade – with the differential between residents’ earnings in the City and the national average falling from £55 to £30 per week over the 2004-14 period.

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13 Values for the HMA are averaged local authority values from Liverpool, Sefton, West Lancashire and Wirral.
Figure 25: Median Gross Weekly Residents' Earnings for Full-Time Workers\textsuperscript{14}

<table>
<thead>
<tr>
<th>Year</th>
<th>Liverpool</th>
<th>HMA</th>
<th>North West</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>£300</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>£350</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>£400</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>£450</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>£500</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>£550</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Annual Survey of Hours and Earnings 2014

### Deprivation

3.28 The 2014 English Indices of Deprivation identifies that 45% of Lower-Level Super Output Areas (LSOA) in Liverpool fall within the most deprived 10% of areas nationally, and that 59% of the City's population lives within the most deprived 10% of areas. Ranked against other local authorities nationally, Liverpool is the 4\textsuperscript{th} most deprived in respect of the proportion of areas in the most deprived 10% and the 2\textsuperscript{nd} most deprived in respect of the proportion of its population in the most deprived areas (from a total of 326 local authorities across England). Levels of deprivation are thus significant.

3.29 The City ranks as within the most deprived 5% of local authorities nationally in respect of health, income and employment deprivation, and the top 10% in respect of the living environment. Economic deprivation is particularly acute.

3.30 Figure 26 deprivation across the Merseyside area and illustrates that large parts of the city fall within the most deprived areas in the Country. The area around Goodison Park is one of the 50 most deprived LSOAs in England. Conversely though the area around Woolton is one of least deprived parts of the country.

\textsuperscript{14} Values for the HMA are averaged local authority values from Liverpool, Sefton, West Lancashire and Wirral.
We have next sought to consider economic participation, employment, unemployment/worklessness and employment deprivation.

**Economic Activity Rates**

3.32 Economically active includes those who are actively seeking employment including students. Economic inactivity includes those who are sick, retired, long term unemployed and those not seeking employment which also includes some students but also homemakers etc.

3.33 Economic activity rates describe the percentage of adults aged 16-64 who are working or looking for work. The economic activity rate in Liverpool at 67.1% in 2014 was lower than those in the HMA area (71.3%), regional ones (74.7%) and those for England (77.6%).

3.34 Relative to the North West as a whole, the economic activity rate is particularly low for men with an 8.7 percentage point (pp) differential, compared to a 6.5 pp differential for women.
3.35 The economic activity rate in Liverpool fell from a peak of 70.1% in 2006/7 to 66% in 2008/9, but has since recovered some of the lost ground. Over the last decade economic activity rates have remained relatively stable. Rates in Liverpool have consistently been below wider benchmarks, as Figure 28 shows.

Figure 27: Economic Activity Rate, 2014

Figure 28: Changes in Economic Activity, 2004/5-2014/15

Source: Annual Population Survey

Employment Rate

3.36 The employment rate is a percentage of 16-64 year olds who are in employment. Liverpool has a relatively low employment rate at 60.0%. This is lower than the HMA (65.6%) as well as substantially below the regional (69.8%) and national trends (72.9%).

3.37 There is a significant disparity in levels of male employment in Liverpool compared to the rest of the country, with only 61.6% being in employment in the City, comparing to 78.2% across England. Levels of female employment are also low however the difference is smaller: 58.4% of women in Liverpool are employed, compared to 62.3% in HMA, 65.3% in the region and 67.6% across the country.
The employment rate in Liverpool was climbing over the pre-recession period to a peak of 63.2% in 2006/7 but fell subsequently to 59.6% in 2008/9.

There has been no evidence subsequent recovery to date, with the employment rate in Liverpool remaining around 60% (as a proportion of the population aged 16-64). This is a substantial 10 percentage points below the North West average, and 13 percentage points below the national average – highlighting scope for the employment rate to increase.
To consider the potential scope for improvement in employment rates, Figure 31 below compares the employment rates in Liverpool with other UK Cities and wider benchmarks, both based on the current latest data and for the 2006/7 prior to the recession. Compared to other UK Cities the employment rate in Liverpool is comparatively low – at 60% it compares to 73% in Leeds, Southampton and nationally; to 66% more widely across the Liverpool City Region; and to for instance 70% in Sheffield.
3.41 We recognise that the volume of students within Liverpool is likely to be a negative influence on the City's employment rate; but this is common to many of the other cities which have been considered (see Figure 31).

3.42 Figure 32 shows the employment rate in Liverpool compared to the wider Liverpool City Region, Other Cities (as listed in Figure 31) and England. The analysis highlights that whilst the employment rate differential is notable for those under 24, it is substantial across all age groups under 65. The analysis reaffirms the significant potential for the employment rate to improve if the local economy performs well.

**Figure 32: Employment Rate by Age, 2014/15**

![Employment Rate by Age, 2014/15](image)

*Source: Annual Population Survey/ GL Hearn*

**Worklessness**

3.43 We have next sought to consider unemployment. Unemployment stands at 10.6% in Liverpool in 2014, based on the Annual Population Survey. This is 2.6 percentage points higher than the HMA average (8.0%), and 4.0 percentage points above the North West average (6.6%).

3.44 Male unemployment is 6.7 percentage points above the North West average at 13.6%. Female unemployment in the City is lower (7.3%) but is still 1.4 percentage points above the regional average. There is evident potential to support employment growth by bringing people back into work.
Figure 33: Unemployment Rate, 2014


Employment Deprivation

3.45 The CLG’s Index of Multiple Deprivation also has a number of domains one of which is the Employment Deprivation Domain. This measures the proportion of the working-age population in an area involuntarily excluded from the labour market. This includes people who would like to work but are unable to do so due to unemployment, sickness or disability, or caring responsibilities.

3.46 Figure 34 illustrates this domain across the Merseyside area benchmarked by the national deciles. As shown there are large parts of the City which are some of the most deprived areas nationally. Notably there are also large parts of the Central and Riverside areas (and also South Liverpool) which are the least deprived areas in the Country by this measure.
Housing Stock and Supply

3.47 We next turn to profile the housing stock in Liverpool, considering the profile of housing by type, tenure and size; considering how people occupy housing; and how the profile of housing has been changing.

Tenure Profile

3.48 A detailed profile of tenure mix can be gleaned from the 2011 Census. Unlike much of the North West, the tenure profile in the City shows that less than half of households are owner occupied (46.9%). Conversely, Liverpool has a higher than average proportion of private renting (23.4%) compared to the national average (16.8%) and North West (15.4%). Above average private renting is consistent with the profile across other cities, which tend to have a younger population.

3.49 28.2% of households in the City rent from the Registered Provider, while 4.8% said that they rented from the Council in 2011 Census returns. This is a mis-recording as the Council do not own any stock, having transferred its stock to a Registered Provider (RP) in the early 2000s.
3.50 The size of the social rented sector at 27.9% is significant (assuming those stating they rent from the Council actually rent from an RP) and above the regional and national benchmarks (17.7% and 18.3% respectively).

Table 8: Detailed Tenure Composition (2011)

<table>
<thead>
<tr>
<th></th>
<th>Owns Outright</th>
<th>Owns with Mortgage</th>
<th>Shared Ownership</th>
<th>Private Rented</th>
<th>Rent from Local Authority</th>
<th>Rent from Registered Provider</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool</td>
<td>21.2%</td>
<td>25.7%</td>
<td>0.5%</td>
<td>23.4%</td>
<td>4.8%</td>
<td>23.1%</td>
<td>1.3%</td>
</tr>
<tr>
<td>HMA</td>
<td>28.9%</td>
<td>31.6%</td>
<td>0.5%</td>
<td>17.0%</td>
<td>6.2%</td>
<td>14.6%</td>
<td>1.2%</td>
</tr>
<tr>
<td>North West</td>
<td>31.0%</td>
<td>33.5%</td>
<td>0.5%</td>
<td>15.4%</td>
<td>7.7%</td>
<td>10.6%</td>
<td>1.3%</td>
</tr>
<tr>
<td>England</td>
<td>30.6%</td>
<td>32.8%</td>
<td>0.8%</td>
<td>16.8%</td>
<td>9.4%</td>
<td>8.3%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

Source: Census 2011

3.51 Figure 35 provides an overview of changes in the tenure composition in Liverpool between 2001 and 2011 Census. Over the decade there has been a substantial growth in households living in the Private Rented Sector (21,669 households), with levels of households in shared ownership growing slightly. Households in other tenures have fallen, with those who are owner occupiers declining by 867 over the decade.

Figure 35: Changes in Households by Tenure, 2001-11

Source: Census 2001, Census 2011

3.52 Figure 36 shows compares changes in the tenure profile in the City to those across wider geographies. Relative to wider benchmarks, Liverpool has seen a stronger growth in Private Renting (9.4 percentage points (pp)), and greater fall in social renting (-4.4 pp). Owner occupation
has fallen by 5.1 percentage points from 52.1% to 46.9% between 2001-11. The tenure changes shown can be related to the growing population of young adults in the City.

**Figure 36: Changes in Tenure of Households, 2001-11**

![Chart showing changes in tenure of households, 2001-11](image)

*Source: Census 2011 and 2001*

**Housing Type Profile**

3.53 Of the City's housing stock, 41.0% are terraced, and 23.3% are flats/maisonettes. The City has an above average proportion of these house types relative to wider geographies. It has a particularly low proportion of detached homes, which account for just 7.2% of dwellings. Other parts of the HMA have a greater representation of detached and semi-detached properties.

**Table 9: Profile of Stock by Type (2011)**

<table>
<thead>
<tr>
<th></th>
<th>% Unshared Dwellings</th>
<th>Detached</th>
<th>Semi-Detached</th>
<th>Terraced</th>
<th>Flat/Maisonette</th>
<th>Caravan or Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool</td>
<td>7.2%</td>
<td>28.5%</td>
<td>41.0%</td>
<td>23.3%</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>HMA</td>
<td>13.8%</td>
<td>37.7%</td>
<td>30.4%</td>
<td>18.0%</td>
<td>0.1%</td>
<td></td>
</tr>
<tr>
<td>North West</td>
<td>18.0%</td>
<td>36.4%</td>
<td>29.9%</td>
<td>15.4%</td>
<td>0.2%</td>
<td></td>
</tr>
<tr>
<td>England</td>
<td>22.5%</td>
<td>31.3%</td>
<td>24.5%</td>
<td>21.2%</td>
<td>0.4%</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Census 2011*

3.54 2011 Census data indicates that 0.9% of households lived in a shared dwelling (1,911 households). This compares with 0.2% across the North West and 0.5% nationally. The higher proportion of shared dwellings in the City is likely to be influenced by the student population, and the City's younger age structure.
3.55 The relatively low percentage of larger detached and semi-detached homes is reflected in the low percentage of properties with 4 or more bedrooms, which account for 13.3% of homes across Liverpool. In total 73.8% of the City’s housing stock comprises 2 or 3 bedroom dwellings. 12.9% comprises studios or 1 bed properties (which is above the 9.7% across the North West).

3.56 The housing mix is to some degree a reflection of development densities, but does have implications – it influences in-commuting of higher earners, and influences local spending power. Diversifying the housing mix, subject to market demand, could help assist regeneration.

**Table 10: House Size – Number of Bedrooms (2011)**

<table>
<thead>
<tr>
<th>No Bedrooms</th>
<th>Liverpool</th>
<th>HMA</th>
<th>North West</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bedroom</td>
<td>12.7%</td>
<td>9.8%</td>
<td>9.5%</td>
<td>11.8%</td>
</tr>
<tr>
<td>2 Bedrooms</td>
<td>26.5%</td>
<td>23.4%</td>
<td>28.5%</td>
<td>27.9%</td>
</tr>
<tr>
<td>3 Bedrooms</td>
<td>47.3%</td>
<td>49.2%</td>
<td>45.0%</td>
<td>41.2%</td>
</tr>
<tr>
<td>4 Bedrooms</td>
<td>10.0%</td>
<td>13.4%</td>
<td>13.1%</td>
<td>14.4%</td>
</tr>
<tr>
<td>5 or More</td>
<td>3.3%</td>
<td>3.9%</td>
<td>3.7%</td>
<td>4.6%</td>
</tr>
</tbody>
</table>

*Source: Census 2011*

3.57 The chart below shows how house type and size relate to one another. There is a particularly high prevalence of 3-bed terraced properties in Liverpool; with a low representation of larger detached homes.

**Figure 37: Cross-tabulating House Type and Tenure**

*Source: Census 2011*
Council Tax Banding

3.58 A substantial 61% of properties in Liverpool fall within Council Tax Band A. This compares to 42% across the North West and 25% across England. The proportion of properties in all other Council Tax Bands is below average. 90% of properties in Liverpool are within Council Tax Bands A – C. This is substantially higher than levels across the region (79%) and nationally (66%). The profile suggests a stock profile which is focused towards smaller and more affordable housing types in the City.

Figure 38: Properties by Council Tax Band, 2011

Source: Census 2011

Housing Supply Trends

3.59 We have assessed trends in housing supply, considering housing completions, conversions and demolitions, using monitoring data provided by Liverpool City Council. Gross housing completions over the 2003-9 period averaged 2,732 per annum in the City. In a number of years, gross completions exceeded 3,000 dwellings.

3.60 Since the onset of the credit crunch in 2009 housing completions have fallen dramatically. Over the 2009/10 – 2013/14 period, gross completions have averaged 1,392 dwellings per annum.
It is evident that the credit crunch has impacted housing delivery in Liverpool as it has across many areas nationally. Figure 40 seeks to benchmark trends in completions relative to England as a whole, considering recent trends as a percentage of average annual completions towards the peak of the last market cycle over the 2002-7 period. It shows that housing delivery (in terms of gross completions) has been affected to a greater degree by the credit crunch relative to other areas. The trend shown is however to some extent likely to reflect the strong delivery of city centre flats in the 2002-7 period prior to the recession.
Figure 40: Benchmarking Completions relative to 2002-7

Source: GLH Analysis of LCC Monitoring Data and national trends from CLG Live Table 209

3.62 Net changes to housing supply in Liverpool are influenced not just by completions but by levels of demolitions of housing. Over the last 10 years, 7641 homes have been demolished in the City, principally as part of area-based regeneration programmes and through the Housing Market Renewal Initiative (HMRI).

Figure 41: Demolitions and Net Completions, Liverpool 2002/3 – 2013/14

Source: LCC Monitoring

3.63 The rate of demolitions has however been falling, with an average of 381 demolitions per annum recorded over the 2011/12 – 2013/14 period.
3.64 It is useful to assess the profile of housing completions by tenure. Figure 42 profiles completions of homes by housing associations. Over the last 10 years 15% of completions have been delivered by Housing Associations. As affordable housing is delivered partly through mixed tenure schemes (albeit to a lesser degree in Liverpool than many other places), a fall in overall housing completions may have influenced delivery of homes by housing associations – which have declined year-on-year since the end of the last market cycle in 2008/9. Funding availability is also likely to have influenced this trend.

**Figure 42: Affordable Housing Completions, Liverpool 2002/3 – 2013/14**

![Graph showing affordable housing completions, Liverpool 2002/3 – 2013/14](image)

Source: LCC Monitoring

3.65 The profile of private sector completions relates relatively strongly to overall completions levels. Over 2,500 private sector completions per year were sustained in some years towards the peak of the last market cycle but have dropped off substantially since. Over the last 5 years, private sector completions have averaged 1,181 dwellings per annum.
3.66 New-build development has been the mainstay of housing completions, accounting for 83% of completions over the last decade. Changes of use have accounted for 13% of completions and subdivision of properties 4%. Levels of subdivisions have remained relatively steady. New-build development levels fell significantly on the onset of the credit crunch, with to date limited evidence of any substantive recovery.
Stock Condition

3.67 The 2010 Private Sector House Condition Survey (the latest available), prepared by David Adamson & Partners, provides details of stock condition. The Survey identifies that the City’s private sector housing stock is older than average, with 35% built pre-1919 (compared to 25% nationally). 8,030 dwellings were estimated to be unfit, with 49,143 dwellings estimated to be non-decent, representing a third of the private sector dwelling stock. Against both measures, stock condition has improved since the previous survey was undertaken in 2006.

3.68 An estimated 19,369 private sector dwellings exhibited Category 1 hazards within the HHSRS, equating to a rate of 13.1%. This was below the relevant national benchmark of 23.6%. 33,578 homes were identified as failing the repair requirements of the Decent Homes Standard, equating to 22.0% of the private sector stock. This compares to 6.5% nationally.

3.69 In respect of energy efficiency, the average SAP Rating for private sector housing in the City is 61 – significantly above the national average of 50. However, despite this, 19,299 dwellings fail the thermal comfort requirements of the Decent Homes Standard (13% of private sector stock). The highest failure rates are within the Private Rented Sector and for flats. Poor energy efficiency affects 44,106 private sector households (28.2%) who spend more than 10% of their income on fuel and are therefore in fuel poverty. It is a particular issue for pre-1919 housing and that within the Private Rented Sector.

3.70 Conditions for homes owned by Registered Providers were found to be better than in the private sector. 6.1% of RP dwellings exhibited Category 1 hazards, with 24.0% estimated to be non-decent.

3.71 The Survey estimated that in 2010 there were 8,400 long-term vacant dwellings, representing 3.9% of all homes in the City. Long-term vacancy is heavily concentrated in the pre-war housing stock, and more recent new-build dwellings. Of long-term vacant, 47.0% were estimated to be non-decent, with 51.1% estimated to not be capable of occupation in their current condition. An estimated £61.6 million of investment was identified as required to bring these back into a habitable state.

15 Defined as free from Category 1 HHSRS Hazards, in a reasonable state of repair, with reasonably modern facilities and a reasonable degree of thermal comfort.
Occupancy of Housing

Vacant Homes

3.72 In the final part of this section we have sought to consider the occupancy of housing. The City Council’s Empty Homes Strategy 2014-16 identifies a total of 9,479 vacant properties in April 2014, comprising 4.4% of the dwelling stock.

Table 11: Vacancy Levels, Liverpool April 2014

<table>
<thead>
<tr>
<th></th>
<th>Vacant Properties</th>
<th>Total Dwellings</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citywide</td>
<td>9,479</td>
<td>217,579</td>
<td>4.4%</td>
</tr>
<tr>
<td>Long term voids (total)</td>
<td>6,384</td>
<td>217,579</td>
<td>2.9%</td>
</tr>
<tr>
<td>Long term voids (privately owned)</td>
<td>5,275</td>
<td>159,986</td>
<td>3.3%</td>
</tr>
<tr>
<td>Long term voids (Registered Providers)</td>
<td>244</td>
<td>56,567</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Source: LCC Empty Homes Strategy 2014-16

3.73 As the chart below demonstrates, the number of vacant homes in the City has fallen significantly over the preceding decade. Total vacant properties fell by 39% (with a reduction in long-term vacant by 70%) over the 2004-14 period.

Figure 45: Trend in Vacant Homes in Liverpool, 2004-1

Source: CLG Table 516 (derived from Council Tax Records)

3.74 Two thirds of vacant properties as at April 2014 in the city were long-term voids (defined as being vacant for 6 months or more) comprising 2.9% of the dwelling stock. Of the 6,384 long-term voids, 83% are privately owned with 17% owned by Registered Providers. The City Council’s Empty Homes Strategy identifies that vacant properties are concentrated spatially, particularly within the
Inner Core neighbourhoods such as Anfield, Princes Park, Picton, Kensington and Fairfield, Tuebrook & Stoneycroft, Central and County – in which more than 5% of properties were vacant in April 2014.

3.75 The City Council has a number of initiatives to bring empty homes back into use, which are set out in the Empty Home Strategy 2014-16. These include:

- Housing Renewal: initiatives to refurbish stock or remove unsustainable stock. Supported by £9.3 million Housing Market Renewal Initiative Transition Fund to support a structured exit from the HMRI Programme;
- Health Homes Vacant Dwellings Programme: which includes reactive work to address issues with vacant properties, and proactive work on priority properties and targeted areas. Targeted action to bring properties back into use;
- Enforcement Action: using enforcement powers to bring properties back into use, and where appropriate Empty Dwelling Management Orders (EDMOs) and compulsory purchase to bring properties back into use where owners fail to cooperate. The Council has also changed its Council Tax regime to penalise keeping properties empty;
- Partnership working with Registered Providers: joint working on a sub-regional basis through the Restore Consortium, which has successfully secured Government Empty Homes funding, and is being used to repair and bring properties back into use;
- Strategic Housing Delivery Partner: working with Liverpool Mutual Homes to bring 1,000 empty properties back into use;
- Homes for a Pound Pilot: marketing properties available for £1 on the proviso that the buyer refurbishes the home.

3.76 The Council has also introduced compulsory licensing of private landlords who, from 1st April 2015, must apply for a five-year licence for each rented property.

3.77 Where the City Council is successful in reducing the number of vacant homes in the housing stock, this can potentially be counted towards meeting the objectively assessed housing need figures set out in this report. Bringing empty homes back into use thus forms a potential component of supply.

**Occupancy of Housing**

3.78 The 2011 Census identified 1,911 households living in shared dwellings across the City, equating to 0.9% of households. This compares to an average of 0.2% of households living in shared dwellings across the North West region and 0.4% nationally.

**Table 12: Shared Dwellings, 2011**

<table>
<thead>
<tr>
<th></th>
<th>Households in Shared Dwellings</th>
<th>% Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool</td>
<td>1,911</td>
<td>0.9%</td>
</tr>
<tr>
<td>HMA</td>
<td>2,780</td>
<td>0.5%</td>
</tr>
<tr>
<td>North West</td>
<td>6,898</td>
<td>0.2%</td>
</tr>
<tr>
<td>England</td>
<td>77,955</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Source: 2011 Census
3.79 The above average level of shared housing in Liverpool is likely to reflect, at least in part, the high number of student shared households in the City (which has a student population of c. 50,000).

3.80 There are two measures of overcrowding. Using the bedroom standard, as defined in the Housing (Overcrowding) Act 2015, 4.3% of households in 2011 lived in overcrowded accommodation. This sits between the regional and national levels.

3.81 67.1% of households under-occupy homes against this measure. Under-occupancy is common as households can purchase (or rent) homes which are larger than they need if they have the financial resources to do so. Additional rooms provide opportunities for relatives to come and stay. The level of under-occupancy in the City is relative similar to that seen nationally.

**Table 13: Overcrowding using Bedroom Standard, 2011**

<table>
<thead>
<tr>
<th></th>
<th>Overcrowded</th>
<th>Under-Occupied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool</td>
<td>4.3%</td>
<td>67.1%</td>
</tr>
<tr>
<td>HMA</td>
<td>3.3%</td>
<td>72.4%</td>
</tr>
<tr>
<td>North West</td>
<td>3.6%</td>
<td>71.6%</td>
</tr>
<tr>
<td>England</td>
<td>4.6%</td>
<td>68.7%</td>
</tr>
</tbody>
</table>

*Source: 2011 Census*

3.82 Using the second measure, the Census occupancy-based measure, 9.7% of households were overcrowded in 2011. This was above the 7.6% recorded by the 2001 Census, and above the HMA and North West averages (6.4% and 6.2% respectively). The occupancy-based measure does not however take account of the relationship between family members, and is essentially an inferior measure of overcrowding. It indicates that overcrowded increased in the City between 2001-11. However, this is likely to have been influenced by a growing student population in Liverpool over this period.
Figure 46: Changes in Overcrowding using Occupancy Ratings (2001-2011)

Summary

3.83 Liverpool has a relatively young population structure, with a high proportion of students reflected in a significant number of residents aged 19-24. There are around 50,000 students based in the City. More broadly the population aged 19-35 is strongly represented. The City is more ethnically diverse than other parts of the HMA and the North West region as a whole.

3.84 There are particular age cohort effects which are important to understand in considering housing need. Over the 2003-8 period population growth was strong amongst those in their 20s. More recent growth in this group has been more modest, with stronger growth of those in their early 30s (and linked to this amongst younger children). Life expectancy has supported some growth in older age groups, but the proportion of people in middle-aged and older age cohorts is below that in other parts of the HMA. Our analysis points to the effects of an urban renaissance and student growth in supporting a growing population in their 20s through the 2000’s which has been retained and is now contributing to rising birth rates and growing numbers of younger children.

3.85 The City’s skills and occupational profile is focused more towards lower skills/ paid occupations relative to surrounding areas and broader comparators –

3.86 Liverpool however retains a high percentage of unemployment (10.6%) (especially amongst males-13.6%) when compared to the national averages (6%). The City has a lower proportion of level 4 or above qualifications (22%) amongst its residents and consequently higher levels of no qualifications (29%). The analysis however suggests that this is changing, with the evidence pointing to an
improving skills profile between 2001-11, and a narrowing of the earnings gap relative to national benchmarks. As with many cities, there is a net in-commuting of those in higher earning roles.

3.87 The City has some of the most deprived areas in England. Large parts of Liverpool fall within the 10% most deprived parts of the country.

3.88 Turning to look at the housing offer, the City also has relatively low levels of home ownership (46.9%) compared to the North West and National figures. Conversely, Liverpool has high levels of social renting (27.9%). Private renting is also significant, and has grown over the 2001-11 period – influenced by a growing population of younger people. Linked to this, and to student growth, levels of overcrowding and shared households have grown over the 2001-11 period.

3.89 The City’s housing stock is characterised by high levels of flatted and terraced properties, which account for 23% and 41% of its housing stock respectively. Two and three bedroom properties predominate; although the level of one bedroom properties is high relative to wider comparators and there is a high proportion of three-bed terraces in particular. 61% of properties are in Council Tax Band A. There is a low proportion of detached and semi-detached homes and those with 4 or more bedrooms.

3.90 House building in the City has notably reduced post-recession and is currently still around 50% of the level of 2002-2007 period when delivery was buoyed by the strength of the City Centre flatted market. Linked in part to regeneration programmes, the level of vacant properties has reduced significantly over the last decade and stock condition improved.
4 TREND BASED DEMOGRAPHIC PROJECTIONS

4.1 This section provides trend-based demographic projections for Liverpool. The analysis considers past trends in population growth and considers the most recent ‘official’ projections as required by the PPG. These are the ONS 2012-based Sub-National Population Projections and CLG 2012-based Household Projections. The CLG Household Projections use the SNPP as a direct input when considering household growth.

4.2 The core outputs of the SHMA are to look at housing needs over the 2013-33 period, this aligns with plan-making timeframes.

4.3 The 2012-based sub-national population projections have been used as the basis for projecting housing need over the 2013-2033 period. GL Hearn has also taken account of known data for 2013 and 2014 from Mid-Year Population Estimates, to substitute the information in the projection with actual information, which is viewed as confirmed/fixed for these two years. Thus projections for population growth effectively start from 2015 onwards. The 2014 Mid-Year Population Estimates have also been used to provide a baseline population structure, by age and sex.

Demographic Trends

4.4 The population of Liverpool in 2014 was estimated to be 473,100. Official data indicates that Liverpool's population fell during the 1980s and 1990s but has been growing since 2001. ONS data indicates that the City’s population has grown by an average of 0.5% per annum (pa) since 2001. This is marginally above the 0.4% pa growth seen across the North West region, but below the 0.7% pa growth nationally. ONS estimate population growth across the HMA of 0.2% pa since 2001.
The suggested abrupt change in population dynamics in Liverpool’s in 2001 is worthy of further investigation. ONS data on the Components of Population Change between 2001-11 indicates that an increase in the City's population of about 20,000 people is ‘Unattributable.’

It is not entirely clear what ‘Unattributable Population Change’ (UPC) is related to, with the main possibilities being a mis-recording of migration and/or errors in population counts within Census data.

In Liverpool there is good evidence that the 2001 Census may have under-estimated the population, with an ONS Report in 2004 entitled *Local Authority Studies – Analysis of data and evidence for Liverpool* showing a potential discrepancy of about 15,000 people (see Table 7.1). Whilst at the time ONS concluded that there was no evidence of an under-count, it does seem plausible that there was, given that the 2011 Census now seems to be indicating that some 20,000 people were subsequently ‘missed’ through the ONS annual monitoring of population dynamics. Taken together the evidence would suggest that the components of change as recorded by ONS are broadly correct but that the Census (at least in 2001) was not.

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4.8 On this basis it is suggested that some considerable caution should be exercised in relation to the level of population growth shown by MYE in the period from 2001-11 because of the significant ‘unattributable’ component.

4.9 Our analysis points to a good proportion of the UPC recorded during the 2001-11 period being related to a Census undercount in 2001. ONS has additionally improved its methodology for recording migration, which means that data during the later period of the decade (and particularly post 2007) is likely to be of a better quality. It is the data over these latter years which has fed into the latest official (2012-based) Sub-National Population Projections. Migration estimates since 2007 for instance takes account of data from the Higher Education Statistics Agency (HESA) on student moves, which are an important influence on migration dynamics in Liverpool, given the size of its student population. There is no evidence suggesting that UPC is likely to have been a continuing issue in the accuracy of mid-year population estimates post 2011 (nor will there be in advance of publication of 2021 Census results).

Components of Population Change

4.10 Given the previous discussion, we have next sought to profile the components of population change. Population change is principally driven by natural change (the balance between births and deaths) and migration (the balance between people moving in and out of an area). ONS migration data can be split into domestic in- and out-migration, international in- and out-migration, and an “other changes” category which relates to changes in armed forces, boarding school and prison populations (and which is often relatively small in scale).

4.11 ONS model migration to/from local authorities based on a range of data sources. Internal migration is modelled based principally on NHS data which records people changing doctors together with data on student moves since 2007 from the Higher Education Statistics Agency. International migration is modelled using data from the International Passenger Survey and other administrative sources.

4.12 ONS has sought to rationalise data on components of population change with Census data. In doing so, it includes an adjustment for Unattributable Population Change (UPC), where Census data has suggested that population growth had either been over or under-estimated in the inter-Censal years. As UPC links back to Census data, figures are only provided for the 2001 to 2011 period.

4.13 Figure 48 shows that migration is the key driver of population change in Liverpool over the 2001-14 period as set out by ONS. The data shows for all years that there is a net internal out-migration (i.e. moves from one part of the Country to another) but positive levels of international net migration
(other than in 2005/6 where a small net international out-migration is shown). The evidence points
to a net flow of international migrants to the City, and then a net internal outflow from the City to
surrounding areas. This pattern is characteristic of cities across the UK.

4.14 Net migration (combining internal and international migration) has varied from a net out-migration of
2,567 in 2005/6 to a net in-migration of 2,373 in 2011/12. The average level of migration for the
whole of the period studied is a modest 55 people per annum – made up of net internal out-
migration of 1,955 people each year and net international in-migration of 2,010.

4.15 The SNPP is based on trends in internal migration over the 2007-12 period, and international
migration over the 2006-12 period constrained to the national population projections. Over this
period net migration to Liverpool was 191 persons per annum. This sits modestly above 10-year
average migration (net in-migration of 45 persons per annum) and averages since 2001 as set out
above. Set against the scale of overall in- and out-migration to Liverpool each year, these
differences are modest, and point to the latest official projections – which the PPG advocates the
use of – being a reasonable trend-based projection for Liverpool.

4.16 The data also shows fairly high natural change (meaning births exceed deaths). This again is a
characteristic of cities, and reflects the age structure of the population which is typically younger
than in other areas. Generally, the level of natural change has increased over time, although there
is some evidence from the latest data that this is now levelling off. The recording of births and
deaths can be considered to be fairly accurate given national registration requirements for such
events.

4.17 Other changes are quite small whilst UPC can be seen to be significantly positive for those years
where data is available. As noted previously, ONS indicate that Unattributable Population Change is
likely to reflect a combination of sampling variability, or other issues, including:

- Internal migration estimates;
- International migration estimates;
- Census estimates in 2001 and 2011.

4.18 Having reviewed information about the 2001 Census, there is strong evidence to suggest that errors
in Census recording of the population is likely to be the main reason for the high level of UPC in the
City. It is therefore noteworthy that ONS in developing population projections do not take account of
UPC – this appears to be entirely appropriate in the case of Liverpool.
Figure 48: Components of Population Change, mid-2001 to mid-2014 – Liverpool

Source: ONS
Components of Population Change (2001-14) – Liverpool

<table>
<thead>
<tr>
<th>Year</th>
<th>Natural change</th>
<th>Net internal migration</th>
<th>Net international migration</th>
<th>Other changes</th>
<th>Other (unattributable)</th>
<th>Total change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001/2</td>
<td>-312</td>
<td>-1,090</td>
<td>1,066</td>
<td>157</td>
<td>2,105</td>
<td>1,926</td>
</tr>
<tr>
<td>2002/3</td>
<td>-186</td>
<td>-2,740</td>
<td>1,860</td>
<td>129</td>
<td>2,113</td>
<td>1,176</td>
</tr>
<tr>
<td>2003/4</td>
<td>-2</td>
<td>-1,849</td>
<td>3,019</td>
<td>-140</td>
<td>2,103</td>
<td>3,131</td>
</tr>
<tr>
<td>2004/5</td>
<td>200</td>
<td>-2,247</td>
<td>4,384</td>
<td>-236</td>
<td>2,086</td>
<td>4,187</td>
</tr>
<tr>
<td>2005/6</td>
<td>602</td>
<td>-1,780</td>
<td>-92</td>
<td>-56</td>
<td>2,103</td>
<td>777</td>
</tr>
<tr>
<td>2006/7</td>
<td>890</td>
<td>-2,837</td>
<td>270</td>
<td>117</td>
<td>2,087</td>
<td>527</td>
</tr>
<tr>
<td>2007/8</td>
<td>827</td>
<td>-2,878</td>
<td>885</td>
<td>-27</td>
<td>2,079</td>
<td>886</td>
</tr>
<tr>
<td>2008/9</td>
<td>1,106</td>
<td>-1,483</td>
<td>1,405</td>
<td>-30</td>
<td>2,057</td>
<td>3,055</td>
</tr>
<tr>
<td>2009/10</td>
<td>1,044</td>
<td>-1,661</td>
<td>2,486</td>
<td>2</td>
<td>2,009</td>
<td>3,880</td>
</tr>
<tr>
<td>2010/11</td>
<td>1,432</td>
<td>-2,112</td>
<td>3,213</td>
<td>-134</td>
<td>1,854</td>
<td>4,253</td>
</tr>
<tr>
<td>2011/12</td>
<td>1,713</td>
<td>-419</td>
<td>2,792</td>
<td>-52</td>
<td>-</td>
<td>4,034</td>
</tr>
<tr>
<td>2012/13</td>
<td>1,170</td>
<td>-2,254</td>
<td>2,305</td>
<td>-131</td>
<td>-</td>
<td>1,909</td>
</tr>
<tr>
<td>2013/14</td>
<td>1,636</td>
<td>-2,060</td>
<td>2,537</td>
<td>180</td>
<td>-</td>
<td>2,293</td>
</tr>
</tbody>
</table>

Source: ONS

4.19 The analysis in the table above can also be used to consider if there have been any recessionary impacts on migration (i.e. do the trends pre-2008 differ from those over the last few years). The potential for there to have been a recessionary impact is important to understand given that many large urban areas (most notably London) have seen changes to migration patterns.

4.20 In Liverpool the data does support some change in migration pre- and post-recession. In particular, it is notable that the level of internal net out-migration has fallen from an average of about 2,200 per annum in the 2001-8 period down to less than 1,700 in the 2008-14 period. Levels of international migration (which are not thought to be significantly impacted by the recession) have remained on average at a similar level (averaging 1,600-1,700 per annum both pre- and post-2008).

4.21 Given that ONS have used data from the 2007-12 period for internal migration in their latest population projections (which are discussed below), there is some case to suggest that the projections might be too high (as they reflect a recessionary trend) and that internal out-migration from the City could increase as the economy recovers. However, on balance it is not considered that the population projections are substantially wrong because (as will be seen below) the level of future population growth is actually expected to be below the level seen in the recent past (but above longer-term trends). Therefore, whilst the impact of the recession is to be noted, it has not been considered further. This however is an issue which the Liverpool City Region (LCR) authorities have agreed may warrant further consideration as part of sub-regional joint working – as internal out-migration from Liverpool will affect other parts of the HMA.
2012-based Sub-National Population Projections

4.22 The latest set of sub-national population projections (SNPP) were published by ONS on the 29th May 2014. They replace the 2010- and 2011-based SNPP. Sub-national population projections provide estimates of the future population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration which are constrained to the assumptions made for the 2012-based national population projections. The new SNPP are largely based on trends in the 2007-12 period. They project internal migration based on trends over this period and international migration over the 2006-12 period. The projections are constrained to ONS projections for population at a national level.

4.23 The 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 behaviour. The primary purpose of the sub-national projections is to provide an 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.

4.24 The SNPP is an important data release for the SHMA; it is the most recent ‘official’ projection of population and is used as a direct input into CLG Household Projections (for which there is also a 2012-based version). The Planning Practice Guidance outlines that the latest official projections should form the “starting point” for assessing housing need, setting out that they are statistically robust and based on nationally consistent assumptions.

Overall Population Growth

4.25 Table 15 below shows projected population growth from 2013 to 2033 in the 2012-based SNPP in Liverpool and other geographies. For Liverpool, two different scenarios have been shown; the first is from the SNPP as published, with the second again using the assumptions underpinning the SNPP but with mid-year (MYE) population data for 2013 and 2014 having been included (and subsequent years adjusted accordingly). As noted previously, in the absence of any way to properly test the accuracy of the MYE data, the information published by ONS is treated as correct.

4.26 The data shows that the population of the City is expected to grow by between about 21,900 and 24,200 people. This is a 4.7%-5.1% increase – slightly above that expected across the HMA (3.1%), but below the regional increase (6.7%) and national average (13.3%).
Table 15: Projected Population Growth (2013-2033)

<table>
<thead>
<tr>
<th></th>
<th>Population 2013</th>
<th>Population 2033</th>
<th>Change in population</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool (SNPP)</td>
<td>469,838</td>
<td>491,719</td>
<td>21,881</td>
<td>4.7%</td>
</tr>
<tr>
<td>Liverpool (as updated from MYEs)</td>
<td>470,780</td>
<td>495,000</td>
<td>24,220</td>
<td>5.1%</td>
</tr>
<tr>
<td>HMA</td>
<td>1,320,500</td>
<td>1,361,400</td>
<td>40,900</td>
<td>3.1%</td>
</tr>
<tr>
<td>North West</td>
<td>7,103,600</td>
<td>7,578,800</td>
<td>475,200</td>
<td>6.7%</td>
</tr>
<tr>
<td>England</td>
<td>53,843,600</td>
<td>61,022,500</td>
<td>7,178,900</td>
<td>13.3%</td>
</tr>
</tbody>
</table>

Source: ONS (2012-based Subnational Population Projections) and demographic modelling

4.27 Figure 49 compares the projection for overall growth in the City’s population to past trends. The data also plots a linear trend line for the last 13-years for which data is available (i.e. back to 2001). The analysis also recognises a potential issue around UPC which indicated a possible undercount of population in Liverpool in 2001 which has subsequently influenced the estimated trends moving forward. Figure 49 therefore includes an alternative view about population growth which removes the UPC component of change from the population data. It shows that expected future population growth from the SNPP (and the adjusted SNPP) sits somewhere in between the trends when including or excluding a UPC adjustment. The analysis also shows that the projection updated to take account of new MYE data tracks the SNPP, but at a very slightly higher level.

4.28 Overall, given some of complexities around understanding past trends in Liverpool, it is concluded that the SNPP is a reasonable projection of population growth in the City. It is further considered that the updated projection which takes account of new MYE data should be preferred as it builds in more up-to-date information about population change (including changes to the age structure), as advocated in the PPG.
4.29 Figure 50 brings together data about migration (both past trends and the future projection) along with information about natural change. The data only includes migration and natural change (and excludes past estimates of UPC and other changes as neither of these feature as part of the ONS projection methodology).

4.30 This shows that natural change is expected to mainly be positive over the period, but at a slightly declining rate from about 2019. The declining level of natural change reflects expected changes in the population age structure. The level of natural change in the projection looks to be substantially higher than has been seen in the past with an average level of about 1,850 per annum in the 2014-33, compared with just 780 per annum in the 2001-14 period (and a slightly higher figure of 1,400 over the past five years). This reflects age structure changes which are considered further below.

4.31 There is also expected to be a notable level of net out-migration. The level of net out-migration is expected to slightly decrease over time. Net out-migration contrasts to recent trends, where there has been a net in-migration to the City in each of the last five years (and seven from the last thirteen (i.e. back to 2001)). Over the full projection period (2014-33) there is expected to be a net out-migration of 670 people per annum. This compares with net in-migration of 55 per annum since 2001 and 965 per annum if just looking at the last five years.
4.32 Whilst future migration appears to be at a level which is below past trends, it needs to be noted that the ONS methodology is not a simple roll forward of the past levels of migration. The ONS uses a dynamic model where migration can change year-on-year as the population age structure changes (both within the City and in areas that would see people migrate to the City). With international migration, ONS uses data for the past six years to distribute this between areas but ensures that the overall level of migration (nationally) is consistent with national population projections.

4.33 Therefore, the apparent lower level of future migration when compared with trends does not in itself suggest that there is anything wrong with the SNPP but simply highlights the methodology used and the need to ensure consistency between local and national level projections. Recent population growth in the City has been strongly driven by growth of those in their 20s, however, this age group is not expected by ONS to grow substantially at a national level moving forwards. Overall, whilst there are clearly some issues with the collection of data and measurement of the population in Liverpool, there is nothing substantial in the data (when considered in the round) to suggest that the SNPP is not a reasonable population projection to take forward into modelling household and housing growth.

4.34 As the PPG sets out, the official population and household projections are based on nationally consistent assumptions. Any local changes to the projections for population and household growth which deviate from these will need to be based on “established sources of robust evidence.” There is not clear evidence that would warrant a deviation from the latest official population projections.
Age Structure Changes

4.35 With growth in the population will also come age structure changes. Table 16 below summarises the findings for key (15-year) age groups with our core demographic projection. The data shows that largest growth will be in people aged 60 and over. It is estimated that there will be 119,800 people aged 60 and over in 2033 – this is an increase of 28,000 from 2013, representing growth of 31%. The population aged 75 and over is projected to increase by an even greater proportion, 43%, driven by increasing life expectancy.

4.36 Looking at the other end of the age spectrum the data shows that there are projected to be around 7% more people aged under fifteen years along with an increase in the population aged 30-44. Both the 15-29 and 45-59 age groups are expected to see a level of population decline. This in part reflects age cohort effects, as well as expected national trends.

4.37 The finding of an ageing population is interesting given that past trends show relatively little growth in the number of people aged 60 and over in the City over the past decade or so. It should however be noted that the increase in the older person population in the City is still expected to be quite moderate when compared with regional and national projections. The population aged 60 and over is also expected to remain a relatively modest proportion of total population in 2033 - in Liverpool 24% of the population is projected to be aged 60 and over, compared with 30% across the North West and 29% nationally.

Table 16: Population Change 2013 to 2033 by Fifteen Year Age Bands (2012-based SNPP as updated)

<table>
<thead>
<tr>
<th>Age group</th>
<th>Population 2013</th>
<th>Population 2033</th>
<th>Change in population</th>
<th>% change from 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 15</td>
<td>73,938</td>
<td>78,816</td>
<td>4,878</td>
<td>6.6%</td>
</tr>
<tr>
<td>15-29</td>
<td>124,245</td>
<td>116,158</td>
<td>-8,087</td>
<td>-6.5%</td>
</tr>
<tr>
<td>30-44</td>
<td>93,259</td>
<td>98,284</td>
<td>5,025</td>
<td>5.4%</td>
</tr>
<tr>
<td>45-59</td>
<td>87,573</td>
<td>81,959</td>
<td>-5,614</td>
<td>-6.4%</td>
</tr>
<tr>
<td>60-74</td>
<td>59,663</td>
<td>73,735</td>
<td>14,072</td>
<td>23.6%</td>
</tr>
<tr>
<td>75+</td>
<td>32,102</td>
<td>46,049</td>
<td>13,947</td>
<td>43.4%</td>
</tr>
<tr>
<td>Total</td>
<td>470,780</td>
<td>495,000</td>
<td>24,220</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

Source: ONS

Household Growth

4.38 In February 2015, the Department for Communities and Local Government (CLG) published a new set of 2012-based Household Projections. These use the 2012-based SNPP as a population input and then apply a set of ‘headship’ rates to determine the projected change to the number of households.

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17 i.e. the 2012-based SNPP updated to take account of 2013 and 2014 Mid-Year Population Estimates
households in an area (the CLG analysis also includes consideration of the institutional population which is then excluded from the household analysis). The 2012-based CLG Household Projections are crucial for the SHMA as they reflect the ‘starting point’ for analysis as set out in the PPG.

4.39 From the CLG Household Projections, it is possible to extract the headship rates which can then be used for testing alternative population growth scenarios. Headship rates can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)). In simple terms, age and sex-specific headship rates are applied to the population to project growth in households.

4.40 The headship rates contained within the 2012-based CLG Household Projections are considered to be more positive than the previous set (2011-based) – i.e. they typically suggest higher rates of household growth for a given population. At a national level (in the 2012-21 period considered by CLG) the new projections show 10% higher growth in households than the previous 2011-based Interim Household Projections.

4.41 For Liverpool the figure is notably higher, with 18% more households forming using the 2012-based projections for the same population than it would if the previous household formation rates were used.

4.42 As noted above, the PPG sets out that the latest official population and household projections should be used as a ‘starting point’ for considering housing need, not least as they are nationally consistent. We therefore consider these alongside the projection developed which takes account of more recent MYE data (as well as the household growth as published, i.e. not taking account of more recent population data).

4.43 Table 17 below shows expected household growth in the 2012-based Projections from 2013 to 2033 for Liverpool and a range of other areas. The 2012-based Household Projections suggest an increase in households of about 25,300 over the 20-year period using the SNPP – this is a 12% increase. This is higher than the expected across the HMA, slightly lower than across the North West region and notably below the rate expected nationally. With the updated Demographic Projection, the projected household growth increases very slightly to 26,300 (12.5%).
Table 17: Projected Household Growth (2013-2033)

<table>
<thead>
<tr>
<th></th>
<th>Households 2013</th>
<th>Households 2033</th>
<th>Change in households</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool – SNPP</td>
<td>209,492</td>
<td>234,768</td>
<td>25,276</td>
<td>12.1%</td>
</tr>
<tr>
<td>Liverpool – SNPP (updated)</td>
<td>210,005</td>
<td>236,314</td>
<td>26,309</td>
<td>12.5%</td>
</tr>
<tr>
<td>HMA</td>
<td>577,950</td>
<td>635,131</td>
<td>57,181</td>
<td>9.9%</td>
</tr>
<tr>
<td>North West</td>
<td>3,048,332</td>
<td>3,429,043</td>
<td>380,711</td>
<td>12.5%</td>
</tr>
<tr>
<td>England</td>
<td>22,499,536</td>
<td>26,797,826</td>
<td>4,298,290</td>
<td>19.1%</td>
</tr>
</tbody>
</table>

Source: Demographic projections and CLG

4.44 Figure 51 shows household growth since 1991 and projected forward to 2033. The analysis shows (as with population growth) that the change in the number of households in the City has been quite strong since 2001 based on published data, following a period of a slight decline in households. This finding does however need to be considered in the context of issues in the recording of population levels (particularly in the 2001 Census).

4.45 By 2033 it is projected that the total number of households in the City will be 24% higher than in 1991 when linked to the SNPP. With our update to include new MYE data, the level of growth is slightly higher at 25%.

Figure 51: Indexed Household Growth (1991-2033)

Source: CLG/ JGC

4.46 It is important to consider the appropriateness of assumptions within the projections on future household formation, not least given some evidence that over the last decade market and economic circumstances have in some instances “suppressed” formation of new households.
4.47 To provide an initial assessment of the impact of the 2012-based household projections we compare trends (and projections) for average household size. Figure 52 shows this based on each of 2012-, 2011- and 2008-based CLG Household Projection data (linked to the core demographic projection). The data does show the 2012-based figures show stronger household formation than the 2011-based version. This can be seen by the newer projections expecting a greater decrease in average household sizes over time. This would be more noticeable if we were to continue the 2011-based ‘trend’ beyond 2021.

4.48 Interestingly in Liverpool there is a trend of decreasing household sizes from 2001 to 2011. For many other UK cities, average household sizes increased over this period – with evidence suggesting that market and economic factors resulted in some suppression of household formation over this period. At a national level, household sizes remained relatively constant.

4.49 Hence the evidence does not suggest any significant suppression of household formation in Liverpool – particularly given limited growth in the population of older persons (who typically live in smaller households).

4.50 The rate of change in household sizes was lower than seen in the previous decade (1991-2001). This however is to be expected given that during the 1990s the City’s population was declining, and there was evidence of low demand for segments of the housing stock.

4.51 Data from the 2008-based household projections has also been analysed and compared. This shows that average household sizes are above what might have been expected from this earlier release of data. This difference is however not very marked compared with similar analysis we have carried out in other parts of the Country. In any case a recent academic study for the Town and County Planning Association (TCPA) has concluded in respect of the 2008-based Household Projections:

“it is no longer sensible to appeal to previous household projections including the 2008-based set as if they were evidence of an underlying trend in household formation. They were produced at a time when household formation had already changed, starting before the economic downturn of the mid-to-late 2000s, and are in themselves only evidence of the optimism of that period.”

4.52 The general ‘trajectory’ of the 2012-based projections is broadly similar to that in earlier (2008-based) projections.

4.53 It is also important to understand how the different CLG projections impact on assumptions for different age groups. This allows more detailed consideration of the degree to which household formation may have been constrained.

4.54 Figure 53 below shows the headship rates used in each of the projections. Overall the 2012-based projections show levels and rates of change which are not dissimilar to those in the earlier (pre-recession) 2008-based projections. However, overall we would note that the headship rates for all age groups look to be very high in comparison with other areas where we have carried out a similar analysis.

4.55 One age group which is worth looking at in some detail is those aged 25-34. Household formation amongst this age group increased during the 1990s; but fell modestly over the 2001-11 period. The future projections see a recovery to a level where around 50% of the population in this age group are a head of household.

4.56 What is notable from the analysis is that the headship rate for this age group is high (at 49% in 2011). This is a rate of household formation which is higher than in many other parts of the country, do doubt influenced by the relative affordability of housing in Liverpool. The higher relative headship rate in the early 2000s corresponded with conditions of in effect housing market failure in the City. The notable increase projected in the 2008-based Household Projections is not considered realistic.
4.57 For the 35-44, 45-54 and 55-64 age groups, the CLG Projections all expect a notable increase in the proportion of people who are a head of household. By 2033, 69% of those aged 35-44 and 45-59, and 71% of those aged 55-64 are expected to be a head of a household. These are very significant headship rates, suggesting that over half - if not two thirds - of the adult population in these age groups would live alone or be single parents. This seems arguably quite unrealistic to us and may reflect historical market conditions being projected forward.

**Figure 53: Projected household formation rates by age of head of household – Liverpool**
To consider how realistic the headship/household formation rates are for Liverpool we have contrasted these with equivalent data for the North West and England as a whole. This is shown in the table below. The analysis shows for all age groups that the rates in Liverpool are substantially above those seen elsewhere and that these are generally expected to increase at a rate above that in other locations. This analysis would seem to support the suggestion that historical trends may have been influenced by housing market factors and that these trends are seen to be manifesting themselves in the future projections (i.e. the relative affordability of housing has driven significant increases of the number of households forming and these trends are therefore captured in the CLG Projections – and ultimately taking some of the age specific household formation rates to levels that look to be unrealistic).

As a sensitivity analysis we have sought to consider what level of household (and housing growth) would occur in Liverpool if future headship rates were to track those both regionally and nationally – these might reflect the sort of trend we might expect if the housing market (including the cost and availability of housing) were to be more in-line with other locations.
Figure 54: Projected household formation rates by age of head of household (2012-based CLG household projections) – Liverpool, the North West & England

15-24

25-34

35-44

45-54

55-64

65-74

Liverpool
North West
England
4.60 Table 18 below brings together outputs in terms of household growth and housing need using the 2012-based headship rates and the sensitivities based on regional and national data. The CLG household projection is presented as published with alternatives being linked to our updating of the SNPP to take account of more recent MYE population data. Four different scenarios have been developed regarding future household formation trends. For clarity these are summarised as:

- 2012-based CLG – this uses the population assumptions in the 2012-based SNPP and the headship rate assumptions in the 2012-based CLG household projections (essentially, this is the ‘start point’ as set out in the PPG)
- 2012-based (as updated using 2013 and 2014 MYE) – this uses the assumptions underpinning the 2012-based SNPP (e.g. about migration levels and birth/death rates) along with an updating to take account of 2013 and 2014 mid-year population data (by age and sex). This provides a revised level of population growth, to which the headship rate assumptions in the 2012-based CLG household projections are applied
- 2012-based (as updated using 2013 and 2014 MYE) – North West headship – this uses the same population assumptions as the projection above (2012-based (as updated)) but amends the headship rate assumptions so that future ‘trends’ (post 2012) are consistent with those projected across the North West region.
- 2012-based (as updated using 2013 and 2014 MYE) – England headship – this uses the same population assumptions as the projection above (2012-based (as updated)) but amends the headship rate assumptions so that future ‘trends’ (post 2012) are consistent with those projected across England.

4.61 To convert households into dwellings the data includes an uplift to take account of vacant homes. A figure of 4.6% has been used, derived from 2011 Census data.\(^\text{19}\) This is assumed to be static throughout the projection period. A level of vacancy is assumed within the calculation to allow for the market to operate properly i.e. to allow people to move without relying on the successful completion of a long chain of transactions and to allow for periodic improvements to the housing stock. This is a standard approach to calculation housing need, it is not assumed these houses will be built to be long term vacant.

\(^{19}\) This is calculated on unoccupied household spaces/occupied household spaces.
4.62 The data shows that the 2012-based CLG Projections indicate a housing need for 1,321 dwellings per annum. This figure would be considered as the “starting point” for considering housing need following the PPG methodology, as it takes account of the most recent population and household projections.

4.63 By applying the 2012-based rates to our updated (using 2013 and 2014 MYEs) projection sees a small increase in this figure (to 1,375 dwellings per annum). This equates to a need for 27,500 homes over the 2013-33 period. This figure can be considered as the demographic-led need for housing and moves on from the ‘starting point’ by taking account of more recent population estimates.

4.64 In moving beyond the starting point analysis it is worth noting that both of the alternative headship rate scenarios in Table 18 show somewhat lower levels of need (of 1,076 per annum when tracking the North West headship figures and 1,019 using data for England) than if Liverpool specific data was included. These sensitivity scenarios are useful in understanding the impact of very high headship rates in Liverpool and would suggest that if household formation rates in the City were to follow regional and national trends, then the housing need would be up to 25% lower. The impact of the very high headship rates in Liverpool would be for the analysis to project smaller household sizes (and therefore a potentially higher need for smaller dwellings).

### Table 18: Projected Household Growth 2013-33 – Demographic Projections and 2012-based Headship Rates

<table>
<thead>
<tr>
<th></th>
<th>2012-based CLG</th>
<th>2012-based (as updated)</th>
<th>2012-based (as updated) – North West headship</th>
<th>2012-based (as updated) – England headship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households 2013</td>
<td>209,492</td>
<td>210,005</td>
<td>209,606</td>
<td>209,494</td>
</tr>
<tr>
<td>Households 2033</td>
<td>234,768</td>
<td>236,314</td>
<td>230,192</td>
<td>228,984</td>
</tr>
<tr>
<td>Change in households</td>
<td>25,276</td>
<td>26,309</td>
<td>20,587</td>
<td>19,490</td>
</tr>
<tr>
<td>Per annum</td>
<td>1,264</td>
<td>1,315</td>
<td>1,029</td>
<td>974</td>
</tr>
<tr>
<td>Dwellings (per annum)</td>
<td>1,321</td>
<td>1,375</td>
<td>1,076</td>
<td>1,019</td>
</tr>
</tbody>
</table>

**Summary**

4.65 This section has considered the need for housing based on demographic trends and draws on a range of information, including the 2012-based subnational population projections (SNPP), the 2012-based CLG Household Projections and mid-year population estimate data (MYE) for 2013 and 2014.

4.66 The demographic profile of Liverpool is complex with ONS data suggesting there was a notable break in trends in 2001 (going from population decline prior to this to an increasing population
since). However, data about the population growth since 2001 suggests that the level of growth shown by ONS may be substantially inaccurate with evidence supporting more modest population growth over this period. Evidence from ONS suggests that the 2001 Census underestimated the City's population.

4.67 The analysis undertaken in Sections 2 and 3 shows that past population growth has been driven by some of the younger cohorts (particularly people aged 20-24 and 25-29) although there has been some decline in the population aged 10-14 and 15-19. These trends will influence future projections. Additionally, projections will be influenced by changes expected nationally (in terms of the growth in age groups of people who might be expected to move to the City). Of note here is that some of the key ‘growth’ age groups in the City in the past are not expected to see any significant change in the future (notably people in their late teens and 20s).

4.68 The level of population growth in the 2012-based SNPP looks to be reasonable when taking account of likely past trends although it is notable that projected migration is lower than has been observed in the past (albeit levels of natural change look to be relatively high and to some degree compensate for this). However, it needs to be recognised that the SNPP is not a simple roll forward of past trends. ONS also takes account of year-by-year changes to the population profile as well as ensuring consistency between local and national level projections. Our further analysis identifies that there may have been some recessionary trend in relation to migration from Liverpool (with evidence pointing to lower than normal internal out-migration) and this would potentially inflate the forward projections.

4.69 Overall, there are reasons which suggest that future population growth could be either slightly higher or slightly lower than suggested in the SNPP, but overall it is concluded that the SNPP is a sound population projection. It is however considered that reference should be made in analysis to more recent population data (as contained in the 2013 and 2014 MYE). Using the SNPP and updating this for MYE data shows a population growth of 24,200 people in the 2013-33 period. Consistent with projections regionally and nationally, there is expected to be some ageing of the population although this is less pronounced than in other locations.

4.70 Population projections are converted into household growth (and hence housing need) through applying age specific headship rates (which consider the chances of someone in a particular age group being the head of a household). Data for this has been drawn from the CLG Household Projections. For Liverpool, the headship rates for all age groups look very high and may be influenced by past housing market failure (including the relative affordability of housing in the City and the availability of homes). Some of the forward projections also look to be arguably unreasonable.
4.71 The headship rates contained within the latest 2012-based CLG Household Projections result in a 18% stronger household for the same growth in population than the previous household projections. In addition, when compared with equivalent data for the region and England it is clear that Liverpool shows a completely different set of household formation rates. Furthermore, the very high headship rates in Liverpool result in smaller household sizes (and therefore a potential need for smaller dwellings). This analysis suggests a need for around 1,375 dwellings per annum in Liverpool.

4.72 A sensitivity test linked to headship rates in the North West and nationally would potentially reduce this by up to a quarter. Whilst it is concluded that the Council should be planning on the basis of the rates in the CLG projections, in the absence of alternative data, the issue of the realism of these projections does need to be noted.

4.73 Overall, and on the basis of a housing need for 1,375 dwellings per annum in the 2013-33 period – a demographic need for 27,500 dwellings is shown. This figure should be considered as the demographic-based level of housing need although consideration will also need to be given to economic growth, affordable housing need and market signals (as discussed in next few sections of the report).

4.74 This figure (1,375 dwellings per annum) is slightly above the 'starting point' (of 1,321 dwellings per annum) as set out in CLG Household Projections due to inclusion of up-to-date MYE population data. Because the analysis is rebased to 2013, there is no need to consider any backlog or under-delivery before this date.
5 RELATING ECONOMIC GROWTH AND HOUSING NEED

5.1 Planning Practice Guidance outlines that the employment trends should be taken into account when considering overall housing need. It outlines that:

'Plan makers should make an assessment of the likely growth in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population'

'Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems'

5.2 This report has been prepared alongside an Employment Land Study for Liverpool City Council. The Employment Land Study has included an analysis of economic dynamics including of the sectoral structure of the economy, past performance, and future growth potential. It includes interrogation of past employment growth trends, and forecasts from both Oxford Economics and Cambridge Econometrics. In this section we focus on assessing the potential implications of the expected scale of employment growth on housing need.

5.3 Liverpool’s economy shows a concentration of employment in activities which are common to other cities, such as: business and professional services; cultural/leisure activities; public administration, education and health; media activities; and port and airport-related employment. It has a high degree of employment in the public sector (23.9% of employment in 2014), which has been contracting. Public sector employment in Liverpool fell by 11,800 between 2009-14. This has been compensated for by growing private sector employment but has resulted in limited change in overall employment over the 2009-14 period. Manufacturing accounts for a modest proportion of jobs in the City (c. 4% of total jobs), following decades of contraction, but what remains is relatively high-value added.

5.4 Total employment in Liverpool fell during the 1980s and early 1990s. It then grew until the onset of the last recession in 2008, posting overall annual growth of around 0.4% per annum over the last economic cycle (1993-2010).

5.5 Looking forwards, stronger relative growth in employment is expected. Cambridge Econometrics forecast growth in total employment of 40,300 between 2013-33, equivalent to annual growth of 0.77%. Oxford Economics forecast growth of 34,400 jobs (0.65% pa).

5.6 Both forecasts expect the service sector to drive future growth in employment in the City. Financial and business services is expected to perform strongly. Cambridge Econometrics anticipate stronger
growth in leisure / tourism; transport, storage and distribution; and a modest increase in employment in manufacturing over the period to 2033. Oxford Economics anticipate a continued contraction of manufacturing employment, but stronger growth (relative to Cambridge Econometrics) in construction and other services.

5.7 Overall the two forecasts are considered to show a relatively optimistic outlook for the City’s economy, posting employment growth at a rate which is almost double that seen historically. The Employment Land Study has considered the two forecasts against other evidence and concluded that they represent a appropriate set of parameters for forward planning in respect of the rate of economic / employment growth.

Relating Economic and Population Growth

5.8 The implications of economic growth on housing need are complex, and influenced by:

- Evidence that some people hold down more than one job;
- Changes in the age structure of the population;
- The proportion of people of different ages in work;
- Success in improving employment rates by bringing people back into work;
- The degree to which people will work for longer due to changes in state pension age;
- The degree to which residents have appropriate skills to access job opportunities; and
- Commuting dynamics and how these may change in the future, particularly influenced by transport investment

5.9 GL Hearn has considered these issues in the development of the SHMA, and sought to make assumptions regarding the relationship between jobs and people, commuting patterns and employment rates in modelling the implications for housing need. It has sought to avoid making policy judgements in doing so.

Commuting Patterns

5.10 Commuting dynamics have been considered in detail in Chapter 2 which deals with the housing market geography. Table 19 below shows summary data about commuting to and from Liverpool from the 2011 Census. The data shows that the City sees a notable level of net in-commuting for work. Overall there are around 17% more people working in the City than the City’s working population (regardless of their employment location). Most cities across the UK are centres of employment for surrounding areas and see net in-commuting.
### Commuting Patterns in Liverpool (2011)

<table>
<thead>
<tr>
<th></th>
<th>Liverpool</th>
</tr>
</thead>
<tbody>
<tr>
<td>Live and work in City</td>
<td>118,413</td>
</tr>
<tr>
<td>Home workers</td>
<td>12,340</td>
</tr>
<tr>
<td>No fixed workplace</td>
<td>14,859</td>
</tr>
<tr>
<td>Out-commute</td>
<td>51,845</td>
</tr>
<tr>
<td>In-commute</td>
<td>91,322</td>
</tr>
<tr>
<td>Total working in City</td>
<td>236,934</td>
</tr>
<tr>
<td>Total living in City (and working)</td>
<td>197,457</td>
</tr>
<tr>
<td>Commuting ratio</td>
<td>0.83</td>
</tr>
</tbody>
</table>

*Source: 2011 Census*

5.11 In translating the commuting pattern data into growth in the labour-force it is assumed that the commuting ratio remains at the same level as shown by the 2011 Census (i.e. assumes that 17% (net) of additional jobs will be filled by in-commuters). In this scenario net in-commuting to the City increases over time in absolute terms, but remains consistent in proportional terms.

### Double Jobbing

5.12 We next need to consider the relationship between jobs and people in employment. A number of people may have more than one job (double jobbing). This can be calculated as the number of people working in the City divided by the number of jobs. Data from the Annual Population Survey (available on the NOMIS website) suggests that around 2.7% of workers have a second job. This gives a double jobbing ratio of 0.973 (i.e. the number of jobs can be discounted by 2.7% to estimate the required change in the workforce).

5.13 Hence to work out the change in the resident workforce required to match the forecast number of jobs we have multiplied the commuting ratio by the amount of double jobbing and in turn multiply this by the number of jobs. This is shown in Table 20 below. Overall, the figures show an increase to the resident workforce of 27,912 persons using Cambridge Econometrics forecasts and 32,658 persons with the Oxford Economics forecast.

### Jobs Growth and Change in Resident Workforce (2013-33)

<table>
<thead>
<tr>
<th>Forecast</th>
<th>Change in jobs</th>
<th>Adjustment factor</th>
<th>Change in resident workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambridge Econometrics</td>
<td>40,279</td>
<td>0.81</td>
<td>32,658</td>
</tr>
<tr>
<td>Oxford Economics</td>
<td>34,426</td>
<td>0.81</td>
<td>27,912</td>
</tr>
</tbody>
</table>

*Source: Oxford Economics, NOMIS and 2011 Census*

---

20 Data averaged from data for the 2004-14 period to recognise relatively high error margins associated with data for individual years.
Changes to Employment Rates

5.14 In relating growth in jobs to population, the analysis needs to consider how economic participation and employment rates will change in the future. Our assumptions have been informed by the analysis in Section 2. This outlined that:

- The employment rate in Liverpool at 60.10% (% persons aged 16-64) was almost 10 percentage points below the regional and 13 percentage points below the national average;
- The employment rate below average across relative to wider benchmarks across a range of age groups within the City’s population;
- Other cities, including those with large student populations, have a notably stronger employment rate – with for instance the employment rate in Sheffield standing at 70% and Leeds 73%.

5.15 The evidence suggests that the current low employment rate in the City is a function of the supply/demand balance for jobs combined with residents’ skills. The economic forecasts assume notably stronger future growth in employment, across a range of sectors, than has been seen historically.

5.16 An increase in employment rates could be expected to arise across a number of age groups through bringing people back into work, as well as from pensionable age changes, resulting in people working for longer.

5.17 The range of initiatives in Liverpool which support up-skilling and target reductions in worklessness include:

- Liverpool in Work (LIW) Initiative - this provides training and skills development and supports individuals in finding employment;
- DWP Work Programme – the Government’s main welfare-to-work programme which again provides support for the unemployed in improving skills, confidence and finding employment opportunities;
- Youth Employment Gateway – specifically targets youth unemployment amongst those aged 18-24 to find employment;
- LIW Business Team – works with SME businesses to offer advice on recruitment, training and retention issues, aiming to support recruitment of those not in work;
- Mayoral Apprenticeship Scheme – provides apprenticeships for 16 and 17 year olds not engaged in education, employment or training.

5.18 These initiatives support the feasibility of achieving improvements in the City’s employment rate, moving towards those seen in comparable northern cities.

5.19 With improved economic performance, as forecast by Cambridge Economics and Oxford Economics, it is realistic to assume that the employment rate would rise. For modelling purposes, we have assumed a modest increase in the employment rate over the period to 2033, reaching 67% (as a % persons aged 16-64) at the end of the forecast period. This remains below current levels across a number of comparable cities, but seems a realistic scenario for improvement in
Liverpool. The employment rate at the end of the projection period would remain below current regional and national averages, as Figure 55 shows.

Figure 55: Projected Changes in Employment Rate – Liverpool (population aged 16-64)

![Employment Rate Graph]

Source: Derived from Annual Population Survey and demographic projections

5.20 The outputs from both the Oxford Economics and Cambridge Economics are set out in Table 21. Oxford Economics-based projections show that for the resident workforce to increase in line with the baseline forecast number of jobs would require around 1,361 homes per annum to be delivered – this is modestly below to the outputs linked to the 2012-based SNPP (as updated) (1,375 homes per annum). This is an alternative growth scenario and the figures are not in addition to the demographic need.

5.21 The Cambridge Econometrics forecasts show stronger employment growth, which would potentially require provision of 1,582 homes per annum. The commuting ratio is held constant in both scenarios.

Table 21: Economic-Driven Scenarios for Housing Need (with 2012-based CLG headship rates)

<table>
<thead>
<tr>
<th></th>
<th>Cambridge Econometrics</th>
<th>Oxford Economics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households 2013</td>
<td>210,005</td>
<td>210,005</td>
</tr>
<tr>
<td>Households 2033</td>
<td>240,270</td>
<td>236,028</td>
</tr>
<tr>
<td>Change in households</td>
<td>30,265</td>
<td>26,023</td>
</tr>
<tr>
<td>Per annum</td>
<td>1,513</td>
<td>1,301</td>
</tr>
<tr>
<td>Dwellings (per annum)</td>
<td>1,582</td>
<td>1,361</td>
</tr>
</tbody>
</table>
5.22 GL Hearn considers that the two economic scenarios provide an appropriate set of parameters for employment growth in Liverpool (on a policy-off basis). For the purposes of deriving conclusions on housing need, GL Hearn considers that it would be appropriate to assume employment growth sat midway between these parameters. An average of the two employment-led scenarios generates a housing need for 1,471 homes per annum over the 2013-33 period.

**Summary**

5.23 This section has considered the need for housing based on economic growth for the City. The key question to consider is whether the level of demographic growth outlined in the previous section would constrain economic growth.

5.23 In calculating the housing need resulting from economic growth forecasts we have assumed that commuting ratios remain constant and that there will be some modest improvements in the City’s employment rate. Any shortfall in labour supply after these are taken into account would be met through increased migration into the City. The headship rates used in the previous section are then applied to this increased population to translate it into a household growth.

5.23 We have examined employment forecasts for the City from both Oxford Economics and Cambridge Econometrics. The housing need arising from employment growth based on the Oxford Economics forecasts (at 1361 dwellings per annum) sits slightly below the demographic projections (1375 dpa), whilst the housing need arising from the Cambridge Econometrics forecasts (1582 dpa) sits 15% above the trend-based demographic projections. Neither forecast is inherently ‘better’ and indeed both econometric forecasts paint a relatively optimistic view of future economic performance, projecting employment growth of 0.65% and 0.77% respectively against past growth rates over the previous economic cycle of 0.4% per annum.

5.23 The mid-point of this range provides a reasonable scenario for employment growth and results in a housing need of 1,471 homes per annum over the 2013-33 period. Thus there is a need to add to the demographic need component by 96 homes per annum to support economic growth in Liverpool.
6 MARKET SIGNALS

6.1 Planning Practice Guidance sets out that the “market signals” should be considered to assess affordability levels and whether this is deteriorating, and provide information regarding the supply/demand balance for housing. The PPG outlines that:

“The housing need number 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. Prices or rents rising faster than the national/local average may well indicate particular market undersupply relative to demand.”

6.2 Market signals provide information on the supply/demand balance for market housing. Relevant market signals identified in the PPG include:

- Land Prices;
- House Prices;
- Rents;
- Lower Quartile House Price to Income Ratios;
- Rates of Development; and
- Levels of overcrowded, concealed and shared households.

6.3 GL Hearn considers that sales trends are also an important indicator of effective demand for market housing.

6.4 In this section, GL Hearn analyse market signals as set out in the PPG. The analysis is geared at considering if there is a case for adjustment to overall housing provision to improve affordability. It’s focus therefore necessarily differs from how previous SHMA and related studies may have considered these issues.

Land Values

6.5 CLG’s publication Land Value estimates for Policy Appraisal (Jan 2015) provide estimates of residential land values (post planning permission) for local authorities in England. Land values in Liverpool are relatively low, at just over half of the national average (excluding London). Land values are relatively low across the HMA, with those in the City sitting centrally relative to other parts of the HMA.
Table 22: Residential Land Values (per Hectare), Jan 2015

<table>
<thead>
<tr>
<th>Location</th>
<th>Residential Land Value (per Hectare)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowsley</td>
<td>£531,000</td>
</tr>
<tr>
<td>Wirral</td>
<td>£798,000</td>
</tr>
<tr>
<td>Liverpool</td>
<td>£990,000</td>
</tr>
<tr>
<td>West Lancashire</td>
<td>£1,129,000</td>
</tr>
<tr>
<td>Sefton</td>
<td>£1,396,000</td>
</tr>
<tr>
<td>England (excluding London)</td>
<td>£1,958,000</td>
</tr>
</tbody>
</table>

Source: CLG/VOA

House Prices

6.6 The median price of homes sold in Liverpool in 2014 was £115,000. This falls 12% below the HMA average, and a substantial 40% below the average house price nationally. House prices in Liverpool and Knowsley are the cheapest of those amongst the local authorities within the HMA.

Figure 56: Median House Price, 2014

Source: GLH Analysis of HM Land Registry Price Paid Data

6.7 The median house price is influenced by the mix of properties sold which in turn is influenced by the dwelling stock profile in different areas. Figure 57 compares house prices by type across the HMA.
Figure 57: House Prices by Type, 2014

Source: GLH Analysis of HM Land Registry Price Paid Data

6.8 Prices for semi-detached homes and flats/ maisonettes in Liverpool are on a par with those in other parts of the HMA. Prices for terraced properties are comparatively lower (where the average price of a terraced home in Liverpool stood at £88,000 in 2014) which we would expect given the significant representation of terraced housing stock in the City. Detached prices are below those in Sefton, Wirral and West Lancashire – all of which include rural or semi-rural areas and smaller settlements which typically we would expect to command higher house prices. Consistently prices in Liverpool are above those in Knowsley for all house types.

6.9 Within Liverpool in 2014, the average detached home cost £201,250, a semi-detached property £150,000, and flat/ maisonette £99,500. The cheapest costs were for terraced properties at £88,000.

6.10 Figure 58 shows the mix of properties sold. This will include owner-occupier and investment purchases. Liverpool sees a much higher representation of sales of flatted and terraced properties relative to other areas. This is typical of cities (compared to more suburban or rural areas), although it is notable that terraced homes accounted for a substantial 46% of sales. Detached houses in contrast accounted for just 9% of sales in Liverpool – which compares for instance to 32% in West Lancashire. The chart highlights how different areas play contrasting roles within the HMA catering for differing segments of demand / the housing market. The chart points to strong availability of cheaper housing types.
Figure 58: Mix of Market Homes Sold, 2014

Source: GLH Analysis of HM Land Registry Price Paid Data

6.11 Figure 59 tracks changes in the median house price in Liverpool over the last decade. It shows that whilst house prices were increasing prior to the credit crunch, a modest correction in house prices in nominal terms occurred in 2008-9 followed by relatively stable house prices.

6.12 If we strip out inflation (using the ONS Consumer Prices Index) the value of housing in ‘real’ terms in Liverpool has fallen 15% since 2008. This compares to a national trend where in real terms the value of housing has been stable (increasing 1% across England and Wales over this period).
Figure 59: Trends in Median House Price in Liverpool, 2005-2015

Source: GLH Analysis of CLG Housing Statistics & HM Land Registry Price Paid Data

6.13 Table 23 compares house price growth over the past year, three and five years, and a longer ten-year period. To support comparisons, a Compound Annual Growth Rate (CAGR) is used which describes the average annual rate of growth in median prices.

6.14 Looking over the last 10 years, house prices have grown by on average 1.3% per annum in Liverpool and 1.7% per annum across the HMA. In both cases the average annual growth has been below inflation. Long-term house price growth has been modest.
Table 23: House Price Growth Rates (% per annum), HMA Authorities

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowsley</td>
<td>8.5</td>
<td>19.4</td>
<td>-6.9</td>
<td>1.3</td>
</tr>
<tr>
<td>Liverpool</td>
<td>6.8</td>
<td>13.4</td>
<td>-5.8</td>
<td>1.7</td>
</tr>
<tr>
<td>Sefton</td>
<td>1.4</td>
<td>18.1</td>
<td>-5.0</td>
<td>1.7</td>
</tr>
<tr>
<td>Wirral</td>
<td>0.0</td>
<td>-7.3</td>
<td>3.0</td>
<td>1.7</td>
</tr>
<tr>
<td>West Lancashire</td>
<td>-2.5</td>
<td>-23.2</td>
<td>-7.5</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Source: GLH Analysis of HM Land Registry Data

6.15 House prices have grown if you look over a single year or three-year period, but remain below the 2008 peak such that the five-year average growth rate is negative. In the very short-term (over the last year) price growth in Liverpool has been stronger than seen in other parts of the HMA besides Knowsley, but the evidence suggests this simply recovered some of the recent lost ground.

Rental Trends

6.16 Figure 60 outlines rental costs for different sizes of property in Liverpool, based on transactions recorded by the Valuation Office Agency (VOA) over the year to September 2014. Rental costs for most homes vary between £450 (for a one-bed at lower quartile costs) to £600 (for a three-bed at upper quartile costs) per calendar month (PCM). The evidence points to a rental premium for properties with 4 or more bedrooms, with the median cost being £990 PCM.

Figure 60: Monthly Rental Costs by Property Size in Liverpool, Year to Sept 2014

Source: GLH Analysis of VOA Private Rental Market Statistics

6.17 Median rental costs for properties in the City are 26% below the HMA average, and over 30% below the average rents across the North West Region.
We have sought to analyse rental trends over the period since 2011 (this being the period for which VOA Private Rental Market Statistics are available). Over this three-year period average rental costs across the North West remained broadly static. In real terms, rents fell (as shown by comparing rental trends to CPI inflation). In Liverpool over this period (and across the Liverpool HMA, influenced by trends in the City) rental costs fell. The City saw a 30% fall in median rents over this period.
Affordability Ratios

6.19 The PPG sets out that the ratio of lower quartile house prices to lower quartile incomes can be used to assess the affordability of housing. The ratio provides in indication of the relative ability of younger households to be able to get on the housing ladder. It should be borne in mind that the ratio is relatively simplistic; households’ actual ability to afford to buy will be influenced by their ability to maintain mortgage repayments (influenced by interest rates) as well as their ability to obtain mortgage finance, including available savings which can be put towards a deposit.

6.20 Figure 63 compares the lower quartile (LQ) house to income ratio in Liverpool against others within the HMA and the national average. Liverpool has the lowest LQ house price to income ratio of the five local authorities in the HMA at 3.6. This is also substantially below the national average of 6.5.
Figure 63: Lower Quartile House Price – Income Ratio

Source: CLG Table 576

6.21 Figure 64 tracks changes in the lower quartile house price to income ratio over the 15-year period from 1998 – 2013. In 1998 the average ratio nationally was 3.6. This climbed to a peak of 7.3 in 2008 but has since fallen to 6.5. In Liverpool, the ratio increased notably between 2003-7, towards the peak of the last housing market cycle but has declined since from the 2007 peak of 5.1 to 3.6 in 2013. Critically, the evidence suggests that housing in Liverpool is affordable now as it was nationally in the late 1990s.

Figure 64: Trends in LQ Affordability Ratio, 1998-2013

Source: CLG Table 576
Housing Delivery

6.22  We have next sought to consider housing delivery performance. In doing so we need first to examine the degree to which housing targets reflected evidence of "need."

6.23  Housing delivery performance in Liverpool has historically been measured against targets set by the North West of England Plan Regional Spatial Strategy 2008 (RSS). This included a spatial strategy that sought to prioritise development in the regional centres of Manchester and Liverpool and the inner areas surrounding these, to support urban regeneration and economic growth. For Liverpool, the RSS set a target for 1,950 homes per annum (net) between 2003-21.

6.24  Furthermore, in 2008 Liverpool City Council responded to proposals from (the then Labour) Government for bids for “Growth Point” status. It secured new growth point status and associate funding to support enhanced housing delivery, involving a 20% uplift of the RSS target for the period 2007-08 to 2016-17. The 20% uplift equated to 390 dwellings per annum (dpa) and increased the housing target to 2,340 dpa.

6.25  The housing delivery performance against the identified housing targets needs to be considered in the context that the targets were not based simply on “need.” Indeed, the 2006-based CLG Household Projections as an indication of need showed household growth of 1,066 per annum compared to the policy-on RSS ‘target’ of 1950 dpa or the combined RSS and Growth Point target of 2,340 dpa.

6.26  Figure 65 benchmarks performance against targets. Housing delivery in the 2004-9 period averaged 1,693 dwellings per annum (87% of the RSS annualised target). Since the onset of the credit-crunch housing delivery, as in many areas, has fallen notably below targets. Over the last five years (2009 – 2014), net completions have averaged just under 800 homes per year (798 pa).
Figure 65: Net Housing Completions vs. Targets

Source: GLH Analysis of LCC Data

Concealed, Shared and Overcrowded Households

6.27 Cities tend to have higher levels of shared and over-crowded households, as they typically contain a larger population from ethnic groups which live more intensively, and of students. In Liverpool the situation is no different.

6.28 Using the Census occupancy rating (which over-estimates over-crowded households as against use of the bedroom standard), the City has just over 20,000 households who are considered to over-occupy their home\(^\text{21}\). This represents 9.7% of households, which is above the level shown in 2001 of 7.6% (with an absolute increase of 5,800 households). Figure 66 benchmarks trends against wider geographies.

6.29 The evidence suggests that a growing student population is likely to have contributed to this although this group are not necessarily over-crowded \textit{per se} and are unlikely to be eligible for affordable housing.

6.30 Using the “bedroom standard” – which provides a more advanced measure of over-crowding - the 2011 Census indicates a lower figure of 8,890 over-crowded households in Liverpool, representing 4.3% of households. This compares to an average of 3.6% of households across the North West and 4.6% nationally who are considered to be over-crowded on this measure. A City with a large student population, some of whom live in shared households, is likely to have an above average

\(^{21}\) For comparison purposes there are 13,166 households on the housing waiting list at 1st April 2014
proportion of over-crowded households. Growth in over-crowding corresponds with the growth in the City’s student population between 2001-11.

**Figure 66: Changes in Over-Occupied Households, 2001-11**

![Chart showing changes in over-occupied households, 2001-11](image)

Source: 2001, 2011 Census

6.31 Similarly, the proportion of people living in a shared dwelling has risen – with a growth in Liverpool from 0.2% to 0.5% of the population. This stronger comparative level of growth, and higher levels of sharing, is consistent with the growth in the population in their twenties that the City has seen, and growth within its student population.

**Table 24: Growth in House-Sharing, 2001-11**

<table>
<thead>
<tr>
<th></th>
<th>Liverpool</th>
<th>HMA</th>
<th>Sub-Region</th>
<th>North West</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td>% in Shared Dwelling, 2001</td>
<td>0.2%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.2%</td>
</tr>
<tr>
<td>% in Shared Dwelling, 2011</td>
<td>0.5%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.1%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

*Source: 2011 Census*

6.32 We have used information from the 2011 Census to consider levels of concealed households. The Census identified 2,076 concealed families resident in the City. This represented 1.8% of all families, compared to 1.6% across the HMA, wider Sub-Region and North West. It is however below the national average of 1.9% concealed families.

6.33 Figure 67 provides a distribution of concealed families by age. It indicates that the majority are in their 20s and early 30s.
6.34 The evidence points to Liverpool being one of the more affordable cities to live in within England. The City has a median house price of £115,000 which is 40% below the national average. It’s housing offer is biased towards cheaper stock, with above average representation of terraced and flatted properties.

6.35 Long-term house price growth in the City over the past 10 years has been 1.3% per annum. This reflects modest growth in house prices and indeed is below inflation, and suggests weaker demand in the City for housing relative to a range of other parts of the Country.

6.36 Rental cost data allows us to track trends in rents since 2011. Over this period, median rents for properties in the City appear to have fallen, by a significant 30%. Median rents are 30% below the regional average.

6.37 Turning to affordability ratios, the City has a lower quartile affordability ratio of 3.6. Affordability has evidently improved since 2008; and the ratio is consistent with that seen nationally in 1998. It is notably below the national average.

6.38 The only potential evidence of any “stress” or affordability pressures comes from analysis of trends in over-crowding, shared and concealed households. In each case the level in the City is above that across the wider HMA, and has increased since 2001. However, the wider evidence suggests that this is particularly likely to be a reflection of the demographic dynamics – with in particular a growth
in these indicators reflecting growing BME communities, a growing student population and strong population growth of those in their twenties and early thirties.

6.39 Looking at the evidence together, we find no evidence which would support an upwards adjustment in housing provision based on market signals, particularly noting that the demographic projections already ‘build in’ significant increases in household formation for a range of age groups.
7 AFFORDABLE HOUSING NEED

7.1 In this section we discuss levels of affordable housing need in Liverpool. Affordable housing need is defined in the NPPF as:

'social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market'.

7.2 The PPG sets out a model for assessing affordable housing need. The model is essentially identical to that set out in 2007 SHMA Guidance, and with the earlier guidance providing more detail about specific stages of the modelling, reference is also made in this section to the 2007 Guidance. The analysis is based on secondary data sources. It draws on a number of sources of information including 2011 Census data, demographic projections, house prices/rents and income information. Key definitions used in this section are set out in Appendix A.

7.3 The housing needs model is based largely on housing market conditions (and particularly the relationship of housing costs and incomes) at a particular point in time – the time of the assessment – as well as the existing supply of affordable housing which can be used to meet housing need. The base date for analysis is 2014 (e.g. data about housing costs and incomes is for 2014). However, it is recognised that the analysis should align with other research and hence estimates of affordable housing need are provided in this section on an annual basis for the 20-year period between 2013 and 2033 (to be consistent with the demographic modelling undertaken within this report).

7.4 It should be recognised that a key challenge in assessing affordable housing need using secondary sources is the lack of information available regarding households’ existing savings. This is a key factor affecting the ability of young households to purchase housing particularly in the current market context where a deposit of at least 10% is typically required for the more attractive mortgage deals. The ‘help to buy’ scheme is however likely to be making some improvements in access to the owner-occupied sector and allows buyers to purchase homes with a 5% deposit. However, in many cases households who do not have sufficient savings to purchase have sufficient income to rent housing privately without support, and thus the impact of deposit issues on the overall assessment of affordable housing need is limited.

Local Prices & Rents

7.5 An important part of the analysis of affordable housing need is to establish the entry-level costs of housing to buy and rent – this data is then used in the assessment of the need for affordable housing. The affordable housing needs assessment compares prices and rents with the incomes of households to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having an ‘affordable housing need.’
7.6 This section therefore establishes the entry-level costs of housing to both buy and rent across the City. The approach has been to analyse Land Registry and Valuation Office Agency (VOA) data to establish lower quartile prices and rents. For the purposes of analysis (and to be consistent with CLG Guidance) lower quartile prices and rents have been taken to reflect the entry-level point into the market.

7.7 Table 25 below shows estimated lower quartile property prices by dwelling type. The data shows that entry-level costs to buy are estimated to start from about £60,000 for a terraced house rising to £161,000 for a detached home. The overall 'average' lower quartile price is £75,000.

<table>
<thead>
<tr>
<th>Dwelling type</th>
<th>Lower quartile price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat</td>
<td>£68,100</td>
</tr>
<tr>
<td>Terraced</td>
<td>£60,000</td>
</tr>
<tr>
<td>Semi-detached</td>
<td>£115,000</td>
</tr>
<tr>
<td>Detached</td>
<td>£161,300</td>
</tr>
<tr>
<td>All dwellings</td>
<td>£75,000</td>
</tr>
</tbody>
</table>

Source: Land Registry (2014)

7.8 A similar analysis has been carried out for private rents using VOA data – this covers a 12-month period to March 2015. For rental data, information about dwelling sizes is provided (rather than dwelling types) and the analysis shows an average lower quartile cost (across all dwelling sizes) of around £325 per month.

<table>
<thead>
<tr>
<th>Dwelling size</th>
<th>Monthly rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Room only</td>
<td>£293</td>
</tr>
<tr>
<td>Studio</td>
<td>£350</td>
</tr>
<tr>
<td>1 bedroom</td>
<td>£395</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>£460</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>£495</td>
</tr>
<tr>
<td>4+ bedrooms</td>
<td>£675</td>
</tr>
<tr>
<td>All dwellings</td>
<td>£325</td>
</tr>
<tr>
<td>All dwellings (excluding room only)</td>
<td>£458</td>
</tr>
</tbody>
</table>

Source: Valuation Office Agency

7.9 In addition to rental costs from the VOA data we have looked at the maximum amount of Local Housing Allowance (LHA) payable on different sized properties within the area. Maximum LHA payments are based on estimates of rents at the 30th percentile and should therefore be roughly comparable with our estimates of lower quartile costs.
7.10 The geographical areas used to determine LHA are not however co-terminus with local authority boundaries and so any comparison is not exact. LHA levels are based on Broad Rental Market Areas (BRMA). The BRMA is an area where a person could reasonably be expected to live taking into account access to facilities and services for the purposes of health, education, recreation, personal banking and shopping (as defined by the Rent Office).

7.11 All of Liverpool falls within the Greater Liverpool BRMA although this BRMA extend beyond the City boundary and includes parts of Knowsley, Sefton, Halton and West Lancashire. A comparison has therefore been made between the VOA rent and the LHA levels for the Greater Liverpool area, although caution must be exercised with this comparison given that the areas covered are not the same.

7.12 Table 27 therefore provides details for the Greater Liverpool BRMA. The data suggests that actual rents in Liverpool are broadly similar to the maximum amount of Housing Benefit available (albeit with some small variations by dwelling size).

Table 27: Maximum LHA payments by Size and BRMA

<table>
<thead>
<tr>
<th>Size</th>
<th>Greater Liverpool BRMA</th>
<th>Liverpool LQ rents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Room only</td>
<td>£250</td>
<td>£293</td>
</tr>
<tr>
<td>1 bedroom</td>
<td>£394</td>
<td>£395</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>£455</td>
<td>£460</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>£524</td>
<td>£495</td>
</tr>
<tr>
<td>4 bedrooms</td>
<td>£676</td>
<td>£675</td>
</tr>
</tbody>
</table>

Source: VOA data (June 2015)

Cost of Affordable Housing

7.13 Traditionally the main type of affordable housing available in an area is social rented housing and the cost of social rented accommodation by dwelling size can be obtained from Continuous Recording (CoRe) – a national information source on social rented lettings. The table below illustrates the rental cost of lettings of social rented properties by size in 2013/14. As can be seen, the costs are below those for private rented housing indicating a gap between the social rented and market sectors. This gap increases for larger properties. The overall average lower quartile social rent is however similar to the figure from the analysis of private rented properties – this is due to a high volume of room only accommodation within the private rental figures. The data in the table include service charges.
Table 28: Lower quartile monthly social rent levels

<table>
<thead>
<tr>
<th>Size</th>
<th>Monthly Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 bedroom</td>
<td>£301</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>£324</td>
</tr>
<tr>
<td>3+ bedrooms</td>
<td>£363</td>
</tr>
<tr>
<td>Lower quartile (all sizes)</td>
<td>£323</td>
</tr>
</tbody>
</table>

Source: CoRe (2014)

7.14 Changes in affordable housing provision has seen the introduction of a new tenure of affordable housing (Affordable Rented). Affordable rented housing is defined in the NPPF as being:

‘let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).’

7.15 Affordable Rented housing can therefore be considered to be similar to social rented housing but at a potentially higher rent. The 80% (maximum) rent is to be based on the open market rental value of the individual property and so it is not possible to say what this will exactly mean in terms of cost (for example the rent for a two-bedroom flat is likely to be significantly different to a two-bedroom detached bungalow). In addition, market rents for new-build homes are likely to be higher than within the existing stock and may well be in excess of 80% of lower quartile rents. However, for the purposes of analysis it is assumed that the 80% figure can be applied to the lower quartile private rented cost data derived from VOA information.

What is an appropriate threshold for affordability?

7.16 Assessments of affordable housing need have to make an assumption on what proportion of income households might reasonably spend on housing costs in order to assess affordability. There is no longer any standard guidance on what threshold might be appropriate, with the evidence suggesting that analysis based upon 25% to 40% could be considered a reasonable starting point.

7.17 The threshold of income to be spent on housing should be set by asking the question ‘what level of income is expected to be required for a household to be able to access market housing without the need for a subsidy (e.g. through Housing Benefit)?’

7.18 The choice of an appropriate threshold will to some degree be judgement-based and will be linked to the cost of housing rather than income. Income levels are only relevant in determining the number (or proportion) of households who fail to meet the threshold. It would be feasible to find an area with very low incomes and therefore conclude that no households can afford housing, alternatively an area with very high incomes might show the opposite output. The key here is that
local income levels are not setting the threshold, but are simply being used to assess how many can or can’t afford market housing.

7.19 It is therefore useful to look at housing costs in the City and other areas. The analysis in this section has shown a lower quartile rent (across all dwelling sizes) of £325 as representing entry-level housing costs. This rent level (according to the VOA data) is the lowest of any area in the Country with a lower quartile rent rising as high as £1,730 in Westminster and Kensington & Chelsea (in London). Housing costs in Liverpool therefore sit right at the bottom of the potential range. For this reason, it is concluded that an appropriate threshold for affordability in the City should also be at the bottom of the range and therefore for the purposes of modelling it has been assumed that a household should spend no more than 25% of their income on housing. This is consistent with the CLG 2007 SHMA Guidance.

Gaps in the Housing Market

7.20 Figure 68 below estimates how current prices and rents in Liverpool might equate to income levels required to afford such housing. The data is based on the figures derived in the analysis above and include four different tenures (buying, private rent, affordable rent and social rent). For illustrative purposes the calculations are based on 3.5 times household income for house purchase and 25% of income to be spent on housing for rented properties. The figures for house purchase are based on a 100% mortgage for the purposes of comparing the different types of housing.

Figure 68: Indicative income required to purchase/rent without additional subsidy

<table>
<thead>
<tr>
<th>Income required</th>
<th>£25,000</th>
<th>£20,000</th>
<th>£15,000</th>
<th>£10,000</th>
<th>£5,000</th>
<th>£0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower quartile purchase price</td>
<td>£21,400</td>
<td>£15,600</td>
<td>£15,500</td>
<td>£12,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower quartile private rent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower quartile social rent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affordable rent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Land Registry, VOA and CoRe

7.21 The data shows that to access property in the Private Rented Sector would require an income of around £15,600. This is only slightly higher than the estimated figure (of £15,500) needed to access
social rented housing. This suggests a degree of competition between the Private and Social Rented Sectors for tenants in the City.

7.22 The cost of affordable rent at 80% of the lower quartile private rent is therefore some way lower than the figure for social rented housing, suggesting (in viability terms) that there is no benefit in providing affordable rented housing rather than social rent. There may however be some households whose income falls below the access level for private renting who could afford some form of intermediate housing (noting that in general house prices in the City are low).

Income Levels and Affordability

7.23 Following on from our assessment of local prices and rents, it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability and also provide an indication of the potential for intermediate housing to meet needs. Data about total household income has been modelled on the basis of a number of different sources of information to provide both an overall average income and the likely distribution of incomes. The key sources of data include:

- Paycheck (2014) from CACI – data provided by the Council which estimates average incomes at ward level
- English Housing Survey (EHS) – to provide information about the distribution of incomes

7.24 Drawing all of this data together we have constructed an income distribution for the whole of the City for 2014. The data shows that approaching half (45%) of households have incomes below £20,000 with a further third in the range of £20,000 to £40,000. The overall average (median) income of all households in Liverpool was estimated to be around £22,300 with a mean income of £29,300.
7.25 To assess affordability, we have looked at households’ ability to afford either home ownership or private rented housing (whichever is the cheapest), without financial support. The distribution of household incomes is then used to estimate the likely proportion of households who are unable to afford to meet their needs in the private sector without support, on the basis of existing incomes. This analysis brings together the data on household incomes with the estimated incomes required to access private sector housing.

7.26 Different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower incomes than existing households). Assumptions about income levels are discussed where relevant in the analysis that follows.

Affordable Housing Needs Assessment

7.27 Affordable housing need has been assessed using the Basic Needs Assessment Model, in accordance with the CLG Practice Guidance. This model is summarised in the chart below.
The figures presented in this report for affordable housing needs have been based on secondary data sources including analysis of 2011 Census data. The modelling undertaken provides an assessment of affordable housing need for a 20-year period from 2013 to 2033 (which is then annualised). Each of the stages of the affordable housing needs model calculation are discussed in more detail below.

### Methodological Issues

7.29 As the analysis is based on secondary data sources only, there are a number of assumptions that need to be made to ensure that the analysis is as robust as possible. Key assumptions include considering the number of households who have a need due to issues such as insecure tenancies or housing costs – such households form part of the affordable need as set out in guidance (see paragraph 023 of the PPG for example) but are not readily captured from secondary data sources. Assumptions also need to be made about the likely income levels of different groups of the population (such as newly forming households), recognising that such households’ incomes may differ from those in the general population.

7.30 To overcome the limitations of a secondary-data-only assessment, additional data has been taken from a range of survey-based affordable needs assessments carried out by GL Hearn over the past five years or so. These surveys (which cover a range of areas and time periods) allow the assessment to consider issues such as needs which are not picked up in published sources and different income levels for different household groups. This data is then applied to actual data for Liverpool (e.g. from the Census) as appropriate. It is the case that outputs from surveys in other areas show remarkably similar outputs to each other for a range of core variables (for example the income levels of newly forming households when compared with existing households) and are
therefore likely to be fairly reflective of the situation locally in Liverpool. Where possible, data has also been drawn from national surveys (notably the English Housing Survey).

7.31 It should also be stressed that the secondary data approach is consistent with the PPG. Specifically, guidance states that:

‘Plan makers should avoid expending significant resources on primary research (information that is collected through surveys, focus groups or interviews etc. and analysed to produce a new set of findings) as this will in many cases be a disproportionate way of establishing an evidence base. They should instead look to rely predominantly on secondary data (e.g. Census, national surveys) to inform their assessment which are identified within the guidance’.

7.32 The analysis that follows is therefore consistent with the Planning Practice Guidance.

7.33 The PPG also suggests that the housing register can be used to estimate levels of affordable housing need. Experience working across the country is that housing registers can be highly variable in the way allocation policies and pointing systems work. This means that in many areas it is difficult to have confidence that the register is able to define an underlying need. Many housing registers include households who might not have a need whilst there will be households in need who do not register (possibly due to being aware that they have little chance of being housed). For these reasons, the method linked to a range of secondary data sources is preferred and the housing register has not been used.
Current Affordable Housing Need

7.34 In line with PPG, the current need for affordable housing need has been based on considering the likely number of households with one or more housing problem. A list is initially set out in paragraph 023 of the PPG and provides the following.

What types of households are considered in affordable housing need?

The types of households to be considered in housing need are:

- homeless households or insecure tenure (e.g. housing that is too expensive compared to disposable income);
- households where there is a mismatch between the housing needed and the actual dwelling (e.g. overcrowded households);
- households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ
- households that lack basic facilities (e.g. a bathroom or kitchen) and those subject to major disrepair or that are unfit for habitation;
- households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move.

Source: PPG [ID 2a-023-20140306]

7.35 This list of potential households in need is then expanded on in Paragraph 24 of the PPG which provides a list of the categories to consider when assessing current need. This assessment seeks to follow this list by drawing on a number of different data sources. Table 29 below sets out the data used in each part of the assessment.
Table 29: Main sources for assessing the current unmet need for affordable housing

<table>
<thead>
<tr>
<th>Source</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homeless households</td>
<td>CLG Live Table 784</td>
</tr>
<tr>
<td>Those in priority need who are currently housed in temporary accommodation</td>
<td>CLG Live Table 784</td>
</tr>
<tr>
<td>Households in overcrowded housing</td>
<td>Census table LC4108EW</td>
</tr>
<tr>
<td>Concealed households</td>
<td>Census table LC1110EW</td>
</tr>
<tr>
<td>Exiting affordable housing tenants in need</td>
<td>Modelled data linking to past survey analysis</td>
</tr>
<tr>
<td>Households from other tenures in need</td>
<td>Modelled data linking to past survey analysis</td>
</tr>
</tbody>
</table>

Source: PPG [ID 2a-024-20140306]

7.36 Given that some of the sources used are from the 2011 Census (with modelled data also being linked back to Census information) it has also been necessary to bring estimates up to a 2013 base. To update the analysis, reference has been made to the English Housing Survey and specifically considers changes to overcrowding and the tenure split of housing in the 2011-13 period.

7.37 Table 30 provides an initial assessment of ‘the number of households in unsuitable housing’. Overall, the analysis suggests that there are currently some 17,790 households living in unsuitable housing (or without housing) – this is 8.5% of the estimated total number of households living in the City in 2013.

Table 30: Estimated number of households living in unsuitable housing

<table>
<thead>
<tr>
<th>Category of ‘need’</th>
<th>Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homeless households</td>
<td>0</td>
</tr>
<tr>
<td>Those in priority need who are currently housed in temporary accommodation</td>
<td>51</td>
</tr>
<tr>
<td>Households in overcrowded housing</td>
<td>9,004</td>
</tr>
<tr>
<td>Concealed households</td>
<td>2,076</td>
</tr>
<tr>
<td>Exiting affordable housing tenants in need</td>
<td>1,203</td>
</tr>
<tr>
<td>Households from other tenures in need</td>
<td>5,457</td>
</tr>
<tr>
<td>Total</td>
<td>17,790</td>
</tr>
</tbody>
</table>

Source: CLG Live Tales, Census (2011) and data modelling
7.38 The data modelling estimates housing unsuitability by tenure. From the overall number in unsuitable housing, households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise).

7.39 An affordability test is then applied. This excludes 90% of owner-occupiers under the assumption (which is supported by analysis of survey data) that the vast majority will be able to afford housing once savings and equity are taken into account.

7.40 A final adjustment is to slightly reduce the unsuitability figures in the Private Rented Sector to take account of student-only households – such households could technically be over-crowded/ living in unsuitable housing but would be unlikely to be considered as being in affordable housing need. Once these households are removed from the analysis, the remainder are taken forward for affordability testing.

7.41 Table 31 shows that as of mid-2013 it is estimated that there were 9,384 households living in unsuitable housing (excluding current social tenants and the majority (90%) of owner-occupiers). This represents 4.5% of all households in the City in 2013.

**Table 31: Unsuitable housing by tenure and numbers to take forward into affordability modelling**

<table>
<thead>
<tr>
<th>Tenure</th>
<th>In unsuitable housing</th>
<th>Assumed living in affordable housing, owner-occupiers &amp; student-only households</th>
<th>Number to take forward for affordability testing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner-occupied</td>
<td>3,791</td>
<td>3,412</td>
<td>379</td>
</tr>
<tr>
<td>Social rented</td>
<td>4,486</td>
<td>4,486</td>
<td>0</td>
</tr>
<tr>
<td>Private rented</td>
<td>7,387</td>
<td>509</td>
<td>6,878</td>
</tr>
<tr>
<td>No housing (homeless/concealed)</td>
<td>2,127</td>
<td>0</td>
<td>2,127</td>
</tr>
<tr>
<td>Total</td>
<td>17,790</td>
<td>8,406</td>
<td>9,384</td>
</tr>
</tbody>
</table>

*Source: CLG Live Tales, Census (2011) and data modelling*

7.42 Having established the figure of 9,384, it needs to be considered that a number of these households might be able to afford market housing without the need for subsidy, because they could afford a suitable market housing solution. For the affordability test, income data has been used, with the distribution adjusted to reflect a lower average income amongst households living in unsuitable housing. For the purposes of the modelling an income distribution that reduces the level of income to 69% of the figure for all households has been used to identify the proportion of households whose needs could not be met within the market (for households currently living in housing other than in temporary accommodation). A lower figure (of 42%) has been used to apply an affordability test for the concealed/homeless households who do not currently occupy housing and those in temporary accommodation. These two percentage figures have been based on a
consideration of typical income levels of households who are in unsuitable housing (and excluding social tenants and the majority of owners) along with typical income levels of households accessing social rented housing (for those without accommodation). These figures are considered to be best estimates, and likely to approximately reflect the differing income levels of different groups with a current housing problem.

7.43 Overall, using a 25% affordability threshold around 56% of households with a current need are estimated to be likely to have insufficient income to afford market housing and so the estimate of the total current need is reduced to 5,276. Table 32 below shows how current need is estimated to vary by the different broad category of household (i.e. those with and without housing).

**Table 32: Estimated Current Need**

<table>
<thead>
<tr>
<th></th>
<th>In unsuitable housing (taken forward for affordability test)</th>
<th>% Unable to Afford</th>
<th>Revised Gross Need (including Affordability)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households in housing</td>
<td>7,257</td>
<td>50.8%</td>
<td>3,686</td>
</tr>
<tr>
<td>No housing (homeless/concealed)</td>
<td>2,127</td>
<td>74.8%</td>
<td>1,590</td>
</tr>
<tr>
<td>Total</td>
<td>9,384</td>
<td>56.2%</td>
<td>5,276</td>
</tr>
</tbody>
</table>

*Source: CLG Live Tables, Census (2011), data modelling and affordability analysis*

7.44 The level of need shown is generally lower than that arising from the Housing Register. The City's LAHS return to Government indicated 7,296 households in a ‘reasonable preference’ category in 2013. It should however be noted that the Housing Register figure will not include any estimate of whether or not these households are able to afford market housing and it is likely that the Register numbers include current affordable housing tenants who would release a property by moving.

**Newly-Arising Need**

7.45 To estimate newly-arising (projected future) need we have looked at two key groups of households based on the PPG. These are:

- Newly forming households; and
- Existing households falling into need.

**Newly-Forming Households**

7.46 The number of newly-forming households has been estimated through the demographic modelling with an affordability test also being applied. This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below 5 years previously, to provide an estimate of gross household formation. This differs from numbers presented in the demographic projections which are for net household growth and the two are not directly comparable (although there will be some relationship between the two). As an example,
even if there were to be no overall household growth in the City, we would still expect new households to form – this will be because as age cohorts move through time people who were children will become adults and may therefore form a separate household (e.g. someone who is 15 in 2013 will be 35 in 2033 and would be likely to form a household at some point over this period – this is independent of whether or not the total number of households in the City has changed).

7.47 The number of newly-forming households are limited to households forming who are aged under 45 – this is consistent with CLG 2007 SHMA Practice Guidance which notes after age 45 that headship (household formation) rates ‘plateau’. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households.

7.48 The estimates of gross new household formation have been based on outputs from our core demographic projection. In looking at the likely affordability of newly-forming households we have drawn on data from previous surveys. This establishes that the average income of newly-forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).

7.49 We have therefore adjusted the overall household income data to reflect the lower average income for newly-forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average (i.e. the distribution of incomes has been adjusted to reflect the likely distribution if incomes are 84% of the all household total). In doing this we are able to calculate the proportion of households unable to afford market housing without any form of subsidy (such as LHA/HB). The assessment suggests that overall some 41% of newly-forming households will be unable to afford market housing and that a total of 1,744 new households will have a need on average in each year to 2033. The remaining 59% would 2,483 households are not considered to be in housing need.

### Table 33: Estimated Level of Affordable Housing Need from Newly Forming Households (per annum) – various different affordability assumptions

<table>
<thead>
<tr>
<th>Liverpool</th>
<th>Number of new households</th>
<th>% unable to afford</th>
<th>Total in need</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4,227</td>
<td>41.3%</td>
<td>1,744</td>
</tr>
</tbody>
</table>

Source: Projection Modelling/Income analysis

#### Existing Households falling into Affordable Housing Need

7.50 The second element of newly arising need is existing households falling into need. To assess this, we have used information from Continuous Online Recording (CoRe), a source of data on social housing lettings. We have looked at households who have been housed over the past two years –
this group will represent the flow of households onto the Housing Register over this period. From this we have discounted any newly forming households (e.g. those currently living with family) as well as households who have transferred from another social rented property. An affordability test has also been applied, although relatively few households are estimated to have sufficient income to afford market housing.

7.51 This method for assessing existing households falling into need is consistent with the 2007 SHMA guide which says on page 46 that:

‘Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless household applicants).’

7.52 The analysis suggests the number of existing household falling into need would be around 1,767 per year.

Table 34: Estimated level of Housing Need from Existing Households (per annum)

<table>
<thead>
<tr>
<th>Number of Existing Households falling into Need</th>
</tr>
</thead>
<tbody>
<tr>
<td>25% (incl. room only)</td>
</tr>
<tr>
<td>1,767</td>
</tr>
</tbody>
</table>

Source: CoRe/affordability analysis

Total Gross Affordable Housing Need Summary

7.53 It is useful at this stage to bring together the calculations undertaken so far and the table below summarises the outputs. The table works through the various stages to provide an overall annual gross need for affordable housing over the 20-year period from 2013 to 2033. Whilst most of the data in the model are annual figures, the current need has been divided by 20 to make an equivalent annual figure. It should be noted that a ‘backlog’ clearance period of twenty years does not mean that individual households currently homeless or overcrowded are expected to remain in the same circumstances for 20 years. Nor does it mean that any households becoming homeless or over-crowded over the next twenty years are excluded from the total requirement. Every year there is a ‘flow’ of households into and out of need, and clearing the backlog essentially means increasing the outflow relative to the in-flow until the ‘stock’ of need is reduced to zero. The table shows that 3,775 households are expected to have a need each year in the 2013-33 period.
Table 35: Annual gross need for affordable housing (various affordability measures)

<table>
<thead>
<tr>
<th>A. Current Affordable Housing Need Calculation</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A1. Current households in Housing Need (Table 30)</td>
<td>17,790</td>
</tr>
<tr>
<td>A2. Less number living in affordable housing, a proportion of owner-occupiers and an adjustment for student-only households (Table 31)</td>
<td>8,406</td>
</tr>
<tr>
<td>A3. Sub-total (A1 – A2)</td>
<td>9,384</td>
</tr>
<tr>
<td>A4. Less proportion able to afford market housing (Table 32)</td>
<td>4,108</td>
</tr>
<tr>
<td>A5. Total Current Unmet Affordable Housing Need (A3-A4)</td>
<td>5,276</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Future Affordable Housing Need Calculation (per annum)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>B1. Estimate of Newly-Forming Households in Need per annum (Table 33)</td>
<td>4,227</td>
</tr>
<tr>
<td>B2. Less Newly-forming households able to afford (Para 7.49)</td>
<td>2,483</td>
</tr>
<tr>
<td>B3. Sub-total (newly-forming households in need) (B1-B2)</td>
<td>1,744</td>
</tr>
<tr>
<td>B4. Existing households falling into need per annum (Table 34)</td>
<td>1,767</td>
</tr>
<tr>
<td>B5. Total annual affordable housing need (projected) (B3+B4)</td>
<td>3,511</td>
</tr>
<tr>
<td>B6. Plus annualised current need (A5/20)</td>
<td>264</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C. Overall Annual Gross Need</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>C1. Overall annual total (gross) need (B5+B6)</td>
<td>3,775</td>
</tr>
</tbody>
</table>

**Supply of Affordable Housing**

7.54 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social/affordable rent relets and the annual supply of relets/sales within the intermediate sector. The supply of affordable housing is calculated below.

7.55 The Planning Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. We have used information from the Continuous Recording system (CoRe) to establish past patterns of social housing turnover. Our figures include general needs and supported lettings but exclude lettings of new properties plus an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock. Additionally, an estimate of the number of ‘temporary’ supported lettings have been removed from the figures (the proportion shown in CoRe as being lettings in direct access hostels or foyer schemes).

7.56 On the basis of past trend data is has been estimated that 3,352 units of social/affordable rented housing are likely to become available each year moving forward.

7.57 The initial supply figure is for social/affordable rented housing only and whilst the stock of intermediate housing in Liverpool is not significant compared to the social/affordable rented stock it
is likely that some housing does become available each year (e.g. resales of shared ownership). For the purposes of this assessment we have again utilised CoRe data about the number of sales of homes that were not new-build. From this it is estimated that around 37 additional properties might become available per annum. The total supply of affordable housing is therefore estimated to be 3,389 per annum.

Table 36: Analysis of past social/affordable rented housing supply (per annum – based on data for 2012-14 period)

<table>
<thead>
<tr>
<th></th>
<th>Liverpool</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total lettings</td>
<td>6,084</td>
</tr>
<tr>
<td>% as non-newbuild</td>
<td>93.6%</td>
</tr>
<tr>
<td>Lettings in existing stock</td>
<td>5,693</td>
</tr>
<tr>
<td>% non-transfers</td>
<td>66.7%</td>
</tr>
<tr>
<td>Sub-total</td>
<td>3,799</td>
</tr>
<tr>
<td>% non-temporary housing</td>
<td>88.2%</td>
</tr>
<tr>
<td>Total lettings to new tenants</td>
<td>3,352</td>
</tr>
<tr>
<td>Intermediate housing ‘relets’</td>
<td>37</td>
</tr>
<tr>
<td>Total supply (per annum)</td>
<td>3,389</td>
</tr>
</tbody>
</table>

Source: CoRe

Net Affordable Housing Need

7.58 The table below shows our overall calculation of affordable housing need. This excludes supply arising from sites with planning consent (the ‘development pipeline’) at this stage. This aids comparison across against demographic projections (which do not include assumptions on future supply).

7.59 The analysis shows with a 25% affordability threshold that there is a need for 386 dwellings per annum to be provided (7,724 in total over the 2013-33 period). The net need is calculated as follows:

\[
\text{Net Need} = \text{Current Need} + \text{Need from Newly-Forming Households} + \text{Existing Households falling into Need} - \text{Supply of Affordable Housing}
\]

Table 37: Estimated Annual Affordable Housing Need

<table>
<thead>
<tr>
<th></th>
<th>Annual need</th>
<th>20-years (2013-33)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current need</td>
<td>264</td>
<td>5,276</td>
</tr>
<tr>
<td>Newly forming households</td>
<td>1,744</td>
<td>34,880</td>
</tr>
<tr>
<td>Existing households falling into need</td>
<td>1,767</td>
<td>35,349</td>
</tr>
<tr>
<td>Total Gross Need</td>
<td>3,775</td>
<td>75,504</td>
</tr>
<tr>
<td>Supply</td>
<td>3,389</td>
<td>67,780</td>
</tr>
<tr>
<td>Net Need</td>
<td>386</td>
<td>7,724</td>
</tr>
</tbody>
</table>

Source: Census (2011)/CoRe/Projection Modelling and affordability analysis
7.60 The above table presents the core analysis which is relevant in comparing across against demographic projections. We have however sought to provide an alternative which includes affordable housing in the development pipeline. The Council's monitoring data indicates that 853 affordable dwellings are anticipated to be delivered by the 2015-18 Affordable Housing Programme. If these dwellings are included, the annual need reduces to 343 affordable homes per year.

<table>
<thead>
<tr>
<th>Table 38: Affordable Housing Need including Development Pipeline</th>
<th>Liverpool</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Current Need</td>
<td>5,276</td>
</tr>
<tr>
<td>B Available Supply (from Development Pipeline)</td>
<td>853</td>
</tr>
<tr>
<td>C Net Current Need (=A-B)</td>
<td>4,423</td>
</tr>
<tr>
<td>D Annual Flow to Meet Current Need (= C / 20)</td>
<td>221</td>
</tr>
<tr>
<td>E Newly-Forming Households in Need (per annum)</td>
<td>1,744</td>
</tr>
<tr>
<td>F Existing Households falling into Need (per annum)</td>
<td>1,767</td>
</tr>
<tr>
<td>G Future Affordable Housing Need (per annum) (=E+F)</td>
<td>3,511</td>
</tr>
<tr>
<td>H Annual Supply through Relets</td>
<td>3,389</td>
</tr>
<tr>
<td>I Net Affordable Housing Need (= D+G-H)</td>
<td>343</td>
</tr>
</tbody>
</table>

Source: Census (2011)/CoRe/Projection Modelling and affordability analysis; LCC Monitoring Data

Relating Affordable Need and OAN – Legal Judgements & Guidance

7.61 The analysis above clearly indicates a need for affordable housing in the City. However, the link between affordable need and the OAN is complex and has been subject to a number of recent High Court decisions and also interpretation through advice from the Planning Advisory Service’s July 2015 Technical Advice Note on Objectively Assessed Need and Housing Targets. Below we have summarised some of the key judgements and guidance in chronological order.

Satnam Millennium Limited v Warrington Borough Council (February 2015)

7.62 In this case, a challenge to the adoption of the Warrington Local Plan Core Strategy succeeded, resulting in the quashing of the Plan’s housing provision policies. With regard to affordable housing the judge found that the assessment of full, objectively assessed needs for housing had not taken account of the (substantial) need for affordable housing.

7.63 In paragraph 43 of the judgement it is concluded that ‘the Local Plan should then meet the OAN for affordable housing, subject only to the constraints referred to in the NPPF, paragraphs 14 and 47’. This quote has been taken by some parties to imply that the need for affordable housing (as shown in modelling such as within the section) needs to be met in full – for example, if the affordable need is 200 per annum and delivery is likely to be 20% then an OAN for 1,000 homes would be appropriate.
7.64 It is not clear if this is exactly what the judge in this case had in mind. What is clear that such an approach in many areas would be impractical as it would require huge increases to have any significant impact.

**Oadby and Wigston v Bloor Homes (July 2015)**

7.65 In this case, a challenge by Oadby & Wigston Borough Council to the granting of planning permission through a Section 78 inquiry was dismissed.

7.66 The key issue in front of the Judge was whether or not the original inspector’s adoption of a figure of 147 dwellings per annum as the full objectively assessed need for housing (FOAN) was sound. In essence the Council’s position was that the need was in the range of 80-100 dwellings per annum and that this was a policy-off figure based on the most up-to-date population and household projections. The appellant suggested a need in the range of 147-161 based on long-term migration trends and the needs of the local economy (in terms of matching job growth and housing need).

7.67 The Judge’s initial conclusion was that he considered the SHMA position (of 80-100 dwellings per annum) to be policy-on. He based this on a recognition that other analysis in the SHMA had indicated a need for 173 dpa to meet economic growth and a slightly lower figure (of 160 per annum) as the affordable housing need.

7.68 The uncertainty in this decision is whether or not the FOAN must include all of the affordable housing need. Some of the wording of the judgment would suggest that this was the case with Judge Hickinbottom stating that the assessment of need ‘becomes policy on as soon as the Council takes a course of not providing sufficient affordable housing to satisfy the FOAN’. This however is inconsistent with the more recent judgement in Kings Lynn (below) and also the PAS Technical Advice Note (July 2015).

**Planning Advisory Service – Technical Advice Note (July 2015)**

7.69 At about the same time as the Oadby & Wigston judgement, the Planning Advisory Service (PAS) published the second edition of their technical advice note on Objectively Assessed Need and Housing Targets – this replaced(updated) a version from June 2014.

7.70 The consideration of affordable housing need and its relationship to overall housing need is covered in some detail within Section 9 of the document. PAS set out a suggested approach for looking at the relationship between OAN and affordable housing (which is broadly in line with the approach in this report) before going on to consider their own view about the relationship.
7.71 They suggest that affordable housing is a policy consideration that bears on housing targets rather than OAN and note that they are not comparable because they relate to different meanings of the term ‘need’. They also highlight that the OAN relates to new dwellings whereas much of the affordable need relates to existing households, who, when moving, would free up dwellings to be occupied by other households.

7.72 They therefore note that there is no arithmetical way of combining the OAN (calculated through demographic projections) and the affordable need before concluding that the affordable need cannot be a component part of the OAN. PAS do however note that their views ‘may be’ contradicted by the Satnam judgement referred to above.

Kings Lynn v Elm Park Holdings (July 2015)

7.73 The final case of reference is Kings Lynn and West Norfolk Council vs. SSCLG and Elm Park Holdings. The case involved the Council’s challenge to an Inspector’s granting of permission for 40 dwellings in a village. Although much of the case was about the approach to take with regards to vacant and second homes, the issue of affordable housing was also a key part of the final judgment.

7.74 Focussing on affordable housing, Justice Dove considered the "ingredients" involved in making a FOAN and noted that the FOAN is the product of the strategic housing market assessment (SHMA) required by paragraph 159 of the NPPF. It is noted that the SHMA must identify the scale and mix of housing to meet household and population projections, taking account of migration and demographic change, and then address the need for all housing types, including affordable homes.

7.75 He continued by noting that the scale and mix of housing is ‘a statistical exercise involving a range of relevant data for which there is no one set methodology, but which will involve elements of judgement’. Crucially, in paragraph 35 of the judgment he says that the ‘Framework makes clear that these needs [affordable housing needs] should be addressed in determining the FOAN, but neither the Framework nor the PPG suggest that they have to be met in full when determining that FOAN. This is no doubt because in practice very often the calculation of unmet affordable housing need will produce a figure which the planning authority has little or no prospect of delivering in practice’. This is an important point, given the previous judgements in Satnam and Oadby & Wigston. And indeed in relation to Oadby and Wigston he notes that ‘Insofar as Hickinbottom J in the case of Oadby and Wigston Borough Council v Secretary of State [2015] EWHC 1879 might be taken in paragraph 34(ii) of his judgment to be suggesting that in determining the FOAN, the total need for affordable housing must be met in full by its inclusion in the FOAN I would respectfully disagree. Such a suggestion is not warranted by the Framework or the PPG’.
7.76 Therefore, this most recent judgement is clear that an assessment of affordable housing need should be carried out, but that the level of affordable need shown by analysis does not have to be met in full within the assessment of the FOAN.

7.77 The approach in Kings Lynn is also similar to that taken by the inspector (Simon Emerson) to the Cornwall Local Plan. His preliminary findings in June 2015 noted in paragraph 3.20 that ‘National guidance requires consideration of an uplift; it does not automatically require a mechanistic increase in the overall housing requirement to achieve all affordable housing needs based on the proportions required from market sites.’

Relating Affordable Need and OAN

7.78 The analysis above indicates a clear need for affordable housing. The table below sets out the annual affordable housing need as a proportion of the need identified from the core demographic-based projection. The affordable need represents 28% of the demographic-need. These figures are however calculated in different ways and are not strictly comparable.

<table>
<thead>
<tr>
<th>Table 39: Affordable Need as % Demographic-based Projections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable need</td>
</tr>
<tr>
<td>Demographic projection</td>
</tr>
<tr>
<td>Affordable need as % of demographic</td>
</tr>
</tbody>
</table>

7.79 The Planning Practice Guidance sets out how it expects the affordable housing need to be considered as part of the plan-making process. It outlines in Paragraph 029 that:

“The total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.”

7.80 The reality in Liverpool (taking account of development viability) is that affordable housing is not principally delivered through s.106 agreements on market-led housing development schemes, as occurs in many other areas nationally.

7.81 It should be borne in mind that besides delivery of affordable housing on mixed-tenure development schemes, there are a number of other mechanisms which could deliver affordable housing. These include:

- National Affordable Housing Programme – this (administered by the HCA) provides funding to support Registered Providers in delivering new housing including on sites owned by RPs;
- Building Council Homes – following reform of the HRA funding system, Councils can bring forward affordable housing themselves.
Empty Homes Programmes – where local authorities can bring properties back into use as affordable housing. These are existing properties, and thus represent a change in tenure within the current housing stock.

7.82 Funding for specialist forms of affordable housing, such as extra care provision, may also be available from other sources; whilst other niche agents, such as Community Land Trusts, may deliver new affordable housing. Net changes in affordable housing stock may also be influenced by estate regeneration schemes, as well as potentially by factors such as the proposed extension of the Right to Buy to housing association properties. Affordable housing can also be delivered by changes in the ownership of existing housing stock, not just by new-build development.

7.83 Over the last decade an average of 15% of completions in Liverpool have been of affordable housing. Much of the affordable housing delivered has been supported by grant funding, delivered through regeneration programmes. In addition, there have been a significant number of empty homes which have been brought back into use. As set out, the Affordable Housing Programme 205-18 expects to deliver 853 affordable dwellings.

7.84 In interpreting the relationship between affordable need and total housing provision, it is important to understand the basis of the affordable housing needs model. As the Planning Practice Guidance sets out, the calculation of affordable need involves “adding together the current unmet housing need and the projected future housing need and then subtracting this from the current supply of affordable stock.” The affordable housing need does therefore not represent an assessment of what proportion of additional households might require affordable housing. Instead the model considers:

- What need can be expected to arise from both existing and newly-forming household who require financial support to access suitable housing;
- This is then compared with the projected supply of affordable housing expected to arise from the turnover of existing stock, and affordable housing in the development pipeline.

7.85 The affordable housing model thus includes supply-side factors. The net need figures derived are influenced by the current stock of affordable housing and turnover of this. This has been influenced by past policies and investment decisions (at both the national and local levels). Funding mechanisms for affordable housing have influenced past delivery, which in turn influence the need today.

7.86 Given that there has been some decrease in affordable housing stock over the last 15 years, the Private Rented Sector has in effect taken on an increasing role in providing housing for households who require financial support in meeting their housing needs, supported by Local Housing Allowance.

7.87 Whilst the Private Rented Sector (PRS) does not fall within the definition of “affordable housing,” it has evidently been playing a role in meeting the needs of households who require financial support
in meeting their housing need. Government recognises this, and indeed legislated through the 2011 Localism Act to allow Councils to discharge their “homelessness duty” through providing an offer of a suitable property in the PRS.

7.88 Data from the Department of Work and Pensions (DWP) has been used to look at the number of LHA supported private rented homes. As of February 2015 it is estimated that there were around 19,900 benefit claimants in the Private Rented Sector.

7.89 From the English Housing Survey, we estimate that the proportion of households within the private sector who are “new lettings” each year (i.e. stripping out the effect of households moving from one private rented property to another) is around 13%. Applying this to the number of LHA claimants in the Private Rented Sector gives an estimate of around 2,590 private sector lettings per annum to new LHA claimants in the HMA. This serves to illustrate that there is some flexibility within the wider housing market.

7.90 However, national planning policy does not specifically seek to meet the needs identified through the Basic Needs Assessment Model through the Private Rented Sector. Government’s benefit caps may reduce the contribution which this sector plays in providing a housing supply which meets the needs of households identified in the affordable housing needs model herein. In particular future growth in households living within the PRS and claiming LHA cannot be guaranteed.

7.91 Secondly, and perhaps more critically, it is important to recognise that the model includes needs arising from both new households and existing households. Part of the needs included are from households who might require an additional home, such as:

- Newly-forming households;
- Those in temporary accommodation;
- Concealed households; and
- Homeless households.

7.92 But the figures also include needs arising from households who will require a different form of home, but who – by moving to another property – would release an existing property for another household. These households do not generate a need for more dwellings overall. They include households who need to move as they are:

- Over-crowded;
- Coming to the end of a tenancy;
- Living in unsuitable housing; and
- Cannot afford to remain in their current home.

7.93 Such households do not generate a net need for additional homes, as by moving they would release a home for other households. On this basis, these elements of the affordable housing need
are not directly relevant to considering overall housing need and housing targets (which are typically measured in terms of net dwellings).

7.94 In considering the overall need for housing, only those who are concealed or homeless would result in potentially an additional need for housing. Numbers of newly-forming households in the modelling are established specifically from the demographic projections. The scale of improvements to household formation within the demographic modelling would more than address the level of concealed/homeless households shown.

7.95 Overall, the analysis undertaken does not provide any evidence to justify considering an adjustment to the assessed housing need to address the affordable housing need.

Comparison with previous SHMA

7.96 The analysis in this report can be compared with the last SHMA carried out by GVA and completed in 2011. The table below shows that GVA estimated a net need for some 401 affordable homes per annum – this figure is slightly different to that presented in the 2011 SHMA due to some adjustments having been made to ensure consistency between this SHMA and the older version (notably the ‘pipeline’ supply has been excluded and the current need has been looked at over a 20-year period).

7.97 The overall net affordable need suggested by GVA is similar to that estimated in this assessment and does not provide any evidence that there have been significant changes in the situation over time (albeit there are some differences in figures for specific parts of the analysis).

| Table 40: Estimated level of Affordable Housing Need (comparing this SHMA with the 2011 SHMA) |
|---------------------------------|----------|----------|
|                                 | GLH SHMA | GVA      |
| Current need                   | 264      | 274      |
| Newly forming households       | 1,744    | 961      |
| Existing households falling into need | 1,767     | 2,000   |
| Total Gross Need               | 3,775    | 3,235    |
| Supply                         | 3,389    | 2,834    |
| Net Need                       | 386      | 401      |

Source: GVA SHMA (2011) and GL Hearn

Impact of Welfare Reforms

7.98 A number of changes have been made by the Government (and the previous coalition) to the benefit system. The Welfare Reform Act of 2012 introduced a range of changes that will have an impact on households in both the social/affordable rented and private rented sector. Most of the
changes only affect people of working age although people of retirement age who are still working may see some changes as a result of Universal Credit.

7.99 Arguably, the impact of the welfare reforms are yet to be fully seen although many Registered Providers comment that the under-occupancy criteria (spare room subsidy/bedroom tax) along with the introduction of Universal Credit will impact on the ability of tenants to pay rent. This in turn may lead to an increase in rent arrears and an increase in the cost of recovering unpaid rent.

7.100 Also, in the private rented sector the full extent of housing benefit reforms and the introduction of Universal Credit is unclear. However, it is possible that private landlords will limit access to their properties to those tenants who are less likely to default on payments which may reduce the availability of homes to particular household groups (notably more vulnerable households). This in turn could put more pressure on the need and demand for affordable housing owned by local authorities and Registered Providers.

7.101 Further welfare reforms are being proposed by the Government (including to Working Tax Credits and Child tax Credits) which if implemented would potentially reduce the incomes of particular household groups (for example low income families with children). As of the end of October 2015, this further raft of changes had however been rejected by the House of Lords.

7.102 Overall, it is clear that welfare reforms are likely to have a profound impact on the incomes and access to housing for many groups. The Council will need to continue to work closely with affordable housing providers to monitor and better understand the impact of welfare reforms so that any negative consequences can be mitigated.

**Affordable Housing Need – Summary of the Evidence**

7.103 An assessment of affordable housing need has been undertaken which is compliant with Government guidance to identify whether there is a shortfall or surplus of affordable housing in Liverpool. This has estimated current housing need of 5,276 households based on a 25% affordability threshold; this figure excludes existing social housing tenants where they would release a home for another household in need.

7.104 The affordable housing needs model then looked at the balance between needs arising and the supply of affordable housing. Each year an estimated 3,511 households are expected to fall into affordable housing need and 3,389 properties are expected to come up for re-let.

7.105 Overall, in the period from 2013 to 2033, the analysis suggests a need for 386 affordable homes per annum. This analysis supports a requirement for new affordable housing in the City and the Council is justified in seeking to secure additional affordable housing. On the basis of past delivery,
it is estimated that the Council might expect to provide around 15% of future housing as affordable homes (which would be around 200 units based on 15% of a demographic need for 1,375 homes per annum).

7.106 The link between the affordable housing need and the overall need for housing (or the objectively assessed need) is complex. Once we take account of the fact that many of the households in need are already living in accommodation (existing households) and simply require an alternative form of housing, the analysis again does not suggest that there is any strong evidence of a need to consider additional housing to help address the affordable need.
8 NEED FOR DIFFERENT SIZES AND TYPES OF HOMES

8.1 The analysis in this section seeks to use the information available about the size and structure of the population and household structures to consider what impact this may have on the sizes of housing required in the future. The analysis also considers the need for different types of affordable housing. For analysis purposes, the modelling assumes population and household growth in line with a demographic projection linked to a housing need of 1,471 dwellings per annum (an average of the two economic-based projections developed). This projection indicates a need for around 29,400 homes across the City between 2013 and 2033.

8.2 It should be noted that such a projection will not necessarily be translated directly into policy, but has been used to indicate the likely need for different sizes and types of homes moving forward. Were an alternative projection to be used then the outputs would, proportionally, be expected to be broadly similar.

Methodology

8.3 Figure 71 below describes the broad methodology employed in the housing market model which is used to consider the need for different sizes of market and affordable homes. Data is drawn from a range of sources including the 2011 Census and demographic projections.

**Figure 71: Stages in the Housing Market Model**

- Establish how households of different ages occupy homes (by tenure)
- Project how the profile of households of different ages will change in future
- Draw together housing needs, viability and funding issues to consider affordable housing delivery
- Model future requirements for market and affordable housing by size and compare to existing profile of homes
- Output recommendations for housing requirements by tenure and size of housing
Understanding how Households Occupy Homes

8.4 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households in to a suggested profile for additional housing to be provided. The main reason for this is that in the market sector households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.

8.5 The size of housing which households occupy relates more to their wealth and age than the number of people which they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a four-bedroom home as long as they can afford it and hence projecting an increase in single person households does not automatically translate in to a need for smaller units. This issue is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to continue to under-occupy their current homes.

8.6 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age and sex group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table C1213 which provides relevant data for all local authorities in England) with data then calibrated to be consistent with 2011 Census data (e.g. about house sizes in different tenure groups and locations).

8.7 Figure 72 below shows an estimate of how the average number of bedrooms varies by different ages of HRP and different sexes by broad tenure group. In the market sector the average size of accommodation rises over time to typically reach a peak around the age of 40-50. In the affordable sector this peak appears earlier. After this peak the average dwelling size decreases – as some typically some households downsize as they get older.

8.8 It is also notable that the average size for affordable housing dwellings are lower than those for market housing whilst in market housing male HRPs live in larger accommodation for most age groups (with generally the opposite trend being seen in the affordable sector).
8.9 As of 2013 it is estimated that there were 210,005 households living in Liverpool. Analysis of Census data linked to the demographic baseline provides an estimate of the profile of the housing stock in 2013, as shown in the table below. This shows that an estimated 29% of households live in affordable housing with 71% being in the market sector. The size of the affordable sector has been fixed by reference to an estimate of the number of occupied social rented and shared ownership homes in the 2011 Census and updated to a 2013 base by reference to data in CLG Live Tables (LT100). The data also suggests that homes in the market sector are generally bigger than in the affordable sector with 66% having three or more bedrooms compared to 46% for affordable housing.

8.10 These figures are for households rather than dwellings as information about the sizes of vacant homes across the whole stock (i.e. market and affordable) is not readily available. For the purposes of analysis this will not make any notable difference to the outcome. The household projections have however been translated into dwelling figures by including a vacancy allowance when studying the final outputs of the market modelling.
Table 41: Estimated Profile of Dwellings in 2013 by Size – Liverpool

<table>
<thead>
<tr>
<th>Size of housing</th>
<th>Market</th>
<th></th>
<th>Affordable</th>
<th></th>
<th>Total</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>1 bedroom</td>
<td>13,663</td>
<td>9.1%</td>
<td>13,848</td>
<td>23.1%</td>
<td>27,511</td>
<td>13.1%</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>37,227</td>
<td>24.8%</td>
<td>18,468</td>
<td>30.8%</td>
<td>55,695</td>
<td>26.5%</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>74,599</td>
<td>49.7%</td>
<td>24,587</td>
<td>41.0%</td>
<td>99,186</td>
<td>47.2%</td>
</tr>
<tr>
<td>4+ bedrooms</td>
<td>24,549</td>
<td>16.4%</td>
<td>3,065</td>
<td>5.1%</td>
<td>27,614</td>
<td>13.1%</td>
</tr>
<tr>
<td>Total</td>
<td>150,037</td>
<td>100.0%</td>
<td>59,968</td>
<td>100.0%</td>
<td>210,005</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

% in tenure: 71.4% for Market, 28.6% for Affordable, 100.0% for Total

Source: Derived from 2011 Census

Tenure Assumptions

8.11 The housing market model has been used to estimate the future need for different sizes of property over the 20-year period from 2013 to 2033. The model works by looking at the types and sizes of accommodation occupied by different ages of residents, and attaching projected changes in the population to this to project need and demand for different sizes of homes. However, the way households of different ages occupy homes differs between the market and affordable sectors (as shown earlier). Thus it is necessary to consider what the mix of future housing will be in the market and affordable sectors.

8.12 It is necessary on this basis to make some judgement for modelling purposes on what proportion of net completions might be of market and affordable housing. For modelling purposes, the analysis assumes that 15% of net completions are of affordable housing. This is not a policy target. Policy targets for affordable housing on new development schemes will be set through the Local Plan; but not all sites deliver policy-compliant affordable housing provision, whilst some delivery is on sites below affordable housing policy thresholds. Equally some housing development is brought forward by Registered Providers, by the Council or its development partners and may deliver higher proportions of affordable housing than included in policy targets. It should be stressed that this is not a policy position and has been applied simply for the purposes of providing outputs from the modelling process.

Key Findings: Market Housing

8.13 There are a range of factors which can influence demand for market housing in different locations. The focus of this analysis is on considering long-term needs, where changing demographics are expected to be a key influence. It uses a demographic-driven approach to quantify demand for different sizes of properties city-wide over the 20-year period from 2013 to 2033.
8.14 On the basis of the modelling assumptions, an increase in 23,922 additional households is modelled for the market sector (85% of all household growth). The majority of these need two- and three-bed homes. The data suggests that housing need can be expected to reinforce around the existing profile, but with a slight shift towards a requirement for larger dwellings relative to the distribution of existing housing. This finding looks to be driven by relatively strong growth in the number of households aged in their 40s along with some reduction in the number of households headed by people in their 20s and early 30s over the plan period.

<table>
<thead>
<tr>
<th>Size</th>
<th>2013</th>
<th>2033</th>
<th>Additional households 2013-2033</th>
<th>% of additional households</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 bedroom</td>
<td>13,663</td>
<td>15,303</td>
<td>1,641</td>
<td>6.9%</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>37,227</td>
<td>43,004</td>
<td>5,777</td>
<td>24.2%</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>74,599</td>
<td>87,262</td>
<td>12,664</td>
<td>52.9%</td>
</tr>
<tr>
<td>4+ bedrooms</td>
<td>24,549</td>
<td>28,389</td>
<td>3,841</td>
<td>16.1%</td>
</tr>
<tr>
<td>Total</td>
<td>150,037</td>
<td>173,960</td>
<td>23,922</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Housing Market Model

8.15 The statistics are based upon the modelling of demographic trends. The profile of need based on demographics reinforces around the existing stock profile, which is focused on 2- and 3-bed properties.

8.16 There is some basis for seeking to target higher provision of larger homes (4+ bed) where the opportunities exist to deliver larger family housing. This may help to manage growth in those in managerial and professional occupations who commute into the City to work.

Key Findings: Affordable Housing

8.17 The table and figure below show estimates of the need for different sizes of affordable homes based on the analysis of demographic trends. The data suggests in the period between 2013 and 2033 that just under two-thirds of the need is for homes with one- or two-bedrooms across the City with just over a third of the need being for larger homes with three or more bedrooms.

8.18 This analysis provides a longer-term view of the need for different sizes of affordable housing and does not reflect any specific priorities such as for family households in need rather than single people.

8.19 Smaller properties (i.e. one bedroom homes) typically offer limited flexibility in accommodating the changing needs of households, whilst delivery of larger properties can help to meet the needs of households in high priority and to manage the housing stock by releasing supply of smaller
properties. Welfare reforms have however limited the needs arising for larger homes through adjusting the Housing Benefit which working-age households can claim to reflect household size/composition.

**Table 43: Estimated Size of Dwellings Required 2013 to 2033 – Affordable Housing – Liverpool**

<table>
<thead>
<tr>
<th>Size</th>
<th>2013</th>
<th>2033</th>
<th>Additional households 2013-2033</th>
<th>% of additional households</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 bedroom</td>
<td>13,848</td>
<td>15,114</td>
<td>1,266</td>
<td>30.0%</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>18,468</td>
<td>19,811</td>
<td>1,344</td>
<td>31.8%</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>24,587</td>
<td>26,021</td>
<td>1,434</td>
<td>34.0%</td>
</tr>
<tr>
<td>4+ bedrooms</td>
<td>3,065</td>
<td>3,243</td>
<td>178</td>
<td>4.2%</td>
</tr>
<tr>
<td>Total</td>
<td>59,968</td>
<td>64,190</td>
<td>4,222</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Housing Market Model

8.20 In the case of affordable housing, the data shows that relative to the current profile there is a slight move towards a greater proportion of smaller homes being needed. This is related to the ageing population and the observation that older person households are more likely to occupy smaller dwellings as well as being more likely to live in affordable housing.

**Indicative Targets by Dwelling Size**

8.21 The table and figure below summarises the above data in both the market and affordable sectors under the modelling exercise. A vacancy allowance has been factored in when moving from household figures to estimates of housing need/demand (the same figures have been used as in the demographic modelling see Paragraph 4.56), although it should be noted that vacancy in the private sector is more prevalent than in the affordable sector (both in Liverpool and other areas).

**Table 44: Estimated dwelling requirement by number of bedrooms (2013-33) – Liverpool**

<table>
<thead>
<tr>
<th>Number of bedrooms</th>
<th>Market</th>
<th>Affordable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Households</td>
<td>Dwellings</td>
</tr>
<tr>
<td>1 bedroom</td>
<td>1,641</td>
<td>1,716</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>5,777</td>
<td>6,041</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>12,664</td>
<td>13,242</td>
</tr>
<tr>
<td>4+ bedrooms</td>
<td>3,841</td>
<td>4,016</td>
</tr>
<tr>
<td>Total</td>
<td>23,922</td>
<td>25,014</td>
</tr>
</tbody>
</table>

Source: Housing Market Model
8.22 Whilst the outputs of the modelling provide estimates of the proportion of homes of different sizes that should be provided there are a range of factors which should be taken into account in setting policies for provision.

8.23 In the affordable sector where there are typically issues around the demand for and turnover of one bedroom homes. Conclusions also need to consider that the stock of four-bedroom affordable housing is very limited and tends to have a very low turnover. As a result, whilst the number of households coming forward for four or more bedroom homes is typically quite small the ability for these needs to be met is even more limited. We have therefore made a small adjustment to the mix to reflect this.

8.24 It should also be recognised that local authorities have statutory homeless responsibilities towards families with children and would often therefore prioritise the needs of families over single person households and couples. On this basis the profile of affordable housing to be provided would be further weighted to two or more-bedroom housing.

8.25 For these reasons it is suggested in converting the long-term modelled outputs into a profile of housing to be provided (in the affordable sector) that the proportion of one bedroom homes required is reduced slightly from these outputs with a commensurate increase in four or more bedroom homes also being appropriate.
8.26 There are thus a range of factors which are relevant in considering policies for the mix of affordable housing sought through development schemes. At a City level, the analysis would support policies for the mix of affordable housing of:

- 1-bed properties: 25-30%
- 2-bed properties: 30-35%
- 3-bed properties: 30-35%
- 4-bed properties: 5-10%

8.27 The strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

8.28 The need for affordable housing of different sizes will vary by area (at a more localised level) and over time. In considering the mix of homes to be provided within specific development schemes, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.

8.29 In the market sector, the evidence suggests that demand will principally arise for two- and three-bedroom properties. Reflecting lower growth forecast in younger age groups relative to the last 15 years or so, demand for 1-bed properties can be expected to be modestly lower. There is a strategic case for seeking potentially higher provision of 4+ bed homes, in order to limit growth in in-commuting of those with higher earnings, and support local regeneration.

8.30 On the basis of these factors it is considered that the provision of market housing should be more explicitly focused on delivering smaller family housing for younger households. On this basis the following mix of market housing is recommended:

- 1-bed properties: 5-10%
- 2-bed properties: 20-25%
- 3-bed properties: 45-50%
- 4-bed properties: 20-25%

8.31 Although the analysis has quantified this on the basis of the market modelling and an understanding of the current housing market it does not necessarily follow that such prescriptive figures should be included in the plan making process. Different sites may be more suited to delivery of a different mix of properties, taking account of the site-specific context and character and mix of properties in the neighbourhood.

8.32 Demand can change over time linked to macro-economic factors and local supply. The types of sites in within the housing trajectory can also influence the mix of housing which is delivered. The
figures can however be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area.

**Market / Affordable Housing Provision by Built Form**

8.33 To provide an indication of the implications of the above analysis for different types of homes, we have used 2011 Census data at a national level to assess the typical average profile by type of homes of different sizes. On the basis of the modelling undertaken, the analysis would point towards the following mix of homes:

<table>
<thead>
<tr>
<th>Table 45: Indicative Need for Different Sizes of Properties, 2013-33</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Affordable</strong></td>
</tr>
<tr>
<td>Detached</td>
</tr>
<tr>
<td>Semi-Detached</td>
</tr>
<tr>
<td>Terraced</td>
</tr>
<tr>
<td>Flat/Maisonette</td>
</tr>
</tbody>
</table>

8.34 This information is provided purely for illustrative purposes and does not take account of policy aspirations or site-specific circumstances, including the density, local housing mix, design considerations etc.

**Need for Different Types of Affordable Housing**

8.35 As well as considering the sizes of homes required the analysis makes an estimate of the proportion of affordable housing need that should be met through provision of different affordable housing products. The income information used in the affordable needs analysis is used to estimate the proportion of households who are likely to be able to afford intermediate housing and the number for whom only social or affordable rented housing will be affordable. There are three main current types of affordable housing that can be studied in this analysis:

- Intermediate
- Affordable rent
- Social rent

8.36 Whilst the process of separating households into different income bands for analytical purposes is quite straightforward, this does not necessarily tell us what sort of affordable housing they might be able to afford or occupy. For example, a household with an income close to being able to afford market housing might be able to afford intermediate or affordable rent but may be prevented from accessing certain intermediate products (such as shared ownership) as they have an insufficient savings to cover a deposit.
8.37 The distinction between social and affordable rented housing is also complex. Whilst rents for affordable rented housing would be expected to be higher than social rents, this does not necessarily mean that such a product would be reserved for households with a higher income. In reality, as long as the rent to be paid falls at or below LHA limits then it will be accessible to a range of households (many of whom will need to claim housing benefit). This however needs to be set against other factors, including viability and the availability of grant funding. Over the current spending period, 2015 to 2018, grant funding is primarily available to support delivery of affordable rented homes. For some local authorities a significant level of affordable housing delivery is however through developer contributions (Section 106 Agreements). We would however note that in Liverpool, market rents are relatively close to social rents – and therefore there is little benefit arising from the ‘affordable rent’ model in terms of supporting the viability of residential schemes.

8.38 For these reasons it is difficult to exactly pin down what proportion of additional affordable homes should be provided through different affordable tenure categories. In effect there is a degree of overlap between different affordable housing tenures, as the figure below shows.

**Figure 74: Overlap between Affordable Housing Tenures**

![Overlap between Affordable Housing Tenures](image)

8.39 The situation in Liverpool is complicated by the low costs of private rented housing in the City. As seen in the affordable housing need section, the lower quartile private rent in the City is the lowest of anywhere in the Country. This means that there is very little gap between the costs of private rented accommodation and the social rented sector (when the whole stock is considered). Given this difficulty, for analytical purposes we have defined the following two categories:

- Households who can afford 80% or more of market rent levels (termed intermediate housing) – this will include equity-based intermediate products such as shared ownership and shared equity homes;
- Households who would cannot afford 80% of market rent levels (or would require housing benefit, or an increased level of housing benefit to do so) – this has been termed social/affordable rented
although in reality our analysis shows that a rent at 80% of a lower quartile market rent would potentially be lower than for a social rented home.

8.40 We do not have detailed information on households’ savings. For the purposes of the analysis of affordability it has been assumed that all households with an income which would allow them to afford 80% or more of market rents would represent the potential market for equity-based intermediate products such as shared ownership and shared equity homes with the remainder needing a rented product.

8.41 When working the above assumptions through the affordability models developed in the affordable needs analysis (taking account of the different elements of need and using a 25% affordability threshold) it is estimated that around a fifth of households would be able to afford a product priced at 80% of the market cost.

Figure 75: Gross need for Intermediate affordable housing

<table>
<thead>
<tr>
<th>Component of need (all per annum)</th>
<th>Afford 80% of market rents</th>
<th>Cannot afford 80% of market rents</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current need (with housing)</td>
<td>39</td>
<td>146</td>
<td>184</td>
</tr>
<tr>
<td>Current need (without housing)</td>
<td>11</td>
<td>68</td>
<td>80</td>
</tr>
<tr>
<td>Newly forming households</td>
<td>414</td>
<td>1,330</td>
<td>1,744</td>
</tr>
<tr>
<td>Existing households falling into need</td>
<td>255</td>
<td>1,512</td>
<td>1,767</td>
</tr>
<tr>
<td>Total</td>
<td>720</td>
<td>3,056</td>
<td>3,775</td>
</tr>
<tr>
<td>Percentage of total</td>
<td>19%</td>
<td>81%</td>
<td>100%</td>
</tr>
</tbody>
</table>

8.42 However, the figures in the table above should not be directly taken to be the proportion of housing that should be provided as intermediate. There are two factors which need to be considered and these are described below:

- Savings and or access to a deposit – as noted, there is no information about household savings and their ability to afford an equity-based intermediate product. In reality, many households with a modest income may not be able to afford intermediate housing due to this factor. For this reason, the figures presented in the table above are arguably too high
- Supply of intermediate housing – however, the current supply of affordable housing also needs to be considered. As previous analysis has shown, the vast majority of the affordable housing stock and relets is in the social/affordable rented category with only a modest supply of intermediate housing. Therefore, it is arguable that a higher proportion of intermediate housing would be needed due to this imbalance

8.43 As can be seen these two factors suggest that the need is either higher or lower than presented in the table above. Given this, it is suggested that a prudent response would be to consider the figures in the table as being broadly reflective of the need for intermediate products. Given the range of figures the following is suggested as a reasonable tenure mix for affordable housing across the City:
20% - intermediate housing
80% - social/affordable rented housing

8.44 In determining policies for affordable housing provision on individual sites, the analysis should be brought together with other local evidence such as from the Housing Register. Consideration could also be given to areas with high concentrations of social rented housing where additional intermediate housing might be desirable to improve the housing mix and to create ‘housing pathways’.

Starter Home Affordability

8.45 Government proposes to introduce ‘Starter Homes’ into the definition of affordable housing. This relates to the Government’s wider agenda to improve access to home ownership. Starter Homes will be available at a minimum discount of 20% on the Open Market Value (OMV) to first-time buyers under the age of 40. We can examine affordability of this making some broad-brush assumptions:

- Entry-level house types are typically flatted or terraced properties.
- For flatted properties, lower quartile prices for new-build sales in 2014 averaged £66,100. A 20% discount would give a sales value of £52,880. A household with a 10% deposit (£5,288) would be able to buy such a home with an income of £13,600.
- For terraced homes, lower quartile prices for new-build sales averaged £119,000 in 2014 – with the average being significantly above levels for existing (resale) properties. Assuming again a 20% discount would give a sales value of £95,200. A household with a 10% deposit assuming a 3.5 times income ratio would require an income of £24,500.

8.46 The analysis suggests the potential contribution of Starter Homes to improving access to home ownership in Liverpool can be expected to be marginal, given the current relatively broad availability of relatively affordable properties in the City. A household with an income of over £21,000 could afford to buy a home within the existing stock. Starter Home properties would need to be priced (including the discount) below £75,000 in order to make an overall contribution to improving affordability. Whilst there is potential for some flatted development to do so, delivery of new-build houses would be unlikely to be ‘more affordable’ than properties within the existing stock. This said, by widening the potential market for properties, Starter Homes could support new-build delivery rates.

Summary and Implications

8.47 There are a range of factors which will influence demand for different sizes of homes, including demographic changes: future growth in real earnings and households’ ability to save; and economic performance and housing affordability. The analysis linked to long-term (20-year) demographic change concludes that the following represents an appropriate mix of affordable and market homes:
Table 46: Recommended Housing Mix – City Wide

<table>
<thead>
<tr>
<th></th>
<th>1-bed</th>
<th>2-bed</th>
<th>3-bed</th>
<th>4+ bed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market</td>
<td>5-10%</td>
<td>20-25%</td>
<td>45-50%</td>
<td>20-25%</td>
</tr>
<tr>
<td>Affordable</td>
<td>25-30%</td>
<td>30-35%</td>
<td>30-35%</td>
<td>5-10%</td>
</tr>
<tr>
<td>All dwellings</td>
<td>10%</td>
<td>25%</td>
<td>50%</td>
<td>15%</td>
</tr>
</tbody>
</table>

8.48 The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households, together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues. As a result, whilst the number of households coming forward for four or more bedroom homes is typically quite small, the ability for these needs to be met is even more limited. We have therefore made a small adjustment to the mix to reflect this.

8.49 Indicatively this translates into the following mix in terms of different types of housing:

Table 47: Indicative Need for Different Sizes of Properties, 2013-33

<table>
<thead>
<tr>
<th></th>
<th>Affordable</th>
<th>Market</th>
<th>All Dwellings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detached</td>
<td>10-15%</td>
<td>15-20%</td>
<td>10-15%</td>
</tr>
<tr>
<td>Semi-Detached</td>
<td>25-30%</td>
<td>35-40%</td>
<td>25-30%</td>
</tr>
<tr>
<td>Terraced</td>
<td>25-30%</td>
<td>25-30%</td>
<td>25-30%</td>
</tr>
<tr>
<td>Flat/Maisonette</td>
<td>30-35%</td>
<td>15-20%</td>
<td>30-35%</td>
</tr>
</tbody>
</table>

8.50 The indicative housing mix identified above should inform strategic policies. The Council in considering which sites to allocate, can consider what type of development would likely be delivered on these sites. It can also provide guidance on housing mix implicitly through policies on development densities.

8.51 To apply the indicative housing mix to individual development sites the Council should have regard to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

8.52 Based on the evidence, it is expected that the focus of new market housing provision will be on two- and three-bed properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay. Provision of larger properties where suitable opportunities exist should be promoted to support regeneration and limit growth in in-commuting to the City.
8.53 The analysis of an appropriate mix of dwellings should also inform the ‘portfolio’ of sites which are considered through by each local authority through its local plan process. Equally it will be of relevance to affordable housing negotiations.

8.54 Some 20% of the net need identified could be met through intermediate housing, with 80% of the need for social or affordable rented homes. The types of intermediate housing could include products such as shared ownership or shared equity. The cost of such products should be carefully considered to ensure they are genuinely affordable – this will need to include consideration of any deposit requirements which may be a barrier to access for a number of households as well as the current supply of such housing. The evidence suggests the potential contribution of Starter Homes to increasing access to home ownership is likely to be relatively marginal in Liverpool given the availability of relatively lower cost terraced and flatted properties within the existing stock. However, delivery of Starter Homes may support provision of good quality new-build housing which is affordable for younger people, and help to contribute to new-build delivery rates.
9 SPECIALIST HOUSING NEEDS & MARKET SEGMENTS

9.1 In this section we move on to consider housing needs arising from different groups within the population, including from older persons, people with a disability and students. We also consider the dynamics in specific market segments, including the Private Rented Sector, City Centre/Waterfront and demand for self/ custom-build housing.

Private Rented Sector

9.2 The analysis in Section 2 highlighted strong growth in the Private Rented Sector (PRS) between 2001-11 at a national level, and in the City. In Liverpool the number of households living in the PRS increased by 21,669 between 2001-11, with the sector increasing in size relative to other segments of the market, from accommodating 14.8% of households in 2001 to 23.4% in 2011. At a national level, homeownership peaked in 2001 and has fallen since.

9.3 Given the demographic and macroeconomic trends, institutional investors are becoming more interested in “build to rent” housing. Government is keen to support this sector and has set aside funds to support new developments. The Government set up a Private Rented Sector Taskforce in 2013 and created a £1 billion fund to help kick-start development. Now it is helping to create cheap finance through Government-backed bonds in a scheme managed by Venn Partners, an alternative lender.

9.4 The market is still however relatively embryonic, and focused in the larger cities and locations with a large population of young people/ students. This is a new market segment which could contribute to both overall housing delivery and improve management standards within the PRS in Liverpool. Whilst no schemes at the time of writing have yet been delivered, there are a number within the development pipeline in the City, including:

- Marwood Towers: a schemes of 81 units by Liverpool Mutual in Everton, North Liverpool;
- Moda Living: a proposed 40 storey tower within the Liverpool Waters development at Princes Dock to provide 325 units. It is due to be completed in late 2017;
- Baltic Triangle: a scheme of 324 units comprising 1, 2 and 3-bed units to be delivered by the Vista Fund, a Joint Venture between Countryside and Hermes, in the Baltic Triangle Area. It is due to be completed in September 2016. Vista’s £50 million investment represents one of the largest PRS funding deals outside London;
- The Keel, Kings Parade: a scheme of 240 units at Queens Dock on the Waterfront nearing completion. This is providing a range of units from studios to 3-bed apartments. Rental values for studios start at £500 / month; from £600 for 1-beds, £775 for 2-beds and £1200 for 3-bed apartments.

9.5 There is clear potential occupier demand for rental accommodation given that the sector accommodates nearly a quarter of all households. Demand can be expected to arise particularly from young professionals in their twenties and thirties, particularly in locations - including in the City Centre – where there is a strong access to amenities and public transport.

9.6 Figure 76 below identifies the age profile for Liverpool of PRS tenants and the profile of occupations in 2011. It shows that there are over 8,000 households in Liverpool have a head of household who is under 34 and in a managerial/professional occupation.

**Figure 76: Occupation and Age Profile of PRS Tenants, Liverpool 2011**

![Occupation and Age Profile of PRS Tenants, Liverpool 2011](image)

*Source: Census 2011*

9.7 Key issues will relate to the values and occupancy levels which can be achieved. At the time of writing the first scheme, The Keel, has been opened, with agents recording that “already over half of the development’s 240 apartments have been let with a strong demand for all apartment types and price ranges. Rents being achieved are well above comparable rents in the city for similar sized/locations apartments.”

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23 City Residential, Q3 2015
9.8 From the institutional investor’s perspective, there is a clear appetite for unlocking additional funds for investment. It is important however to recognise that the viability of Build-to-Rent schemes differ from traditional schemes of houses built for sale, of from mixed-tenure (market/affordable) developments. For a scheme of homes sold for sale or typical mixed tenure development, a capital receipt is generated through the sale of homes. In contrast for a Build-to-Rent scheme, the costs of construction are borne upfront, but receipts through rents (to repay this) are phased over a 10-30-year period.

9.9 Nationally, Build-to-Rent has the potential to help boost overall housing delivery but will likely require a greater degree of flexibility in s.106 negotiations, the application of CIL and affordable housing obligations. The viability of build-to-rent is quite different from that of a standard mixed-tenure housing scheme where private sales generate receipts immediately on sale of the units.

City Centre / Waterfront Living

9.10 We have sought to profile the population living in the City Centre and the City Centre Housing Market. Our analysis uses a best fit of Output Areas to the City Centre boundary.

9.11 The 2011 Census recorded a usual resident population of around 30,000 persons in the City Centre.\textsuperscript{24} As Figure 77 shows, the City Centre’s population is principally aged between 18-34 with 72% of the total population falling within these age groups. There is a low population of children, and of people aged over 50.

\textsuperscript{24} 30,003 persons based on best fit area
9.12 Of the 30,000 population, the 2011 Census recorded that 24% (7,161 persons) live within communal establishments – this is likely to principally be students living in halls of residence. 76% live in households.

9.13 The 2011 Census recorded 13,800 households in the City Centre. Of these 58.4% were living in the Private Rented Sector, which in effect dominates the City Centre market. 15.8% are owner occupied and 23.4% social rented. 1.4% of households live in shared ownership properties.
The majority (82%) of households within the City Centre live in one or two bedroom properties, as we would expect for a City Centre location which is attractive to younger households. 17.4% of households live in properties with three or more bedrooms. The numbers of studios is small, accommodating less than 1% of households.

Table 48: Sizes of Homes, Liverpool City Centre 2011

<table>
<thead>
<tr>
<th>Households</th>
<th>Studio</th>
<th>1-bed</th>
<th>2-bed</th>
<th>3-bed</th>
<th>4-bed</th>
<th>5+ bed</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Households</td>
<td>0.6%</td>
<td>35.1%</td>
<td>47.0%</td>
<td>9.8%</td>
<td>3.3%</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

Those household types which are strongly represented in the City Centre are:

- Young single person households: 53%
- Couples without children: 10%
- Shared households\(^{25}\): 10%

Collectively, these three household types account for almost three quarters of households in the City Centre. In addition, there are students living within halls (which as a result do not fall within the household population).

\(^{25}\) This will comprise the majority of the Other Households: Other category
Table 49: Household Types, Liverpool City Centre 2011

<table>
<thead>
<tr>
<th>Household Type</th>
<th>Households</th>
<th>% Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Person: Over 65</td>
<td>559</td>
<td>4.0%</td>
</tr>
<tr>
<td>One Person: Other</td>
<td>7,334</td>
<td>53.1%</td>
</tr>
<tr>
<td>Family: All Over 65</td>
<td>95</td>
<td>0.7%</td>
</tr>
<tr>
<td>Family: Couple No Children</td>
<td>1,381</td>
<td>10.0%</td>
</tr>
<tr>
<td>Family: Couple Non-Dependent Children</td>
<td>115</td>
<td>0.8%</td>
</tr>
<tr>
<td>Family: Couple with Dependent Children</td>
<td>544</td>
<td>3.9%</td>
</tr>
<tr>
<td>Family: Lone Parent with Dependent Children</td>
<td>390</td>
<td>2.8%</td>
</tr>
<tr>
<td>Family: Lone Parent, Non-Dependent Children</td>
<td>187</td>
<td>1.4%</td>
</tr>
<tr>
<td>Other Households: With Dependent Children</td>
<td>97</td>
<td>0.7%</td>
</tr>
<tr>
<td>Other Households: All Students</td>
<td>1,098</td>
<td>8.0%</td>
</tr>
<tr>
<td>Other Households: Over 65</td>
<td>10</td>
<td>0.1%</td>
</tr>
<tr>
<td>Other Households: Other</td>
<td>1,383</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

Source: 2011 Census

9.17 A high proportion of those living within the City Centre, who are in employment, are employed in professional/associate professional occupations or in sales/customer services.

Table 50: Occupation of Residents, Liverpool City Centre 2011

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Usual Residents 16-74</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers, Directors and Senior Officials</td>
<td>1,242</td>
<td>9%</td>
</tr>
<tr>
<td>Professional Occupations</td>
<td>3,695</td>
<td>27%</td>
</tr>
<tr>
<td>Associate Professional and Technical Occupations</td>
<td>2,153</td>
<td>16%</td>
</tr>
<tr>
<td>Administrative and Secretarial Occupations</td>
<td>1,282</td>
<td>9%</td>
</tr>
<tr>
<td>Skilled Trades Occupations</td>
<td>641</td>
<td>5%</td>
</tr>
<tr>
<td>Caring, Leisure and Other Service Occupations</td>
<td>789</td>
<td>6%</td>
</tr>
<tr>
<td>Sales and Customer Service Occupations</td>
<td>1,760</td>
<td>13%</td>
</tr>
<tr>
<td>Process, Plant and Machine Operatives</td>
<td>281</td>
<td>2%</td>
</tr>
<tr>
<td>Elementary Occupations</td>
<td>1,844</td>
<td>13%</td>
</tr>
</tbody>
</table>

Source: 2011 Census

9.18 City Residential’s Q3 2015 Residential Report identifies a vacancy rate within the City Centre/Waterfront market of 9%, equivalent to 1,329 properties. The profile of occupancy/ownership of properties is set out below:
Table 51:  Stock of Properties – City Centre and Waterfront, 2015

<table>
<thead>
<tr>
<th>Stock, Liverpool City Centre Oct 2015</th>
<th>% Properties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner Occupied Properties</td>
<td>5,241</td>
</tr>
<tr>
<td>Tenanted Properties</td>
<td>7,534</td>
</tr>
<tr>
<td>Let to Serviced Apartment Operators</td>
<td>368</td>
</tr>
<tr>
<td>Vacant Properties</td>
<td>1,329</td>
</tr>
<tr>
<td>Total Stock</td>
<td>14,472</td>
</tr>
</tbody>
</table>

Source: City Residential

The City Residential report identifies 1,039 properties which were under construction in the City Centre/ Waterfront area in Q3 2015. This follows three years of relatively slow activity and points to a returning market in the City Centre, following the recession. The chart below shows the notable drop in non-student house building between 2012-14 but more recent upturn in development.

Figure 79:  City Centre Completions / Pipeline (Non-Student Residential Units)

Source: LCC Residential Development Update, March 2015

Over the year to May 2015, City Residential’s Report recorded private sector completions of 320 properties. National changes to permitted development rights are likely to have supported growth in supply in the short-term.

New-build development in the City Centre is brought forward through a mix of new-build schemes and conversions. Schemes typically focus on one- and two-bed flats, but include some studios and 3-bed penthouse flats. GL Hearn would expect this demand profile to remain. Demand is strong in particular for good quality stock which would be attractive to owner occupiers.
Students

9.22 Liverpool accommodates 50,000 higher education students. The numbers studying at individual institutions are set out below. The largest institutions are the University of Liverpool and Liverpool John Moores. Undergraduates account for 81% of the student population, with postgraduate numbers (totally 9,300) accounting for the remaining 19%. The universities indicate that total student numbers increased by around 1,000 in 2015/16 on the previous year but remain broadly around the 50,000 level.

Table 52: Higher Education Students by Institution, 2013/14

<table>
<thead>
<tr>
<th>2013/14</th>
<th>Undergraduate</th>
<th>Postgraduate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool Hope University</td>
<td>4,315</td>
<td>1,925</td>
<td>6,240</td>
</tr>
<tr>
<td>Liverpool John Moores University</td>
<td>18,450</td>
<td>2,865</td>
<td>21,315</td>
</tr>
<tr>
<td>The Liverpool Institute for Performing Arts</td>
<td>720</td>
<td>0</td>
<td>720</td>
</tr>
<tr>
<td>The University of Liverpool</td>
<td>16,855</td>
<td>4,490</td>
<td>21,345</td>
</tr>
<tr>
<td>Total</td>
<td>40,340</td>
<td>9,280</td>
<td>49,620</td>
</tr>
</tbody>
</table>

Source: Higher Education Statistics Agency

9.23 Housing need arises particularly from students who are studying full-time. 87% of students, 43,275 in number, are studying full-time across the four institutions. The split by institution is shown below.

Table 53: Full-Time Students, 2013/14

<table>
<thead>
<tr>
<th>2013/14</th>
<th>Full-Time</th>
<th>% Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool Hope University</td>
<td>4,940</td>
<td>79%</td>
</tr>
<tr>
<td>Liverpool John Moores University</td>
<td>18,215</td>
<td>85%</td>
</tr>
<tr>
<td>The Liverpool Institute for Performing Arts</td>
<td>720</td>
<td>100%</td>
</tr>
<tr>
<td>The University of Liverpool</td>
<td>19,400</td>
<td>91%</td>
</tr>
<tr>
<td>Total</td>
<td>43,275</td>
<td>87%</td>
</tr>
</tbody>
</table>

Source: Higher Education Statistics Agency

9.24 Over the last decade (2003/4 – 2013/14) full-time student numbers at the three main institutions have increased by 6,195 (17%). Liverpool University has seen the strongest growth (26%) followed by John Moores (19%). Full-time student numbers at Liverpool Hope University have fallen by 13% over this period, following a period of growth in the early 2000s.

9.25 Numbers of full-time students have fallen since 2011/12 at Liverpool Hope and Liverpool John Moores Universities. This is likely to have reflected increases to tuition fees. In contrast, numbers at Liverpool University have continued to grow. The overall effect has however been to see a stabilisation of student numbers over the last few years.
9.26  The majority of students in the City (83%) are from the UK, with 2% from other European Union counties and 15% from outside of the UK. Numbers of foreign students are highest at the University of Liverpool, followed by John Moores.
University-Owned Accommodation

9.27 Of the four universities, Liverpool University and Liverpool Hope University own accommodation.

9.28 Liverpool University provides accommodation on campus, as well as in the Mosley Hill area at the Carnatic and Greenbank Student Villages. Together the three sites provide over 4,500 student rooms catering collectively for about 20% of the student population. This comprises over 2,800 rooms on the main Campus, 1090 at Carnatic Student Villages and current 420 at Greenbank; with an approved redevelopment scheme to provide 1,370 bedspaces through demolition and redevelopment of dated accommodation at the Greenbank Student Campus. The redevelopment of the former veterinary science buildings on the main campus to deliver new student accommodation has been completed. Rents vary from between £134 - £206 per week, depending on quality, size and amenities.

9.29 Liverpool Hope University provides accommodation at its Hope Park Campus in Childwall, its Creative Campus in Everton and at Aigburth Park. It directly manages 1,291 properties. Rents vary between £77 – 123 per week.

Privately-Owned Student Accommodation

9.30 Liverpool has witnessed substantial growth in purpose-build student accommodation over the last decade. Student housing is now a mature development and investment market in its own right. This
market segment was affected by the credit-crunch in 2008, but has proved reasonably resilient and is attracting international investment. Within the City Centre there has been an increasing blurring between student and private rented accommodation, with developers/landlords marketing properties directly to students.

9.31 Figure 83 shows levels of recent development of student bedspaces in the City Centre:

**Figure 83: Completions of Student Bedrooms in Liverpool City Centre**

![Graph showing completions of student bedrooms in Liverpool City Centre](image)

Source: LCC Residential Development Update, March 2015

9.32 What is particularly notable is the substantial pipeline of student accommodation. The City Council’s March 2015 Residential Development Update identifies:

- 4,766 student bedrooms under construction, of which 4,258 in the City Centre; and
- 6,938 potential additional bedrooms either with or seeking planning approval (of which 4,535 are within the City Centre).

9.33 The total potential pipeline of 11,700 student bedspaces is considerable and would equate to around 27% of total full-time students currently studying at the universities in Liverpool. We would question whether this scale of development is realistic and there is potential for a surplus student accommodation to arise in the short-term if a number of new-build schemes in the pipeline all come forwards. The rate of planning applications for new student accommodation has been slowing.

9.34 Full-time student numbers have been relatively static between 2012-14; but prior to this student numbers at the City’s institutions were growing at a rate of 2.6% per annum. Inevitably there is some uncertainty regarding trends. Key issues include:

- Impacts of lifting of caps by Government on student numbers;
- Impacts of higher student fees and the associated ‘flight to quality;’
• Potential impacts of tighter immigration controls on the ability to recruit.

9.35 The changes in the student numbers at each institution suggest the fee regime have curtailed growth at John Moores but have had a minimal impact at Liverpool University. Looking to the future, if student numbers increased at the rate seen over the 2002-12 decade (2.6% pa), total numbers of full-time students would grow by 26,750 between 2013-33.

9.36 However, a trend based approach to projecting ahead is not particularly helpful as in the previous decade that national government actively promoted higher education expansion, which is unlikely to be repeated given the current fiscal climate.

9.37 Currently about a quarter of the student population in the City live within halls. This is consistent with levels nationally. If this proportion held true and the total numbers of full-time students increased by 26,750 between 2013-33, then demand for student accommodation would increase by around 6,700 bedspaces.

9.38 The student population does not necessarily form part of the housing need calculation. Those living within halls of residence are counted as part of the institutional population and thus not factored into the OAN figure which focusses only on household population. It does however include those students who live in the general housing stock in areas such as Kensington, Islington and Edge Hill etc.

9.39 It should be noted that the demographic modelling in this report assumes that the institutional population is held constant. On this basis, delivery of new student accommodation could be counted towards housing numbers on the basis of the potential accommodation that it releases in the private sector. On the basis of an average headship rate for those aged under 24 (as shown in Figure 53), it would be a sensible planning assumption that 5 student bedspaces would be equivalent to 1 dwelling.

Mayoral Review

9.40 Earlier this year the Mayor of Liverpool commissioned a review of the future of student accommodation in the city. This review was prompted by the growth in planning applications for purpose built student accommodation in Liverpool City Centre. The review considered evidence on supply and demand and the impact changing the patterns of student accommodation in the city would have.

9.41 The demand evidence concluded that student numbers are likely to remain stable for the foreseeable future and that the City's universities are well placed to protect their student numbers
9.42 The review also concluded that students want a range of housing options and that it is not just about the number of units in the City; it is about quality, choice and diversity. Student demands have seen the market in the City shift both in terms of tenure and geography. Students are primarily seeking locations close to their university and close to the City Centre.

9.43 On the supply side it was noted that there is significant interest from developers in terms of purpose built student accommodation. It noted that the growth in purpose built units in the City is likely to lead to older, purpose built units falling out of the market and a potential reduction in the demand for student HMOs.

9.44 The review noted that student housing can place strain upon local services, can lead to anti-social behaviour, and impact upon community cohesion. However, these aren’t issues specific to students but equally can be caused by any HMO or large scale accommodation development.

9.45 The impacts of student accommodation in the City Centre was also noted, with the Review stating that care needs to be exercised in ensuring City Centre sites utilised for student accommodation do not impact on the overall commercial potential of the City Centre.

9.46 That said the Review also noted that students can brings benefits to local communities including occupying accommodation which might otherwise lie empty and that their spending power enhances local economies, which sustains local businesses and employs local residents.

9.47 The review goes on to make a number of recommendations including that there was no case to introduce a moratorium on new student accommodation, introducing zones of opportunity for such accommodation, and discourage their development elsewhere.

9.48 The Review recommends that the Council should introduce a range of measures to encourage good quality management of student accommodation. These measures should include requiring management plans for student accommodation as part of any planning application and for the landlord licensing scheme for existing student accommodation to encourage, enable and where possible enforce landlords to develop pro-active management plans. The Council should also work proactively with developers to ensure that proposals for new student accommodation have viable, alternative uses should student demand fall.
Self/ Custom-Build

9.49 SHMAs need to investigate the contribution that self-build makes toward the local supply. *Laying the Foundations – a Housing Strategy for England*\(^{26}\) sets out that only one in 10 new homes in Britain was self-built in 2010 – a lower level than in other parts of Europe. It identifies barriers to self or custom-build development as including:

- A lack of land;
- Limited finance and mortgage products;
- Restrictive regulation; and
- A lack of impartial information for potential custom home builders.

9.50 Government aspires to make self-build a ‘mainstream housing option’ and has thus sought to address these issues.

9.51 There are now a number of websites which provide information on self- and custom-build housing, including [www.self-build.co.uk](http://www.self-build.co.uk), [www.selfbuildportal.org.uk](http://www.selfbuildportal.org.uk) and [www.nacsba.org.uk](http://www.nacsba.org.uk). The level of information and advice available is increasing. Quantitative information on demand is limited; however through engagement with Build Store\(^{27}\) there are:

- 61 people in Liverpool who have registered their details on the Custom Build Register; and
- 568 active members in Liverpool on BuildStore’s Plotsearch register.

9.52 Government is proposing to introduce a “Right-to-Build” whereby Councils are required to set up and maintain a register of individuals who wish to build their own homes and to use public sector land to provide service plots for individuals who want to build their own homes. A number of “vanguard” councils have been identified to test how this might work.

9.53 The Self-build and Custom Housebuilding Act 2015 requires local authorities to establish a register, enabling those interested to note their interest in pursuing self-build or custom-build. Liverpool has established a Custom and Self-Build Register, accessible via the City Council’s website.

9.54 Government has also introduced a £150 million Custom Build Service Plots Loan Fund, through which developers can bid for loan finance to bring forward serviced plots with planning permission which can be sold to individuals for custom-build development. Government has also mooted at extension of the Help-to-Buy Scheme to Custom Build, allowing potential self-builders to access finance with a 5% deposit. These schemes aim to increase land supply, and address barriers identified above.

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\(^{27}\) [http://www.buildstore.co.uk/](http://www.buildstore.co.uk/)
From a development point of view, key issues with this market are associated with skills and risk: whist there may be notable number of people with an ‘interest’ in self-build, there is in some circumstances a significant financial outlay, risk and time-cost associated with self-build. Government's drive is however likely to support some growth in this sector.

We would expect most new delivery through self-build to be on small windfall sites, although there is some potential through policy to encourage developers of larger schemes to designate parts of these as plots available for custom build.

While the focus of Self-build is understandably for market housing, there are opportunities for delivery of affordable homes through this method. One example of this is the ‘Build!’ programme run by Cherwell District Council in Oxfordshire. This programme offers individuals or interested groups the opportunity to come together to either build a new home, or to renovate and decorate an existing property. These properties are eventually available on a shared ownership or affordable rent tenure. In return for their labour, participants would receive reduced purchase price or lower rental rates. The level of discount applied would reflect the individual's involvement in the build or renovation process.

Overall self- and custom-build homes is a small sector of Liverpool’s housing market, but one with some potential to grow. It can also help to increase overall housing delivery.

**Older Persons**

As shown in section 4 it is estimated that there will an increase of 28,000 people aged over 60 between 2013 and 2033, representing growth of 31%. The population aged 75 and over is projected to increase by an even greater proportion, 43%, driven by increasing life expectancy.

We have considered in the previous section the needs for different types and sizes of property. In this section we move on to consider the need for specialist (supported) housing. Specialist provision focuses on the needs of an ageing population also considers the number of people with disabilities and how that might change in the future (recognising that there is a strong link between age and disability).

Planning Policy Guidance recognises the need to provide housing for older people as part of achieving a good mix of housing. A key driver of change in the housing market over the next few years is expected to be the growth in the population of older persons.

Indeed, as population projections show, the number of older people is expected to increase significantly over the next few years. In this section we draw on a range of sources including our
population projections, 2011 Census information and data from POPPI (Projecting Older People Population Information).

9.63 The context to older persons housing provision can be summarised as below:

- A need to provide housing for older people as part of achieving a good mix of housing, but recognizing that many older people are able to exercise choice and control over housing options – e.g. owner occupiers with equity in their homes;
- Falling demand for residential care in some areas and a rapidly rising average age of people living in sheltered housing, who require a higher level of support. However, many local authorities have struggled to contain expenditure on services for older people;
- New models of enhanced and extra care housing have emerged. These aim to meet the needs of those who require high levels of care and support alongside those who are still generally able to care for themselves. These models often allow for changing circumstances in situ rather than requiring a move; and
- Providing choice, including supporting people to stay in their own homes through supporting adaptations to properties and through provision of floating support.

Current Population of Older People

9.64 Table 54 provides baseline population data about older persons for Liverpool and is compared to regional and national levels. The data for has been taken from the published ONS 2014 mid-year population estimates and is provided for age groups from 65 and upwards. The data shows that, when compared with each of the region and England, Liverpool has a lower proportion of older persons. In 2014, it is estimated that 15% of the population of Liverpool was aged 65 or over.

<table>
<thead>
<tr>
<th></th>
<th>Under 65</th>
<th>65-74</th>
<th>75-84</th>
<th>85+</th>
<th>Total 65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Popn</td>
<td>403,768</td>
<td>36,723</td>
<td>24,227</td>
<td>8,355</td>
<td>473,073</td>
</tr>
<tr>
<td>% of popn</td>
<td>85.4%</td>
<td>7.8%</td>
<td>5.1%</td>
<td>1.8%</td>
<td>100.0%</td>
</tr>
<tr>
<td>North West</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of popn</td>
<td>82.0%</td>
<td>9.9%</td>
<td>5.8%</td>
<td>2.2%</td>
<td>100.0%</td>
</tr>
<tr>
<td>England</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of popn</td>
<td>82.4%</td>
<td>9.5%</td>
<td>5.7%</td>
<td>2.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Source: ONS 2014 Mid-Year Population Estimates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Future Changes in the Population of Older Persons

9.65 As well as providing a baseline position for the proportion of older persons in the City we can use population projections to provide an indication of how the numbers might change in the future compared with other areas. The data is based on our core projection linked to the 2012-based SNPP (updated to take account of 2013 and 2014 mid-year population data). Data for other areas (for comparative purposes) is taken from the 2012-based SNPP and in all cases looks at the 2013-33 period for consistency with the demographic projections set out in this report.
The data shows that the City (in line with other areas) is expected to see a notable increase in the older person population. The total number of people aged 65 and over expected to increase by 38% over the 20-years from 2013 compared with overall population growth of only 5% and a small decrease in the Under 65 population. The projected growth in the population aged 65 and over is lower than that projected for the region and England as a whole although to some degree, this will reflect the overall lower level of population growth expected in the City when compared with other locations.

Table 55: Projected Change in Population of Older Persons (2013 to 2033)

<table>
<thead>
<tr>
<th></th>
<th>Under 65</th>
<th>65-74</th>
<th>75-84</th>
<th>85+</th>
<th>Total</th>
<th>Total 65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool</td>
<td>-0.5%</td>
<td>33.7%</td>
<td>30.7%</td>
<td>81.8%</td>
<td>5.1%</td>
<td>38.3%</td>
</tr>
<tr>
<td>North West</td>
<td>-1.3%</td>
<td>27.8%</td>
<td>44.1%</td>
<td>116.7%</td>
<td>6.7%</td>
<td>44.2%</td>
</tr>
<tr>
<td>England</td>
<td>5.4%</td>
<td>34.5%</td>
<td>50.2%</td>
<td>120.7%</td>
<td>13.3%</td>
<td>51.1%</td>
</tr>
</tbody>
</table>

Source: derived from ONS data and demographic projections

Health-related Population Projections

In addition to providing projections about how the number and proportion of older people is expected to change in the future we can look at the likely impact on the number of people with specific illnesses or disabilities. For this we have used data from the Projecting Older People Information System (POPPI) website which provides prevalence rates for different disabilities by age and sex. For the purposes of the SHMA, analysis has focussed on estimates of the number of people with dementia and mobility problems.

For both of the health issues analysed, the figures relate to the population aged 65 and over. The figures from POPPI are based on prevalence rates from a range of different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order.

Table 56 shows that both of the illnesses/disabilities are expected to increase significantly in the future although this would be expected given the increasing population. In particular, there is projected to be a large rise in the number of people with dementia (up 53%) along with a 45% increase in the number with mobility problems.

Table 56: Estimated Population Change for range of Health Issues (2013 to 2033)

<table>
<thead>
<tr>
<th>Type of illness/disability</th>
<th>2013</th>
<th>2033</th>
<th>Change</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dementia</td>
<td>4,603</td>
<td>7,045</td>
<td>2,442</td>
<td>53.0%</td>
</tr>
<tr>
<td>Mobility problems</td>
<td>12,283</td>
<td>17,845</td>
<td>5,562</td>
<td>45.3%</td>
</tr>
</tbody>
</table>

Source: Data from POPPI and demographic projections
**Older People with long-term health problems or disabilities**

9.70 Overlapping with both the number of older persons and the analysis above about dementia and mobility problems, will be levels of disability generally. The table below shows the proportion of people with a long-term health problem or disability (LTHPD) and the proportion of households where at least one person has a LTHPD. The data suggests that across the study area some 31% of households contain someone with a LTHPD. This figure is some way higher than seen across the North West or England. The figures for the population with a LTHPD again show a higher proportion than in other areas (an estimated 22% of the population of the City have a LTHPD).

**Table 57: Households and people with Long-Term Health Problem or Disability (2011)**

<table>
<thead>
<tr>
<th>Area</th>
<th>Households containing someone with health problem</th>
<th>Population with health problem</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>Liverpool</td>
<td>64,036</td>
<td>31.0%</td>
</tr>
<tr>
<td>North West</td>
<td>857,462</td>
<td>28.5%</td>
</tr>
<tr>
<td>England</td>
<td>5,659,606</td>
<td>25.7%</td>
</tr>
</tbody>
</table>

Source: 2011 Census

9.71 It is likely that the age profile of the area will impact upon the numbers of people with a LTHPD, as older people tend to be more likely to have a LTHPD. Therefore, Figure 84 shows the age bands of people with a LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have a LTHPD – for example some 85% of people aged 85 and over have a LTHPD. For all age groups, it is notable that Liverpool has a higher prevalence of LTHPD than seen in any of the comparator areas. It should be noted that the base for the figure below is slightly different to the above table in that it excludes people living in communal establishments.
The age specific prevalence rates shown above can be applied to the demographic data to estimate the likely increase over time of the number of people with a LTHPD. In applying this information to the core demographic projection (linked to the 2012-based SNPP updated for 2013 and 2014 mid-year population estimates) it is estimated that the number of people with a LTHPD will increase by around 17,300 (a 16% increase), as shown in Table 58.

Across the City, all of this increase and more (102%) is expected to be in age groups aged 65 and over. The population increase of people with a LTHPD (17,335) represents 72% of the total increase in the population projected by the demographic modelling (2012-Based SNPP (as updated) 24,220). Of course much of the growth of those with a LTHPD will be within the existing population.

### Table 58: Estimated change in population with LTHPD (2013-33)

<table>
<thead>
<tr>
<th>Area</th>
<th>Population with LTHPD</th>
<th>Change (2013-33)</th>
<th>% change from 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool</td>
<td>105,835</td>
<td>123,169</td>
<td>17,335</td>
</tr>
</tbody>
</table>

Source: Derived from demographic modelling and Census (2011)

#### Indicative Need for Specialist Housing

Given the ageing population and higher levels of disability and health problems amongst older people there is likely to be an increased requirement for specialist housing options moving forward.
The analysis in this section draws on data from the Housing Learning and Information Network (Housing LIN) along with our demographic projections to provide an indication of the potential level of additional specialist housing that might be required for older people in the future.

**Current Stock of Specialist Housing**

9.75 Table 59 shows the current supply of specialist housing for older people. At present it is estimated that there are just under 3,800 units in the City, equivalent to 118 units per 1,000 people aged 75 and over. The analysis shows a significantly higher proportion of the stock is in the affordable sector than the market sector (89% vs. 11%).

**Table 59: Current Supply of Specialist Housing for Older People in Liverpool**

<table>
<thead>
<tr>
<th>Type of housing</th>
<th>Market</th>
<th>Affordable</th>
<th>Total</th>
<th>Supply per 1,000 aged 75+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sheltered</td>
<td>390</td>
<td>3,039</td>
<td>3,429</td>
<td>107</td>
</tr>
<tr>
<td>Extra-Care</td>
<td>33</td>
<td>315</td>
<td>348</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>423</td>
<td>3,354</td>
<td>3,777</td>
<td>118</td>
</tr>
</tbody>
</table>

Source: Housing LIN

**Projected Future Need for Specialist Housing**

9.76 A toolkit developed by Housing LIN, in association with the Elderly Accommodation Council and endorsed by the Department of Health, to identify potential demand for different types of specialist housing for older people and model future range of housing and care provision. It suggests that there should be around 170 units of specialised accommodation (other than registered care home places) per thousand people aged over 75 years.

9.77 Table 60 shows the change in the population aged 75 and over and what this would mean in terms of provision at 170 units per 1,000 population. The analysis shows a potential need for 2,371 units – 119 per annum. This is around 9% of the total need identified in the demographic modelling (linked to the 2012-based SNPP updated for 2013 and 2014 mid-year population estimates). It falls within the OAN figures set out within this report.

**Table 60: Projected need for Specialist Housing for Older People (2013-33)**

<table>
<thead>
<tr>
<th>Population aged 75+ (2013)</th>
<th>Population aged 75+ (2033)</th>
<th>Change in population aged 75+</th>
<th>Specialist housing need (@ 170 units per 1,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool</td>
<td>32,102</td>
<td>46,049</td>
<td>13,947</td>
</tr>
</tbody>
</table>

Source: Derived from demographic projections and Housing LIN

**Types and Tenures of Specialist Housing**
9.78 Figure 85 shows the tenure of older person households – the data has been split between single older person households and those with two or more older people (which will largely be couples). The data shows that older person households are relatively likely to live in outright owned accommodation (53%) and are also slightly more likely than other households to be in the social rented sector. The proportion of older person households living in the private rented sector is relatively low (6% compared with 23% of all households in the City).

9.79 There are however notable differences for different types of older person households with single older people having a much lower level of owner-occupation than larger older person households – this group also has a much higher proportion living in the social rented sector.

9.80 Given that the number of older people is expected to increase in the future and that the number of single person households is expected to increase this would suggest (if occupancy patterns remain the same) that there will be a notable demand for affordable housing from the ageing population. That said, the proportion of older person households who are outright owners (with significant equity) may mean that market solutions will also be required to meet their needs.

Figure 85: Tenure of Older Person Households – Liverpool

Source: 2011 Census

9.81 The analysis therefore shows that the current profile of older person households is biased towards outright ownership. The information about current supply of specialist housing indicates that significantly more of this is in the affordable sector than the market. Moving forward we would suggest that additional specialist housing should be split roughly 50:50 between the affordable and market sectors. This reflects the likely ‘market’ for specialist housing products as well as the current
tenure profile of older person households (i.e. the current profile of specialist housing is focussed towards affordable housing and this is likely to in part reflect the need and demand for such accommodation, however, with 53% of older persons being outright owners there is the opportunity to broaden this housing offer to a wider range of household groups).

9.82 The analysis is not specific about the types of specialist housing that might be required. We would consider that decisions about mix should be taken at a local level, taking account of specific needs and the current supply of different types of units available (for example noting that at present the dominant type of housing is traditional sheltered accommodation). There may also be the opportunity moving forward for different types of provision to be developed as well as the more traditional sheltered and Extra-Care housing.

9.83 Within the different models and assumptions made regarding the future need for specialist retirement housing (normally defined as a form of communal housing designed exclusively for older people which usually offers some form of communal space, community alarm service and access to support and care if required). There may for example be an option to substitute some of this specialist provision with a mix of one and two bedroomed housing aimed to attract ‘early retired’ older people which could be designated as age specific or not. Such housing could be part of the general mix of one and two bedroom homes but built with the design flexibility, exemplified by Lifetime Homes standards, in order to attract retired older people looking to ‘down size’ but perhaps not wanting to live in specialist retirement housing.

9.84 Our experience when carrying out stakeholder work as part of other SHMA commissions typically identifies a demand for bungalows. Where developments including bungalows are found, it is clear that these are very popular to older people who are downsizing. It should be acknowledged that providing significant numbers of bungalows involves cost implications for the developer given the typical plot size compared to floor space. However, providing an element of bungalows within a development should be given consideration on appropriate sites, allowing older households to downsize while freeing up family accommodation for younger households.

Registered Care Housing

9.85 As well as the need for specialist housing for older people the analysis needs to consider Registered Care. At present (according to Housing LIN) there are around 3,335 spaces in nursing and residential care homes. Given new models of provision (including Extra-care housing) it may be the case that an increase in this number would not be required. Nevertheless, there may be some additional need for particular groups such as those requiring specialist nursing or for people with dementia.
As with the analysis of potential need for specialist accommodation, the analysis below considers changes to the number of people aged 75 and over who are expected to be living in some form of institutional housing. This is a direct output of the demographic modelling which indicates an increase of around 1,000 people living in institutions over the 2013-33 period (50 per annum). This figure is important to note if the Council intends to include C2 class uses in their assessment of 5-year housing land supply as it will be necessary to include figures on both the need and supply side of the equation.

### Table 61: Potential Need for Residential Care Housing, 2013-33

<table>
<thead>
<tr>
<th></th>
<th>Institutional population aged 75+ (2013)</th>
<th>Institutional population aged 75+ (2033)</th>
<th>Change in institutional population aged 75+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool</td>
<td>1,978</td>
<td>2,977</td>
<td>999</td>
</tr>
</tbody>
</table>

Source: Derived from demographic projections

### General Population - Persons with Disabilities

An above average proportion of residents in Liverpool have a limited long-term health problem or disability at 22.4%. This is 2.2 percentage points above the North West average and 4.8 percentage points above the national average.

### Table 62: Limited Long-Term Health Problem or Disability, 2011

<table>
<thead>
<tr>
<th></th>
<th>Residents with LLTHPD</th>
<th>% Usual Residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool</td>
<td>104,620</td>
<td>22.4%</td>
</tr>
<tr>
<td>HMA</td>
<td>296,774</td>
<td>22.5%</td>
</tr>
<tr>
<td>North West</td>
<td>1,426,805</td>
<td>20.2%</td>
</tr>
<tr>
<td>England</td>
<td>9,352,586</td>
<td>17.6%</td>
</tr>
</tbody>
</table>

Source: 2011 Census

There is a strong correlation between numbers of people with disabilities and age, with in particular a substantial proportion of residents in age groups over 65 having some form of limited long-term health problem or disability. For those aged over 75, the proportion increases further to over 70%.

**Figure 86: Limited Long-Term Health Problem or Disability – by Age**
A growing older population can therefore be expected to result in growth in the number of persons with disabilities.

In February 2015 there were 43,400 Disability Living Allowance Claimants in Liverpool. Of these 52% were of working-age, 40% of pensionable age and the residual 8% of school age.

Claimant levels rose between 2005-13, but have fallen over the last couple of years, both within the City and the HMA more widely.

Source: 2011 Census
As with those with a limiting long-term illness or disability, there is a concentration of those claiming Disability Living Allowance (DLA) in those aged 55 and over. Thus a growing older population can be expected to result in growing numbers of people with a disability. It will be important that a choice of housing options is provided for those with disabilities, and that homes can be adapted to households needs.

Figure 88: Disability Living Allowance Claimants by Age, Feb 2015
Service Families

9.93 As of the 1st of October 2015 there were 430 Ministry of Defence (MOD) Personnel stationed in Liverpool. This comprises around 12% of the military personnel in the North West and 0.2% of the National Figure. Since recording of this data began in 2012, the numbers of MOD personnel in the City has decrease by 130 (-23%). The current figure is as low as it has been since 2012.

9.94 Of those currently stationed in the City, only around 80 are active military personnel (30 Navy/Marines, 30 Army and 20 RAF). The remaining 350 MOD employees were classified as civilian personnel.

9.95 It is difficult to quantify the future need for service personnel as these are very much dependent on the decisions of the MOD. With a trend of declining service personnel based in the City in recent years, it seems unlikely that there will be a specific housing need associated with housing service personnel. We are not aware of any proposals for basing an increasing number of service personnel within the City which might impact on the wider housing market.

9.96 Ex-service personnel can apply for affordable housing in the same way as other people. Ex service personnel are now not required to demonstrate a ‘local connection’ to secure affordable housing in the City and those which have a serious illness, inquiry or disability related to their military service are afforded priority in the allocation of affordable housing by the City Council.

Households with Children (Family Households)

9.97 The number of families in the City (defined for the purpose of this assessment as any household which contains at least one dependent child28) totalled 53,650 as of the 2011 Census, accounting for 26% of households. This proportion is lower than both the regional and national average (both about 29%). Despite having a lower proportion of households with dependent children, the data does show Liverpool having a high proportion of lone parent households (10% of all households compared with 7%-8% regionally and nationally) – the proportion of married couple households with dependent children is notably lower than in other areas.

28A dependent child is a person aged 0 to 15 in a household (whether or not in a family) or aged 16 to 18 in full-time education and living in a family with his or her parent(s).
Table 63: Households with dependent children (2011)

<table>
<thead>
<tr>
<th></th>
<th>Liverpool</th>
<th>North West</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Married couple</td>
<td>20,378</td>
<td>9.9%</td>
<td>14.1%</td>
</tr>
<tr>
<td>Cohabiting couple</td>
<td>7,128</td>
<td>3.5%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Lone parent</td>
<td>21,164</td>
<td>10.2%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Other households</td>
<td>4,980</td>
<td>2.4%</td>
<td>2.3%</td>
</tr>
<tr>
<td>All other households</td>
<td>152,865</td>
<td>74.0%</td>
<td>71.2%</td>
</tr>
<tr>
<td>Total</td>
<td>206,515</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Total with dependent children</td>
<td>53,850</td>
<td>26.0%</td>
<td>28.8%</td>
</tr>
</tbody>
</table>

Source: 2011 Census

9.98 The demographic projection linked to the 2012-based SNPP (and with an adjustment to take account of 2013 mid-year population data) suggests that the number of children (aged 15 and under) is expected to increase between 2013 to 2033 by about 4,900 people (a 7% increase) – accounting for about 20% of all population growth over this period.

9.99 Figure 89 below shows the current tenure of households with dependent children. There are some considerable differences by household type with lone parents having a very high proportion living in the social rented sector and also in private rented accommodation. Only around a fifth of lone parent households are owner-occupiers compared with three-quarters of married couples with children.
Overcrowding is often a key theme when looking at the housing needs of households with children and the figure below shows that households with children are about five times more likely than other households to be overcrowded. In total, some 10% of all households with dependent children are overcrowded in Liverpool. Included within this, the data shows particularly high levels of overcrowding amongst lone parent households and ‘other’ households with dependent children. Compared with other households the data also shows low levels of under-occupancy.
Providing for the needs of younger person households can be an important consideration. Given ageing populations, the ability to retain young people in an area can assist in providing a more balanced demographic profile as well as providing a vital part of the local workforce. Young people may however find barriers to accessing housing given typically low incomes and potential difficulties in securing mortgage finance due to deposit requirements. Additionally, LHA payments may limit choice for under-35s requiring private rented homes.

The demographic projections (linked to the 2012-based SNPP and CLG household projections) suggest that in 2013 there were around 49,600 households headed by someone aged under 35 across the City. This is set to decrease by around 2,900 over the period to 2033.

As well as households headed by a younger person there will be others living as part of another household (typically with parents). The table below shows the number of households in the City with non-dependent children. In total, some 11% of households (23,500) contain non-dependent children. This is likely to reflect a range of factors, including affordability issues. The proportion of households with non-dependent children in the City is slightly higher than the regional and national average.

Further analysis of Census data suggests that the number of households with non-dependent children rose by about 2,500 over the decade to 2011 – an increase of 12%.
Table 64: Households with non-dependent children (2011)

<table>
<thead>
<tr>
<th></th>
<th>Liverpool</th>
<th>North West</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Married couple</td>
<td>11,457</td>
<td>5.5%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Cohabiting couple</td>
<td>1,012</td>
<td>0.5%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Lone parent</td>
<td>11,016</td>
<td>5.3%</td>
<td>3.9%</td>
</tr>
<tr>
<td>All other households</td>
<td>183,030</td>
<td>88.6%</td>
<td>89.6%</td>
</tr>
<tr>
<td>Total</td>
<td>206,515</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Total with non-dependent children</td>
<td>23,485</td>
<td>11.4%</td>
<td>10.4%</td>
</tr>
</tbody>
</table>

Source: 2011 Census

9.105 When considering households that are currently headed by a younger person we can use 2011 Census data to look at some key characteristics. The figure below shows the tenure groups of these households (compared with other age groups). The data clearly shows that very few younger households are owner-occupiers, with a particular reliance on the Private Rented Sector and to a lesser degree social rented housing.

Figure 91: Tenure by age of HRP – Liverpool

9.106 Census data can also be used to look at economic activity rates; including employment and unemployment levels. Younger people are more likely to be unemployed than other age groups. The data shows that of the population aged 16-34 some 12% are unemployed; this is likely to be concentrated in younger people within this age group (e.g. those aged up to 24).
Figure 92: Economic activity by age – Liverpool

Source: 2011 Census

**Summary**

9.107 The evidence suggests that the scale of potential supply of additional student accommodation could potentially exceed demand over the plan period and needs to be monitored and managed carefully. The analysis points to potential growth in demand for student bedspaces of 6,700 over the 2013-33 period.

9.108 The Self-build and Custom Housebuilding Act 2015 requires local authorities to establish a register, enabling those interested to note their interest in pursuing self-build or custom-build. Liverpool has established a Custom and Self-Build Register, accessible via the City Council’s website. Data from Buildstore indicates that there are 61 residents registered on the Custom Build Register; and 588 active members on the Plot Search facility pointing to a level of potential demand. The Council might reasonably consider provision of some plots for custom-build development on larger development sites.

9.109 Within the overall need for housing there will potentially be a need to provide some specialist (supported) housing. This is particularly in response to an ageing population and the higher levels of disability experience by older persons. At present the population of older people in the City is low when compared with other areas (the North West and England) – some 15% of people were aged 65 and over in 2014. Over the 2013-33 period the number of people aged 65 and over is expected to increase by 38% with a higher (82%) increase in the number of people aged 85 and over.
9.110 This demographic change is expected to see an increase in the number of people with specific disabilities (dementia and mobility problems) as well as a general increase in the numbers with a long-term health problem or disability. The analysis identifies that over the 2013-33 period there may be a need for 2,371 specialist units of accommodation for older people (generally considered to be sheltered or extra-care housing), 119 units per annum. This figure represents about 9% of all housing provision suggested in demographic modelling. Such provision would be within a C3 use class and would therefore be part of the objective assessment of need.

9.111 Additionally, the analysis highlights a potential need for an additional 50 registered care bedspaces per annum for older people (aged 75 and over) in the 2013-33 period. As these would be in use class C2, they would be in addition to the estimates of housing need from demographic modelling.

9.112 Data about family households suggests that lone parents are particularly disadvantaged with a high reliance on rented housing. Projections suggest an increase in the number of children in the City over the next few years and if past trends are repeated, this will also see a notable increase in the number of lone parents. Again advice about housing options and maintaining a good quality of accommodation will be critical to ensure that such households’ needs are best met and that children are provided with a full range of opportunities as they grow up.

9.113 Young people (aged under 35) are important for any area due to the long-term economic potential they can bring. As with other groups there are some indications of this group being disadvantaged with a reliance on rented accommodation and higher levels of unemployment. Given that the housing options for young people may be more limited than for other groups it will be important to monitor the accommodation quality — this will need to focus on HMOs given general trends of an increase in house sharing over time. Numbers of residents in this age group are however expected to fall over the plan period to 2033.
10  CONCLUSIONS

10.1 This final section brings together the findings of the SHMA Report and is structured to set out our conclusions on: the overall objectively assessed need for housing; findings relating to the need for different types of homes and the housing needs of specific segments of the population; policy implications; and risk assessment and monitoring.

10.2 The SHMA has been prepared to deal specifically with housing needs in Liverpool, but recognises that Liverpool forms part of a wider sub-regional Housing Market Area which includes Sefton, Wirral, Knowsley and West Lancashire. There is a degree of overlap between this HMA with parts of Halton and St Helens. The preparation of this SHMA focused on Liverpool reflects the situation where different local authorities across the wider Housing Market Area are at different stages in the preparation of Local Plans. In accordance with the PPG, this SHMA has therefore involved engagement with wider authorities and review of their evidence and there is a commitment by the authorities across the HMA to progress joint work to consider housing and economic development needs across the Liverpool City Region in the short-term.

Overall Housing Need

10.3 The NPPF sets out that plans should be prepared on the basis of meeting full needs for market and affordable housing. Planning Practice Guidance (PPG) sets out that the latest national projections should be seen as a starting point but that authorities may consider sensitivity testing projections in response to local circumstances and the latest demographic evidence. Demographics provide the starting point for assessing housing need. The PPG then sets out that consideration should be given as to whether the housing need should be increased in order to:

- Support economic growth, based on interrogation of trends and forecast for future growth in employment; and
- Improve affordability, taking account of evidence from market signals and of the need for affordable housing.

10.4 In effect, the PPG approach recognises that demographic projections are influenced by what has happened in the past and these further factors consider whether wider evidence suggests that there has been an imbalance between housing supply and demand, or whether in the future the evidence would suggest that housing provision needs to be increased.

10.5 The PPG is very clear that housing need refers to the need for both market and affordable housing, including taking account of the movement of people into the area. It is also clear that a SHMA should “leave aside” issues related to land supply, infrastructure, green belt and other constraints in identifying housing need – but clearly sets out that these factors are relevant in bringing evidence together through the plan-making process to identify policies for future housing provision.
**The Demographic “Starting Point”**

10.6 The PPG emphasises the use of official population and household projections as a starting point for assessing housing need, as these are based on nationally-consistent assumptions and methodology.

10.7 The latest official household projections are the 2012-based Household Projections published by Government in February 2015. These projects household growth of 25,276 between 2013-33, equivalent to 1,264 dwellings per annum (including an allowance for a level of frictional vacancy within a functioning housing market).

10.8 GL Hearn considers that these projections when re-based to take account of the latest mid-year estimates (as the PPG recommends) provide a robust basis for considering future housing provision. A potential issue with the official projections is that household formation rates in Liverpool are somewhat above those seen across the region and nationally for all age groups. GL Hearn concludes however that this approach provides an appropriate ‘starting point’ for considering housing need (using the terminology in the Planning Practice Guidance).

10.9 The data suggests an increase in households of about 1,315 per annum between 2013 and 2033. Taking into account vacant properties the resultant level of housing need is set out Table 65 – a need for 1,375 homes per annum.

**Table 65: Projected Household Growth 2013-33 – Adjusted 2012-based SNPP with 2012-based Household Formation Rates**

<table>
<thead>
<tr>
<th></th>
<th>Study-area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households 2013</td>
<td>210,005</td>
</tr>
<tr>
<td>Households 2033</td>
<td>236,314</td>
</tr>
<tr>
<td>Change in households</td>
<td>26,309</td>
</tr>
<tr>
<td>Per annum</td>
<td>1,315</td>
</tr>
<tr>
<td>Dwellings (per annum)</td>
<td>1,375</td>
</tr>
</tbody>
</table>

10.10 Trend-based demographic projections for cities are more complex and subject to a potentially higher error margin than other areas. The analysis demonstrates that there have likely been some issues with the past recording of population and/or migration in Liverpool with the evidence in particular pointing to an under-recording of population in the City by the 2001 Census. It also shows that headship rate projections in the official projections could be regarded as optimistic. The “demographic starting point” needs to be treated with these factors in mind – but taking account of the balance of evidence is considered to represent a reasonable, evidenced starting point for considering housing need.
Economic-led Projections

10.11 The SHMA has been prepared alongside the Employment Land Study. An analysis of past economic performance has been undertaken, and considered alongside two econometric forecasts to assess future growth potential. Historically employment in Liverpool has grown by around 0.4% pa. Forecasts for future performance are more positive, with Oxford Economics forecasting growth in employment of 34,400 (0.76% pa) between 2013-33. Cambridge Econometrics forecasts are more positive still, showing growth of 40,300 (0.77% pa).

10.12 The economic-led scenarios prepared in this SHMA consider the potential implications of these scenarios for employment growth on housing need in the City. The SHMA modelling assumes that there is some improvement in the employment rate in the City, arising from changes to pensionable age and reductions in unemployment/worklessness. Employment rates are assumed to improve towards those seen in other northern cities. The commuting ratio is held constant, such that the there is no change in relative terms in net commuting.

10.13 Taking account of commuting patterns, the Oxford Economics scenario could be accommodated with trend-based population growth; whilst if the economy grows in line with the Cambridge Econometrics forecasts, this could drive some modest changes in migration dynamics relative to those in the 2012-based Sub-National Population Projections.

Table 66: Initial Economic-Driven Scenarios

<table>
<thead>
<tr>
<th></th>
<th>Oxford Economics</th>
<th>Cambridge Econometrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Change in Jobs, 2013-33</td>
<td>34,400</td>
<td>40,300</td>
</tr>
<tr>
<td>Growth in Resident Workforce</td>
<td>27,900</td>
<td>32,700</td>
</tr>
<tr>
<td>Need for Homes, pa 2013-33</td>
<td>1,361</td>
<td>1,582</td>
</tr>
</tbody>
</table>

10.14 The two econometric forecasts provide a set of parameters for future employment growth in the City. Inevitably looking over 15+ years there is a degree of uncertainty regarding future economic performance. The two scenarios are both relatively positive, with Liverpool’s economy performing significantly better than it has done historically. GL Hearn would consider that it would be appropriate, for the purposes of drawing conclusions on OAN, to take an average of the two forecasts. This would equate to 1,472 homes per annum as representing the economic-led need for housing. This is 7% higher than the trend-based demographic scenario.
Examining Market Signals

10.15 The report has then gone on to consider market signals. The NPPF sets out that plans should take account of market signals, such as land prices and housing affordability. The Planning Practice Guidance clarifies this and outlines that:

“The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance of the demand for and supply of dwellings. Prices or rents rising faster than the national/local average may well indicate particular market undersupply relative to demand.”

10.16 The SHMA evidence indicates Liverpool is one of the more affordable cities in the Country. Median house prices are around 40% below the national average. This is a reflection of the City’s housing offer being biased towards cheaper stock, with above average representation of terraced and flatted properties, together with low housing costs.

10.17 The City has a lower quartile affordability ratio of 3.6 which is notably below the national average and has improved since 2008. We have seen only modest growth in house prices over the last decade in the City (and indeed with house price growth falling below inflation) with rental costs falling significantly over the last three years.

10.18 The only potential evidence of any “stress” or affordability pressures comes from analysis of trends in overcrowding, shared and concealed households. In each case the level in the City is above that across the wider HMA, and has increased since 2001. However much of this can be linked to a growing Black and Minority Ethnic (BME) and student population in Liverpool over the same period. The demographic analysis shows a different picture – of household formation rates which are considerably above other areas, and which are projected to increase (in some cases quite notably) into the future. The demographic projections thus assume increases in household formation moving forwards which would address current levels of concealed and homeless households within the City’s population.

10.19 On the basis of this evidence, GL Hearn do not believe that it is appropriate to increase the overall level of housing provision in a response to market signals over and above the 7% upward adjustment which is proposed to support economic growth.

Examining Affordable Housing

10.20 The SHMA includes an assessment of the number of households each year who require some form of subsidy in meeting their housing needs. This is assessed using the Basic Needs Assessment

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Model and is a statutory requirement to support policies seeking affordable housing in new developments.

10.21 The SHMA analysis indicates that 343 additional households per year will require support in meeting their housing needs. This figure is in effect the objective assessment of affordable housing need for the City. When benchmarked against the demographic need this is equivalent of 28% of the demographically-based projection of need. It is 23% of the higher economic-led assessment of need.

10.22 Affordable housing delivery in the City has historically been particularly influenced by the available funding, with limited delivery through planning obligations as part of mixed-tenure development schemes. The Council as part of the development of the local plan will need to review residential development viability, and means of delivering affordable housing.

10.23 In interpreting the affordable need figures, it is important to be mindful that some of those households that have been included in this calculation need will already be in affordable housing that doesn’t meet their needs e.g. for example those in overcrowded properties. By providing an alternative more suitable affordable accommodation they would release their current home for another household in need. Overcrowded households and existing households who require an alternative tenure of home do not result in an additional need overall for dwellings – as by moving they would release their existing home for another household.

10.24 The link between the affordable housing need and the overall need for housing (or the objectively assessed need) is complex. Once we take account of the fact that many of the households in need are already living in accommodation (existing households) and simply require an alternative form of housing, the analysis again does not suggest that there is any strong evidence of a need to consider additional housing overall to help address the affordable need.

**Conclusions on Overall Housing Need**

10.25 The evidence points to a ‘starting point’ need for 1,375 homes per annum based on demographic trends. However stronger economic performance moving forwards can be expected to support an increase in migration. On the basis of expected growth in employment of 0.7% per annum, a need for 1,472 homes per annum is shown. This is 7% above the demographic-based need. We would consider this to represent the full objectively assessed need for housing in Liverpool.

**Table 67: Objectively-Assessed Housing Need in Liverpool, 2013-33**

<table>
<thead>
<tr>
<th>Housing Need</th>
<th>2013-33</th>
<th>Per Annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool</td>
<td>29,440</td>
<td>1,472</td>
</tr>
</tbody>
</table>
10.26 The OAN leaves aside issues related to land supply and development constraints as the Planning Practice Guidance requires. The National Planning Policy Framework sets out that local authorities should seek to meet housing need within their areas where it is sustainable to do so and consistent with policies within the Framework.

10.27 The OAN figure is for C3 dwellings. It is based on assumptions that do not make provision for growth in purpose-build student accommodation. On this basis, delivery of new student accommodation could be counted towards housing numbers on the basis of the potential accommodation that it releases in the private sector. On the basis of an average headship rate for those aged under 24 (as shown in Figure 53), it would be a sensible planning assumption that 5 student bedspaces would be equivalent to 1 dwelling.

Need for Different Types of Homes

10.28 The NPPF in Paragraph 159 requires local planning authorities, through the SHMA, to identify the range of types and sizes of accommodation likely to be needed by the population in the future, including that required by those groups with specific housing needs.

Mix of Homes of Different Sizes

10.29 There are a range of factors which will influence demand for different sizes of homes. Section 7 modelled the needs for different sizes of market and affordable homes over the 2011-31 period, based on an understanding of how the size and structure of the population is expected to change, and analysis of how households of different ages occupy homes. The SHMA concludes that the following represents an appropriate mix of affordable and market homes to plan for:

Table 68: Recommended Housing Mix (City-wide)

<table>
<thead>
<tr>
<th></th>
<th>1-bed</th>
<th>2-bed</th>
<th>3-bed</th>
<th>4+ bed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market</td>
<td>5-10%</td>
<td>20-25%</td>
<td>45-50%</td>
<td>20-25%</td>
</tr>
<tr>
<td>Affordable</td>
<td>25-30%</td>
<td>30-35%</td>
<td>30-35%</td>
<td>5-10%</td>
</tr>
<tr>
<td>All dwellings</td>
<td>10%</td>
<td>25%</td>
<td>50%</td>
<td>15%</td>
</tr>
</tbody>
</table>

10.30 The evidence suggests that the strongest demand for market housing will be for three-bed properties, but there is a need to deliver a mix of housing.

10.31 For affordable housing, there is a greater proportional need for one- and two-bedroom properties; however, there remains a need for a balanced mix of dwellings of different sizes to come forward with delivery of larger properties being important in meeting the needs of households with an acute housing need, and releasing existing properties for other households.
10.32 On the basis of the modelling undertaken, the analysis would point towards the following mix of homes of different types:

**Table 69: Indicative Need for Different Sizes of Properties, 2013-33**

<table>
<thead>
<tr>
<th></th>
<th>Affordable</th>
<th>Market</th>
<th>All Dwellings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detached</td>
<td>10-15%</td>
<td>15-20%</td>
<td>10-15%</td>
</tr>
<tr>
<td>Semi-Detached</td>
<td>25-30%</td>
<td>35-40%</td>
<td>25-30%</td>
</tr>
<tr>
<td>Terraced</td>
<td>25-30%</td>
<td>25-30%</td>
<td>25-30%</td>
</tr>
<tr>
<td>Flat/Maisonette</td>
<td>30-35%</td>
<td>15-20%</td>
<td>30-35%</td>
</tr>
</tbody>
</table>

10.33 This information is provided purely for illustrative purposes and monitoring and does not take account of policy aspirations or site specific circumstances, including the density, local housing mix and design considerations which are relevant in determining the appropriate housing mix to be delivered on individual development sites.

**Affordable Housing Mix**

10.34 In respect of the need for different types of affordable housing, the SHMA has considered what households can afford, together with the supply through re-lets of existing housing stock. Conclusions regarding the need for different forms of affordable housing are shown below:

**Table 70: Need for Different Forms of Affordable Housing**

<table>
<thead>
<tr>
<th></th>
<th>Intermediate</th>
<th>Social / Affordable Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool</td>
<td>20%</td>
<td>80%</td>
</tr>
</tbody>
</table>

10.35 The types of intermediate housing could include products such as shared ownership or shared equity. The cost of such products should be carefully considered to ensure they are genuinely affordable – this will need to include consideration of any deposit requirements which may be a barrier to access for a number of households as well as the current supply of such housing.

10.36 The SHMA analysis suggests the potential contribution of Starter Homes to improving access to home ownership in Liverpool can be expected to be marginal, given the current relatively broad availability of relatively affordable properties in the City. A household with an income of over £21,000 could afford to buy a home within the existing stock. Starter Home properties would need to be priced (including the discount) below £75,000 in order to make an overall contribution to improving affordability. Whilst there is potential for some flatted development to do so, delivery of new-build houses would be unlikely to be ‘more affordable’ than properties within the existing stock. This said, by widening the potential market for properties, Starter Homes could support new-build delivery rates.
Specialist Housing and Accommodation for Older Persons

10.37 The SHMA indicates that the population of persons aged over 65 accounts for 14.6% of the City’s population. The number of residents aged over 65 is projected to increase by 38% over the period to 2033, with particularly strong growth expected in those aged over 85, driven by improving life expectancy.

10.38 A growing older population and increasing longevity is expected to result in a substantial growth in people with dementia and mobility problems. The number of people with mobility problems is expected to increase by over 5,500, with an increase of more than 2,400 persons with dementia projected (based on the SNPP) to 2033. Some of these households will require adaptions to properties to meet their changing needs whilst others may require more specialist accommodation or support. There is clear evidence of need for properties which are capable of accommodating people’s changing needs.

10.39 There are currently almost 3,800 units of specialist housing for older persons across the City. Based principally on the expected growth in population of older persons, the SHMA estimates a need for an additional 2,371 specialist dwellings for older persons in Liverpool over the 2011-31 period. This represents 8% of the overall objectively-assessed housing need.

Table 71: Need for Specialist Housing for Older Persons, 2013-33

<table>
<thead>
<tr>
<th></th>
<th>Specialist Housing Need, 2013-33</th>
<th>Annual Need for Specialist Housing</th>
<th>% Overall OAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool</td>
<td>2,371</td>
<td>119</td>
<td>8%</td>
</tr>
</tbody>
</table>

10.40 It may be the case that some existing sheltered housing is in a poor condition or suffers from low demand and there remains a need for additional extra care accommodation – such as to reduce the proportion of households accommodated in residential care.

10.41 Specialist housing includes sheltered and extra care housing. The numbers of homes set out in the above table are considered to fall within a C3 use, and thus form part of the overall Objectively Assessed Need (OAN) for housing identified in this report.

Need for Registered Care Provision

10.42 Registered care provision falls within a C2 use class, with households who live in care homes counted as part of the institutional rather than the household population. As such provision of residential care is treated in the analysis of housing need separately in this report from that for C3 dwellings.
10.43 The SHMA indicates a net need for 1,000 C2 bedspaces for older persons in Liverpool over the 2013-33 period. The assessment should be treated as indicative, and does not seek to set policies in how older persons with care needs should be accommodated.

**Table 72: Need for Residential/Nursing Care Bedspaces**

<table>
<thead>
<tr>
<th>Change in institutional population aged 75+, 2013-33</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool</td>
</tr>
</tbody>
</table>

10.44 These figures are important to note if the Councils intend to include C2 class uses in their assessment of 5-year housing land supply as it will be necessary to include figures on both the need and supply side of the equation.

**Student Housing**

10.45 The analysis undertaken shows a significant pipeline of student bedspaces in the City. Demand for student bedspaces can be expected to be driven by growth in the numbers of full-time students.

10.46 It is notably that changes to the fee regime have curtailed growth at Liverpool John Moores but have had a minimal impact at Liverpool University. Looking to the future, if student numbers increased at the rate seen over the 2002-12 decade (2.6% pa), the SHMA projects that total numbers of full-time students would grow by 26,750 between 2013-33. Currently about a quarter of the student population in the City live within halls. This is consistent with levels nationally. It this proportion held true, demand for student accommodation be for around 6,700 bedspaces to 2033. This represents the assessed need for student accommodation.

10.47 There are currently 4,766 student bedrooms under construction and potentially 6,938 in the development pipeline. The evidence suggests that the scale of potential supply of student accommodation may exceed demand over the plan period and suggests that growth in student numbers and delivery of student accommodation will need to be carefully monitored and managed moving forwards.

**City Centre Market**

10.48 New-build development in the City Centre is brought forward through a mix of new-build schemes and conversions. The SHMA has considered demand evidence, which shows that the market is returning with a number of new-build schemes coming forwards. GL Hearn would not however expect levels of new development to quite return to the rates seen at the top of the last market cycle.

10.49 Schemes typically focus on one- and two-bed flats, but include some studios and 3-bed penthouse flats. GL Hearn would expect this demand profile to remain. Demand is strong in particular for good quality stock which would be attractive to owner occupiers.
10.50 The Council should consider through planning policy how it can improve the quality of City Centre development, including potentially through policies regarding room sizes.

**Self- and Custom-Build Development**

10.51 The Self-build and Custom Housebuilding Act 2015 requires local authorities to establish a register, enabling those interested to note their interest in pursuing self-build or custom-build. Liverpool has established a Custom and Self-Build Register, accessible via the City Council's website. Data from BuildStore indicates that there are 61 residents registered on the Custom Build Register and 588 active members on the Plot Search facility pointing to a level of potential demand. The Council might reasonably consider provision of some plots for custom-build development on larger development sites.

**Build-to-Rent**

10.52 There is clear potential occupier demand for Build-to-Rent development given that the Private Rented Sector accommodates nearly a quarter of all households, the sector has been growing, and national policy changes will potentially restrict growth in the buy-to-let sector in the short-term. Demand can be expected to arise particularly from young professionals in their twenties and thirties, particularly in locations - including in the City Centre – where there is a strong access to amenities and public transport.

10.53 Key issues will relate to the values and occupancy levels which can be achieved. At the time of writing, no schemes have been delivered albeit the first significant scheme – The Keel – is nearing completion. There is a clear potential appetite from institutional investors. It is important however to recognise that the viability of Build-to-Rent schemes differ from traditional schemes of houses built for sale, of from mixed-tenure (market/affordable) developments. The viability of build-to-rent is quite different from that of a standard mixed-tenure housing scheme where private sales generate receipts immediately on sale of the units.

10.54 Build-to-Rent has the potential to help boost overall housing delivery, but will likely require a greater degree of flexibility in s.106 negotiations, the application of CIL and affordable housing obligations.

**Housing Need from Other Groups**

10.55 The SHMA analysis indicates that young people under 35 may be more disadvantaged than other groups in accessing housing, with more limited housing options. Numbers of residents in this age group are however projected to fall over the plan period. The quality of HMO accommodation will be important for this group. For families, the SHMA data suggests that lone parent households are more likely to be disadvantaged and reliant on rented housing. Advice on housing options and the
quality of accommodation will be important for this group. The SHMA analysis does not suggest particular demand arising for additional housing from services personnel.

Policy Implications

10.56 It would be appropriate for Liverpool City Council to take account of the conclusions drawn herein regarding the overall scale of housing need, and the need for different types of homes, in drawing up policies in its’ Local Plan. This includes the conclusions drawn in the SHMA (and as set out above) on: the need for different types and sizes of homes, as well as for specialist accommodation for older persons; student accommodation; and different housing market segments. The latter includes custom-build development, purpose-built student accommodation, the City Centre market and the ‘build-to-rent’ sector. The Council should engage actively in sub-regional work to consider employment growth and housing need across the City Region.

10.57 In applying policies on housing mix to individual development sites regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level. New housing should aim to support mixed and balanced communities.

10.58 The analysis of an appropriate mix of dwellings should also inform the ‘portfolio’ of sites which are considered through the Local Plan process, including: Site Allocations, Neighbourhood Plans and other planning documents. Equally it will be of relevance to affordable housing negotiations.

10.59 The City Council should give careful consideration to how the affordable housing need will be met, and set this out (such as in a topic paper) as part of the local plan evidence. This report outlines a range of means of delivering affordable housing – beyond just delivery through mixed-tenure development schemes – as well as the role which other market segments (including the PRS) play in meeting needs arising from households requiring financial support to meet their housing need. These are policy considerations which need to be addressed.

10.60 Policies for the mix of affordable housing need to take account not just of the needs evidence, but the evidence base regarding development viability, as well as local policy aspirations and Central Government priorities and funding. As such in finalising policies, needs and viability evidence should be brought together. It may be appropriate for viability studies to test potential alternative policies for the mix of affordable housing in order to support overall delivery.

10.61 Policy in relation to the appropriate mix of specialist housing should take account of the current stock, other local needs evidence as appropriate, and policies regarding accommodation and care for older persons. The Council should give consideration to how best to deliver the identified
specialist housing need, including for instance the potential to identify sites in accessible locations for specialist housing or to require provision of specialist housing for older people as part of larger strategic development schemes.

10.62 In addition to specialist housing, the potential for the wider housing stock to cater for a growing older population needs to be considered. Many older people live in homes which they may have lived in for some years. Adaptions to properties and floating support may help older households requiring support to remain in their home.

**Risk Assessment, Monitoring and Review**

10.63 While our approach to assessing housing and affordable housing need aligns with the PPG and PAS Guidance, no assessment which seeks to predict housing need 15+ years into the future will be 100% accurate given the complex nature of the housing market and influences on it. The SHMA has included analysis of demographic trends, and identified uncertainties relating both to data and projections for migration, for household formation trends and economic growth.

10.64 It will be important moving forwards that trends are monitored. Elements of the SHMA may need to be assessed against further data releases – particularly official population and household projections – but the release of new data should not in itself be considered to render the SHMA analysis herein out-of-date. Work at a City Region level is also expected to consider further dynamics and interactions across the wider HMA, including in respect of future economic performance, and conclusions on Objectively Assessed Housing Need may need to be revisited in due course to take this into account.

10.65 This assessment of housing need herein is represents a “policy off” assessment as required by national policy. In drawing conclusions on future housing provision, the Council will need to draw the analysis herein together with other evidence – including in respect of potential housing land supply, and evidence regarding infrastructure provision and site deliverability.

10.66 A proactive monitoring process which considers housing market dynamics, economic performance, national policy changes, and new evidence/data is recommended building on the analysis in the SHMA. This should inform the development and implementation of policies to take account of evolving circumstances, and can inform future policy development. Long-term monitoring which addresses indicators of housing need, market signals relating to supply-demand balance, and the housing supply trajectory can inform the implementation of planning policies for housing provision.
APPENDIX A: AFFORDABLE HOUSING DEFINITIONS

Affordable Housing

10.67 The NPPF provides the definition of affordable housing (as used in this report). The following is taken from Annex 2 of NPPF.

“Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.”

10.68 Within the definition of affordable housing there is also the distinction between social rented affordable rented, and intermediate housing. Social rented housing is defined as:

“Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.”

10.69 Affordable rented housing is defined as:

“Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).”

10.70 The definition of intermediate housing is shown below:

“Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.”

Current Affordable Housing Need

10.71 Current affordable housing need is defined as the number of households who lack their own housing or who live in unsuitable housing and who cannot afford to meet their housing needs in the market.

Newly-Arising Need

10.72 Newly-arising (or future) need is a measure of the number of households who are expected to have an affordable housing need at some point in the future. In this assessment we have used trend data from The Continuous Recording of Lettings and Sales in Social Housing in England (CoRe) along
with demographic projections about the number of new households forming (along with affordability) to estimate future needs.

Supply of Affordable Housing

10.73 An estimate of the likely future supply of affordable housing from relets of existing stock is also made (drawing on secondary data sources about past lettings). The future supply of affordable housing is subtracted from the newly-arising need to make an assessment of the net future need for affordable housing.

Affordability

10.74 Affordability is assessed by comparing household incomes with against the cost of suitable market housing (to either buy or rent). Separate tests are applied for home ownership and private renting (in line with the SHMA Guidance) and are summarised below:

a. Assessing whether a household can afford home ownership: A household is considered able to afford to buy a home if it costs 3.5 times the gross household income – CLG guidance suggests using different measures for households with multiple incomes (2.9×) and those with a single income (3.5×), however (partly due to data availability) we have only used a 3.5 times multiplier for analysis. This ensures that affordable housing need figures are not over-estimated – in practical terms it makes little difference to the analysis due to the inclusion of a rental test (below) which tends to require lower incomes for households to be able to afford access to market housing;

b. Assessing whether a household can afford market renting: A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis, CLG guidance (of 2007) suggested that 25% of income is a reasonable start point but also notes that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40% (although this can vary by area). Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics). This assessment therefore discusses an appropriate threshold to use in local circumstances.
APPENDIX B: REVIEW OF HOUSING NEEDS EVIDENCE IN OTHER PARTS OF THE HOUSING MARKET AREA

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>Plan Status</th>
<th>Housing Target and Planned Developments</th>
<th>Evidence/Basis</th>
<th>CLG-2012 Household Projections (2012-37)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Draft Local Plan (Jan 2015) runs from 2012 - 2030</td>
<td>615 dwellings per annum Draft Local Plan</td>
<td>690 for demographics OAN</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>710-1,290 for economic need</td>
<td></td>
</tr>
<tr>
<td></td>
<td>UDP 2000 Covering period (1986-2001)</td>
<td>700 dpa in UDP</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>335 dpa (2017-2027)</td>
<td>329 dpa &quot;most realistic but range is 300 - 575</td>
<td></td>
</tr>
<tr>
<td>Knowsley</td>
<td>Local Plan Core Strategy Adopted (Jan 2016) Covering the period 2010-2028</td>
<td>450 dwellings per annum</td>
<td>Knowsley SHMA 2010</td>
<td>233 HH per Annum</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Knowsley Housing Market Update 2013</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>450 per annum</td>
<td></td>
</tr>
<tr>
<td>Halton</td>
<td></td>
<td></td>
<td></td>
<td>235 HH per Annum</td>
</tr>
</tbody>
</table>

Evidence/Basis:
- UDPS: Urban Development Plans
- OAN: Other Annual Needs
- CLG: CLG Annual Needs
- SHMA: Strategic Housing Market Assessment
<table>
<thead>
<tr>
<th>Core Strategy Local Plan to 2010-2028 (Adopted April 2013)</th>
<th>552 Dwellings per annum</th>
<th>Longer term view 500 dpa beyond 2028</th>
<th>466 per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>About to prepare a Delivery and Allocations Local Plan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>St. Helens</strong></td>
<td></td>
<td></td>
<td>450 HH per Annum</td>
</tr>
</tbody>
</table>