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Determining Housing Need on Wirral: a review of the commissioned evidence

University of Liverpool
Centre for Sustainable and Resilient Cities
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The Centre for Sustainable and Resilient Cities (SaRC) brings together academics from across the University of Liverpool to work collaboratively on the global challenge to make our cities more sustainable and resilient, in the face of climate change, resource depletion, population growth, urbanisation and migration.

To develop solutions to these issues, two things are essential – firstly, that academics from different disciplines cooperate to think outside the ‘disciplinary silos’ that often constrain us; and secondly, we have to work with partners from other sectors.

SaRC includes over 40 research active experts covering topics such as population modelling, housing economics, urban design, environmental assessment, development economics, planning practice, architecture, regional governance and local economic development.

SaRC is able to bring together new configurations of researchers responding to particular demands in a timely organic structure to analyse and advise cities and city regions, whether locally, nationally or internationally. We search for ways to implement changes to how those cities and regions function to make them more sustainable and resilient; and use our best science and social science expertise to meet the future challenges to cities from climate change and resource depletion.

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Executive Summary

- This report was commissioned by Wirral Metropolitan Borough Council to join and respond to two previous reports, “Evaluating the validity of the population and household projections underpinning the Wirral Local Plan: A response to public submissions” produced by the University of Liverpool and "An objective assessment of the latest ONS Household Projections for Wirral Metropolitan Borough" produced by Professor Ludi Simpson in December 2018.
 - The first report found that the public submission presented no enhancement to the existing methods for analysing household need.
 - The second report found that the current ONS methodology used to define population projections is robust and credible. However, there are some concerns over the accuracy of future projections of housing need from the high degree of variability in household formation rates and under-representation of extant housing need.
 - This report highlights three key areas that are significant in determining the number of new dwellings required to meet demand in a local authority context but which are also analytically elusive, particularly through secondary data modelling.
 - o Existing housing stock – quality and mismatch with population changes
 - o Concealed households – people living within an existing household that would form a new household should sufficient housing be available
 - o Extant demand and the housing policy context – how previous housing policy has an impact upon projections of housing need
 - In summary the three commissioned pieces of work combine robust secondary data analysis and a review of issues that are important determinants of demand for new housing but which are less amenable to analysis through the modelling of secondary data. Taken collectively these reports suggest that 430 dwellings per annum for Wirral should be considered the lowest reasonable baseline figure.
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1.0 Introduction

- 1.1 This, the third of three reports, commissioned by Wirral Metropolitan Borough Council represents the culmination of work conducted over the course of November 2018 to January 2019. In taking this commission our aim has been to progress the ongoing debates regarding the interconnections between population change, household formation, housing demand and housing need in Wirral.
 - 1.2 Local authorities have been responsible for analysing the housing needs within their area for 90 years in the UK. In the 2000s housing need assessments became more significant for planning as the basis for identifying an appropriate number of required dwellings, which should be balanced with the other needs of the authority to produce the five-year land supply (Planning and Compulsory Purchase Act 2004 and Planning Policy Statement 3, CLG 2006).
 - 1.3 Throughout their history housing assessments have been undertaken using a diverse array of methods and conceptual approaches, responding to divergent critiques about best practice (e.g. Bramley and Watkins, 1995; Maclennan et al., 1998) and longstanding recognition of the difficulty of gathering robust behavioural indicators within the constraints of routine plan making (O’Sullivan, 2003). Whilst, since 2004 there has been greater prescription about the required content of assessments, the diversity of methods has continued (Ferrari et al., 2011). This occurs alongside iterations of government guidance that seek to balance national planning policy goals and robust local evidence within local authority constraints. As such, the most recent update on housing need assessments (MHCLG, 2018) is starkly different to previous recommendations including those published by CLG (e.g. Bramley et al., 2010). During the period of work undertaken for Wirral Metropolitan Borough Council the Ministry of Housing, Communities and Local Government was consulting on its housing need guidance and as such it is probable that there will be changes to guidance in the imminent future.
 - 1.4 Within this context in these reports commissioned by Wirral Metropolitan Borough Council we have sought to methodically analyse and respond to the public submission and provide an objective assessment of the ONS household projections on which much housing need is currently assessed.
 - 1.5 In the first report, “*Evaluating the validity of the population and household projections underpinning the Wirral Local Plan: A response to public submissions*” a review was undertaken of population projections contained in a public submission. In undertaking this review we were asked to explore if this method employed in the submission could be understood to represent a robust departure from that endorsed by central government. It was noted that there were some respects in which the public submission took an unorthodox approach to estimating population change. The report pointed out specific ways in which population dynamics, particularly between Wirral and neighbouring local authorities, are not adequately represented in the public submission and, therefore, it could not be used for planning purposes.
 - 1.6 The main findings of the first report are:
 - o Evidence shows that projecting housing supply requirements accurately is both theoretically and methodologically complex and requires detailed local knowledge regarding the existing housing stock and demographic characteristics.
 - o Neither the public submission nor the national government’s current housing need calculations meet the most rigorous standards.
 - o The ONS projections of future population remain the most methodologically robust available, indicating lower trends in population growth are likely for Wirral.
 - o Estimating household numbers is predicated on accurately estimating the number of persons per household. The most accurate methods account for the age structure and headship rates of the population in estimating household numbers.
 - 1.7 In the second report, “*An objective assessment of the latest ONS Household Projections for Wirral Metropolitan Borough*” by Professor Ludi Simpson, a review of the methodology used by the Office for National Statistics was undertaken. This found, as would be expected, that changes in population in 2012, 2014 and 2016 have a significant bearing on the number of new dwellings that would be required to accommodate population change in Wirral. However, the method that ONS uses was found to be generally robust and consistent with international standards regarding the
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measurement of demographic change.

1.8 The main findings of the report by Professor Simpson are:

- o Projections using ONS data from 2012, 2014 and 2016 show that population change is the dominant variable affecting projected household growth with between 6,100 and 7,100 more households between 2020 and 2035.
- o Projecting population change using a cohort component method, projecting households by deducting the number not in households and applying headship rates, and projecting dwellings by taking into account unoccupied housing results in the ONS projection of households, showing a growth of 430 dwellings per annum between 2020 and 2035.
- o However, Simpson also argues that the official projections and their alternatives are shown to have considerable uncertainty if taken as forecasts, and there is a 50% chance of the household growth being anywhere between -1% and 9%, and a 50% chance of it being a greater decrease than 1% or a greater growth than 9%.
- o ONS household projections do not reflect suppressed demand for housing – those who in current circumstances cannot afford the available housing.

- o Previous projections of household formation might be taken as including an element for suppressed demand and suggest an average growth 2020-3035 of 610 dwellings per annum.

- o Recently, there has been an increase in suppressed demand which if continues would result in lower effective demand (circa 250 dwellings per annum).

1.9 In this final short paper we seek to draw attention to the variables that have a significant effect on housing need/demand that are not covered in the first two reports' preoccupation with population and demographic change. Although a full Strategic Housing Market Assessment would be required to measure change in these variables in line with the best practice in social science research – a task that is beyond the scope of the commission or the time available – it is still essential that these variables are acknowledged. In particular we will focus on three issues: the quality of the existing housing stock, extant demand and concealed households.

2.0 Housing Stock

- 2.1 A fundamental determinant of demand for housing is the suitability of the available housing stock. Demographic change, for example through increased rates of family breakdown and an ageing population, means that small and single person households now represent a larger proportion the total number of households in many local authorities than has historically been the case. As a result there can conceivably be a need for more dwellings to accommodate a static population if that population has experienced social atomisation.
- 2.2 It is, therefore, important not to conflate population change alone with housing need – the two concepts are not coterminous. Whilst population growth will often be a driver of housing need it is by no means the only determinant. Where there is a mismatch between the existing housing stock and that which is required a case for additional housing need can be said to exist.
- 2.3 The quality of the existing housing stock is a crucially important consideration in assessing housing demand. Whilst the existing housing stock in use and can be understood to be meeting some of the housing need in Wirral, the quality of this existing stock is highly variegated in quality, as is the case in most local authorities. The extent to which low quality stock should be accounted for with models of housing requirements is unclear. Previously some SHMAs considered measures of housing quality, such as the proportion of homes meeting

the Decent Homes Standard, to assess the backlog of households currently in need of an acceptable standard dwelling. How these units should be accounted for in an objective assessment of need is a policy decision. This point is made clearly by Whitehead (1991).

"On the dwellings side, the most important assumptions relate to the condition and the process by which inadequate units are replaced. At one extreme one can assume that investment in poor-quality dwellings can bring all existing units up to the required standard and maintain them at at least that level so that the only additional units required are to house additional households. At the other, one can assume that new units will be required to replace unfit units, those in need of significant repair and even those without amenities. Any relevant estimate would require an understanding of how market decisions are made concerning the choice between improvement and the replacement of stock" (Whitehead, 1991, p.p,880)

- 2.4 Analysing the quality of the extant housing stock is not a routine part of current MHCLG guidelines on assessing this aspect of housing need is a significant undertaking. We have not included it in this assessment, however, should an assessor wish to include a threshold for decent quality housing it would in all likelihood necessitate an increase in the required number of dwellings or a commensurate improvement in the existing stock.



3.0 Concealed Households

- 3.1 A second example of complexity in defining housing requirements is in understanding the needs and volume of concealed households. These are groups that, should the relevant housing type be available, would detach themselves from the existing household within which they are concealed in favour of a new, separate dwelling. They are "family units or single adults living within 'host' households" (Bramley et al., 2010, p.5), but their precise definition varies and can be complex for secondary data analysis. Concealed households may result from a wide variety of circumstances. They may include extended families living as one household because of a shortage of affordable family housing, an older person living with family who may subsequently require residential care in a separate single household or a younger person living in the parental home because of an undersupply of suitable or affordable single occupancy dwellings. Sharing households may also exhibit new demand should appropriate supply be available. These are households that have formal or informal lodgers that share some facilities within the dwelling but are not a collective unit (e.g. they do not share meals or expenses).
- 3.2 A great deal of research has been undertaken to establish the effects of this mismatch between demand and housing supply in the UK. For example, Bramley's (2016) longitudinal study shows the stress that an unresponsive supply has placed on housing markets and its effects with respect to creating some of the conditions that results in the phenomenon of concealed households.
- 3.3 We have not been commissioned to explore this question of the degree to which the housing stock in Wirral is inhibiting new household formation. However, this is an essential question that cannot be ignored when planning for new development. As such an assessment of stock and its suitability will be an essential consideration that is supplementary to statistics on population change.

4.0 Extant Demand and the Housing Policy Context

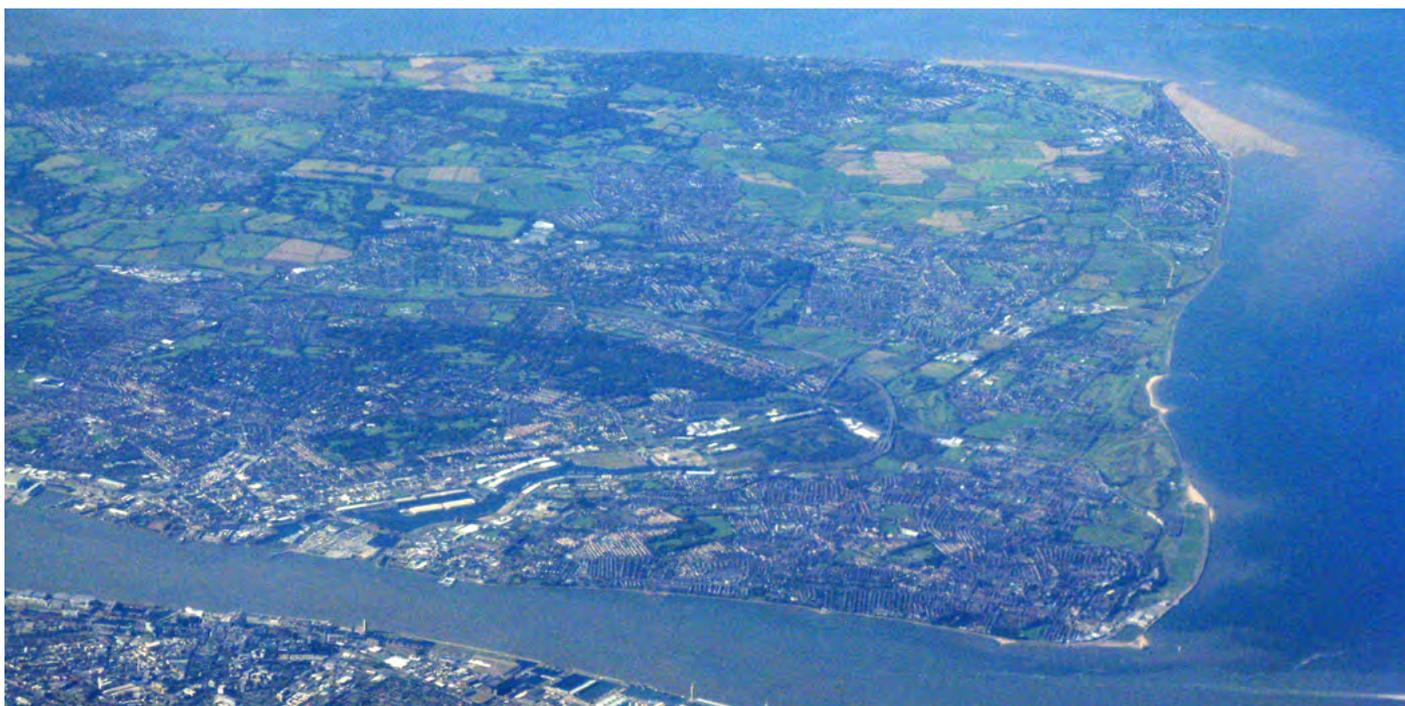
- 4.1 Another issue that is not directly addressed in the first two pieces of commissioned work is the question of extant demand – that demand for new dwellings which exists but which has been suppressed, in some cases as a result of past housing policy.
- 4.2 Many housing markets in the UK have been affected in varying ways by this suppression of demand.
- 4.3 For example, in many housing markets in the north of England (and similar economic contexts) the specific policy of encouraging re-urbanisation from the later 1990s to the later 2000s was designed to channel demand for new dwellings into areas that had suffered longer term housing market decline.
- 4.4 Liverpool, and its experience of the Housing Market Renewal Initiative over the period 2002-2011, is an example of the effects of this broader housing policy. For Wirral, with its strong functional economic connection to Liverpool, this policy context is critically important. Regional Planning Guidance note 13 and its successor, the North West Regional Spatial Strategy, set a template from 2003-2010 that effectively gave significant priority to the inner urban areas of the North West's major cities, particularly Liverpool and Manchester, as locations for new development. This broader regional policy objective was supported by constraining supply in neighbouring local planning authorities, such as Wirral.
- 4.5 Had this policy context not existed demand for new dwellings in locations such as Wirral would almost certainly have been significantly higher.
- 4.6 The Coalition Government of 2010-2015 disbanded both the Regional Development Agencies and Regional Assemblies and revoked Regional Spatial Strategies in July 2010. This represents a profound change in the housing policy landscape as this has effectively removed the underlying goal of engineering urban regeneration and renewal in core cities through control of the housing supply.
- 4.7 Consequently, any assessment of housing demand/need made in the present must also include a compensation for that extant demand that was constrained by policy over the period

(at least) 2003-2010 – a period of significant growth in housing demand.

4.8 In contrast to our first two reports for Wirral Borough Council which take population and demographic change as the point of departure, it is clear that the planning process must also include an evaluation of extant demand in arriving at housing numbers. The approach taken by the ONS explicitly seeks to make this connection between both demographic change and extant housing demand in arriving at an assessment of housing need. Any approach that took only a population-orientated approach would in all likelihood under-represent demand.

5.0 Conclusions

- 5.1 A full Strategic Housing Market Assessment would be required to establish the full scale of demand for new dwellings on the Wirral resulting from the full suite of variables that drive household formation. This work was conducted in 2016 (Nathaniel Lichfield and Partners, 2016).
- 5.2 Whilst the prospect of new development often elicits strong feelings in many local authority areas it is clear that planning must take a holistic approach in making decisions regarding the scale and location of new development.
- 5.3 In aggregate our work for Wirral Borough Council shows three things:
- 5.4 Firstly, the methods employed to evaluate population change by the Office for National Statistics represent an accepted and acceptable way of measuring this important determinant of new demand for dwellings. Although repeated revision at two-yearly intervals results in fairly frequent revisions to the numbers this does not impugn the methodology itself. The alternative proposed in the public submission would not represent a more accurate way of measuring population change than that used by ONS.



- 5.5 Secondly, the independent analysis of population change conducted in Professor Simpson's report "*An objective assessment of the latest ONS Household Projections for Wirral Metropolitan Borough*" concluded that under alternative scenarios the number of dwellings required per annum was between 230 and 610, but that the 2016 ONS-based assessment remained the most robust analysis at 430 dwellings per annum, without accounting for suppressed or unmet demand. These numbers are marginally lower than the SHMA completed in 2016 by Nathaniel Lichfield.
- 5.6 Thirdly, in addition to the work on population change and its effect on demand for new dwellings that has been undertaken in November 2018 - January 2019 it is clear that planning must also take into account other determinants of housing demand/need. In this short summary report we draw attention to important areas that could warrant further consideration: the suitability of the Wirral housing stock to meet demand and the level of new demand that can be attributed to extant demand that has been historically suppressed. As such we recommend that Wirral Metropolitan Borough Council considers 430 dwellings per annum as the minimum requirement.

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