

Date: 23rd August 2017

Consultee ID: 943892

Matter 3

KIRKLEES LOCAL PLAN EXAMINATION

Matter 3: Overall housing need

1. The following hearing statement is made for and on behalf of the Home Builders Federation. This statement responds to selected questions set out within Matter 3 of the Inspector's *Matters and Issues*.
2. The Inspector's Issues and Questions are included in bold for ease of reference. The following responses should be read in conjunction with our comments upon the submission version of the Kirklees Local Plan, dated 16th December 2016. The HBF has also expressed a desire to attend and participate in Matter 3 of the examination hearing sessions.

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

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

3. The HBF raises no objection to the use of the Kirklees Housing Market Area (HMA). It is notable that this is consistent with the approach being taken by neighbouring authorities, such as Calderdale, Bradford and Barnsley.
4. It is, however, clear that there are significant linkages between Kirklees and surrounding areas at the local area level. Particular reference is made to Calderdale, Bradford and Leeds within the *Housing Technical Paper* (exam ref: SD23).

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)?

5. Yes, these are considered appropriate.

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?***

6. The HBF is supportive of aligning jobs growth with the housing requirement. This is consistent with the advice contained in the PPG (ID 2a-018). The HBF understands that the OAHN of 1,730dpa is based upon the SHMA recommendation (para. 4.13 Housing Technical Paper, SD23). This figure relates directly to the 'Jobs-led July 2016 – SENS1' scenario (hereafter referred to as SENS1).
7. The SENS1 scenario seeks to retain economic activity rates (EARs) at current levels of 68% for the labour force, defined as the 16 to 74 year age group and reduce unemployment to 4% by 2020. It is understood the current EAR of 68% refers to the 16-64 age group rather than 16 to 74 age group suggested in the SHMA. This discrepancy is discussed below.
8. It should also be noted that the corresponding Core 'Jobs-led July 2016' scenario (hereafter referred to as the Core Scenario) also seeks to improve EARs amongst the older population 60-69 age group to take account of changes to the State Pension Age (SPA) and reduce unemployment to 4.5% by 2020. Each of these sensitivities is discussed below.

Economic Activity Rates (EARs)

9. Within our comments upon the Publication version of the plan we set out our concerns in relation to the realism of retaining EARs at current levels over the plan period (para. 17). In summary our concerns revolve around the fact that this will require a significantly greater proportion of the over 60s working continuing to work than is currently anticipated by the Office of Budgetary Responsibility (OBR), even taking account of changes to the SPA. There does not appear to be any analysis on the realism or desirability for such significant increases in the older age population to carry on working.
10. The HBF recognises the Council's Economic Strategy (exam ref: LE6) and its ambition to achieve a 75% employment rate amongst residents. The 75% figure also appears to relate to the 16 to 64 age group (Annex A, LE6) rather than the wider 16 to 74 age group in SENS1. It is therefore unclear how this Economic

Strategy ambition relates to the SENS1 scenario. It is also unclear how a baseline of 68% is identified for the 16-74 age group in the SHMA, as at 2012/13, the in employment figure for Kirklees of 68% relates to the 16-64 age group (ONS *Annual Population Survey*) and not 16-74.

11. The consequence is that because the Economic Strategy ambition relates to the 16-64 age group the 75% employment rate will be based upon a smaller proportion of the overall population over the plan period, due to the aging nature of the population. This will mean that a greater number of people would be needed to fill the jobs identified. This discrepancy should be further explored by the Council.
12. The reasons for economic inactivity should also be understood to identify whether it is a realistic ambition. Analysis of the most recent ONS *Annual Population Survey* suggests that only 20.3% of those who are currently economically inactive want a job compared to national and regional average of 23.8%. It has consistently been the case that Kirklees residents who are economically inactive indicate a higher propensity for not wanting a job compared to national and regional averages. The realism of increasing EARs must therefore be questioned.
13. The HBF therefore considers the 'Core Scenario' to be more realistic in this regard.

Unemployment

14. The HBF recognises and supports the aspiration to reduce levels of unemployment. This is implicit in both the 'Core' and 'SENS1' scenarios. The HBF understands that a 4.5% unemployment rate, utilised in the 'Core' scenario, represents the pre-recession average. This would appear to be an aspirational yet realistic assumption to make, as such the HBF can see the logic in this assumption. In terms of a 4% unemployment rate this would appear to go beyond levels which have previously been achieved in Kirklees. The realism of this level is therefore considered questionable. The following table identifies rates of unemployment in Kirklees since 2004.

Year	04	05	06	07	08	09	10	11	12	13	14	15	16
Unemployment rate (%)	4.3	4.3	4.9	4.8	6.2	7.7	8.3	8.8	8.5	8.1	7.4	5.7	5.4

Source: ONS Annual Population Survey (Jan to Dec) Note: % is a proportion of economically active

- ***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?***

15. I refer the Inspector to our response provided above.

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

16. The SHMA (exam ref: SD018) considers headship rates based upon those used in the 2008, 2012 and 2014 household projections. This sensitivity testing is considered appropriate. The chosen OAHN is solely reliant upon the 2014 based household projections. Whilst, as noted earlier, these should be used as the starting point, the PPG is clear (ID 2a-015) that they;

"...may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing..."

17. It is recognised that the 2012 and 2014 household projections show very little difference in terms of household formation rates within Kirklees. However, neither the SHMA nor the *Kirklees Additional Demographic Scenarios Analysis (July 2016 and October 2016)* (exam ref: LE27) provide any real consideration of whether household formation rates have been suppressed within Kirklees. A continuation of past trends cannot be simply assumed to not include any suppression.

18. The HBF considers there is a clear case for providing an uplift to household formation rates. Whilst a full return to 2008 rates may not be appropriate a partial catch-up is considered necessary to match Government aspirations towards enabling more people to access the housing ladder (Foreword by Prime Minister Housing White Paper). The Housing White Paper¹ is clear that the country is in the midst of an acute housing crisis which means many have not been able to access housing. A raft of measures are proposed in the White Paper which will assist in increasing opportunities to access the housing ladder, particularly for the young. These measures are also bolstered by existing measures such as 'Help to Buy' and 'Starter Homes'.

¹ DCLG 2017: Fixing our broken housing market

19. Given that the Government is actively trying to boost opportunities to access the housing ladder it would appear somewhat remiss not to give due consideration to the effect of these interventions. The HBF therefore considers that an uplift to household formation rates for those most effected by the current crisis, aged 25 to 44, is justified. An increase in household formation rates for this age cohort is supported not only by the White Paper but also through the NPPF requirements to boost housing supply and the advice contained within the Local Plan Expert Group (LPEG) recommendations to Government².

20. The 2014 projections continue to assume lower household formation rates for younger households. Whilst this is identified as being representative of longer-term trends these cannot be detached from the factors which have influenced the operation of the housing market over the last 15 years. This includes a sustained national failure to deliver enough homes to meet need, an intensifying affordability crisis and growing evidence of younger households being excluded from the housing market. A continued tracking of national rates would therefore suggest a continuation of the conditions which led to the housing crisis.

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)?

21. The SHMA does take account of these factors and concludes, paragraph 5.16, that Kirklees is a relatively stable market and that no uplift to the OAN is required. The HBF agrees that some of the market signals tested would not, at face value, appear to indicate a need for a significant uplift of the housing number. In our view the exceptions to this are rate of development, rents, overcrowding and affordability.

22. We address these issues within paragraphs 23 to 27 of our comments upon the Publication version of the plan and conclude that an uplift could be justified.

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

23. Figure 2, of the *Kirklees Additional Demographic Scenarios Analysis (July 2016 and October 2016)* (exam ref: LE27) indicates that prior to 2012 Unattributable Population Change (UPC) suggests that the previous population projections had under-estimated growth in Kirklees. The inclusion of UPC into the

² Local Pan Expert Group (2016): Report to the Communities Secretary and to the Minister of Housing and Planning

migration assumptions, as highlighted by Figure 7, LE27, would create a larger demographic based need, up to 1,883dpa under the 'PG 10yr' scenario.

24. UPC is by its very nature uncertain and therefore it should be considered with care. However, it does illustrate that previous projections have under-estimated population growth in Kirklees. The 'PG 10yr' scenario also illustrates that the 'SENS1' scenario even though based upon an economic uplift may underestimate actual need. The HBF therefore considers UPC to provide a useful, if not definitive, guide towards setting an appropriate OAHN based upon the Core and SENS1 jobs-led scenarios.

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

25. No, it is not considered that any adjustment should be made in light of Brexit. Our reasoning for this is that the effects of Brexit are unknown. It would therefore be difficult to accurately identify if and how this may affect the OAHN in Kirklees. The plan should be positively prepared based upon the evidence currently available. If post-Brexit there is a need to revise the OAHN figures this can be achieved through a full or partial review of the plan.

Yours sincerely,

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