LICHFIELDS

Kirklees Local Plan Examination Hearing Statement

Our ref   50511/JG/AJk
Date   September 2017

Subject   Matter 3 Hearing Statement on behalf of KeyLand Developments Ltd & Persimmon Homes West Yorkshire – Overall Housing Need

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1.0   Introduction

1.1   This Hearing Statement has been prepared by Lichfields jointly on behalf of KeyLand Developments Ltd and Persimmon Homes West Yorkshire, and responds to the questions set by the Inspector in relation to Matter 3.

1.2   This Statement draws on research undertaken by Lichfields in respect of the identification of an Objectively Assessed Need (OAN) for housing in Kirklees and thence, a Local Plan Housing requirement, using our HEaDROOM model. A copy of the HEaDROOM Report, which analyses the objective assessment of housing need (both market and affordable) for Kirklees and has been authored on behalf of KeyLand Developments Ltd and Persimmon Homes West Yorkshire, is included at **Annex 1**.

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

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

2.1   The Strategic Housing Market Assessment (SHMA – SD18) prepared by arc4 finds that within Kirklees, areas in the north of the District are linked to areas outside of the local authority boundary; however, the SHMA considers that '*...these relationships are not considered to be of sufficient scale or significance to warrant the formulation of new individual market areas or require the sub-division of Kirklees for policy making purposes...*' (para. 3.13). The SHMA also notes that the constituent authorities in the Leeds City Region are seeking to meet objectively assessed housing needs within their own areas. On the basis of this geography, and an assessment of migration and commuting levels, the SHMA concludes that Kirklees is a self-contained housing market area.

2.2   The evidence presented in the SHMA identifying Kirklees as a single HMA for the basis of planning to meet the full housing needs is considered by Keyland and Persimmon in this instance to be appropriate in accordance with NPPF paragraphs 47 and 159.

Question (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)?

2.3   Lichfields has identified a number of shortcomings which cumulatively mean the demographic-led needs identified in the SHMA are likely to under-estimate the level of housing need in Kirklees. (See HEaDROOM Report -**Annex 1**)

2.4 Firstly, the SHMA does not consider any potential alternative levels of household formation rates. Specifically, it makes no adjustment to allow the household formation of younger households who have been impacted upon by recent market conditions during the recession to 'catch-up'. These households are identified by the PPG as an important consideration when adjusting the demographic starting point and we consider that an appropriate approach would have been to accelerate household formation rates amongst younger households so that they go some way towards meeting long term trends.

2.5 Secondly, the past migration trends scenarios presented in the SHMA ("PG-X" scenarios identified in the SHMA without UPC included) present a higher demographic starting point than that identified in the SHMA. As such, this should be the starting point for OAN consideration.

2.6 The implication of both of these shortcomings is that the demographic starting point identified in the SHMA is lower than is actually required to respond to local housing need. This affects the remainder of the OAN calculation, given that this is the basis for applying any further uplifts for market signals, economic needs and affordable housing needs.

2.7 Lichfields' HEaDROOM assessment modelled four different demographic scenarios over the period 2013-2031. It concludes that, with suitable adjustments to the 2014 Sub National Household Projections (SNHP) to include an allowance for second/vacant homes; the latest 2016 Mid-Year Population Estimates (MYE); and necessary adjustments being made to headship rates in the younger age categories in accordance with PPG, this would generate a need for 1,704 dwellings per annum (dpa). Factoring in long term migration rates would increase this still further, to **1,778 dpa**. It is considered that this represents the suitable demographic starting point for Kirklees, rather than the Council's baseline dwelling requirement of 1,584 dpa.

Question (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?**

2.8 The SHMA considers two economic led scenarios, as set out in Table 1 below.

Table 1   Summary of July 2016 Jobs-Led Scenario Outcomes

Scenario	Dwellings	Jobs
Jobs-led (July 2016) Core	1,999	1,293
Jobs-led (July 2016) SENS 1	1,730	1,293

Source: SHMA (2016) Table 6.4

2.9 The scenarios were prepared using 2014-based projections, assuming a full-time equivalent jobs growth of 23,197 for the 2013-31 period. The SENS1 scenario maintains economic activity rates at its base level throughout the Plan period even as the population ages. The SHMA selects this scenario as part of the OAN calculation as this ensures current economic activity rates for the 16-74 age group is at least maintained at its current level.

2.10   The Publication Draft Local Plan sets out its aim to achieve a 75% employment rate over the plan period (Chapter 6) and supports the aspirations set out within the Kirklees Economic Strategy. The linking of economic growth to housing need as required by the PPG is considered as appropriate in principle; however, certain elements of the methodological approach, not least keeping the 2011 Census economic activity rates static for the various age categories (with the exception of uplifts applied in the 60-69 age groups to account for changes to state pension age) give rise to concern that the derived Local Plan OAN and Housing Requirement is unsound.

2.11   Lichfields has modelled the Council's targeted employment growth rate in PopGroup. Using different assumptions concerning economic activity rates, commuting patterns and unemployment levels amongst other adjustments, this would result in a need for 1,514 dpa. However, past job growth rates have been very high (particularly over the past 3 years) and would suggest a need for up to **1,817 dpa**.

2.12   This analysis demonstrates that our suggested demographic-based projections starting point (at 1,778 dpa) would support a reasonable level of employment growth, and that no upward adjustment would therefore be required to the demographic-based housing need figures to ensure that the Council's 75% employment target can be met. However, it is important to recognise that the 'past trend' jobs growth scenario generates a level of housing need that is only marginally lower than the demographically-led starting point (after an adjustment is made for market signals). Therefore the OAHN cannot be significantly lower than this.

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

2.13   The headship rates applied in the SHMA are derived from the 2014-based SNHP with the exception of the Partial Catch Up Rate scenarios. These apply the 2014 SNHP household formation rates until 2017 and then assume that headship rates in the 16-34 age cohorts will return to a level in line with longer term trends, such that by 2033, half of the difference between the 2008-based and 2014-based projections is made up.

2.14   The 2014-based SNHP has been affected by the conditions that were experienced during the recession, as well as the effects of rapid house price increases in the early 2000s. Lichfields considers that it is reasonable to assume that rates of household formation and average household size will reflect a change in line with long term trends as the economy strengthens and peoples' circumstances improve. This is an approach that is recognised by the Local Plans Expert Group (LPEG) and accepted by a number of Inspectors elsewhere.

2.15   In particular, research by the former National Housing and Planning Advice Unit [NHPAU[1]] found that cohorts who are less able to access home ownership earlier in their housing 'career' due to 'boom' or recessionary factors impacting on affordability are nevertheless able to 'catch up' – 80% of the gap at the age of 30 is 'caught up' by the age of 40. This finding supports the resumption towards long term household formation trends.

2.16   It is therefore considered that the headship rates applied in the SHMA are not totally justified, and a suitable adjustment should be made to accelerate headship rates in the younger age categories. As set out in our HEaDROOM report (**Annex 1**), a suitable adjustment for headship rates would generate a need for 1,704 dpa, compared to the Council's baseline demographic starting position of 1,584 dpa. Factoring in long term migration rates would increase this further still, to 1,778 dpa.

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[1]NHPAU (2010): How do Housing Price Booms and Busts Affect Home Ownership for Different Birth Cohorts?

Question (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)?

2.17   The SHMA considers a range of market signals for Kirklees and concludes that there is no evidence for a further uplift (above the 1,730 dpa to meet economic-led needs).

2.18   Lichfields has undertaken a detailed assessment of the market signals identified in the PPG[2] (see our Headroom report at **Annex 1** for further details on this assessment). The performance of Kirklees against County and national comparators for each market signal is summarised in Table 2 below.

Table 2 Summary of the Kirklees Market Signals against West Yorkshire and England

Market Signal	West Yorkshire		England	
	Absolute Figure	**Rate of Change**	**Absolute Figure**	**Rate of Change**
House Prices	**Better**	**Better**	**Better**	**Better**
Affordability Ratios	~	~	**Better**	**Worse**
Private Rents	**Better**	**Better**	**Better**	**Better**
Past Development	~	~	~	~
Overcrowding (Overcrowded Households)	**Worse**	**Worse**	**Better**	**Better**
Overcrowding (Concealed Families)	**Better**	**Better**	**Better**	**Better**

Source: Lichfields analysis

Footnote: Worse = performing worse against the average

Better = performing the same or better against the average

~   = data not available

2.19   The PPG is clear at paragraph 20 (ID: 2a-020) that:

*"A worsening trend **in any** of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections"*

2.20   The SHMA (2016) makes an additional assessment of market signals in line with the recommendations made by LPEG which sets out a streamlined approach to market signals, which considers an uplift based on the assessment of:

1   Lower quartile house prices to income ratios; and

2   Lower quartile rental prices to income ratios.

2.21   Based on this assessment, Kirklees is identified as an area where there is no market uplift required in respect of market signals.

2.22   However, Kirklees is experiencing:

1   Increasing levels of concealed households - of almost 900 between 2001 and 2011 (a concealed family is defined as one living in a multi-family household in addition to the primary family, such as a young couple living with parents);

2   Worsening affordability levels; and

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[2] ID: 2a-019-20140306

3   Has under-delivered against its housing delivery every year since 2008/09 (an under-delivery of 6,362 in total over the past 8 years according to the Housing Supply Topic Paper EX30).

2.23   Given the trends identified through Lichfields' detailed assessment of Market Signals in compliance with the PPG (whilst recognising that the LPEG approach to OAN does not yet have policy status or weight), a very modest adjustment could be justified to improve affordability in Kirklees in line with the PPG ID2a-020.

2.24   We consider that an adjustment in the order of 5% to the demographic starting point could be appropriate in this instance.

2.25   Drawing together our conclusions on Kirklees' housing need, and factoring in the necessary adjustments which the SHMA fails to account for (namely: headship rates; long term migration rates; market signals and consistent under-delivery; and an uplift for affordable housing needs), it is considered that the OAHN for Kirklees is **2,053 dpa**, significantly above the Council's current housing target of 1,730 dpa.

Question (f) - Should the assessment of OAHN take account of Un-attributable Population Change?

2.26   UPC is the result of either misrecording of the total population at the 2001 and/or 2011 censuses, misrecording of migration, or a combination of these factors. The definitive source is usually unknown, and ONS excluded this from both the 2012-based SNPP and the subsequent 2014-based iteration[3] on the grounds that it could not be demonstrated that UPC measured a bias in the trend data nationally that would continue in the future.

2.27   The 2014-based SNPP is based on trends (in births, deaths and migration) observed over the 5-6 preceding years. ONS's report on UPC[4] states that migration errors are likely to have a bigger impact in the early 2000s due to improvements in estimating migration over time. Hence the 2014-based SNPP draws trends from a period where methods of estimation were improved (rather than the early 2000s) and are less likely to have been influenced by UPC errors as a result.

2.28   In alignment with PPG the SHMA considers long term migration trends for Kirklees, both 5 and 10 year past trends. The SHMA considers both 5 and 10-year trends with and without an adjustment for un-attributable population change (UPC). UPC comprises the population change between the 2001 and 2011 Censuses which cannot be attributed to births, deaths and migration.

2.29   Past trend migration sensitivities highlight a dwelling requirement on the basis of past demographic trends with a range of between 1,525 and 1,631 dpa (without an adjustment for UPC). It is agreed that there should be no adjustment for UPC in the analysis.

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

2.30   It is considered that there should be no adjustment should be made to the OAHN calculation in light of Brexit.

2.31   The latest population projections already assume a significant reduction in international migration, falling by around 45% to 185,000 per annum by 2021. Around half of all

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[3]ONS (January 2014): 2012-based SNPP: Report on Unattributable Population Change
[4]ibid

international migration comes from outside of the EU, and there is nationally consistent statistical basis for adjusting OAHN calculations to account for Brexit.

Summary

2.32   A number of shortcomings within the SHMA methodology mean the identified demographic-led needs are likely to under-estimate the level of housing need in Kirklees. Drawing together our conclusions on Kirklees' housing need, and factoring in the necessary adjustments which the SHMA fails to account for (namely: headship rates; long term migration rates; market signals and consistent under-delivery; and an uplift for affordable housing needs), it is considered that the OAHN for Kirklees is 2,053 dpa, significantly above the Council's current housing target of 1,730 dpa. This give rises to concern that the derived Local Plan OAN and Housing Requirement is unsound. Therefore, additional sites are likely to be required in order to meet the housing land supply requirements. It is considered that exceptional circumstances do exist and therefore, Green Belt release is necessary to ensure housing needs are met.

Annex 1: Kirklees HEaDROOM Report Technical Note (Lichfields, 6 September 2017)

Kirklees HEaDROOM Report
Technical Note

Persimmon Homes & KeyLand Developments

6 September 2017

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Contents

Figures

Tables

1.0 Introduction

1.1 This HEaDROOM Report on Housing Issues has been prepared by Lichfields on behalf of Persimmon Homes and KeyLand Developments. It analyses the objective assessment of housing need (both market and affordable) for Kirklees and accompanies representations made to Kirklees Council's Publication Draft Local Plan which was submitted to the Secretary of State for Communities and Local Government in April 2017. The Local Plan covers the 18-year period 2013-2031.

1.2 In particular, this report responds to Kirklees Council's housing evidence base, notably the Kirklees 2016 Strategic Housing Market Assessment [SHMA], produced on behalf of the Council by arc4 in October 2016. That document concluded that Kirklees was a self-contained Housing Market Area [HMA], and that the Borough's Objectively Assessed Housing Need [OAHN] was 1,730 dpa taking into account:

- A baseline dwelling requirement based on 2014-based CLG household projections of 1,584 dwellings per annum [dpa]; and

- A need to deliver additional dwellings to support jobs growth (1,730 dpa).

1.3 This target has informed the Local Plan's Spatial Development Strategy , which states that:

"Sustainable housing growth is delivered in Kirklees during the plan period through the provision of:

- *About, (but not less than) 31,140 new dwellings between 2013 and 2031 (1,730 new dpa). The Council has assumed a windfall allowance; taken into account committed housing figures, and losses/demolitions when determining how much land is required from new housing allocations. This results in the need for about 21,324 new dwellings from allocated land."*

1.4 The supporting text to this Policy states that this level of housing provision is intended to "*fully meet the objectively identified market and affordable housing needs of the district in order to stimulate economic growth facilitating the creation of jobs and the provision of the district's infrastructure requirements, including social and green infrastructure."*

1.5 This Technical Report focuses on Strategic Matter 3 and the OAHN set out above, and other matters including the alignment with the Council's ambitious economic growth strategy.

Context

1.6 The Framework outlines a two-step approach to setting housing requirements in Local Plans. Firstly, to define the full OAHN for development and then secondly, to set this against any adverse impacts or constraints which would mean that need might not be met. This is enshrined in the approach set out in the Framework [§14] which sets out the presumption in favour of sustainable development:

"For plan-making this means that:

1 *LPAs should positively seek opportunities to meet the development needs of their area;*

2 *Local Plans should meet objectively assessed needs, with sufficient flexibility to adapt to rapid change, unless:*

- *any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole; or*

- *specific policies in this Framework indicate development should be restricted."*

1.7 The Framework goes on to set out that in order to 'boost significantly' the supply of housing, LPAs should:

"use their evidence base to ensure that their Local Plan meets the full objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in the framework..." [§47]

1.8 The first Framework then sets out that in evidencing housing needs:

"LPAs should have a clear understanding of housing needs in their area. They should:

- *prepare a SHMA to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:*

> *meets household and population projections, taking account of migration and demographic change;*

> *addresses the need for all types of housing, including affordable housing and the needs of different groups in the community...; and*

> *caters for housing demand and the scale of housing supply necessary to meet this demand..."* [§159]

1.9 Furthermore, the core planning principles set out in the Framework [§17] indicate that a planned level of housing to meet objectively assessed needs must respond positively to wider opportunities for growth and should take account of market signals, including housing affordability.

1.10 The Framework is supplemented by the Practice Guidance which was published as an online tool in March 2014. The Practice Guidance provides an overarching framework for considering housing needs, but also acknowledges that:

"There is no one methodological approach or use of a particular dataset(s) that will provide a definitive assessment of development need"[1].

1.11 The Guidance states that household projections published by CLG should provide the starting point estimate of overall housing need[2]. Housing need, as suggested by household projections, should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings. Relevant signals may include land prices, house prices, rents, affordability (the ratio between lower quartile house prices and the lower quartile income or earnings can be used to assess the relative affordability of housing), rates of development and, overcrowding[3].

1.12 In areas where an upward adjustment is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be[4].

1.13 The Guidance recognises that market signals are affected by a number of economic factors, and plan makers should not attempt to estimate the precise impact of an increase in housing supply.

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[1] 2a-005-20140306
[2] 2a-015-20140306
[3] 2a-019-20140306
[4] 2a-020-20140306

Rather they should increase planned supply by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability, and monitor the response of the market over the plan period[5].

1.14   Although the Practice Guidance notes that demographic trends should be applied as a starting point when assessing the OAN, it goes on to state that consideration should also be given to the likely change in job numbers. This supports the importance that the Framework [§158] places on the economy and the requirement to *"ensure that their assessment of and strategies for housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals"*. A failure to take account of economic considerations in the determination of the OAN would be inconsistent with this policy emphasis.

1.15   The Inspector at the Fairford Inquiry[6] recognised the role of economic factors in the assessment of the OAN for Cotswold District:

"The Council has not provided a figure for OAN which takes account of employment trends. The Council argues that the advice in the PPG does not require local planning authorities to increase their figure for OAN to reflect employment considerations, but only to consider how the location of new housing or infrastructure development could help address the problems arising from such considerations. I disagree. In my view, the PPG requires employment trends to be reflected in the OAN, as they are likely to affect the need for housing. They are not "policy on" considerations but part of the elements that go towards reaching a "policy off" OAN, before the application of policy considerations. There is no evidence that the Council's figures reflect employment considerations" [IR. §19].

1.16   This view reflects the position expressed by the Inspector (and confirmed by the Secretary of State) in the Pulley Lane Inquiries in Droitwich Spa[7]. The Inspector's report (which was accepted by the SoS) states that:

"The Council's case that "unvarnished" means arriving at a figure which doesn't take into account migration or economic considerations is neither consistent with the (Gallagher) judgment, nor is it consistent with planning practice for deriving a figure for objectively assessed need to which constraint policies are then applied. Plainly the Council's approach is incorrect. Clearly, where the judgement refers to 'unvarnished' figures (paragraph 29) it means environmental or other policy constraints. There is nothing in the judgement which suggests that it is not perfectly proper to take into account migration, economic considerations, second homes and vacancies". [IR. §8.45]

1.17   The Practice Guidance concludes by suggesting that the total need for affordable housing should be identified and converted into annual flows by calculating the total net need (subtract total available stock from total gross need) and converting total net need into an annual flow.

1.18   The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments:

"An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.[8]"

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[5] ibid
[6] Land South of Cirencester Road, Fairford (PINS Ref No: APP/F1610/A/14/2213318) (22 September 2014).
[7] Land at Pulley Lane, Newland Road and Primsland Way, Droitwich Spa (APP/H1840/A/13/2199085) and Land north of Pulley Lane, Newland Road and Primsland Way, Droitwich Spa (PINS Ref No: APP/H1840/A/13/2199426) (2 July 2014).
[8] ID: 2a-029-20140306

1.19   It is against this policy context that the housing need for Kirklees must be considered. The Framework and the Practice Guidance set out a logical process for undertaking a full objective assessment of needs. This approach is summarised in Figure 1.1.

Figure 1.1   The Framework and Practice Guidance Approach to Objectively Assessing Housing Needs
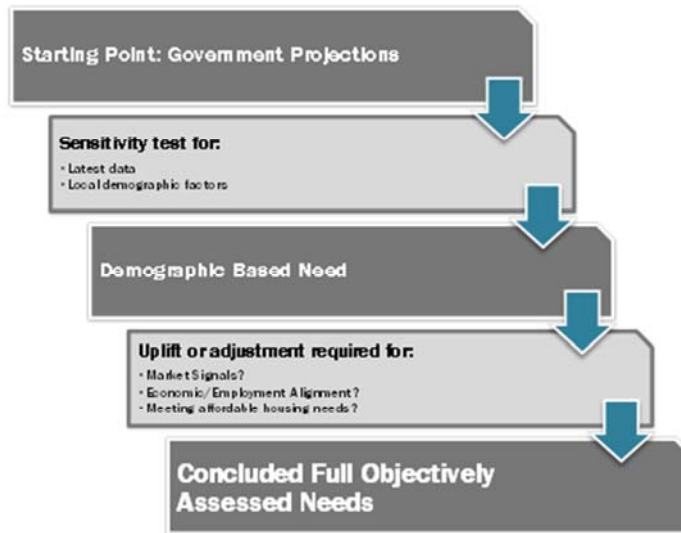
Source: Lichfields based upon the Framework/ Practice Guidance

Local Plan Experts Group Report to CLG (2016)

1.20   The Local Plan Expert Group [LPEG], in its Report to the Secretary of State for Communities and Local Government in March 2016, recommended various changes to the Practice Guidance with the remit of considering how local plan-making could be made more efficient and effective.

1.21   Although very limited weight can be given to the LPEG approach given that it is not policy or endorsed by Government, it is at least helpful in seeking to understand the general 'direction of travel' of defining OAHN and what an appropriate response might be to define the influence of market signals and affordable housing needs.

1.22   LPEG recommends changes to the preparation of SHMAs and determination of OAHN. It proposes the following changes in approach:

   a   If they wish, plan makers should continue to be able to plan for further growth beyond OAHN by considering a "policy on" alignment with job growth in setting their housing requirement where this is greater than housing need, but this should not be part of OAHN;

   b   It places more emphasis on market signals (concentrating on the relationship between median quartile house prices and lower quartile rental values and wages) and provides guidance on the level of uplift to apply (0-25%), based on the scale of affordability pressure;

   c   It provides clear guidance on how to respond to affordable housing need – but without suggesting that the OAHN should be increased to meet the affordable housing need in full;

   d   Where the total number of homes that would be necessary to meet affordable housing need is greater than the adjusted demographic-led OAHN, then this figure should be uplifted by a further 10%. The 10% uplift is intended to provide a streamline approach

that removes judgement and debate from the process of setting OAHN (as opposed to what might be the most accurate under current Practice Guidance);

e   It requires consideration of both the SNPP and 10-year trends in the assessment of the starting point requirement and states that the higher figure should be applied;

f   It specifically states that Unattributable Population Change9 and other adjustments should not be applied unless there are exceptional reasons to do so; and,

g   It requires consideration to be given to an uplift in household formation rates – increasing the 25-44 cohorts to make up half the difference with the 2008-based projections.

1.23   Applying the LPEG approach should be treated with caution at this stage given that it is not policy nor endorsed by Government and, in of itself, it will only be justified once/if the Practice Guidance is updated. It must also be seen in the context of the whole LPEG methodology and its purpose.

Report Structure

1.24   This report is set out as follows:

1   **Section 2.0** – This section provides an overview and critique of KBC's housing need evidence.

2   **Section 3.0** – This section sets out Lichfields' objective assessment of housing need for the Borough, based upon the latest government projections, economic factors, market signals and affordable housing needs.

3   **Section 4.0 –** This section set out our conclusions on Kirklees' housing OAN and supply considerations.

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[9] Unattributable Population Change (UPC) is the population change between the 2001 and 2011 Censuses which cannot be attributed to births, deaths or migration. It is either a result of the mis-recording of migration or the mis-recording of one (or both) Censuses.

2.0 Overview of Housing Evidence

Introduction

2.1   The Kirklees Strategic Housing Market Assessment [SHMA] (October 2016) provides the most up-to-date evidence on OAHN in Kirklees. The SHMA provides a review of national and local policy, as well as an analysis of the Housing Market Area [HMA] and housing need. In determining OAHN the SHMA draws upon two papers by Edge Analytics:

1   Additional Scenario Analysis (July 2016); and

2   Demographic Scenarios (October 2016).

2.2   A review of these documents is included in this Section. These documents supersede the 2015 SHMA (2015) and its supporting evidence documents which were previously critiqued by Lichfields (December 2015).

Kirklees Additional Scenario Analysis (July 2016)

2.3   This paper sets out an updated jobs-led scenario identified for the period 2013 to 2031, in addition to the economic scenarios considered in previous demographic and economic evidence papers, which underpinned the SHMA (2015). The SHMA (2015) had concluded an OAHN of 1,630dpa.

2.4   The additional scenario identifies a full-time equivalent (FTE) jobs growth of 23,197 (2013 to 2031), equivalent to 1,289 jobs per annum. It utilises the household formation rates from the 2014-based SNHP. The source of the updated job-growth projections is unclear.

2.5   The additional scenario is presented as a 'core' scenario and 'sensitivity' (SENS1) both of which have differing assumptions in respect of future economic activity rates and slightly different future unemployment rates, aligned to the assumptions established in the previous demographic and economic evidence papers.

2.6   The differences in the assumptions underpinning the 'core' and 'SENS1' scenarios are set out in Table 2.1.

Table 2.1   Economic Assumptions

Scenario	Economic Activity Rates	Unemployment Rate	Commuting Ratio
Core	Economic activity rates from the 2011 Census, with uplifts applied in the 60-69 age groups to account for state pension age (SPA) changes	The unemployment rate is reduced from 8.1% to 4.5% (2013 to 2020)	A fixed 2011 commuting ratio 1.15 is applied
SENS1	The economic activity rate for the labour force (aged 16-74) is maintained at its base-year level (68%)	The unemployment rate is reduced from 8.1% to 4.0% (2013 to 2020)	

Source: Table 1 Kirklees Additional Scenario Analysis (July 2016)

2.7   The paper compares the outputs of the Jobs-led (July 2016) scenarios under the 2014-based SNHP with the 2008-based and 2012-based SNHP.

2.8   The updated Jobs-Led (July 2016) scenarios present a range of 1,730dpa (SENS1) and 1,999 dpa (Core). The range identified is primarily a result of the differing levels of economic activity which are assumed within the modelling, with the Core scenario assuming a decline in economic

activity despite adjustments to account for changes to state pension age, resulting in a greater number of economically active people needed to move in to Kirklees to meet employment growth targets.

Demographics Scenarios (October 2016)

2.9　　This paper updates the demographic baseline based on the 2014 SNHP and SNPP. The paper also includes a review of historical population change considering MYE data from 2001 to 2015.

2.10　　In assessing historical population change, the paper sets out the components of population change; natural change, internal and international migration and provides a commentary on Unattributable Population Change (UPC). The paper quantifies the impact of UPC on historical migration trends (Table 2 Demographic Scenarios October 2016).

2.11　　The paper states that the 2014 SNHP projects a household growth of 1,426 per annum (2014 to 2039), a higher level of household growth than projected under the 2012 SNHP. It concludes that the 2014 SNPP and SNHP provides the 'starting point' in the assessment of housing need in alignment with the PPG.

2.12　　The paper updates the future demographic scenario on the basis of the 2014 SNPP and SNHP, together with consideration of two additional past trend migration scenarios (which do not include an uplift for UPC). This is a change from the previous Demographic Analysis and Forecasts papers supporting the SHMA (2015), where the past trends migration scenarios included a component for UPC and no consideration was given to past trends without UPC.

2.13　　The dwelling outputs are shown in Table 2.2.

Table 2.2　　Updated Kirklees Scenario Outcomes 2001-2031

Scenario	Dwellings per annum
PG 10yr-X	1,525
SNPP-2012	1,544
SNPP-2014	1,584
PG 5yr-X	1,631
PG 5yr*	1,735
PG 10yr*	1,833

Source:　　Table 3 Kirklees Additional Scenario Analysis (2016)
*UPC component included

2.14　　No OAHN is identified in this report.

Kirklees Strategic Housing Market Assessment (October 2016)

2.15　　The SHMA (2016) provides an update of the previous 2015 SHMA and sets out its purpose as being to meet latest legislative requirements and to update demographic and employment growth information to inform the assessment of housing need.

The Housing Market Area

2.16　　In defining the HMA, the SHMA draws upon a number of existing data sources as well as data from the 2011 Census. This includes the 2010 DCLG report on the Geography of HMAs, which drew on 2001 Census migration/commuting data to determine HMAs based on set levels of self-containment, as well as 'sub-market' areas based on areas of house price premiums.

2.17   This report concludes that Kirklees is located within the wider Leeds Strategic Framework HMA which includes Barnsley, Leeds and Wakefield. It identifies that within Kirklees, areas in the north of the District are linked to areas outside of the local authority boundary, however the SHMA considers that "…these relationships are not considered to be of sufficient scale or significance to warrant the formulation of new individual market areas or require the sub-division of Kirklees for policy making purposes…" (para. 3.13). The SHMA also notes that the constituent authorities in the Leeds City Region are seeking to meet objectively assessed housing needs within their own areas.

2.18   The SHMA reviews house prices (2000-2015) within sub-areas of Kirklees and housing affordability in Kirklees and the wider region. Migration data from the 2011 Census is also considered, indicating that 72.7% of households originating in Kirklees migrated to elsewhere within the district. Data from the household survey highlighted that c.53,550 households had moved home in the preceding five years, of these; 78.3% had originated within Kirklees. On the basis of migration the SHMA concludes that Kirklees is a self-contained housing market area.

2.19   Travel-to-work data from the 2011 Census also suggests a high level of self-containment, with 66.8% of economically active residents working within Kirklees. The District does have some linkages with Leeds; however, the SHMA considers this further supports Kirklees being a self-contained HMA (para. 3.36).

2.20   Overall, the SHMA concludes that for the purposes of Local Plan/policy-making, and based on the latest evidence, Kirklees can be considered a self-contained HMA.

Demographic and Economic Needs

2.21   The 2016 SHMA assessment of demographic and economic needs is supported by the Edge Analytics 'Demographic Scenario Analysis for Kirklees Council' (July 2016 and October 2016) papers.

2.22   The SHMA states that, based on the CLG 2014-based household projections over the period 2013-31, there is a need for 1,584 dwellings per annum (based on household growth plus an allowance of 4.2% for vacant / second homes).

2.23   In assessing alternative demographic and economic scenarios for Kirklees, the 2016 SHMA sets out a number of scenarios which:

1   Utilise the 2014 SNPP and SNHP - the most up-to-date demographic projections published;

2   Consider past migration trends with and without UPC; and

3   Update the future economic scenario for Kirklees based on an updated future jobs growth target (the source of projected future growth is not stated).

2.24   These are shown in Table 2.3 and represent a range of alternative demographic and economic scenarios.

Table 2.3   Summary of Outputs (dpa 2013-31) - Kirklees (Edge Analytics Demographic Scenarios Analysis for Kirklees Council July 2016 and October2016)

Scenario	Annual Dwelling Requirement
SNPP-2014	1,584
SNPP 2012	1,544
PG10 yr	1,833
PG10yX	1,525
PG5 yr	1,735
PG 5yrX	1,631
Jobs-Led (July 2016) (1,289 jobs per annum)	1,999
Jobs-Led (July 2016) SENS1 (1,289 jobs per annum)	1,730

*'X' Scenarios do not include the Unattributable Population Change (UPC)

Source: Kirklees SHMA 2016 - Table 6.3

Market Signals

2.25   The PPG requires that the housing need figure be adjusted to take into account market signals. These include: land and house prices, rents, affordability, overcrowding, homelessness and the rate of development (PPG ID 2a-019). It indicates that comparisons should be made against the national average, the housing market area and other similar areas, in terms of both absolute levels and rates of change. Worsening trends in any market signal is identified by PPG to demonstrate the need for uplift on the demographic-led needs (ID 2a-019). In addition, the PPG highlights the need to look at longer term trends due to the potential volatility in some indicators (ID 2a-020).

2.26   The SHMA looks at the following market signals over a five year period 2010-2015:

    1   House Prices;

    2   Rents;

    3   Affordability;

    4   Property Sales;

    5   Dwelling Stock, including vacant homes;

    6   Overcrowding; and

    7   Past delivery.

2.27   It then goes on to compare these indicators (and change over time) with Bolton, Bury, Rochdale, Yorkshire and the Humber and England. It notes a mix of signals, with rising rents (albeit the SHMA notes that this is likely to be related to the student population); however, an improvement in affordability is identified.

2.28   In assessing whether it is appropriate to apply an uplift for market signals, the SHMA (2016) considers the recommendations made by the Local Plans Expert Group (LPEG) in respect of market signals. LPEG recommend that market signals should be assessed on:

    1   Lower quartile house price ratios; and

    2   Lower quartile rental ratios.

2.29   The SHMA's assessment of the indicators set out that they are within the range identified by LPEG, where no uplift is required.

2.30   The SHMA concludes that there is no need to make any adjustment in Kirklees on the basis of the market signals assessment.

Affordable Housing Needs

2.31   The 2016 SHMA relies on the evidence on affordable housing need in Kirklees identified in the 2015 SHMA which indicates an annual imbalance of 1,049 affordable dwellings each year.

2.32   The SHMA references the Planning Advisory Guidance (PAS) 'Objectively Assessed Need and Housing Targets Technical Advice Note Second Edition (July 2015) and draws from the PAS Guidance which states that:

"In summary, it seems logically clear that affordable need, as defined and measured in paragraphs 22-29 of the PPG, cannot be a component of the OAN. The OAN does have an affordable component – which cannot be measured separately but will normally be much smaller than the affordable need discussed at paragraphs 22-33. When paragraph 47 of the NPPF says that plans should meet in full 'the need for market and affordable housing' it is referring to that component rather than the separately calculated affordable need" (paragraph 9.7 PAS Guidance July 2015)

2.33   Based on this, the SHMA states that no further adjustment is needed to take account of additional affordable housing delivery.

Summary of Objectively Assessed Need

2.34   The 2016 SHMA utilises the 2014-based SNHP and SNPP in order to assess the demographic and economic-led needs in the district. This concludes that household growth will generate a need for 1,584dpa over the period 2013-31, whilst the economic-led needs of the District will generate a range of need between 1,730 and 1,999dpa.

2.35   The SHMA concludes that 1,730dpa represents the full objectively assessed need in Kirklees, stating that:

"The OAN takes account of the need to deliver more affordable and market housing for an increasing number of households, takes account of the likely levels of net in-migration and supports economic growth" (paragraph 6.41 SHMA 2016)

Critique

2.36   In reviewing the evidence base which forms the basis of the identification of the OAHN of 1,730 dpa in Kirklees, there are a number of issues which need further consideration to ensure the OAHN for Kirklees is appropriately identified.

Housing Market Area (HMA)

2.37   The evidence presented in the SHMA identifying Kirklees as a single HMA for the basis of planning to meet the full housing needs is considered in this instance to be appropriate in accordance with NPPF paragraphs 47 and 159.

Demographic-led Needs

2.38   The PPG sets out that in assessing demographic-led housing needs, the most up-to-date CLG Household projections form the overall starting point for the estimate of housing needs. The PPG sets out that these may require adjustments to reflect future change and local demographic factors which are not captured in the projections (ID 2a-015). However, such adjustments

should be sufficiently evidenced and robustly justified (ID 2a-017). In addition, the PPG states that account should also be taken of the latest ONS population estimates (ID 2a-017).

2.39   The demographic-led needs are concluded by the SHMA to be 1,584dpa over the period 2013-2031 based on the 2014 SNPP and SNHP, including an adjustment of 4.2% for vacancy and second homes.

2.40   In alignment with PPG the SHMA considers long term migration trends for Kirklees, both 5 and 10 year past trends. The SHMA (2016) considers both 5 and 10-year trends with and without an adjustment for UPC. UPC comprises the population change between the 2001 and 2011 Censuses which cannot be attributed to births, deaths and migration.

2.41   Past trend migration sensitivities highlight a dwelling requirement on the basis of past demographic trends with a range of between 1,525 and 1,631 dpa (without an adjustment for UPC).

2.42   We agree that there should be no adjustment for UPC in the analysis. Furthermore we have provided a detailed analysis of the demographic-led needs in Section 4.0 using the PopGroup modelling tool.

Household Formation Rates

2.43   The 2016 SHMA and its supporting documents do not undertake any sensitivity testing in respect of different household formation rates to consider whether an uplift from the demographic starting point is appropriate. This would appear to conflict with the PPG, which states that[10]:

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

2.44   The impact of recessionary factors (such as reduced supply and mortgage availability) has disproportionately affected household formation amongst younger age groups (i.e. males and females aged 15-34). Research by NHPAU found that cohorts who are less able to access home ownership early in their housing career due to 'boom' or recession factors impacting on affordability are nevertheless able to 'catch up' – 80% of the gap at age 30 is 'caught up' by the age of 40. There is every reason to believe that this finding is broadly analogous to household formation, and supports the resumption to long term trends and increased household formation as the 'pent up' demand (particularly in younger age groups) is released.

2.45   Therefore, we consider that it is appropriate to consider increasing household formation rates for younger households, when adjusting the demographic baseline modelling given the likelihood of a continued economic recovery and the Government's very clearly stated intention to significantly boost the supply of housing. Such initiatives as the introduction of Starter Homes across the country, which is intended to increase the number of first time buyers under the age of 40 who are able to get on the property ladder are an example of the focus on addressing this real issue.

2.46   Consideration of a sensitivity scenario in respect of a partial catch up of household formation rates to previously projected rates of younger households is important and has not been tested within the Kirklees SHMA. We have analysed the implications of this approach in Section 3.0 of this report.

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[10] ID 2a-015-20140306

Impact on the Starting Point and Demographic-led Needs

2.47 A number of shortcomings have been noted which cumulatively mean the demographic-led needs identified in the SHMA are likely to under-estimate the level of housing need Kirklees:

a   The SHMA does not consider any sensitivities in which alternative levels of household formation are considered to allow the household formation of younger households to 'catch-up', who have been impacted upon by the market conditions during the recession and identified by PPG as an important consideration; and

b   The past migration trends scenarios presented in the SHMA ("PG-X" scenarios identified in the SHMA without UPC included), present a demographic starting point, which could be higher than that identified in the SHMA.

2.48 The implication is that the demographic starting point identified in the SHMA is likely to be lower than is required to respond to local housing need.

2.49 This affects the remainder of the OAN calculation, given that this is the basis for applying any further uplifts for market signals, economic needs and affordable housing needs. We explore this further in Section 3.0.

Market Signals

2.50 The SHMA considers a range of market signals for Kirklees and concludes that there is no evidence for a further uplift (above the 1,730dpa to meet economic-led needs).

2.51 Lichfields notes a number of shortcomings with the SHMA analysis of market signals, primarily the failure to compare indicators to other authorities in the wider HMA (being identified as the Leeds City Region), albeit Kirklees is compared with three authorities deemed 'similar' based on ONS Area Classification.

2.52 Lichfields has undertaken a detailed assessment of the market signals identified in the PPG[11] which highlights the following:

House Prices

2.53 The PPG[12] identifies that longer term changes in house prices may indicate an imbalance between the demand for and supply of housing. Although it suggests using mix-adjusted prices and/or House Price Indices, these are not available at local authority level on a consistent basis, and therefore for considering market signals in Kirklees, price paid data is the most reasonable indicator.

2.54 Land Registry price paid data displays the median prices in Kirklees, alongside West Yorkshire and England as of 2016 (Table 2.4). These median prices illustrate lower prices in Kirklees compared to national rates, but higher prices than in the surrounding sub-region.

| Table 2.4	Median Dwelling Price, Kirklees (2016)
	Median Dwelling Price 2016
Kirklees	**£139,000**
West Yorkshire	£145,500
England	£224,000

Source: Land Registry Price Paid Data

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[11] ID: 2a-019-20140306
[12] 2a-019-20140306

2.55   CLG publishes series data on median house prices based on the same Land Registry price paid data series. This currently runs from 1999 to 2016. This longitudinal analysis is illustrated in Figure 2.1, which indicates that Kirklees has seen virtually identical levels of house price growth to the sub-regional average since 1999. The figure remains well below the England average at present, but is fractionally below the West Yorkshire median. In total, prices have increased by £89,000, or 178%, since 1999. This compares with a growth rate of 203% nationally, and 174% across West Yorkshire as a whole.

Figure 2.1   Median House Prices
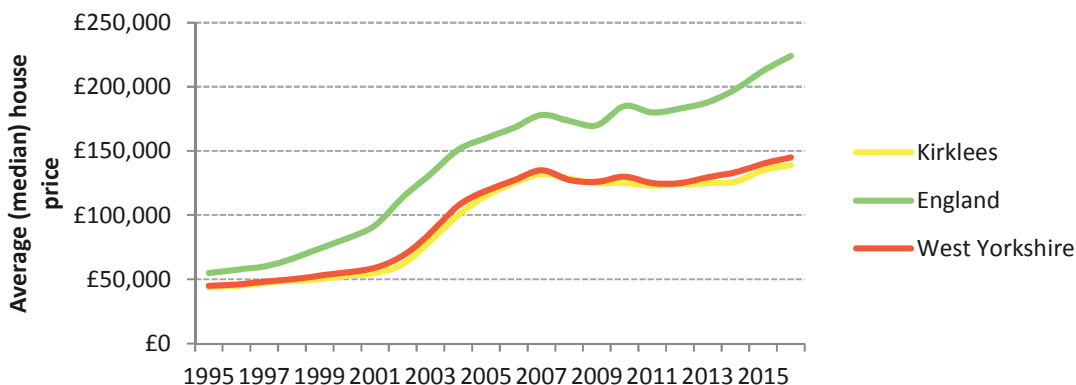
Source: CLG Live Table 586

2.56   As set out in the Practice Guidance, higher house prices and long term, sustained increases can indicate an imbalance between the demand for housing and its supply. The fact that Kirklees' median house prices have increased by almost 180% in 17 years, from £50,000 in 1999 to £139,000 in 2016, and have risen at a faster rate than comparable sub-regional figures (albeit well below the national rate), suggests that the local market is experiencing modest levels of stress.

Affordability

2.57   The CLG's former SHMA Practice Guidance defines affordability as a '*measure of whether housing may be afforded by certain groups of households*'[13]. A household can be considered able to afford to buy a home if it costs 3.5 times the gross household income for a single earner household or 2.9 times the gross household income for dual-income households. Where possible, allowance should be made for access to capital that could be used towards the cost of home ownership [page 42].

2.58   The Practice Guidance concludes that assessing affordability involves comparing costs against a household's ability to pay, with the relevant indicator being the ratio between lower quartile house prices and lower quartile [LQ] earnings.

2.59   Using CLG affordability ratios, Figure 2.2 illustrates that although the ratio fell from a peak of 5.94 in 2008 following the financial crash and subsequent economic downturn, it has gradually recovered to a rate of 5.36 in 2016. Whilst this is well below the national rate of 7.2, overall it has increased at a much faster rate since 2002, by 84%, compared to 59% nationally.

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[13] Annex G

Figure 2.2   Ratio of house price to lower quartile earnings (Resident-based)
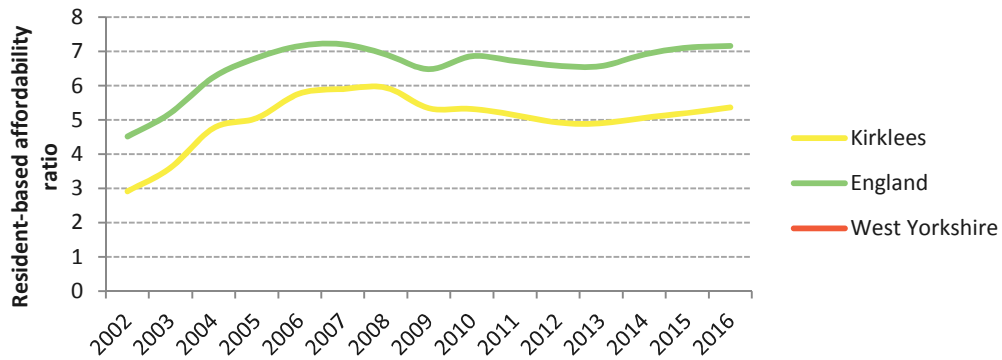
Source: CLG Live Table 576

2.60   The affordability ratio highlights a constraint on people being able to access housing in Kirklees, with house price increases and rental costs outstripping increases in earnings at a rate well above the national level.

Rents

2.61   On a similar basis, high and increasing private sector rents in an area can be a further signal of stress in the housing market. Median rents in Kirklees are £475 per month, which is slightly below the sub-regional rate (£500) and well below the national rate (£675). As can be seen from Figure 2.3, rents have increased only marginally (by 5.6%) in the past 6 years or so, which is well below the national rate of increase (+18.4%), but slightly above the sub-regional rate of increase (5.3%).

Figure 2.3   Median Monthly Rents
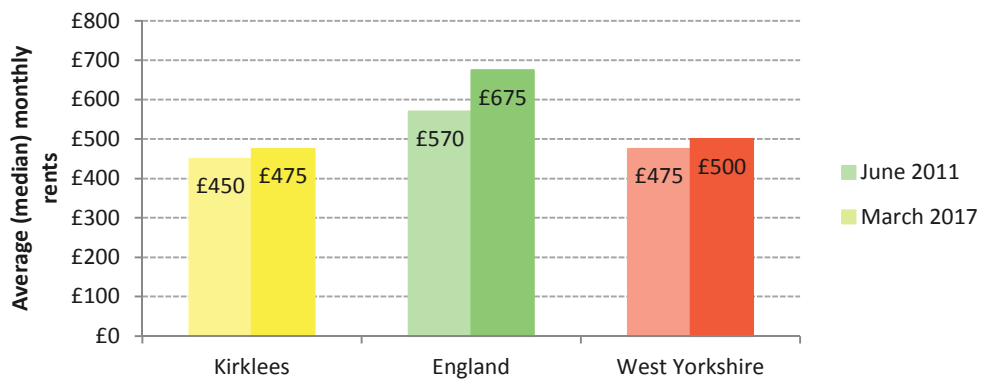
Source: VOA Private Rental Market Statistics

Rate of Development / Under Delivery

2.62   The rate of development is intended to be a supply-side indicator of previous delivery. The PPG states that:

"…if the historic rate of development shows that actual supply falls below planned supply, future supply should be increased to reflect the likelihood of under-delivery of a plan"[14]

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[14]Section 2a-019-20140306

2.63   We have compared delivery against the household projections and its preferred OAHN range, as set out in Table 2.5.

Table 2.5   Rate of net housing delivery in Kirklees against possible policy benchmarks, 2004/05-2014-15

Year	Net Housing Completions	Council's OAHN	
		'Need'*	+/-
2004/05	1,349	1,060	+289
2005/06	1,074	1,060	+14
2006/07	2,261	1,060	+1,201
2007/08	2,281	1,060	+1,221
2008/09	1,098	1,700	-602
2009/10	692	1,700	-1,008
2010/11	974	1,700	-726
2011/12	873	1,700	-827
2012/13	753	1,700	-947
2013/14	1,036	1,700	-664
2014/15	670	1,700	-1,030
2015/16	1,142	1,700	-558
Total 2004/05 – 2015/16	**13,061**	**16,140**	**-3,079**

Source: Kirklees 2016 SHMA (Table 5.3) /
*RSS requirement

2.64   It is clear from the Council's own evidence that the Borough has consistently under-delivered housing since the recession, under-delivering every year since 2008/09, or -5,804 in total over the past 7 years.

Overcrowding and Homelessness

2.65   Indicators on overcrowding, sharing households and homelessness demonstrate un-met need for housing within an area. The PPG suggests that long-term increases in the number of such households may be a signal that planned housing requirements need to be increased.

2.66   The Guidance states that indicators on:

"...overcrowding, concealed and sharing households, homelessness and the number in temporary accommodation demonstrate unmet need for housing. Longer term increases in the number of such households may be a signal to consider increasing planned housing numbers..."[15]

2.67   The Census measures overcrowding based on a standard formula, which measures the relationships between members of a households (as well as the number of people in that household) to determine the number of rooms they require. A rating of -1 or less indicates a household has one fewer room than required, +1 or more indicates a household has one or more rooms than needed. At the national level, affordability issues in recent years, as well as a shortfall in housing supply, have meant that people are either willing to accept sub-optimal living conditions (e.g. living in a smaller home to manage costs) or are forced into accepting such housing outcomes (e.g. are priced out of the market and have to share with friends/family).

2.68   2011 Census data indicates that overcrowding against the occupancy rating in Kirklees is relatively severe, with 8.5% of households living in a dwelling that is too small for their

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[15] Section 2a-019-20140306

household size and composition. This compares to 8.7% nationally and 8.2% across West Yorkshire as a whole. However, it represents a less significant increase of 0.8 percentage points on the 7.7% recorded in Kirklees in 2001, which is below the national trend (which had increased by 1.6 percentage points from 7.1% in 2011) and the 0.9% increase across West Yorkshire generally.

2.69   The Census also recorded the number of concealed families (i.e. where there is more than one family present in a household). Nationally, this rose significantly between 2001 and 2011, at least in part due to the impact of the recession on younger households' ability to afford their own home. This meant that many younger people, including families, remained in the family home for longer than might have been expected in the past, either through choice (to save money) or through necessity.

2.70   At the time of the 2011 Census, 1.9% of all families in England were concealed; this represented 275,954 families. This is a rise compared to 2001 when 1.2% of families were concealed. In Kirklees, a higher percentage of families were concealed (2.3%) than nationally (1.9%), although this is identical to the West Yorkshire rate.

2.71   The levels of overcrowding may be a symptom associated with restricted incomes in Kirklees, with people either willing to accept sub-optimal living conditions (e.g. living in smaller houses to manage costs) or forced into accepting such housing outcomes (e.g. are priced out and have to share with friends/family). In such circumstances, overcrowding and concealed households may be indicative of insufficient supply to meet demand.

Synthesis of Market Signals

2.72   Drawing together the individual market signals above begins to build a picture of the current housing market in and around Kirklees; the extent to which demand for housing is not being met; and the adverse outcomes that are occurring because of this.

2.73   The performance of Kirklees against County and national comparators for each market signal is summarised in Table 2.6.

Table 2.6   Summary of the Kirklees Market Signals against West Yorkshire and England

Market Signal	West Yorkshire		England	
	Absolute Figure	Rate of Change	Absolute Figure	Rate of Change
House Prices	Better	Better	Better	Better
Affordability Ratios	~	~	Better	Worse
Private Rents	Better	Better	Better	Better
Past Development	~	~	~	~
Overcrowding (Overcrowded Households)	Worse	Worse	Better	Better
Overcrowding (Concealed Families)	Better	Better	Better	Better

Source: Lichfields analysis
Footnote: Worse = performing worse against the average
        Better = performing the same or better against the average
        ~   = data not available

2.74   The PPG is clear at paragraph 20 (ID: 2a-020) that:

*"A worsening trend **in any** of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections"*

2.75 The SHMA (2016) makes an additional assessment of market signals in line with the recommendations made by the Local Plans Expert Group (LPEG) which sets out a streamlined approach to market signals, which considers an uplift based on the assessment of:

1 Lower quartile house prices to income ratios; and

2 Lower quartile rental prices to income ratios.

2.76 Based on this assessment, Kirklees is identified as an area where there is no market uplift required in respect of market signals.

2.77 However, Kirklees is experiencing:

1 Increasing levels of concealed households; an increase of almost 900 between 2001 and 2011;

2 Worsening affordability levels; and

3 Has under-delivered against its housing delivery targets for each of the past 7 years.

2.78 Given the trends identified through Lichfields' detailed assessment of Market Signals in compliance with the PPG, together with recognising that the LPEG approach to OAN does not yet have policy status or weight, a very modest adjustment could be justified to improve affordability in Kirklees in line with the PPG ID2a-020.

2.79 We consider that an adjustment in the order of **5%** to the demographic starting point could be appropriate in this instance.

Economic-led Needs

2.80 With regards to considering the need to uplift a housing figure to take account of the economic potential of the local authority, the NPPF sets out the following:

"The Government is committed to ensuring that the planning system does everything it can to support sustainable economic growth. <u>Planning should operate to encourage and not act as an impediment to sustainable growth</u>. Therefore significant weight should be placed on the need to support economic growth through the planning system." [§19] (Lichfields emphasis)

2.81 The PPG requires that assessments of likely job growth are made, looking at past trends in job growth and/or economic forecasts, whilst also considering growth in the working age population (ID 2a-018). The potential job growth should be considered in the context of potential unsustainable commuting patterns, and as such plan-makers should consider how the location of new housing could help address this (ID 2a-018).

2.82 In terms of making an assessment of the likely growth in job numbers, the 2016 SHMA (2016) considers an additional economic led scenario in addition to those considered in the SHMA (2015) and supporting evidence papers. The July 2016 jobs-led scenario considers a jobs growth of 23,197 over the plan period (2013 and 2031), equivalent to 1,289 jobs per annum, based on a 75% employment rate.

2.83 The outputs of the updated economic scenarios from July 2016 are presented in Table 2.7.

Table 2.7   Summary of July 2016 Jobs-Led Scenario Outcomes

Scenario	Dwellings	Jobs
Jobs-led (July 2016) Core	1,999	1,293
Jobs-led (July 2016) SENS 1	1,730	1,293

Source: SHMA (2016) Table 6.4

2.84   The assumptions behind the core scenarios are:

- Economic activity rates from the 2011 Census, with uplifts applied in the 60-69 age groups to account for changes to state pension age;

- Unemployment rate incrementally reducing from 8.1% and 4.5% (2013 to 2020); and

- A fixed commuting ratio of 1.15 applied (Census 2011).

2.85   The core scenarios are then tested apply a range of sensitivities which vary future economic activity rate and future unemployment rate.

2.86   Aspirations in respect of levels of future economic activity (beyond those resulting as a consequence to changes to State Pension Age) and employment rates are based on policy choices made by LPAs in respect of setting housing requirements, such as; achieving a particular employment rate and reducing unemployment beyond long term past trends. These adjustments are often used to artificially reduce future housing need and are ultimately local aspirations which need to be supported by a range of initiatives, which should not be the basis of identifying the OAN. This is highlighted in the Solihull High Court Judgment[16] which clearly sets out the difference between establishing an OAN and setting a housing requirement:

"Full objective assessment of need for housing; this is the objectively assessed need for housing in an area, leaving aside policy considerations" (Solihull High Court Judgement)

2.87   The Publication Draft Local Plan states the aim to achieve a 75% employment rate over the plan period (Chapter 6) and supports the aspirations set out within the Kirklees Economic Strategy. Whilst we welcome the move by the Council's consultants to link economic growth with housing need as required by the PPG, we are concerned regarding certain elements of the methodological approach, not least keeping the 2011 Census economic activity rates static for the various age categories (with the exception of uplifts applied in the 60-69 age groups to account for changes to state pension age).

Affordability

2.88   When reaching a conclusion of objectively assessed needs and its relationship with affordable need (Section 6.0) the SHMA states that:

"The OAN does have an affordable component – which cannot be measured separately but will normally be much smaller than the affordable need discussed at paragraphs 22-30. When paragraph 47 of the NPPF says that plans should meet in full 'the need for market and affordable housing', it is referring to that component rather than the separately calculated affordable need" (paragraph 6.33 2016 SHMA

2.89   The SHMA also refers to the PAS Guidance Note (July 2015), which is contrary to the 'Satnam' High Court Judgement[17] which sets out that there had been non-compliance with Policy (with regard to affordable housing need) because:

"(i) The assessed need for affordable housing was 477 dpa.

(ii) This assessed need was <u>never expressed or included as part of the OAN.</u>" [Lichfields Emphasis].

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[16] '(1) Gallagher Homes Limited and (2) Lioncourt Homes Limited v Solihull Metropolitan Borough Council [2014] EWHC 1283' referred to as "Solihull"
[17] 'Satnam Millennium Limited and Warrington Borough Council [2015] EWHC 370' referred to as "Satnam"

2.90   Similarly, the Oadby & Wigston Judgement18 noted that in determining full OAN affordable housing needs should be included in full, with the figure becoming a *"policy-on housing requirement as soon as the Council takes a course of not providing sufficient affordable housing to satisfy the FOAN for that type of housing"*.

2.91   However, it is important to note that the these should also be considered alongside more recent High Court decisions, including King's Lynn19 which sets out:

"The Framework makes clear [affordable housing] needs should be addressed in determining the FOAN, but neither the Framework nor the PPG suggest that they have to be met in full when determining the FOAN. This is no doubt because in practice very often the calculation of unmet affordable housing need will produce a figure which the planning authority has little or no prospect of delivering in practice…" [Lichfields' Emphasis].

2.92   The SHMA concludes that the need for affordable homes is **1,049 dpa** across Kirklees. Overall the affordable housing requirement in Kirklees, would require an overall housing OAN of 5,245 dpa at 20% delivery (the target set out in the emerging Publication Draft Local Plan Policy PLP11). Indeed, the 1,049 dpa figure comprises 60% of the 1,730 dpa in the Publication Draft Local Plan, if the affordable need was to be delivered in full.

2.93   The SHMA considers that in accordance with the PAS Guidance, affordable need *"is policy consideration rather than a component of objectively assessed need"* [paragraph C47].

2.94   We consider that this flies in the face of the recent High Court Judgements quoted above. To go some way towards making a meaningful contribution to reducing the affordable housing need, an additional uplift should be applied in accordance with the Practice Guidance.

Summary

2.95   The 2016 SHMA represents Kirklees assessment of future population/household growth, economic-led housing needs and market signals, together representing a need for 1,730 dpa.

2.96   However, in establishing the OAHN for Kirklees, the SHMA does not consider:

1   Any sensitivities in which alternative levels of household formation are considered to allow the household formation of younger households to 'catch-up', who have been impacted upon by the market conditions during the recession and identified by PPG as an important consideration;

2   Past migration trends scenarios presented in the SHMA ("PG-X" scenarios identified in the SHMA without UPC included), present a demographic starting point which could be higher than that identified in the SHMA;

3   Any uplift in response to market signals which show a modest adjustment could be justified to the demographic baseline; and

4   Affordable housing needs as part of the OAHN or consider an increase in the overall OAHN, despite identifying a shortfall of 1,049 affordable homes per annum. The PPG is clear that an increase in the overall housing number should be considered where it could help delivered the required amount of affordable housing.

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18 Oadby and Wigston Borough Council v SSCLG [2015] EWHC 1879
19 'Kings Lynn and West Norfolk Borough Council v (i) Secretary of State for Communities and Local Government and (ii) Elm Park Holdings [2015] EWHC 1958' referred to as "Kings Lynn"

3.0   The OAHN for Kirklees

Introduction

3.1   In the light of the shortcomings of the Council's OAHN evidence set out in Section 2.0, Lichfields has modelled a number of scenarios to establish the need for housing across Kirklees Borough in line with the HEaDROOM framework. This is based on different demographic, economic and housing related factors which draw upon analysis of context and past trends. The assumptions underpinning the assessment are explained below, before the outputs of the PopGroup modelling are discussed.

Inputs and Assumptions

3.2   In addition to the use of the 2014-based SNPP and equivalent SNHP, the following inputs have been used in the PopGroup demographic modelling undertaken by Lichfields. The sources of the data used for each input are listed below. In all scenarios (with the exception of Scenario A) the mid-year estimates for 2013-16 are taken into account to bring the population in line with the latest available data.

a   **Fertility rates** are drawn from the ONS 2014-based Sub-National Population Projections (SNPP) for Kirklees;

b   **Mortality rates** are drawn from the ONS 2014-based SNPP for Kirklees;

c   **Population not in households** (i.e. in institutional accommodation) is taken from the CLG 2014-based SNHP;

d   **Headship Rates** are derived from the 2014-based SNHP with the exception of the Partial Catch Up Rate scenarios. These apply the 2014 SNHP household formation rates until 2017 and then assume that headship rates in the 16-34 age cohorts will return to a level in line with longer term trends, such that by 2033, half of the difference between the 2008-based and 2014-based projections is made up;

e   **Vacant and second homes** data is drawn from the CLG Council Tax Base data between 2014 (3.83%) and 2015 (3.4%), which averages at 3.61%. This has been held constant over the plan period;

f   **Labour force ratio** – Annual Population Survey (APS) and Cambridge Econometrics job growth data, held constant at the 2016 figure to 2031;

g   **Economic activity rates** are projected age and gender specific economic activity rates, based upon the projections that were published by the Office for Budget Responsibility (OBR) in January 2017 and adjusted for Kirklees using 2011 Census and the 2011 - 2016 Annual Population Surveys and MYEs for the Borough; and,

h   **Unemployment** data is drawn from the ONS Annual Population Survey model-based estimate. We have assumed that by 2020, the unemployment rate will have fallen back from 5.4% in 2016 to its pre-recession average (4.9% for Kirklees) on the basis that this better reflects the likely rate of unemployment in the area. Post 2020 this rate is held constant.

Demographic Starting Point

3.3   Using the data inputs and assumptions above, four demographic scenarios have been assessed. The scenarios are modelled over the period 2013-2031. The scenarios modelled are as follows:

a   **Scenario A: 2014-based SNPP** – based on the 2014-based SNPP, incorporating headship rates from the 2014-based SNHP, plus an allowance for vacant/second homes;

b   **Scenario Ai: 2014-based SNPP / PCU** - Applying the same assumptions as for Scenario A; however, starting post-2017, headship rates amongst 15-34 year olds are projected to make up 50% of the difference between the 2014-based and 2008-based household projections by 2033;

c   **Scenario B: 2014-based SNPP / 2016 MYE** - Applying the same assumptions as for Scenario A; however, it fixes the 2013-16 residential populations to the 2013-16 MYEs and re-bases the 2014-based SNPP accordingly;

d   **Scenario Bi: 2014-based SNPP / 2016 MYE / PCU** - Applying the same assumptions as for Scenario A; however, starting post-2017, headship rates amongst 15-34 year olds are projected to make up 50% of the difference between the 2014-based and 2008-based household projections by 2033;

e   **Scenario C: Long Term Migration Trends** – based on past migration trends as observed over the last 10 years (to 2015/16) in Kirklees;

f   **Scenario Ci: Long Term Migration Trends PCU** – as above, but applying accelerated headship rates to the 15-34 age cohorts.

Economic Scenarios

g   **Scenario D: Cambridge Econometrics Jobs Growth** – based on forecasts of annual job growth (c. 22,900 net jobs growth 2013-2031, or c. 1272 jobs p.a.) for Kirklees prepared by Cambridge Econometrics in August 2017;

h   **Scenario Di: Cambridge Econometrics Jobs Growth PCU** – as above, but applying accelerated headship rates to the 15-34 age cohorts;

i   **Scenario E: Local Plan Target Jobs Growth** – As per the Local Plan and 2016 SHMA, this scenario modelled the implications of a full-time equivalent jobs growth of 23,197 for the 2013-31 period. This was calculated in the 2016 SHMA using a (July 2016) scenario based on 2014-based projections[20];

j   **Scenario Ei: Local Plan Target Jobs Growth PCU** – as above, but applying accelerated headship rates to the 15-34 age cohorts;

k   **Scenario F: Past Trend Job Growth** – Taking into account the average net job growth rate of c.1,100 annually over the 15-year plan period to 2016 (as recorded by Cambridge Econometrics), this scenario assumes this will continue over the plan period;

l   **Scenario Fi: Local Plan Target Jobs Growth PCU** – as above, but applying accelerated headship rates to the 15-34 age cohorts;

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[20] Note – for consistency purposes with the other scenarios, which use total workforce jobs rather than FTEs, Lichfields converted the 23,197 FTEs to total jobs by analysing the ratio of Part time:Full Time jobs in Kirklees over the period 2009-2015. Using BRES data and taking an average of the ratio for these years, the FTE figure was uplifted to around 28,000 total jobs for the purposes of the modelling work.

Demographic Led Scenarios

Scenario A: 2014-based SNPP

3.4 This scenario models the 2014-based SNPP and the equivalent SNHP. Under this scenario, over the period 2013-31, there would be an overall population growth of 47,581. This is due to net in-migration of 13,541, which is much lower than the strongly positive natural change (i.e. more births than deaths) of 34,041. Due to this strong population growth, the number of households in the Borough would increase by 27,324 over the projection period; this is due to a combination of new household formation of younger cohorts, and a decline in average household size associated with an ageing population. To accommodate this level of growth, there is a need for 28,349 dwellings, or **1,575 dpa**. Whilst the projected household growth is very similar to that proposed for the 2014-based SNPP scenario in arc4's 2016 SHMA, the dwelling need is slightly lower than arc4's 1,584 dpa figure due to a lower vacancy/second homes rate used by Lichfields.

3.5 Based on the change in population age structure, and the suitable application of commuting patterns and adjustments to unemployment, this would accommodate an increase of 32,115 jobs (net) in the Borough. However, the bulk of this has already occurred, with the CE job growth projections indicating that between 2013 and 2016 the Borough's workforce increased by 18,385.

Scenario Ai: 2014-based SNPP with Partial Catch Up Rates

3.6 The 2014-based SNHP show lower rates of household formation than their 2008-based predecessors, particularly in the youngest age groups. Since the projections take into account recent trends, this is likely to be a result of the reduced rates of household formation seen throughout the economic downturn as a result of factors such as constrained supply of housing, affordability issues and lack of mortgage availability. To simply trend this forward might result in the true housing need of the population being supressed further, by not providing sufficient housing for the needs of local residents.

3.7 Therefore, in addition to modelling the 2014 Headship Rates (Scenario A), Lichfields also modelled a 'Partial Catch-up' Headship Rate scenario (Scenario Ai). It assumes that by 2033, half of the difference between the 2008-based and 2014-based headship rates for those ages 15-34 is made up (with this change taking effect from 2017 onwards). This is because the 2008-based SNHP were generated before the recession, and therefore represent household formation rates more in line with longer term trends. By modelling a 'Partial Catch-Up' [PCU] scenario, it is assumed that any pent-up demand within the population will be released, resulting in higher rates of household formation than projected by the 2014 SNHP, with household formation returning to a trend more in line with (but not the same as) the higher rates in the 2008-based projections.

3.8 By adopting higher household formation rates amongst younger adults, household growth would equate to 29,657 over the period to 2031 (8.5% higher than Scenario A). This would generate a need for 30,769 dwellings, or **1,709 dpa**.

Scenario B: 2014-based SNPP and 2016 MYE

3.9 Under this sensitivity test scenario, the latest 2013-2016 MYEs were included in the modelling, with the subsequent 2014-based SNPP re-based off a slightly lower (437,047 rather than 437,122) Kirklees resident population in 2016. This would accommodate an increase in the overall population growth of 47,204, job growth of 32,034, and an increase in dwellings of 28,235 (or **1,569 dpa**).

Scenario Bi: 2014-based SNPP with PCU and 2016 MYE

3.10 As above, but with the application of the PCU headship rates. This would accommodate an increase in the overall number of dwellings of 30,666 (or **1,704 dpa**).

3.11 The key outputs for these four scenarios are presented in Table 3.1.

Table 3.1   Key Model Outputs - Scenarios A, Ai, B and Bi: 2014-based SNPP / 2016 MYE / PCU

Scenario	Population			Change in Jobs	Change in Households	Dwellings 2013-2031	
	2013	**2031**	**Change**			**Total Change**	**DPA**
A. 2014-based SNPP	428,279	475,860	47,581	32,115	27,324	28,349	**1,575**
Ai. 2014-based SNPP + PCU					29,657	30,769	**1,709**
B. 2014-based SNPP and 2016 MYE		475,483	47,204	32,034	27,215	28,235	**1,569**
Bi. 2014-based SNPP and 2016 MYE + PCU					29,557	30,666	**1,704**

Source: Lichfields using PopGroup

Scenario C: Long Term Migration Trends

3.12 Scenario C models future migration on the basis of long term trends taken from the last ten years (to 2015/16). This shows that total net migration has averaged 812 per annum, i.e. 812 more people arriving in Kirklees than leaving. Interestingly, this was entirely due to immigration from overseas – there was a net loss of 495 residents annually to net domestic migration, whilst +1,307 relates to net international migration. Natural change is strongly positive at 34,421 the period 2013-2031, therefore the population of the Borough increases substantially overall, by 50,234 residents.

3.13 Under this scenario the level of household growth would be slightly higher than Baseline Scenario A, at 28,461, equating to a housing need of 29,529, or **1,640 dpa**. The number of jobs that could be sustained would increase by 33,460, or 1,859 annually.

Scenario Ci: Long Term Migration Trends with Partial Catch Up Rates

3.14 Under this further sensitivity test scenario, population growth and labour force outcomes are the same as for Scenario C; the only input which has been changed is the household formation rates, which dictate household growth and dwelling need.

3.15 By adopting higher household formation rates amongst younger adults, household growth would equate to 30,839 over the period to 2032 (8.4% higher than Scenario C). This would generate a need for 31,996 dwellings, or **1,778 dpa**.

3.16 The key outputs are presented in Table 3.2.

Table 3.2   Key Outputs – Scenarios C and Ci: Long Term Migration Trends / PCU

Scenario	Population			Change in Jobs	Change in Households	Dwellings 2013-2031	
	2013	2031	Change			Total Change	DPA
C. Long term Trends	428,279	478,513	50,234	33,460	28,461	29,529	1,640
Ci. Long term Trends + PCU					30,839	31,996	1,778

Source: Lichfields using PopGroup

Employment-led Scenarios

3.17   The second component of the HEaDROOM framework is based on an understanding of the relationship between housing and employment. Although there are a complex set of issues involved in matching labour markets and housing markets (with different occupational groups having a greater or lesser propensity to travel to work), there are some simple metrics that can explore the basic alignment of employment, demographic and housing change, notably the amount of housing needed to sustain a given labour force assuming certain characteristics of commuting and employment levels.

3.18   Ensuring a sufficient supply of homes within easy access of employment opportunities represents a central facet of an efficiently functioning economy and can help to minimise housing market pressures and unsustainable levels of commuting (and therefore congestion and carbon emissions). If the objective of employment growth is to be realised, then it will generally need to be supported by an adequate supply of suitable housing. The challenge of meeting employment needs is clearly given a heightened importance as a result of the need to secure economic growth out of recession, and the Framework highlights this by stating that planning should "*do everything it can*" to support economic growth.

3.19   The Practice Guidance further clarifies that:

"Where the… labour force supply is less than the projected job growth, this could result in unsustainable commuting patterns… and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing… could help address these problems."

3.20   To model this demographically, the PopGroup model constrains/inflates migration to a level (reflecting the age profile specific to Kirklees) which, alongside natural change within the population, produces an indigenous labour force sufficient to support the given level of employment taking account of commuting. Within the modelling, Lichfields has made allowance for increases in age specific economic activity rates associated with changes to pension ages, but has assumed the relative balance of commuting will continue as observed currently (in 2016).

3.21   Ensuring a sufficient supply of homes within easy access of employment generators represents a central facet of an efficiently functioning economy and can help minimise housing market pressures and unsustainable levels of commuting (and therefore congestion and carbon emissions).

Scenario D /Di: Cambridge Econometrics Job Growth / +PCU

3.22   The latest CEA forecasts (August 2017) project job growth of 23,021 over the period 2013-31 in Kirklees, equivalent to 1,279 net additional workforce jobs annually.

3.23   To support this level of job growth, taking into account current commuting patterns and projected changes in economic activity rates (as well as unemployment), there would need to be an increase in the size of the labour force by 6,132 (as Kirklees is a significant net exporter of workers). This would require population growth of 27,908, of which 29,941 would be through net in-migration (with natural change being negative). This takes into account the age profile of people who move into and out of the Borough. This growth would result in an additional 20,199 households, generating a need for 20,957 dwellings, equivalent to **1,164 dpa**. This is lower than the level generated by the 2014-based SNPP.

3.24   The application of the PCU headship rates would increase the dwelling need to **1,290 dpa**.

3.25   The key outputs are shown in Table 3.3.

Table 3.3   Key Outputs – Scenarios D/Di: CE Forecast Job Growth / PCU

Scenarios D/Di	Population			Change in Jobs	Change in Households	Dwellings 2013-2031	
	2013	2031	Change			Total Change	DPA
D. CE Forecast Job Growth	428,279	456,187	27,908	23,021	20,199	20,957	**1,164**
Di. CE Forecast Job Growth + PCU					22,380	23,219	**1,290**

Source: Lichfields using PopGroup

Scenario E / Ei: Local Plan Target Job Growth / PCU

3.26   The Local Plan sets a target of 75% employment rate over the course of the Plan period. As modelled in the 2016 SHMA, this equates to a full-time equivalent jobs growth of 23,197 for the 2013-31 period. This was calculated in the 2016 SHMA using a (July 2016) scenario based on 2014-based projections[21].

3.27   To support this level of job growth, taking into account current commuting patterns and projected changes in economic activity rates based on the OBR (as well as a gradual reduction to long term rates of unemployment in the Borough), there would need to be an increase in the size of the labour force by 11,709 and would require population growth of 38,360. This takes into account the age profile of people who move into and out of the Borough. This growth would result in an additional 23,991 households, generating a need for 24,890 dwellings, equivalent to **1,383 dpa**. This is lower than the level generated by the 2014-based SNPP with adjustments for PCU and the 2016 MYE, and is also lower than the equivalent 2016 SHMA scenario (of up to 1,730 dpa). The application of the PCU headship rates (Scenario Ei) would increase the dwelling need to **1,514 dpa**.

3.28   There are a number of reasons for the difference, not least the slightly higher reduction in unemployment in Lichfields' modelling; a reduction in the labour force ratio between 2013 and 2016 before stabilisation (with arc4 assuming it is held constant at 1.15 across the entire period) and most importantly, the significant difference in the approach to economic activity rates. In this regard, we have applied the latest 2017 OBR projections to the Kirklees 2011 Census data and assumed a gradual increase (or in several increases, a decrease) in participation rates to reflect the latest projections (adjusted to reflect the increase in pension age). In contrast, arc4

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[21] Note – for consistency purposes with the other scenarios, which use total workforce jobs rather than FTEs, Lichfields converted the 23,197 FTEs to total jobs by analysing the ratio of Part time:Full Time jobs in Kirklees over the period 2009-2015. Using BRES data and taking an average of the ratio for these years, the FTE figure was uplifted to around 28,000 total jobs for the purposes of the modelling work.

have apparently taken the 2011 Census economic activity rates and held them constant across the entire plan period with the exception of an adjustment applied to the 60-69 age groups to account for the changes to the state pension age). Furthermore it is unclear how arc4 has factored in the very significant levels of population growth that have already been recorded by BRES/CE between 2013 and 2016, leaving just 9,674 of the 28,043 net job growth to occur between 2016 and 2031.

3.29   The key outputs are shown in Table 3.4.

Table 3.4   Key Outputs - Scenarios E/Ei:LP Job Growth / PCU

Scenarios E/Ei	Population			Change in Jobs	Change in Households	Dwellings 2013-2031	
	2013	2031	Change			Total Change	DPA
E. LP Target Job Growth	428,279	466,639	38,360	28,043	23,991	24,890	**1,383**
Ei. LP Target Job Growth + PCU					26,269	27,254	**1,514**

Source: Lichfields using PopGroup

Scenario F / Fi: Past Trends Job Growth / PCU

3.30   Between 2001 and 2016, Kirklees experienced very strong level of job growth in the order of 16,474, at an average rate of around 1,098 annually. As noted above, in the past 3 years alone to 2016, CE recorded a net job growth of 18,385 in the Borough (with a loss of 10,756 jobs in the immediate aftermath of the recession).

3.31   This scenario sets out the level of growth required were past trends to continue at this (positive) rate post 2016.

3.32   Under this scenario, there would be a growth of 34,843 jobs over the period 2013-2031. As the population is ageing, more people are required to sustain the workforce, hence the Borough's overall housing need would increase to compensate for the fact that comparatively more people would be leaving the workforce to retire. This equates to an overall population growth of 52,516, household growth of 29,124 and a dwelling need of 30,217, or **1,679 dpa**. The application of PCU headship rates would increase this latter figure to **1,817 dpa**.

3.33   The key outputs are shown in Table 3.5.

Table 3.5   Key Outputs – Scenarios F/Fi: Past Trends Job Growth / PCU

Scenarios F/Fi	Population			Change in Jobs	Change in Households	Dwellings 2013-2031	
	2013	2031	Change			Total Change	DPA
F. Past Trends Job Growth	428,279	480,795	52,516	34,843	29,124	30,217	**1,679**
Fi. Past Trends Job Growth + PCU					31,532	32,714	**1,817**

Source: Lichfields using PopGroup

Affordable Housing Needs

3.34   The Practice Guidance states that, with regard to taking into account affordable housing needs:

"The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes."[22]

3.35 The inclusion of affordable housing needs in OAHN calculations has also been established in the High Court Decision between Satnam Millennium Ltd vs Warrington Borough Council[23] which sets out the requirements of an OAHN to cater for affordable housing needs in its calculation. The decision found that the adopted OAHN figure proposed in Warrington's Local Plan was not in compliance with policy because *"the assessed need was never expressed or included as part of the OAHN"* [§43]. The decision found that the "proper exercise" had not been undertaken, namely:

"(a) having identified the OAN for affordable housing, that should then be considered in the context of its likely delivery as a proportion of mixed market/affordable housing development; <u>an increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes;</u>

(b) <u>the Local Plan should then meet the OAN for affordable housing, subject only to the constraints referred to in NPPF, paragraphs 14 and 47.</u>" Lichfields emphasis

3.36 As such, the below calculations of affordable housing need must be considered in the conclusions of objectively assessed housing needs for Kirklees.

3.37 The evidence contained in the 2016 SHMA indicates a net affordable housing need totalling 1,049 dpa. There is therefore a clear need to uplift the OAHN to take account of the significant affordable housing need in Kirklees. On the basis that Policy PLP11 of the merging Local Plan requires Kirklees Council to pursue an affordable housing requirement of 20% on all suitable market housing sites over 10 units in size (subject to viability), then Kirklees would need to deliver **5,245 dpa** of market housing overall to deliver 1,049 affordable dpa. In practice it is extremely unlikely that anywhere near this level of housing delivery will be achieved in Kirklees, given that this is close to double the number of net additional dwellings Kirklees delivered at the peak of the housing market (2,281 net additions in 2007/08[24]).

3.38 As set out in the Kings Lynn judgment, the correct method for considering the amount of housing required to meet full affordable housing needs is to consider the quantum of market housing needed to deliver full affordable housing needs (i.e. 1,254 dpa). However, as the judgment sets out, this can lead to a full OAHN figure which is so large that a LPA would have *"little or no prospect of delivering (it) in practice"*. Therefore, although it may not be reasonable and therefore should not be expected that the OAHN will include affordable housing needs in full, an uplift or similar consideration of how affordable needs can be 'addressed' is necessary as part of the full OAHN calculation. This approach has not been undertaken in the 2016 SHMA.

Conclusion

3.39 The scenarios present a range of housing needs for the period 2013 to 2031 based on different drivers of growth, as set out in Table 3.6. These range from a low of 1,164 dpa based on the CE

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[22] 2a-029-20140306
[23] [2015] EWHC 370 (Admin) Case No: CO/4055/2014 http://www.bailii.org/ew/cases/EWHC/Admin/2015/370.html
[24] Kirklees Annual Monitoring Report 2013/14

job growth scenario (D), all the way up to a high of 1,817 dpa based on meeting historic job growth (with PCU headship rates), Scenario Fa.

3.40   In between, the 2014-based SNPP (Scenario A) suggests a need for around 1,575 dpa, although if a suitable adjustment is made to take into account the latest 2016 MYE and accelerated headship rates amongst the younger age groups, this would increase to 1,704 dpa. As the (10-year) long term migration figures are actually higher than are projected in the 2014-based SNPP going forward, then all other data inputs being equal, the dwelling need would increase, to between 1,1,640 dpa (Scenario C) and 1,778 dpa (Ci) depending upon the approach taken towards headship rates.

3.41   In this instance, it is considered that greater weight should be attached to the 1,778 dpa (Scenario Ci) figure, as it uses the most recently available data and makes suitable adjustments to headship rates for the younger age cohorts.

3.42   The employment-led projections are generally lower, with the exception of past trends, which have been bolstered by very high levels of employment growth in Kirklees over the past 3 years. The continuation of past trends, and the application of PCU headship rates, would equate to a need for 1,817 dpa (Scenario Fa). The equivalent figure to achieve the Local Plan / SHMA job growth target would be around 1,514 dpa (Scenario Ea). This is lower than the 1,730 dpa calculated for the equivalent level of job growth in the 2016 SHMA for a variety of reasons, including higher headship rates, lower vacancy/second home rates, the use of the 2016 MYE and variable job growth projections (and in particular the use of different economic activity rates for individual age cohorts over the period to 2031).

Table 3.6   Summary of Kirklees Modelling Scenarios 2013-2031

Scenario	Population			Change in Jobs	Change in Households	Dwellings 2013-2031	
	2013	2031	Change			Total Change	DPA
A. 2014-based SNPP	428,279	475,860	47,581	32,115	27,324	28,349	**1,575**
Ai. 2014-based SNPP + PCU					29,657	30,769	**1,709**
B. 2014-based SNPP and 2016 MYE		475,483	47,204	32,034	27,215	28,235	**1,569**
Bi. 2014-based SNPP and 2016 MYE + PCU					29,557	30,666	**1,704**
A. 2014-based SNPP	428,279	475,860	47,581	32,115	27,324	28,349	**1,575**
Ai. 2014-based SNPP + PCU					29,657	30,769	**1,709**
C. Long term Trends	428,279	478,513	50,234	33,460	28,461	29,529	**1,640**
Ci. Long term Trends + PCU					30,839	31,996	**1,778**
D. CE Forecast Job Growth	428,279	456,187	27,908	23,021	20,199	20,957	**1,164**
Di. CE Forecast Job Growth + PCU					22,380	23,219	**1,290**
E. LP Target Job Growth	428,279	466,639	38,360	28,043	23,991	24,890	**1,383**
Ei. LP Target Job Growth + PCU					26,269	27,254	**1,514**
F. Past Trends Job Growth	428,279	480,795	52,516	34,843	29,124	30,217	**1,679**
Fi. Past Trends Job Growth + PCU					31,532	32,714	**1,817**

Source: Lichfields using PopGroup

4.0   Towards a Robust OAHN

Introduction

4.1   In practice, applying the Framework requires a number of key steps to be followed in order to arrive at a robustly evidenced housing target:

The starting point for Local Plans is to meet the full objectively assessed development needs of an area, as far as consistent with the policies set out in the Framework as a whole [§6, §47 & §156].

An objective assessment of housing need must be a level of housing delivery which meets the needs associated with population and household growth, addresses the need for all types of housing including affordable and caters for housing demand [§159].

Every effort should be made to meet objectively assessed needs for housing and other development, and there should be positive response to wider opportunities for growth. Market signals, including affordability should be taken into account when setting a clear strategy for allocating suitable and sufficient land for development [§17].
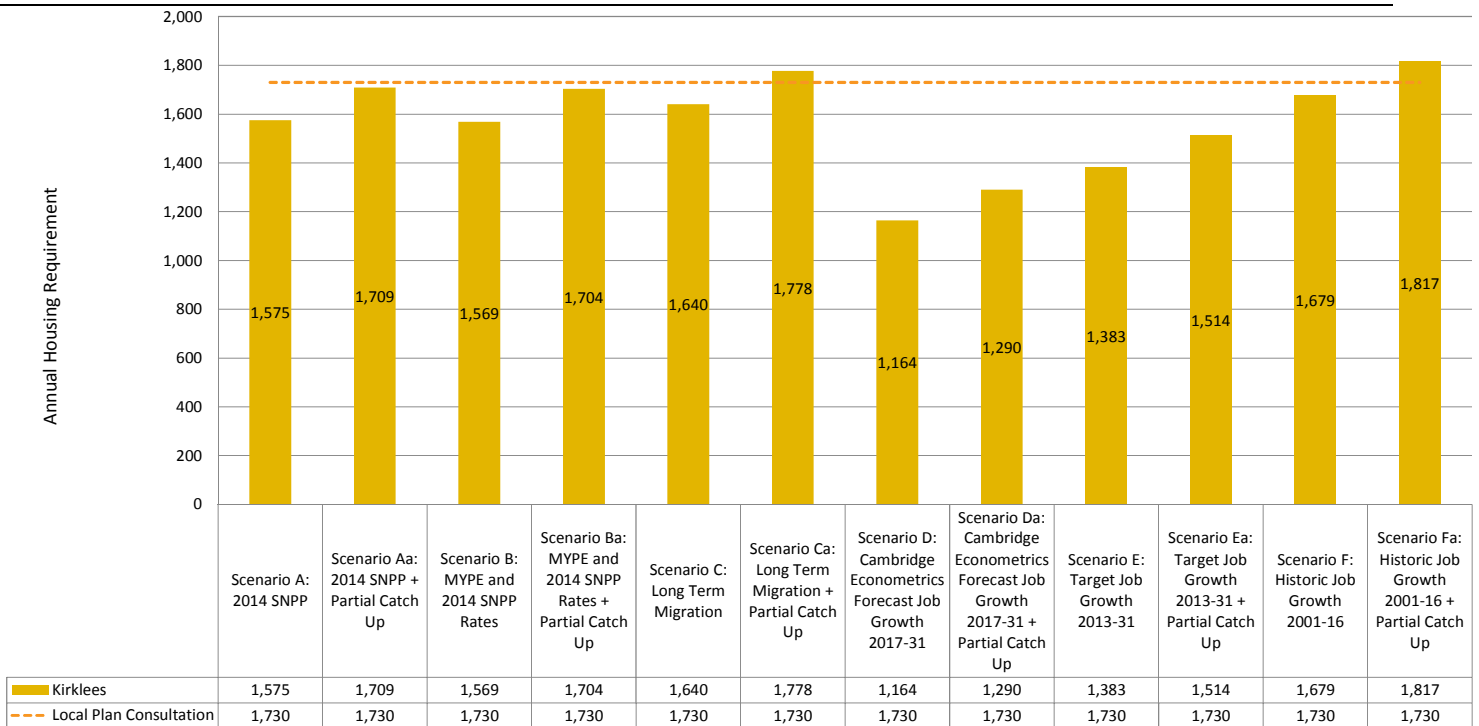
In choosing a housing requirement which would not meet objectively assessed development needs, it must be evidenced that the adverse impacts of meeting needs would significantly and demonstrably outweigh the benefits, when assessed against the policies within the Framework as a whole; unless specific policies indicate development should be restricted [§14].

Where an authority is unable to meet its objectively assessed development needs or it is not the most appropriate strategy to do so, e.g. due lack of physical capacity or harm arising through other policies, it must be demonstrated under the statutory duty-to-cooperate that the unmet need is to be met in another local authority area in order to fully meet development requirements across housing market areas [§179 & §182 bullet point 1].

4.2   It is against these requirements of the Framework which Kirklees' housing need must be identified. The Government's Practice Guidance states that *'household projections published by CLG should provide* the *starting point estimate of overall housing need.'* It also states that the household projection may require adjustment to reflect factors affecting local demography and household formation rates which are not necessarily captured in past trends[25].

4.3   To comply with the Practice Guidance, this analysis has used the latest 2014-based SNHP to derive the baseline demographic need, which acts as the 'starting point' when determining the housing OAN. Thereafter, various assumptions, adjustments and sensitivities have been applied to take account of new demographic data, local factors and economic aspirations.

4.4   Figure 4.1 sets out the annual dwelling need under each scenario as identified by Lichfields' modelling work.

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[25] ID 2a-015-20140306

Figure 4.1   Model Outputs for Kirklees: Dwellings per Annum 2013-2031

	Scenario A: 2014 SNPP	Scenario Aa: 2014 SNPP + Partial Catch Up	Scenario B: MYPE and 2014 SNPP Rates	Scenario Ba: MYPE and 2014 SNPP Rates + Partial Catch Up	Scenario C: Long Term Migration	Scenario Ca: Long Term Migration + Partial Catch Up	Scenario D: Cambridge Econometrics Forecast Job Growth 2017-31	Scenario Da: Cambridge Econometrics Forecast Job Growth 2017-31 + Partial Catch Up	Scenario E: Target Job Growth 2013-31	Scenario Ea: Target Job Growth 2013-31 + Partial Catch Up	Scenario F: Historic Job Growth 2001-16	Scenario Fa: Historic Job Growth 2001-16 + Partial Catch Up
Kirklees	1,575	1,709	1,569	1,704	1,640	1,778	1,164	1,290	1,383	1,514	1,679	1,817
Local Plan Consultation	1,730	1,730	1,730	1,730	1,730	1,730	1,730	1,730	1,730	1,730	1,730	1,730

Source: Lichfields Analysis

The Starting Point – Demographic Needs

4.5   The CLG 2014-based household projections indicate a growth of 27,324 households over the period 2013-2034 in Kirklees, at an annual average of 1,518 (+15%). By making an allowance for second/vacant homes (3.6%), this would equate to a need for 28,349 dwellings, or 1,575 dpa in Kirklees between 2013 and 2031. This is slightly below the equivalent figure reported by arc4 in its 2016 SHMA due to the slightly higher vacancy rate used by the Council's consultants.

4.6   As per the Practice Guidance, Lichfields has made adjustments to this starting point to reflect more up-to-date data, specifically the 2013, 2014, 2015 and 2016 MYEs. This reduces the dwelling requirement very slightly, to **1,569 dpa** due to a slight reduction in the 2016 MYE's population compared to the equivalent year in the 2014-based SNPP.

4.7   However, as set out above, the 2014-based SNHP has been affected by the conditions that were experienced during the recession, as well as the effects of rapid house price increases in the early 2000s. Lichfields considers that it is reasonable to assume that rates of household formation and average household size will reflect a change in line with long term trends as the economy strengthens and peoples' circumstances improve. This is an approach that is recognised by LPEG and accepted by a number of Inspectors elsewhere.

4.8   In particular, research by the former National Housing and Planning Advice Unit [NHPAU][26] found that cohorts who are less able to access home ownership earlier in their housing 'career' due to 'boom' or recessionary factors impacting on affordability are nevertheless able to 'catch up' – 80% of the gap at the age of 30 is 'caught up' by the age of 40. This finding supports the resumption towards long term household formation trends.

[26]NHPAU (2010): How do Housing Price Booms and Busts Affect Home Ownership for Different Birth Cohorts?

4.9 Following a suitable adjustment to accelerate the headship rates for younger households under Scenario Bi, it is considered that a figure of **1,704 dpa** represents the appropriate demographic-led need for housing and appropriate baseline for Kirklees. This would be the minimum necessary to meet the Borough's future housing needs to 2031.

4.10 Lichfields' modelling work also suggests that long term migration rates could suggest a higher level of growth (Scenario C, 1,640 dpa / Scenario Bi, 1,778 dpa). Lichfields' general approach is usually to apply the 1,704 dpa SNPP-led figure, which in this instance generates the lower level of housing need. This is because it reflects the starting point for the assessment of OAHN as required by the Practice Guidance. The long term migration scenario is essentially a sensitivity of this starting point that is undertaken to ascertain whether an upward adjustment to the SNPP-based figure is required (as recommended by LPEG), which in this case we consider to be justified.

4.11 Lichfields considers that in this instance, the realistic demographic starting point position is 1,778 dpa (Scenario Bi).

4.12 The Practice Guidance is very clear that the demographic baseline represents only the starting point – and not the end point - in the determination of OAHN. Adjustments should also be made, as appropriate, to reflect market signals, economic growth and affordable housing needs.

Do Market Signals indicate a need for an upward adjustment to purely demographic-led needs?

4.13 The market indicators assessed in Section 2.0 shows that there are modest imbalances between the demand for and supply of housing in Kirklees. This analysis indicates some pressure on the housing market, which will not be addressed by providing only for the level of growth produced by the continuation of demographic trends. A response is clearly required through an adjustment to the demographic-based scenarios, in line with the recommendations set out in the Practice Guidance.

4.14 Kirklees is experiencing increasing levels of concealed households, worsening affordability levels and has under-delivered against its housing target for each of the past 7 years.

4.15 It is Lichfields' view that the market indicators would justify a very modest uplift to the demographic-led (adjusted) baseline in the order of **5%.**

4.16 **When applied to Long Term Migration + PCU Scenario Bi (1,778 dpa), this results in a need for 1,866 dpa.** Applying the same level of uplift to the alternative Scenario Bi (2014-based SNPP/MYE/PCU) would generate a need for up to 1,789 dpa.

Are Economic Growth Needs Being Addressed?

4.17 The Practice Guidance requires plan-makers to assess likely employment growth based on past trends and/or economic forecasts. Where the labour force supply is projected to be less than the forecast job growth, the Practice Guidance states that this could result in unsustainable commuting patterns which could potentially reduce the resilience of local businesses.

4.18 A number of scenarios have been modelled to demonstrate the impact of a range of likely growth scenarios based on existing trends, forecasts and economic strategies. These scenarios also show the scale of change that would be required if demographic trends were to be reversed.

4.19 The Council's current housing target is based on a figure of 1,730 dpa, which aims for a 75% employment rate. When modelled by Lichfields in PopGroup, and using different assumptions concerning economic activity rates, commuting patterns and unemployment levels amongst other adjustments, this would result in a need for 1,514 dpa. The CE projections would indicate

an even lower figure, of 1,290 dpa. Past job growth rates have been very high, however, particularly over the past 3 years, and would suggest a need for **up to 1,817 dpa**. This is lower than the level of housing need associated with the uplifted demographic scenario as set out above.

4.20   The implication of this analysis is to demonstrate that the demographic-based projections would support a reasonable level of employment growth, and that no upward adjustment is required to the demographic-based housing need figures to ensure that the needs of the local economy can be met. Conversely, it is important to recognise that the Past trend jobs growth scenario (Fa) generates a level of housing need that is only marginally lower than the demographically-led starting point (after an adjustment is made for market signals). Therefore the OAHN cannot be any less than this.

Is there a need to increase housing supply to aid the delivery of affordable housing?

4.21   The Practice Guidance makes clear that the consideration of an uplift in response to market signals and any adjustment to take account of affordable housing need should be undertaken as two discrete stages. The Practice Guidance[27] identifies six relevant market signals that are to be considered. Not one of these relates to affordable housing need, i.e. the specific need of those households who lack access to suitable housing (both now and in the future). The assessment of market signals therefore does not include a consideration of affordable housing need. However, affordable housing needs must still be taken into account when determining OAHN.

4.22   Following the discussion on market signals, the Practice Guidance provides an overview of how affordable housing needs are to be assessed. The section closes by stating that:

"An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes"[28].

4.23   In this regard, the 2016 SHMA has identified an affordable housing need of 1,049 dpa. Assuming a 20% delivery requirement, this would result in need for 5,245 dpa, a figure that is extremely unlikely to be achieved in the Borough, given that this is close to double the number of net additional dwellings Kirklees delivered at the peak of the housing market.

4.24   Arc4 has not allowed for any adjustment to the identified housing need to reflect this level of affordable housing need. We consider that this is a serious misjudgement. Such an approach is contrary to the Satnam Millennium, Oadby and Wigston and Kings Lynn judgments, all of which require an additional uplift (i.e. as distinct to the market signal adjustment). It also fails to reflect the requirements of the Framework [§47] and the Practice Guidance which clearly show the uplift for market signals to be separate to the adjustment for affordable housing.

4.25   LPEG suggests that where the total number of homes that would be necessary to meet affordable housing need is greater than the adjusted demographic-led OAHN, then this figure should be uplifted by a further 10%. It should be noted that the 10% uplift is specifically intended to provide a streamline approach that removes judgement and debate from the process of setting OAN (as opposed to what might be the most accurate under current Practice Guidance) and given the status of LPEG at present, this approach should be treated with caution.

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[27] ID 2a-019-20140306
[28] ID 2a-029-20140306

4.26   Therefore, and whilst recognising that limited weight can be taken of the LPEG recommendations for now, if the LPEG approach is followed through, a further 10% upwards adjustment should be applied.

4.27   The approach of Dove J at Kings Lynn informed the recommendation of LPEG to apply a specific level of uplift in response to identified housing need. Whilst the implication of the Kings Lynn HCJ is that Local Plans are not required to meet their affordable housing needs in full, in this instance, **an uplift of the OAHN by a further 10% to 2,053 dpa would, in theory, go a meaningful way towards achieving this objective.**

Conclusions on Kirklees' Housing Need

4.28   The scale of objectively assessed need is a judgement and the different scenarios and outcomes set out within this report provide alternative levels of housing growth for Kirklees. Lichfields considers these to be as follows:

1   1,518 dpa equates to the 2014-based SNHP. With suitable adjustments to include an allowance for second/vacant homes; the latest 2016 MYE; and necessary adjustments being made to headship rates in the younger age categories, this would generate a need for 1,704 dpa. Factoring in long term migration rates would increase this still further, **to 1,778 dpa**. It is considered that this represents the suitable demographic starting point for Kirklees. Anything much below this level would mean that the level of job growth achieved in the recent past (Scenario Fa, 1,817 dpa) cannot be achieved;

2   A modest worsening of some market signals and consistent under-delivery of housing in the Borough since the recession suggests the need to improve affordability to stabilise increasing house prices and very high affordability ratios. This would justify an uplift to the figures over and above the level suggested by the demographic projections. The Practice Guidance[29] states that this should be set at a level which could be reasonably expected to improve affordability. A modest 5% uplift is considered appropriate in this instance. Applying this level of uplift to the demographic starting point would indicate a minimum demographic OAHN of **1,866 dpa**;

3   The scale of affordable housing needs, when considered as a proportion of market housing delivery, implies significantly higher levels of need over and above the OAHN figure. It is considered that to make a meaningful contribution to addressing the very high level of affordable housing need identified by arc4 (1,049 dpa), a further 10% uplift should be applied. This would increase the OAHN to **2,053 dpa**, significantly above the Council's current housing target of 1,730 dpa.

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