Kirklees Local Plan Examination

Stage 1 – Initial Hearings

MATTERS, ISSUES AND QUESTIONS (MIQs)

Council Response

Matter 3 – Overall housing need

1.1   This statement sets out the council's responses in relation to the Inspector's matters and issues Matter 3 – Overall housing need. All of the documents referred to in this statement are referenced within the statement.

Issue – Is the identified objectively assessed need of 31,140 dwellings soundly based and supported by robust and credible evidence?

Questions

a)   Does the identified Kirklees Housing Market Area provide a robust and appropriate basis for assessing housing needs?

1.2   The council considers that the identification of Kirklees as a self-contained housing market area for the purposes of plan making provides a robust and appropriate basis for assessing housing needs.

1.3   The Kirklees Strategic Housing Market Assessment (SHMA) (SD18, Chapter 3) considers the CLG Geography of Housing Market areas commissioned by the National Housing and Planning Advice Unit in 2010 as well as work undertaken in the Leeds City Region in relation to understanding the cross-boundary impacts of housing markets[1]. Leeds City Region commissioned further work on housing market areas (CR13), which was published in July 2016. The Kirklees SHMA (SD18, Chapter 3) has considered a number of sources in accordance with NPPG (2a-011-20140306) including house prices and rates of change in house prices, household migration and search patterns, and additional contextual data including travel to work area boundaries. This analysis is summarised below.

House prices and rates of change in house prices

1.4   The SHMA (SD18) sets out the differences in Median House Prices[2] showing that there are significant variations in house prices across Kirklees electoral wards but there is no pattern which would assist in defining housing market area boundaries. The geography of the median house prices to median income ratios[3] also shows a significant variation across the district. This highlights high house prices to income ratios including for some areas which have relatively lower house prices. This analysis does not demonstrate geographical patterns which could assist in defining housing market areas. Full analysis is set out in SHMA (SD18, paragraphs 3.15 – 3.20).

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[1] CR3 – Leeds City Region: Understanding the Cross Boundary Impacts of Housing Markets and Jointly Planning Housing Provision in These Areas (January 2014)
[2] SD18, Map 3.3 (page 31)
[3] SD18, Map 3.4 (page 32)

Household migration and search patterns

1.5 Migration flows were analysed to provide evidence on the level of self-containment within Kirklees, excluding long distance moves, in accordance with NPPG. This included information from the 2011 Census and local household surveys undertaken as part of the SHMA process. NPPG (NE2, 2a-011-20140306) states the purpose of this analysis is to identify areas with a relatively high proportion of household moves within districts (typically 70%).

1.6 Table 3.2 from SHMA (SD18, page 35) sets out the flows of residents moving in the year preceding the 2011 Census. This table considers the following:
- supply side (origin of moves) - moves within the area divided by all moves whose origin is in the area, excluding long-distance moves;
- demand side (destination of moves) - moves within the area divided by all moves whose destination is in the area, excluding long-distance moves.

1.7 The **containment ratios within Kirklees are 78.4% (origin) and 79.2% (destination)** which are well above the 70% threshold. Even if long distance moves are included the containment ratios are still over 70%.

1.8 To sensitivity check this information, extrapolation of the SHMA household survey results indicates that around 53,547 households moved to a home in Kirklees in the preceding five years. Of those households who provided origin data, **78.3% originated from within Kirklees**. Extrapolation of the household survey also indicates that of the 36,000 households planning to move in the next five years **76.9% intend on remaining in Kirklees.** This analysis adds further weight to the containment ratios emerging from the 2011 Census information. Full analysis is set out in SHMA (SD18, paragraphs 3.21 – 3.33).

Contextual data

1.9 Contextual data from the 2011 Census in relation to Travel to Work Areas (TTWA) indicate that overall the majority of Kirklees forms the Huddersfield TTWA with Cleckheaton, Gomersal and Birkenshaw forming part of the Bradford TTWA and Birstall in the Leeds TTWA. The detailed Census information indicates that of the 179,888 economically active residents in Kirklees, **66.8% live and work in Kirklees** (SD18, paragraph 3.36). The 2011 Census definition of Travel to Work Areas states that although the criteria for defining travel to work areas is 75%, "*for areas with a working population greater than 25,000 self-containment rates as low as 66.7% are accepted as part of a limited 'trade off' between workforce size and level of self-containment*".[4] For a district the size of Kirklees this information shows self-containment in relation to the contextual Travel to Work Areas although the council recognises that there are travel to work linkages between Kirklees and the wider Leeds City Region.

Summary of housing market area evidence

1.10 The SHMA demonstrates that Kirklees is a self-contained housing market area for the purposes of Local Plan policy making (SD18, paragraphs 3.38 – 3.42). The assessment acknowledges the existence of housing market relationships with other local authority areas and localised movements within Kirklees but there is not sufficient evidence to justify an alternative housing market area or the sub-division of Kirklees for plan making purposes.

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[4] Definition of 2011 TTWAs. Travel to work area analysis in Great Britain: 2016. ONS.

b) **Do the demographic based projections in the Council's Strategic Market Housing Assessment (SHMA) (2016) (SD18) provide a suitable starting point for establishing objectively assessed housing need (OAHN)?**

1.11 The analysis relating to the housing requirement set out in the SHMA (SD18, paragraphs 6.13–6.44) uses the latest available national demographic projections (2014-based) as a starting point in accordance with NPPF paragraph 159 and NPPG (2a-015). These provide a suitable starting point for establishing the objectively assessed housing need as they are the latest available projections.

1.12 The 2015 SHMA (LE18) which informed the draft Local Plan (PC7, 2015) used the 2012-based projections as the starting point to establish a series of scenarios as this was latest available information at that time. Key scenarios relating to demography and jobs-growth were updated to take account of the latest 2014-based household projections for the 2016 SHMA (SD18) to inform the Publication Draft Local Plan (SD1, 2016).

c) **Is the applied jobs growth uplift rate (based on projected growth of 23,000 jobs over the Plan period) soundly based and justified? In particular:**

- **Are the economic assumptions underpinning this forecast, namely a 75% employment rate and 4.5% unemployment rate, achievable by 2031?**

- **Why was the jobs growth SENS1 scenario used instead of the CORE scenario? How does this fit with the aim in the Plan and the Council's Economic Strategy (LE6) of achieving a 75% employment rate over the Plan period?**

1.13 The Regional Econometric Model (REM) is an interactive database of economic, demographic and environmental data across Yorkshire and Humberside. Developed by Experian, it has been continually developed and upgraded over a number of years to help forecast industry growth and decline. Justification for the use of REM is set out in the Employment Technical Paper (SD22, paragraphs 4.1 – 4.9). Kirklees' use of the REM is also consistent with the methodology applied at the Leeds City Region level to inform the Strategic Economic Plan (SEP) – see paragraph (ii) of the Strategic Employment Land Review for the Leeds City Region (CR2). Consideration has been given to a range of growth scenarios to understand the implications of a higher and lower growth forecast for the district. These scenarios are set out in greater detail below:

1.14 The baseline forecasts in the model are calculated using a combination of national and local factors. UK forecasts drive regional forecasts which in turn drive local area forecasts. In broad terms, the historical performance of local economies is interpreted in terms of their share of the regional economy of which they are a part. Regional and industry sectors forecasts vary on the basis of their differing economic structures and historic performance, as well as on UK wide relationships.

1.15 There are a number of ways to produce a higher growth variant to the baseline forecasts from the REM. A range of inputs were considered and sense checked. This is particularly important as baseline forecasts already make assumptions that certain levels of public investment will continue and that their impacts will be at least as successful as before.

1.16 In this case, the Kirklees aspiration was to achieve a higher resident employment rate – ultimately 75% - based on the target set out in the Kirklees Economic Strategy. This level was set as it was agreed by all stakeholders as a reasonable aspiration for Kirklees to return to its pre-recession level. The Regional Economic Model was used to sense check this aspiration and also forecast that baseline resident employment rates would close the

gap on this aspiration. The "policy on" scenario was to supply the model with the extra workplace jobs to achieve the 75% resident based aspiration above baseline employment levels.

1.17 Further explanation of these scenarios can be found in paragraphs 4.1-4.31 of SD22. Taking account of the work undertaken, and as explained in the identified paragraphs above, the Council believes that the basis upon which the derived OAN jobs figure of 23,200 FTE has been calculated is sound and justified.

1.18 The Kirklees Economic Strategy (KES) has targeted the employment rate to be at or around 75% as one of the key objectives for the district's economy (LE6, page 6, 'progress measure and 2020 targets table). This is considered to be achievable on the basis it is a rate Kirklees has achieved during the UDP plan period (2006). Additionally, the performance of neighbouring Calderdale – whose economy has similarities to Kirklees – has achieved and exceeded 75% following the recession (70.3%). The justification for using a 75% employment rate has been set out in the 'Employment Technical Paper' (SD22) in paragraphs 2.17-2.19 and Appendix 2. The current employment rate in Kirklees is 71.1%, an increase from 68.6% in 2013 (ONS, 2017) – the start of the plan period. This demonstrates that a steady recovery is already being made and one the council believes can be continued through the successful implementation of the Local Plan.

1.19 In the latest modelling the council have considered 'jobs-led' core and 'jobs-led' SENS1 analysis as explained below. To account for economic recovery following recession, the 'jobs-led' core scenario reduces the unemployment rate from a 'recession' unemployment rate average of 8.1% to a 'pre-recession' unemployment rate average of 4.5% (LE28, Table 4). Due to this previous unemployment rate performance, a 4.5% rate is considered achievable. The 'jobs-led' core scenario also sees the economic activity rate (16-74 labour force ages) reduce from 68% to 66% by the end of the Local Plan period.

1.20 The 'jobs led' SENS1 scenario seeks to maintain a larger local labour force over the plan period by seeking to achieve a higher aggregate economic activity rate (16-74 age groups) and an unemployment rate target of 4%. The 'jobs-led' SENS1 scenario achieves the 2011 base year economic activity rate of 68% by the end of the plan period. Further information relating to the economic activity rates is set out in document LE28 (paragraphs 8.43 - 8.51).

1.21 The SENS1 scenario sustains a higher aggregate economic activity rate than the 'jobs-led' core scenario which helps to maintain a larger resident labour force in Kirklees, which ensures that more jobs growth can be supported locally without the need for higher net in-migration or a change to the district's commuting balance.

1.22 With regards to the unemployment rate, based on trend alone, the rate of unemployment is estimated to reach 4.2% - an improvement on the 4.5% as applied in the 'jobs-led' core scenario - by 2020 (ONS, 2017). In view of this the Council believes that the use of a 4% unemployment rate by 2031 (as applied in 'jobs-led' SENS1) is realistic and justified.

1.23 The combination of a sustained economic activity rate and a reduced unemployment rate aligns with the KES objective of reducing unemployment (particularly youth unemployment) by improving the prospects of jobs for the local labour force.

1.24 The justification for using 'jobs-led' SENS1 has been set out in the Employment Technical Paper (SD22, paragraphs 4.38 – 4.39). In summary, the 'jobs-led' SENS1 scenario aligns more closely with the economic objectives of the SEP and KES when compared to the 'Core' scenarios. For example, 'jobs-led' SENS1 applies different assumptions than the 'Core' scenario on both economic activity rates (68%) and unemployment rates (4%). Together these assumptions help to maintain a larger resident based labour force to

support the defined annual change in jobs, and achieve an overall higher employment rate. These assumptions will assist delivery of a key objective within KES which is to 'enhance enterprise, skills and opportunities for young people' (LE6, page 5, bullet 3). The employment rate achieved by 'jobs-led' SENS1 is also aligned with the stated KES objective of 'at or around 75%' (LE6, page 6, Table; Progress measures and 2020 targets). The Core scenario does not reflect this objective closely and instead only achieves an employment rate 72.3%.

d)   Are the headship rates applied in SHMA justified and based on robust evidence?

1.25   The council believes the headship rates applied in SHMA are justified and based on robust evidence. The 2014-based CLG household projections provide the official benchmark where household growth is assessed using the household headship rate assumptions from the 2014-based CLG household projections.

1.26   As set out in SHMA a number of 'alternative trend' scenarios were developed as a comparison with the benchmark (SD18, paragraph 6.17). Technical Appendix D of the SHMA (SD18) sets out the alternative assumptions considered in accordance with the NPPG (NE2, paragraph 2a-017) which states that "*plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates*". These assumptions included consideration of the 2011-based headship rates and the 2008-based headship rates against the 2012-based household projections (the latest at that time). As stated in SHMA (SD18, paragraph D22) the 2012-based household projections were higher than the previous 2008 and 2011-based average.

1.27   The SHMA (SD18, paragraph 6.19) also refers to PAS guidance[5] (paragraphs 6.40 - 6.43) which states that headship rates (Household Representative Rates) which pre-date 2012 projections (the latest projections when PAS guidance was written) should be set aside. This is because the historical facts on which the CLG 2011 interim Household Representative Rates were based are now considered inaccurate and the CLG 2008 Rates are based on very old evidence which may not reflect the true-long term trend (PAS Guidance[6], paragraph 6.41). Since the PAS guidance was published the 2014 household projections have been released. Using the approach in the PAS guidance, headship rates from the earlier projections should be set aside. Based on the available evidence, the SHMA concludes that no adjustments are necessary to take account of alternative headship rates assumptions (SD18, paragraph 6.21).

1.28   Alternative approaches are often presented at examinations, in which headship rate sensitivity scenarios consider the potential impact of higher household formation rates (i.e. headship rates) in the younger 25–44 age groups. The argument made by others is that the 2014-based rates reflect "suppressed" levels of household formation within this age group due to housing undersupply, affordability issues and social changes, whilst the 2008-based headship rates reflect a more positive economic outlook. As such, the argument made is that household formation rates should be increased for that age group. However, there is no current evidence to support the assertion that headship rates will return to 2008-based trends, including those of the 25-44 age group. It is important to note that any adjustments to the headship rates would not have an impact on the employment rate outcomes under the jobs-led scenarios because the headship rates relate to household formation. It is the

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[5]   Planning Advisory Service Objectively Assessed Need and Housing Targets Technical Advice Note Second Edition July 2015
[6]   Planning Advisory Service Objectively Assessed Need and Housing Targets Technical Advice Note Second Edition July 2015

role of the SHMA to make appropriate judgement on whether an adjustment to headship rates is required.

1.29 The Kirklees SHMA sets out the alternative trend assumptions and provides advice that no adjustments are recommended in relation to potential alternative headship rates (SD18, paragraph 6.21iv).

e) Does the assessment of OAHN in the SHMA take sufficient account of i) Market signals and ii) backlog in delivery in line with advice in the Planning Practice Guidance (PPG)?

i) Market signals

1.30 The Kirklees SHMA (SD18, pages 80 – 84) sets out the market signals considered including:

- Land prices - in considering land prices, there is no trend based data available but the 2016 Residential Land Viability Assessment does not indicate issues in relation to land values which would affect the development potential across Kirklees.

- House price ratio, rents and affordability - market prices have been broadly consistent over the period from 2005 – 2015. The SHMA also reports on two measures of affordability – the House Price Ratio (HPR) and the Rental Affordability Ratio (RAR). As set out in the SHMA (SD18, paragraph 6.28) PPG does not specify a mechanism for uplift but the Local Plan Expert Group (LPEG) report[7] recommends uplift from the demographic starting point based on two measures of affordability: House Price Ratios and Rental Affordability Ratios. Although the LPEG recommendations are not set out in policy, for completeness these have been considered below. For Kirklees, the ratios are HPR 5.2 and RAR 25.9%. Uplifts are recommended by LPEG when the HPR exceeds 6.3 and the RAR 25%. For Kirklees, the HPR is well within the range where no uplift is necessary and the RAR is continuing to fall (reducing from 28.3% in 2011 to 25.9% in 2015). As such, no uplift to OAHN is proposed in the SHMA. More recent information for 2016[8] shows that the RAR has now decreased to 24.6% (below the uplift threshold) and 2017 data indicates a continuation of this trend.

- Rate of development - SHMA (SD18, paragraphs 6.29 - 6.30) states that over the period 2004/5 to 2014/15 a total of 13,061 net dwellings have been built across Kirklees, representing an annual average of 1,187. The SHMA suggests that any under-delivery is more likely to relate to market conditions and developer appetite for delivery. No adjustment is recommended to take account of past delivery. In addition, as stated in part ii of this response, any backlog in delivery prior to the SHMA/Local Plan base date (1st April 2013) has already been accounted for in the analysis of the housing requirement.

- Overcrowding – According to the 2011 census, 4.8% of households were overcrowded which is comparable with the national average across England of 4.6%.[9] One reason for higher levels of overcrowding is ethnicity – the 2011 census for Kirklees shows that 19.1% of Asian/Asian British households were overcrowded which could be attributed to multi-generational households living in the same dwelling.

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[7] Local Plan Expert Group report – Appendix 6, page 26
[8] Zoopla rental information
[9] Please note that the SHMA (SD18, paragraph 5.8) states in error that 3.1% of households were overcrowded according to the 2011 Census. This figure is actually 4.6%.

- Vacancy rates - the long term vacancy rate for residential properties in Kirklees is 1.2% which is comparable with the Yorkshire and Humber average (1.1%) and the England average (0.9%). As set out in SHMA, this is therefore not a significant issue which would lead to an adjustment to increase the housing requirement.

1.31 A review of market signal data would suggest that the housing market in Kirklees is relatively stable, and other than trends in private rents and improvements in relative affordability, market signal trends have tended to be in line with regional and national trends. Therefore the SHMA does not recommend an uplift due to market signals (SD18, paragraph 6.28). The full analysis is set out in SHMA (SD18, chapter 5).

ii) Backlog in delivery

1.32 As set out in the Kirklees SHMA, the OAN assessment is based on a detailed analysis of the current demographic situation in Kirklees (SD18, paragraph 6.40). As such, any backlog in delivery prior to the SHMA base date of 1st April 2013 has been accounted for as part of the OAN calculation. This approach was confirmed in a high court judgment[10] which clarified that modelling work should be consistent and must not mix figures based on entirely different approaches including the inclusion of backlog. This stated in section 95 for that case the "*modelling for 2011-2031 is self-contained, with its own evidence base, and would have been badly distorted by trying to add in a figure derived from a different estimate using a different evidence base. That would have involved mixing apples and oranges in an unjustifiable way*". It should be noted that the Local Plan will seek to meet the shortfall against the housing requirement since the Local Plan base date of 1st April 2013.

1.33 In relation to affordable housing, there is a net imbalance of 1,049 affordable dwellings per year as set out in the SHMA (SD18, paragraph 6.32). This assumes the clearance of the backlog over 5 years. If the backlog is to be cleared over 10 years this falls to 397 per year and if it is to be cleared over the Local Plan period this falls to 108 each year. The affordable housing trajectory (EX30, figure 2, page 25) (see Matter 5c) shows that this backlog can be met within the Local Plan period. The SHMA also confirms (SD18, paragraphs 6.31 – 6.34) that no adjustment to the housing requirement is necessary when considering affordable housing.

f)   Should the assessment of OAHN take account of Unattributable Population Change?

1.34 The council does not believe that Unattributable Population Change (UPC) should impact on the OAHN. Edge Analytics developed a range of demographic scenarios which considered the inclusion and exclusion of UPC in international migration assumptions (SD18, Table 6.2, page 87). For Kirklees, the inclusion of the UPC would result in an uplift (i.e. if higher international migration is assumed). As summarised in Table 6.3 of the SHMA (SD1, Table 6.3), under the PG10yr model, UPC results in an additional need for 304 dwellings per annum but under the 5 year model this reduces dramatically to 104 dwellings per annum. This uncertainty clearly illustrates the challenge of determining any uplift for UPC. The range of demographic evidence presented provided the basis for the SHMA to make the judgement as to which scenarios are considered most appropriate.

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[10] Zurich v Winchester City Council - (2014) EWHC 758 (Admin) Case No: CO/5057/2013

1.35   As set out in SHMA, the PAS guidance[11] clarifies the approach to UPC (SD18, paragraph 6.21iii). The guidance notes that UPC is excluded from the past migration flows that the population projections carry forward therefore no adjustment was made to the 2012-based subnational population projections for UPC since it could not be demonstrated that UPC measured a bias in the trend data that will continue in the future. The national 2012 population projections therefore exclude the UPC. The PAS guidance states that as national planning guidance has endorsed the CLG 2012 projections "*this suggests that for housing assessment studies the default option is to set aside UPC*" (SD18, paragraph 6.33).

1.36   The PAS advice was in relation to the effect of UPC when considering the 2012-based population projections. The effect of UPC would have less of an effect on the 2014-based subnational population projections since three years of the trend data are not affected by UPC. Following the approach taken with the 2012-based projections, the 2014-based subnational population projections do not include an adjustment for UPC. The SHMA (SD18, paragraph 6.21iii) sets out a recommendation that the UPC should not be included in the OAN calculation.

1.37   It is noted that the LPEG report[12] suggests an amendment to the NPPG to state that "*it will not be open for plan makers or other interested parties to reject the use of the official population and household projections, for example because of perceived concerns over their statistical robustness, the implications of unattributable population change…*" which further supports the view that the OAHN should not take account of Unattributable Population Change.

g)   Is there a need for any adjustments to OAHN in light of Brexit?

1.38   The council do not believe that there is sufficient evidence to justify any adjustment to OAHN in light of Brexit. The calculation of OAHN and the Kirklees Local Plan housing requirement uses the latest household projections as a starting point in accordance with national planning policy (SD18, paragraph 6.3). The SHMA has considered a range of factors in determining the housing requirement for Kirklees using the latest available information (SD18, Section 6).

1.39   At this point in time there is uncertainty relating to the potential implications of Brexit on the population trends in Kirklees. There is insufficient evidence to justify an adjustment to the OAHN in relation to the demographic element of the calculation. As set out in the Employment Technical Paper (SD22, paragraph 4.19), the Regional Econometric Model methodology was adjusted to reflect the potential impact of Brexit. It is expected that all regions of the UK will experience slower growth as a result of the vote to leave the EU. The economic outputs from REM have impacted on the local economic element of the calculation of OAHN.

1.40   Until greater clarity emerges from the trade negotiations and whether or not freedom of movement with the EU is retained, it is unclear whether changes to population trends will occur or whether these would be sufficient to justify an adjustment to reduce the housing requirement. The implications for housing delivery within Kirklees are also unclear at this stage but the Local Plan provides sufficient flexibility to adapt to changes including the application of a lapse rate on planning permissions.

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[11] Planning Advisory Service Objectively Assessed Need and Housing Targets Technical Advice Note Second Edition July 2015)
[12] Local Plan Expert Group report – Appendix 6, page 24

1.41   The council have set out a series of actions which could occur if the housing delivery is lower than expected (SD1, Strategy and Policies, paragraph 8.26 and EX30, Housing Supply Topic Paper, paragraph 4.28). These actions would also apply if there was reduced delivery resulting from uncertainty around the Brexit process. However, at this point in time there is no local evidence to suggest that such uncertainty is impacting on housing delivery.