Homes for the North

Future Housing Requirements for the North



LICHFIELDS

A Lichfields report for Homes for the North | **August 2017**

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EXECUTIVE SUMMARY

The housing crisis is a national problem which needs to be addressed. It has been the focus of successive Government responses and underpinned by the National Planning Policy Framework which aims to 'boost significantly' the supply of housing.

Lichfields on behalf of Homes for the North (H4N) have undertaken a review of Strategic Housing Market Assessments to understand the number of homes needed across the North of England. A total of c.500,000 homes over a 10 year period across the North of England are required. The majority of homes (70%) are identified as needed within the seven City Regions across the North of England:

- North East - 2,886 dpa
- Tees Valley - 1,187 dpa
- Leeds City Region - 13,088 dpa
- Sheffield City Region - 5,395 dpa
- Hull City Region - 2,540 dpa
- Liverpool City Region - 5,364 dpa
- Manchester City Region - 10,682 dpa

The level of homes identified is largely driven by economic-led future housing needs identified across respective Local Authority areas and for many areas result in an annual housing need significantly beyond delivery rates over the last 10 years (87% higher).

The review highlights the ambition in the North of England to increase in housing supply to support an ambitious economic future.

In order to test the aggregate figure obtained from the SHMA's, Lichfields considers two alternative high-level future economic scenarios, defined by H4N, driven by the North of England fulfilling its potential and delivering stronger growth as part of rebalancing of economic performance away from the South East.

The implications of these scenarios were considered in relation to spatial distribution; housing mix; and trajectory over time.

Considered at a Regional and City Regional level, the scenarios were driven by changes to migration flows based on regional data available from the 2014-based Sub National Population Projections. The scenarios were 'Interventionist' and 'Organic'. Both alternative economic scenarios identified a housing need that is consistent with that which has been identified through the review of SHMAs across the North of England.

The interventionist scenario was driven by understanding the impact of the following on future housing need:

- Devolution;
- 'Larger than local' funding structure; and
- Transport investment.

The organic scenario was shaped by the desire to consider the implication of future housing need on:

- Population growth driven by a shift in choices of younger households, with fewer moving to London from the North;
- A rise in 'agile' working patterns; and
- Continued house price growth in the South, coupled with reducing real wages.

Spatially, the Interventionist scenario maintains a focus on the urban core of the City Regions, with the Organic scenario focused on delivery in the City Regions but with a more even distribution geographically across them. Both scenarios, based on analysis of past economic performance and future economic growth ambitions, together with future infrastructure investment plans, suggests potential uplift to housing requirements in the Tyne and Wear, Sheffield, Greater Manchester and Leeds City Regions beyond currently identified levels.

The Interventionist scenario would require a mix of house types and tenures to meet a balanced demographic profile of households moving to the North of England. The Organic scenario would also require a mix of homes. However, a focus initially would be to meet the housing needs of younger households.

The Interventionist scenario would generate short to medium term demand for housing, evening out in the longer term. The Organic scenario would generate a more incremental need for housing, as in the short to medium term housing choices of younger households begin to change. There is however greater potential for growth in the longer term as momentum builds and the North's economic position strengthens.



1.0 INTRODUCTION

Homes for the North (H4N) is an alliance of nineteen large housing associations who want to ensure enough homes are delivered across the North of England to support its sustainable growth in a rebalanced economy. H4N collectively provide around 450,000 homes for almost 1 million people in the North of England.

The aim of this study was to provide H4N with a broad understanding of the level of housing need identified across the North of England and consider at a broad geographical level (City Regions) how alternative future economic scenarios could impact on the type, mix and geography of homes required to support economic success across the North of England.




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2.0 METHODOLOGY

The analysis contained in this study is focused on the seven City Regions across the North of England and data collected from Strategic Housing Market assessments (SHMAs) or equivalent evidence base documents from the 72 Local Authorities in the North of England.

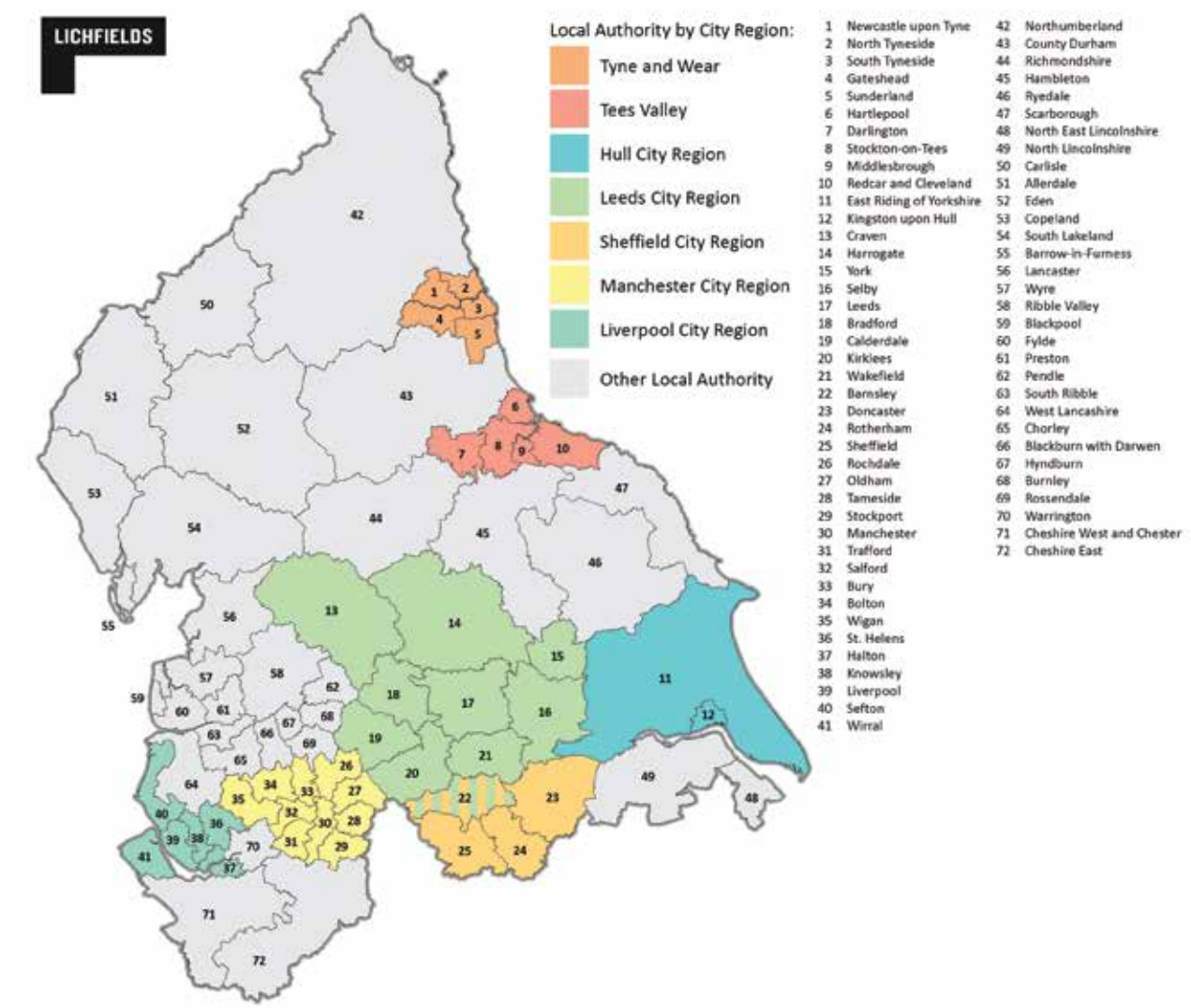


Figure 2.1 **Study Area**

Lichfields were appointed by H4N to undertake two distinct elements of work:

1. Identify the level of housing required across the North of England through an assessment of SHMAs or other equivalent evidence-based documents; and

2. Test the level of needs identified by considering alternative future economic scenarios for growth across the North of England and the implications these would have on future housing need; the spatial implications of these alternative scenarios; and the type and mix of future housing required across the North of England.

1. Identifying the level of housing required across the North

In order to understand the amount of housing required across the North, Lichfields has gathered data from all of the SHMAs and equivalent studies available across the North.

SHMAs are undertaken on a Local Authority basis and contain an Objective Assessment of Need (OAN)which is a requirement of the National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG). An OAN considers the level of housing required across a housing market area based on consideration of a range of scenarios such as; meeting demographic needs, past trends and economic-led scenarios.

Lichfields has reviewed the SHMAs or equivalent studies to understand:

- The OAN identified across a housing market area (usually identified at a Local Authority level);
- Length of plan period the OAN has been assessed over – used to annualise the OAN identified;
- Demographic starting point of the OAN – Government publish population and household projection data every two years, these projections should be the starting point for any assessment of need; and
- The basis of the scenario driving the OAN – i.e. demographic, past trends or economic.

Lichfields recognises the methodology underpinning SHMAs and OAN can differ. For the purpose of this study, the SHMAs and evidence contained within them have been taken as the identified OAN for a housing market area/Local Authority. Lichfields has not sought to critique the OAN methodology underpinning each study or the subsequent quantum of housing need identified.

However Stage 2 of the study sought to test how appropriate these housing needs are based on alternative future scenarios.

It is important to highlight that an OAN will not necessarily be the housing requirement which is subsequently adopted in a Local Plan. However, it is the basis upon which the housing requirement should be derived.

2.0 METHODOLOGY

2. Consideration of Alternative Future Scenarios

H4N required Lichfields to consider two future economic scenarios for housing growth in the North, driven by the primary aim of the North of England fulfilling its economic potential and delivering stronger growth as part of the rebalancing of economic performance away from the South East.

Lichfields, with the direction of H4N, have considered the implications of two alternative scenarios on the following:

- Spatial distribution (at a City Region level);
- Housing mix; and
- Trajectory over time.

In terms of the scenarios considered, the data upon which the alternative scenarios are based is regional data taken from the 2014-based population projections. No demographic modelling has been undertaken at a Local Authority level.

High level assumptions have been made based on changes to migration flows informed by adjustments to past trends in migration, considering both in and out flows from the North of England, based on regional data. All adjustments have been made at a regional level, with the implications considered at a City Regional level.

The consideration of alternative scenarios at a Northern level is limited by the availability of data and the scope of this study did not extend to undertake modelling at a Local Authority level.

This study should not be taken as a replacement of any evidence at a Local Authority level in respect of future housing need but a broad assessment to help inform H4N's understanding of future housing need across the North of England; and how H4N can work at a national, pan-northern and local level with the Government and Local Authorities respectively to ensure the right type of housing is delivered in the right locations to support economic growth. It provides a 'triangulation' for the aggregated local figures and helps to test the appropriateness of the figure which has been arrived at.



3.0 CONTEXT

The housing crisis is a national problem which must be addressed. It has been the focus of successive Government responses. Most recently in the Housing White Paper the Prime Minister's Foreword stated:

> *"The broken housing market is one of the greatest barriers to progress in Britain today…I want to fix this broken market…The starting point is to build more homes."*

The NPPF is focused on the need to *"to boost significantly the supply of housing"* (paragraph 47 NPPF).

Increasing the supply of new homes is critical to supporting future economic growth across the North of England and ensuring the housing stock is able to meet everyone's needs and aspirations.

The Northern Powerhouse

The importance of the North of England and the need for it to maximise its economic potential has been recognised by Government. This has led to the creation of the term the 'Northern Powerhouse'.

The Northern Powerhouse recognises that there is the need for the 'North' to come together and work more collectively in respect of the economy. The outcome of which will result in increased productivity across the whole of the North of England, providing a powerful counterbalance to the dominance of London and the South East. The Northern Powerhouse concept has generated considerable traction, not least the devolution of increased powers to those local authorities who have recently elected Mayors.

> *"We need a new approach to maximise the economic potential of the North; allowing the North's talent to become more mobile; allowing companies to access the widest pool of people and skills they need to grow; and connecting businesses to each other to make them more efficient. And crucially, it should be at a pan-Northern level, to create a single economy across the North."*
>
> (The Northern Powerhouse: One Agenda, One Economy, One North)

The Government's aim is to work with northern towns, counties, cities, LEPs, businesses and universities to address barriers to productivity.

The focus is on:

- Connectivity between and within towns;
- Addressing skills shortages and disparities; and
- Promoting the North for trade and investment.

Housing has a key role to play in supporting economic growth across the North in attracting and retaining skilled workers, which is central to the ambitions of the Northern Powerhouse.

Independent Economic Review

An Independent Economic Review was undertaken of the Northern Powerhouse which was commissioned by Transport for the North (TfN) on behalf of Leaders across the North of England. The Review considered a 'transformational' economic future for the North which:

- Raises the growth of the North's productivity, GVA and employment above past trends;
- Experiences the positive effects of agglomeration from fast connections between cities; and
- Sees improved competitiveness and higher output – by 2050, GVA is projected to be 15 % higher than a 'business as usual' scenario.

This supports the aim of a Northern Powerhouse, which can drive economic output and come together to be a competitive collaborative force.

Industrial Strategy

The Government's Industrial Strategy Green Paper supports the vision to strengthen and develop industries to increase productivity and growth across the whole country. It is recognised that decentralised governance will lead to improvements in economic decision-making, innovation and productivity improvements.

There are 10 pillars set out in the Industrial Strategy which support the vision. Of particular significance to growth and the delivery of new homes across the North of England:

- A new Housing Infrastructure Fund to allow housing and infrastructure planning in areas of severe need to be aligned and to fund housing on sites with marginal viability in areas with acute housing need;
- Accelerated Construction Programme to support new entrants and developers, innovative private sector partners and offsite manufacturers to ensure homes are built faster; and
- New funds specifically set out to invest in local roads and public transport networks to allow local travel bottlenecks which hold back growth.

In order to support this decentralisation of government, the Government is undertaking a review of Government Agencies and cultural institutions to relocate them in areas which could help reinforce clustering and support private sector work.

The Industrial Strategy also recognises the need for historic underinvestment in infrastructure to be addressed. A number of key investments have been identified including:

- Northern Powerhouse Rail and Midland Rail Hub;
- Confirmation of Phase 2 HS2 from the West Midlands towards Manchester and Leeds; and
- 'Midlands Engine Strategy' supporting the Governments intention to support devolution and investment away from London and the South East.



3.0 CONTEXT

Consideration of Brexit

It is important to give consideration to the possible implications of the UK's departure from the European Union on housing need.

Analysis undertaken by Lichfields indicates that the 2014-based SNPP (which feed into the 2014-based SNHP) already assumes a significant reduction in net international migration (from current levels of 336,000 per annum to 185,000 per annum by 2021). It is considered unlikely that net inflows from non-EU countries (currently 168,000 per annum) would decline by the degree required to reach assumed levels of reductions. Indeed, such flows are already capable of being controlled by UK Government migration policy and have not experienced such changes as yet.

Even if the Government is successful in reducing net migration, it is unlikely that net inflows from within the EU would achieve the 90% reduction assumed within long term migration projections set out by ONS. Changing migration trends may also impact on the number of people from the UK retiring to Europe if expected health care changes in Europe are implemented. As a consequence the profile of the UK population could be expected to change, with increased older people and as a consequence an increased need for housing as older people generally have higher household formation rates compared to younger households.

The ONS population (and consequently the household projections) do not explicitly take account of Brexit. Nevertheless, it must be recognised that the latest projections adopt very conservative estimates of net in-migration for the long-term. As a result, there is no evidence available to support the notion that leaving the EU will result in a reduction in migration of a scale that would be necessary for population estimates to fall below currently projected levels[1].

(1) Since this report was completed the Conservatives have committed to reducing net international migration to <100,000 per annum.

4.0 HOUSING NEED ACROSS THE NORTH

The review of SHMAs across the North of England identified a total OAN of c.500,000 homes over a 10 year period, between 48,590 and 55,845 dwellings per annum (dpa)[2].

70 % of the OAN is identified within the Seven City Regions, across 57 % of Local Authorities.

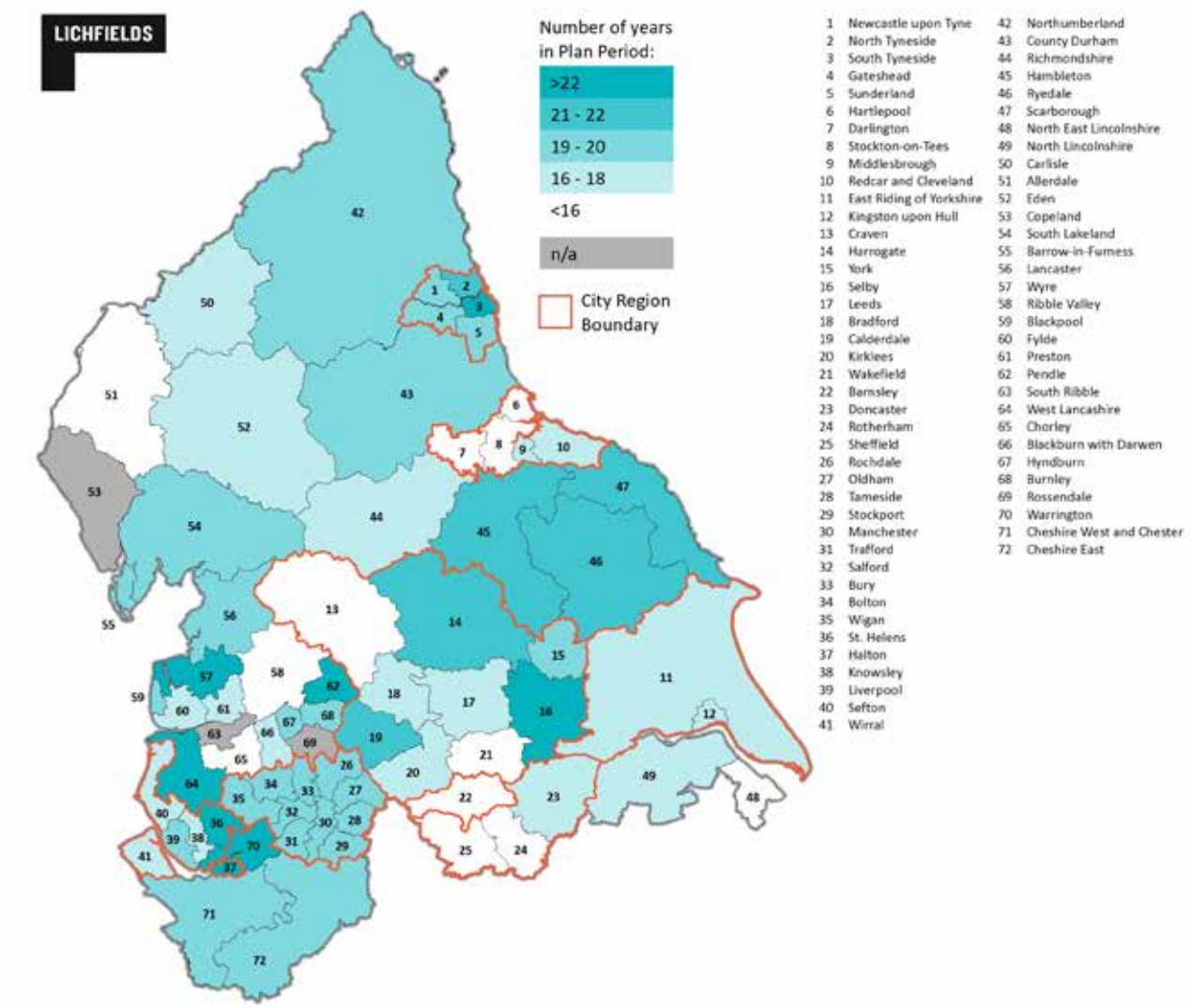


Figure 4.1 **OAN identified per annum (OAN top end of range)**

Source: Local Authority SHMAs/Lichfields analysis

(2) Some SHMAs identify an OAN range

Regional Picture

North East

Across the North East the OAN evidence contained in the SHMAs identifies the need for 7,700 dpa. The North East City Region accounts for 8 % of the overall OAN across the North.

Yorkshire and Humber

The Leeds City Region has significant growth ambitions, identifying a need for c.13,000 dpa. 23 % of the total OAN for the North of England is accounted for by the Leeds City Region. Sheffield City Region identifies a need for 5,395 dpa and Hull City Region 2,540 dpa.

North West

A key driver in the Northern Powerhouse agenda is the Manchester City Region which accounts for 20 % of the overall annual OAN per annum across the North of England.



4.0 HOUSING NEED ACROSS THE NORTH

Comparison with past delivery

Analysis of Communities and Local Government (CLG) House Building Statistics over the last 10 years[3] highlights that the majority of OAN identified across the North of England are greater than annual average past trends in housing delivery on average 87 % higher per annum than past trends in delivery.

This is a consequence of the majority of Local Authorities identifying an OAN based on an economic-led future scenario which requires a significant uplift for most Local Authorities in respect of delivery. This presents a significant challenge in respect of future delivery.

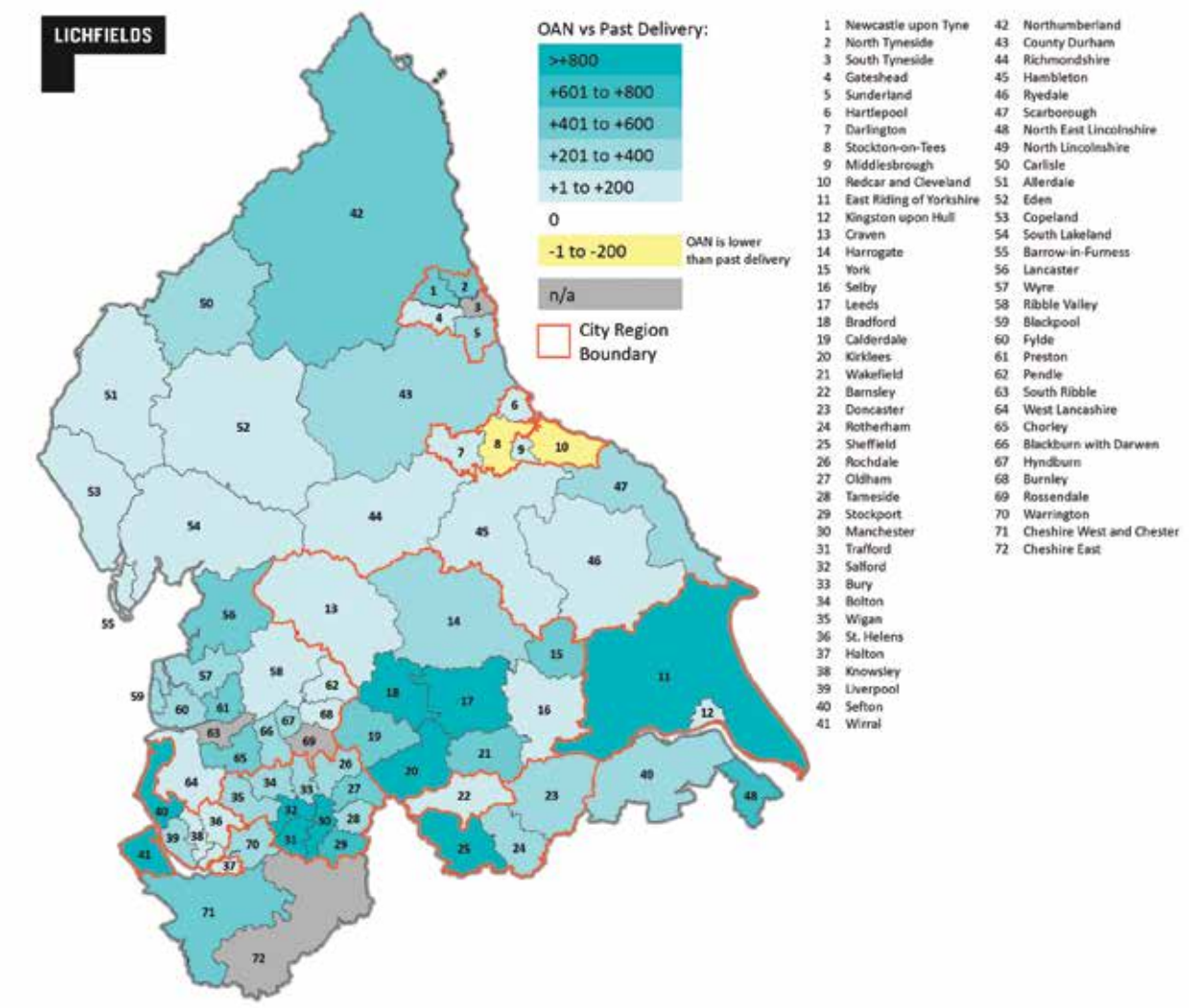


Figure 4.2 **OAN identified vs Past Delivery**

Source: CLG Table 253 (10 year past trends data)/Lichfields Analysis

(3) Table 253 CLG House Building Statistics 10 year average calculated by Lichfields

Figure 4.2 highlights:

North East

In the North East:

1. The Newcastle and North Tyneside OAN present the greatest uplift in respect of past trends delivery (52 % and 56 % respectively);
2. Outside the Tyne and Wear City Region, Northumberland has the greatest uplift (43 %); and
3. In the Tees Valley, Darlington has the greatest uplift (42 %) on past trends in delivery.

Yorkshire and Humber

Across Yorkshire and Humber a significant uplift is required from past delivery rates across the core urban area of the Leeds City Region:

1. In Bradford, Leeds, Kirklees and Sheffield – an average uplift of 60 % ; and
2. The East Riding OAN is a 76 % uplift above past delivery trends – in reality this will be less due to the housing market area being shared with Hull.

North West

The focus of future housing in the Manchester and Liverpool City Regions is within the core urban areas:

1. Sefton and the Wirral both identify an OAN which is over 70 % greater than past delivery trends;
2. Manchester, Salford and Trafford are key growth areas; and
3. Outside the City Region, Hyndburn and Pendle identify an OAN with a significant uplift beyond past trends in delivery (c. 80 %).

4.0 HOUSING NEED ACROSS THE NORTH

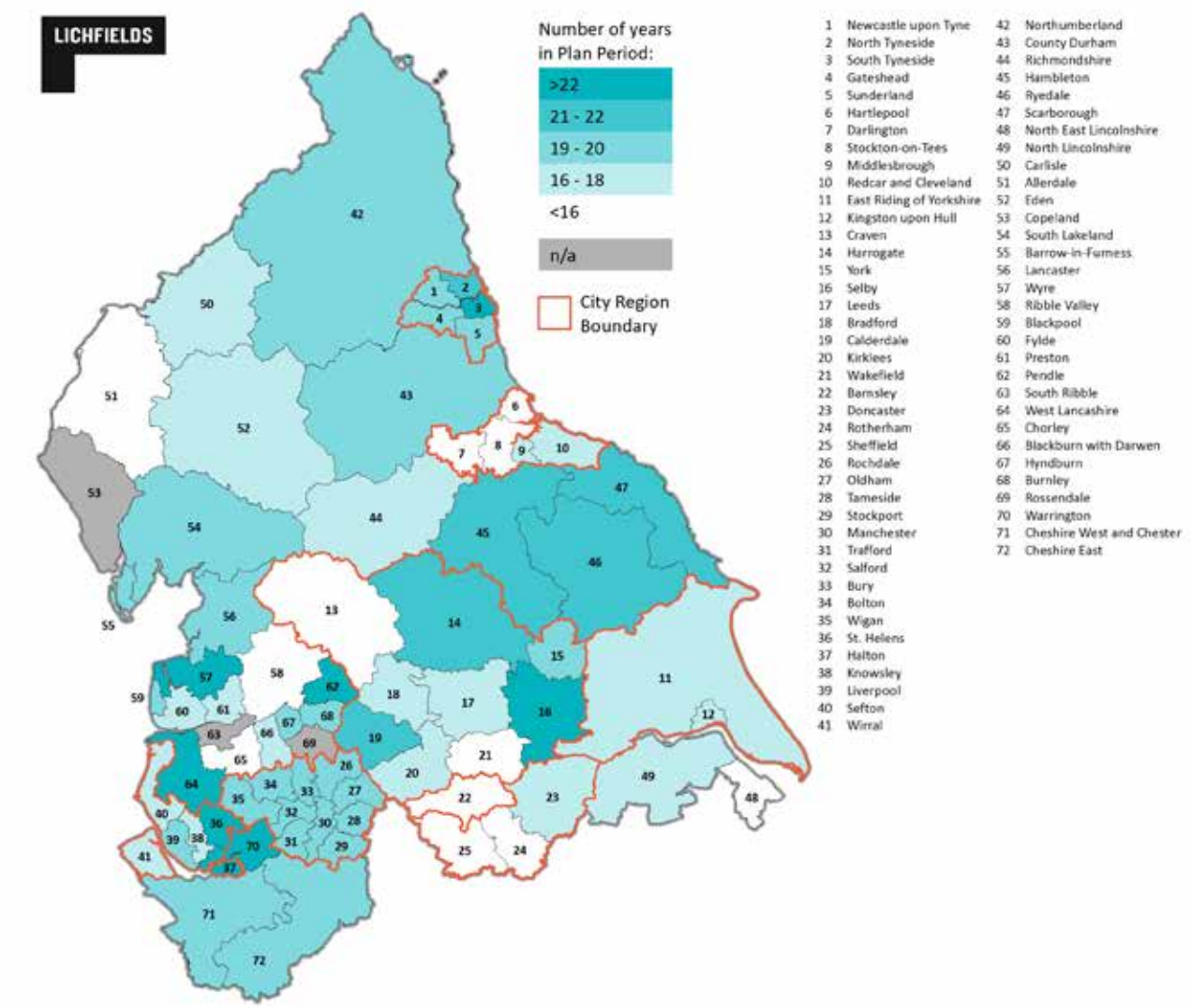


Figure 4.6 **Number of years of Plan Period**

Source: Local Authority SHMAs/Lichfields Analysis

Evidence base variations

Lichfields' review of the OAN evidence base contained in the SHMAs, or equivalent documents, highlighted two key areas of difference including;

- Length of plan period underpinning the OAN; and
- Demographic starting point for the OAN;

These differences are an observation and are underpinned by a number of reasons including:

- NPPF and PPG do not identify the time period over which OAN should be assessed. As a consequence, the plan periods set out in the Local Authority SHMAs vary between 10 and 20 years with the majority over 15 years; and
- Local Plans are being developed over different timescales and as a consequence the evidence base underpinning them is commissioned at different times. This impacts on the data which is available for the OAN to be based upon and PPG itself recognises the publication of new population and household data does not render an OAN out of date.

However, a SHMA relying on historic projections, without consideration of the most up-to-date projections is often criticised.

The consequence of these differences mean it is only possible to align the evidence base on an annual basis and aggregate to the minimum time period over which the OAN relates. In the case of the North of England this is a 10 year time period.

Future housing mix

House Type

Lichfields review of SHMAs found limited detail on future housing need in terms of house types. The majority of SHMAs consider 'preference' in respect of future house type, which differs to 'need'. In the SHMAs which did provide details, detached and semi-detached properties were identified as key house types required over the plan period; between 20%-35% of future new housing supply.

House Size

Around 25% of all SHMAs identified a breakdown of future housing market need in respect of the number of bedrooms required.

Two and three bedroom properties were identified as the main house size required, with a focus on larger properties identified in Kirklees, Sheffield and Newcastle (see Appendix 4).

Affordable Need

SHMAs are required, as part of their assessment of housing need, to consider affordable housing need across their respective local authority. SHMAs are required to identify the 'net annual affordable need' usually over a 5 or 10 year period. Addressing the level of affordable need should be considered when identifying the OAN for a housing market area.

SHMAs consider which type of affordable housing would best meet the needs identified. This is usually based on analysis of the household characteristics of those in need, particularly financial characteristics.

The analysis undertaken by Lichfields identified that affordable need is focused on the delivery of social rented properties, split with intermediate housing. The median split identified is 73% social rented and 27% intermediate. A large number of SHMAs would have been completed prior to changes by the Homes and Communities Agency (HCA) in respect of Affordable Homes Programme Funding, the outcome of which is likely to alter the type of affordable provision delivered in the future.

Figure 4.7 identifies the split by local authority for all of those identified within the evidence reviewed by Lichfields.

4.0 HOUSING NEED ACROSS THE NORTH

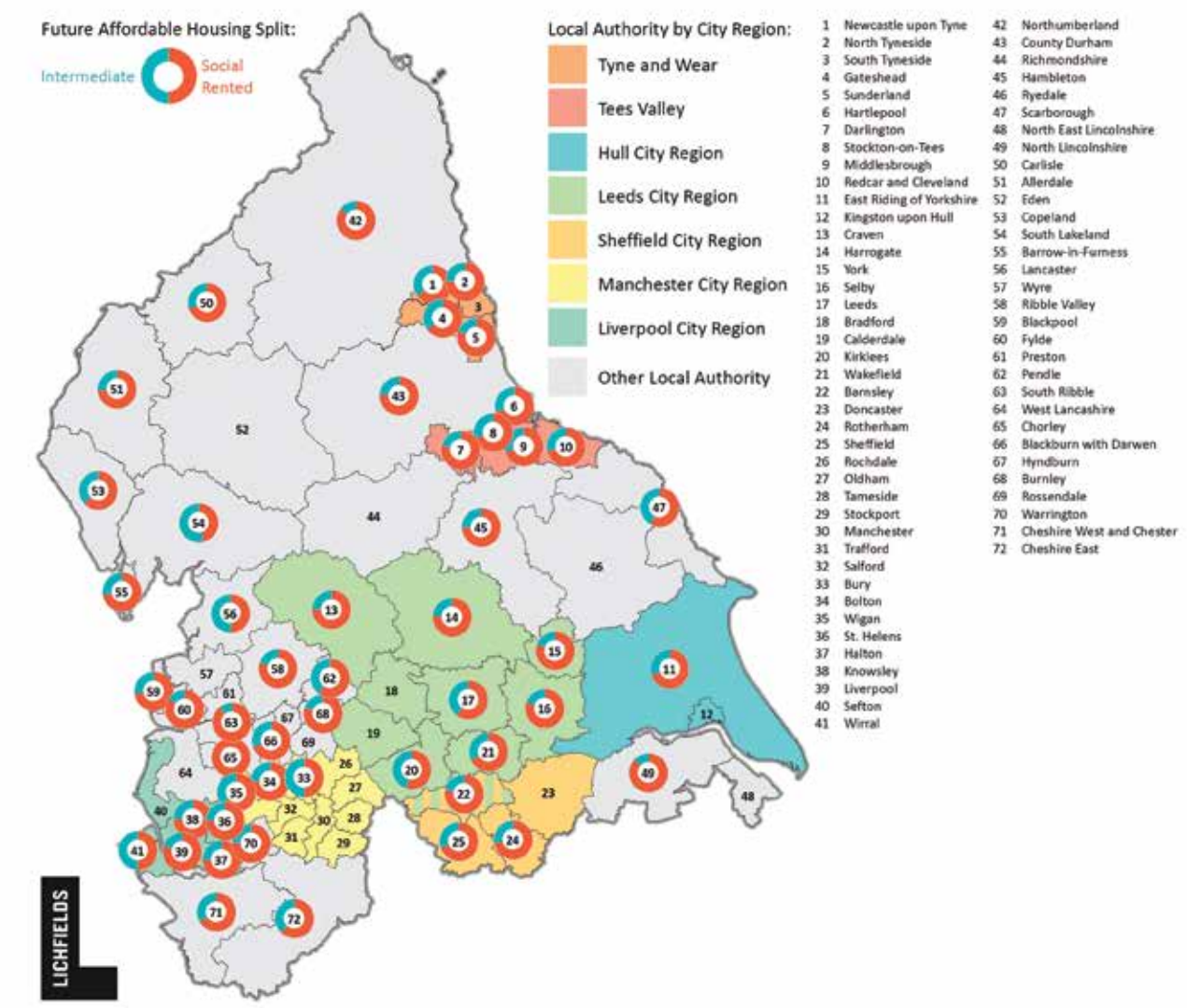


Figure 4.7 **Affordable Housing Need**

Source: SHMA/Lichfields Analysis

Summary

The majority of SHMAs identify an OAN which is significantly greater than past trends in delivery. This is the result of OANs across the North of England being largely driven by economic-led future scenarios, identifying a housing need beyond demographic-led housing needs.

This is not surprising given past trends in the North of England are characterised by population decline and more recently the impact of the recession on economic performance and jobs and the ability of younger people to form households and access the housing market.

Demographic trends for the North of England project a modest level of household growth, which is out of alignment with the more ambitious economic aspirations identified by a large number of Local Authorities.

As a consequence of the future economic ambitions a significantly higher number of homes are required to support the growth in economically active population required to take up the new job opportunities and drive economic growth.

The City Regions continue to be the driving force for the location of housing. However, there are some notable uplifts beyond the demographic baseline and past housing delivery rates outside of the City Regions.

Affordable housing need is expected to be largely met by social rented properties, with intermediate tenure making up, on average, around 25 % of affordable supply.

5.0 ALTERNATIVE FUTURES FOR THE NORTH AND THE IMPACT ON HOUSING NEED

H4N were keen to consider the impact of alternative economic futures upon housing delivered in the North of England. The alternative scenarios, defined by H4N, focus on the primary aim of the North of England fulfilling its economic potential and delivering stronger growth as part of a re-balancing of economic performance away from the South East. These aimed to triangulate the OAN figures through this exercise.

H4N asked Lichfields to consider the implications of two alternative economic scenarios on the following:

1. Spatial implication;
2. Housing mix; and
3. Housing need trajectory.

The Scenarios

The two alternative economic scenarios tested were defined by H4N as; 'Interventionist' and 'Organic'.

The Scenarios are modelled at a regional level with each region in the North of England retaining the same proportional share of increase as identified under the 2014-based population projections. Broad consideration is given to the implications spatially at a City-Region level.

Migration trends

Understanding past trends in migration is helpful to identify the characteristics of migrants and the drivers of the movements of migrants.

Census 2011 data shows in the year leading up to the Census, there was a net loss of 23,500 from the North. Of these, 19% were from lower managerial, administrative and professional occupations. Rural local authorities experienced a greater proportion of these types of migrants moving away.

The net loss of migrants was concentrated in 47 of the local authorities in the North of England and provides evidence that there are a number of areas which should be the priority for an uplift in population through retention of people, based on a reversal of past trends in migration.

Interventionist Scenario

The Interventionist Scenario concept was driven by the desire to consider how devolution and funding to 'larger than local' structures, City Region mayors, and focussed investment in transport infrastructure would have on future housing need. Population growth under this scenario would be driven by increased investment and employment opportunities in the North of England.

Lichfields has shaped this scenario through consideration of a 10% increase in internal[4] in-migration flows and 10% decrease in internal out-migration flows for each region in the North of England. These adjustments have been made to the 2014-based population projections.

This change in internal migration flows results in a housing need on average of 50,365 dpa across the North of England, 15% above the baseline.

Organic Scenario

Population growth under this scenario is influenced by a shift in the choices made by young economically active households, with fewer younger households moving away from the North of England to London and the South East. This is driven by continued house price growth in the South of England coupled with reducing real wages.

This scenario is underpinned by assumptions in respect of internal migration flows. It is anticipated that migration flows will be balanced initially, with increased in-flows and decreased out-flows over time. Overall this scenario would require an average of 48,675 dpa across the North.

Figure 5.1 compares the overall housing need identified under each alternative scenario, which is compared against the 2014 demographic baseline[5].

	Baseline (2014 SNPP/ SNHP)	SCENARIO 1 Interventionist	SCENARIO 2 Organic
North	43,885	50,365	48,675
North East	7,230	8,075	7,890
Yorkshire & Humber	17,685	20,210	21,065
North West	18,970	22,080	19,625

Figure 5.1 **Comparison of housing need across the alternative scenarios agains the 2014 demographic baseline**

Source: Lichfields Analysis

(4) Internal in and out migration flows are flows between local authorities in England. International migration flows remain as those under the 2014-based population projections

(5) 2014-based sub national population and household projections – ONS and CLG

5.0 ALTERNATIVE FUTURES FOR THE NORTH AND THE IMPACT ON HOUSING NEED

Trajectory of Growth

Interventionist Scenario

In terms of how the trajectory of housing need may come forward over time, the Interventionist scenario has assumed the same trajectory as that which underpins 'The Northern Powerhouse Independent Economic Review', shown in Figure 5.2.

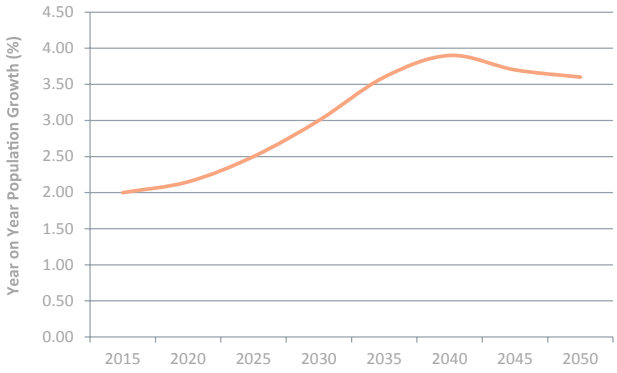


Figure 5.2 **Interventionist Scenario - Trajectory**

Source: Lichfields based on trajectory underpinning 'The Northern Powerhouse Independent Economic Review'

Organic Scenario

The trajectory of housing need under this scenario is assumed to be more gradual. However, there is potential for the impact to be greater, as the North of England begins to display a stronger, more buoyant economy and a more attractive proposition to younger households compared to London and the South East.

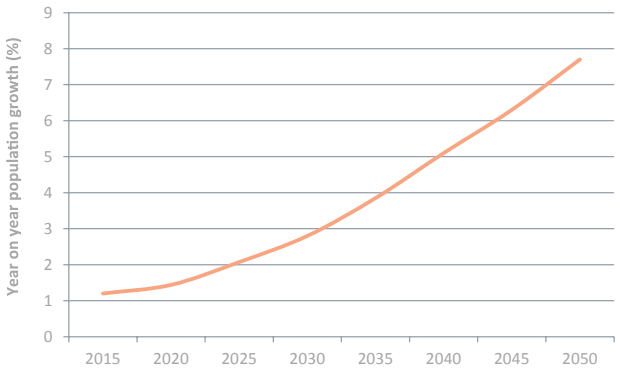


Figure 5.3 **Organic Scenario Trajectory**

Source: Lichfields

Spatial Distribution

In order to consider how the spatial distribution of housing need might vary spatially across the North under the two alternative scenarios, Lichfields has considered;

- Past trends in jobs growth (2000 to 2015);
- Future jobs growth forecasts (2015 to 2030);
- Ambitions identified under Local Enterprise Partnerships (LEP); and
- Impact of HS2.

These factors are not built into the economic based projections but are illustrative of the likely spatial distribution of household growth.

Historic Jobs Growth

Between 2000 and 2015, 525,000 net additional jobs were created across the North of England, 26.4 % of England's growth. Growth across the City Regions lagged behind overall growth in the North of England; 11.0 % growth compared to 11.4 % across the North of England.

In terms of absolute growth, this was driven by the Leeds City Region (157,000) and Greater Manchester (128,000).

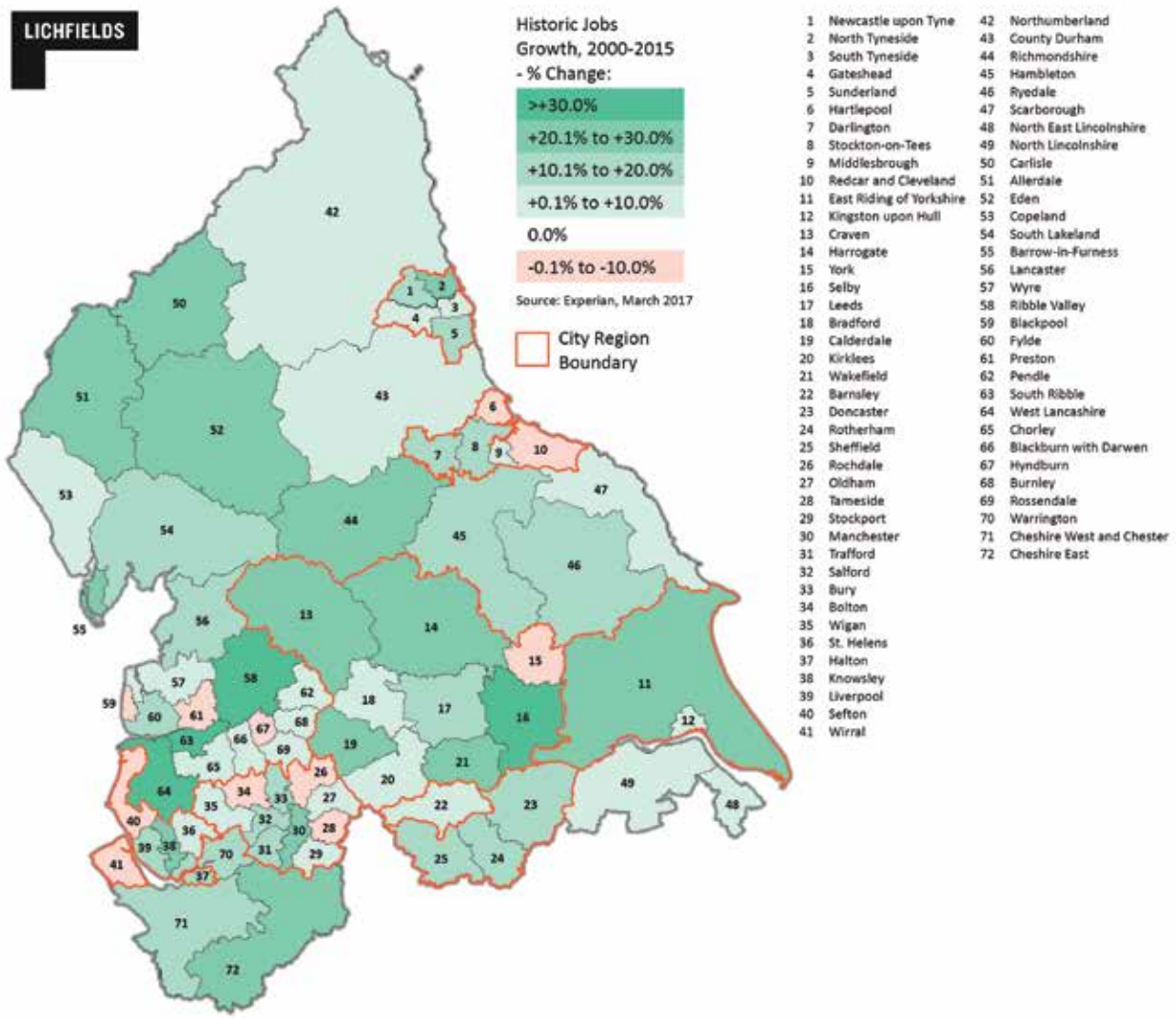


Figure 5.4 **Historic Jobs Growth 2000-2015 (% Change)**

Source: Experian (March 2017)

5.0 ALTERNATIVE FUTURES FOR THE NORTH AND THE IMPACT ON HOUSING NEED

Projected Jobs Growth

Based on baseline Experian Economic Forecasts (March 2017), the North of England is projected to experience an increase of 375,000 jobs (2016 to 2030). This is 25 % of England's projected growth. Projected growth in the City Regions (7.0 %) is predicted to outstrip the Northern average (6.2 %).

The highest absolute growth is projected for the Leeds City Region (124,000) and Greater Manchester (113,000) (2016 to 2030).

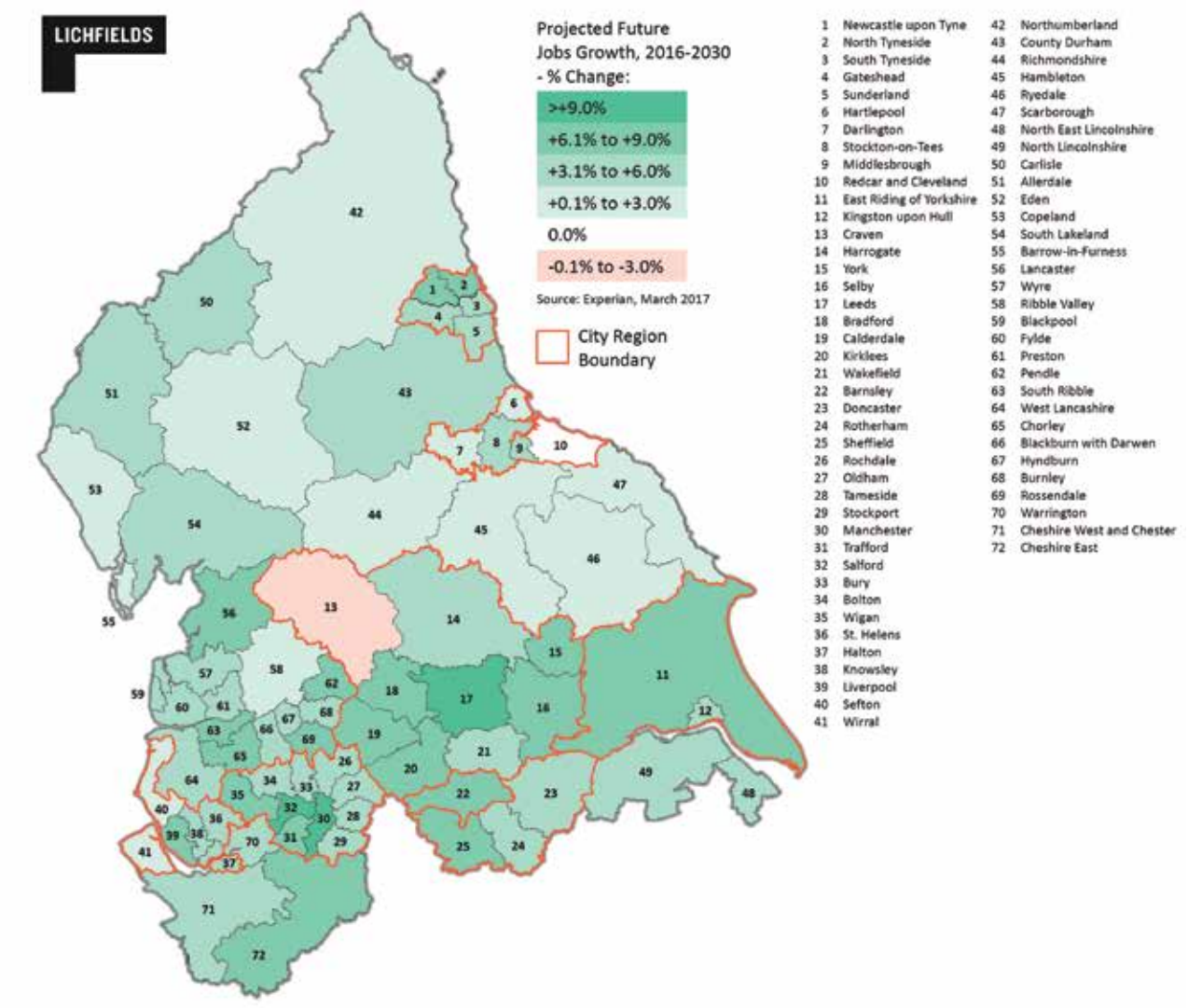


Figure 5.5 **Projected Future Jobs Growth, 2016 to 2030 (% Change)**

Source: Experian (March 2017)

LEP Ambitions

The extent of the economic ambitions identified by LEPs within their Strategic Economic Plan (SEP) vary in scale. It is difficult to make direct comparison between LEPs as they have:

- Inconsistent methodological basis; and
- Different time period.

However, the scale of ambition is significant. The 11 LEPs across the north are collectively planning for growth far in excess of the Experian forecasts – 595,000 new jobs over a period of 15 years.

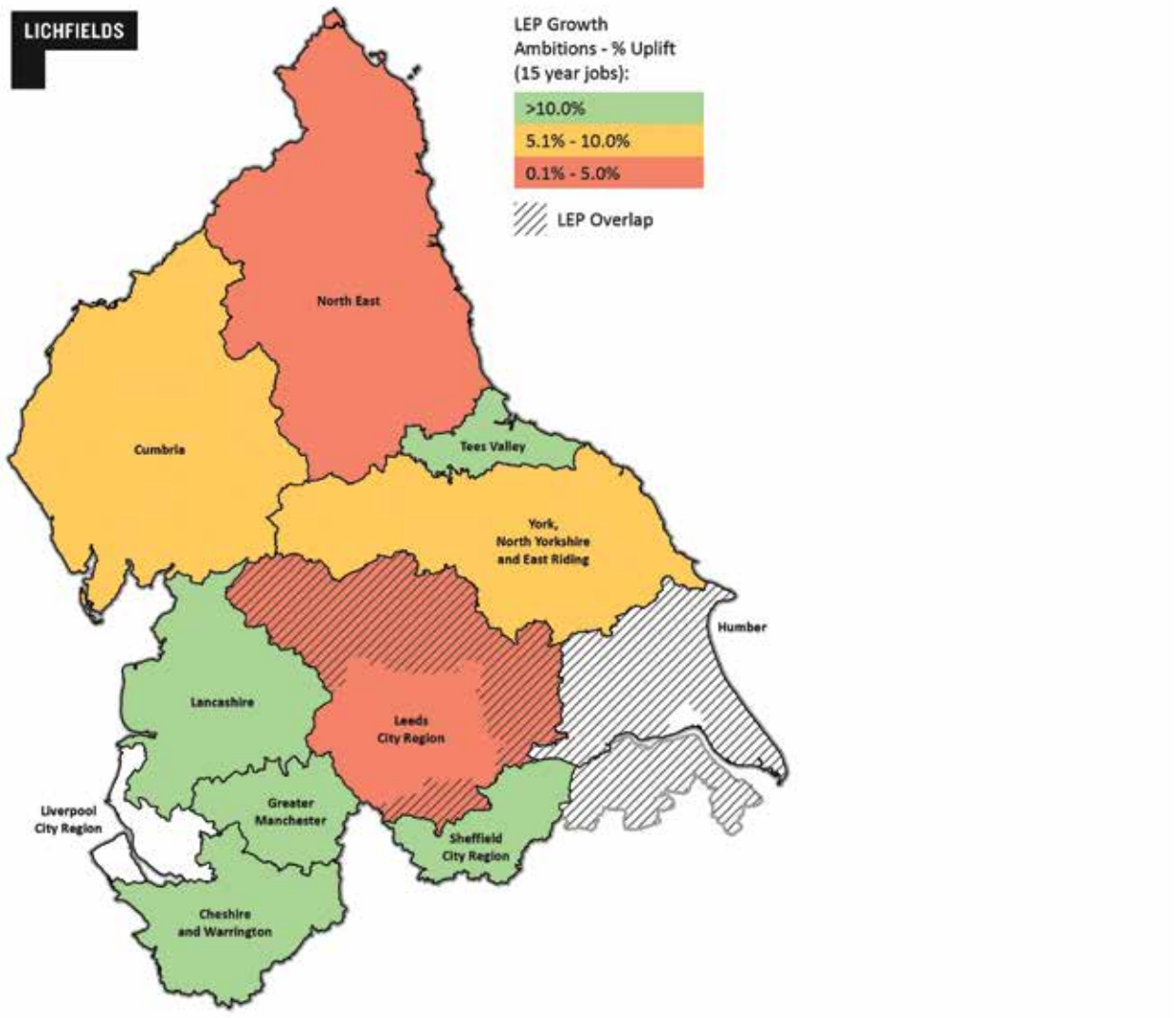


Figure 5.6 **LEP Growth Ambitions - % Uplift (over a 15 year period)**

Source: SEP

5.0 ALTERNATIVE FUTURES FOR THE NORTH AND THE IMPACT ON HOUSING NEED

Impact of HS2

HS2 will be of significant importance to the North of England and the infrastructure investment it will deliver will support wider economic investment across the North. The 'HS2 Regional Economic Impacts Study' estimated the changes in economic output after HS2 investment has been delivered.

It shows the impacts are particularly important for Greater Manchester, West Yorkshire and South Yorkshire. These impacts are therefore important to consider when identifying the spatial focus of housing need in the North of England.

GREATER MANCHESTER
(Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan)

Productivity gains valued at between £1.3 billion and £0.6 billion per year; equivalent to between a 1.7 % and 0.8 % increase in total local economic output in 2037

WEST MIDLANDS
(Birmingham, Coventry, Dudley, Sandwell,Solihull, Walsall and Wolverhampton)

Productivity gains valued at between £1.5 billion and £3.1 billion per year; equivalent to between a 2.1 % and 4.2 % increase in total local economic output in 2037

REST OF GREAT BRITAIN

Productivity gains valued at between £7.0 billion and £5.0 billion per year; equivalent to between a 0.6 % and 0.4 % increase in total local economic output in 2037



WEST YORKSHIRE
(Bradford, Calderdale, Kirklees, Leeds, Wakefield)

Productivity gains valued at £1.0 billion per year; equivalent to a 1.6 % increase in total local economic output in 2037

SOUTH YORKSHIRE
(Barnsley, Doncaster, Rotherham and Sheffield)

Productivity gains valued at between £0.5 billion and £0.9 billion per year; equivalent to between a 1.9 % and 3.2 % increase in total local economic output in 2037

DERBY-NOTTINGHAM
(City of Derby, City of Nottingham, eight Derbyshire districts and seven Nottinghamshire districts)

Productivity gains valued at between £1.1 billion and £2.2 billion per year; equivalent to between a 2.2 % and 4.3 % increase in total local economic output in 2037

GREATER LONDON
(33 London Boroughs)

Productivity gains valued at between £2.8 billion and £2.5 billion per year; equivalent to a 0.5 % increase in total local economic output in 2037

Figure 5.7 **Estimated changes in economic output after investment in HS2 (2037 at 2013 prices)**

Source: HS2 Regional Economic Impacts' Department for Transport and HS2 Limited

Spatial Disaggregation Summary

Performance against the various indicators has been assessed by Lichfields to understand how each City Region has performed against each indicator. Lichfields' analysis identifies the City Regions which are more likely to require a greater proportion of additional homes, given their past performance alongside projected growth.

It is clear that there are a number of City Regions which are likely to require a greater proportionate share of housing growth. These include:

- Tyne and Wear;
- Sheffield;
- Greater Manchester; and
- Leeds.

The spatial implications for the two alternative scenarios can be summarised as:

- **Interventionist** – the spatial focus would remain on the core urban areas of the City Regions, with an uplift to the proportional share of housing to the City Regions identified above; and
- **Organic** – the spatial focus would remain on the City Regions. However, there would be a broader spatial spread of housing across the urban core and more rural extent of the City Regions. An uplift would also be identified for the City Regions identified above where past performance and future ambition is likely to drive increased housing growth.



5.0 ALTERNATIVE FUTURES FOR THE NORTH AND THE IMPACT ON HOUSING NEED

Housing Mix

Both the Interventionist and Organic Scenarios would result in a more balanced demographic profile with a greater proportion of younger households as a consequence of the retention of younger households within the North, particularly stemming the outflow of graduates. However, there would be differences in how the demographic profile of the population would impact on the trajectory of housing need.

The ability of a person to form a household depends on a number of factors including:

- Age;
- Availability of stock;
- Access to finance; and
- Affordability

Household projections are impacted upon by recent trends including those experienced during the recession. The household formation rates of younger households have been particularly influenced by trends experienced through the recession. As a consequence of a number of factors, the rate of decline in average household size in England has slowed.

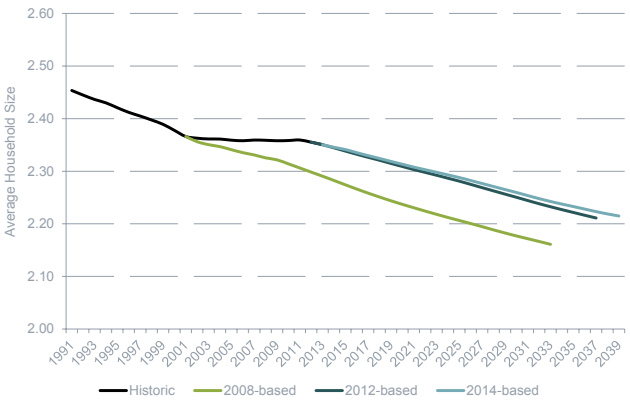


Figure 5.8 **Past and Projected Average Household Size-England**

Source: CLG Household Projections/Lichfields Analysis

These trends mean that it is particularly important to provide enough homes to give younger household's the opportunity to access the housing market, together with ensuring the right type and mix of housing is provided to support economic aspirations and meet need.

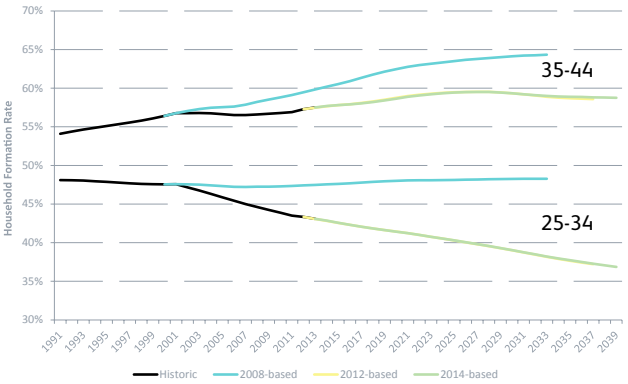


Figure 5.9 **Household Formation Rates for Younger Households**

Source: CLG 2014-based Sub National Household Projections/ Lichfields Analysis

Across all areas in the North, single couple and households with children will dominate. Single person households are a particularly significant group, making up 30 % of households.

Interventionist Scenario

In terms of future population profile under the Interventionist Scenario, it is anticipated that growth would follow the current population profile of the north together with a similar household composition.

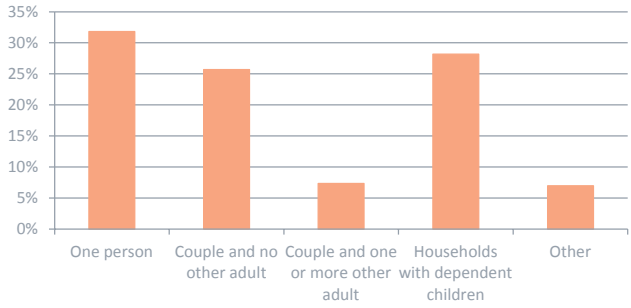


Figure 5.10 **Household profile across the North**

Source: 2014-based Sub National Household Projections

Figure 5.10 shows the dominance of one-person households across the North of England. As a consequence of these characteristics, a mix of future housing will be required to meet household need as increased business investment results in the relocation of employees to the North across a range of age groups. The Interventionist scenario will require a broad mix of house types driven by a mixed workforce, which would meet need across a range of ages and life stages.

Organic Scenario

As a consequence of this scenario being driven by changing lifestyle choices by younger households the housing mix, initially at least, would be focused on meeting the needs of graduates and younger households. Analysis of the age profile of migrants from the Census 2011, highlights the young age profile of migrants who move to the North of England likely to be students. The North of England needs to ensure it meets the housing needs of these people to change the current profile of out-migrants.

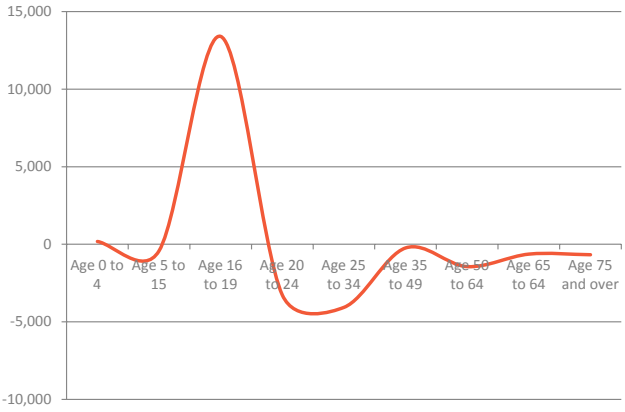


Figure 5.11 **Age profile of net migrants (within UK) in the North**

Source: 2014-based Sub National Household Projections

The Organic scenario in particular would require, in the short term, a focus on houses which are attractive and accessible to younger households including graduates. These would need to provide a range of house types as well as tenure.

Under both scenarios there is a need to ensure the housing needs of older people are met, particularly given the projected growth in the older population across England and Wales.

6.0 CONCLUSIONS AND RECOMMENDATIONS

Conclusions

This study has comprised two distinct elements; firstly an assessment of the OAN identified within Local Authority SHMAs across the North of England and secondly the consideration of alternative future economic scenarios, shaped by a rebalancing of the economy from London and the South East to the North, which with impact on the amount, spatial distribution and mix of housing required across the North of England.

Lichfields has not critically reviewed the OANs across the North of England. However, collection of the data from SHMAs and equivalent evidence-base studies show that the majority of local authorities have identified an OAN based on an economic-led scenario. The housing need identified across the North is c. 55,800dpa, considerably higher than the baseline demographic need identified in PPG as the starting point of an OAN. The level of future housing required to meet need is a considerable step-change in delivery for the majority of Local Authorities across the North of England particularly in respect of past trends in housing delivery.

Given the differences in methodologies and baseline demographic evidence underpinning the OAN in the North, it has not been possible to present the alternative scenarios as an uplift to the OAN currently identified in the assessment of existing evidence. The study has therefore based analysis of potential scenarios for the North of England on an uplift beyond the 2014-based population projections baseline. The alternative scenarios highlight the scale of ambition underpinning the OAN identified across the North of England. Both the Interventionist and Organic scenario identify a level of housing growth which is close to the housing identified in the Local Authority evidence base. The current evidence together with the alternative scenarios considered in this report present a significant uplift beyond demographic trends and past trends in housing delivery.

The different scenarios considered could impact on housing need across the North of England in the following ways:

Spatially
The Interventionist scenario would continue to focus on the urban core of the City Regions, with the Organic Scenario focused on delivery in the City Region but with a more even distribution across them, including within the more rural parts of the City Regions. Both scenarios, based on analysis of past and future economic growth ambitions, would justify an uplift to the housing supply in the following City Regions; Tyne and Wear, Sheffield, Greater Manchester and Leeds.

Housing Mix
The Interventionist scenario would require a mix of house types and tenures to meet a balanced demographic profile of households moving to the North. The Organic scenario would also require a mix of homes. However, initially it would be important to meet the housing needs of younger households who are a key component of the changes experienced under this alternative future.

Housing need and trajectory over time
The Interventionist scenario would generate short to medium term demand for housing, evening out in the longer term. For the Organic scenario this, in the short to medium term, would generate a more incremental need for housing, as housing choices of younger households begin to change. There is however greater potential for growth in the longer term as momentum builds and the North's economic position strengthens.

Recommendations

Current evidence setting out the housing need across the North of England highlights the ambitious economic strategies underpinning housing need. H4N will need to support Northern Local Authorities in their aspirations for increased housing delivery and particularly support the areas that have identified a robust and ambitious OAN, which exceeds the demographic baseline. In order to support an increase in the supply of new housing across the North of England, H4N will work with Local Authorities to support their initiatives and minimise the current restrictions which Local Authorities impose on the release of public sector land, to ensure additional housing can be delivered more quickly.

Consideration of alternative scenarios for the future has identified the need to diversify the housing stock across the North, particularly in respect of meeting the needs of younger households to help retain them in the North of England upon graduation and supporting housing delivery within and across City Regions. H4N will need to seek further guidance from Local Authorities to support the delivery of housing which will meet future economic aspirations and build on their work on graduate retention (Brain Gain Research H4N, October 2016) to identify new housing solutions to meet the needs of this market segment.

In order to test economic scenarios in a more detailed and robust way, Lichfields would recommend additional studies are commissioned by H4N members at a Local Authority level and City Regional level, which would enable a more detailed understanding of the variables which could impact on housing need. Despite the need for new homes being important to supporting economic ambitions in the North of England, new supply is only a small proportion of the housing stock. Therefore, it will be important for H4N to continue to support regeneration programmes and initiatives, as the existing housing stock will perform a key role in meeting the housing needs of existing and new residents. In summary, to deliver the 500,000 new homes that are needed across the North, H4N's recommendations to both the Government and local authorities across the North are:

To the Government

1. Allow local authorities the flexibility to identify housing need (including the proportion of affordable housing)
2. Ensure OANs are not ceiling housing figures, and are a minimum
3. Support the North of England via the housing infrastructure fund to unlock sites increase housing delivery
4. Increase pressure on local planning authorities to adopt their Local Plan in a timely manner

To Northern Local Authorities

5. Let H4N support with increased housing delivery, particularly where a robust and ambitious OAN, which exceeds the demographic baseline as identified
6. Minimise current cumbersome procedures which restrict the delivery of public sector land
7. Work in collaboration to support the regeneration of existing housing stock, in recognition that new build is only a small proportion of the future supply
8. Clarify and simplify policies and processes to diversify the housing stock to ensure economic aspirations are met, particularly in terms of retaining the younger generation.

APPENDIX 1

OAN

Source: Local Authority SHMAs/Lichfield Analysis

NORTH EAST

TYNE AND WEAR	OAN PER ANNUM
Newcastle	850
Sunderland	819
Gateshead	425
South Tyneside	
North Tyneside	792
Total	**2,886**

TEES VALLEY	OAN PER ANNUM
Hartlepool	290
Stockton on Tees	600
Darlington	446
Redcar and Cleveland	132
Middlesbrough	410
Total	**1,878**

NORTH WEST

LIVERPOOL CITY REGION	OAN PER ANNUM
Liverpool	1,472
Halton	466
Knowsley	450
St Helens	451
Sefton	1,290
Wirral	1,235
Total	**5,364**

MANCHESTER CITY REGION	OAN PER ANNUM
Bolton	821
Bury	610
Oldham	780
Manchester	3120
Rochdale	567
Stockport	1011
Salford	1502
Trafford	1296
Wigan	975
Tameside	679
Total	**11,361**

YORKSHIRE AND HUMBER

LEEDS CITY REGION	OAN PER ANNUM
Craven	290
Harrogate	557
York	841
Bradford	2,186
Leeds	3521
Selby	393
Calderdale	946
Kirklees	1,730
Wakefield	1,524
Barnsley	1,100
Total	**13,088**

SHEFFIELD CITY REGION	OAN PER ANNUM
Barnsley	1,100
Doncaster	920
Rotherham	900
sheffield	2,475
Total	**5,395**

HULL CITY REGION	OAN IDENTIFIED PER ANNUM
Hull	640
E.Riding	1,900
Total	**2,540**

APPENDIX 2

Comparison of OAN against past delivery

Source: Local Authority SHMAs/CLG House Building Statistics (Table 253)/Lichfield Analysis

NORTH EAST

TYNE AND WEAR	DIFFERENCE BETWEEN THE OAN AND 2014-SHNP (BASED ON AVERAGE ANNUAL GROWTH 2014 TO 2024 IN THE SNHP)
Newcastle	443
Sunderland	296
Gateshead	97
South Tyneside	
North Tyneside	440
Total	**1276**

TEES VALLEY	DIFFERENCE BETWEEN THE OAN AND 2014-SHNP (BASED ON AVERAGE ANNUAL GROWTH 2014 TO 2024 IN THE SNHP)
Hartlepool	70
Stockton on Tees	-28
Darlington	194
Redcar and Cleveland	-175
Middlesbrough	67
Total	**128**

NORTH WEST

LIVERPOOL CITY REGION	DIFFERENCE BETWEEN THE OAN AND 2014-SHNP (BASED ON AVERAGE ANNUAL GROWTH 2014 TO 2024 IN THE SNHP)
Liverpool	396
Halton	79
Knowsley	40
St Helens	112
Sefton	1022
Wirral	956
Total	**2606**

MANCHESTER CITY REGION	DIFFERENCE BETWEEN THE OAN AND 2014-SHNP (BASED ON AVERAGE ANNUAL GROWTH 2014 TO 2024 IN THE SNHP)
Bolton	259
Bury	328
Oldham	418
Manchester	1581
Rochdale	266
Stockport	781
Salford	978
Trafford	970
Wigan	343
Tameside	203
Total	**6,132**

YORKSHIRE AND HUMBER

LEEDS CITY REGION	DIFFERENCE BETWEEN THE OAN AND 2014-SHNP (BASED ON AVERAGE ANNUAL GROWTH 2014 TO 2024 IN THE SNHP)
Craven	191
Harrogate	396
York	515
Bradford	1368
Leeds	1575
Selby	35
Calderdale	467
Kirklees	1168
Wakefield	424
Barnsley	193
Total	**6334**

SHEFFIELD CITY REGION	DIFFERENCE BETWEEN THE OAN AND 2014-SHNP (BASED ON AVERAGE ANNUAL GROWTH 2014 TO 2024 IN THE SNHP)
Barnsley	193
Doncaster	333
Rotherham	264
sheffield	1688
Total	**2478**

HULL CITY REGION	DIFFERENCE BETWEEN THE OAN AND 2014-SHNP (BASED ON AVERAGE ANNUAL GROWTH 2014 TO 2024 IN THE SNHP)
Hull	76
E.Riding	1461
Total	**1536**

APPENDIX 3

Comparison of OAN and 2014-based Sub National Household Projections (the demographic baseline)

Source: Local Authority SHMAs/CLG 2014-based Sub National Household Projections

NORTH EAST

TYNE AND WEAR	DIFFERENCE BETWEEN THE OAN AND 2014-SNHP (BASED ON AVERAGE ANNUAL GROWTH 2014 TO 2024 IN THE SNHP)
Newcastle	-250
Sunderland	219
Gateshead	25
South Tyneside	~
North Tyneside	92
Total	**86**

TEES VALLEY	DIFFERENCE BETWEEN THE OAN AND 2014-SNHP (BASED ON AVERAGE ANNUAL GROWTH 2014 TO 2024 IN THE SNHP)
Hartlepool	-10
Stockton on Tees	100
Darlington	246
Redcar and Cleveland	-68
Middlesbrough	210
Total	**478**

NORTH WEST

LIVERPOOL CITY REGION	DIFFERENCE BETWEEN THE OAN AND 2014-SNHP (BASED ON AVERAGE ANNUAL GROWTH 2014 TO 2024 IN THE SNHP)
Liverpool	-328
Halton	166
Knowsley	150
St Helens	-49
Sefton	690
Wirral	535
Total	**1,164**

MANCHESTER CITY REGION	DIFFERENCE BETWEEN THE OAN AND 2014-SNHP (BASED ON AVERAGE ANNUAL GROWTH 2014 TO 2024 IN THE SNHP)
Bolton	21
Bury	10
Oldham	80
Manchester	420
Rochdale	67
Stockport	111
Salford	102
Trafford	196
Wigan	-25
Tameside	79
Total	**1,061**

YORKSHIRE AND HUMBER

LEEDS CITY REGION	DIFFERENCE BETWEEN THE OAN AND 2014-SHNP (BASED ON AVERAGE ANNUAL GROWTH 2014 TO 2024 IN THE SNHP)
Craven	190
Harrogate	257
York	-59
Bradford	686
Leeds	1121
Selby	93
Calderdale	146
Kirklees	230
Wakefield	624
Barnsley	200
Total	**3,488**

SHEFFIELD CITY REGION	DIFFERENCE BETWEEN THE OAN AND 2014-SHNP (BASED ON AVERAGE ANNUAL GROWTH 2014 TO 2024 IN THE SNHP)
Barnsley	200
Doncaster	320
Rotherham	400
sheffield	475
Total	**1,395**

HULL CITY REGION	DIFFERENCE BETWEEN THE OAN AND 2014-SHNP (BASED ON AVERAGE ANNUAL GROWTH 2014 TO 2024 IN THE SNHP)
Hull	240
E.Riding	900
Total	**1,140**

APPENDIX 4

Housing Need by Number of Bedrooms (market housing)

Source: Local Authority SHMAs

NEED BY NUMBER OF BEDROOMS (MARKET HOUSING)

	1	2	3	4
Darlington		27 %	56 %	12 %
Stockton-on-Tees		18 %	64 %	14 %
Newcastle upon Tyne	40 % (1-2 beds)		30 % (3 beds)	30 % (4 beds)
Allerdale	(1-2bed) 34 %		51 % (3-4 bed)	
Barrow-in-Furness	298 (1-2 beds) 177 (1-2 bed bungalow)		846 (houses) 122 (bungalows)	223
Carlisle	10-15 %	40 %	40 %	5-10 % (4+ beds)
Kingston upon Hull, City of	5-10 %	35-40 %	40-45 %	10-15 %
York	15 %	35 %	35 %	15 (4+ beds)
Hambleton	15-20 %	40 %	35 %	5-10 % (4+bed)
Harrogate	20 %	40	35 %	5 % (4+ beds)
Ryedale	10 %	40 %	35 %	15 %
Selby	15 %	35 %	40 %	10 %
Kirklees	19.5 % (1-2 beds)		35.40 %	20.8 % (4+ beds)
Rotherham	14 %	40 %	36 %	10 % (4+ beds)
Sheffield	15 %	65 % (2-3 beds)		20 % (4+ beds)
Sefton	8.40 %	34.80 %	53.70 %	3 % (4+bed)
Liverpool	10 %	30 %	40 %	10 % (4+ beds)
Warrington	15 %	30 %	40 %	10
Halton	15	30	40	10 (4+ beds)

Homes for the North

GET IN TOUCH

To find out more or to get in touch with Homes for the North.

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LICHFIELDS