



GL Hearn

Part of Capita Real Estate

Mid Mersey SHMA Update – Warrington Addendum

Warrington Borough Council

Final Report

May 2017

Prepared by

GL Hearn

280 High Holborn
London WC1V 7EE

T +44 (0)20 7851 4900
glhearn.com

Contents

Section	Page
1 INTRODUCTION	6
2 TREND-BASED DEMOGRAPHIC PROJECTIONS	7
3 ECONOMIC DRIVEN HOUSING NEED	19
4 MARKET SIGNALS	23
5 AFFORDABLE HOUSING NEED	34
6 SUMMARY AND DRAFT CONCLUSIONS	46

List of Figures

FIGURE 1: PROJECTED HOUSEHOLD FORMATION RATES BY AGE OF HEAD OF HOUSEHOLD – WARRINGTON	15
FIGURE 2: CHANGES TO ECONOMIC ACTIVITY RATES (POPULATION AGED 16+) – WARRINGTON (2012-37) – OE SCENARIO	21
FIGURE 3: RESIDENTIAL LAND VALUES PER HECTARE, DEC 2015	24
FIGURE 4: MEDIAN HOUSE PRICE HEAT MAP, 2015	25
FIGURE 5: MIX OF PROPERTIES SOLD- MID MERSEY HMA, 2015	26
FIGURE 6: INDEXED RENTAL TRENDS	28
FIGURE 7: LOWER QUARTILE AFFORDABILITY RATIO, 2015	29
FIGURE 8: HOUSING DELIVERY TREND	32
FIGURE 9: DELIVERY V TARGET (2003/4 – 2015/16) - WARRINGTON	33
FIGURE 10: OVERVIEW OF AFFORDABLE HOUSING NEEDS ASSESSMENT MODEL	38

List of Tables

TABLE 1:	PROJECTED POPULATION GROWTH (2015-2037) – 2014-BASED SNPP	8
TABLE 2:	PROJECTED POPULATION GROWTH (2015-2037) – REBASED 2014-BASED SNPP	8
TABLE 3:	PRE- AND POST-RECESSION MIGRATION AVERAGES (PER ANNUM) – WARRINGTON	9
TABLE 4:	PRE- AND POST-RECESSION MIGRATION AVERAGES (PER ANNUM) – MID-MERSEY HMA	9
TABLE 5:	PROJECTED POPULATION GROWTH (2015-2037) – 10-YEAR MIGRATION	10
TABLE 6:	PROJECTED POPULATION GROWTH (2015-2037) – 14-YEAR MIGRATION	10
TABLE 7:	UNATTRIBUTABLE POPULATION CHANGE (UPC) BY LOCAL AUTHORITY (2001-11)	11
TABLE 8:	PROJECTED POPULATION GROWTH (2015-2037) – 10-YEAR MIGRATION (+UPC)	12
TABLE 9:	PROJECTED POPULATION GROWTH (2015-2037) – 14-YEAR MIGRATION (+UPC)	12
TABLE 10:	CHANGES TO BLACK AND MINORITY ETHNIC POPULATION BY AGE (2001-11) – WARRINGTON	16
TABLE 11:	CHANGES TO WHITE (BRITISH/IRISH) POPULATION BY AGE (2001-11) – WARRINGTON	17
TABLE 12:	PROJECTED HOUSING NEED – RANGE OF DEMOGRAPHIC BASED SCENARIOS AND 2014-BASED HEADSHIP RATES – WARRINGTON (2015-37)	18
TABLE 13:	PROJECTED HOUSING NEED – RANGE OF DEMOGRAPHIC BASED SCENARIOS – BY LOCAL AUTHORITY (DWELLINGS PER ANNUM) – OFFICIAL HEADSHIP RATES	18
TABLE 14:	TOTAL EMPLOYMENT GROWTH – 2015-37	19
TABLE 15:	GROWTH IN RESIDENTS IN EMPLOYMENT	21
TABLE 16:	PROJECTED HOUSING NEED – RANGE OF ECONOMIC BASED SCENARIOS AND 2014-BASED HEADSHIP RATES – WARRINGTON (2015-37)	22
TABLE 17:	MEDIAN AND LOWER QUARTILE HOUSE PRICES, 2015	25
TABLE 18:	ABSOLUTE CHANGES IN HOUSE PRICES PER YEAR	27
TABLE 19:	% GROWTH IN HOUSE PRICES PER YEAR (CAGR)	27
TABLE 20:	RENTAL COST AND TRENDS	27

TABLE 21:	CHANGES IN LOWER QUARTILE AFFORDABILITY RATIO	29
TABLE 22:	OVERCROWDED HOUSEHOLDS	30
TABLE 23:	CONCEALED HOUSEHOLDS	30
TABLE 24:	HOUSING DELIVERY RELATED TO TARGETS, 2002-2015	31
TABLE 25:	LOWER QUARTILE PRIVATE RENTS BY SIZE (PER MONTH) – WARRINGTON	35
TABLE 26:	AVERAGE (MEAN) INCOME ESTIMATES - HOUSEHOLDS	36
TABLE 27:	ESTIMATED NUMBER OF NEWLY FORMING HOUSEHOLDS (PER ANNUM)	37
TABLE 28:	ESTIMATED FUTURE SUPPLY OF SOCIAL/AFFORDABLE HOUSING RELETS (AND INTERMEDIATE HOUSING)	38
TABLE 29:	COMPARING ASSESSMENTS OF AFFORDABLE HOUSING NEED	39
TABLE 30:	INDICATIVE HOUSING PROVISION TO MEET THE AFFORDABLE HOUSING NEED	40
TABLE 31:	PROJECTED ANNUAL HOUSING NEED – RANGE OF DEMOGRAPHIC BASED SCENARIOS – BY LOCAL AUTHORITY (ALL FIGURES PER ANNUM) – 2015-37	48
TABLE 32:	PROJECTED ECONOMIC-DRIVEN HOUSING NEED (DWELLINGS PER ANNUM, 2015-37)	48
TABLE 33:	OBJECTIVELY ASSESSED HOUSING NEED - 2015-37	50

Quality Standards Control

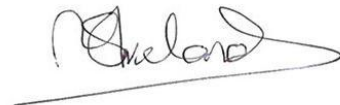
The signatories below verify that this document has been prepared in accordance with our quality control requirements. These procedures do not affect the content and views expressed by the originator.

This document must only be treated as a draft unless it has been signed by the Originators and approved by a Business or Associate Director.

DATE
May 2017

ORIGINATORS
Paul McColgan
Associate Director

APPROVED
Nick Ireland
Director



Limitations

This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of GL Hearn; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

1 INTRODUCTION

- 1.1 GL Hearn was commissioned by Warrington Borough Council to undertake a targeted update to the Mid Mersey Strategic Housing Market Assessment (SHMA) last published in January 2016. The report has been commissioned to align the Borough's housing and economic growth and to inform the Local Plan Review.
- 1.2 This report deals specifically with the objectively assessed housing need (OAN) for Warrington Borough. It aligns with work being undertaken for authorities within the Liverpool City Region on a Strategic Housing and Employment Land Market Assessment (SHELMA), which includes an assessment of housing need for the other authorities within the Mid Mersey Housing Market Area (HMA).
- 1.3 This update reviews the most recent demographic evidence including the 2014-based subnational population projections (SNPP), which were published by the Office for National Statistics (ONS) in May 2016. In July 2016, the Department for Communities and Local Government (CLG) published new 2014-based household projections. These projections replace the respective 2012-based projections which featured in the last SHMA Update. Government Planning Practice Guidance (PPG) on Housing and Economic Development Needs Assessment is clear that the latest projections should be the start point for assessing overall housing need.
- 1.4 It also considers the Council's evidence base on economic growth. It draws on the recent "Analysis: A review of economic forecasts and housing numbers" (October 2016) undertaken for the Borough Council by Mickledore in identifying scenarios for economic growth. It also considers updated analysis on market signals and the need for affordable housing.
- 1.5 The analysis looks at housing need over the period from 2015-37 using the latest mid-year population estimate (MYE) as a starting point; and the end point of the Council's proposed plan period.
- 1.6 The remainder of the report is structured as follows:
- Chapter 2: Demographic Need;
 - Chapter 3: Economic Based Need;
 - Chapter 4: Market Signals;
 - Chapter 5: Affordable Housing Need;
 - Chapter 6: Summary and Conclusions.

2 TREND-BASED DEMOGRAPHIC PROJECTIONS

- 2.1 In this section consideration is given to demographic evidence of housing need and trend-based projections. Planning Practice Guidance sets out that *'household projections published by [CLG] should provide the starting point estimate of overall housing need'*¹. The CLG projections are directly linked to ONS Sub-National Population Projections (SNPP). The PPG outlines that *'the household projections... are statistically robust and are based on nationally consistent assumptions'*². However, the PPG also identifies [2a-014] that *'establishing future need for housing is not an exact science. No single approach will provide a definitive answer'* and in 2a-017 notes that *'plan makers may consider sensitivity testing, specific to their local circumstances.'* The PPG also notes that [2a-016] that *'where possible, local needs assessments should be informed by the latest available data'* such as ONS Mid-Year Population Estimates.
- 2.2 Assessing housing need essentially contains two components. Firstly, there are population projections. ONS publishes population projections every two years (the subnational population projections (SNPP)) as well as providing an annual estimate of population change (by age and sex) – the mid-year population estimates (MYE). Secondly, population figures are converted into estimates of the number of households by CLG in their household projections (again issued every two years). This section is structured to consider first population growth; and then expected growth in households based on past trends.

2014-based Subnational Population Projections (SNPP)

- 2.3 The latest SNPP were published by ONS on the 29th May 2016. They replaced the 2012-based projections. Subnational 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 2014-based national population projections. The new SNPP are largely based on trends in the 2009-14 period (2008-14 for international migration trends).
- 2.4 The 2014-based SNPP are not forecasts and do not attempt to predict the impact that future government or local policies, changing economic circumstances or other factors might have on demographic behaviour. Their primary purpose 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.

¹ ID: 2a-016-20150227

² ID: 2a-018-20140306

2.5 GL Hearn’s interrogation of the SNPP concludes that these represent sound trend-based demographic projections from a technical perspective. In line with the PPG, there is however a strong justification for ‘rebasings’ the projections to take account of ONS Mid-Year Population Projections, as the PPG advises, given that there is actual data on population change between 2014 and 2015, and it is therefore not necessary to predict what happened.

2.6 Two initial projections are therefore presented: firstly using the SNPP as published, and secondly by using the SNPP but rebasing the projections to use the 2015 Mid-Year Estimates (MYE). Post 2015, this latter projection uses the birth and death rates in the SNPP along with the actual levels of migration. For convenience, the two projections have been named as:

- 2014-based SNPP
- Rebased 2014-based SNPP

2.7 Table 2 shows the projected population growth from 2015 to 2037 in Warrington and the two other authorities in the Mid Mersey HMA. The data shows that the population of Warrington is projected to increase by 24,700 (12%) in the 2014-based SNPP.

Table 1: Projected population growth (2015-2037) – 2014-based SNPP

	Population 2015	Population 2037	Change in population	% change
Warrington	207,752	232,414	24,662	11.9%
Halton	126,560	131,126	4,566	3.6%
St. Helens	177,652	187,939	10,286	5.8%
Mid Mersey HMA	511,964	551,478	39,515	7.7%

Source: Derived from ONS data

2.8 In comparison to the 2012-based population projections, the total population across the HMA by 2037 has been rounded down from 554,475. Within Warrington the 2037 population has been reduced by around 3,000.

2.9 When rebased for the 2015 MYE, this figure decreases again albeit only slightly to 24,500 (12%), reflecting a slightly lower level of population growth in the 2014-15 period than had been projected within the SNPP.

Table 2: Projected population growth (2015-2037) – Rebased 2014-based SNPP

	Population 2015	Population 2037	Change in population	% change
Warrington	207,695	232,168	24,473	11.8%
Halton	126,528	131,145	4,617	3.6%
St. Helens	177,612	187,866	10,254	5.8%
Mid Mersey	511,835	551,179	39,344	7.7%

Source: Derived from ONS data

Longer-Term Migration Scenarios

- 2.10 It is typical in assessments of this nature to consider if there have been any fundamental changes to the population pre- and post-recession (mid-2008 being taken as the cut off point for convenience with national data such as the SNPP and MYE). Since the recession, many urban areas have seen stronger population growth, mainly as a result of changing migration patterns from such areas to more suburban or rural locations. Against this context it is appropriate to consider and interrogate longer-term trends, and consider migration trends pre- and post-recession.
- 2.11 Trends over a seven-year period either side of the onset of the recession is considered. Tables 3 and 4 show net migration in the 2001-8 period (pre-recession) and compares this with similar data for the 2008-15 period (during and post-recession).
- 2.12 The analysis shows some changes in migration since 2008 in Warrington. Net internal migration increased in Warrington (+48%) in line with most other urban areas. Conversely net international migration was 14% lower in the latter period. In total Warrington’s average net migration post-2008 is 117 people per annum higher than the pre-2008 figure. In the Mid-Mersey HMA, average net migration post-2008 is some 455 people per annum higher.

Table 3: Pre- and post-recession migration averages (per annum) – Warrington

	Internal net	International net	Total net
2001-8	340	334	673
2008-15	502	289	791
Post 2008 change	162	-45	117

Source: ONS

Table 4: Pre- and post-recession migration averages (per annum) – Mid-Mersey HMA

	Internal net	International net	Total net
2001-8	176	235	411
2008-15	502	363	865
Post 2008 change	326	128	455

Source: ONS

- 2.13 Given the difference between pre- and post-recession migration trends, it is reasonable to model alternatives to the SNPP which take account of longer-term migration trends i.e. they smooth out any recessionary impact.
- 2.14 To provide a sensitivity analysis, longer-term migration trend scenarios are modelled. A first considers trends over the 14-year period to 2015 (i.e. 2001-15). A 14-year period is chosen because it is the longest time period for which reasonable quality information is available, as well as being a period where roughly half is before and half after the onset of recession. A 10 year

migration scenario is also considered, this being a fairly standard scenario projection within housing need research.

- 2.15 Tables 5 and 6 show projected population growth from 2012 to 2037 in Warrington and the Mid Mersey HMA under these two scenarios. The 10-year migration trend shows that the population in Warrington is projected to increase by about 28,700 people (14%).

Table 5: Projected population growth (2015-2037) – 10-year migration

	Population 2015	Population 2037	Change in population	% change
Warrington	207,695	236,441	28,746	13.8%
Halton	126,528	131,391	4,863	3.8%
St. Helens	177,612	186,299	8,687	4.9%
Mid Mersey HMA	511,835	554,131	42,296	8.3%

Source: Derived from ONS data

- 2.16 When using a longer (14-year) based period, this figure decreases to 23,100 (11%), reflecting a lower level of migration between 2001 and 2005. The official 2014-based SNPP based scenarios (and that rebased to 2015) fall in between the 10-year and 14-year migration figures.

Table 6: Projected population growth (2015-2037) – 14-year migration

	Population 2015	Population 2037	Change in population	% change
Warrington	207,695	230,794	23,099	11.1%
Halton	126,528	130,443	3,915	3.1%
St. Helens	177,612	184,991	7,379	4.2%
Mid Mersey HMA	511,835	546,228	34,393	6.7%

Source: Derived from ONS data

Unattributable Population Change

- 2.17 As well as looking at migration, the analysis can consider the impact of Unattributable Population Change (UPC). UPC is an adjustment made by ONS to mid-year population estimates where Census data has suggested that population growth had either been over- or under-estimated in the inter-Census years. Because UPC links back to Census data, figures are only available in the 2001-11 period.
- 2.18 ONS notes that there are two main causes for UPC; the first is errors in the recording of population in the Census (either in 2001, 2011 or both) or errors in the recording of migration. This is important, if the errors are in relation to past migration then forward projections based on that data are likely to be inaccurate.

- 2.19 Table 7 sets out the total level of UPC in each area over the 2001-11 period. In Warrington, UPC can be seen to be negative by a total of -1,091 people (-109 per annum). This means that *if* the UPC were to entirely be due to errors in migration recording, then migration has on average been over-estimated by -109 people per annum.
- 2.20 The table also shows the level of UPC in the other Mid Mersey authorities where the magnitude of UPC is much greater (positive in Halton and negative in St. Helens). This results in a HMA-wide level of UPC which is more modest (57 per annum).

Table 7: Unattributable Population Change (UPC) by local authority (2001-11)

	Total UPC (2001-11)	Per annum
Warrington	-1,091	-109
Halton	5,691	569
St. Helens	-4,035	-404
Mid Mersey HMA	565	57

Source: ONS

- 2.21 Overall, the levels of UPC are sufficiently large to merit further sensitivity projections to be carried out. However, as previously noted, 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.
- 2.22 Two sensitivity projections have been developed. These look at ‘correcting’ migration for UPC in the years where UPC arises. The adjustments have been made to the projections that look at trends over the past 10- and 14-years. Whilst these projections look at a full UPC adjustment, in drawing conclusions it is considered that the range between adjusted (for UPC) and unadjusted projections should be used to inform a reasonable level of population and household growth when considering long-term migration trends.
- 2.23 It should be noted that the UPC adjustments have only been made to longer-term projections scenarios (e.g. no adjustments are proposed to the SNPP which typically looks at short-term trends). This is because ONS has improved its methodology for recording migration, which means that data during the latter part of the 2001-11 decade is likely to be of a better quality. It is the data over these latter years which have fed into the latest official (2014-based) SNPP and hence any adjustments to these are less likely to be justified.
- 2.24 The two UPC projections have been named as:
 - 10-year migration (+UPC)
 - 14-year migration (+UPC)

2.25 Tables 8 and 9 show projected population growth from 2012 to 2037 in Warrington and the Mid Mersey HMA under these two scenarios. The inclusion of UPC has a downward impact on the projected population growth.

Table 8: Projected population growth (2015-2037) – 10-year migration (+UPC)

	Population 2015	Population 2037	Change in population	% change
Warrington	207,695	234,525	26,830	12.9%
Halton	126,528	140,207	13,679	10.8%
St. Helens	177,612	179,771	2,159	1.2%
Mid Mersey HMA	511,835	554,503	42,668	8.3%

Source: Derived from ONS data

Table 9: Projected population growth (2015-2037) – 14-year migration (+UPC)

	Population 2015	Population 2037	Change in population	% change
Warrington	207,695	228,741	21,046	10.1%
Halton	126,528	140,720	14,192	11.2%
St. Helens	177,612	177,621	9	0.0%
Mid Mersey HMA	511,835	547,082	35,247	6.9%

Source: Derived from ONS data

2.26 As noted previously, given the uncertainties about UPC, it is better to express any needs as a range of outputs from no UPC adjustment to a 100% UPC allowance. Alternatively, and for the purposes of comparison, a midpoint between these figures can be considered.

2.27 It is appropriate to draw conclusions looking principally at the HMA level. The SNPP shows population growth of 7.7%. This sits between that based on 14 year migration trends (6.7 – 6.9%) and the 10 year migration trend (8.3%). The SNPP looks to be a reasonable demographic based projection.

2.28 Similarly in Warrington the 2014-based SNPP also lies roughly in the middle of the two longer term migration scenarios, suggesting it represents a reasonably robust scenario for calculating future population growth.

Household Formation Rates

2.29 Having studied the population size and the age/sex profile of the population the next step in the process is to convert this information into estimates of the number of households in the area. To do this the concept of headship rates is used. 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)).

- 2.30 On the 12th July 2016, CLG published a new set of (2014-based) household projections – the projections contain two core analyses. The Stage 1 household projections project household formation based on data from the 1971, 1981, 1991, 2001 and 2011 Censuses with outputs for age, sex and marital status. The Stage 2 household projections consider household types and the methodology report accompanying the projections is clear that these projections are based on just two data points – from the 2001 and 2011 Census. Overall outputs on total household growth are constrained to the totals from the Stage 1 Projections. This means that both sets of projections show the same level of overall household growth (when set against the last set of SNPP) but some of the age specific assumptions differ. Differences can however occur between the Stage 1 and 2 headship rates when modelled against different population projections (due to differences in the age structure).
- 2.31 Overall, it is considered that the Stage 1 projections should be favoured over the Stage 2 figures for the purposes of considering overall household growth; this is for two key reasons: a) the Stage 1 figures are based on a long-term time series (dating back to 1971 and using 5 Census data points) whereas the Stage 2 figures only look at two data points (2001 and 2011) and b) the Stage 2 figures are constrained back to Stage 1 values, essentially meaning that it is the Stage 1 figures that drive overall estimates of household growth in the CLG household projections themselves. The analysis to follow therefore focuses on Stage 1 figures.
- 2.32 Figure 1 shows how Stage 1 figures differ for different age groups. The graphs show the proportion of persons in each age cohort who are the head of a household and how this proportion has changed over time since 1991.
- 2.33 It is evident from the analysis that household formation amongst households in their late 20s and early 30s fell slightly over the 2001-11 decade. The projections however anticipate that household formation rates for this age group will increase moving forwards.
- 2.34 The 2014-based household projections also expect household formation rates amongst older age groups to fall over time. Given improving life expectancy this ‘trend’ looks to be reasonable (as it would be expected that more people would remain living as couples).

Critical Review of 2014-based Headship Rates

- 2.35 The headship rates in the 2014-based CLG household projections should not be used uncritically. Paragraph 2a-015 of the PPG is clear that the *‘household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends’*.

2.36 There are a number of issues to consider here. Firstly it is important to understand that the official projections are trend-based. It is important to interrogate whether there is evidence that household formation rates have been suppressed. However in doing so it should be borne in mind that there are a range of factors – including societal changes – which have influenced household formation; and that in parts of the City Region there has been evidence of low demand for housing and market failure historically (which is likely to have influenced household formation trends).

2.37 It is not straightforward to precisely determine if the projections contain any level of suppression (either in the past or projected forward) given that household formation rates can be influenced by a range of factors. Research by the late Alan Holmans for the Town and Country Planning Association (TCPA) identified that nationally:

*‘The working assumption in this study is that a considerable part but not all of the 375,000 shortfall of households relative to trend was due to the state of the economy and the housing market. 200,000 is attributed to over-projection of households due to the much larger proportion of recent immigrants in the population, whose household formation rates are lower than for the population as a whole. This effect will not be reversed. The other 175,000 is attributed to the economy and the state of the housing market and is assumed to gradually reverse’.*³

2.38 Alan Holmans concluded that broadly half of changes to household formation are due to market factors and about half due to international migration. Whilst the international migration impact is not expected to change, any suppression as a result of the economy and housing market could improve in the future.

2.39 More recent research by Ludi Simpson and Neil McDonald, and by Neil McDonald and Christine Whitehead has considered these issues further. These research studies conclude that there is no general basis for making adjustments to the household formation rates in 2012-based CLG Household Projections.

2.40 For example, *New estimates of housing requirements in England, 2012 to 2037* (Neil McDonald and Christine Whitehead – TCPA – November 2015) states that:

*‘The 2012-based projections, which use the 2011 Census and up-to-date population figures, are more immediately relevant and more strongly based than earlier estimates. The latest projections can therefore be taken as a reasonable indication of what is likely to happen to household formation rates if recent trends continue. This is because, although economic growth might be expected to increase the household formation rate, there are both longer-term structural changes and other factors still in the pipeline (such as welfare reforms) that could offset any such increase’*⁴

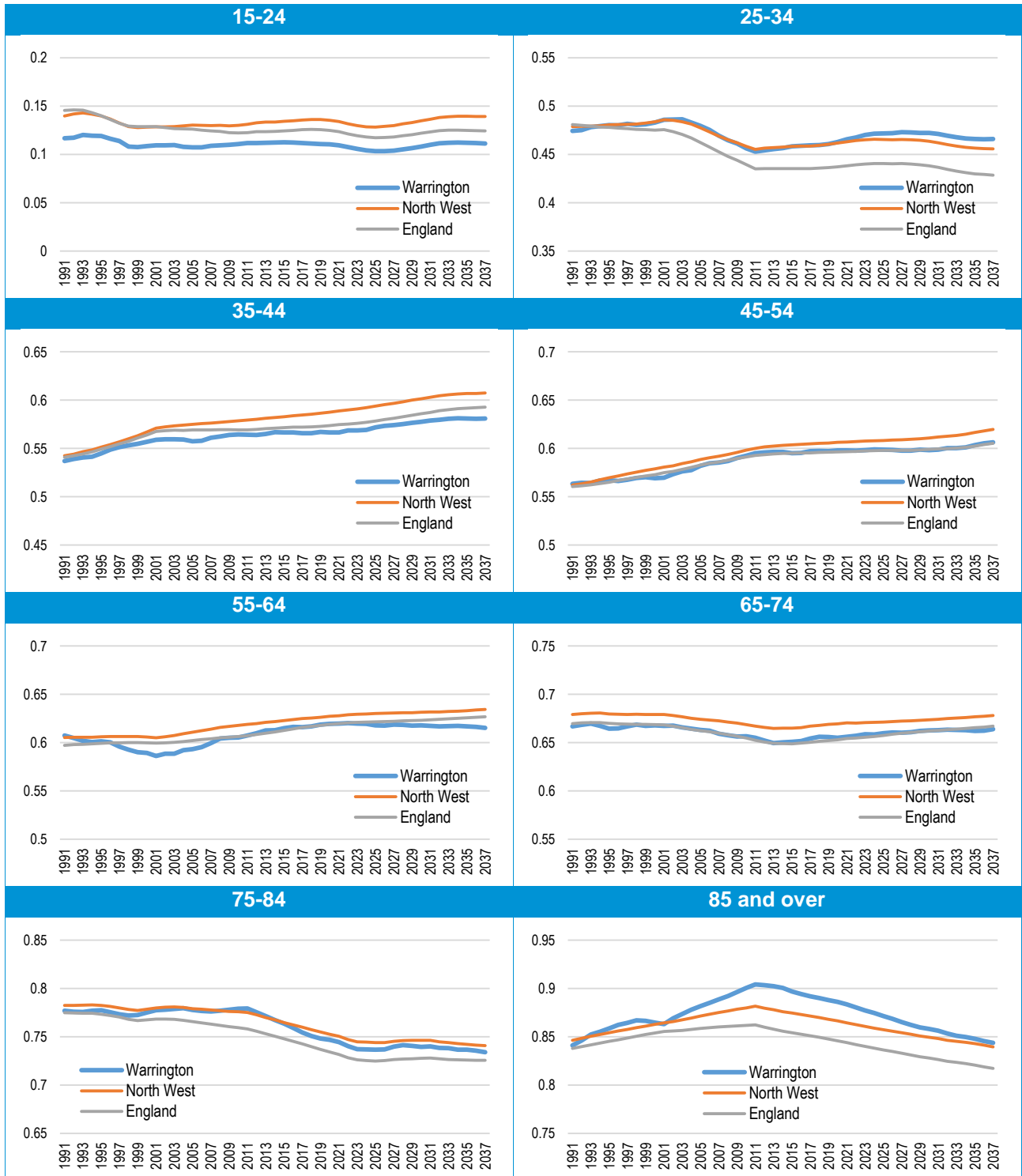
2.41 Whilst this 2015 research refers to the 2012-based projections, the household formation rates in the 2014-based figures are almost identical. On the basis of the evidence available, it seems unlikely that the 2014-based household formation rates include any degree of suppression and can

³ Holmans, A. (2013) *New estimates of housing demand and need in England, 2011 to 2031*, TCPA.

⁴ McDonald, N. and Whitehead, C. (2015) *New estimates of housing requirements in England, 2012 to 2037*, TCPA.

therefore realistically be used to assess levels of household growth when set against population projections.

Figure 1: Projected household formation rates by age of head of household – Warrington



Source: Derived from CLG data

- 2.42 Set against this general conclusion, it is however relevant to consider the local evidence and headship rates. When looking specifically at data for Warrington, it is clear that the only age group where household formation fell between 2001-11 was for people aged 25-34. However moving forward from 2011, the rate improves. It is not clear if the changes in the rates are due to market factors or due to the change in ethnic structure reflective of international migration.
- 2.43 At a local level it is difficult to use international migration figures because of the way such migration works: typically most international migrants start in a major city and then filter out into other areas (and hence are registered by ONS as an internal migrant). Hence one way to consider the change in ethnic structure of the population is to consider changes to the Black and Minority Ethnic (BME) population.
- 2.44 Table 10 shows changes to the BME population in each of the age groups for which headship rate data is provided above. This analysis shows an increase in the BME population of 5,437 people aged 15 and over in the 10-year period – a 124% increase. Some 38.8% of this increase was in the age group 25-34. Table 11 shows the same information for the White (British/Irish) population. This shows a lower change in population and a significant decline in the number of people aged 25-34 and 35-44.

Table 10: Changes to Black and Minority Ethnic Population by age (2001-11) – Warrington

	BME population 2001	BME population 2011	Change	% of change
15-24	818	1,715	897	16.5%
25-34	1,060	3,172	2,112	38.8%
35-44	1,022	2,381	1,359	25.0%
45-54	697	1,286	589	10.8%
55-64	390	694	304	5.6%
65-74	221	359	138	2.5%
75-84	130	149	19	0.3%
85+	32	51	19	0.3%
TOTAL	4,370	9,807	5,437	100.0%

Source: Census (2001 and 2011)

- 2.45 From this it is clear that a major part of the changes in the headship rates of the 25-34 age group is likely to be due to international migration and growth in BME communities. Given that moving forward from 2011 the projections are expecting headship rates in this age group to stabilise; there is no suggestion of any 'suppression' being built into the projections.
- 2.46 What is also notable is that the household formation rates of those aged 25-34 are notably above that seen nationally; and are more positive than projections shown for the North West.

Table 11: Changes to White (British/Irish) Population by age (2001-11) – Warrington

	White (B/I) population 2001	White (B/I) population 2011	Change	% of change
15-24	20,636	22,880	2,244	32.9%
25-34	26,057	21,516	-4,541	-66.5%
35-44	29,849	27,761	-2,088	-30.6%
45-54	25,558	28,874	3,316	48.6%
55-64	20,663	23,575	2,912	42.6%
65-74	14,607	17,839	3,232	47.3%
75-84	9,190	10,145	955	14.0%
85+	2,872	3,671	799	11.7%
TOTAL	149,432	156,261	6,829	100.0%

Source: Census (2001 and 2011)

2.47 It is also useful to consider the 35-44 age group (noting that, for example, people aged 25-34 in 2011 will be aged 35-44 by 2021). The 35-44 age group shows little change in headship rates in the past and continuing in the future: indeed trends are slightly upwards in the future. There is no evidence of suppression in this age group either in the past or projected forward when looking at trends across the city region.

Housing Need

2.48 The tables below bring together outputs in terms of household growth and housing need using the headship rates discussed above and the full range of demographic scenarios developed. To convert households into dwellings the data includes an uplift to take account of vacant / second homes. This has been based on 2015 Council Tax data for each local authority. The vacancy allowance is applied as an uplift to estimated household growth⁵. The figures used for the Mid Mersey HMA are:

- Warrington – 2.3%;
- Halton – 1.6%; and
- St. Helens – 3.1%

2.49 The analysis shows an overall housing need for 740 dwellings per annum for Warrington when using the 2014-based SNPP as the underlying population projection, with a figure of 738 if MYE data for 2015 is included.

2.50 With long-term (10-year) migration assumptions the housing need is shown to be for some 820 dwellings per annum (dpa), this figure decreases to 719 when the trend reference period is

⁵ The uplift applied is a result of the relationship of dwellings/ households, rather than the % of total stock which is vacant.

extended to 14-years. With a UPC adjustment, the level of need is 783 dwellings per annum for the 10 year migration scenario and 679 for the 14-year migration scenario.

- 2.51 The midpoint of the two 10-year projections is for 801 dwellings per annum, with the equivalent figure linked to 14-year trends being 699 dpa.

Table 12: Projected housing need – range of demographic based scenarios and 2014-based headship rates – Warrington (2015-37)

	Households 2015	Households 2037	Change in households	Per annum	Dwellings (per annum)
2014-based SNPP	88,817	104,738	15,921	724	740
2014-based SNPP (+MYE)	88,805	104,684	15,879	722	738
10-year migration	88,805	106,435	17,630	801	820
14-year migration	88,805	104,263	15,458	703	719
10-year migration (+UPC)	88,805	105,645	16,840	765	783
14-year migration (+UPC)	88,805	103,417	14,612	664	679

Source: Demographic projections

- 2.52 Table 13 brings together summarised figures for each local authority in the HMA and the HMA total – the table shows annual housing need under each of the six scenarios.

Table 13: Projected housing need – range of demographic based scenarios – by local authority (dwellings per annum) – Official headship rates

	2014- based SNPP	2014-based SNPP (+MYE)	10-year migration	14-year migration	10-year migration (+UPC)	14-year migration (+UPC)
Warrington	740	738	820	719	783	679
St. Helens	413	413	383	359	260	219
Halton	226	229	232	214	401	410
Mid-Mersey HMA	1,380	1,380	1,435	1,291	1,443	1,309

Source: Demographic projections

- 2.53 To avoid double counting, a consistent demographic projection should be used across the HMA for the purposes of drawing conclusions on the demographic need. The starting point is the 2014-based Household Projections. Updating these to take account of the latest Mid-Year Population Estimates, as the PPG advises, results in a need for 1,380 dpa in the Mid Mersey HMA. Including a headship rates adjustment in Halton increases the need by 22 dpa to 1,402 dpa across the HMA.

- 2.54 For the Mid Mersey HMA, the SNPP scenarios sit between the range shown based on 10-year migration trends (1,435 – 1,443 dpa) and 14 year trends (1,291 – 1,309 dpa). GL Hearn therefore conclude that the 2014 SNPP adjusted for the Mid-Year Population Estimates, provides an appropriately based conclusion on the demographic-based need. For Warrington this scenario results in a need for 738 dpa.

3 ECONOMIC DRIVEN HOUSING NEED

3.1 In this section consideration is given to economic growth and how this may influence the level of housing need within Warrington.

3.2 This update uses the economic forecasts set out in the Council’s “review of economic forecasts and housing numbers” prepared by Mickledore in October 2016. The economics forecast scenarios prepared are:

- Economic forecasts prepared by Oxford Economics;
- Previous employment trends based on absolute employment increases in the Borough;
- The Devolution Bid employment forecasts; and
- What could be achieved under Northern Powerhouse growth projections.

3.3 While we have taken the outputs for the first two of these forecasts from the Mickledore report, rebased to 2015 from OE. For the Devolution Bid we taken the anticipated 31,000 jobs over the 25 year period from 2015 to 2040 and annualised this to 1,240 jobs and multiplied this over the 22 year plan period and set it against the 2015 base job number. For the Northern Powerhouse scenario we have used “The Northern Powerhouse Independent Economic Review” produced by Cambridge Econometrics and SQW in June 2016.

3.4 The CE and SQW report sets out an annual average growth rates in five year periods for the Northern Powerhouse Area. The growth rates reflect three different scenarios of growth: Business As Usual, Transformational and Transformational Plus. For the purposes of this report we have applied the Transformation Plus growth rates to the Oxford Economics 2015 figure.

3.5 This section does not quantify the economic-led needs for St Helens or Halton. These are addressed within the SHELMA. With the exception of the job growth forecasts, the other assumptions set out in this Update report align with those in the SHELMA.

3.6 The starting point for considering what housing provision may be required to support economic growth is the expected growth in employment. Table 14 shows the total jobs growth envisaged in the four scenarios.

Table 14: Total Employment Growth – 2015-37

	Jobs 2015	Jobs 2037	Change in Jobs	Per annum	%
OE baseline	134,835	156,052	21,217	964	15.7%
Past employment trends	134,835	170,538	35,703	1,623	26.5%
Devolution deal	134,835	162,115	27,280	1,240	20.2%
Northern Powerhouse	134,835	151,443	16,608	755	12.3%

Source: GL Hearn, Oxford Economics, CE, SQW and Mickledore

- 3.7 The annual growth from the four scenarios range from 755 to 1,623 per annum. The northern powerhouse scenario is the lowest of the four reflecting the relatively strong baseline growth in Warrington.

Translating Economic Growth to Housing Need

- 3.8 The relationship between economic growth and housing need is complex, influenced by a number of factors including:
- The inter-relationship between jobs and people, recognising that some people hold down more than one job;
 - Levels of economic participation, with employment rates a function of a number of factors including the availability of jobs and skills;
 - Commuting patterns and ratios, which can influence the balance between residents in employment and jobs in an area. These are influenced by transport connections, investment, the availability of employment opportunities and earnings levels.
- 3.9 The complexity of these factors, coupled with the inevitable uncertainties associated with predicting long-term economic performance, makes accurate modelling of the numbers of homes needed to support future economic growth inherently difficult to accurately predict. However Planning Practice Guidance requires consideration of the relationship between jobs growth and housing need.

Residents in Employment

- 3.10 The assumed rate of double jobbing for Warrington is 3.1%. This was based on the proportion of people with more than one job – using data from the Annual Population Survey. We have averaged data over the 2004-16 period to take account of the higher error margin associated with individual years' data at local authority level.
- 3.11 We have used whereby we assume that the 'commuting ratio' is held constant. This is to ensure the assessment is undertaken on a policy-off basis. This means that the balance between the number of people living and working in an area remains constant. For Warrington the commuting ratio has been held at 0.88. This assumes that 88% of the jobs in Warrington will be taken up by local residents.
- 3.12 Combining the double jobbing and commuting ratio information allow us to calculate a multiple which can then be used against the total jobs growth to calculate the growth in residents in employment. This calculation is set out in the table below.

Table 15: Growth in Residents in Employment

	Total jobs 2015-37	Multiplier (Commuting ratio × double jobbing)	Growth in residents in employment
OE baseline	21,217	0.85	18,018
Past employment trends	35,703	0.85	30,320
Devolution deal	27,280	0.85	23,167
Northern Powerhouse	16,608	0.85	14,104

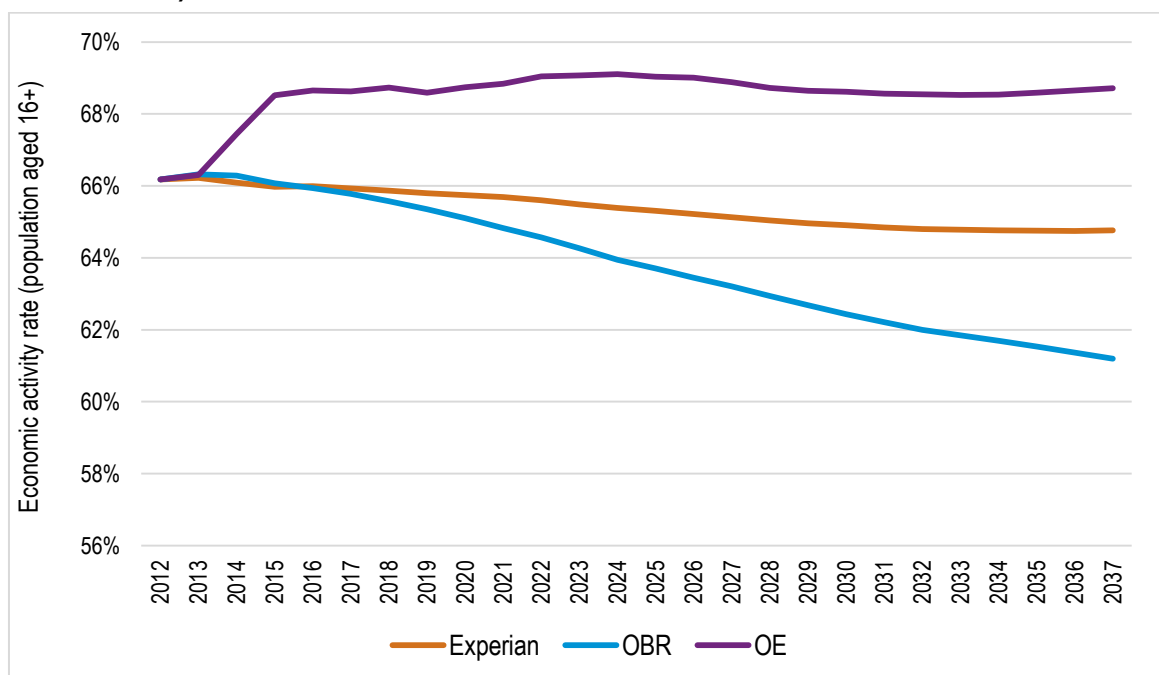
Source: GL Hearn

Economic Activity Rates

3.13 As with the SHELMA, economic activity rates from three different sources in Warrington have been tested. The Warrington figures from Experian, Oxford Economics (OE) and the Office for Budget Responsibility (OBR) using the Oxford Economics Scenario are set out in the figure below.

3.14 It is considered that the activity rate changes forecast by Experian are the most realistic when set against other factors (such as projected population growth and job forecasts at a national level). We note this is a departure from the Previous SHMA which used the OE rates. It can also be seen that the modelled rates typically sit somewhere in between these alternatives, reinforcing them as realistic in a local context. These rates were also adopted in the Liverpool City Region SHELMA thus providing a consistent approach across the HMA.

Figure 2: Changes to Economic Activity Rates (Population Aged 16+) – Warrington (2012-37) – OE Scenario



Source: Oxford Economics, OBR and Experian (rebased using 2011 Census data)

- 3.15 By using the Experian economic activity rates it is assumed that there will be very slight decline over the period to 2037 – this is due to demographic change and an increasing proportion of older people in the population. Whilst, the activity rates of older people are forecast to increase; it remains the case that these will remain below those seen in other (younger) age groups but form an increasing proportion of the workforce.
- 3.16 The Oxford Economic Activity rates are an output of a local model which assumes higher EAR growth, aligning with higher jobs growth locally. The OBR and Experian rates are independent of the local growth and based on each or their views on a national basis.
- 3.17 While nationally both OBR and Experian forecasts have the same assumptions on population growth i.e. the SNPP, the OBR rates are based on a national jobs growth which is significantly lower than Experian. Notwithstanding some potential increase in double jobbing it would therefore be inevitable that the OBR calculations result in a lesser percentage of the population being required as economically active.

Economic Led Housing Need

- 3.18 To calculate the housing need necessary to support employment growth, the employment rate changes envisaged are inputted and migration adjusted (either upwards or downwards) to support the necessary growth in labour supply. This recognises that both in- and out-migration of working-age people can be influenced by the availability of employment.
- 3.19 The results are shown in Table 16 below. This applies the headship rate identified in the demographic analysis in the previous chapter. This shows the number of dwellings required to support the economic scenario range from 835 dpa to 1,332 dpa.

Table 16: Projected housing need – range of economic based scenarios and 2014-based headship rates – Warrington (2015-37)

	Households 2015	Households 2037	Change in households	Per annum	Dwellings (per annum)
OE baseline	88,805	109,344	20,539	934	955
Past employment trends	88,805	117,441	28,636	1,302	1,332
Devolution deal	88,805	112,733	23,928	1,088	1,113
Northern Powerhouse	88,805	106,768	17,963	816	835

Source: Demographic projections

- 3.20 Comparing the demographic-based dwelling requirement and the economic-led dwelling requirement identifies that all of the economic scenarios exceed the recommended demographic based need of 738 dpa.

4 MARKET SIGNALS

- 4.1 Planning Practice Guidance (PPG) on *Housing and Economic Development Needs Assessments* sets out that the “market signals” should be considered to provide information on housing demand, and the balance between supply and demand for market housing. The PPG outlines that:

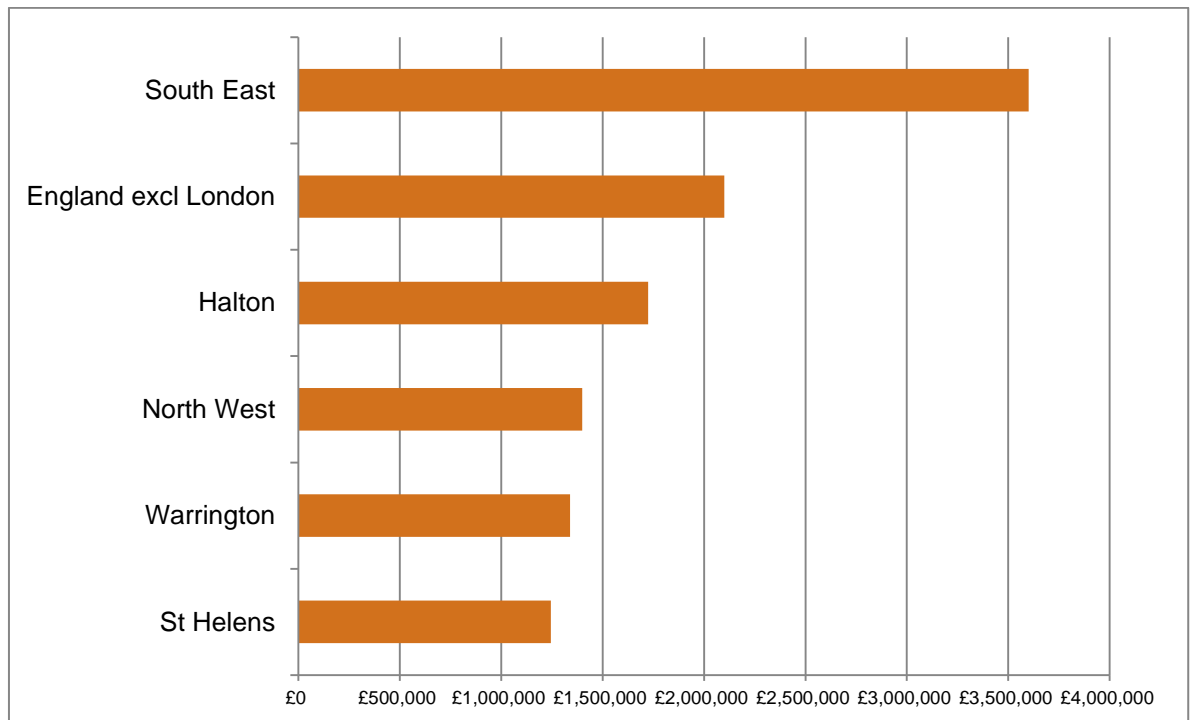
“The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings. Prices or rents rising faster than the national/local average may well indicate particular market undersupply relative to demand.”

- 4.2 Relevant market signals are identified in the PPG, and are considered in this section. In addition consideration is given to the need for affordable housing, drawing on existing affordable housing needs evidence and recognising that there is a clear relationship between the affordability of market housing and the need for affordable housing.
- 4.3 The analysis is geared at understanding housing market dynamics and considering if there is a case for adjustment to overall housing provision to improve affordability. Its focus therefore necessarily differs from how previous SHMA and related studies may have considered these issues.

Land Values

- 4.4 CLG’s publication *Land Value estimates for Policy Appraisal* (Dec 2015) provide estimates of residential land values (post planning permission) for local authorities in England. Land value premiums provide direct intelligence on areas where there is a shortage of residential land.
- 4.5 As Figure 3 shows, land values in Warrington to be £1.34 million per Ha which is relatively comparable to the North West region average. Halton has higher residential land values.

Figure 3: Residential Land Values per Hectare, Dec 2015

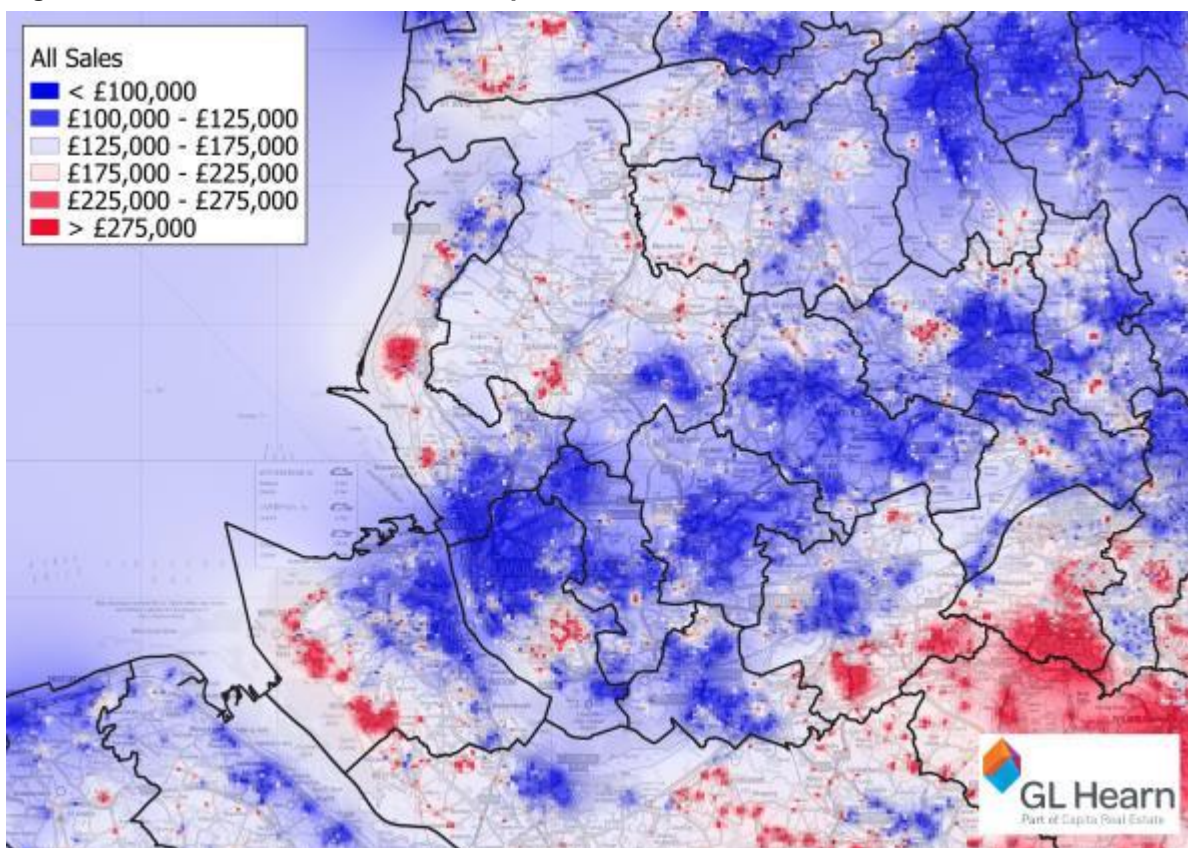


Source: CLG Land Values for Policy Appraisal

House Price and Sales Trends

- 4.6 House prices provide information on the relative demand for housing in different areas. Figure 4 profiles median house prices in 2015. It illustrates a band of relatively low house prices stretching along the M62 Corridor including the northern parts of Warrington. This includes house prices across most of the main towns in both the Liverpool and Mid Mersey HMAs fall below £125,000.
- 4.7 Median house prices across the Mid Mersey HMA are 32% below the national average, and 1% below the regional average. An analysis of median house prices at a local authority level indicates that Warrington has median prices that are 14% above the North West average.
- 4.8 Lower quartile (LQ) house prices in Warrington are below the national average. However LQ prices in Warrington are some 19% above the regional average.

Figure 4: Median House Price Heat Map, 2015



Source: GLH Analysis of HMLR Price Paid Data

4.9 The median average prices in Warrington is also some £33,000 higher than in Halton and £43,000 higher than those in St Helens. However, median house prices are influenced by the stock mix and mix of homes sold in different areas: it is reasonable to expect higher average house prices in an area with a greater concentration of larger properties.

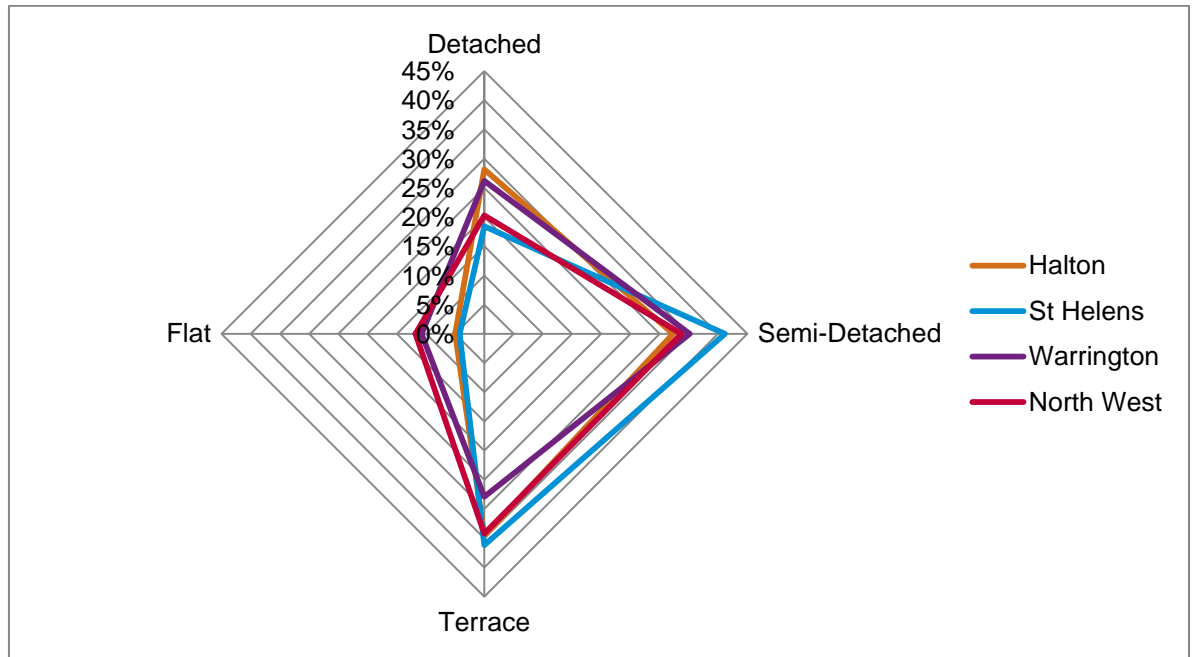
Table 17: Median and Lower Quartile House Prices, 2015

	Median, 2015	Differential to North West	Lower Quartile, 2015	Differential to North West
Halton	£127,000	-9%	£86,375	-11%
St Helens	£117,000	-16%	£78,000	-20%
Warrington	£160,000	14%	£115,000	19%
Mid Mersey HMA	£139,046	-1%		
North West	£140,000	0%	£97,000	0%
England and Wales	£203,500	45%	£135,000	39%

Source: GLH Analysis of HM Land Registry Price Paid Data

4.10 The median average prices in Warrington reflect the higher proportion of detached and semi-detached house types in the Borough.

Figure 5: Mix of Properties Sold- Mid Mersey HMA, 2015



Source: GLH Analysis of HM Land Registry Price Paid Data

House Price Change

- 4.11 House price changes have also been analysed. The PPG outlines that long-term changes in house prices may indicate an imbalance between housing supply and demand. GL Hearn have assessed house price changes over various time periods, considering absolute and relative changes as the PPG advises.
- 4.12 In considering changes in house prices it is important to recognise the impact of macro-economic factors, and thus it is relevant to consider trends over the last five years (2010-2015) as these can differ from longer-term trends.
- 4.13 The table below provides an analysis of absolute changes in house prices. Looking over the past 10 or 15 years, house price growth across all authorities has been below the national average. It has been marginally above the North West average in Warrington over a 15 year period and equal to over the past 10 years.

Table 18: Absolute Changes in House Prices per Year

	1 Year	5 Year	10 Year	15 Year
Halton	£5,000	£3,004	£1,100	£4,816
Warrington	£0	£800	£2,000	£5,750
St Helens	-£792	£0	£450	£4,047
North West	£3,005	£2,010	£2,000	£5,533
England & Wales	£12,000	£5,400	£4,700	£8,300

Source: GLH Analysis of HM Land Registry Price Paid Data

- 4.14 The rate of growth in percentage terms is shown below. Price growth over the last five or ten years in comparative terms in Warrington have been relatively weak in comparison to the regional and national picture. Although within the Mid Mersey HMA prices in Halton have shown recent growth (1 and 5 years) higher than that seen regionally.

Table 19: % Growth in House Prices per Year (CAGR)

	1 Year	5 Year	10 Year	15 Year
Halton	4.2%	2.6%	0.9%	5.9%
Warrington	0.0%	0.5%	1.4%	5.6%
St Helens	-0.7%	0.0%	0.4%	5.1%
North West	2.2%	1.5%	1.6%	6.2%
England & Wales	6.2%	2.8%	2.6%	6.3%

Source: GLH Analysis of HM Land Registry Price Paid Data

Trends in Private Rents

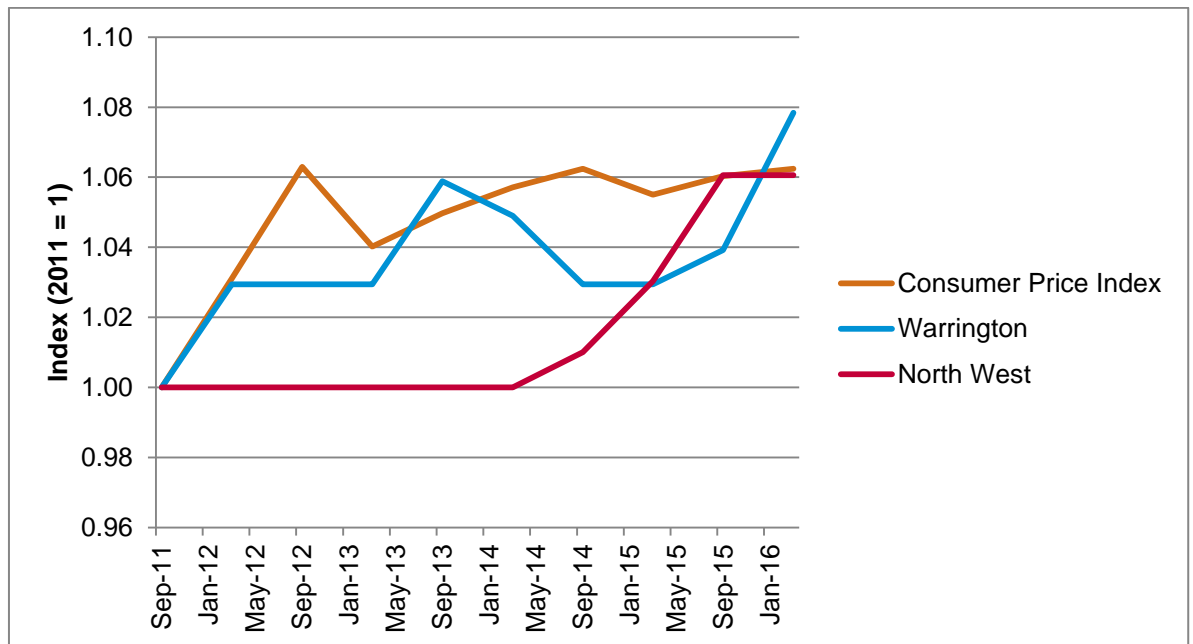
- 4.15 Private rental levels per calendar month (PCM) in Warrington are slightly above the North West average but as with Halton and St Helens they are below the national average. Rental growth in nominal terms has been seen in Warrington, and also in real terms, but at a rate below the national trend.

Table 20: Rental Cost and Trends

	Median Rent, Year to March 2016	Differential vs. NW	Price Growth PA 2011-16
Halton	£500	-£25	0.2%
St Helens	£475	-£50	0.0%
Warrington	£550	£25	1.7%
North West	£525	£0	1.3%
England	£650	£125	2.8%

Source: GLH Analysis of VOA Private Rental Market Statistics

Figure 6: Indexed Rental Trends



Source: GLH Analysis of VOA Private Rental Market Statistics

Affordability

- 4.16 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 an 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.
- 4.17 The figure below indicates, the lower quartile affordability ratio in 2015 in the Mid Mersey HMAs (and in all of its constituent authorities) is below the national average of 7.0. In the Mid Mersey HMA, the ratio is below 5.0 in both Halton and St Helens, and stands at 5.9 in Warrington.

Figure 7: Lower Quartile Affordability Ratio, 2015



Source: CLG Housing Statistics

4.18 The table below analyses how the lower quartile house price to income ratio has changed, and also shows the median ratio. Over the previous five years (2010-15), the ratio has remained at a similar level across the other authorities and the HMA. The ten year change points to affordability improving marginally in the HMA. However the fifteen year change shows a growth in the affordability ratio across all authorities with Warrington in particular worsening – this is similar to many areas nationally.

4.19 For all periods, the affordability ratio across England has increased at a higher rate than the HMA and Warrington.

Table 21: Changes in Lower Quartile Affordability Ratio

	Median Ratio	LQ Ratio	5 Year Change	10 Year Change	15 Year Change
Halton	4.50	4.36	0.1	-0.6	1.8
St Helens	5.18	4.80	0.0	-0.2	2.1
Warrington	6.12	5.87	0.4	-0.5	2.4
Mid Mersey HMA	5.27	5.01	0.1	-0.4	2.1
England	7.49	7.02	0.3	0.2	3.1

Source: GLH Analysis of CLG Housing Statistics

Overcrowding

4.20 The table below shows the number of overcrowded households in each area, this being households which currently live in a property with fewer rooms than required for the members of the household. Including Warrington all authorities in the HMA had a lower overcrowding rate than either the North West average (6.2%) or the national average (8.5%) in 2011.

4.21 The table also shows the change in the proportion of overcrowded households since 2001. Warrington has seen a modest increase from 4.3% of 0.2 percentage points (pp) while the other authorities in the HMA have seen a decline. By comparison the North West has seen a growth of 0.8 pp over this period while the UK has seen a growth of 1.6 pp.

Table 22: Overcrowded Households

	Overcrowded Households 2011	Overcrowded Households 2011	Overcrowded Households 2001	Overcrowded Households 2001	Change 2001-11
Halton	2,638	4.9%	2,515	5.2%	-0.3%
St Helens	3,102	4.1%	3,493	4.8%	-0.7%
Warrington	3,821	4.5%	3,325	4.3%	0.2%
North West	187,816	6.2%	152,248	5.4%	0.8%
England and Wales	1,995,860	8.5%	1,510,422	7.0%	1.6%

Source: Census 2011 and 2001

4.22 The table below shows the number of concealed households in each area. This shows that Warrington (1.12%) the level of concealed housing above the regional (1.62%) or national (1.84%) averages in 2011.

4.23 Also shown is the percentage point change in concealed households between 2001 and 2011. This shows Warrington (0%) is lower than either the North West (0.50%) or England and Wales (0.68%) growth over this period.

Table 23: Concealed Households

	Concealed Households 2011	Concealed Households 2011	Concealed Households 2001	Change 2001-11
Halton	537	1.45%	1.07%	0.38%
St Helens	660	1.26%	0.99%	0.27%
Warrington	669	1.12%	0.87%	0.25%
North West	32,128	1.62%	1.11%	0.50%
England and Wales	289,295	1.84%	1.16%	0.68%

Source: Census 2011 and 2001

Rates of Development

- 4.24 Planning Practice Guidance outlines that the rate of development should be considered, with a meaningful period used to assess housing supply. If this historic rate of development shows that actual supply fell below planned supply, future supply should be increased to reflect the likelihood of under-delivery of a plan.
- 4.25 The last recession had a particular impact on housing supply, both at a national and local level. GL Hearn consider in this context that a meaningful period would need to include periods of both stronger and weaker housing market conditions (based on national dynamics), and have therefore sought to assess trends over the period since 2002.
- 4.26 It is important to recognise the context through which housing targets were derived. Historically housing targets have been set out through the Regional Spatial Strategy which sought to promote urban renaissance, and in doing so directed growth to the re-use of brownfield land in the urban cores within the region.
- 4.27 Over the period since 2002, there has been a 5% over-delivery within the Mid Mersey HMA, entirely driven by growth in Warrington. Indeed in St Helens and Halton the under delivery was at least 24% below target.

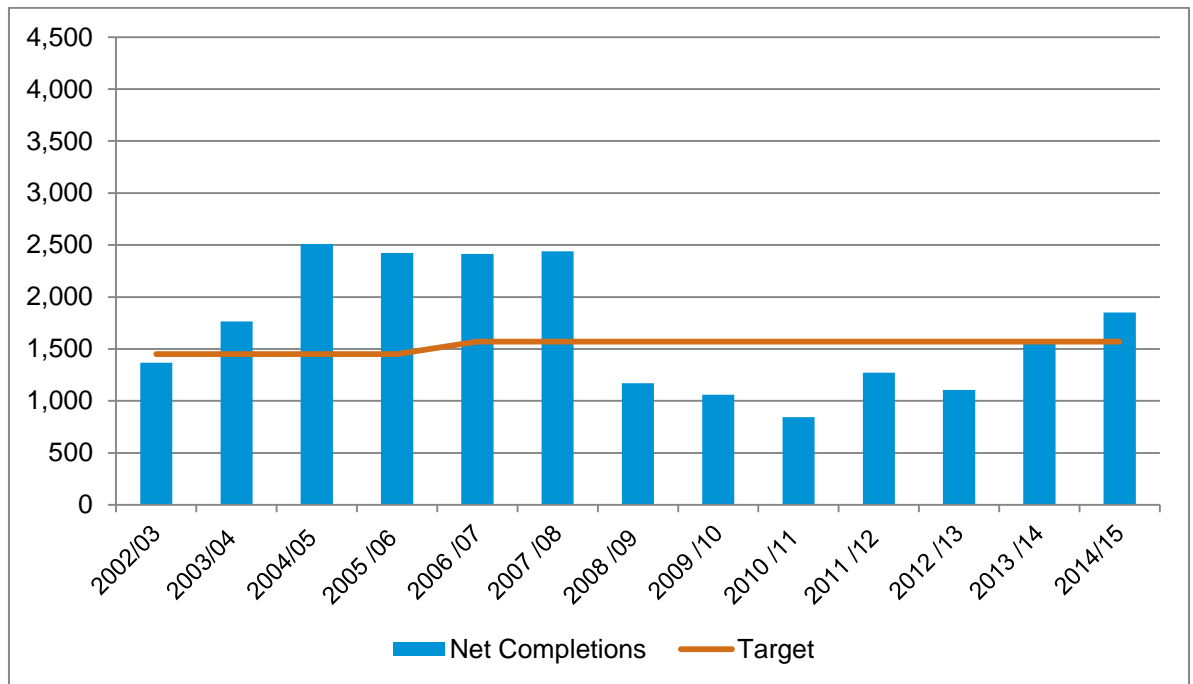
Table 24: Housing Delivery related to Targets, 2002-2015

	Net Completions	Housing Requirement	% Over/ Under Delivery
St Helens	5,658	7,410	-24%
Halton	4,581	6,590	-30%
Warrington	10,751	6,020	79%
Mid Mersey HMA	20,990	20,020	5%

Source: GLH Analysis of Annual Monitoring Reports

- 4.28 The figure below plots the housing delivery trends in the HMA. The influence of the recession and credit crunch on housing delivery between 2008-13 is self-evident. There is a clear correlation between the trend in housing completions shown with the overall housing sales trends; which strongly suggests that demand-side rather than supply-side factors drove the reduction in housing delivery (given that new-build sales typically make up less than 10% of total sales).

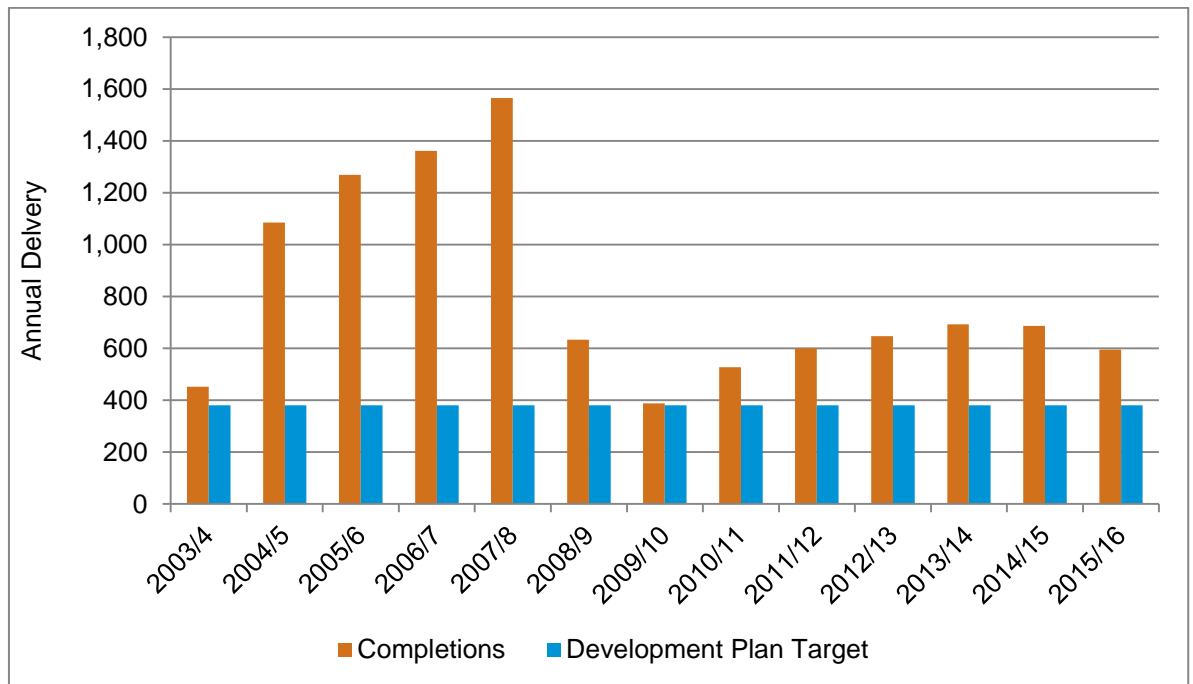
Figure 8: Housing Delivery Trend – Mid Mersey HMA



Source: GLH Analysis of Annual Monitoring Reports

- 4.29 Historic under-delivery is also important when considering five year housing land supply calculations and specifically the buffer to apply to these. Paragraph 47 in the NPPF sets out that the purposes of a buffer is to ensure choice and competition in the market for land, and provide a realistic prospect of achieving the planned supply.
- 4.30 A default 5% buffer is typically required (moved forward from later in the plan period), with an increased buffer of 20% applied where there is a record of persistent under-delivery of housing. The buffer does not change the total requirement over the plan period.
- 4.31 The PPG outlines that *“the assessment of a local delivery record is likely to be more robust if a longer-term view is taken, since this is likely to the account of the peaks and troughs in the housing market cycle.”*
- 4.32 The delivery record is a function of how well a local authority has performed at delivering the level of housing expected of it typically viewed over the last 10 years, noting that the Housing White Paper suggests only three years. It is also appropriate to judge delivery against the housing targets, and particularly the housing targets against which delivery would have been monitored by the Council. This is shown in the Figure 8 overleaf

Figure 9: Delivery V Target (2003/4 – 2015/16) – Warrington



Source: Warrington Borough Council, AMR 2017

4.33 As illustrated in Figure 9 the Borough has more than met its delivery targets in every year since 2003. It is therefore clear that if any buffer is applied then 5% buffer would be most appropriate for Warrington. Please note that this does not form part of the OAN and will be considered further within the Council's five year housing land supply studies.

5 AFFORDABLE HOUSING NEED

Introduction

- 5.1 The PPG (2a-022) describes the calculation of affordable housing need as relating to *‘the number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market. This calculation involves adding together the current unmet housing need and the projected future housing need and then subtracting this from the current supply of affordable housing stock’*.
- 5.2 The PPG sets out a model for assessing affordable housing need – this model largely replicates the model set out in previous SHMA guidance (of 2007). It draws on a number of sources of information including Census data, demographic projections, house prices/rents and income information. Paragraph 14 of the PPG (2a-014) sets out that: *“Plan makers should avoid expending significant resources on primary research ... 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”*.
- 5.3 The affordable 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 (through relets of current stock) which can be used to meet affordable housing need. Given the range of data available, a base date of 2016 is used. For the purposes of consistency with the end date of demographic projections, data is presented as per annum data for the period 2016-37.

Updating

- 5.4 A full assessment of affordable housing need was carried out in the 2016 SHMA (with a base date of 2014) and so this report provides just a selected update to key variables where new information is available. The general methodology does however remain unchanged from that in the SHMA and further details can be found in that document. Specifically, this assessment seeks to update the following variables:
- Housing costs (private sector rent levels) – drawing on the latest Valuation Office Agency data covering a 12-month period to September 2016;
 - Income data – taking account of new data about local incomes (including information from the Annual Survey of Hours and Earnings (2016) and small area income estimates from ONS (published in October 2015);
 - Estimates of the number of newly forming households – this is a direct output of the demographic modelling; and
 - Estimates of the supply of affordable housing from relets – taken from Continuous Recording of Lettings data (CoRe) up to 2016

5.5 Other more minor changes have been made; for example, estimates of the current need for affordable housing have been updated but this does not substantially change the figures. The text below therefore discusses the main updating undertaken in the assessment.

Rent levels

5.6 An important part of the study is to establish the entry-level costs of housing. In the previous SHMA, it has been established that the private rented sector typically requires lower incomes to access than owner-occupation and so the focus is on costs in this sector. The affordable housing needs assessment compares 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.’

5.7 The entry-level costs of housing have been established from Valuation Office Agency (VOA) data. For the purposes of analysis (and to be consistent with Paragraph 25 of the PPG (2a-025)), lower quartile (LQ) rents have been taken to reflect the entry-level point into the market – the latest data covers a 12-month period to September 2016. The analysis below shows LQ rents by size of dwelling with an overall ‘average’ lower quartile rent of £475 per month; this is only 1% above the overall LQ figure presented in the SHMA (for the year to March 2015) although some individual dwelling sizes do show notable increases; this is likely to reflect a slightly different mix of homes being let in each of the reference periods.

Table 25: Lower quartile private rents by size (per month) – Warrington

	Previous assessment (year to March 2015)	Updated position (year to September 2016)	Change in monthly rent	% change
Room only	£250	£375	£125	50%
Studio	-	£325	-	-
1 bedroom	£400	£400	£0	0%
2 bedrooms	£475	£495	£20	4%
3 bedrooms	£550	£595	£45	8%
4+ bedrooms	£795	£895	£100	13%
All dwellings	£470	£475	£5	1%

Source: Valuation Office Agency (2016)

5.8 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%.

Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics). This was discussed in the Mid-Mersey SHMA and to be consistent with that document a threshold of 25% has been used in this study.

Incomes

5.9 Following on from the assessment of local housing costs it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability (i.e. the ability of a household to afford to buy or rent housing in the market without the need for some sort of subsidy); the analysis also provides 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 in each area. The key sources of data include:

- ONS modelled income estimates (published in October 2015 with a 2011/12 base) – this information is provided for middle layer super output areas (MSOA) and is therefore used to build up to local authority areas;
- English Housing Survey (EHS) – to provide information about the distribution of incomes; and
- Annual Survey of Hours and Earnings (ASHE) – to assist in looking at how incomes have changed since the ONS base date and to provide an alternative source about how incomes in different areas vary.

5.10 Drawing all of this data together, an income distribution for 2016 has been constructed. The table below shows average (mean) income and also a comparison with the equivalent figure in the previous SHMA (which has a 2014 base). It can be seen that the incomes assumed in this report are slightly higher than in the previous assessment (7% higher). This difference may reflect a higher estimate of income from the new ONS source, rather than wholly reflecting a real change over the two year period (i.e. previous income estimates may have been too low).

Table 26: Average (mean) income estimates - households

	2014 based estimate	2016 based estimate	% change
Warrington	£37,278	£39,991	7%

Source: Derived from a range of data as discussed

5.11 To assess affordability, a household’s ability to afford private rented housing without financial support has been studied. 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.

5.12 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 (this has consistently been shown to be the case in the English Housing Survey and the Survey of English Housing). Assumptions about income levels for specific elements of the modelling are the same as in the previous SHMA assessment of affordable need.

Newly forming households

- 5.13 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 (e.g. the analysis considers the number of households aged under 45 in a particular year and subtracts the number aged under 40 five-years previously – this provides an indication of the number of new household (i.e. that didn't exist five years earlier). This differs from numbers presented in the demographic projections which are for net household growth.
- 5.14 The numbers of newly-forming households are limited to households forming who are aged under 45 – this is consistent with CLG guidance (from 2007 – see Annex B) which notes after age 45 that headship (household formation) rates 'plateau'. The PPG does not provide any specific guidance on how to calculate the number of newly forming households. 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.
- 5.15 The table below shows estimates of the annual number of newly forming households from the updated demographic modelling and compares the figure with that in the previous SHMA. The figures does not change significantly, with this study seeing a modest decrease in the estimate of newly forming households compared with the previous assessment of need. This will be driven by the 2014-based projections showing lower overall population and household growth than the 2012-based version (which was used to underpin the SHMA analysis).

Table 27: Estimated number of newly forming households (per annum)

	Previous assessment(s) estimate	This study
Warrington	1,756	1,704

Source: Demographic projections

Supply of affordable housing from relets

- 5.16 The final area of updating is around the supply of affordable housing from relets of current stock. For this analysis, information has been taken from CoRe for the 2013-16 period – previous assessments looked at data for a three-year period from 2011 to 2014. The table below compares

estimates of the supply of social and affordable rented housing in Warrington. The supply figures in this assessment are somewhat lower than in previous analysis.

- 5.17 This is driven by the CoRe data for Warrington showing a reduction in the overall number of lettings with the average (including transfers and new build lettings) in the 2013-16 period being 1,500 per annum, this compares with an estimate of 1,642 in the SHMA based on 2011-14 data. Additionally, the latest CoRe data is showing a higher proportion of transfers; as household transfers do not generate additional availability, this reduces the amount of stock available to meet new needs. The figures below include a small number of relets of intermediate housing (e.g. shared ownership).

Table 28: Estimated future supply of social/affordable housing relets (and intermediate housing)

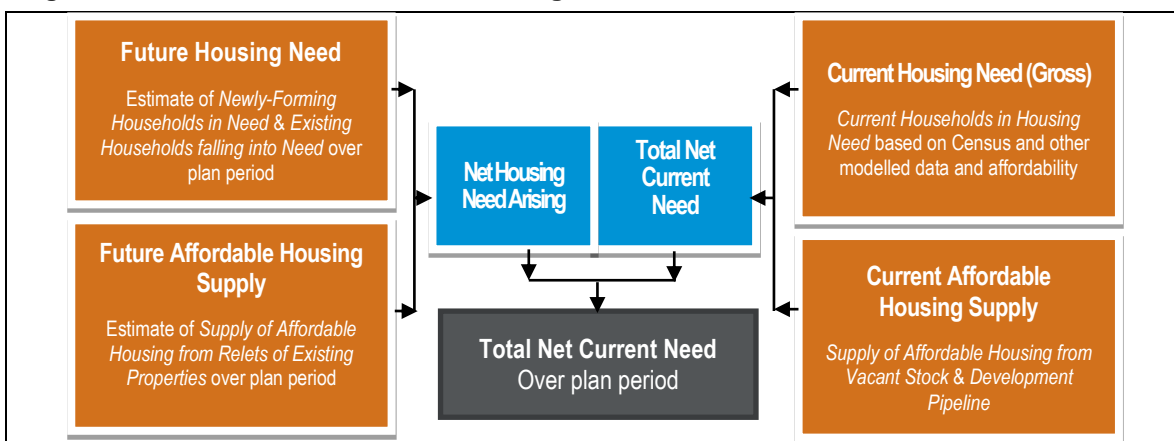
	Previous assessment(s) estimate	This study
Warrington	1,047	891

Source: Derived from CoRe data

Affordable Housing Needs Assessment

- 5.18 Affordable housing need has been assessed using the methodology set out in the PPG. This model is summarised in the figure below.

Figure 10: Overview of Affordable Housing Needs Assessment Model



- 5.19 The table below shows the overall calculation of affordable housing need. This excludes supply arising from sites with planning permission (the ‘development pipeline’) to allow for a comparison with the demographic projections set out in the report. The analysis has been based on meeting affordable housing need over the 21-year period from 2016 to 2037. Whilst most of the data in the model are annual figures the current need has been divided by 21 to make an equivalent annual figure.

5.20 As the table sets out, the analysis calculates an overall need for affordable housing of 288 units per annum over the 21-years to 2037. The net need is calculated as follows:

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

5.21 The table below also shows estimates of the annual affordable need in this assessment and previous studies. Although the overall level of need has increased, it can be seen that this is a function of a reduction in gross need accompanied by a higher estimated reduction in the future supply from relets.

Table 29: Comparing assessments of affordable housing need

	This Study	Previous Assessment	Difference
Current need	55	61	-6
Newly forming households	756	830	-74
Existing households falling into need	368	386	-18
Total Need	1,179	1,277	-98
Supply from existing stock	891	1,047	-156
Net Need	288	230	58

Source: This study and previous (2014-based) assessment

Relating Affordable Need and OAN

5.22 The relationship between affordable housing need and overall housing need is complex. This is recognised in the Planning Advisory Service (PAS) Technical Advice Note of July 2015. PAS conclude that there is no arithmetical way of combining the OAN (calculated through demographic projections) and the affordable need. There are a number of reasons why the two cannot be ‘arithmetically’ linked.

5.23 The need for affordable housing is dealt with separately in the PPG, with guidance provided on how this is assessed alongside information on how needs for different types of housing should be assessed. The Guidance states that affordable need should be calculated by “*adding together the current unmet housing need and the projected future housing need [for affordable housing] and then subtracting this from the current supply of affordable housing stock.*”⁶ It is important to recognise the following with regard to assessing affordable need:

- Firstly, it clearly includes existing households – the types of households identified as having a current need include those with insecurity of tenure, overcrowded households, those lacking

⁶ ID 2a-022-20140306

facilities or with a social/physical impairment which cannot be met *in situ*. This includes households across a range of tenures who are in need

- Secondly, it clearly includes supply-side factors – with the estimate of need expected to be compared against the current total affordable housing supply and committed supply of affordable housing, and future supply taking account of relets.

5.24 This just leaves the ‘*current need*’; much of this group will be similar to the existing households already described (in that they are already living in accommodation) although it is possible that a number will be households without housing (mainly concealed households) – these households are not included in the demographic modelling and so are arguably an additional need; this is discussed in the next section of this report.

5.25 The analysis above does however indicate a clear need for affordable housing. 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.”

5.26 This ‘consideration’ is difficult to quantify – as noted most of the affordable need is not a need for additional dwellings over and above the overall need identified through demographic modelling. If the Council were to consider an uplift, then this would mean additional provision of market homes . One way to consider the need would be to align the affordable housing need with current policy.

5.27 The table below summarises the current affordable housing needs evidence. Specific figures should be treated with some caution because of differences in methodological assumptions used in how they are derived, and different dates of assessment. Figures are thus not necessarily directly comparable.

Table 30: Indicative Housing provision to meet the Affordable Housing Need

Local Authority	Affordable housing need (pa)	Potential AH Delivery	Housing required to meet affordable need (pa)	Source of Needs Evidence
Halton	119	25%	476	Mid Mersey SHMA January 2016, GL Hearn
St Helens	96	30%	320	Mid Mersey SHMA January 2016, GL Hearn
Warrington	230	25%	920	This report

Source: GL Hearn, 2017. [Note. GLH has made a broad assumption on potential delivery through Registered Provider-led development schemes and regeneration schemes]

- 5.28 While the table provides an indication of the potential proportion of housing that could be delivered as affordable housing. This is a broad-brush assumption which has been made for indicative purposes only based on a review of current policy requirements. With these assumptions the analysis shows that an uplift of around 25% would be needed to meet the affordable need in Warrington from the demographic based need. However as identified in the SHELMA Halton would require a more substantial uplift of 87%, whereas St Helens may not require an uplift at all.
- 5.29 Substantial uplifts are clearly unreasonable, and what must be borne in mind is that additional households are required to occupy homes; and it is really only concealed and homeless households which overall will be additional. Moreover any adjustments made from the demographic starting point – either to headship rates, to address market signals or to support economic growth – will deliver additional market and affordable housing.
- 5.30 Furthermore the demographic modelling itself does not demonstrate a market demand for these additional dwellings. Additionally, if the Council were to increase planned housing figures, then this would generate increased migration and population growth, which would mean a lower level in other areas (and hence other locations would logically be expected to plan for fewer dwellings).
- 5.31 That said given the level of affordable housing need, the Council should however seek to maximise delivery where possible and 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 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;
 - Rural Exception Site Development – where the emphasis is on delivering affordable housing to meet local needs.
- 5.32 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 be met by changes in the ownership of existing housing stock, not just by new-build development.
- 5.33 It is also worth briefly thinking about how affordable need works in practice and the housing available to those unable to access market housing without Housing Benefit. In particular, the

increasing role played by the Private Rented Sector (PRS) in providing housing for households who require financial support in meeting their housing needs should be recognised.

- 5.34 Whilst the Private Rented Sector (PRS) does not fall within the types of affordable housing set out in the NPPF ‘for planning purposes’, 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.
- 5.35 It is also worth reflecting on the NPPF (Annex 2) definition of affordable housing. This says: ‘Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market’ [emphasis added]. Clearly where a household is able to access suitable housing in the private rented sector (with or without Housing Benefit) it is the case that these needs are being met by the market (as within the NPPF definition). As such the role played by the private rented sector should be recognised – it is evidently part of the functioning housing market.
- 5.36 Data from the Department of Work and Pensions (DWP) has been used to look at the number of Housing Benefit supported private rented homes. As of November 2016, it is estimated that there were just under 3,000 benefit claimants in the private rented sector in Warrington. This serves to illustrate that there is some flexibility within the wider housing market.
- 5.37 However, national planning policy does not specifically seek to meet the needs identified through the Needs Assessment Model in 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. In particular, future growth in households living within the PRS and claiming LHA cannot be guaranteed.

Responding to Affordable Housing Need

- 5.38 This update has considered the market signals and affordable housing evidence together, recognising the inter-relationships between housing affordability and affordable housing need (with housing costs, overcrowding and concealed households for instance being an input to the calculation of the affordable housing need); and recognition that increasing market housing delivery which improves affordability would impact (and reduce) the scale of affordable housing need.
- 5.39 GL Hearn recognise that there has been some debate over the last couple of years so over whether affordable housing need is thus a component of the OAN, or that there is a separate requirement in setting policy to consider adjusting upwards the housing requirement to boost affordable housing delivery. The appropriate approach has been confirmed by the High Court in *Kings Lynn & West*

*Norfolk vs. SSCLG & Elm Park Holdings Ltd.*⁷ In this judgement, Mr Justice Dove notes the “ingredients” involved in assessing the full OAN, and that this necessitated considering a range of relevant data for which there is no one set methodology and which will involve elements of judgement. He went on to outline how the need for affordable housing should be considered in drawing conclusions on the OAN:

“31 In terms of the first element of the assessment in the first of the sub-bullet points in paragraph 159, namely meeting household and population projections taking account of migration and demographic change, the PPG illustrates that this is a statistical exercise involving a range of relevant data for which there is no one set methodology, but which will involve elements of judgment about trends and the interpretation and application of the empirical material available.

These judgments will arise for instance in relation to whether, for example, adjustments for local demography or household formation rates are required (see paragraph ID 2a-014–20140306), and the extent and nature of adjustments for market signals (see paragraph ID 2aa-018–20140306). Judgment will further be involved in taking account of economic projections in undertaking this exercise.

32 At the second stage described by the second sub-bullet point in paragraph 159, the needs for types and tenures of housing should be addressed. That includes the assessment of the need for affordable housing as well as different forms of housing required to meet the needs of all parts of the community. Again, the PPG provides guidance as to how this stage of the assessment should be conducted, including in some detail how the gross unmet need for affordable housing should be calculated. The Framework makes clear these 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. That is because the vast majority of delivery will occur as a proportion of open-market schemes and is therefore dependent for its delivery upon market housing being developed. It is no doubt for this reason that the PPG observes at paragraph ID 2a-208–20140306 as follows:

“The total affordable housing need should then 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 total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.”

⁷ *Kings Lynn & West Norfolk vs. SSCLG & Elm Park Holdings Ltd* [2015] EWHC 2464 (Admin)

33 This consideration of an increase to help deliver the required number of affordable homes, rather than an instruction that the requirement be met in total, is consistent with the policy in paragraph 159 of the Framework requiring that the SHMA “addresses” these needs in determining the FOAN. They should have an important influence increasing the derived FOAN since they are significant factors in providing for housing needs within an area.”

- 5.40 It seems clear from this that the expectation is that it may be necessary to *consider* an adjustment to enhance the delivery of affordable housing, but that this does not need to be necessarily done in a mechanical way whereby the affordable need on its own dictates the OAN figure. Nonetheless it is clear that affordable housing need may result in upwards adjustments to the OAN, but with consideration given to the overall deliverability of housing.
- 5.41 Furthermore the analysis of market signals shows a variance in housing market dynamics, house prices, and affordability pressures across Warrington and as a result the HMA. The price of market housing has increased over recent years, however the evidence suggests that there has not been a corresponding worsening in affordability in Mid Mersey HMA, compared to elsewhere in the Country.
- 5.42 The analysis of the housing market signals set out in this section suggests that it would be appropriate to consider an uplift to improve affordability in Warrington. Conversely, the market signals show that affordability pressures are relatively less acute in Halton and St Helens compared to regional or national levels.
- 5.43 The PPG sets out that the scale of such an adjustment should be *“a level that is reasonable”*. SHMAs around the country have generally applied adjustments to improve affordability of up to 20%, We are aware of only one exception to this, in Cambridge (where a 30% adjustment has been recommended). Over the last few years or so different Government Planning Inspectors have taken a range of views on this matter, including:
- Mendip (October 2014) – *‘these findings indicate that trends in Mendip sit fairly comfortably alongside county, regional and national trends and do not, therefore, justify an upward adjustment of the housing numbers that came out of the housing projection’*
 - Eastleigh (November 2014) – *‘It is very difficult to judge the appropriate scale of such an uplift. I consider a cautious approach is reasonable bearing in mind that any practical benefit is likely to be very limited because Eastleigh is only a part of a much larger HMA. Exploration of an uplift of, say, 10% would be compatible with the “modest” pressure of market signals recognised in the SHMA itself’.*
 - Uttlesford (December 2014) – *‘While evidence on some of these topics is patchy. Taking them in the round and without discussing them in detail here, I consider that an uplift of at least 10% would be a reasonable and proportionate increase in the circumstances of Uttlesford’*
 - Stratford-on-Avon (March 2015) – *Despite the area show strong evidence of strong affordability pressures the inspector concluded that ‘On balance I conclude, despite the SHMA’s finding that there is a case for an uplift, that an upward adjustment in housing numbers has not been justified in terms of market signals in the District’.*

- Crawley (May 2015) – Despite the Council themselves seeking to make a market signals adjustment the inspector concluded that he was *'not convinced that the market signals uplift is justified by the evidence, for the various indicators reveal a situation in Crawley which is not as severe as in other North West Sussex authorities, and one that has not worsened in recent years'*.
- Cornwall (June 2015) – The same Inspector as the Eastleigh Local Plan inquiry suggested that *'National guidance is that a worsening trend in any relevant market signal should result in an uplift. But for the reasons given below I do not consider that I should require such an uplift to be made for Cornwall at this time'*

5.44 There is also some debate as to whether a market signals adjustment should be made relative to the demographic need, or whether it should be applied on top of adjustments to support economic growth. The argument in favour of the former is that it is intending to 'oversupply' housing in order to improve affordability; whilst in respect of the latter, it is that households are required to live in additional homes and that additional housing above the demographic starting point would potentially support additional workforce growth.

5.45 In line with the approach outlined in the PPG we consider it is most appropriate to make or consider an upward adjustment to the demographic starting point in order to respond to housing market signals and to enhance affordable housing delivery.

5.46 However, it should be borne in mind that in proportional terms Warrington already sees a substantial upwards adjustments from the demographic need to support economic growth. We therefore suggest that even the lowest of the economic scenarios sees a 12% uplift from the demographic starting point and therefore further adjustments are unwarranted.

6 SUMMARY AND CONCLUSIONS

- 6.1 This report provides analysis of issues related to the Objectively Assessed Need (OAN) for housing over the period 2015 - 2037 across the Mid Mersey HMA and each of the local authorities. The analysis is aligned with evidence contained within the Liverpool City Region SHELMA.
- 6.2 This report does not seek to estimate the future economic growth potential in the HMA. Instead we have drawn on economic forecasts set out in the Council's "review of economic forecasts and housing numbers" prepared by Mickledore in October 2016 and including work undertaken by the LEP in estimating their Devolution deal and finally by SQW and CE in their "The Northern Powerhouse Independent Economic Review" paper from June 2016.
- 6.3 The economics forecast scenarios prepared are:
- Economic forecasts prepared by Oxford Economics;
 - Previous employment trends based on absolute employment increases in the Borough;
 - The Devolution Bid employment forecasts
 - What could be achieved under Northern Powerhouse growth projections
- 6.4 These scenarios show a range of potential per annum jobs growth for the 2015-37 period of between 755 jobs to 1,715 jobs. The lower figure is based on SQW and CE work whereas the higher figure is based on extrapolating past trends.

Trend-Based Demographic Projections

- 6.5 Demographic-based housing need essentially contains two components. Firstly, there are population projections. ONS publishes population projections every two years (the subnational population projections (SNPP)) as well as providing an annual estimate of population change (by age and sex) – the mid-year population estimates (MYE). Secondly, population figures are converted into estimates of the number of households by CLG in their household projections (again issued every two years).

Population Projections

- 6.6 The latest population projections are the 2014-based Subnational Population Projections (SNPP), published by ONS on the 29th May 2016. The new SNPP are largely based on trends in the 2009-14 period (2008-14 for international migration trends). GL Hearn's interrogation of the SNPP concludes that the 2014-based SNPP is a sound population projection in terms of the methodology employed by ONS. The 2014-based SNPP has been rebased to take account of the 2015 ONS Mid-Year Population Estimates, meaning it is not necessary to project population growth 2014-15.

- 6.7 The 2014-based SNPP rebased for MYE shows that the population of Warrington is projected to increase by about 24,500 (11.8%) from 2015 to 2037. The growth rate is lower across the Mid Mersey HMA (7.7%).
- 6.8 To provide a sensitivity analysis, two longer-term migration trend scenarios have been modelled, considering trends over the 14-year period to 2015 (i.e. 2001-15) and over the past 10-years (2005-15). These show figures that are both higher (10-year) and lower (14-year) than the 2014- SNPP based scenarios:
- The 10-year migration scenario shows that the population of the study area is projected to increase by about 8.3% in the HMA and between 12.9 - 13.8% in Warrington by 2037.
 - The 14-year migration scenario shows that the population is projected to increase by about 6.7% - 6.9% across the HMA and 10.1 - 11.1% in Warrington by 2037.
- 6.9 On balance, the various projections all point towards a similar level of population growth across the HMA. Given this it is appropriate to maintain the use of the official projections and the latest MYE for which we can have more confidence and whose use is suggested by the PPG unless there is justifiable local evidence, which we do not believe is the case.

Household Formation

- 6.10 The latest Household Projections (2014-based) were published by CLG on the 12th July 2016. It is evident from the analysis that household formation amongst households in their late 20s and early 30s fell slightly over the 2001-11 decade. The projections however anticipate that household formation rates for this age group will increase moving forwards. The 2014-based household projections also expect household formation rates amongst older age groups to fall over time. Given improving life expectancy this looks to be reasonable.
- 6.11 The headship rates in the 2014-based CLG household projections should not be used uncritically. When looking specifically at data for Warrington, it is clear that the only age group where household formation fell between 2001-11 was for people aged 25-34. However moving forward from 2011, the rate increases. Interrogating the evidence, we find no evidential basis for adjusting the HFRs.

Demographic-based Housing Need

- 6.12 Demographic-based housing need can be calculated using the outputs in terms of housing need using the headship rates discussed above and the full range of demographic scenarios developed. To convert households into dwellings the data includes an uplift to take account of vacant / second homes. This results in the projected demographic-based housing needs shown in the Table below.

Table 31: Projected annual housing need – range of demographic based scenarios – by local authority (all figures per annum) – 2015-37

Area	Headship Rate	2014-based SNPP	2014-based SNPP (+MYE)	10-year migration	14-year migration	10-year migration (+UPC)	14-year migration (+UPC)
Halton	2014-headship	226	229	232	214	401	410
	Adjusted headship	248	251	254	235	425	435
St. Helens	2014-headship	413	413	383	359	260	219
Warrington	2014-headship	740	738	820	719	783	679
Mid-Mersey HMA	Adjusted headship (Halton Only)	1,401	1,402	1,457	1,313	1,468	1,333

Source: GL Hearn, 2017

- 6.13 Consideration of the different projections suggests that the 2014-based SNPP rebased using the 2015 MYE is the most reasonable projection of housing need. This suggests a demographic-based need for 1,402 dwellings per annum in the Mid-Mersey HMA including 738 dpa in Warrington.

Housing and Economic Growth

- 6.14 This report has only examined the economic led housing need for Warrington, but has drawn from the SHELMA for the remainder of the Mid Mersey HMA.
- 6.15 The starting point for considering what housing provision may be required to support economic growth is the expected growth in employment using the Baseline and Growth Scenarios. This then factors in ‘double jobbing’ (the proportion of people with more than one job) and commuting ratios in order to identify the expected changes in the resident workforce over the 2015-37 period. The next step is calculating the number of dwellings which would be required to support the expected growth in the resident workforce. To consider this GL Hearn has undertaken further analysis of the potential for improvements in economic participation. Taking these factors together produces the following economic-led housing need figures:

Table 32: Projected Economic-Driven Housing Need (Dwellings per Annum, 2015-37)

	Scenario	Housing Need
Warrington	OE baseline	955
	Past employment trends	1,332
	Devolution deal	1,113
	Northern Powerhouse	835

Source: GL Hearn, 2017

- 6.16 The baseline economic growth scenario points to a higher level of housing need relative to the demographic need. This is the appropriate scenario to use in considering the OAN, in that it takes

account of past trends and performance and wider economic factor which are expected to influence future sectoral performance.

6.17 To support the scale of jobs growth planned for in the Devolution Deal would require 1,113 dpa.

Affordability and Housing Market Signals

6.18 The SHELMA provides analysis of housing market dynamics and considering if there is a case for adjustment to overall housing provision to improve affordability. This includes a review of land values; house prices and sales trends; trends in the private rental sector; affordability ratios; overcrowding; and rates of development:

- Land values in Warrington are below the national average and Halton which exceeds the north west average. Median prices across the HMA are akin to those seen regionally although in Warrington the prices are notably higher. Both the HMA and Warrington are still some way below the national average – a significant differential.
- Lower quartile (entry level) house prices are below the national average, and only above the North West average in Warrington. Relative to incomes, lower quartile prices are below the national average across the HMA. They are however highest in Warrington at 5.9 in 2015.
- House price growth has fallen below the regional average in the longer-term in all areas in absolute terms and proportionally. Growth in all areas has fallen below the national average.
- Rents are relatively low relative to national benchmarks, with no particularly high cost rental areas relative to the regional average although Warrington is slightly above it. Rental growth since 2011 in all areas has been below regional/ national benchmarks.
- Whilst there is evidence of under-delivery of housing since 2008, which correlates to a national slump in housing delivery influenced by macro-economic factors which saw demand fall, since 2002/3 housing deliver across the HMA has met need. This is particularly driven by largescale delivery in Warrington.

6.19 The SHELMA did not specifically assess the need for affordable housing although this report has updated the previous Mid Mersey SHMA in Warrington. This report shows an increase in net need within Warrington driven principally from a decrease in the rate of re-lets.

6.20 Such is the correlation between the two affordable housing need and market signals evidence have been examined together in considering any adjustments to the overall objectively assessed housing need.

6.21 Based on the affordable needs evidence it is necessary to consider an adjustment to enhance the delivery of affordable housing, but that this does not need to be necessarily done in a mechanical way whereby the affordable need on its own dictates the OAN figure. Nonetheless it is clear that affordable housing need may result in upwards adjustments to the OAN from the demographic baseline, but with consideration given to the overall deliverability of housing.

- 6.22 The analysis concludes that substantial uplifts to the OAN figures are clearly unreasonable, and what must be borne in mind is that additional households are required to occupy homes; and it is really only concealed and homeless households which overall will be additional.
- 6.23 Any adjustments made from the demographic starting point – either to headship rates, to address market signals or to support economic growth – will deliver additional market and affordable housing and thus reduce market signals pressure.
- 6.24 Given the significant increases as a result of the economic led growth, we consider it is not appropriate to apply an uplift on the basis of the affordability for Warrington.

Calculating Objectively Assessed Housing Need (OAN)

6.25 The table sets out the conclusions on OAN. The Economic Baseline suggests a higher housing need than suggested by the demographic-based modelling. The additional housing provided will contribute positively to affordable housing delivery.

Table 33: Objectively Assessed Housing Need – 2015-37

		Demo-graphic Based Need	Economic Baseline Scenario	Economic Growth Scenario*	Afford-ability Uplift	OAN
Warrington	2014-headship	738	955	1,113	0	955

Source: GL Hearn, 2017 (*Devolution Deal scenario in Warrington)

- 6.26 Within Warrington the OAN based on the baseline Economic Growth scenarios is set at 955 per annum. This is a 14% increase from the previous assessment of housing need in the Borough as set out in the Mid-Mersey SHMA. This is largely due to an improved economic outlook and how this is translated in to homes, although the demographic need alone would also see an increase.
- 6.27 It is for the Council to consider if it wishes to plan for higher employment growth. If it does so it needs to balance this with provision of additional housing. 1,113 dpa would be required to support the Devolution Deal economic ambitions.