Report for:

South Lakeland District Council

Strategic Housing Market Assessment

Final Report

October 2017

Contents

Summary

Introduction

1. This report provides a Strategic Housing Market Assessment (SHMA) for South Lakeland Council. The purpose of the SHMA is to develop a robust understanding of housing market dynamics, to provide an assessment of future needs for both market and affordable housing and the housing needs of different groups within the population for the 2016-36 period. The analysis updates previous assessments of need to take account of new demographic and economic data.

2. National planning policies require the study to define the *'full, objectively assessed need for market and affordable housing in the housing market area'* (National Planning Policy Framework (NPPF), paragraph 47). This provides a starting point for considering policies for housing provision. The assessment must 'leave aside' constraint factors (such as land availability) however these are relevant in drawing together evidence and testing options in the development of local plans. The SHMA does not set targets for housing provision.

3. Government's Planning Practice Guidance (PPG) sets out how the objectively assessed need for housing should be defined. It sets out that the starting point should be the latest official household projections (from the Department for Communities and Local Government (CLG)) – any changes to these projections *'need to be clearly explained and justified on the basis of established sources of robust evidence'* (2a-017). Consideration then needs to be given to economic growth, market signals and affordable housing need. The SHMA follows this approach to identifying OAN.

4. In September 2017, the Government published a consultation document setting out proposals for standardising the methodology for assessing housing need. At the time of writing, this is only for consultation, although the contents of the consultation are discussed in the main body of the report. The consultation document is important in South Lakeland as it notes that the methodology is not appropriate for National Park areas (i.e. where local planning authority boundaries do not align with local authority boundaries), and that in such cases *'authorities should continue to identify a housing need figure locally'*.

5. As well as being a technical study of housing need (including specific needs such as affordable housing and the needs of older people) the study has been framed by a programme of stakeholder consultation. Comments on the consultation process can be found in the main body of the report.

Housing Market Geographies

6. The NPPF states that local planning authorities should use their evidence base to ensure Local Plans meet the full, objectively assessed needs for market and affordable housing in their housing market area (HMA). It is therefore important for the SHMA to identify the extent of the HMA.

7. In simple terms, the HMA is a geographical area in which the majority of people, who move, will move within. It also reflects functional relationships between where people live and work. However, defining housing market areas is an inexact science and there is no single source of information that will clearly identify housing market areas.

8.   In drawing the analysis together there is clearly evidence to suggest that South Lakeland is a Housing Market Area in its own right. The analysis of the 2011 Census migration data highlights high levels of self-containment for South Lakeland. In particular, when long-distance moves are excluded self-containment reaches 80%. This is considered significant and also exceeds the 70% threshold set out in the PPG. Analysis of commuting patterns and job self-containment also confirm that South Lakeland is an HMA in its own right.

9.   House price analyses complement the migration and commuting findings and highlight the distinctiveness of the market in South Lakeland compared to its neighbouring authorities (the strongest links are with Barrow-In-Furness and Lancaster although these links are not particularly strong.

10.   At a local level, the six Housing Sub-Market Areas previously identified are considered suitable geographies to assess the local housing issues. Each sub-area has its own characteristics however there are strong links and similarities across all of them (unsurprising given they are all part of the same HMA). Additionally, the analysis recognises the special designation of the National Park areas and the need for some analysis to be undertaken for this specific geography.

11.   Overall, the analysis of HMAs suggests that South Lakeland (the District) can be considered as a HMA for the purposes of analysis and to be consistent with the requirements of the NPPF. Furthermore, there is merit in looking at specific data for six sub-market areas and also the National Parks – the analysis in this report provides information for these different geographies as appropriate. The figure below shows both the (six) sub-areas and the two National Parks as used in the analysis in this report.

Figure 1: Smaller area geographies used in analysis

| Sub-market areas | National Park areas |
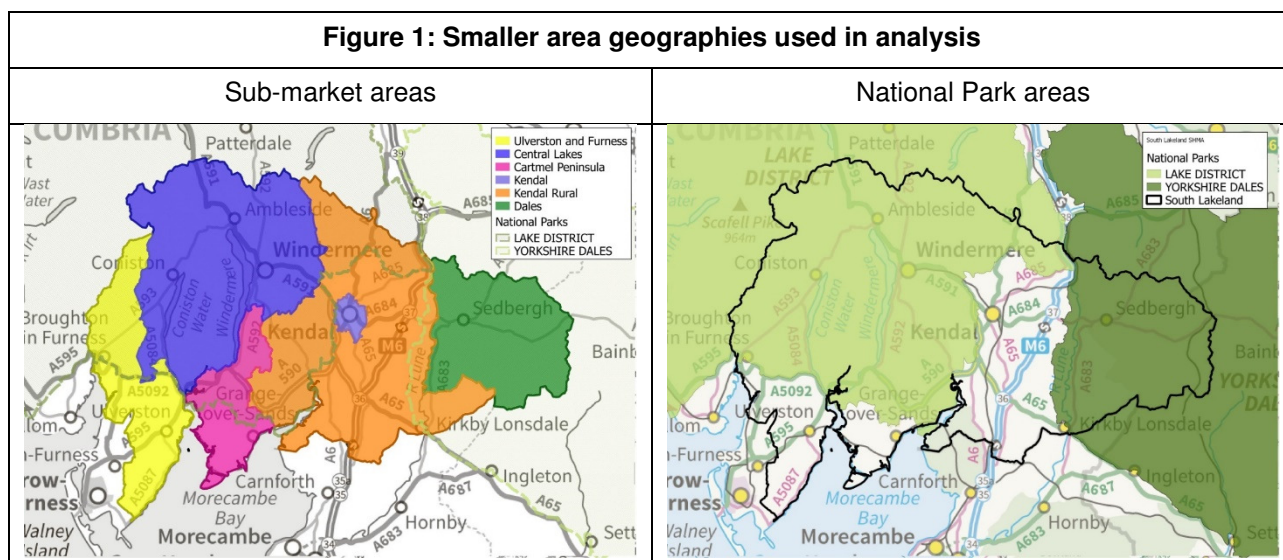
Source: Maps provided by GL Hearn

South Lakeland District Profile

12.   A range of variables have been considered to look at the profile of the population and housing in the District (and for the six sub-market areas and National Parks). Key variables have looked at population, household characteristics, housing profile and the economic profile of residents.

13.   The analysis identifies a relatively old population age structure (notably in the Cartmel Peninsula) and a population decline in the 2005-15 period. There has however been growth in the population aged 65 and over – increasing by 25% in the decade to 2015. Due to the population profile, household types are concentrated in older age groups; as of 2011, 29% of all households in the District were entirely composed of people aged 65 and over. Households with dependent children and lone parent households are concentrated in the Kendal and Ulverston & Furness sub-areas (although numbers of such households are low when put in a regional or national context).

14.   The tenure profile of the District sees a relatively large proportion of outright owners (which will to some extent be linked to the age structure) and a small social rented sector. Between 2001 and 2011, the number of owners with a mortgage declined by 14%, whilst the private rented sector increased by 34%; this may reflect the difficulties faced by younger households in accessing market housing to buy.

Figure 2: Change in tenure (2001-11) – South Lakeland				
	2001 households	2011 households	Change	% change
Owns outright	17,888	20,793	2,905	16.2%
Owns with mortgage/loan	15,500	13,405	-2,095	-13.5%
Social rented	4,624	4,853	229	5.0%
Private rented	4,949	6,633	1,684	34.0%
Other	1,168	868	-300	-25.7%
TOTAL	44,129	46,552	2,423	5.5%

Source: 2001 and 2011 Census

15.   The dwelling stock in the District is predominantly of larger homes, with a greater average number of bedrooms and a high proportion of detached homes (31% of all housing in 2011, compared with 22% nationally). The Kendal Rural area sees a particularly large proportion of detached homes (44%) with Kendal having the largest proportions of terraces and flatted accommodation.

16.   Overcrowding in the District (and across sub-markets) is low, although there is a significant level of under-occupation (45% of all households have at least two spare bedrooms). Under-occupancy is particularly great in the Kendal Rural and Dales sub-areas.

17.   The economic profile of the District shows low unemployment and a similar proportion of people in work than is seen in other areas – this finding is interesting given the older age profile, which suggests that people in South Lakeland tend to work for longer. The population and workers in the District are also fairly well qualified (in academic terms) and are more likely than other areas to be working in more senior positions; 13% of all workers resident in the District are described as a manager, director or senior official.

18.   Overall, the analysis identifies South Lakeland as having more 'prosperous' characteristics in terms of the range of variables studied than County, regional and national comparisons. Whilst there are differences between areas of the District, it is generally the case that the sub-areas still fare well in comparison to locations outside of the District. The analysis suggests that there might be reasons to suggest different policy responses in different locations, although this is far from clear cut. Analysis within the main report considers a range of outputs at a smaller area level.

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Trend-based Demographic Projections

19. The start point for assessing housing need in line with the PPG is the most recent official household projections; these are the 2014-based CLG projections which suggest a need for around 145 dwellings per annum to be provided (2016-36) – including an allowance for vacant homes drawn from Council Tax data. These projections were underpinned by the most recent ONS subnational population projections (SNPP – also 2014-based).

Figure 3: Annual housing need (2016-36) – CLG household projections (2014-based)	
	Official household projections
South Lakeland	145

20. The SNPP is based on short-term trends (migration trends over the previous 5/6 years); analysis of the components of population change suggested that migration has been slightly weaker in the short term. Therefore, alternative projections based on 10- and 14-year migration trends were developed (and this includes more up-to-date information from ONS mid-year population estimates to 2015 and information about housing delivery in the 2015-16 period to get to a base position for 2016). These projections suggest a higher level of future population growth and a need for 214-316 dwellings per annum to be provided.

21. A further sensitivity was developed taking account of Unattributable Population Change (UPC) – this is an adjustment made by ONS to reflect population growth as informed by the Census and may be related to the misrecording of migration. The UPC adjusted projections showed a lower level of need.

Figure 4: Annual housing need (2016-36) – alternative scenarios				
	10-year trends	14-year trends	10-year trends (+UPC)	14-year trends (+UPC)
South Lakeland	214	316	190	291

22. When looking at the data about household representative rates (HRRs) underpinning the 2014-based CLG household projections it was observed that the 25-34 age group had reduced slightly in the 2001-11 period, although this trend was not projected to continue into the future. Overall, there was no evidence of any suppression of household formation and hence the 2014-based CLG projections can readily be used as published to translate population figures into household growth and housing need.

23. Overall, the analysis identifies a demographic based need for between 145 and 316 dwellings per annum (these figures being the range of the latest (2014-based) official projections and a 14-year trend based projection).

Figure 5: Annual housing need (2016-36) – range of demographic scenarios		
	Official household projections	14-year trends
South Lakeland	145	316

Future Employment and the Link to Housing

24.   Analysis has sought to estimate the likely level of housing needed to be delivered if the resident workforce is to increase sufficiently to meet both job-growth forecasts and an analysis of past trends. The analysis took account of both commuting patterns and 'double jobbing'. Data about job growth was taken from an Experian forecast provided by the County Council, with estimated job growth of 2,960 in the 2016-36 period.

25.   The analysis also made a series of assumptions about how economic activity rates might change in the future; this is a key difficulty in matching job-growth to population growth. The approach used has drawn on economic activity rate projections provided by Experian; these have been modified from the data as published to take account of local activity rates (from 2011 Census data).

26.   The analysis has also been mindful of comments made in the PAS Technical Advice Note with regard to integrating demographic projections and economic forecasts. The data available for this study did not allow for such integration to be undertaken; in any case, there is some doubt about the robustness of such an approach, particularly when considering which variables are inputs and outputs to such models. Overall, due to the assumptions made, all outputs should be treated as indicative.

27.   In running the modelling, it is estimated that to meet the job growth forecast there would need to be provision of about 311-315 dwellings per annum across the District (2016-36). These figures are virtually identical to the highest of the demographic projections developed (linked to 14-year migration trends – a need for 316 dwellings per annum) and substantially above the 'start point' (drawn from official projections).

28.   On balance, this suggests that there would potentially be a labour-force shortage in the area if planning against official population/household projections, but not when compared to the upper end of demographic scenarios developed.

Figure 6: Annual housing need (2016-36) – economic-led projections	
	Job growth forecast
South Lakeland	311-315

Affordability

29.   There are a range of different tenures of housing available to households. In terms of the income likely to be required to access different products; these would run from open market purchase through to social rent. There is however a significant overlap between tenures with households potentially able to afford or access a range of products.

30.   Analysis has considered seven main tenures; open market purchase, Starter Homes, South Lakeland low-cost housing, private rent, shared ownership, affordable rent and social rent. This does not reflect the full range of tenures available, and for example, it would be the case that the income required to buy a Starter Home is likely to be similar to the income needed for other forms of discounted ownership (such as discounted market sales, as set out in the Housing White Paper, which suggest a discount of at least 20%). The income required for South Lakeland low-cost housing would however be expected to be somewhat lower than for a Starter Home.

31.   In looking at overall affordability of different products, the analysis is slightly complicated due to purchase products typically being looked at with mortgage multiples and rental product affordability being based on proportions of income spent on housing. In both cases there are no standard assumptions to be used.

32.   Across the whole of the District, the analysis has suggested that an income of around £34,600 would be needed to buy a lower quartile property and that the income drops (to about £28,900) to access a Starter Home (with a 20% discount on open market value). The typical incomes needed to access rented products are notably lower with a figure of £21,300 being shown for access to the private rented sector. This means for example, that a household able to afford a Starter Home could also afford to rent in the market without any level of discount or subsidy.

33.   Overall, the analysis identifies that around 29% of households have an income that would be insufficient to afford social rent without some form of subsidy, with a smaller proportion fitting in the gaps between different tenures. Arguably the most notable finding is the large proportion of households whose income sits in the gap between affording the private rented sector and affording a Starter Home. Such households can technically afford market housing but are unable to afford to buy a home on the open market with no restrictions.

34.   Within the affordable tenure category, the analysis would support a split of 60% rented and 40% low-cost home ownership – this is broadly the same conclusion as in the previous SHMA. Additionally, the analysis would support the Council's current approach to affordable provision when negotiating with developers (on Section 106 sites); this approach is to seek a 50:50 split between rented and low-cost home ownership, with a recognition that additional rented housing can come forward as part of 100% affordable housing schemes being promoted by Registered Providers. It is considered that the low-cost home ownership element should continue to follow the approach currently used by the Council (and as set out in its guidance for developers).

35.   The analysis within the main report also looked at affordability in each of the six sub-market areas. Whilst there were differences between locations, it is not considered that these are so great as to point towards a different tenure mix being needed when compared to District level findings.

Affordable Housing Need

36.   An assessment of affordable housing need has been undertaken which is compliant with Government guidance to identify whether there is a shortfall or surplus of affordable housing in South Lakeland. Overall, in the period from 2016 to 2036 a net deficit of 153 affordable homes per annum is identified. There is thus a requirement for new affordable housing in the District and the Council is justified in seeking to secure additional affordable housing. The analysis suggests that there is a need for affordable housing in all parts of the District.

Figure 7: Estimated Need for Affordable Housing (per annum) – by sub-area						
	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Relet Supply	Net Need
South Lakeland	20	233	210	463	310	153
Cartmel Peninsula	1	17	12	30	19	12
Central Lakes	4	39	56	99	82	17
Dales	1	8	6	15	9	5
Kendal	8	87	69	165	98	67
Kendal Rural	2	38	29	70	47	22
Ulverston & Furness	3	45	36	84	55	29
Lake District NP	5	50	61	115	89	26
Yorkshire Dales NP	1	10	9	20	14	6
SLDCLPA	15	173	140	328	208	120

Source: Projection Modelling/affordability analysis

37.   Notionally, the need represents around half of the estimated overall need (highest of the demographic projections). However, it is important to understand how affordable housing need sits with the overall need, the affordable housing needs model includes existing households who require a different size or tenure of accommodation rather than new accommodation per se. Additionally, the modelling includes newly forming households, who are already part of the demographic projections (i.e. they are already included within the need). Furthermore, many households secure suitable housing within the Private Rented Sector, supported by housing benefit.

38.   Once account is taken of the range of outputs with the modelling and the fact that many of the households in need are already living in accommodation (existing households) and the role played by the private rented sector, the analysis does not suggest that there is any strong evidence of a need to consider additional housing to help meet the affordable need. There are however a number of concealed households within the modelling who are not picked up by demographic projections (and are without housing). There is merit in considering these households as an additional need and this is addressed in the market signals section of the report.

39.   Looking at affordable need in the National Park areas is also important as this typically is the main focus when looking at new housing development. The analysis suggests a need for 32 affordable homes per annum within the National Park areas of the District (26 in the Lake District and 6 in Yorkshire Dales). These figures can reasonably be considered as the OAN for each location and should be taken off any District-wide estimate of need to establish the number of homes to be provided within the South Lakeland Council planning area.

40.   The estimated need for affordable housing is lower in this assessment than previous SHMA research. This looks to be for three main reasons:

• The analysis in this report looks at meeting affordable need over a 20-year plan period rather than the next 5-years (this reduces the current need when figures are annualised);
• The lower levels of population/household growth in ONS/CLG projections have reduced the projected need from newly forming households; and
• The study has estimated a higher level of relets from current affordable stock – this may in part be due to the success the Council has had in delivering new affordable homes over the past few years.

41.   Despite a lower level of need being suggested in this report, it is still clear that provision of new affordable housing is an important and pressing issue in the District. It does however need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where opportunities arise, and it supports the Council's existing Core Strategy policy (Policy CS6.3) of requiring 35% of new homes to be affordable, on sites over specified thresholds.

Market Signals

42.   Analysis of a range of market signals has been undertaken to consider if any adjustments should be made to the demographic-based assessment of housing need. The market signals studied are consistent with those in the PPG and included; house prices, rents, affordability ratios, land values, rates of development and overcrowding/concealed households.

43.   The analysis identifies a number of market signals that pointed towards a need to increase housing provision (although not universally across all indicators). However, with demographic projections (linked to 14-year migration trends) already substantially increasing the need from the official 'start point' there is no strong case for a further uplift.

44.   Even if the market signals were to suggest an uplift in provision, then any adjustments would need to be carefully considered. For example, if additional provision were to simply increase migration and population growth then there would be a Duty-to-Cooperate issue impact on other areas (where population growth and housing need would therefore be lower). If, however, an uplift is reasonable due to particularly suppressed household formation, then this could be done without impacting on other locations. In the District, the evidence did not point to any particular suppression within the CLG 2014-based household projections.

45.   The market signals did however identify an increase in the number of concealed households in the District. These households are not captured by demographic projections and do not currently have housing. It is therefore reasonable to increase the level of need by the increase in concealed households seen in the 2001-11 period – this increases need by some 94 dwellings (about 5 per annum over the 2016-36 period). On the basis of 14-year migration trends (the highest of the demographic projections developed) this would mean that the objectively assessed housing need in the District is for 320 dwellings per annum; a similar figure is shown with the uplift applied to the jobs-led projection.

Figure 8: Annual housing need (2016-36) – including uplift for concealed households		
	14-year migration	Job forecast
South Lakeland	320	319

46.   A figure of 320 represents a 121% uplift from the start point of analysis (as identified in the PPG) – a need for 145 dwellings per annum. If the Council were to plan for this level of provision then it is clear that this would be including a substantial 'market signals' uplift. It should be remembered that this figure is for the whole District Council area, and therefore includes needs arising in the National Park areas.

Housing Mix (Size of Homes Needed)

47.   There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. The analysis linked to long-term (20-year) demographic change concludes that the following represents an appropriate mix of affordable and market homes:

Figure 9: Suggested mix of housing in the market and affordable sectors				
	1-bed	2-bed	3-bed	4+ bed
Market	0-5%	35-40%	40-45%	15-20%
Low-cost home ownership	15-20%	45-50%	25-30%	5-10%
Affordable housing (rented)	30-35%	40-45%	15-20%	5-10%

48.   The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

49.   The mix identified above should inform strategic policies. In applying these to individual development sites regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

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50.   Based on the evidence, it is expected that the focus of new market housing provision will be on two-and three-bed properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay.

51.   The Council should also consider the potential role of bungalows as part of the future mix of housing. Such housing may be particularly attractive to older owner-occupiers which may assist in encouraging households to downsize. However, the downside to providing bungalows is that they are relatively land intensive for the amount of floorspace created.

52.   The analysis of an appropriate mix of dwellings should also inform the 'portfolio' of sites which are considered by each local authority through its local plan process. Equally it will be of relevance to affordable housing negotiations.

53.   The analysis within the main report also looked at the housing mix in each of the six sub-market areas. Whilst there were differences between locations, it is not considered that these are so great as to point towards a different profile of new housing being needed when compared to District level findings.

Housing Technical Standards

54.   Planning Practice Guidance note 56 (Housing: optional technical standards) sets out how local authorities can gather evidence to set requirements on a range of issues (including accessibility and wheelchair housing standards, water efficiency standards and internal space standards). The SHMA considered the first two of these (i.e. accessibility and wheelchair housing) as well as considering the specific needs of older people. The SHMA draws on a range of data sources, as suggested by CLG and also some more traditionally used in assessments such as this (e.g. from Housing LIN). This is to consider the need for Building Regulations M4(2) (accessible and adaptable dwellings), and M4(3) (wheelchair user dwellings).

55.   The data shows that in general, South Lakeland has a similar level of disability when compared with the national position, but that an ageing population means that the number of people with disabilities is expected to increase substantially in the future. Key findings include:

- 33%-37% increase in the population aged 65+ (accounting for over 100% of total population growth);
- 23%-48% of household growth identified in the CLG projections to be specialist housing for older persons;
- 53%-56% increase in the number of older people with mobility problems (representing at least 40% of all population growth);
- 16%-21% increase in the number of people with a long-term health problem or disability (LTHPD) (representing at least 58% of all population growth);
- concentrations of LTHPD in the social rented sector; and
- a need for around 6%-9% of dwellings to be for wheelchair users (M4(3))

56.   This would suggest that there is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings. The exact proportion of homes in categories M4(2) and M4(3) is for the Council to consider based on this evidence and also any other relevant information (e.g. about viability). In seeking M4(2) compliant homes the Council should also be mindful that such homes could be considered as 'homes for life' and would be suitable for any occupant, regardless of whether or not they have a disability at the time of initial occupation.

57.   The Council should also consider if a different approach is prudent for market housing and affordable homes, recognising that Registered Providers may already build to higher standards, and that households in the affordable sector are more likely to have some form of disability.

Self- and Custom-build

58.   The Government's self and custom build (SCB) initiative including the right to build is likely to raise the profile of a sector that has existed and successfully provided additional bespoke housing for many years, contributes to the distinctiveness of neighbourhoods and advances building technology.

59.   The evidence from South Lakeland's Community Infrastructure Levy (CIL) records (as self and custom build dwellings are exempt from paying CIL) shows that there is considerably more SCB activity in the area than is suggested by the self-build register.

60.   Local authority planning application and the SCB register pro-forma do not readily enable projects that are self-build or custom build to be distinguished. However, it should be noted that the Council uses the national planning application forms from the Planning Portal so any amendment would need to be made nationally.

61.   It is considered that the local authority should review the structure of its register questionnaire to provide better information about the size of plots that are required, the parking of other vehicles such as vans (which may be necessary for self-employment work purposes), and assess the level of interest methods of construction that involve kits or pre-fabrication. Overall, it would be desirable for the Council to be able to understand how properties are to be used – particularly in establishing if households would be seeking to run a business from home, and any design/space implications this may have.

62.   The local authority should pro-actively engage with local small and medium size house builders as well as registered providers with an aim of establishing projects for both market and affordable SCB schemes. The Community Housing Fund will also be of relevance to South Lakeland; with £2.4m having been allocated in late 2016 to support community-led housing developments in areas where the impact of second homes is particularly acute.

Overall Conclusions

63. The main overall conclusion is around the objective assessment of housing need (OAN). On the basis of the analysis carried out, this is concluded (annually over the 2016-36 period) to be for up to 320 dwellings per annum. This figure is based on analysis of the whole District, for the National Park areas (and based on analysis of affordable housing need) it is concluded that there is an annual need for 32 dwellings (26 in the Lake District and 6 in the Yorkshire Dales). Hence the need in the South Lakeland planning authority area is for 288 dwellings per annum (which can reasonably be rounded to 290).

64. Whilst any figure within this range of 145 to 320 would be reasonable and justified, it is considered that figures at the top end of the range may best reflect a reasonable view about the need for housing. This is partly because they are based on longer-term migration trends (and therefore arguably do not include any recessionary impact) but also because the higher level of need does align better with the economic forecasts, and would therefore ensure that there is no workforce shortage in the future.

65. Turning to affordable housing, it is clear that there is a need to provide additional affordable homes in all part of the District. Strictly speaking, the bulk of the need is likely to be best met through provision of rented options (social/affordable rented), however it is recognised that there are a number of households who are able to rent but not able to buy; whilst these households are not technically 'in need' there are clear advantages in enabling households to become owner-occupiers, as well as this being a desire of Central Government. On balance, the Council's current approach (on Section 106 sites) for a 50:50 split between rented and low-cost home ownership looks to be reasonable, although ensuring that the low-cost home ownership is as affordable as possible is desirable (this can be achieved by continuing with the suggested costs in the Council's guidance for developers.

66. Finally, in terms of housing mix, the analysis broadly suggests a need for 60% of market homes to have 3 or more bedrooms (and 40% 1-2 bedrooms); a need for 35% of low-cost market home ownership properties to have 3 or more bedrooms (65% 1-2 bedrooms) and a need for 25% of rented homes (social/affordable) to have 3 or more bedrooms (75% 1-2 bedrooms). Whilst the analysis in the report has looked at individual size requirements (i.e. 1, 2, 3 and 4+ bedrooms separately) it may be better in policy terms to use a broad 1-2 and 3+ bedroom category. This would assist in negotiations in areas where provision of 1-bedroom homes might not be considered appropriate (likely to be in terms of affordable housing in more rural locations with fewer facilities).

1.   Introduction

Introduction

1.1   Justin Gardner Consulting (JGC), working in association with GL Hearn and Chris Broughton Associates have been commissioned by South Lakeland District Council to develop a Strategic Housing Market Assessment (SHMA). The purpose of the study is to develop a robust understanding of housing market dynamics, and to provide an assessment of future needs for both market and affordable housing and the housing needs of different groups within the population for the 2016-36 period. The analysis updates previous assessments of need to take account of new demographic and economic data.

1.2   The SHMA does not set housing targets. It provides an assessment of the need for housing, making no judgements regarding future policy decisions which the Council may take. Housing targets will be set in local plans. The SHMA provides an important input into setting targets for housing provision, but the housing targets as set out in local plans will also take into account factors such as the supply of land for new development, Green Belt and other nationally and internationally significant landscapes and environmental designations, local infrastructure capacity and environmental constraints. These factors may limit the amount of development which can be sustainably accommodated.

1.3   In setting housing requirements there are other considerations which are relevant, an example of this can be seen in the Gallagher Estates v Solihull MBC judgment (2014) which states in paragraph. 37iii) that *'it might be decided, as a matter of policy, to encourage or discourage a particular migration reflected in demographic trends'*. Therefore, any changes to migration trends (up or down) would be a policy consideration that gets decided as part of the housing requirement.

1.4   The SHMA responds to and is compliant with the requirements of the National Planning Policy Framework (the NPPF). It is informed by Planning Practice Guidance (PPG). It provides an assessment of the future need for housing, with the intention that this will inform future development of planning policies. According to the PPG, housing need:

"refers to the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet that demand."

1.5   This report, in discussing housing need, is thus referring to both the need for market and affordable housing, taking account of both local need and that associated with net migration. This is required by national policy.

National Planning Policy Framework and Guidance

1.6   The former Coalition Government reformed the policy framework for planning for housing. Regional strategies were revoked and responsibility for planning on cross-boundary issues was returned to local authorities.

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1.7 The primary legislation to support this is the 2011 Localism Act which now imposes a 'duty to cooperate' on local authorities, requiring them to "engage constructively, actively and on an on-going basis" with the other authorities and relevant bodies. The Duty to Cooperate is applied as both a legal and soundness test to which development plans must comply. Housing provision is an issue of cross-boundary relevance which local authorities both within and beyond a Housing Market Area (HMA) will need to engage with each other on.

1.8 National policies for plan-making are set out within the National Planning Policy Framework. This sets out key policies against which development plans will be assessed at examination and to which they must comply.

National Planning Policy Framework (NPPF)

1.9 The National Planning Policy Framework (NPPF) was published in March 2012. The Framework sets a presumption in favour of sustainable development whereby Local Plans should meet objectively assessed development needs, with sufficient flexibility to respond to rapid change, unless the adverse impacts of doing so would significantly or demonstrably outweigh the benefits or policies within the Framework (including policies relating to Green Belt and other nationally and internationally significant landscapes and environmental designations) indicate that development should be restricted.

1.10 The NPPF highlights a Strategic Housing Market Assessment (SHMA) as a key piece of evidence in determining housing needs. Paragraph 159 in the Framework outlines that this should identify the scale and mix of housing and the range of tenures which 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.

1.11 This is reaffirmed in the NPPF in Paragraph 50. The SHMA is intended to be prepared for the housing market area, and include work and dialogue with neighbouring authorities where the HMA crosses administrative boundaries.

1.12 Paragraph 181 sets out that Local Planning Authorities (LPAs) will be expected to demonstrate evidence of having effectively cooperated to plan for issues with cross-boundary impacts when their Local Plans are submitted for examining. This highlights the importance of collaborative working and engaging constructively with neighbouring authorities, as required by Section 33A of the 2004 Planning and Compulsory Purchase Act, and ensuring that there is a robust audit trail showing joint working to meet the requirements of paragraph 181 of the NPPF.

1.13 Paragraph 158 of the NPPF also emphasises the alignment of the housing and economic evidence base and policy. Paragraph 17 in the NPPF reaffirms this, and outlines that planning should also take account of market signals, such as land prices and housing affordability.

1.14   In regard to housing mix, the NPPF sets out that authorities should plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community. Planning authorities should identify the size, type, tenure and range of housing that is required in particular locations reflecting local demand. Where a need for affordable housing is identified, authorities should set policies for meeting this need on site.

1.15   The NPPF states that to ensure a Local Plan is deliverable, the sites and the scale of development identified in the plan should not be subject to a scale of obligations and policy burdens such that their ability to be developed is threatened and should support development throughout the economic cycle. The costs of requirements likely to be applied to development, including affordable housing requirements, contributions to infrastructure and other policies in the Plan, should not compromise the viability of development schemes. To address this, affordable housing policies would need to be considered alongside other factors including infrastructure contributions – a 'whole plan' approach to viability. Where possible the NPPF encourages local authorities to work up Community Infrastructure Levy (CIL) charges alongside their local plan.

Planning Practice Guidance

1.16   Planning Practice Guidance (PPG) was issued by Government in March 2014 on 'Assessment of Housing and Economic Development Needs' and is maintained online and updated periodically. The PPG is relevant to this SHMA in that it provides clarity on how key elements of the NPPF should be interpreted, including the approach to deriving an objective assessment of the need for housing. The approach in this report takes account of this Guidance.

1.17   The Guidance defines "need" as referring to 'the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet this need'. It sets out that the assessment of need should be realistic in taking account of the particular nature of that area (for example the nature of the market area), and should be based on future scenarios that could be reasonably expected to occur. It should not take account of supply-side factors or development constraints. Specifically, the Guidance sets out that:

"plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historical under performance, infrastructure or environmental constraints. However, these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans."

1.18   The Guidance outlines that estimating future need is not an exact science and that there is no one methodological approach or dataset which will provide a definitive assessment of need. However, the starting point for establishing the need for housing should be the latest household projections published by the Department for Communities and Local Government (CLG). At the time of preparation of this report the latest projections are the 2014-based Household Projections. It also outlines that the latest population projections and mid-year population estimates should be considered. The latest projections are the 2014 Sub-National Population Projections published by ONS in May 2016 and 2015 mid-year population estimates (published in June 2016).

1.19   It sets out that there may be instances where these national projections require adjustment to take account of factors affecting local demography or household formation rates, in particular where there is evidence that household formation rates are or have been constrained by supply. This is considered in the subsequent chapters. Guidance indicates that proportional adjustments should be made (increasing the assessed housing need relative to demographic led projections) where the market signals point to supply being constrained relative to long-term trends or to other areas in order to improve affordability.

1.20   Evidence of affordable housing needs is also relevant, with the Guidance suggesting that the total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing. It indicates that this may provide a case for increasing the level of overall housing provision – in order to increase the delivery of affordable housing.

1.21   In regard to employment trends, the Guidance indicates that job growth trends and/or economic forecasts should be considered having regard to the growth in working-age population in the housing market area. It sets out that where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility and other sustainable options such as walking and cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing and infrastructure development could help to address these problems.

Planning Advisory Service (PAS) – technical advice note

1.22   In June 2014 PAS published a technical advice note *'Objectively Assessed Need and Housing Targets'*. The advice has no official status but has been developed based on existing good practice and the recommendations of Planning Inspectors. This advice note was updated in July 2015 (Second edition). Where relevant, key parts of the PAS guidance have been quoted within this report – this is particularly in relation to affordable housing need.

Local Plans Expert Group: Report to the Secretary of State

1.23   The former Communities Secretary, Greg Clark MP, and the Minister for Housing and Planning, Brandon Lewis MP, established a "Local Plan Expert Group" in September 2015, with a remit to consider how plan-making could be made more efficient and effective. The Local Plan Expert Group (LPEG) reported back to Ministers in March 2016, with recommendations to improve the guidance on how to prepare SHMAs; to standardise, simplify, and increase transparency in the SHMA making process, specifically with regard to the calculation of Objectively Assessed Need (OAN).

1.24   The LPEG proposed methodology has now been superseded by a 'proposed approach to calculating the local housing need' contained within the CLG consultation proposals 'Planning for the right homes in the right places' (September 2017) and it seems unlikely that the LPEG proposals will be taken forward (either in-part or in-full). However, for completeness, Appendix 1 provides an indication of the levels of housing need under the LPEG proposals.

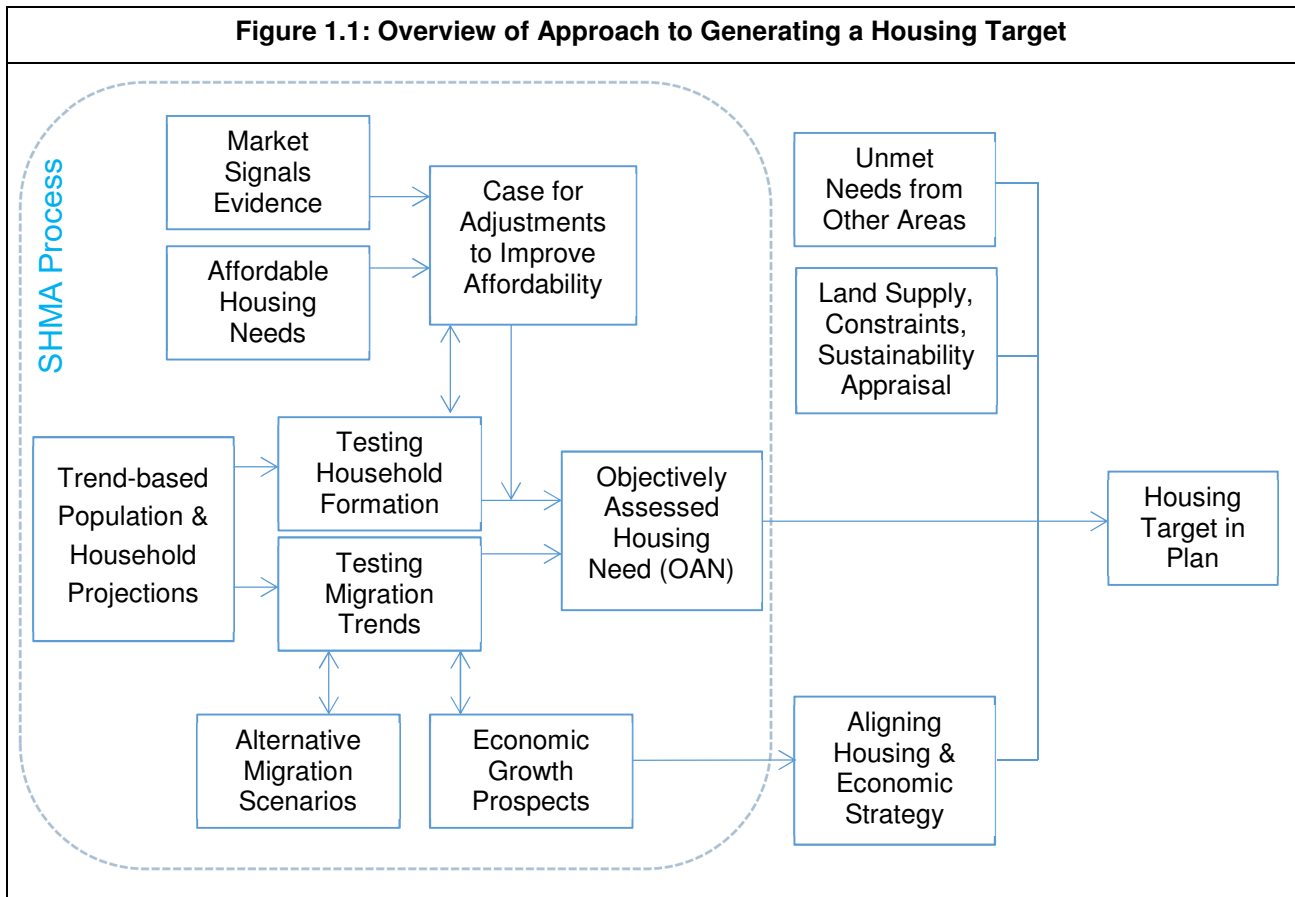**Housing White Paper and subsequent consultation proposals**

1.25   On the 7th February 2017, the Government published a new Housing White Paper *'Fixing our broken housing market'*. The White Paper makes reference to standardising methodologies for assessing housing need, and a proposed methodology was published in September 2017 (Planning for the right homes in the right places: consultation proposals). This is, at the time of writing, only a consultation and it is considered that at present an assessment set against the current PPG is still appropriate. The White Paper also proposes broadening the definition of affordable housing (although the definition of affordable housing need (which is important for this report) remains unchanged).

1.26   With the September consultation document, CLG also published a spreadsheet estimating the impact of the standard methodology for most local authorities. The new approach is to ensure that enough homes are built to meet demographic growth, whilst ensuring that housing is affordable to those who live and work in the local authority. The new approach effectively takes the latest official household projections and increases these with an uplift to address affordability (based on a median house price to income ratio).

1.27   Of relevance to South Lakeland, the consultation proposals note (paragraph 45) that the standard methodology does not work for National Park areas and that authorities may plan for a higher number (for example to support economic growth) – paragraph 46. A full discussion of the implications of the consultation proposals can be found in Appendix 2.

Stakeholder Consultation

1.28   As well as being a technical study of housing need (including specific needs such as affordable housing and the needs of older people) the study has been framed by a programme of stakeholder consultation. Initial consultation was undertaken with local estate/letting agents and private sector landlords to discuss the housing market, as well as specific consultation with regard to self- and custom-build housing. Additionally, all neighbouring authorities were contacted to discuss key Duty-to-Cooperate issues (with the findings from this being presented in Appendix 4).

1.29   As the project developed through draft report stage, a number of presentations and consultation events were undertaken. This included a stakeholder event on the 4th July 2017 and a presentation to Members in the evening of the same day. Following the consultation event, a draft report was published and provided to relevant parties for comment. An account of the consultation event and subsequent comments on the research can be found in Appendix 3.

Overview of the Approach to Deriving Objectively Assessed Need (OAN)

1.30   Based on the above, the diagram below summarises the approach used to derive conclusions regarding the Objectively-Assessed Need (OAN) for Housing. This is driven by the approach in the Planning Practice Guidance (PPG).

Figure 1.1: Overview of Approach to Generating a Housing Target

SHMA Process

Market Signals Evidence

Affordable Housing Needs

Case for Adjustments to Improve Affordability

Trend-based Population & Household Projections

Testing Household Formation

Testing Migration Trends

Objectively Assessed Housing Need (OAN)

Alternative Migration Scenarios

Economic Growth Prospects

Unmet Needs from Other Areas

Land Supply, Constraints, Sustainability Appraisal

Aligning Housing & Economic Strategy

Housing Target in Plan

Introduction: Key Messages

- National planning policies require a SHMA to define the 'full objectively assessed need for market and affordable housing.' This provides a starting point for considering policies for housing provision. The assessment must 'leave aside' constraint factors (such as land availability), however these are relevant in drawing together evidence and testing options in the development of local plans. The SHMA does not set targets for housing provision.

- Government's Planning Practice Guidance sets out how the objectively assessed need for housing should be defined. It sets out that the starting point should be demographic projections, with appropriate assumptions regarding household formation rates. Consideration then needs to be given to economic growth, market signals and affordable housing need. The SHMA follows this approach to identifying objectively assessed housing need (OAN).

- In September 2017, the Government published a consultation document setting out proposals for standardising the methodology for assessing housing need. At the time of writing, this is only for consultation, although the Council should be mindful of the possibility of some change in guidance in the near future. The consultation document is important in South Lakeland as it notes that the methodology is not appropriate for National Park areas (i.e. where local planning authority boundaries do not align with local authority boundaries), and that in such cases *'authorities should continue to identify a housing need figure locally'*.

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2.   Housing Market Geographies

Introduction

2.1   The purpose of this section is to assess the extent of the Housing Market Area(s) (HMA) relevant to the South Lakeland District. The analysis also considers sub-market geographies within the District; largely testing the boundaries currently used by the Council (and which underpin previous SHMA research in the area).

2.2   While South Lakeland District Council has its own defined boundary, parts of the District fall within the Lake District National Park and others fall within the Yorkshire Dales National Park. The respective National Park Authorities are the Local Planning Authority for their area; and for the area outside of the National Park, South Lakeland District Council is the Local Planning Authority.

2.3   The District Council is the housing authority for the entire administrative area. The overall OAN can then be disaggregated to the Council's "plan area" recognising that parts of the District fall within the jurisdiction of two separate National Park Authorities.

Figure 2.1: South Lakeland District
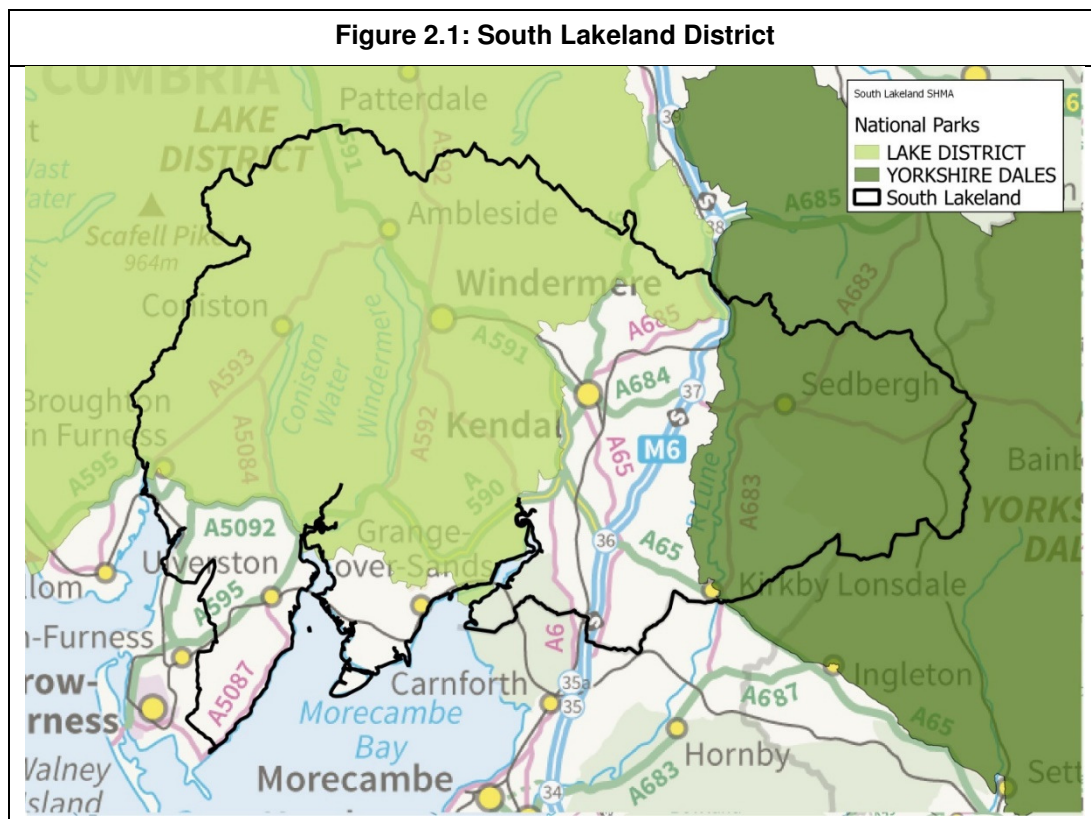
Source: GL Hearn, 2016

2.4   Based on Planning Practice Guidance (PPG)[1], housing market areas are geographical areas defined by household demand and preferences for housing. The guidance identifies three primary sources of information which can be used to define the HMAs. These are:

- **House prices and rates of change in house prices,** which reflect household demand and preferences for different sizes and types of housing in different locations;
- **Household migration and search patterns**, reflecting preferences and the trade-offs made when choosing housing with different characteristics; and
- **Contextual data, such as travel to work areas**, which reflects the functional relationships between places where people work and live.

2.5   No retail or school catchment data has been reviewed when defining HMA in South Lakeland, this is because, in our experience, these tend to be relatively localised, and whilst they may inform the definition of sub-markets, they are less likely to be of use in considering sub-regional housing market geographies.

2.6   We consider that HMAs should be defined based on the 'best fit' to local authority boundaries; albeit those assessments can (and should) recognise cross-boundary influences and interactions. Paragraph 5.21 of the Planning Advisory Service's Technical Advice Note[2] supports this, concluding that:

"it is best if HMAs, as defined for the purpose of needs assessments, do not straddle local authority boundaries. For areas smaller than local authorities, data availability is poor and analysis becomes impossibly complex."

2.7   This approach is widely accepted and is a practical and pragmatic response to data availability. In practice, we recognise that towards the edge of most housing market areas there are likely to be influences in at least two directions reflecting an overlap between HMAs.

2.8   Furthermore, as the official population and household projections are not published below local authority level, nor is the data regarding migration or household formation rates, which are key components of the population and household projections. This prohibits robust development of population projections for areas below local authority level.

2.9   The following section reviews the HMA geographies by taking account of the national research and the latest available data on house prices, migration and commuting flows as the key indicators identified in the PPG.

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[1] paragraph 2a-011
[2] Objectively Assessed Need and Housing Targets: Technical Advice Note, Prepared for the Planning Advisory Service by Peter Brett Associates (July 2015)

National Research on Defining Housing Market Areas

2.10   The Planning Advisory Service (PAS) Technical Advice Note[3] deals with practicalities on defining the Housing Market Areas and the Objectively Assessed Need. This Advice Note, written by Peter Brett Associates (PBA), outlines that in practice, the main indicators used to define HMAs are migration and commuting flows. In Paragraphs 5.5 and 5.6, the Advice Note highlights that:
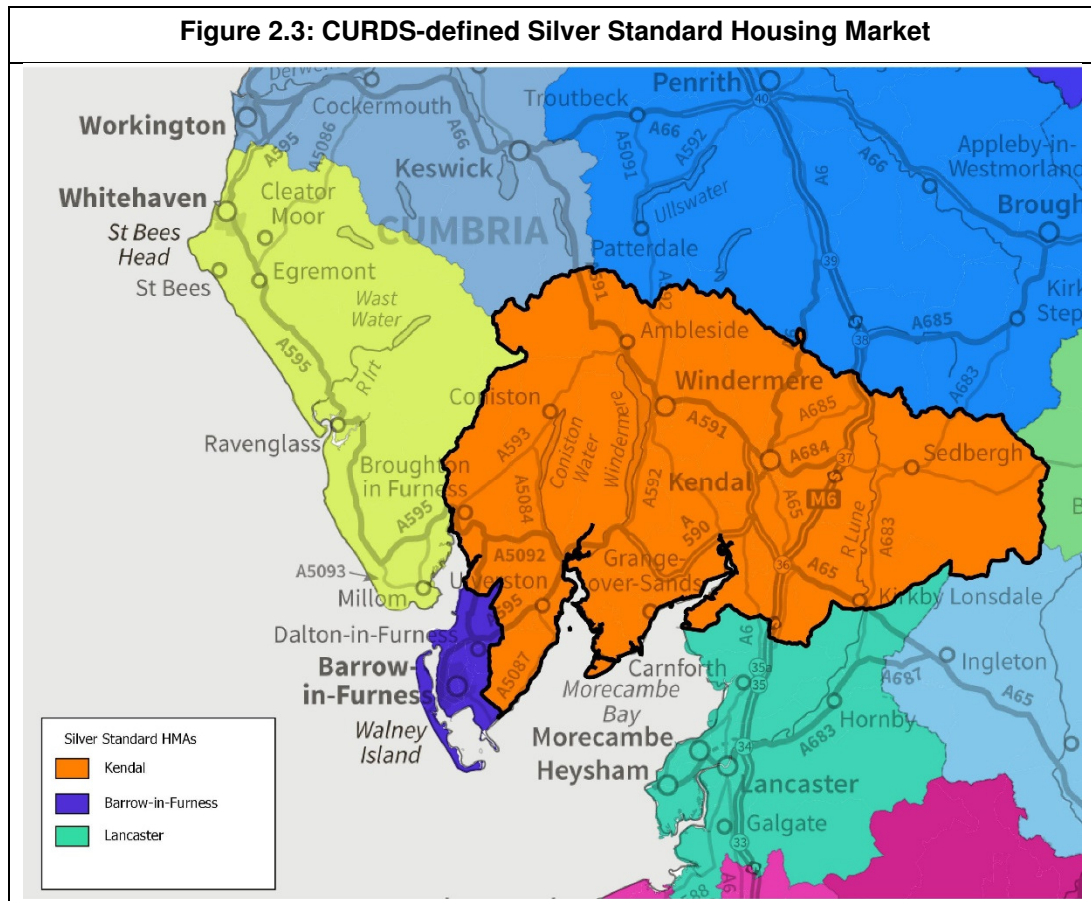
"One problem in drawing boundaries is that any individual authority is usually most tightly linked to adjacent authorities and other physically close neighbours. But each of these close neighbours in turn is most tightly linked to its own closest neighbours, and the chain continues indefinitely.

Therefore, if individual authorities worked independently to define HMAs, almost each authority would likely draw a different map, centred on its own area."

2.11   Paragraph 5.6 of the PAS Advice Note argues that to address this issue, it is useful to start with a "top down analysis" which looks at the whole country. Such an analysis was provided in a research study[4] led by the Centre for Urban and Regional Development Studies (CURDS) at Newcastle University (November 2010). The CURDS study sought to define a consistent set of HMAs across England principally based on the 2001 Census.

2.12   In Paragraph 5.10 PBA emphasise that the CURDS work should be considered only as a 'starting point' and should be 'sense-checked' against local knowledge and more recent data, especially on migration and commuting. The Advice Note concludes that more recent data 'should always trump' the national research.

2.13   We have firstly considered the CURDS gold standard geography which is based on an aggregation of wards to HMAs. As shown in the figure below there are three HMAs in South Lakeland using this definition, namely the Kendal, Barrow-in-Furness and Lancaster HMAs.

2.14   The western part of South Lakeland including Ulverston and Broughton fall within the Barrow-in-Furness HMA. The southern part of the district around Kirkby Lonsdale falls within the Lancashire HMA with the remainder falling within the Kendal HMA.

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[3] Objectively Assessed Need and Housing Targets: Technical Advice Note, Prepared for the Planning Advisory Service by Peter Brett Associates (July 2015)

[4] Jones, C. Coombes, M. and Wong, C. (2010) *Geography of Housing Market Areas in England: Summary Report*

Figure 2.2: CURDS-defined Gold Standard Housing Market

Source: CURDS, 2010

2.15   As a starting point it could be anticipated that the detailed analysis to follow should reveal some links between South Lakeland, Lancaster and Barrow-in-Furness local authorities. However, while this provides an interesting starting point of housing market dynamics within the district, as established earlier, HMAs based on sub-local authority areas are largely impractical. This is also the view of PAS who at Paragraph 5.9 of their Advice Note, state that:

"We prefer the single-tier level because strategic HMAs are often too large to be manageable; we prefer the 'silver standard' because HMAs boundaries that straddle local authority areas are usually impractical, given that planning policy is mostly made at the local authority level, and many kinds of data are unavailable for smaller areas. But for some areas, including many close to London, the single-tier silver standard geography looks unconvincing; in that plan makers should look for guidance to other levels in the NHPAU analysis."

2.16   The CURDS silver standard geography, which are built up from local authorities (as shown in the figure below) identifies a Kendal HMA which does not extend beyond the South Lakeland boundary. The PPG suggests that a HMA should typically achieve a 70% self-containment rate. The CURDS work goes much of the way towards this, establishing HMAs based on 66.7% self-containment. This is examined in more detail using 2011 Census data in the following sub-section.

**Figure 2.3: CURDS-defined Silver Standard Housing Market**

Source: CURDS, 2010

2.17   While this research is based on national-level analysis and provides a useful basis for starting to look at housing market areas, it does not consider more localised inputs. It should also be reiterated that these HMA definitions are based on 2001 Census analysis which is somewhat dated although for some areas the dynamics will not have changed substantially.

2.18   We have therefore sought to establish the most appropriate HMA boundaries through analysis of key indicators set out in the PPG using more up to date information.
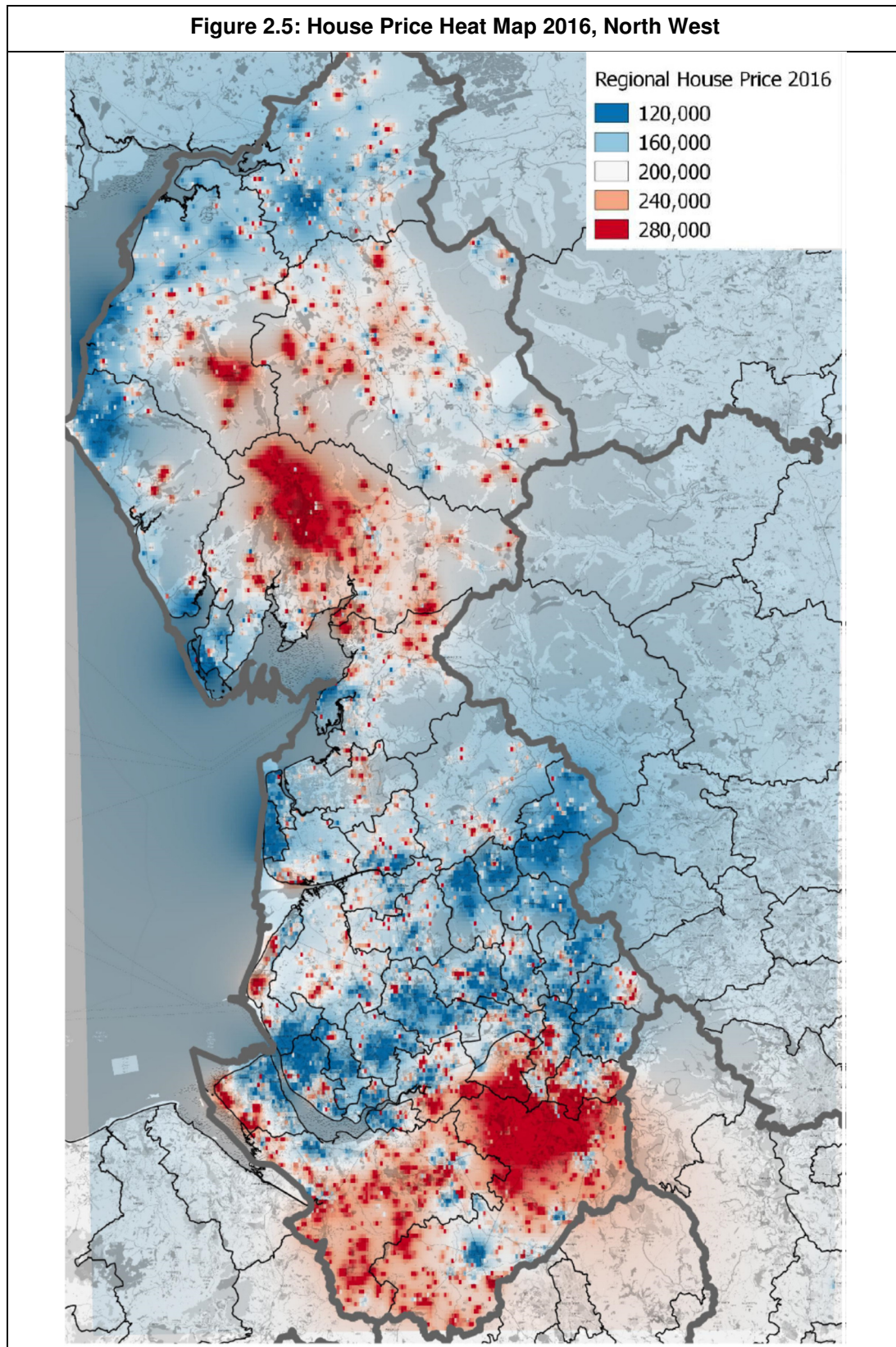
House Prices

2.19   Paragraph 11 of the PPG (ID: 2a-011-20140306) relates to housing and economic development needs assessments. It states that house prices can be used to provide a 'market based' definition of HMA boundaries, based on considering areas which have clearly different price levels compared to surrounding areas.

2.20   With a few exceptions the general house price geography is one of higher housing costs in rural areas with lower housing costs within urban areas. This largely reflects the mix of housing within these respective areas. Although other considerations such as the quality of place, accessibility and, particularly relevant for this study, the demand for second homes also influences house prices.

2.21   Within South Lakeland district the towns of Windermere, Bowness-on-Windermere and the smaller settlements around the lakes are most impacted by second home ownership and retirement properties. Settlements such as Ambleside and Coniston also had a concentration of higher value housing transactions.

2.22   This is illustrated by mapping Land Registry data for 2016 as shown in the figures below (for South Lakeland and the wider North West). However, such is the detailed nature of this data and the wide variation within South Lakeland it is difficult to draw any conclusions on strategic HMA boundaries.

2.23   The figure also illustrates that in relative terms, average house prices are lower in Kendal, Ulverston and Broughton in Furness than elsewhere in the district. There are also relatively low prices in the large village of Milnthorpe.

2.24   Across Cumbria the average (median) house price in 2016 was around £150,000. In South Lakeland, the average price at £218,000 was notably higher and also slightly above the national equivalent of (£207,000) – South Lakeland is the only local authority in the county with an average price above the national average.

Figure 2.4: House Price Heat Map 2016, South Lakeland

Source: Land Registry – GL Hearn 2016
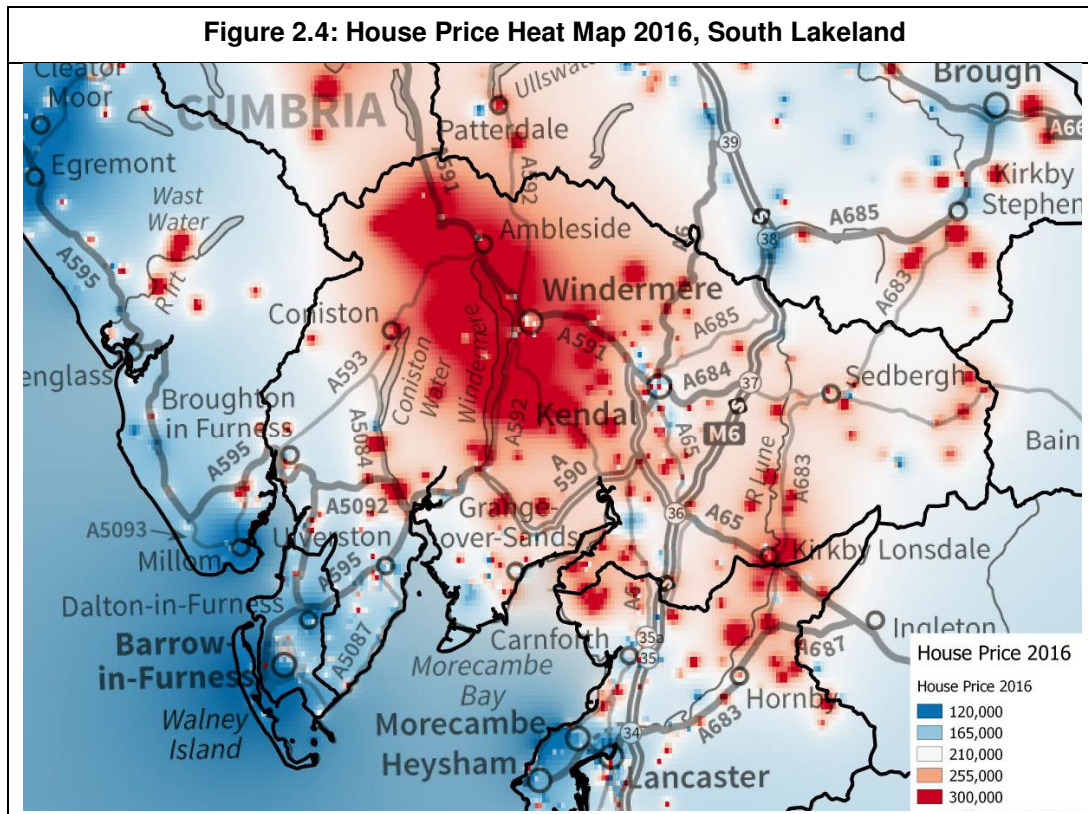
2.25   At a regional level, there are two specific clusters of high house prices compared to the rest of the North West. The first covers Cheshire and in the towns of Wilmslow and Knutsford and the smaller settlements around them which act as affluent commuter areas into Manchester.

2.26   The second relates to the Lake District which as well as those South Lakeland towns listed above also includes parts of the northern lakes such as Keswick and around Ullswater which lie in Allerdale and Eden local authorities respectively.
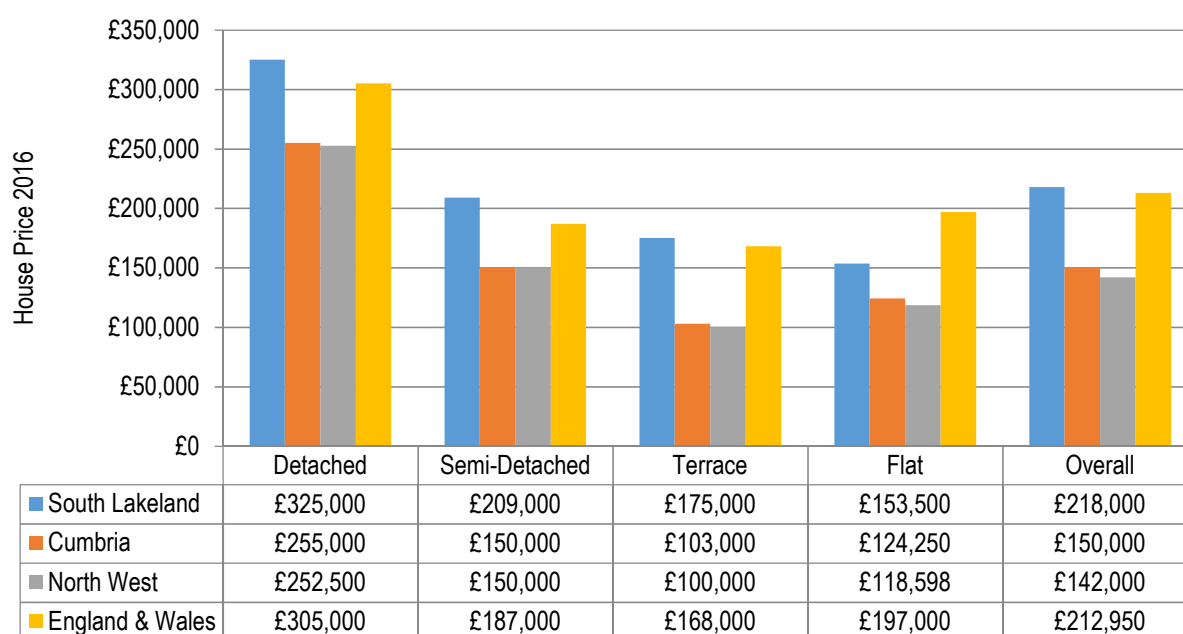
Figure 2.5: House Price Heat Map 2016, North West

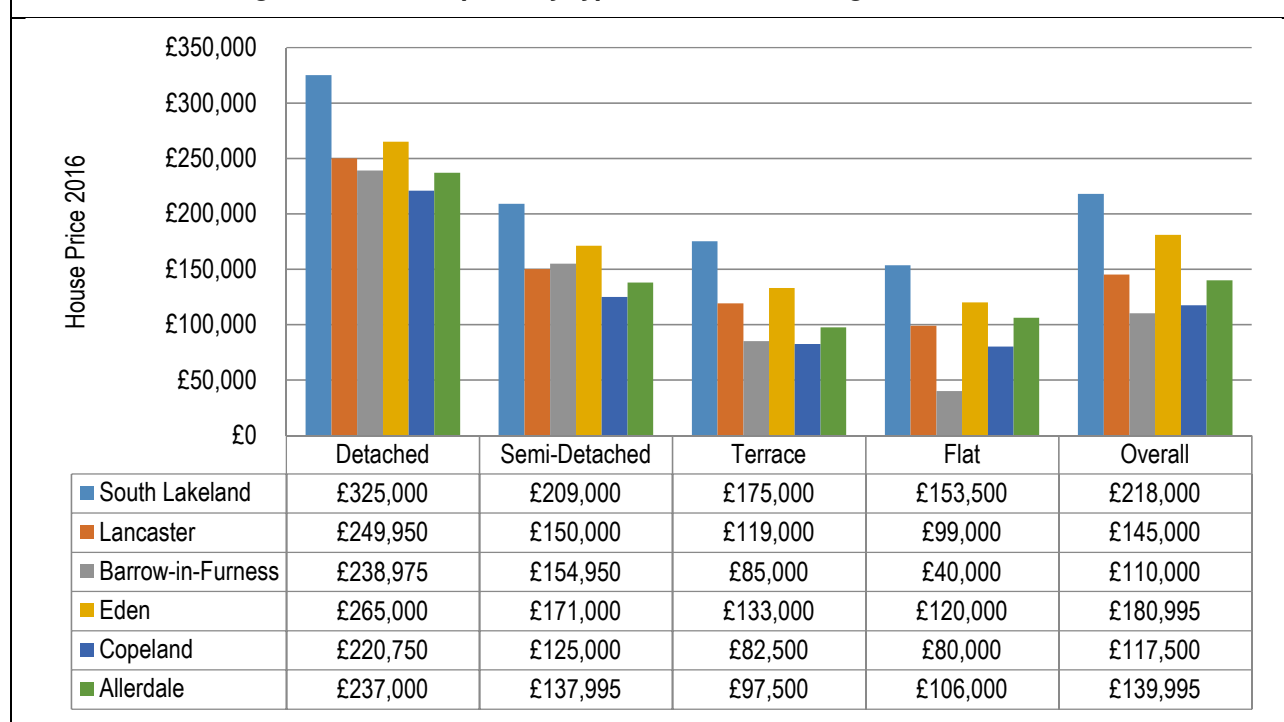Source: Land Registry – GL Hearn 2016

House Price by Type

2.27   Typically, we would expect higher house prices in those areas which have a high percentage of detached properties (rural areas) and lower values in areas where there are more smaller, flatted units (urban areas).

2.28   In order to mitigate this, the average house prices across the range of typologies have been analysed and presented below. This also helps to draw firmer conclusions on HMA areas as the analysis shifts away from more localised data to that based on local authority levels.

2.29   The figure below sets out median house price by type for South Lakeland and the wider comparators; Cumbria, the North West and England and Wales. Similar to the overall average prices South Lakeland prices are significantly above the regional and county equivalents and slightly above the national level for almost all types, the exception being flatted homes, for which the national figure is higher.

Figure 2.6: House price by type 2016, wider comparators

|	Detached	Semi-Detached	Terrace	Flat	Overall
South Lakeland	£325,000	£209,000	£175,000	£153,500	£218,000
Cumbria	£255,000	£150,000	£103,000	£124,250	£150,000
North West	£252,500	£150,000	£100,000	£118,598	£142,000
England & Wales	£305,000	£187,000	£168,000	£197,000	£212,950

Source: Land Registry, 2016

2.30   Similar analysis was undertaken for the surrounding local authorities and this is presented in the figure below. Again, South Lakeland's house prices are well above the surrounding areas for all typologies and this highlights the distinctiveness of the market in South Lakeland compared to its surroundings. This is good indication that South Lakeland could be considered as a housing market area in its own right.

Figure 2.7: House price by type 2016, surrounding local authorities

	Detached	Semi-Detached	Terrace	Flat	Overall
■ South Lakeland	£325,000	£209,000	£175,000	£153,500	£218,000
■ Lancaster	£249,950	£150,000	£119,000	£99,000	£145,000
■ Barrow-in-Furness	£238,975	£154,950	£85,000	£40,000	£110,000
■ Eden	£265,000	£171,000	£133,000	£120,000	£180,995
■ Copeland	£220,750	£125,000	£82,500	£80,000	£117,500
■ Allerdale	£237,000	£137,995	£97,500	£106,000	£139,995

Source: Land Registry, 2016

House Price Change

2.31   The PPG also suggests analysing house price change over the longer period when identifying HMA. The figure below illustrates the median house price trends for the study area between 2001 and 2016. Since 2002 South Lakeland house prices have always been above the wider county and regional comparators. Although in the last year or so the price difference has closed.

2.32   Since around 2004 the gap between South Lakeland and the North West and Cumbria averages has not notably diverted.

Figure 2.8: House Prices 2001 - 2016
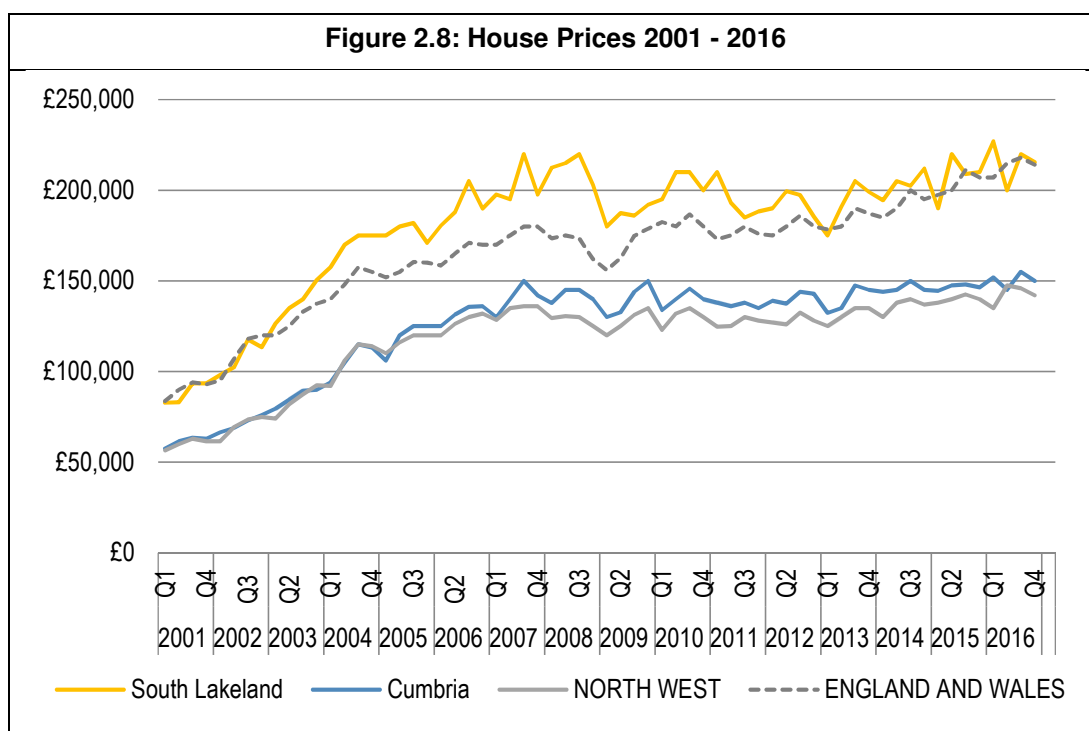
Source: CLG & Land Registry – GL Hearn

2.33   The table below presents house price change analysis looking over 5, 10 and 15 year periods to 2016. The table includes information for the surrounding local authorities of Cumbria, Lancaster as well as the wider comparators.

Figure 2.9: House Price Change 2001 - 2016			
	5-year change	10-year change	15-year- change
	2011Q3- 2016Q3	2006Q3- 2016Q3	2001Q3- 2016Q3
South Lakeland	19%	22%	135%
Allerdale	14%	28%	150%
Barrow-in-Furness	11%	49%	214%
Carlisle	17%	22%	152%
Copeland	10%	22%	156%
Eden	10%	10%	136%
Lancaster	12%	21%	145%
Cumbria	12%	24%	144%
North West	12%	22%	132%
England and Wales	21%	38%	132%

Source: CLG & Land Registry – GL Hearn

2.34   Since 2001 median house prices in South Lakeland have increased by 135%, similar to Eden and slightly above the national and regional equivalent of 132%. The highest increase recorded in Barrow-in-Furness (214%). Although this is from a much lower base.

2.35   Between 2006 and 2016 house prices in Barrow-in-Furness increased by almost 50%. The rate for the same period in South Lakeland is 22% similar to Lancaster, the North West as well as Carlisle and Copeland. The national equivalent over the last ten years is 38%.

2.36   Over the last five years median house prices in the study area increased by 19%, which is the highest across the wider area. Only the national rate is slightly higher up to 21%. House prices in Lancaster, similar to the North West and Cumbria, have a modest increase of 12%. In the same period Eden, Copeland and Barrow-in-Furness had the modest increase across all the comparators of around 10-11%.

2.37   The difference in the rate of change against comparators gives further indication that the housing market in South Lakeland works in isolation from its neighbouring authorities.

Migration Patterns

2.38   Migration flows are an important factor in considering the definition of an HMA. Migration data from the 2011 Census is only publicly available at a local authority level. The Census records migration, asking people where they lived one year prior to Census day. The use of Census data is preferable to other more recent data (such as the NHS Central Health Register) as it records movement within individual local authorities, as well as between them. The NHS data is also reliant on people registering with their local GP, which unlike the Census is not mandatory.

Self-Containment of migration flows

2.39   The core analysis relating to migration is the self-containment rate. Paragraph 11 of the PPG sets out that when defining HMAs:

"Migration flows and housing search patterns reflect preferences and the trade-offs made when choosing housing with different characteristics. Analysis of migration flow patterns can help to identify these relationships and the extent to which people move house within an area. The findings can identify the areas within which a relatively high proportion of household moves (typically 70 per cent) are contained. This excludes long distance moves (e.g. those due to a change of lifestyle or retirement), reflecting the fact that most people move relatively short distances due to connections to families, friends, jobs, and schools."

2.40   The long-distance migration flows can be measured either in terms of those who moved out of or those who moved in to South Lakeland during the 2010-2011 period. By re-calculating the self-containment rate with long-distance moves excluded, this allows plan makers to have a better understanding of the migration flows in the local area and to exclude considerations of lifestyle moves such as those moving for university or retirement.

2.41   For this report, long distance flows are classified as those coming from outside a 50km radius from South Lakeland. In total, there are 15 local authorities which fall into the "short distance" moves category. Table 2 shows self-containment levels of the study area including and excluding long-distance moves.

Figure 2.10: Migration Self-containment in South Lakeland			
All flows		Excluding Long Distance Flows	
Out flows self-containment	In flows self-containment	Out flows self-containment	In flows self-containment
59.39%	59.44%	77.07%	79.79%

Source: Census 2011

2.42 The self-containment rate of the study area including long distances is around 60%. When the analysis excludes long-distance migration flows, including those moving to the area to retire, the self-containment for South Lakeland increases to 77-80%. Therefore, South Lakeland can, by this measure, be a HMA in its own right based on the PPG definition.

2.43 In addition, we tested the migration self-containment rates for both Lancaster and Barrow-in-Furness. These areas were chosen as the CURDS work previously identified some overlap. The table below presents the findings.

Figure 2.11: Migration Self-containment in Lancaster and Barrow-in-Furness				
	All flows		Excluding Long Distance Flows	
	Out flows self-containment	In flows self-containment	Out flows self-containment	In flows self-containment
Lancaster	67.78%	63.28%	87.24%	83.85%
Barrow-in-Furness	73.37%	77.04%	84.96%	86.56%

Source: Census 2011

2.44 Both areas have high self-containment rates; above 85% once long-distance moves are excluded. This level of self-containment exceeds the typical 70% threshold which is set out in PPG. As such both local authorities could be seen as individual markets in their own rights. Therefore, there is no justification for them to be aligned into a single market with South Lakeland.

Major gross flows across the wider area

2.45 Typically, this data source reveals larger flows between authorities which are close to or border one another and between cities and student towns around the country. In South Lakeland, internal migration flows numbered around 5,500 between 2010 and 2011 with the major gross external flows including Lancaster (900 moves) and Barrow-in-Furness (742 moves).

2.46 The scale of any gross flow is partly influenced by the population of the authorities involved, with for instance the expectation that two large urban authorities would support stronger flows than two smaller ones. Taking this into account, the figure below standardises the analysis of gross flows to take account of the combined population of the different authorities involved. This is expressed as the gross flow per combined 1,000 head of population. Effectively this illustrates the inter-relationships between the study area and their surroundings weighted to reflect the size of the combined population.

Figure 2.12: Gross weighted migration flows (>0.5)

Source: Census 2011 – GL Hearn

2.47   There are only three authorities that have gross flows per 1,000 people above two, those being Barrow-in-Furness (4.3) and Lancaster (3.7) – the next highest flow (Eden at 1.6) is less than half of those figures. The data behind this map is presented in the table below.

Figure 2.13: Gross Flows weighted to population, South Lakeland					
	Out to	In from	Gross	Combined Population	Gross Per '000 Head
South Lakeland	5,520	5,520	5,520	207,316	26.63
Barrow-in-Furness	358	384	742	172,745	4.30
Lancaster	592	308	900	242,033	3.72
Eden	128	123	251	156,222	1.61
Copeland	64	100	164	174,261	0.94
Allerdale	89	84	173	200,080	0.86
Craven	71	65	136	159,067	0.85
Carlisle	77	94	171	211,182	0.81
Wyre	61	52	113	211,407	0.53
Preston	71	51	122	243,860	0.50

Source: Census 2011 – GL Hearn

2.48   As noted earlier South Lakeland as well as Barrow and Lancaster all have self-containment rates exceeding the typical 70% threshold set out in the PPG.

Statistically Significant Migration Flows

2.49   The ONS also identify the most statistically significant migration flows between local authorities. These are based on the scale and range of flows within each local authority between 2011 and 2014. The statistically significant flows to/from South Lakeland are presented in the table below ordered by the strength of flow.

| Figure 2.14: Statistically Significant flows from/to South Lakeland (2011-2014)			
	Inward Annual Average	Outward Annual Average	Gross Average
Lancaster	490	520	1,010
Barrow-in-Furness	480	440	920
Total	4,620	4,380	9,000

Source: ONS – Neighbourhood Statistics

2.50   The findings reveal that the most statistically significant flows are those with Lancaster and Barrow-in-Furness, reflecting the CURDS gold standard geographies and our own analysis of migration flows. Although each of these local authorities only represent around 10% of all moves involving South Lakeland.

Commuting Flows

2.51   The analysis of commuting flows provides important evidence of the functional relationships between different areas. We have sought to consider commuting dynamics taking account of the Office for National Statistics definition of Travel to Work Areas (TTWAs), together with more detailed interrogation of local commuting dynamics using the 2011 Census.

2.52   The official TTWAs aim to identify self-contained labour market areas, i.e. areas in which the majority of commuting occurs within the boundary of the area. It should however be recognised that in practice, it is not possible to divide the UK into entirely separate labour market areas as commuting patterns are too diffuse.

2.53   The TTWAs have been developed as approximations of self-contained labour markets, as such they are based on a statistical analysis rather than administrative boundaries. There are two types of self-containment that are analysed: the resident self-containment which is the percentage of employed residents who work locally and; jobs self-containment which is the percentage of local jobs taken by local residents.

2.54   The criteria for defining TTWAs were that at least 75% of the area's resident workforce works in the area and at least 75% of people who work in the area also live in the area in most instances. The area must also have had a working population of at least 3,500 people. However, for areas where the working population is in excess of 25,000 people, self-containment rates as low as 67% were accepted.

2.55   As illustrated in the figure below, South Lakeland falls within the Kendal and Barrow-in-Furness Travel to Work Areas (using 2011 Census data, published in 2015). Those parts falling within the Barrow-in-Furness TTWA include Ulverston, Coniston and Broughton as well as Barrow-in-Furness local authority. This largely aligns with the CURDS gold standard definition for the Barrow HMA.

Figure 2.15: Travel to Work Areas 2011
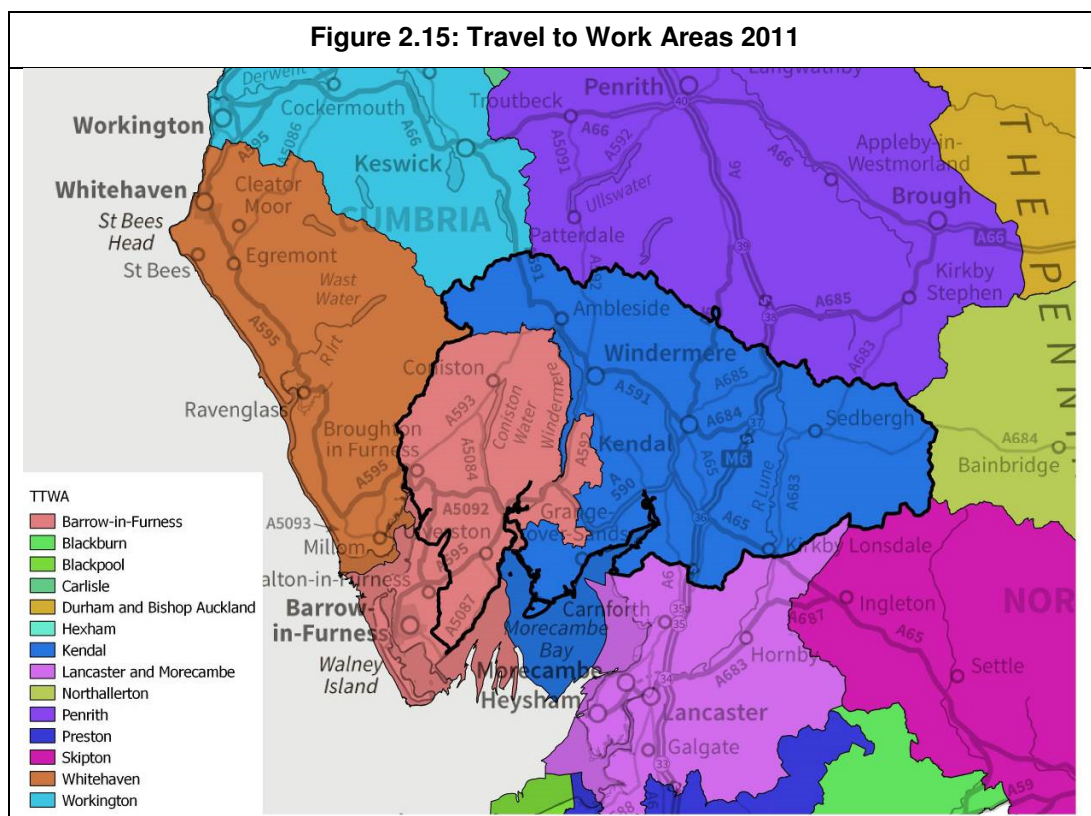
Source: ONS 2015

2.56   The remaining part of the District is contained within the Kendal TTWA, including Kirkby Lonsdale which was seen as part of the Lancaster HMA under CURDS gold-standard. The Kendal TTWA does not extend beyond South Lakeland. The table below presents the self-containment rates across these two areas.

Figure 2.16: Self-containment of Travel to Work Areas (TTWA)		
	Supply-side self-containment (% employed residents who work locally)	Demand-side self-containment (% local jobs taken by local residents)
Kendal TTWA	84.0%	80.2%
Barrow-in-Furness TTWA	87.8%	89.7%

Source: 2011 Census ONS

2.57   Although these are statistically robust definitions of travel to work areas, they are difficult to use for HMA definitions as they usually cut across local authority boundaries. We have therefore firstly sought to consider the self-containment rates at a local authority level.

2.58   Analysis of the location of workplace for the residents of South Lakeland and the location of residence of those that work in the area is presented in the following paragraphs. This data draws from the Census 2011.

2.59   The table below presents the major commuting flows (>1%) to the study area. In total South Lakeland is the workplace location for around 55,600 people. The analysis reveals that around 74% of South Lakeland's workforce also resides in the area. Only 16% of all the UK's local authorities have such a high rate of self-containment.

Figure 2.17: Major Commuting Flows to South Lakeland (>1%)		
Place of residence	Flows	% Workforce
South Lakeland	41,189	74.1%
Barrow-in-Furness	2,778	5.0%
Lancaster	2,289	4.1%
Eden	734	1.3%

Source: ONS – Census 2011

2.60   The table below presents the major commuting flows (>1% residents) from South Lakeland. In total, South Lakeland has around 51,400 people who are in employment. Around 80% of the district's residents also work in the area with a further 7% working in Barrow-in-Furness and 2.1% working in Lancaster. It should be noted that only 6% of the local authorities across the UK have that high rate.

Figure 2.18: Major Commuting Flows from South Lakeland (>1%)		
Workplace	Flows	% Residents
South Lakeland	41,189	80.2%
Barrow-in-Furness	3,700	7.2%
Lancaster	1,070	2.1%
Carlisle	554	1.1%

Source: ONS – Census 2011

2.61   This high level of job self-containment rate indicates that by this measure South Lakeland could reasonably be considered as a HMA in its own right.

Statistically Significant Commuting Flows

2.62   Finally, ONS also publish statistically significant commuting flows for each local authority. Again, these are based on the range and scale of flows in each location. The results for South Lakeland are presented in the table below. The findings show that the most statistically significant flows are those with Lancaster and Barrow-in-Furness.

Figure 2.19: Statistically Significant flows from/to South Lakeland		
Direction	Inward	Outward
Lancaster	3,046	2,007
Barrow-in-Furness	2,695	3,324
Total	9,704	9,315

Source: ONS – Neighbourhood Statistics

2.63   However, in absolute figures only around 17% of the total workforce comes from areas outside of South Lakeland and around 18% of the area's working population travel outside of South Lakeland for work. This again points to South Lakeland being a HMA in its own right.

Lancaster and Barrow – views on HMAs

2.64   The analysis above has identified that South Lakeland can be considered as a housing market area; with the strongest links being with Lancaster and Barrow-in-Furness. As a check on this, reference is made below to views about HMAs in the respective SHMA research in each of those areas. As can be seen, reports for both Lancaster and Barrow-in-Furness conclude that the local authorities can each be considered as a HMA, with neither report suggesting that South Lakeland is also part of the same HMA.

Lancaster

2.65   Lancaster published an *Independent Housing Requirements Study* in October 2015 (Turley Economics). Section 2 of the report dealt with *'Defining the Housing Market Area Geography'* and below are some of the key findings from the study in that respect.

2.30 The updated evidence does, however, continue to suggest that Lancaster operates as a self-contained housing market area. New migration data from the 2011 Census shows that 67% of people who moved from an address in Lancaster during the year before the Census remained within the district, with only limited relationships with other authorities and no single authority standing out as having a more distinct relationship.

2.31 Commuting data from the 2011 Census – as detailed within the RELP – also shows that there is a containment of labour within Lancaster, with over 77% of residents occupying jobs in the district. Furthermore, around 83% of jobs in Lancaster are taken by residents in the authority, showing that Lancaster residents form a sizeable part of the workforce.

2.33 Collectively, the indicators presented in this section suggest that it remains appropriate to consider Lancaster as a single self-contained housing market area, in accordance with the PPG. This therefore provides a suitable geography for assessing housing needs.

Barrow-in-Furness

2.66   In Barrow, the most recent assessment is a Strategic Housing Market Assessment Addendum (March 2017) from ARC4. This report also considers *'Defining the Housing Market Area'* within Section 2; below are the key findings from that section.

2.18 Regarding migration, analysis of the 2011 census identifies containment ratios of 84% (origin) and 80.9% (destination). Barrow in Furness Borough can therefore be described as a self-contained housing market on the basis of migration.

2.19 Regarding travel to work, 83% of people who live in Barrow in Furness Borough work in the Borough; and 82.5% of workers in Barrow in Furness live in the Borough. The Borough is therefore self-contained in terms of travel to work.

2.20 For the purposes of Local Plan policy making, Barrow in Furness Borough is an appropriate Housing Market Area for determining Objectively Assessed Need and a Housing Requirement.
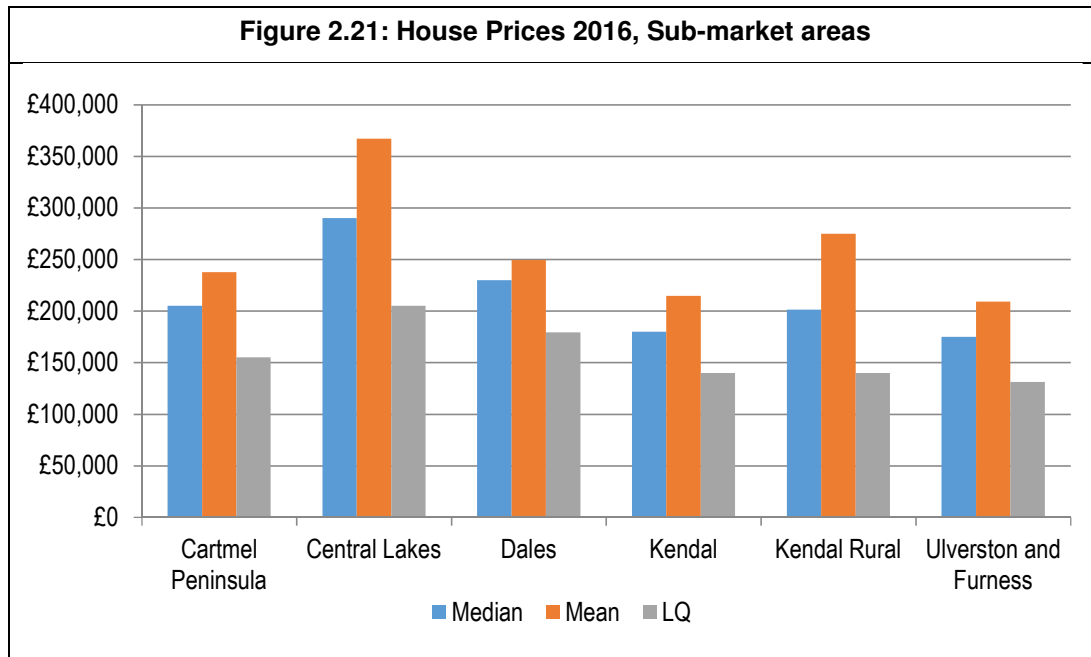
Housing Sub Market Areas

2.67   This section presents a detailed analysis of the housing sub-market areas within South Lakeland. These were previously defined in the South Lakeland SHMA 2014 using data which has not been subsequently updated. We have therefore tested whether these areas can still be considered as reasonable sub-market areas of the district and whether these can be further disaggregated.

2.68   The 2014 SHMA identified six sub areas across the district, although these were identified as market areas rather than sub-markets. These areas were tested for their self-containment rates within the ARC4 work and all did not achieve the typical 70% threshold. They were however identified as having "unique characteristics".
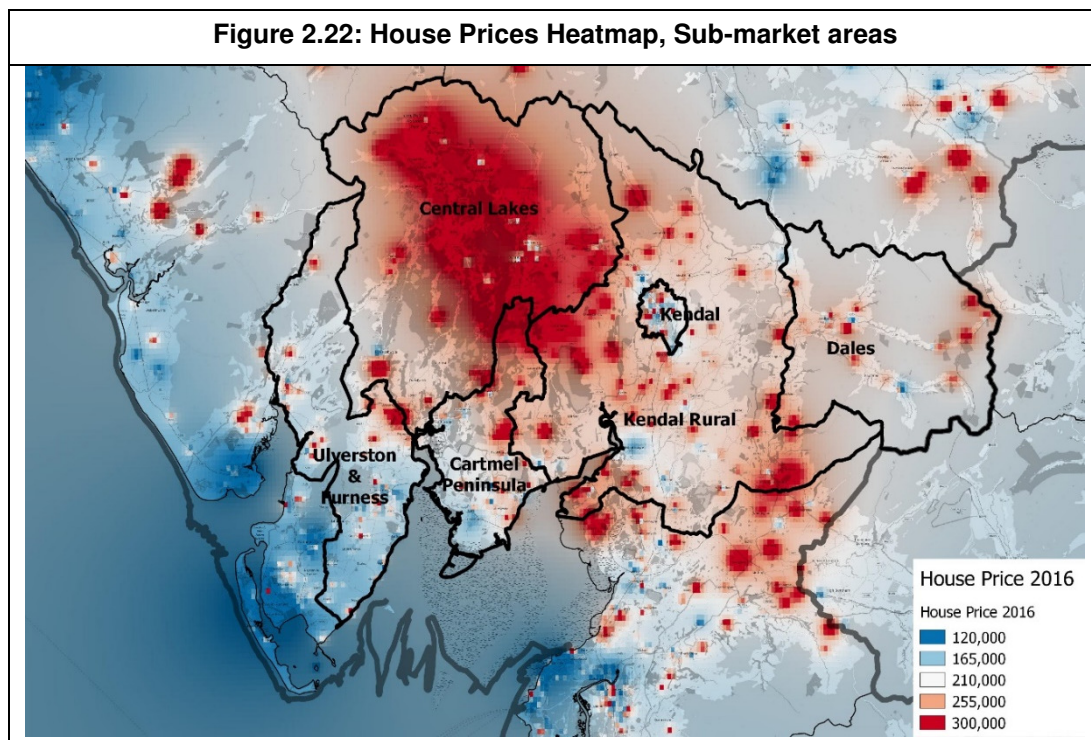
2.69   The figure below illustrates the sub markets within South Lakeland. These can be summarised as follows:

- Ulverston and Furness – The most western sub-area includes the towns of Ulverston and Broughton in Furness. The northern part of the sub area falls within the Lake District National Park;
- Central Lakes – Includes Coniston Water and Lake Windermere and the surrounding towns and villages. This includes the major towns of Ambleside, Windermere and Bowness. Much of the area falls entirely within the Lake District National Park;
- Cartmel Peninsula – This sub- area is largely rural but includes the town of Grange-over-Sands. The northern part of the sub area falls within the Lake District National Park;
- Kendal – This is the smallest in area of all the sub-areas and encompasses the district's major town;
- Kendal Rural – There are no major towns in the sub-area although there are a great many villages. The northern and western extremes fall within the Lake District National Park with the eastern parts within the Yorkshire Dales National Park;
- The Dales – This this the eastern most sub-area and falls entirely within the Yorkshire Dales National Park. The only major settlement in the sub-area is Sedbergh.

Figure 2.20: Sub-market areas

Source: Arc 4 – GL Hearn

2.70   In testing whether these sub-areas remain appropriate for analytical purposes we have focused on house prices and commuting inter-relationships. Data regarding migration is not publicly available at a sub local authority level, therefore this has not been reviewed.

House Price Analysis

2.71   House price analysis has been based on all sales in 2016, with the detailed house price analysis at sub-area level presented in the figures below. This shows the much higher price of properties in the Central Lakes sub-area, this includes the area around Windermere and Coniston Water which as well as having the highest cost property also concentrates a lot of housing market activity.

2.72   The provision of holiday accommodation plays an important role in sustaining the local economy. However, driven by the landscape and the quality of the place, 2nd home ownership is also a notable driver of house sales in the area. The official figures, which are likely to be an underestimate, suggest that 33% of parishes in the National Park have more than 20% of their housing stock used as holiday homes[5].

2.73   The median house price in the Central Lakes sub areas (£290,000) is around £60,000 higher than the next most expensive sub-area, the Dales. It is also £77,000 (36%) higher than the national equivalent and £148,000 (105%) higher than the regional comparator.

2.74   The Dales sub-area, closely followed by the Kendal Rural sub-area, has also seen high sales costs in 2016. The Dales sub-area lies entirely with the Yorkshire Dales National Park, while half of the Kendal Rural sub-area is covered by both National Parks as well as the Arnside and Silverdale AONB. The sales activity in these two areas is the lowest due to their rural nature.

2.75   The Cartmel Peninsula sub-area has seen similar house prices to the Kendal Rural and Ulverston and Furness sub-areas. However, the type of properties and the total activity in the latter is more relevant to urban or suburban areas rather than rural area.

2.76   Finally, the Kendal sub-area is the main urban area and is the location of the highest amount of purchases (over a third), followed by Central Lakes and Ulverston and Furness with 22% (each). As expected the house prices in this urbanised area are lower in comparison to the rest of the District. This reflects the mix of housing in this area being skewed towards smaller properties.

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[5] Holiday Houses and Sustainable Communities in South Lakeland – Cabinet Report, April 2014
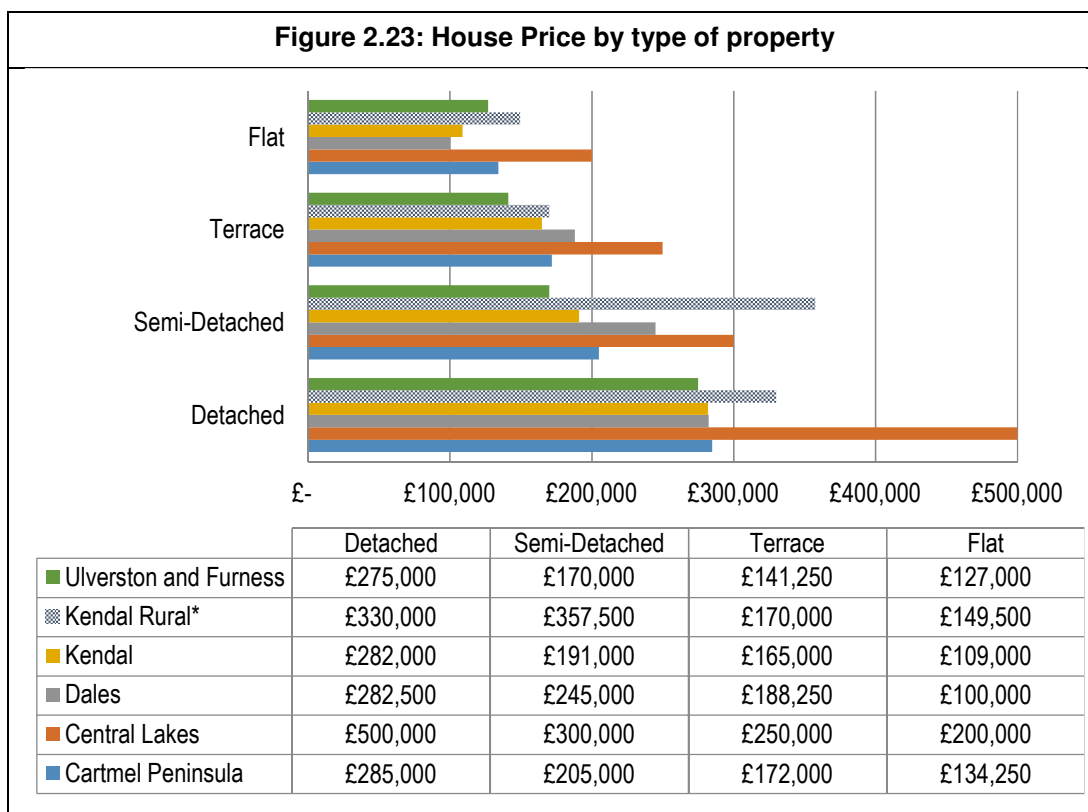
Figure 2.21: House Prices 2016, Sub-market areas

Source: Land Registry – GL Hearn

Figure 2.22: House Prices Heatmap, Sub-market areas

Source: Land Registry – GL Hearn

2.77 The figure above allows us to identify any differences within the identified sub market. However there appears to be relative constancy across them. With the exception of very localised hotspots there are a few notable differences. These are set out below.
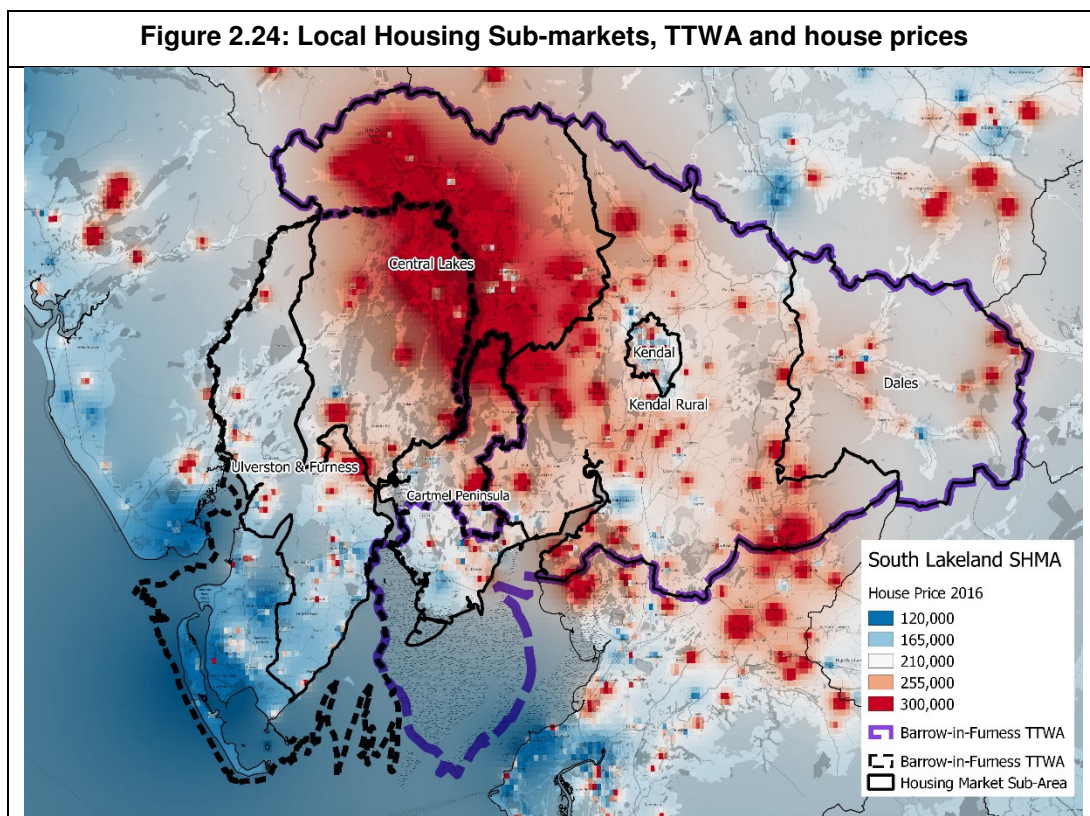
2.78   The western part of the Central Lakes sub-area appears to have lower house prices than the eastern part. This suggests that the Coniston market is not as expensive as the Windermere market. This may well reflect the relative lack of access to services and transport network in Coniston compared to Windermere, although the relatively small number of sales means that some caution should be exercised with these findings.

2.79   The Kendal Rural and to a lesser extent the Cartmel Peninsula sub-areas appear to have higher house prices in the areas within the National Park than those outside of it. Again, this may reflect demand for second home ownership in the National Parks.

2.80   To standardise for the different mix of dwellings, the figure below presents a breakdown of median costs by property types for each sub-area. It should be noted that in some areas the total number of sales are relatively small, in particular the Kendal Rural sub-area, which only accounted for 20 sales.

2.81   This again demonstrates the significant cost of housing in the Central Lakes sub-area, particularly for detached properties (£500,000). This is around 51% higher than the next nearest sub-area for detached properties.

2.82   Only semi-detached values in the Kendal Rural sub-area exceed those for Central Lakes although again this is partly reflective of a very small number of sales.

2.83   For most types of property, the Ulverston and Furness sub-area had the lowest cost. The exception being flatted properties which were cheapest in the Dales sub-area. Again, this reflects only a very small number of sales.

Figure 2.23: House Price by type of property

	Detached	Semi-Detached	Terrace	Flat
Ulverston and Furness	£275,000	£170,000	£141,250	£127,000
Kendal Rural*	£330,000	£357,500	£170,000	£149,500
Kendal	£282,000	£191,000	£165,000	£109,000
Dales	£282,500	£245,000	£188,250	£100,000
Central Lakes	£500,000	£300,000	£250,000	£200,000
Cartmel Peninsula	£285,000	£205,000	£172,000	£134,250

Source: Land Registry – GL Hearn *small sample size*

Local Commuting Patterns

2.84   We considered the local commuting patterns as analysed through the travel to work areas and through our own analysis of Census data. The figure below presents the spatial distribution of the sub-areas and the relevant Travel to Work Areas overlaid on the house price map.

2.85   This shows a notable lower cost of housing for the southern parts of the Barrow-in Furness TTWA which within South Lakeland aligns with the Ulverston and Furness sub-area. The Northern part of the Barrow-In Furness TTWA within South Lakeland coincides with the western parts of the Central Lakes sub-area and thus has notably higher house prices.

2.86   House prices also peak in those parts of the Kendal TTWA which are co-located in the Central Lakes sub-area. With the Kendal Urban and Cartmel Peninsula sub- areas seeing significantly lower house prices still. The Dales and Kendal Rural Sub areas have a wide range of values but are generally higher than those in the urban area.

Figure 2.24: Local Housing Sub-markets, TTWA and house prices

Source: Derived from Land Registry and Census 2011

2.87   The figure below presents more localised commuting flows (based on Output Areas) to Kendal and Barrow-in-Furness. These have been used to help understand the inter-relationships across the neighbouring areas as well as to assess the dynamics and the spatial catchment of both Towns.

2.88   The flows of Ambleside and Windermere are mainly to Kendal, but people from the southwest part of Central Lakes sub-area including Coniston, the Ulverston and Furness and Cartmel Peninsula commute to both Kendal and Barrow.

2.89   In the case of Ulverston, there are clear economic inter-relationships with Barrow. Finally, the residents of Cartmel Peninsula commute mainly to Kendal for work rather than Barrow.

2.90   Although Barrow has more people commuting into it for work (over 27,000 in-flows) compared to Kendal (8,000 in-flows) this is concentrated in Barrow-in-Furness District. Kendal's catchment covers a wider area across South Lakeland.

2.91   The Central Lakes sub-area is the only sub-area which has key commuting dynamics in two directions. As with house prices the Coniston area which links to Barrow has different commuting pattern to that of Windermere which has closer links to Kendal.

Figure 2.25: Commuting Flows to Kendal and Barrow-in-Furness for work
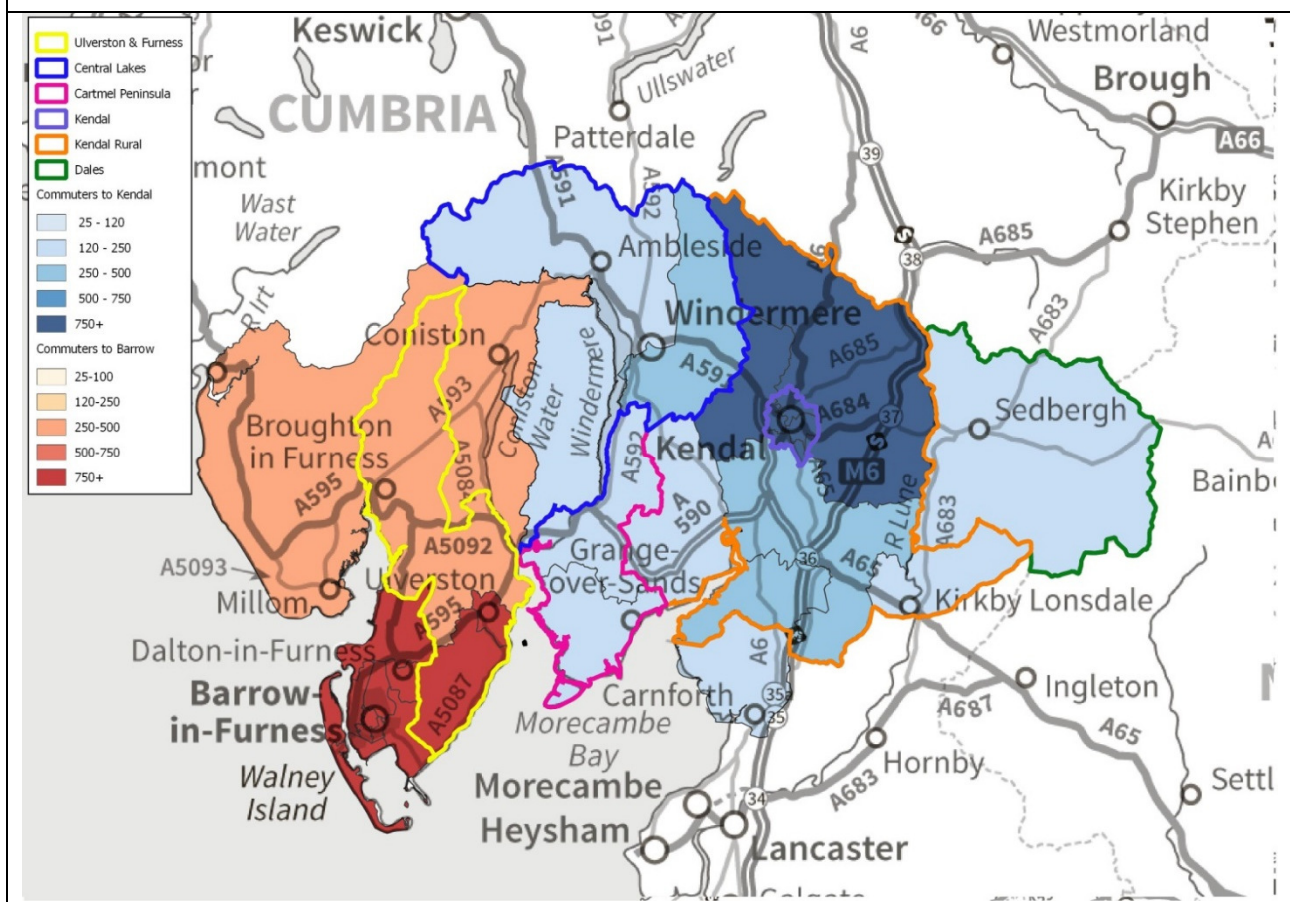
Source: Census 2011

Qualitative assessment of the housing market area and its sub-areas

2.92   As part of our work with stakeholders we asked estate and letting agents a series of questions about the characteristics of the local housing market area in which they operated. To further inform this chapter we asked about self-containment, incomers and commuting. This work occurred mainly in areas outside the national parks.

2.93   Based upon their evidence we concluded that there was very little interaction between the main towns and towns in neighbouring districts. Having visited the area, we would observe that this is not surprising given the considerable distance between the larger towns within and outside the district. The exception to this was Ulverston, where evidence reported in a later section suggests that there is a growing interaction due to the BAE operation in Barrow. We were told that there were relatively few long-distance re-locations and those that did occur were work related.

2.94   Letting agents described a wider market in that due to very strong demand for vacancies households had to have a wider area of choice. Agents in Kendal told us that investors were keen to acquire good quality homes for young professionals some of whom would work in Lancaster.

2.95   Estate agents in Grange-over-Sands, Milnthorpe and Kirkby Lonsdale described a different situation. They told us that a significant amount of resale residential housing would find its way into the holiday market either as second homes or holiday lettings. The agent at Milnthorpe told us that 20 out of the last 34 sales were incomers but clarified that 6 of the incomers were in-fact returners. The agent at Grange-over-Sands described a similar situation but was unable to quantify the proportion of incomers. The effect was the same in all cases, demand from incomers was driving up prices beyond the reach of many local people and lower income households including many first-time buyers. However, some households would seek to return later in life if income and equity enabled them to do so.

2.96   In our experience, new build housing, especially large sites developed by national housebuilders attracts incomers. These are typically people re-locating for economic or retirement reasons. Across the District, we mainly observed small scale and infill development during our visit, although in and around Kendal there were a small number of larger sites (of at least 50 homes). These largely appeared to be in the early stages of construction and/or did not have on-site sales staff with whom a discussion about the profile of buyers could be discussed.

Housing Market Sub-Area Conclusions

2.97   The Kendal sub-area is the most urban area across the district and has uniquely low house price values in the district. The area is also the key employment centre in the district and justifies its own sub-market area.

2.98   In the case of Ulverston and Furness the sub-area has similar house prices to Kendal and the Cartmel Peninsula however it has notably different commuting patterns with a focus towards Barrow-in Furness. Therefore, it is reasonable to be considered as a separate housing market sub-area.

2.99   The Kendal and Cartmel Peninsula sub-areas have similar housing markets but they cannot be considered as a single sub-area because of the difference in their stock of housing and their urban/suburban character. In addition, there is significant geographical distance between the two.

2.100   While the Rural Kendal and Dales sub-areas both have low housing activity and modest values (compared to the rest of the District) their commuting patterns, housing mix and accessibility differ and therefore should be considered as separate sub-markets.

2.101   Although there appears to be some rationale for splitting the Central Lakes sub area into a Coniston sub-area and a Windermere sub-area there remains a case for keeping the sub-area as one. Firstly, all of the area falls under the jurisdiction of the National Park and has higher prices housing than any other parts of the district regardless of the Coniston or Windermere distinctions. Secondly the sub-areas are already small areas and dividing them further leads to diminishing returns in terms of the quality of data availability and thus the quality of the analysis. It would therefore be more pragmatic to keep the area as a single sub-area.

2.102   The Lakes Central sub-area is quite distinctive in comparison to the other sub-markets due to the tourism activity driving the second home market and subsequently house prices in the sub-market. In drawing the analysis together there appears some rationale for maintaining the existing sub-areas.

2.103   To conclude we have analysed and assessed the six housing sub-market areas of South Lakeland district and consider that **they remain suitable geographies to assess local housing needs.**

HMA Conclusion

2.104   According to PPG the HMA is "*a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. The extent of the housing market areas identified will vary, and many will in practice cut across various local planning authority administrative boundaries. Local planning authorities should work with all the other constituent authorities under the duty to cooperate.*"

2.105   In drawing the analysis together there is clearly evidence to suggest that South Lakeland is a Housing Market Area in its own right. The analysis of the 2011 Census migration data highlights high levels of self-containment for South Lakeland. In particular, when long-distance moves are excluded self-containment reaches 80%. This is considered significant and also exceeds the 70% threshold set out in the PPG.

2.106   The gross flows between adjacent authorities in the case of South Lakeland are considered modest. We assessed the gross flows weighted by each areas population to reveal the strength of their inter-relationships. In the case of South Lakeland, the strongest relationships are with Barrow-in-Furness (4.3) and Lancaster (3.7). However, both these areas have high rates of self-containment (both above 85%).

2.107   The house price analysis complements the migration findings and highlights the distinctiveness of the market in South Lakeland compared to its neighbouring authorities. To be more specific, South Lakeland's housing market appears significantly stronger than the majority of the North West Region. In addition, across Cumbria, only South Lakeland exceeds the national average price. In contrast, the house prices of all the surrounding authorities fall on an average of £60,000 below the national figure.

2.108   Another important source of information that was analysed are commuting patterns. Again, the job self-containment rates suggest that South Lakeland is a HMA in its own rights. With 74% of South Lakeland's workforce also residing in the area and 80% of the resident working population also working in the area.

2.109   To summarise there is a high level of self-containment in both migration and commuting flows and the housing dynamics are distinctive compared to surrounding authorities. **The triangulation of this data strongly supports South Lakeland being a Housing Market Area in its own rights.**

2.110   At a local level, the six Housing Sub-Market Areas previously identified are considered suitable geographies to assess the local housing issues. Each sub-area has its own characteristics however there are strong links and similarities across all of them (unsurprising given they are all part of the same HMA).

2.111   We recognise that in reality the geographies of functional market areas will not precisely fit to local authority boundaries and at the borders of any area there are often links and overlaps with the adjoining areas.

2.112   Our analysis, as well as ONS statistically significant flows and CURDS' historic definitions reveal notable relationships with Barrow-In Furness and Lancaster. We recognise these localised interactions. While they do not impact on our HMA definitions cross-boundary strategic issues with these areas should still be addressed through the Duty to Cooperate.

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Housing Market Geographies: Key Messages

- The NPPF states that local planning authorities should use their evidence base to ensure Local Plans meet the full, objectively assessed needs for market and affordable housing in their housing market area (HMA). It is therefore important for the SHMA to identify the extent of the HMA.

- In simple terms, the HMA is a geographical area in which the majority of people, who move, will move within. It also reflects functional relationships between where people live and work. However, defining housing market areas is an inexact science and there is no single source of information that will clearly identify housing market areas.

- In drawing the analysis together there is clearly evidence to suggest that South Lakeland is a Housing Market Area in its own right. The analysis of the 2011 Census migration data highlights high levels of self-containment for South Lakeland. In particular, when long-distance moves are excluded self-containment reaches 80%. This is considered significant and also exceeds the 70% threshold set out in the PPG. Analysis of commuting patterns and job self-containment also confirm that South Lakeland is an HMA in its own right.

- House price analyses complement the migration and commuting findings and highlight the distinctiveness of the market in South Lakeland compared to its neighbouring authorities (the strongest links are with Barrow-In-Furness and Lancaster although these links are not particularly strong).

- At a local level, the six Housing Sub-Market Areas previously identified are considered suitable geographies to assess the local housing issues. Each sub-area has its own characteristics however there are strong links and similarities across all of them (unsurprising given they are all part of the same HMA). Additionally, the analysis recognises the special designation of the National Park areas and the need for some analysis to be undertaken for this specific geography.

- Overall, the analysis of HMAs suggests that South Lakeland (the District) can be considered as a HMA for the purposes of analysis and to be consistent with the requirements of the NPPF. Furthermore, there is merit in looking at specific data for six sub-market areas and also the National Parks – the analysis in this report provides information for these different geographies as appropriate.

3.   South Lakeland District Profile

Introduction

3.1   This section provides some background analysis about population and housing in South Lakeland (along with summary information for each market area and National Parks (where these fall within the District boundary). Data is compared with local, regional and national data as appropriate. Much of the analysis draws on 2011 Census information and can be summarised as covering four main topic headings:

- Population (age/ethnic group)
- Household characteristics (type/tenure)
- Housing profile (size/accommodation type)
- Economic profile

3.2   Where the National Park areas are referred to, this is often in the form of an acronym. These are summarised below:

- YDNP – Yorkshire Dales National Park (where this is within the South Lakeland District boundary);
- LDNP – Lake District National Park (where this is within the South Lakeland District boundary); and
- SLDCLPA – South Lakeland District Council Local Planning Authority/Area

Population

3.3   The table below shows the population profile of South Lakeland in five-year age bands compared with a range of other areas. The data shows a relatively old age structure with particularly notable differences from ages 45 onwards.

Figure 3.1: Population profile (2015)					
	South Lakeland		Cumbria	North West	England
	Population	% of population	% of population	% of population	% of population
Age 0-4	4,298	4.2%	5.0%	6.2%	6.3%
Aged 5-9	4,843	4.7%	5.2%	6.1%	6.1%
Aged 10-14	5,115	4.9%	5.1%	5.5%	5.5%
Aged 15-19	5,585	5.4%	5.4%	5.9%	5.9%
Aged 20-24	4,423	4.3%	5.3%	6.8%	6.6%
Aged 25-29	4,318	4.2%	5.2%	6.7%	6.9%
Aged 30-34	4,649	4.5%	5.2%	6.4%	6.8%
Aged 35-39	4,870	4.7%	5.0%	5.9%	6.3%
Aged 40-44	6,126	5.9%	6.2%	6.4%	6.6%
Aged 45-49	7,668	7.4%	7.5%	7.1%	7.1%
Aged 50-54	8,234	8.0%	7.8%	7.1%	7.0%
Aged 55-59	7,696	7.4%	7.2%	6.2%	6.0%
Aged 60-64	7,304	7.1%	6.6%	5.5%	5.3%
Aged 65-69	8,863	8.6%	7.3%	5.7%	5.5%
Aged 70-74	6,527	6.3%	5.5%	4.3%	4.1%
Aged 75-79	5,169	5.0%	4.3%	3.4%	3.3%
Aged 80-84	3,832	3.7%	3.1%	2.4%	2.4%
Aged 85+	3,934	3.8%	3.0%	2.3%	2.4%
All Ages	103,454	100.0%	100.0%	100.0%	100.0%

Source: ONS mid-year population estimates

3.4   The differences between South Lakeland and other areas can more clearly be seen in the figure below. This identifies a relatively low proportion of the population aged about 20 to 39 and higher proportions for all age bands from about 45 upward.

Figure 3.2: Population profile (2015)
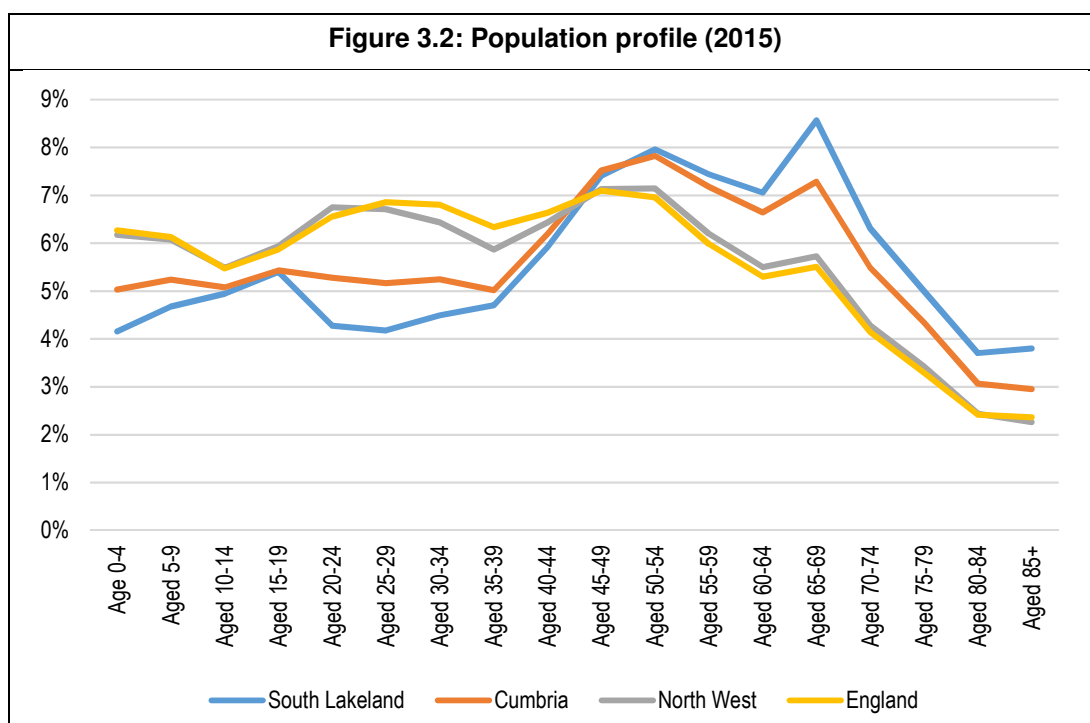
Source: ONS mid-year population estimates

3.5   The analysis below summarises the above information by assigning population to three broad age groups (which can generally be described as a) children, b) working-age and c) pensionable age. This analysis shows that South Lakeland has a relatively high proportion of people aged 65 and over (27%) and consequently lower proportions of both children and people of working-age.

Figure 3.3: Population profile (2015) – summary age bands

	South Lakeland		Cumbria	North West	England
	Population	% of population	% of population	% of population	% of population
Age under 16	15,378	14.9%	16.4%	18.9%	19.0%
Aged 16-64	59,751	57.8%	60.5%	63.0%	63.3%
Aged 65+	28,325	27.4%	23.1%	18.1%	17.7%
All Ages	103,454	100.0%	100.0%	100.0%	100.0%

Source: ONS mid-year population estimates

3.6   The figure below takes this data forward to look at some differences by market area and National Parks. This focusses on the population aged 65 and over. The analysis identifies quite a variation in the proportion of people in this age group in different locations. The proportion aged 65+ varies from 22% in Kendal up to 38% in Cartmel Peninsula. The analysis for National Park areas shows relatively little difference between the three locations (i.e. YDNP, LDNP and SLDCLPA); the proportion of the population aged 65 and over being very slightly higher in the National Parks.

Figure 3.4: Proportion of population aged 65 and over by market area (2015)
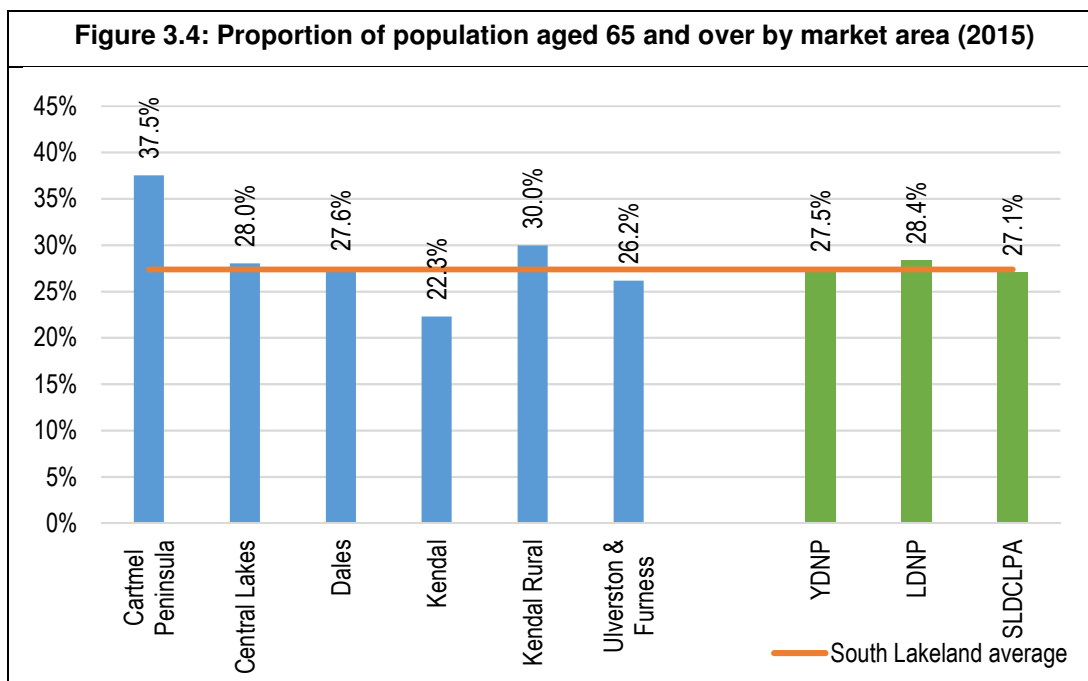
Source: ONS mid-year population estimates

3.7   As well as looking at the population profile, analysis has been carried out (below) to look at overall population change over the 10-year period to 2015 (a 10-year period being chosen as this is a fairly standard period over which to look at population change). The analysis shows over the period that the population of South Lakeland decreased by 0.8%; this compares with a very modest increase across Cumbria (0.2%) and higher increases in the North West (4%) and England (8%).

3.8   When looking at the market areas, only Kendal has seen population growth in this period, the population increasing by 3%. The biggest population declines were seen in the Central Lakes and Dales areas (decreasing by 6% and 7% respectively). This feeds through into a picture of population loss in the National Parks and a small increase (of 1%) in areas outside of the National Parks boundaries. Levels of population growth are likely to some degree to be driven by the locations of new housing development over this period.

Figure 3.5: Change in population (2005-15) by market area/National Park and comparator areas				
	Population (2005)	Population (2015)	Change	% change
Cartmel Peninsula	9,649	9,607	-42	-0.4%
Central Lakes	18,795	17,679	-1,116	-5.9%
Dales	3,848	3,565	-283	-7.4%
Kendal	28,179	28,958	779	2.8%
Kendal Rural	24,064	23,941	-123	-0.5%
Ulverston & Furness	19,766	19,704	-62	-0.3%
YDNP	4,981	4,640	-341	-6.8%
LDNP	24,673	23,415	-1,258	-5.1%
SLDCLPA	74,646	75,399	752	1.0%
South Lakeland	104,301	103,454	-847	-0.8%
Cumbria	497,040	497,996	956	0.2%
North West	6,870,021	7,173,835	303,814	4.4%
England	50,606,034	54,786,327	4,180,293	8.3%

Source: ONS mid-year population estimates

3.9   The table and figure below show population change by age (again for the 2005-15 period). This generally identifies the greatest increases to be in older age groups (aged 65 and over) along with some notable population declines (particularly in the 30-44 age group).

Figure 3.6: Population change by age (2005-15) – 5-year age bands (South Lakeland)				
	Population (2005)	Population (2015)	Change	% change
Age 0-4	4,627	4,298	-329	-7.1%
Aged 5-9	5,259	4,843	-416	-7.9%
Aged 10-14	6,055	5,115	-940	-15.5%
Aged 15-19	6,150	5,585	-565	-9.2%
Aged 20-24	4,144	4,423	279	6.7%
Aged 25-29	4,240	4,318	78	1.8%
Aged 30-34	5,559	4,649	-910	-16.4%
Aged 35-39	7,210	4,870	-2,340	-32.5%
Aged 40-44	7,808	6,126	-1,682	-21.5%
Aged 45-49	7,351	7,668	317	4.3%
Aged 50-54	7,212	8,234	1,022	14.2%
Aged 55-59	8,814	7,696	-1,118	-12.7%
Aged 60-64	7,181	7,304	123	1.7%
Aged 65-69	6,263	8,863	2,600	41.5%
Aged 70-74	5,282	6,527	1,245	23.6%
Aged 75-79	4,682	5,169	487	10.4%
Aged 80-84	3,481	3,832	351	10.1%
Aged 85+	2,983	3,934	951	31.9%
All Ages	104,301	103,454	-847	-0.8%

Source: ONS mid-year population estimates

Figure 3.7: Population change by age (2005-15) – 5-year age bands (South Lakeland)
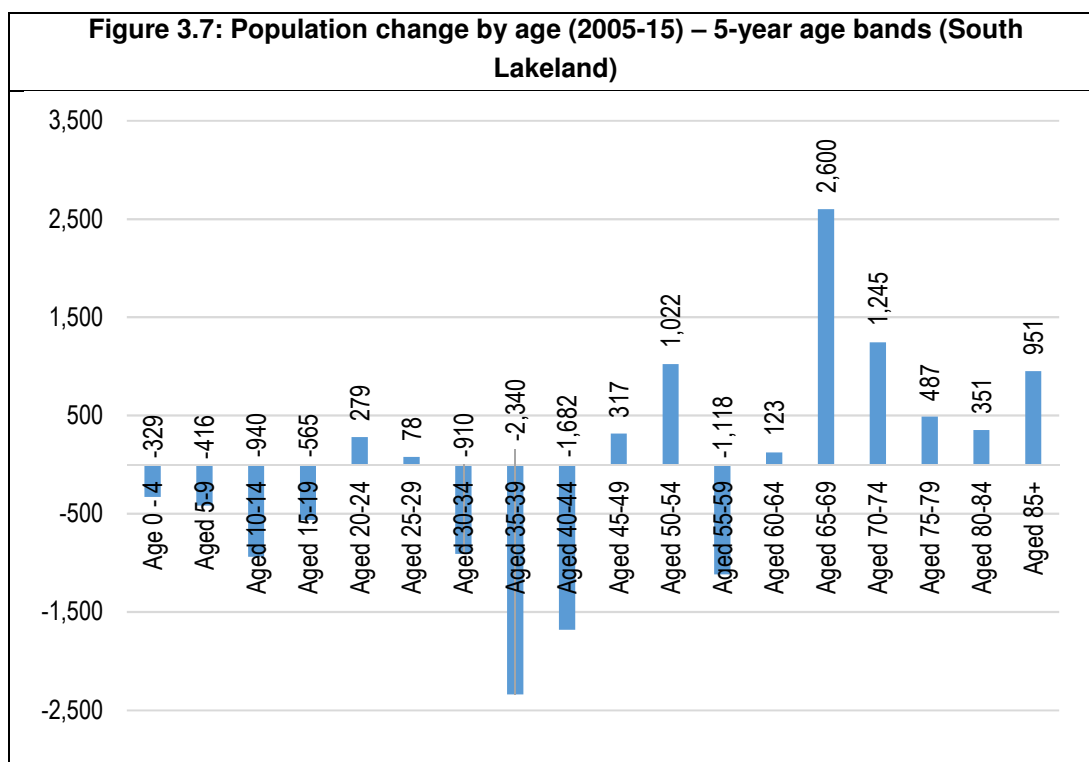
Source: ONS mid-year population estimates

3.10 This information has been summarised into three broad age bands to ease comparison. The table below shows a decrease in the number of children living in the District (reducing by about 11%) along with a modest decrease in the 'working-age' population. The key driver of population growth has therefore been in the 65 and over age group, which between 2005 and 2015 saw a population increase of about 5,600 people; this age group increasing in size by 25% over the decade.

Figure 3.8: Change in population by broad age group (2005-15) – South Lakeland				
	2005 population	2015 population	Change	% change
Under 16	17,228	15,378	-1,850	-10.7%
16-64	64,382	59,751	-4,631	-7.2%
65+	22,691	28,325	5,634	24.8%
TOTAL	104,301	103,454	-847	-0.8%

Source: ONS mid-year population estimates

3.11 The figure below shows the change in the proportion of the population aged 65 and over in each market and National Park area. All areas have seen an increase in the proportion of older people with the increase in the population in this age group ranging from 17% in Cartmel Peninsula to 33% in Kendal Rural; the relatively low figure in Cartmel Peninsula will be driven by the fact that this area already had a large proportion of its population aged 65 and over. In the National Park areas, Yorkshire Dales stands out as having a particularly high level of population growth in the 65 and over population; increasing by 31% in the 10-year period studied.

Figure 3.9: Change in population aged 65 and over by market area (2005-15)
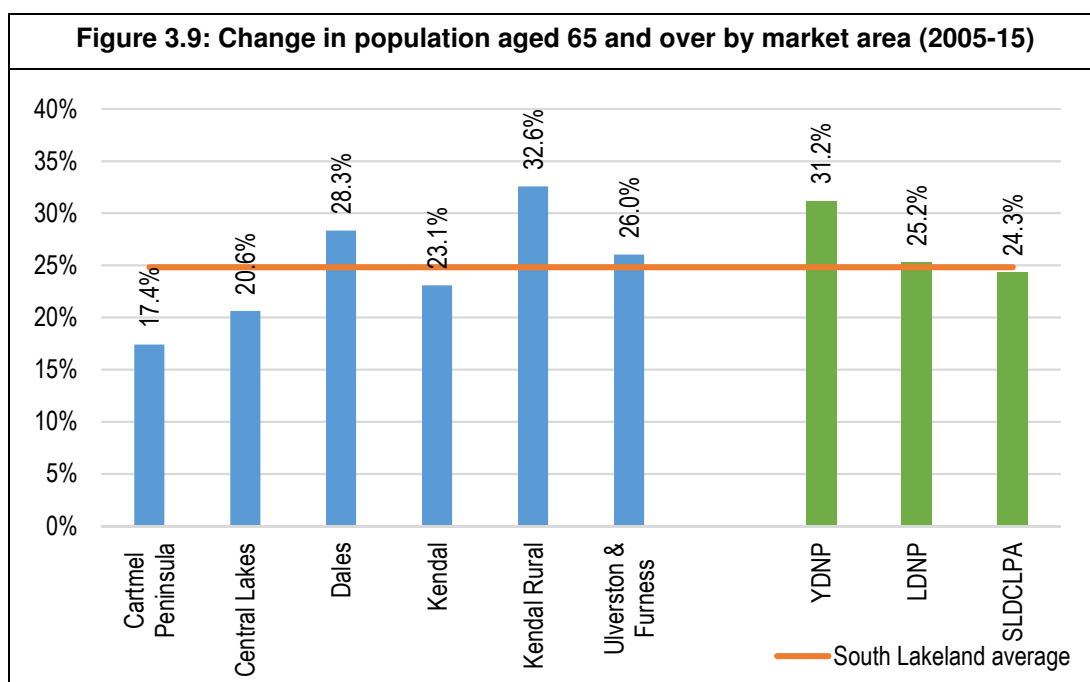
Source: ONS mid-year population estimates

3.12   The table below shows the ethnic group of the population (as of 2011) and compares this with a range of other areas. It can be seen that the Black and Minority Ethnic (BME) population of South Lakeland is very low when compared with other areas; only 4% of people are from a BME group, compared with 12% in the North West and 19% nationally. The main BME group in South Lakeland is White (Other) which makes up 2.4% of all people – this group is likely to contain a number of Eastern European migrants.

Figure 3.10: Ethnic Group (2011)					
	South Lakeland		Cumbria	North West	England
	Population	% of population	% of population	% of population	% of population
White (British/Irish)	99,444	95.9%	96.8%	88.0%	80.7%
White (Other)	2,518	2.4%	1.7%	2.2%	4.7%
Mixed	633	0.6%	0.5%	1.6%	2.3%
Asian	787	0.8%	0.8%	6.2%	7.8%
Black	183	0.2%	0.1%	1.4%	3.5%
Other	93	0.1%	0.1%	0.6%	1.0%
TOTAL	103,658	100.0%	100.0%	100.0%	100.0%
Non-White (British/Irish)	4,214	4.1%	3.2%	12.0%	19.3%

Source: 2011 Census

3.13   The figure below shows the proportion of the population who are from a non-White (British) ethnic group by market and National Park area. This identifies that Central Lakes has the highest proportion of the population from a non-White (British/Irish) BME group, with the lowest proportions seen in Kendal Rural and Ulverston & Furness. The National Park areas generally see a higher proportion of the population being from a BME group.

Figure 3.11: Ethnic Group by market area (2011) – non-White (British) population
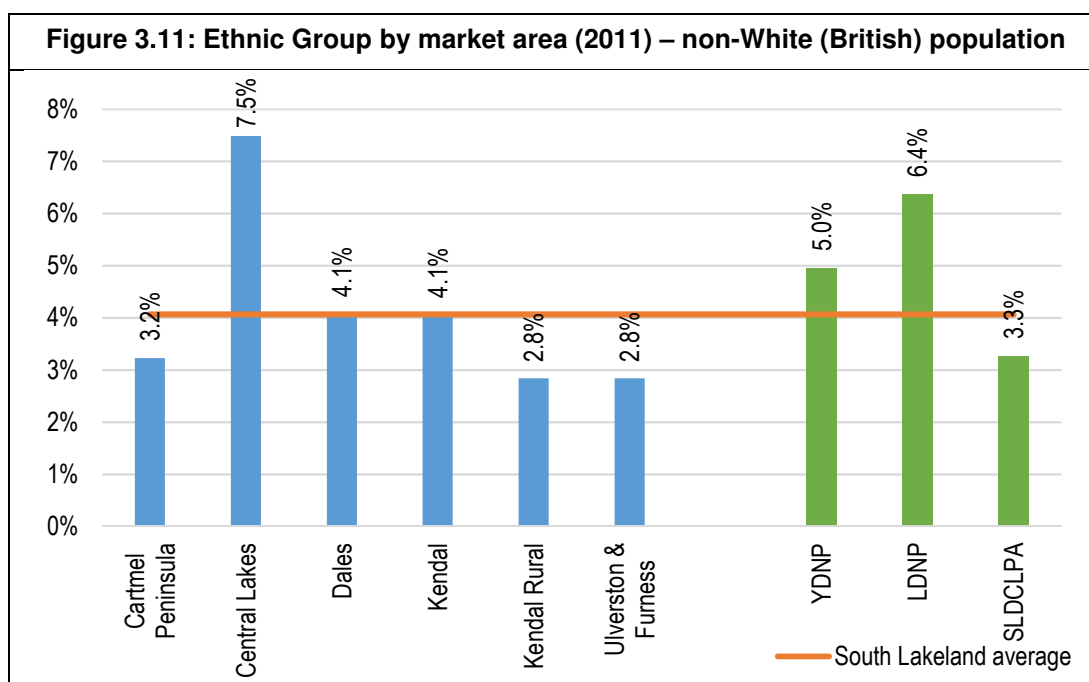
Source: 2011 Census

Household Characteristics

3.14   The table below shows household types (from 2011) in South Lakeland and compared with other areas. Of note are the relatively high proportions of households with people aged 65 and over (particularly couple households) and relatively low levels of lone parent households. The analysis also shows a higher than average proportion of childless couples but a lower proportion of single adult households (aged under 65).

Figure 3.12: Household Types (2011)					
	South Lakeland		Cumbria	North West	England
	House-holds	% of house-holds	% of house-holds	% of house-holds	% of house-holds
One person 65 and over	7,600	16.3%	14.6%	12.8%	12.4%
Couple 65 and over	5,802	12.5%	10.1%	7.8%	8.1%
One person (under 65)	7,491	16.1%	17.7%	19.4%	17.9%
Couple (no children)	10,072	21.6%	19.8%	16.5%	17.6%
Couple (dependent children)	7,829	16.8%	17.9%	18.4%	19.3%
Couple (non-dependent children only)	2,523	5.4%	6.4%	6.5%	6.1%
Lone parent (dependent children)	1,893	4.1%	5.7%	8.1%	7.1%
Lone parent (non-dependent children only)	1,196	2.6%	3.2%	3.9%	3.5%
Other households	2,146	4.6%	4.6%	6.6%	8.0%
TOTAL	46,552	100.0%	100.0%	100.0%	100.0%

Source: 2011 Census

3.15   The figure below focuses on the proportion of lone parent households by market and National Park area (the figures are for lone parent households with both dependent and non-dependent children combined). This shows a notable range with the proportion of lone parent households going from 5.1% in Kendal Rural, up to 8% in Kendal. Generally, the highest proportion of lone parent households are found outside of the National Park areas.

Figure 3.13: Lone parent households by market area (2011)
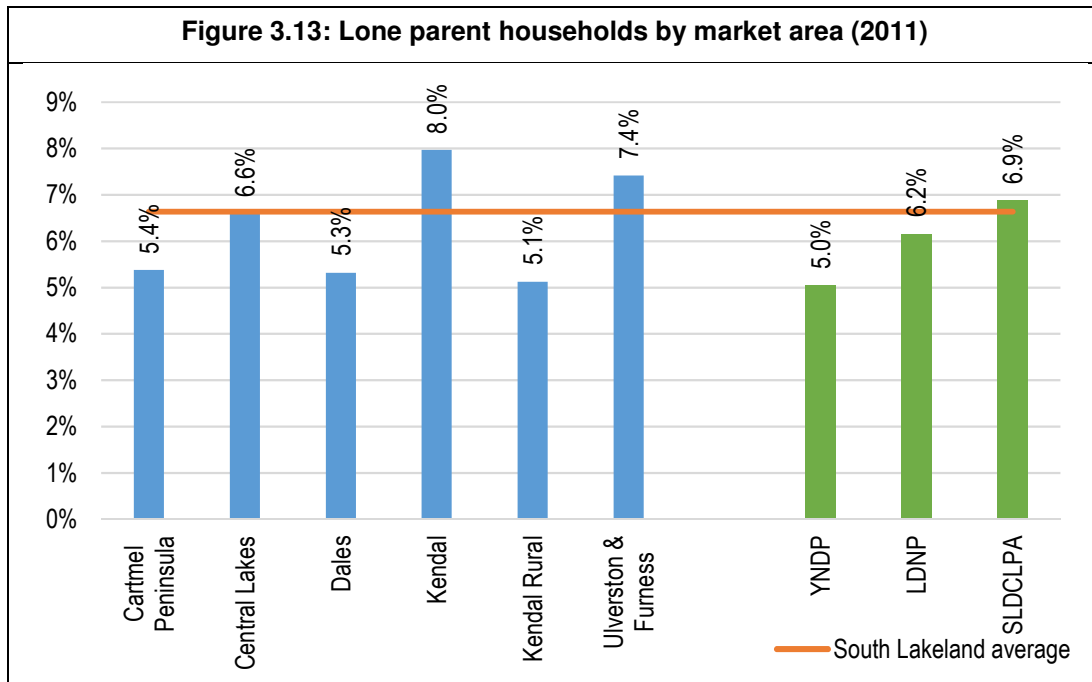
Source: 2011 Census

3.16   A similar analysis (by market and National Park area) has been undertaken below focussing on all households with dependent children. This again shows variation across areas, with the range of proportions of such households going from 15.9% in Cartmel Peninsula up to 24.1% in Kendal. When looking at National Parks, the data shows a higher proportion of households with dependent children living in non-National Park areas.

Figure 3.14: Households with dependent children by market area (2011)
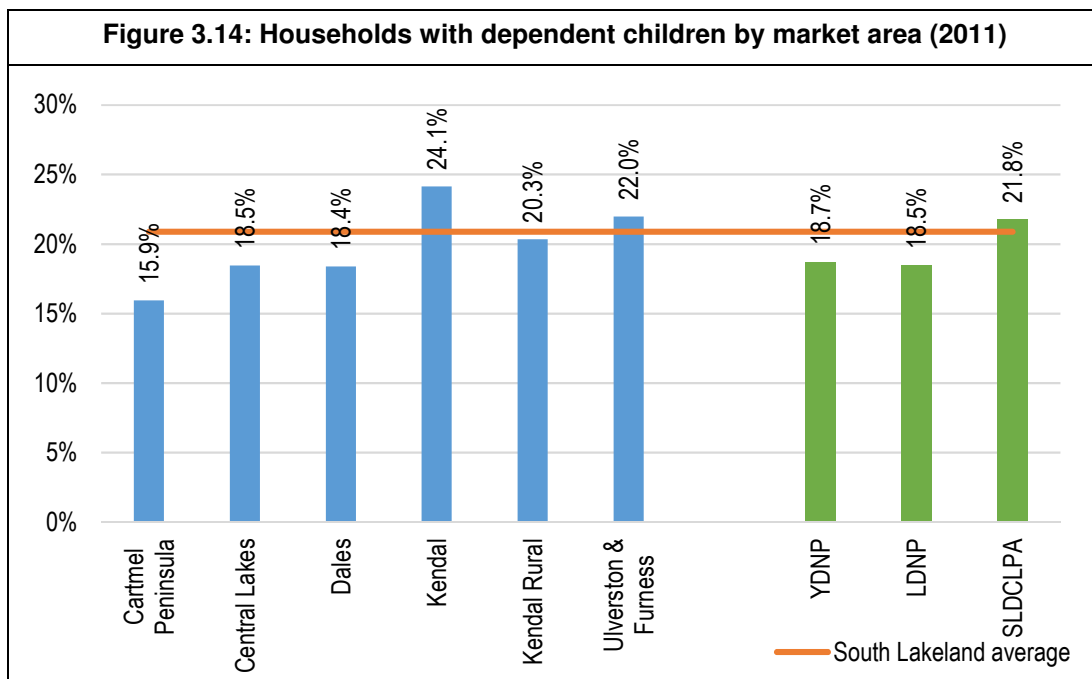
Source: 2011 Census

3.17   The table below shows household tenure compared with a number of other locations. The analysis identifies a relatively high proportion of owner-occupiers and particularly outright owners. The proportion of households living in the social rented sector is relatively low whilst the proportion living in private rented accommodation is only slightly lower than is observed in other areas (other than across Cumbria where the figure is slightly higher).

Figure 3.15: Tenure (2011)					
	South Lakeland		Cumbria	North West	England
	Households	% of households	% of households	% of households	% of households
Owns outright	20,793	44.7%	39.2%	31.0%	30.6%
Owns with mortgage/loan	13,405	28.8%	32.0%	34.0%	33.6%
Social rented	4,853	10.4%	14.3%	18.3%	17.7%
Private rented	6,633	14.2%	12.8%	15.4%	16.8%
Other	868	1.9%	1.6%	1.3%	1.3%
TOTAL	46,552	100.0%	100.0%	100.0%	100.0%

Source: 2011 Census

3.18   The three figures below show market and National Park area level data for three key tenure groups: a) owner-occupied (combining those with and without a mortgage/loan), b) social rent and c) private rent. Data for the 'other' tenure group is not shown below; the proportion of households in the other category is relatively small in all areas with the highest proportion being in the Dales market area (3%).

3.19   When looking at owner-occupation the analysis shows a range from about 63% of households in Central Lakes up to 78% in Cartmel Peninsula and Kendal Rural. Generally, households living outside of the National Park areas are more likely to be owner-occupiers, although levels of outright ownership in the National Parks are roughly in-line with the District average (47% in Yorkshire Dales and 44% in the Lake District); the number of owners with a mortgage is therefore low in the National Park areas (22%-23% of all households, compared with 29% for the District as a whole).

Figure 3.16: Proportion of owner-occupiers by market area (2011)

Market Area	Proportion
Cartmel Peninsula	78.0%
Central Lakes	62.6%
Dales	70.2%
Kendal	72.7%
Kendal Rural	78.3%
Ulverston & Furness	76.9%
YDNP	70.3%
LDNP	65.7%
SLDCLPA	76.1%

South Lakeland average
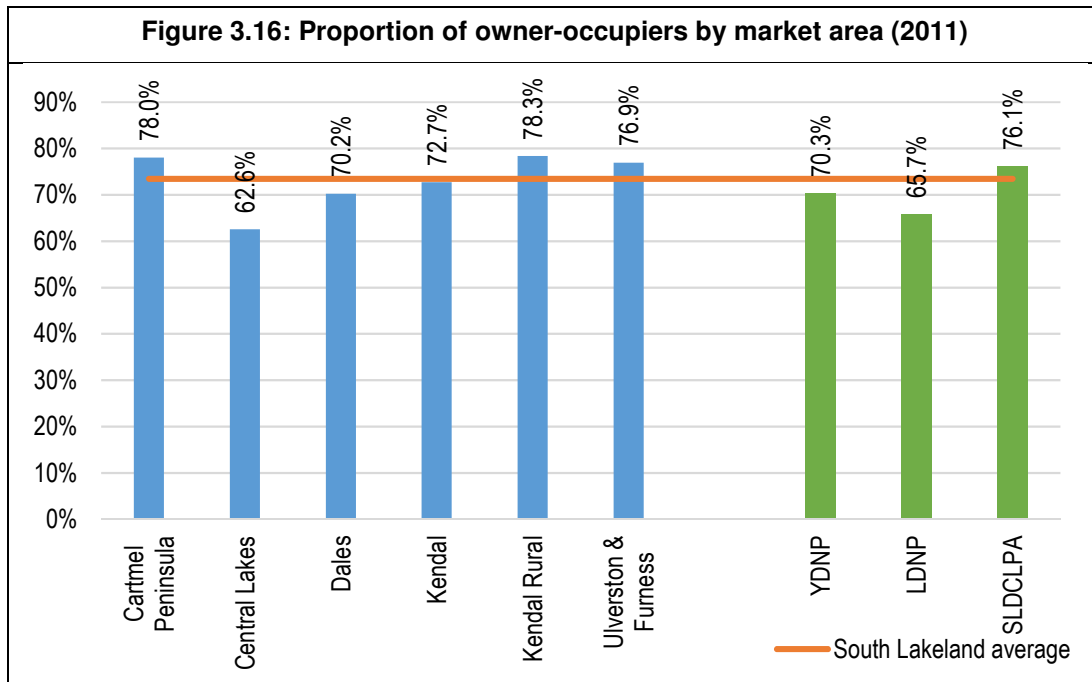
Source: 2011 Census

3.20   The proportion of households living in social rented housing (figure below) shows some significant variation by area with proportions varying from around 6% in Cartmel Peninsula up to 16% in Central Lakes. Overall, the proportion of households living in social rented accommodation is notably higher in the Lake District National Park area than other locations.

Figure 3.17: Proportion of social renting by market area (2011)

Market Area	Proportion
Cartmel Peninsula	6.4%
Central Lakes	15.9%
Dales	9.5%
Kendal	11.9%
Kendal Rural	7.0%
Ulverston & Furness	9.6%
YDNP	8.1%
LDNP	13.0%
SLDCLPA	9.7%

South Lakeland average
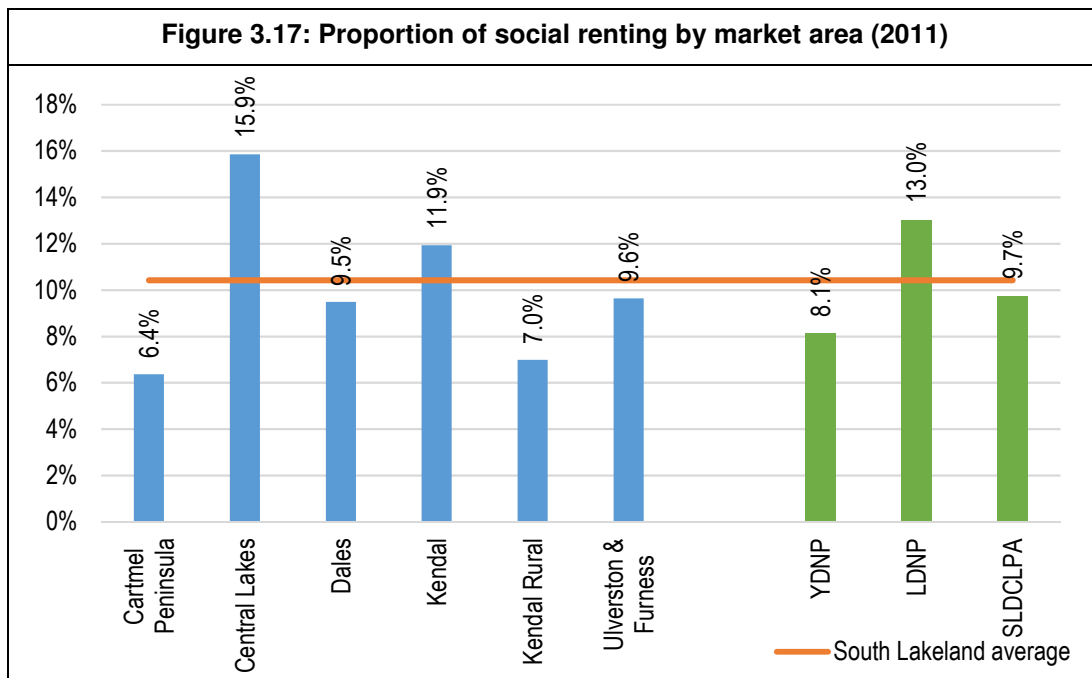
Source: 2011 Census

3.21   The final tenure analysis below focusses on the private rented sector; as with other tenures there is some variation between areas with the proportion of households living in this sector varying from 12% in Ulverston & Furness up to 19% in Central Lakes. Both of the National Park areas show notably higher proportions of households living in private rented accommodation than areas outside of the National Parks.

Figure 3.18: Proportion of private renting by market area (2011)
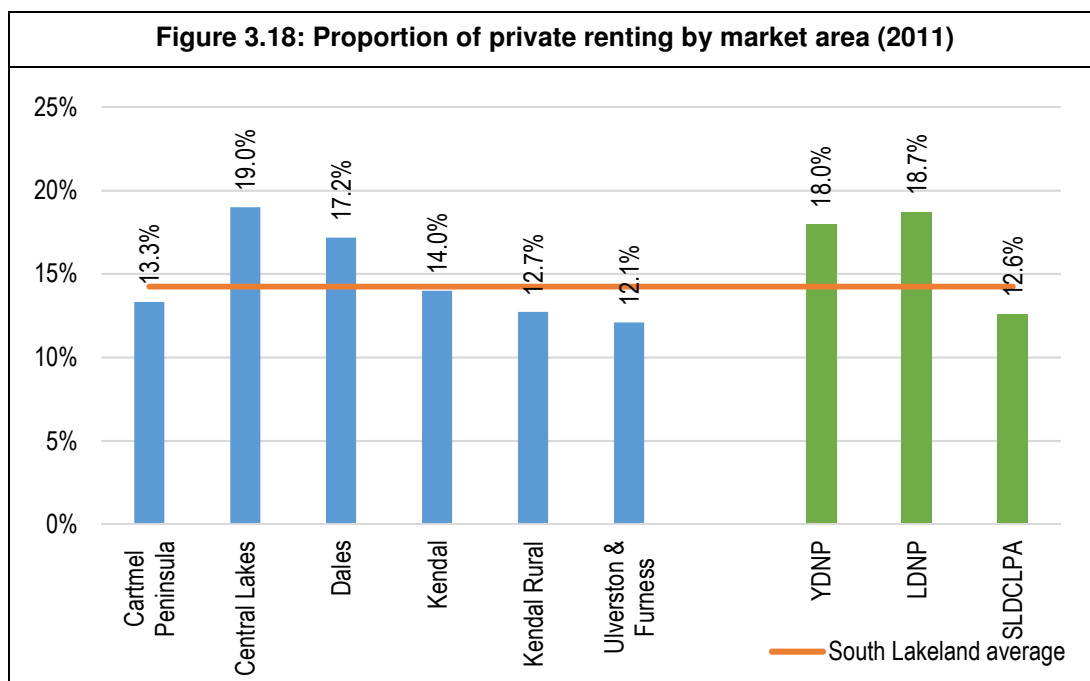
Source: 2011 Census

3.22   As well as looking at the current tenure profile, it is of interest to consider how this has changed over time; the table below shows (for the whole of South Lakeland) data from the 2001 and 2011 Census. From this it is clear that there has been significant growth in the number of households living in privately rented accommodation as well as a notable increase in outright owners. There has been a decline in the number of owners with a mortgage and relatively little change in the numbers in the social rented sector.

Figure 3.19: Change in tenure (2001-11) – South Lakeland				
	2001 households	2011 households	Change	% change
Owns outright	17,888	20,793	2,905	16.2%
Owns with mortgage/loan	15,500	13,405	-2,095	-13.5%
Social rented	4,624	4,853	229	5.0%
Private rented	4,949	6,633	1,684	34.0%
Other	1,168	868	-300	-25.7%
TOTAL	44,129	46,552	2,423	5.5%

Source: 2001 and 2011 Census

Housing Profile

3.23   The analysis below shows the number of bedrooms available to households as of the 2011 Census. Generally, the size profile in South Lakeland is one of larger homes with an average of 2.85 bedrooms compared with 2.81 across Cumbria, 2.72 in the North West and 2.72 nationally. The analysis shows that 22% of dwellings have 4 or more bedrooms (other areas being in the range of 17%-19%) and 35% have two or fewer bedrooms (compared with 40% seen nationally).

Figure 3.20: Number of bedrooms (2011)					
	South Lakeland		Cumbria	North West	England
	Households	% of households	% of households	% of households	% of households
1 bedroom	3,496	7.5%	6.5%	9.7%	12.0%
2 bedrooms	13,012	28.0%	29.3%	28.5%	27.9%
3 bedrooms	19,870	42.7%	45.4%	45.0%	41.2%
4 bedrooms	7,493	16.1%	14.2%	13.1%	14.4%
5+ bedrooms	2,681	5.8%	4.6%	3.7%	4.6%
TOTAL	46,552	100.0%	100.0%	100.0%	100.0%
Average bedrooms	2.85		2.81	2.72	2.72

Source: 2011 Census

3.24   There is some variation in the average number of bedrooms across different locations (as shown in the figure below) – the average number of bedrooms varies from 2.68 in Kendal, up to 3.02 in Kendal Rural. Overall, households living in National Park areas have a higher average number of bedrooms than households living in non-National Park locations.

Figure 3.21: Average number of bedrooms by market area (2011)
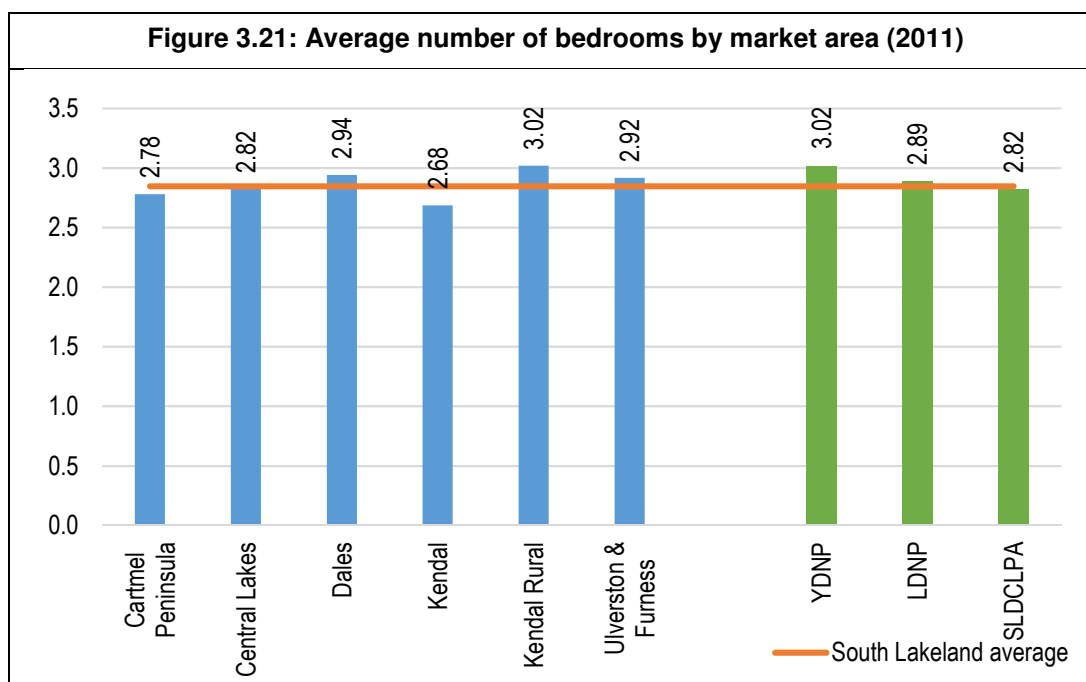
Source: 2011 Census

3.25   The figure below shows how the size of homes varies by tenure (for the whole of South Lakeland). From this it is clear that homes in the owner-occupied sector are significantly larger than either the private or social rented sectors. Some 73% of all owner-occupied homes have at least three bedrooms with 26% having four or more bedrooms. In the social rented sector, only 36% of homes have three or more bedrooms, along with 44% of private rented accommodation.

Figure 3.22: Tenure by number of bedrooms (2011)

Source: 2011 Census
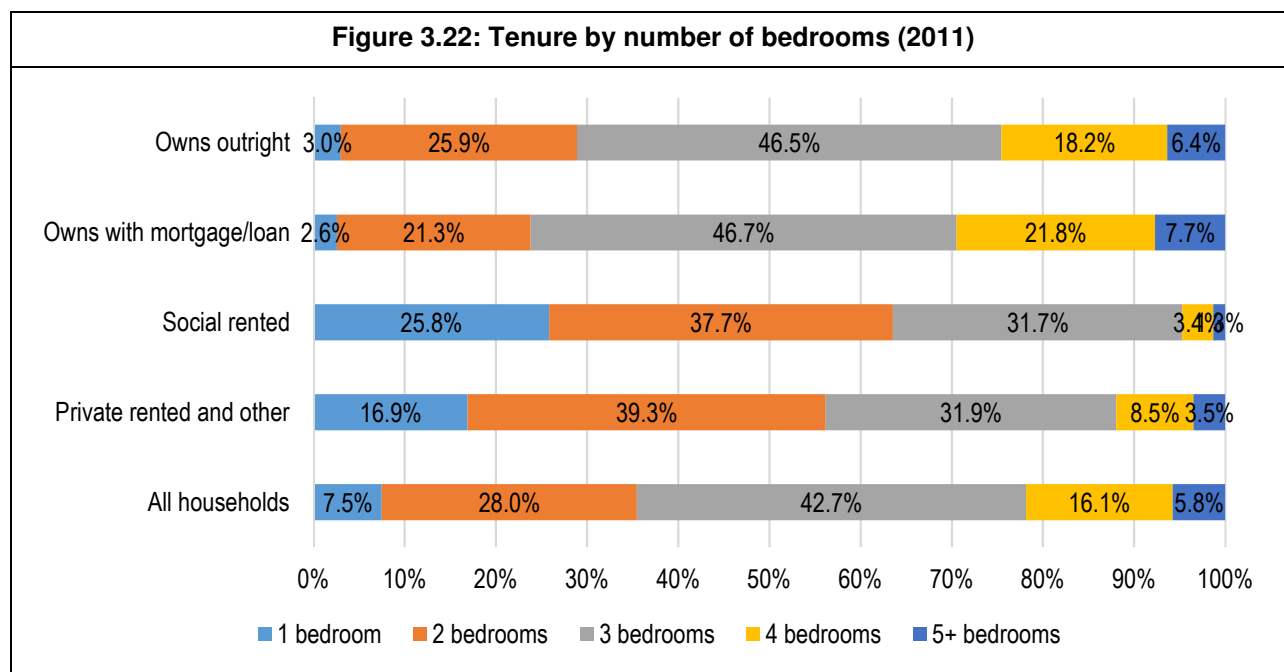
3.26   Leading on from the analysis of dwelling sizes, the analysis below looks at accommodation types. This identifies that South Lakeland has a particularly high proportion of detached homes and relatively few terraces and flats – some 31% of homes are detached, compared with 26% across Cumbria, 18% for the North West and 22% nationally; only 38% of homes are terraced or flats, compared with 46% nationally and regionally, and 41% across the County.

	South Lakeland		Cumbria	North West	England
Figure 3.23: Accommodation type (2011)					
	Households	% of households	% of households	% of households	% of households
Detached	14,634	31.4%	25.7%	18.0%	22.4%
Semi-detached	13,998	30.1%	33.1%	36.4%	31.2%
Terraced	11,320	24.3%	30.2%	29.8%	24.5%
Flat/other	6,600	14.2%	11.0%	15.9%	21.9%
TOTAL	46,552	100.0%	100.0%	100.0%	100.0%

Source: 2011 Census

3.27   The figure below shows the proportion of detached homes in each market and National Park area. There is a notable variation with figures ranging from 19% in Kendal, up to 44% in Kendal Rural. The two National Parks have much higher proportions of detached homes than other areas; overall 41% of homes in the Yorkshire Dales and 36% in the Lake District are detached, compared with 30% in non-National Park locations.

Figure 3.24: Proportion of detached homes by market area (2011)
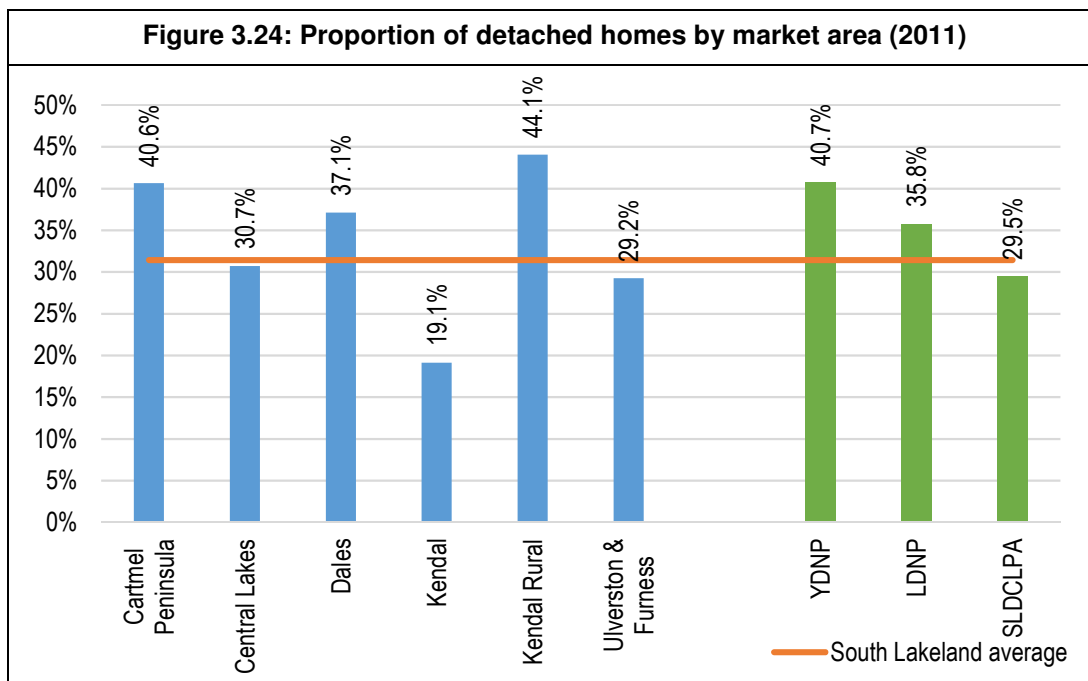
Source: 2011 Census

3.28   A similar analysis (below) focuses on the proportion of terrace homes and flats. This typically shows the opposite pattern to that for detached homes with the proportion of households living in terraces/flats ranging from 27% in Kendal Rural, up to 47% in Kendal. The Yorkshire Dales National Park area shows a relatively low proportion of terraces/flats (32%), although the proportion in the Lake District is quite high; reflecting a low proportion of semi-detached homes.

Figure 3.25: Proportion of terraces/flats by market area (2011)
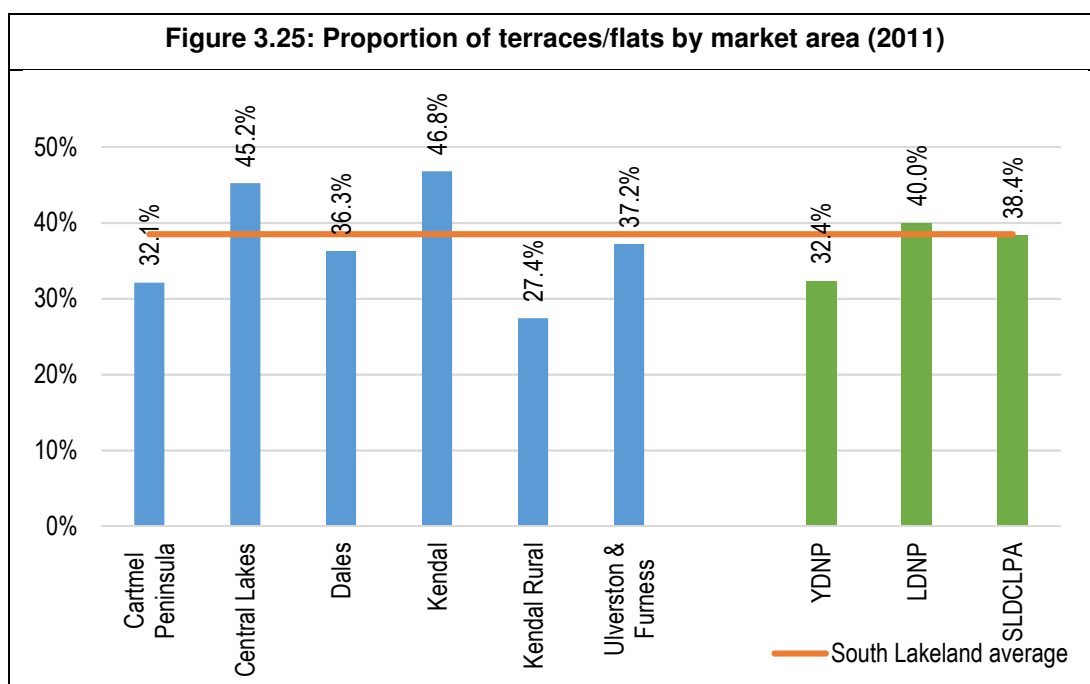
Source: 2011 Census

3.29   The figure below shows how accommodation type varies by tenure (for the whole of South Lakeland District). From this it is clear that homes in the owner-occupied sector are more likely to be detached with relatively few terraced homes or flats. The private rented sector has a more equal split between different dwelling types whilst the social rented sector is focussed on flatted accommodation (making up 38% of all households living in this sector).

Figure 3.26: Tenure by accommodation type (2011)
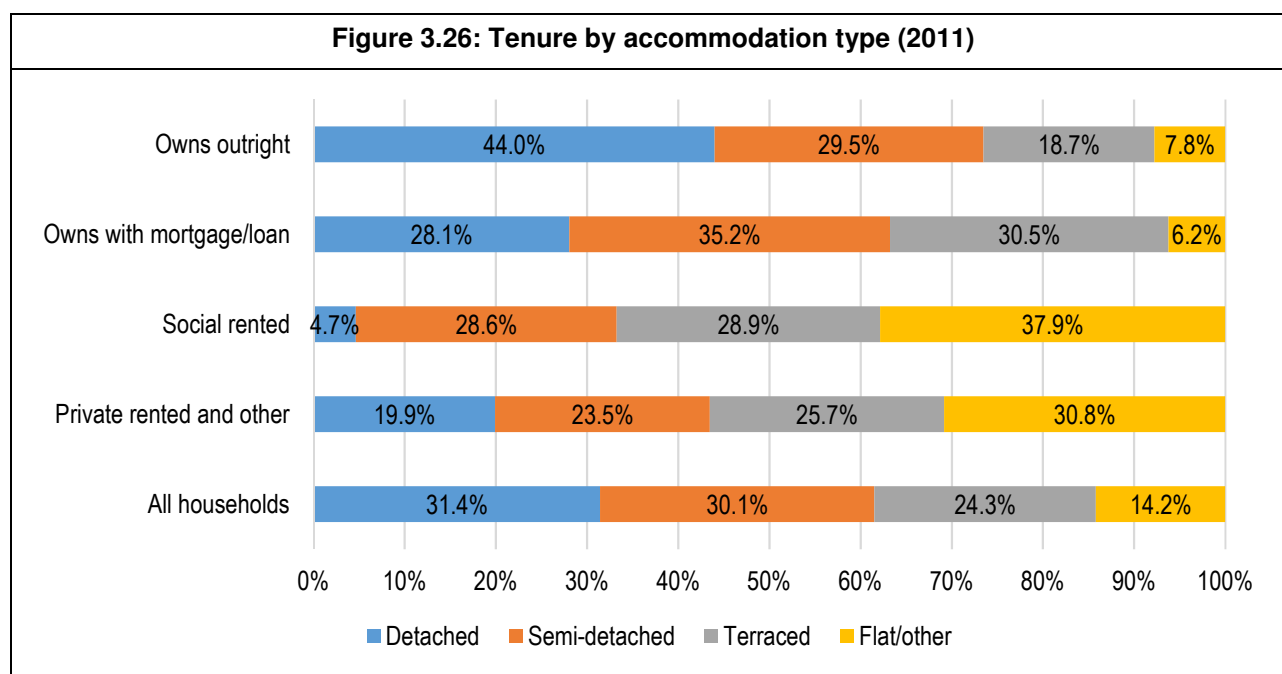
Source: 2011 Census

3.30   The analysis below studies levels of overcrowding and under-occupation – this is based on the bedroom standard with data taken from the 2011 Census. The box below shows how the standard is calculated and this is then compared with the number of bedrooms available to the household (with a negative number representing overcrowding and a positive number being under-occupation). Households with an occupancy rating of +2 or more have at least two spare bedrooms.

For the purposes of the bedroom standard a separate bedroom shall be allocated to the following persons –

(a) A person living together with another as husband and wife (whether that other person is of the same sex or the opposite sex)
(b) A person aged 21 years or more
(c) Two persons of the same sex aged 10 years to 20 years
(d) Two persons (whether of the same sex or not) aged less than 10 years
(e) Two persons of the same sex where one person is aged between 10 years and 20 years and the other is aged less than 10 years
(f) Any person aged under 21 years in any case where he or she cannot be paired with another occupier of the dwelling so as to fall within (c), (d) or (e) above.

3.31   The analysis shows that levels of overcrowding in South Lakeland are low with only 1.4% of households being overcrowded in 2011 (compared with 1.8% across Cumbria, 3.6% in the North West and 4.6% nationally). Levels of under-occupation are however high with around 45% of households having a rating of +2 or more – this is notably higher than seen in any of the comparator areas.

| Figure 3.27: Overcrowding and under-occupation (2011) – bedroom standard					
	South Lakeland		Cumbria	North West	England
	Number of households	% of households	% of households	% of households	% of households
+2 or more	20,801	44.7%	40.6%	34.5%	34.3%
+1 or more	16,892	36.3%	38.7%	37.1%	34.4%
0	8,201	17.6%	18.9%	24.8%	26.7%
-1 or less	658	1.4%	1.8%	3.6%	4.6%
TOTAL	46,552	100.0%	100.0%	100.0%	100.0%

Source: 2011 Census

3.32   The figure below shows levels of overcrowding by market and National Park area. This identifies a range of overcrowding from 0.9% in Kendal Rural, up to 1.8% in Central Lakes and Kendal. When looking at the National Parks, it is notable that the highest level of overcrowding is in the Lake District (although at 1.5%, this is still a low figure); levels of overcrowding in the Yorkshire Dales are particularly low.

Figure 3.28: Overcrowding by market area (2011)
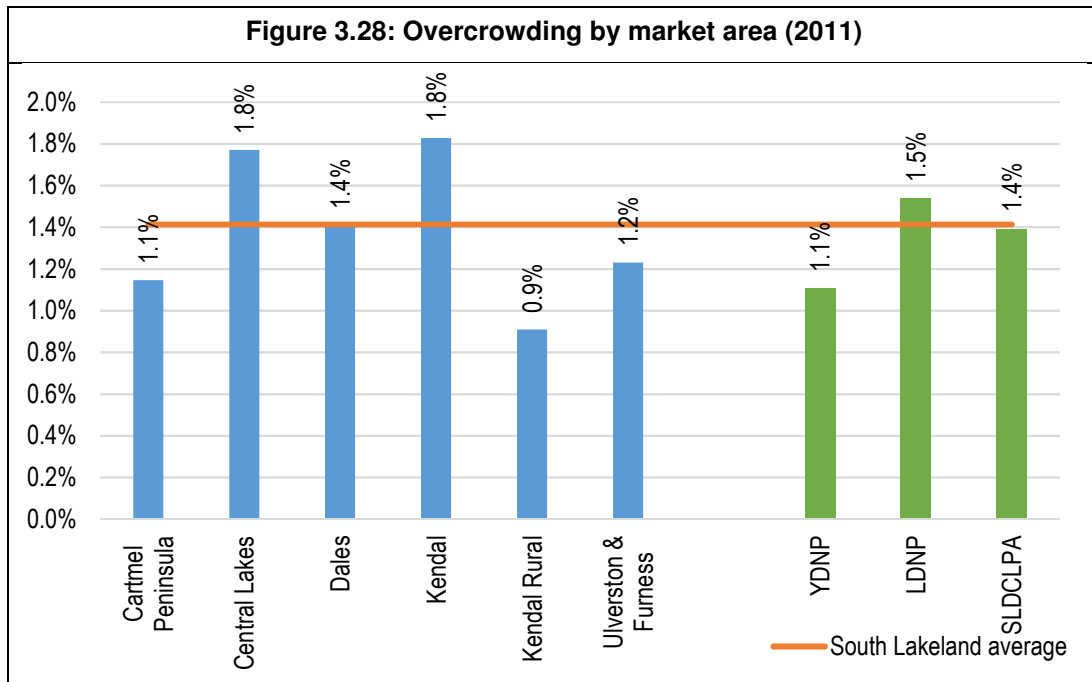
Source: 2011 Census

3.33   A similar analysis (below) focuses on under-occupancy (using figures for the proportion of households with an occupancy rate of +2 or more). This shows the highest level of under-occupancy to be in the Kendal Rural area and the lowest in Kendal. When looking at the National Parks, it is notable that both the Yorkshire Dales and Lake District have levels of under-occupancy that are higher than the District average.

Figure 3.29: Under-occupancy by market area (2011)
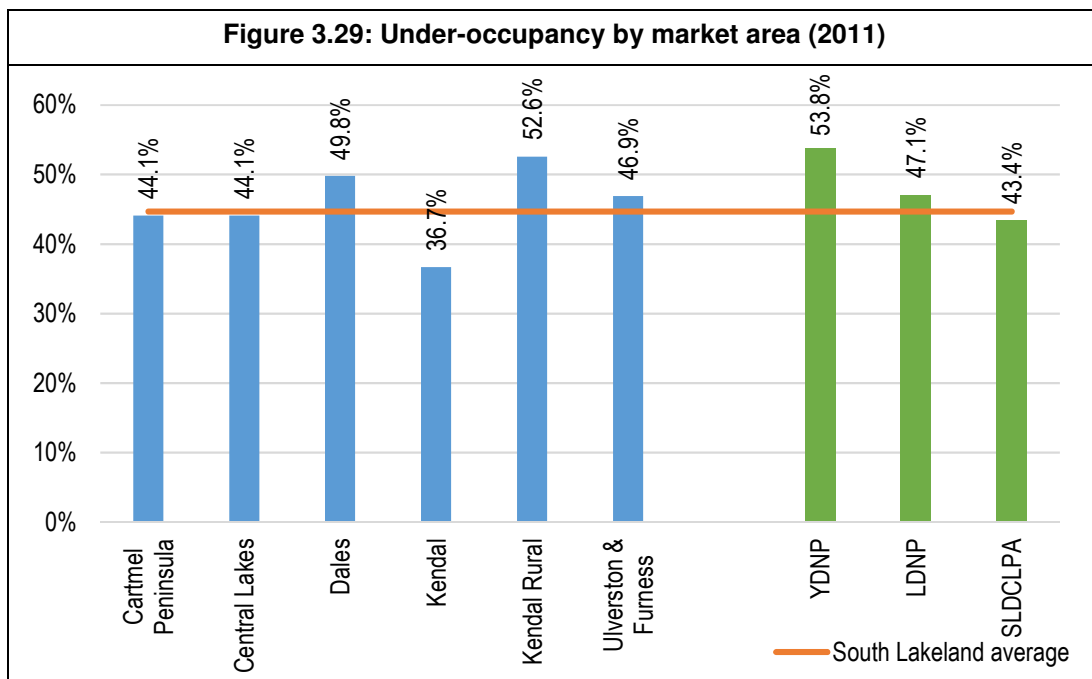
Source: 2011 Census

Economic Profile

3.34   The series of analysis below looks at a range of economic issues (economic activity, qualifications and occupation profiles). The table below shows in comparison with other areas that South Lakeland has a low level of unemployment and a high proportion of people who are self-employed; the proportion of people in the 'other' category (which includes those who are sick/disabled) is also low. Overall, the proportion of people (aged 16 and over) who are working is similar to other areas – 59% compared with 57%-59% - this is despite South Lakeland having a relatively old population age structure.

Figure 3.30: Economic Activity (2011) – population aged 16 and over					
	South Lakeland		Cumbria	North West	England
	Population	% of population	% of population	% of population	% of population
In employment (part-time)	13,643	15.5%	15.9%	14.7%	14.4%
In employment (full-time)	27,157	30.9%	33.2%	34.4%	35.4%
Self-employed	11,390	13.0%	9.7%	7.6%	9.1%
Unemployed	1,731	2.0%	3.4%	5.0%	4.7%
Retired	26,528	30.2%	26.6%	22.2%	21.2%
Other	7,328	8.3%	11.2%	16.2%	15.2%
TOTAL	87,777	100.0%	100.0%	100.0%	100.0%

Source: 2011 Census

3.35   The figure below shows the proportion of people (aged 16+) who are working by market and National Park area. Although there are some variations, it is the case that all areas (other than Cartmel Peninsula) see between 57% (Ulverston & Furness) and 64% (Kendal) of people with a job (including self-employed). There is little difference between the proportion who are working in National Park areas compared with other locations. The low proportion of people working in Cartmel Peninsula will be linked to the age structure in this area.

Figure 3.31: Proportion of population aged 16+ who are working (2011)
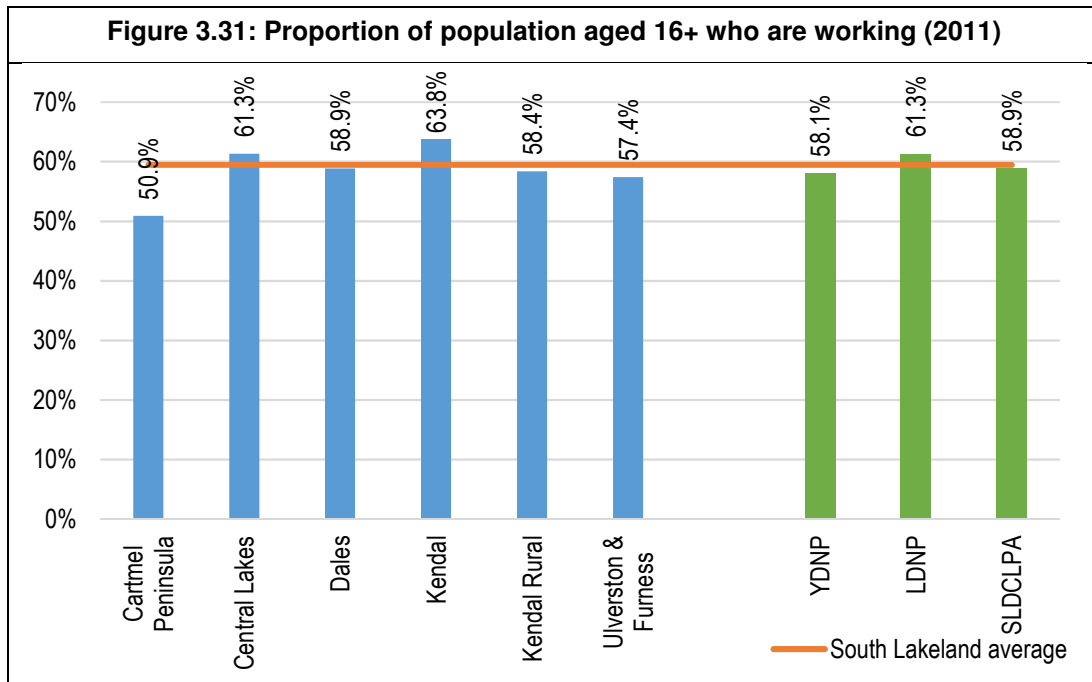
Source: 2011 Census

3.36 A similar analysis (below) focuses on the proportion of the population who are unemployed. In this case, the range of unemployment is from 1.2% in Dales, up to 2.7% in Ulverston & Furness; generally, unemployment is higher in non-National Park areas (2.1%) although it should be stressed that unemployment is low when compared with wider benchmark areas.

Figure 3.32: Proportion of population aged 16+ who are unemployed (2011)

Source: 2011 Census

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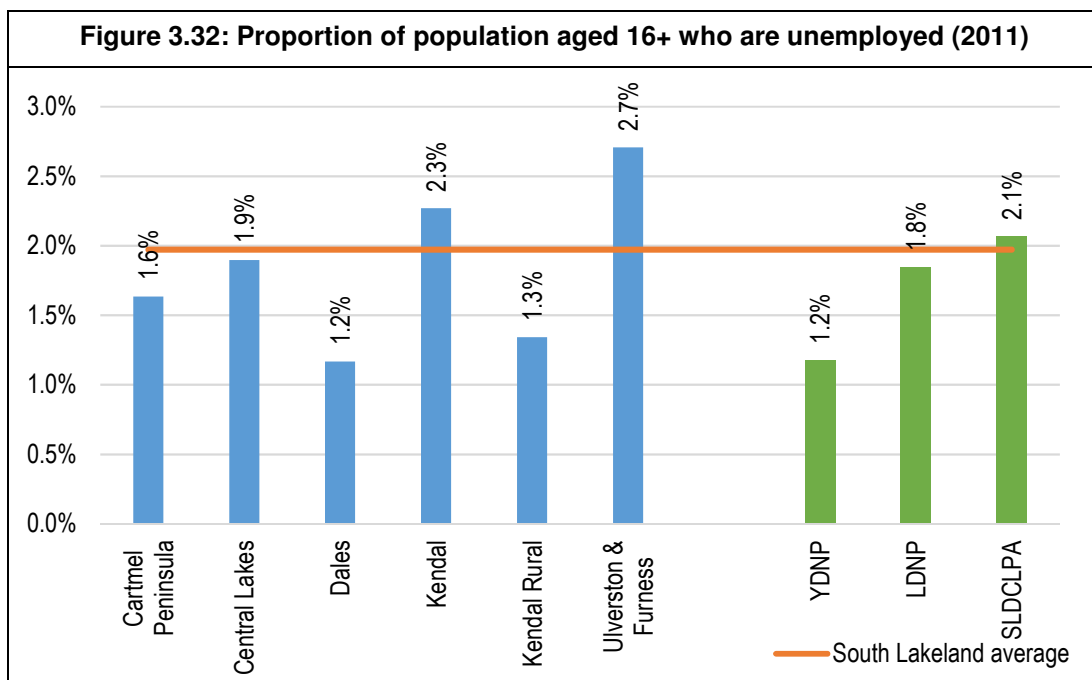
3.37   A similar analysis (below) focuses on the proportion of the population who are retired. The analysis shows that nearly 40% of people aged 16 and over in Cartmel Peninsula are retired, with the lowest proportion being in Kendal (at 26%). When looking at the National Park areas, it is notable that there are lower proportions of retired people than across the District as a whole. This would suggest that a greater proportion of people in these areas have continued working beyond retirement age.

Figure 3.33: Proportion of population aged 16+ who are retired (2011)
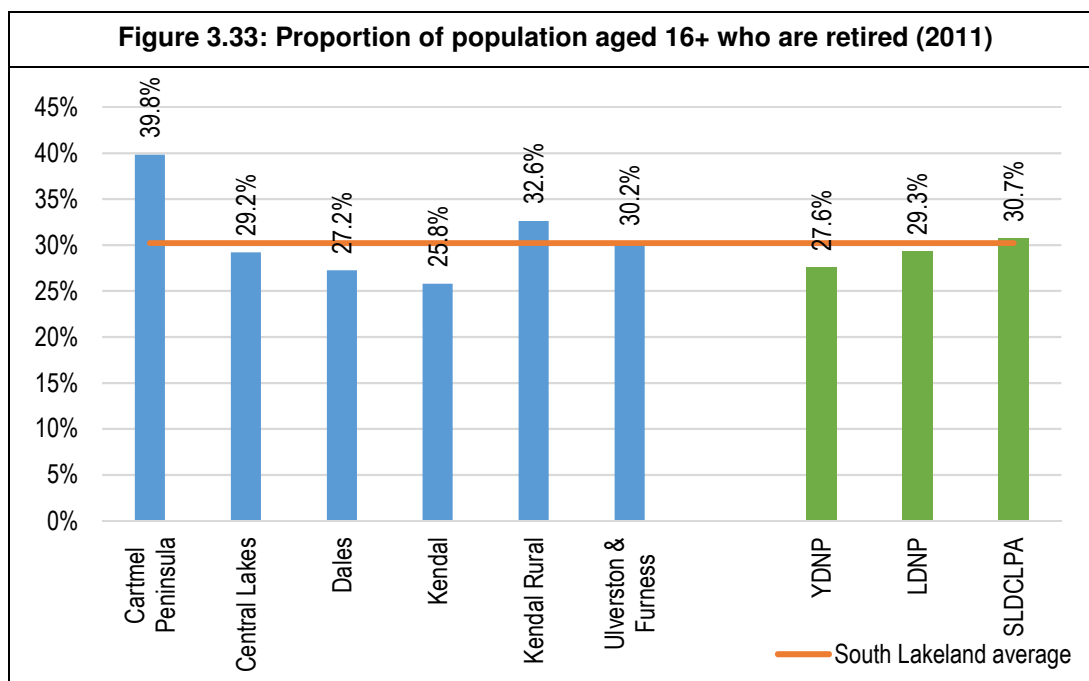
Source: 2011 Census

3.38   The table below shows how economic activity has changed between 2001 and 2011. The analysis is based on slightly different categories to that above (manly in being restricted to the population aged 16-74 and with a slightly different treatment of students). However, the categories used in each of 2001 and 2011 are the same, and comparison can therefore be made.

3.39   The analysis shows a notable increase in the number of people who were economically active, increasing by around 3,400 people over the 10-year period. Much of this increase was driven by more part-time employees, as well as an increase in self-employment. The number of people who were economically inactive decreased by around 1,750 over the 10-years, this is despite an increase of 1,660 people who were retired. The decrease in those economically inactive was driven by notable reductions in people who were *Looking after family or home* or *Long-term sick or disabled*.

Figure 3.34: Economic Activity (2001 and 2011) – population aged 16-74 – South Lakeland			
	2001	2011	Change
Employee: Part-time	9,895	12,015	2,120
Employee: Full-time	26,617	26,863	246
Self-employed	10,291	11,102	811
Unemployed	1,480	1,524	44
Economically active students	1,757	1,892	135
Total economically active	*50,040*	*53,396*	*3,356*
Retired	13,797	15,457	1,660
Economically inactive students	2,232	2,307	75
Looking after family or home	3,416	1,769	-1,647
Long-term sick or disabled	3,213	1,962	-1,251
Other	1,529	940	-589
Total economically Inactive	*24,187*	*22,435*	*-1,752*
Total	74,227	75,831	1,604

Source: 2001 and 2011 Census

3.40   The table below shows the level of qualifications in the population aged 16 and over. Generally, this suggests that South Lakeland has a relatively well qualified population with a low proportion with no qualifications and a relatively high proportion at Level 4 and above (degree level).

| Figure 3.35: Qualifications (2011) – population aged 16 and over					
	South Lakeland		Cumbria	North West	England
	Population	% of population	% of population	% of population	% of population
No qualifications	16,583	18.9%	24.2%	24.8%	22.5%
Level 1 qualifications	10,532	12.0%	13.6%	13.6%	13.3%
Level 2 qualifications	13,516	15.4%	15.9%	15.8%	15.2%
Apprenticeship	4,049	4.6%	5.4%	3.9%	3.6%
Level 3 qualifications	10,377	11.8%	12.3%	12.9%	12.4%
Level 4 qualifications and above	29,277	33.4%	24.6%	24.4%	27.4%
Other qualifications	3,443	3.9%	4.0%	4.5%	5.7%
TOTAL	87,777	100.0%	100.0%	100.0%	100.0%

Source: 2011 Census

3.41   The figure below shows the proportion of people (aged 16+) who have no qualifications by market and National Park area. The highest proportions with no qualifications are seen in Kendal and Dales market areas (and the lowest in Kendal Rural). When looking at the National Parks, the analysis shows relatively little variation, although the population in the Lake District area is less likely to have no qualifications than people in other locations.

Figure 3.36: Proportion of population aged 16+ who have no qualifications (2011)
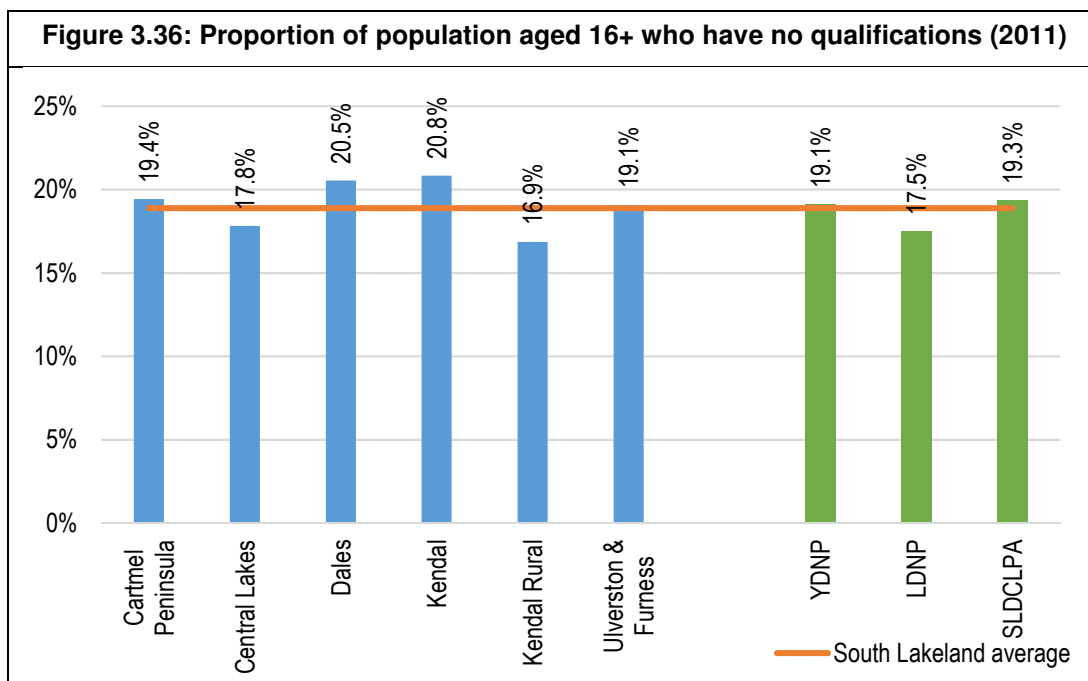
Source: 2011 Census

3.42   A similar analysis (below) focuses on the proportion of the population who are qualified to Level 4 and above (degree level). This typically shows the opposite pattern to that found for no qualifications with higher proportions being seen in Kendal Rural. The population of the National Parks are more likely to be qualified to Level 4 and above, although the difference from the overall District position is not substantial.

Figure 3.37: Proportion of population aged 16+ who are qualified to Level 4+ (2011)
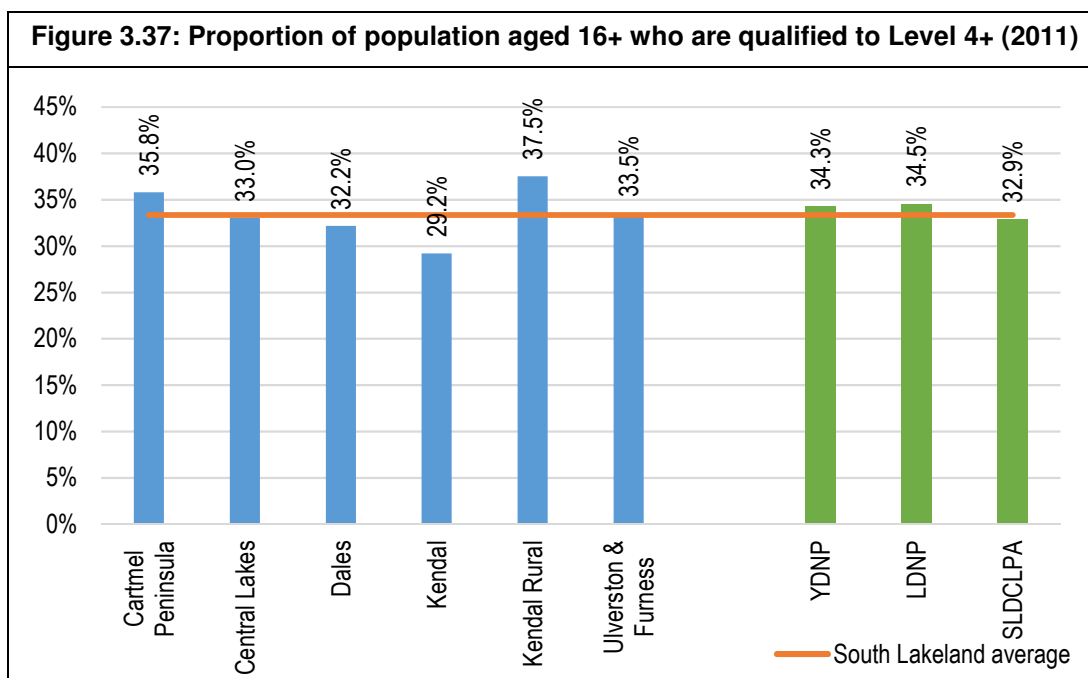
Source: 2011 Census

3.43   The final analysis under the economic activity heading looks at the types of occupations undertaken by people who are working – this analysis uses a slightly different base to those above in that it only uses data from people in employment (including self-employed). This analysis suggests that the occupation profile in the District does not vary notably from other comparator areas although there are a very slightly higher proportion of people in Classification 1 than in other locations (13% compared with 11%-12%).

Figure 3.38: Occupation group (2011) – working population aged 16 and over					
	South Lakeland		Cumbria	North West	England
	Popul-ation	% of popul-ation	% of popul-ation	% of popul-ation	% of popul-ation
1: Managers, directors and senior officials	7,030	13.5%	10.3%	9.9%	10.9%
2: Professional occupations	8,499	16.3%	14.0%	16.3%	17.5%
3: Associate professional and technical occupations	5,101	9.8%	9.7%	11.5%	12.8%
4: Administrative and secretarial occupations	4,776	9.2%	9.7%	11.7%	11.5%
5: Skilled trades occupations	8,647	16.6%	16.3%	11.3%	11.4%
6: Caring, leisure and other service occupations	4,724	9.1%	9.7%	10.1%	9.3%
7: Sales and customer service occupations	4,209	8.1%	8.6%	9.4%	8.4%
8: Process, plant and machine operatives	3,076	5.9%	9.4%	8.1%	7.2%
9: Elementary occupations	6,128	11.7%	12.4%	11.7%	11.1%
TOTAL	52,190	100.0%	100.0%	100.0%	100.0%

Source: 2011 Census

3.44   The figure below shows the proportion of workers (aged 16+) who are in the three highest classification bands by market and National Park area. The analysis shows that 35% of people who live in Kendal are classified as working in bands 1 to 3, compared with 43% in each of Kendal Rural and Ulverston & Furness. There is little difference between the findings in National Park and non-National Park areas.

Figure 3.39: Proportion of working population in Classifications 1,2 and 3 (2011)
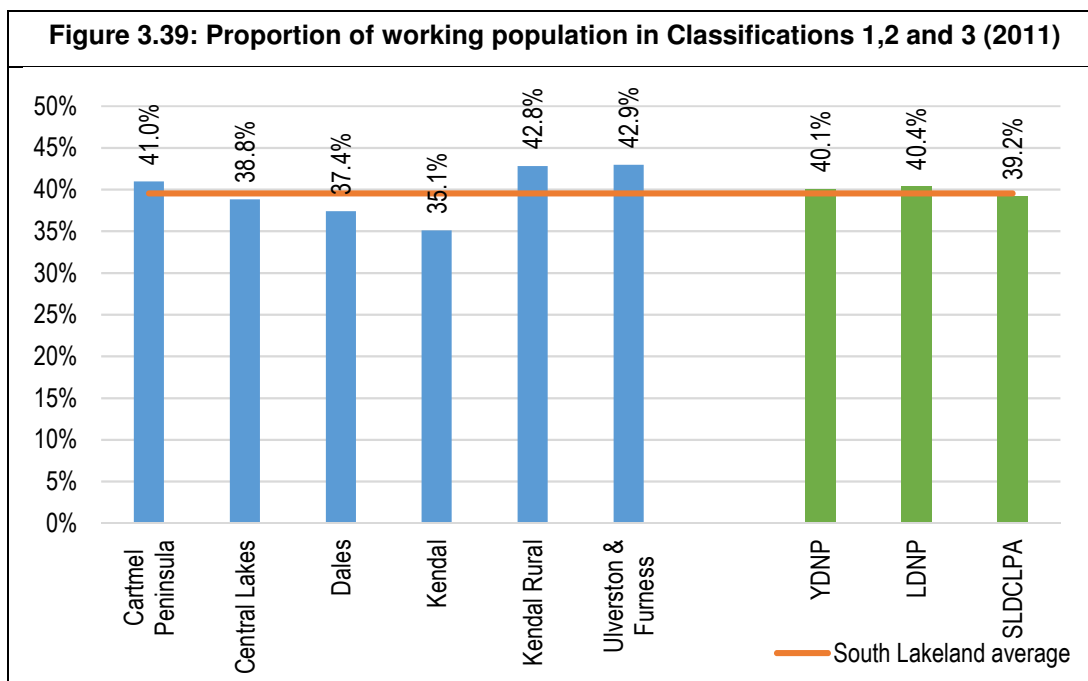
Source: 2011 Census

3.45   A similar analysis (below) focuses on the proportion of the working population who are in the two lowest classifications (8 and 9). This typically shows the opposite pattern that found above with lower proportions being seen in Kendal Rural and Ulverston & Furness (and also Cartmel Peninsula). The proportion of working people in classifications 8 and 9 varies from 16% in a number of areas, up to 21% in Kendal; for the National Park areas, the range is from 16% to 18%.

Figure 3.40: Proportion of working population in Classifications 8 and 9 (2011)
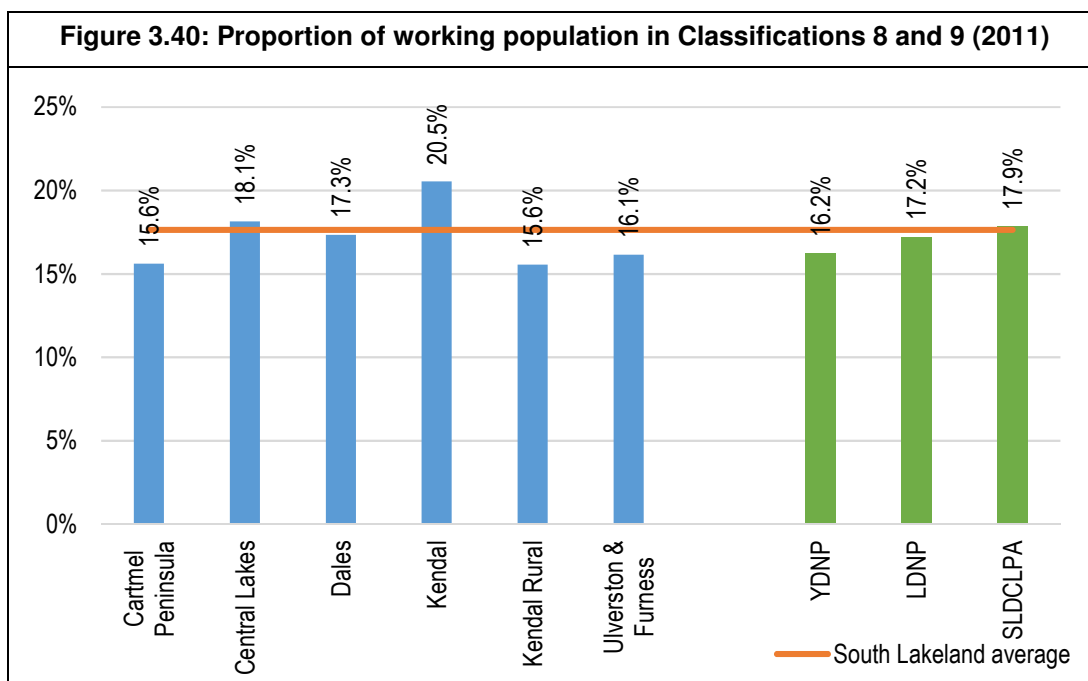
Source: 2011 Census

South Lakeland District Profile – Statistical Analysis: Key Messages

- A range of variables have been considered to look at the profile of the population and housing in the District (and for the six sub-market areas and National Parks). Key variables have looked at population, household characteristics, housing profile and the economic profile of residents.

- The analysis identifies a relatively old population age structure (notably in the Cartmel Peninsula) and a population decline in the 2005-15 period. There has however been growth in the population aged 65 and over – increasing by 25% in the decade to 2015. Due to the population profile, household types are concentrated in older age groups; as of 2011, 29% of all households in the District were entirely composed of people aged 65 and over. Households with dependent children and lone parent households are concentrated in the Kendal and Ulverston & Furness sub-areas (although numbers of such households are low when put in a regional or national context).

- The tenure profile of the District sees a relatively large proportion of outright owners (which will to some extent be linked to the age structure) and a small social rented sector. Between 2001 and 2011, the number of owners with a mortgage declined by 14%, whilst the private rented sector increased by 34%; this may reflect the difficulties faced by younger households in accessing market housing to buy.

- The dwelling stock in the District is predominantly of larger homes, with a greater average number of bedrooms and a high proportion of detached homes (31% of all housing in 2011, compared with 22% nationally). The Kendal Rural area sees a particularly large proportion of detached homes (44%) with Kendal having the largest proportions of terraces and flatted accommodation.

- Overcrowding in the District (and across sub-markets) is low, and there is a significant level of under-occupation (45% of all households have at least two spare bedrooms). Under-occupancy is particularly great in the Kendal Rural and Dales sub-areas.

- The economic profile of the District shows low unemployment and a similar proportion of people in work than is seen in other areas – this finding is interesting given the older age profile, which suggests that people in South Lakeland tend to work for longer. The population and workers in the District are also fairly well qualified (in academic terms) and are more likely than other areas to be working in more senior positions; 13% of all workers resident in the District are described as a manager, director or senior official.

- Overall, the analysis identifies South Lakeland as having more 'prosperous' characteristics in terms of the range of variables studied than County, regional and national comparisons. Whilst there are differences between areas of the District, it is generally the case that the sub-areas still fare well in comparison to locations outside of the District. The analysis suggests that there might be reasons to suggest different policy responses in different locations, although this is far from clear cut. Analysis to follow considers a range of outputs at a smaller area level.

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4.   Trend-based Demographic Projections

Introduction

4.1   In this section consideration is given to demographic evidence of housing need and trend-based projections. Such projections are critical to the SHMA process and this is emphasised in the NPPF (para 158) which states that local planning authorities should prepare a SHMA to identify the scale of housing which *'meets household and population projections, taking account of migration and demographic change'.*

4.2   The importance of such projections can also be seen in the PPG which states [2a-015] that *'household projections published by [CLG] should provide the starting point estimate of overall housing need'.* The CLG projections are directly linked to ONS subnational population projections (SNPP). Further emphasis is put on the CLG projections in 2a-017 where it is noted that *'the household projections… are statistically robust and are based on nationally consistent assumptions'.*

4.3   However, the PPG also identifies [2a-014] that *'establishing future need for housing is not an exact science. No single approach will provide a definitive answer'* and in 2a-017 notes that *'plan makers may consider sensitivity testing, specific to their local circumstances'* – this is particularly related to evidence that there have been particular events which may have impacted on migration or the profile of the local population. Furthermore, the PPG notes [2a-016] that *'where possible, local needs assessments should be informed by the latest available data'* – this is relevant in this area due to new population estimates having been published since the release of the last Subnational Population Projections (SNPP).

4.4   The PAS technical advice note provides some additional detail about sensitivity testing and in particular advises (para 6.24) that using a longer (10- to 15-year) past trend analysis should provide a more robust projection than the SNPP (which uses data from the previous 5-6 years). The PAS technical advice note also highlights the issue of Unattributable Population Change (UPC) – UPC is an adjustment made by ONS for discrepancies between Census data and annual monitoring. PAS states (para 6.35) that *'plan makers may take a view that the UPC, or part of it, should be included in the base period as past migration'.*

4.5   On the basis of the wording in both the PPG and the PAS technical advice note a number of observations can be made which are relevant to the assessment of trend-based demographic projections:

- CLG household projections (which link to ONS population projections) are robust and should be used as the 'start point' for assessing housing need
- These projections can be sensitivity tested where there is evidence of changes over time (e.g. short-term changes to migration patterns) or where UPC may be related to recorded migration levels
- Up-to-date information should be used where possible and this will include later releases of ONS mid-year population estimates (MYE)

4.6   It is considered in looking at sensitivities to demographic projections that the suggested level of need can go down as well as up. This is on the basis of a 'common sense' approach whereby any increase in migration in one area will come with a commensurate decrease in other locations. It is also recognised that levels of population growth for individual local authorities (nationally) will need to sum to the total level of growth projected nationally (through ONS national population projections).

4.7   In considering whether or not projections can be increased or decreased from ONS figures some general trends should also be understood. In particular, it has been evident since about 2008 (the start of recession) that population growth has been relatively strong in many urban areas – this looks to be driven by a reduced trend of out-migration from such locations (which is likely to be linked to factors such as mortgage finance constraints). This has meant that more rural locations have typically seen lower levels of population growth than previously. These trends have not been observed universally across different types of locations but can give an insight into whether or not it is reasonable to move away from official projections.

4.8   In understanding what a reasonable projection is a number of factors can be considered. In particular, this would include overlaying past and projected population growth (to see if there is a correlation) and also to compare past and projected levels of migration – this needs to recognise that migration may well be expected to change over time as the age structure of the population changes.

4.9   There is clearly no set method for looking at demographic-based need with different consultants and interested parties taking different views. For example, the HBF tend to be supportive of an approach to need which focuses on official projections (these are short-term based projections looking at migration trends over the previous 5/6 years); Barton Willmore (one of the main objectors to the analysis of need) tend to suggest the use of a projection linked to 10-year migration trends (excluding any adjustment for Unattributable Population Change (UPC)) – UPC is discussed later in this section); whereas Opinion Research Services (ORS) (who seem to only work for the public sector) typically suggest using 10-year trends including an adjustment for UPC – ORS also tend to use trends in the 2001-11 period rather than the most recent data available.

4.10   It is therefore clear that a range of approaches and views have been taken. In this report, no fixed view on a pre-prepared methodology is offered. It is considered that the best method is to consider the evidence and then form a view following interrogation of a range of data.

4.11   Overall, it is clear that developing the most reasonable and realistic projections for housing need is far from straightforward and will involve a degree of professional judgement. The need for judgment can clearly be seen in a recent High Court case in Kings Lynn (CO/914/2015) where it is noted that *'this is a statistical exercise involving a range of relevant data for which there is no one set methodology, but which will involve elements of judgment about trends and the interpretation and application of the empirical material available'*.

4.12   The projections developed for South Lakeland cover the period from 2016 to 2036. At the time of writing, ONS population data was available up to mid-2015 and so to get to a 2016 base, modelling has been undertaken to estimate how the population might have changed given the level of development in the 2015-16 period (which is taken to be 370 net completions). The core modelling in this section covers the whole of South Lakeland (i.e. including the National Park areas); this is largely due to the District being the main building block for which reasonable data is available (e.g. population and household projections).

Demographic Profile of South Lakeland

4.13   The analysis below provides an overview of demographic trends in South Lakeland, including providing information on overall population growth and the components of change (e.g. births, deaths and migration). For much of the analysis, 2015 is used as a base date, due to this being the date for which the most recent information was available at the time of writing (from ONS mid-year population estimates) although (as noted previously) the projections developed cover the 2016-36 period.

Overall population levels and changes

4.14   The figure below considers long-term trends in population growth with data being available back to 1981. The data shows that over the longer-term, population growth across the District has been stronger than seen in either the region or County (also stronger than the national position until about 2007). Since about 2007, the population of the District has been falling; this is consistent with population levels seen across Cumbria; for the North West and England, population growth has been relatively strong since 2007. Overall, from 1981 to 2015 the population of South Lakeland grew by 9%; this compares with 3% growth in Cumbria and the North West region and 17% nationally.

Figure 4.1: Indexed population growth (1981-2015)

Source: ONS (mid-year population estimates)

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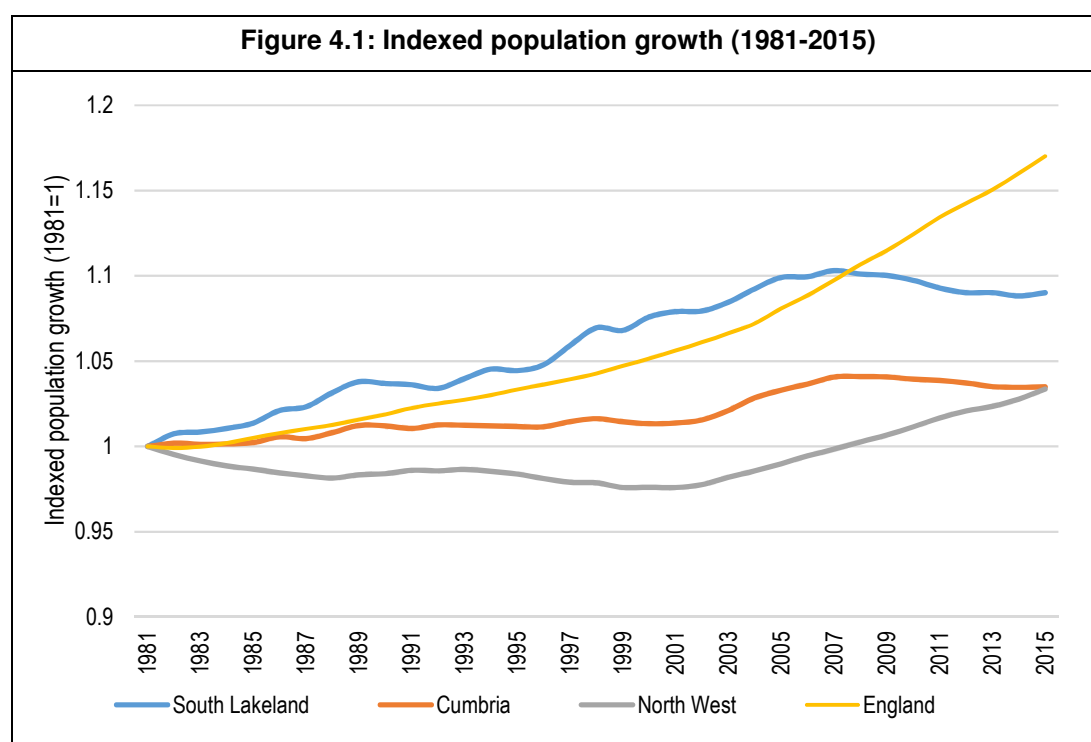
Components of past population change

4.15   The figure and table below consider the drivers of population change in South Lakeland from 2001 to 2015. Population change is largely driven by natural change (births minus deaths) and migration although within ONS data there is also a small other changes category (mainly related to armed forces and prison populations) and an unattributable population change (UPC) – this is an adjustment made by ONS to mid-year population estimates where Census data has suggested that population growth had either been over- or under-estimated in the inter-Census years. Because UPC links back to Census data a figure is only provided for years up to 2011.

4.16   The figure shows that net migration has been the key driver of population change. Throughout the period studied, the number of deaths exceeded the number of births. Over the full 2001-15 period, the number of births was (on average) 360 lower than the number of deaths each year. When looking at migration, the data shows an average level of net migration of about 520 people per annum (with about 350 of this being internal migration (i.e. net moves from another part of the Country). Levels of migration have generally been lower since the onset of recession in 2008. In the 2001-8 period net migration averaged 780 people per annum and this has fallen to an average of 270 in the 2008-15 period.

4.17   Other changes are quite small and the data also shows a small (but fairly significant) negative level of UPC. This latter finding would suggest that ONS may have previously over-estimated migration and population growth in South Lakeland – this could potentially have an impact on forward projections. The implication of UPC for housing need is discussed later in this section.


Figure 4.2: Components of population change, mid-2001 to mid-2015 – South Lakeland
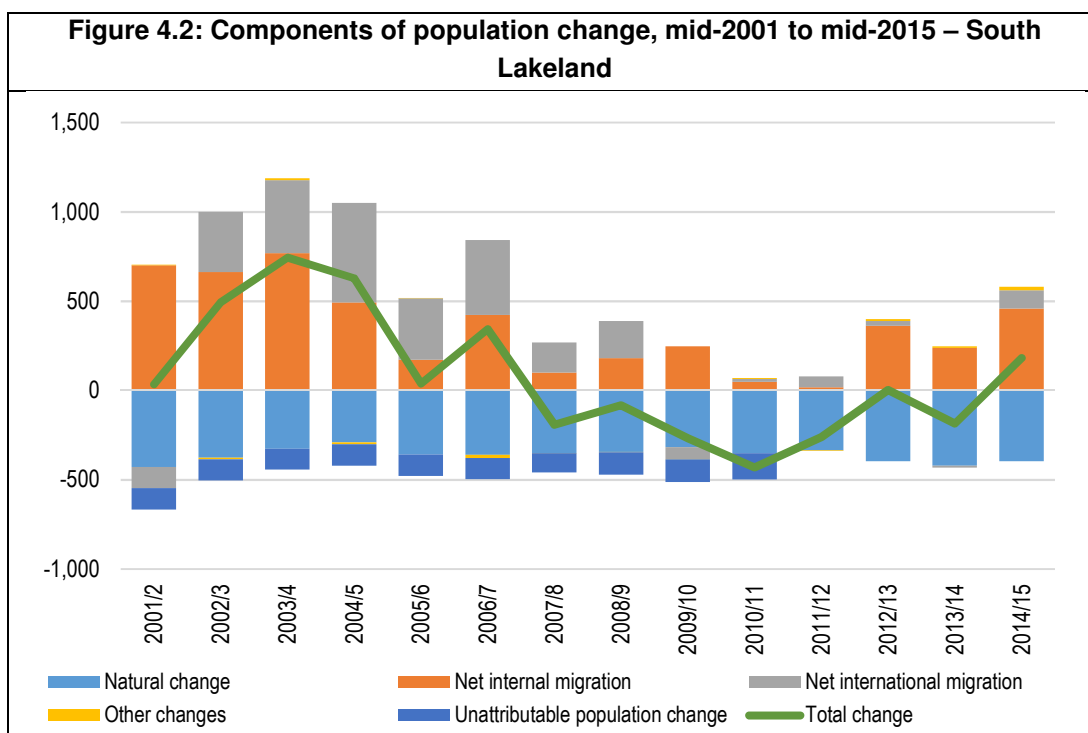
Source: ONS

Figure 4.3: Components of population change, mid-2001 to mid-2015 – South Lakeland					
Year	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	-429	700	-118	3	-120	36
2002/3	-377	662	337	-8	-119	495
2003/4	-326	768	408	11	-117	744
2004/5	-291	492	558	-11	-119	629
2005/6	-359	172	344	2	-120	39
2006/7	-361	422	419	-17	-119	344
2007/8	-351	100	168	-1	-108	-192
2008/9	-344	180	209	-2	-125	-82
2009/10	-317	246	-66	-3	-127	-267
2010/11	-351	48	16	5	-148	-430
2011/12	-336	18	61	-3	0	-260
2012/13	-397	362	27	11	0	3
2013/14	-422	238	-10	9	0	-185
2014/15	-397	458	103	19	0	183

Source: ONS

4.18   Another feature of the analysis is the observation that migration (and population growth) has generally been lower over the past few years. It is worth briefly considering the potential reasons for this, and one possibility is that housing supply has restricted the ability of people to move to the area. To some extent this is picked up in para 2a-015 of the PPG (which talks about the impact of the under-supply of housing, albeit in the context of household formation), additionally, the PAS Technical Advice (in Figure 7.1 and surrounding text) provides an example of analysis that could be carried out to look at the link between housing completions and migration.

4.19   The analysis below shows that over time there has been some decrease in the number of completions and this does look to coincide with a reduction in net migration. However, the patterns are far from definitive; for example, the year with the highest number of completions (2005/6) was also a year that saw falling net migration (the same can be observed for 2009/10). Nationally, completions have also fallen, but there has been a general increase in net migration (i.e. the opposite pattern to that seen in South Lakeland). Overall, it can be concluded that there may be some link between migration and completions, but that this is fairly weak.

4.20   In interpreting the analysis below for South Lakeland, it should be noted that the migration data is for the whole of the District, whereas the completions data only covers the local planning authority area (LPA). This means that the comparison between migration and completions is slightly imperfect. However, given that the vast majority of completions are in the LPA (and will therefore broadly reflect the number across the District), the analysis will provide a reasonable comparison between completions and migration.

Figure 4.4: Housing Completions and Net Migration
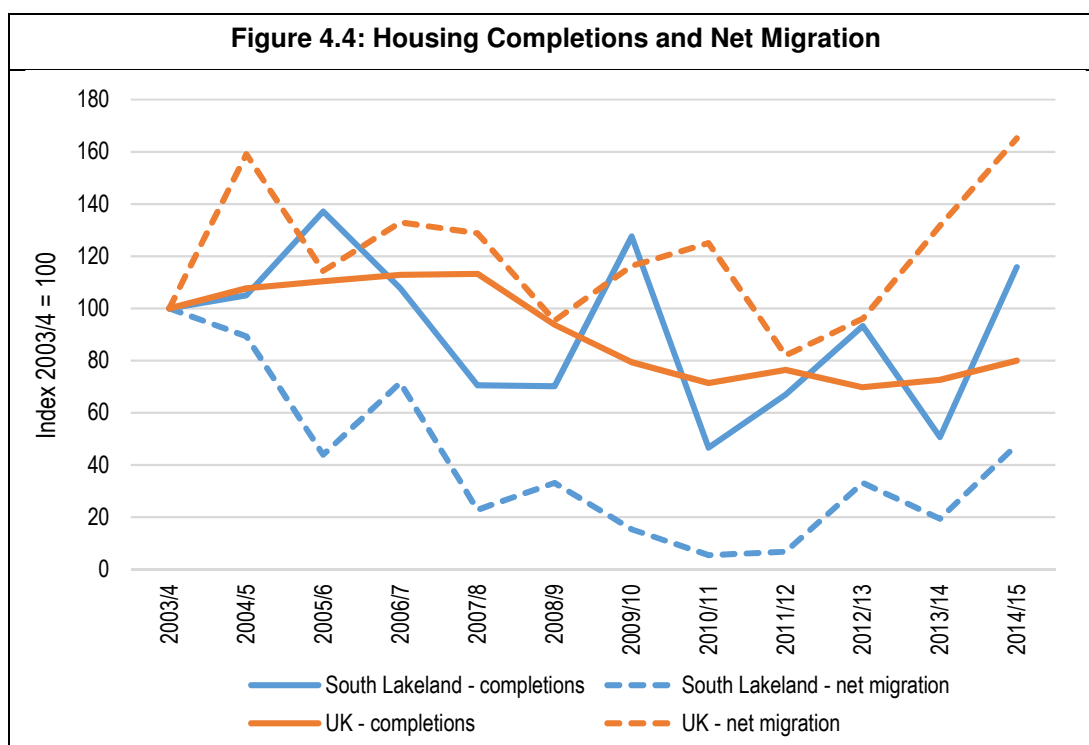
Source: ONS/CLG and South Lakeland Monitoring Data

Demographic Evidence of Housing Need – Start Point

4.21   The PPG [2a-015] states that *'household projections published by the Department for Communities and Local* Government *should provide the starting point estimate of overall housing need. The household projections are produced by applying projected household representative rates to the population projections published by the Office for National Statistics. Projected household representative rates are based on trends observed in Census and Labour Force Survey data'.*

4.22   The most up-to-date projections are the 2014-based CLG household projections published in July 2016 (with the next set expected to be published in Spring/Summer 2018). These projections were underpinned by ONS (2014-based) subnational population projections (SNPP) – published in May 2016. The table below sets out levels of household growth expected by the CLG household projections in the 2016-36 period. Data is also provided for Cumbria, the North West region and England for comparative purposes.

4.23   Across the District, the CLG household projections show household growth of about 2,600 – this is a 6% increase; above the equivalent figure for Cumbria (4%) but below equivalent figures for both the North West Region (11%) and England (18%).

Figure 4.5: Household change 2016 to 2036 (2014-based CLG household projections)				
	Households 2016	Households 2036	Change in households	% change
South Lakeland	47,145	49,740	2,595	5.5%
Cumbria	224,380	232,261	7,881	3.5%
North West	3,110,763	3,468,448	357,685	11.5%
England	23,228,921	27,462,793	4,233,872	18.2%

Source: CLG household projections

4.24   Whilst the 2014-based data is the latest 'official' population projection and therefore forms the start point for analysis in line with the PPG, it is worth testing the assumptions underpinning the projection to see if it broadly reasonable in the local context – this involves considering both the population projections (the SNPP from ONS) and also the way CLG have converted this data into households. The analysis below initially considers the validity of the population projections and their consistency with past trends, before moving on to consider past trend data in more detail, and also data released since the population projections were published (in particular, ONS has subsequently published new mid-year population estimates for 2015).

2014-based Subnational Population Projections (SNPP)

4.25   The latest SNPP were published by ONS on the 25th May 2016. They replaced the 2012-based projections. Subnational population projections provide estimates of the future population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration which are constrained to the assumptions made for the 2014-based national population projections. The new SNPP are largely based on trends in the 2009-14 period (2008-14 for international migration trends).

4.26   They are not forecasts and do not attempt to predict the impact that future government or local policies, changing economic circumstances or other factors might have on demographic behaviour. The primary purpose of the subnational projections is to provide an estimate of the future size and age structure of the population of local authorities in England. These are used as a common framework for informing local-level policy and planning in a number of different fields as they are produced in a consistent way.

Overall Population Growth

4.27   The table below shows projected population growth from 2016 to 2036 in South Lakeland and a range of comparator areas. The data shows that the population of the District is projected to grow by around 300 people; this is a 0.3% increase – above that projected for Cumbria (which sees population decline of 1.4%) but below that projected across the North West region (7%) and also England as a whole (13%).

Figure 4.6: Projected population growth (2016-2036) – 2014-based SNPP				
	Population 2016	Population 2036	Change in population	% change
South Lakeland	103,007	103,324	317	0.3%
Cumbria	496,525	489,777	-6,748	-1.4%
North West	7,190,525	7,666,718	476,193	6.6%
England	55,218,701	62,403,948	7,185,247	13.0%

Source: ONS

4.28   The figure below shows past and projected population growth in the period 2001 to 2036. The data also plots a linear trend line for the last five years for which data is available (2010-15) and also longer-term periods from 2005 to 2015 (a 10-year trend) and 2001-15 (14-years). The data shows that the population is projected to grow at a rate which is above that seen over the past 5- or 10-years – this is an important finding given that ONS typically consider short-term trends when developing the SNPP (looking at the last 5-years for internal migration and the last 6-years for international migration). There is little difference between 5- and 10-year trends when a linear line is plotted. Even the 14-year trend does not show substantial population growth, although the linear trend is above that shown in the SNPP. This analysis would suggest that the SNPP is not underestimating future population growth (once account is taken of past trend data and the time periods used by ONS).

Figure 4.7: Past and projected population growth – 2014-based SNPP – South Lakeland
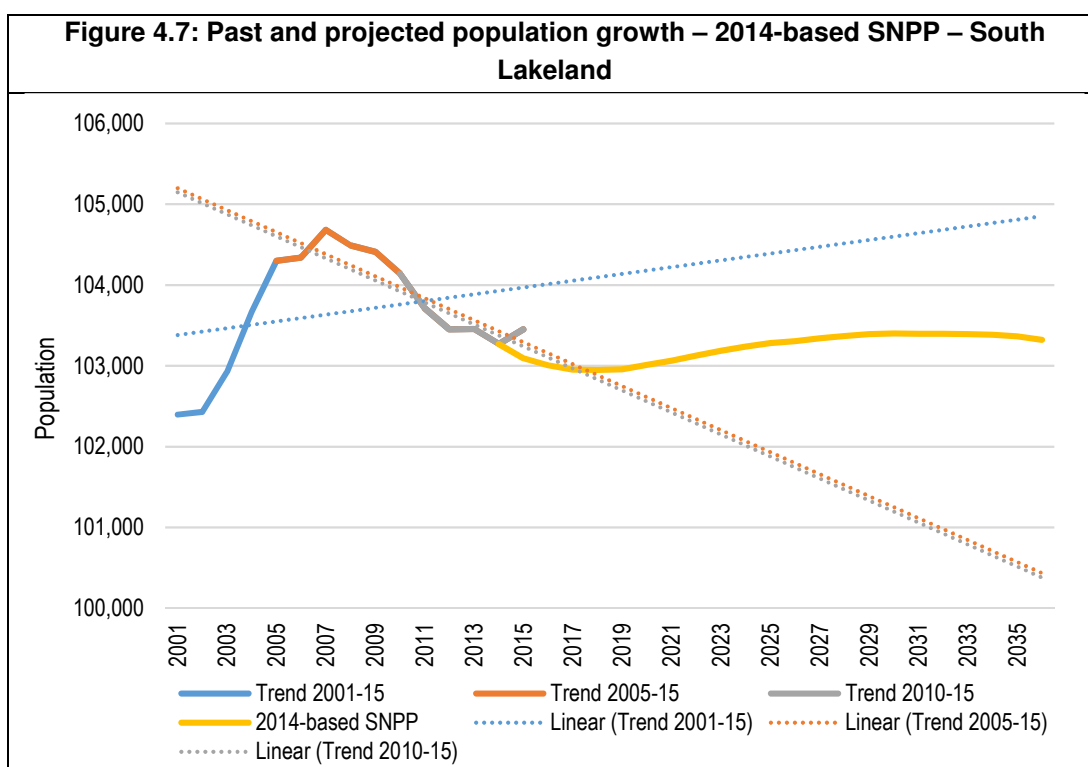
Source: ONS

4.29   One final point with regard to the SNPP, is to bring this together with the components of change data discussed earlier in this section – in particular the latest (2015) ONS mid-year population estimates (MYE). Whilst the view is that the SNPP looks to be a sound projection in terms of future population growth, there is inevitably some uncertainty. The 2015 MYE shows that the 2014-based SNPP under-estimated future population for South Lakeland – this is shown in the table below. Across the District, the SNPP projected that the population would fall by 179 people, whereas the MYE shows a population growth of 183; this is a difference of 362 people.

Figure 4.8: Projected and estimated level of population growth 2014-15			
	2015 MYE	2014-based SNPP	Difference
South Lakeland	+183	-179	+362

Source: ONS

4.30   Given that population accounts for 94% of household growth (CLG Statistical Release, 2014-based Household Projections: England, 2014-2039, July 2016), this data would suggest that the 2014-based household projections will be under-estimating household growth in the District. Whilst the publication of one year of additional data should not be seen as indicating any particular trend, it is the case that the higher level of population growth is likely to ultimately play out in higher levels of growth (both population and household) in the next (2016-based) round of official projections.

Migration levels in the SNPP

4.31   The table below brings together a series of average net migration levels in both past trends and the projection (a range of different time periods are analysed). Taken in the round, this shows a reasonable fit between past trends and the projection and again suggests that the SNPP is a sound assessment of future population growth in the District (and unlikely to be underestimating future population growth). The average level of net in-migration in the 2016-36 period is slightly above than seen in the 2001-15 period (which is the period showing the highest level of net migration). Because the projections in this report run from 2016, this is taken as the base date for analysis of future figures.

Figure 4.9: Average net migration in a range of past and projected time periods (annual averages)			
	Average net migration		
	Internal net-	International net-	Total net-
Past 14-years (2001-15)	348	175	523
Past 10-years (2005-15)	224	127	352
Past 5-years (2010-15)	225	39	264
Next 5-years (2016-21)	403	39	442
Next 10-years (2016-26)	450	26	476
Next 14-years (2016-30)	481	23	504
Next 20-years (2016-36)	528	20	549

Source: ONS

4.32   Some caution should however be exercised when comparing past trend levels of net migration with a future projection. The main reason for this is that ONS, in constructing the SNPP, do not just look at the level of migration, but consider the age/sex profile of migrants and the locations from which people are likely to move to- and from- (they also look separately at in- and out-migration, rather than net migration). This methodology (which is considered to be sound) means that net migration levels can go up or down as the age structure of areas changes. Generally, due to older age profiles, it is observed that rural areas are more likely to see net migration increase moving forward; this is likely to also be applicable in South Lakeland.

4.33   For information, the figure below shows in- and out-migration in the past and projected forward in the SNPP. This shows that net migration is projected to increase (shown by the growing gap between in- and out-migration) and that this is driven by both an increase in in-migration and a decrease in out-migration. The in-migration increase is likely to be driven by population growth in areas outside South Lakeland (i.e. a greater pool of people who will potentially move to the District), whilst the decrease in out-migration will be linked to the older person population (who tend to be less migrant). This analysis would continue to support the SNPP as being a sound demographic projection.

Figure 4.10: Past trends and projected in- and out-migration – South Lakeland
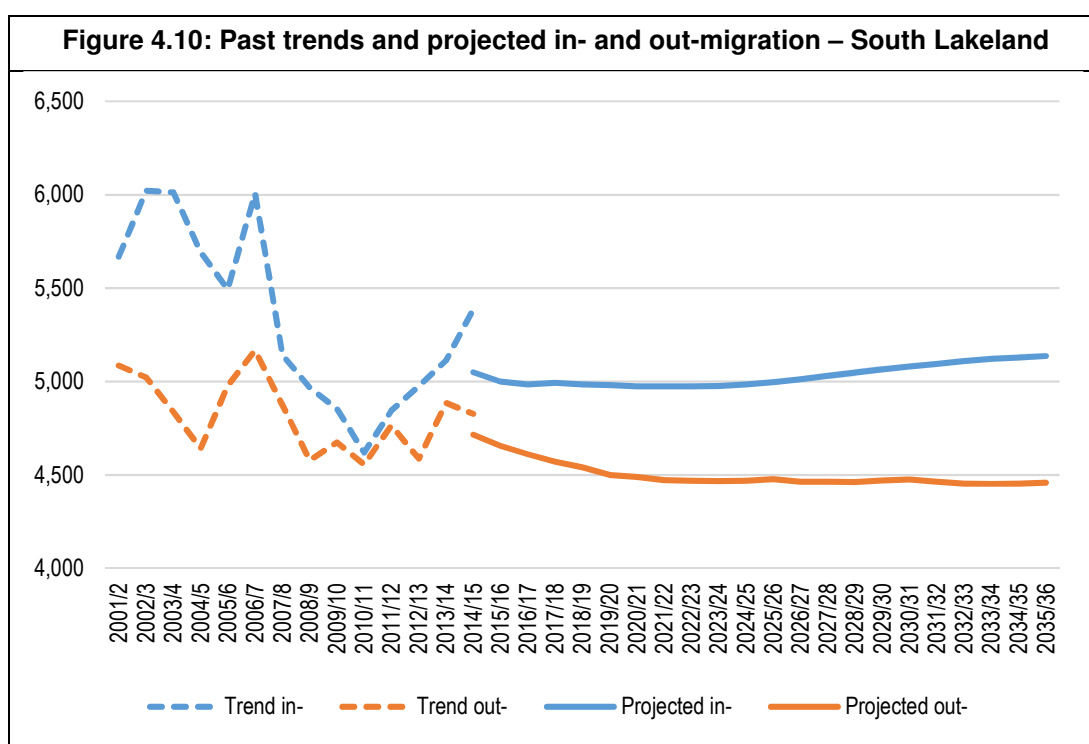
Source: ONS

Age Structure Changes

4.34   With growth in the population will also come age structure changes. The table below summarise the findings for key (15-year) age groups in the 2014-based SNPP. The data shows that the largest growth will be in the number of people aged 60 and over; it is estimated that there will be 45,000 people aged 60 and over in 2036 – this is an increase of 8,900 from 2016, representing growth of 25%. The population aged 75 and over is projected to increase by an even greater proportion, 62%. Looking at the other end of the age spectrum the data shows that there is projected to be decreases in all age groups up to age 59, with a particularly notable decline for those aged 45-59.

Figure 4.11: Population change 2016 to 2036 by fifteen-year age bands (2014-based SNPP) – South Lakeland				
Age group	Population 2016	Population 2036	Change in population	% change from 2016
Under 15	14,254	13,283	-971	-6.8%
15-29	13,821	12,924	-897	-6.5%
30-44	15,197	14,460	-737	-4.9%
45-59	23,647	17,653	-5,994	-25.3%
60-74	23,023	23,832	809	3.5%
75+	13,065	21,173	8,108	62.1%
Total	103,007	103,324	317	0.3%

Source: ONS

Alternative Demographic Scenarios

4.35   As noted above, the SNPP looks to be a sound projection with regard to population growth in the District. However, it is noted that levels of migration and population growth have been variable over time, and typically lower in more recent years. On this basis it would be reasonable to consider alternative (sensitivity) scenarios – such an approach is set out in para 2a-017 of the PPG which states *'plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections…'.*

4.36   The sensitivity scenarios take account of longer-term migration trends and also the 'unattributable' component of population change within ONS population data for the 2001-11 period. Additionally, data from the ONS 2015 mid-year population estimates (MYE) is considered. The analysis below therefore considers five potential sensitivities to the figures. These can be described as:

- Implications 2015 mid-year population data – 2014-based SNPP (+MYE)
- Implications of 10-year migration trends – 10-year migration
- Implications of Unattributable Population Change (UPC) and 10-year migration trends – 10-year migration (+UPC)
- Implications of 14-year migration trends – 14-year migration
- Implications of Unattributable Population Change (UPC) and 14-year migration trends – 14-year migration (+UPC)

2014-based SNPP (+MYE)

4.37   This projection takes assumptions from the 2014-based SNPP, but overwrites the population projection figures for 2015 by those in the ONS MYE (by age and sex). Moving forward from 2015, this sensitivity uses the same birth and death rates as contained in the 2014-based SNPP and the actual projected migration figures (by age and sex). Due to age structure differences in the MYE compared to the projection, this does mean that population growth from 2015 onwards does not exactly match that in the actual projections as published.

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4.38   Additionally, a further step has been undertaken to provide a consistent 2016 base. For this the modelling has included an assumption about net completions and modelled (just for 2015/16) what level of migration this might imply. A total of 370 net completions has been assumed and this gives rise to a net migration of 793 people (based on the same age/sex structure of in- and out-migration as underpins the 2014-based SNPP).

4.39   Hence this sensitivity essentially updates the base position using more recent data. It should be noted that the 2016 baseline established in this sensitivity has been consistently used for all of the other sensitivity scenarios.

10-year migration/14-year migration

4.40   This projection uses information about migration levels in the 10-year period (2005-15) and also a 14-year period (2001-15); the scenario therefore includes the most up-to-date MYE figures (for 2015). The projection does not just look at the migration figures and roll these forward but recognises that migration can be variable over time as the age structure changes. With international migration, this projection also takes account of the fact that ONS are projecting for international net migration to decrease in the longer-term.

4.41   To overcome the issue of variable migration, the methodology employed looks at the share of migration in the District compared to the share in the period feeding into the 2014-based SNPP (which is 2009-14 for internal migration and 2008-14 for international migration). Where the share of migration is higher in the 10-/14-year period, the projection applies an upward adjustment to migration, and vice versa.

10-year migration (+UPC)/14-year migration (+UPC)

4.42   As noted earlier there is a notable level of Unattributable Population Change (UPC) in the ONS data for 2001-11 in South Lakeland. In this instance UPC is negative, this suggests that the components of change feeding into the SNPP may over-estimate migration and population growth.

4.43   It is generally accepted that UPC arises due to two main reasons; a) the misrecording of population in the 2001 and/or 2011 Census or b) the misrecording of migration in the 2001-11 period. It is unknown to what extent each of these is influencing the levels of UPC shown in South Lakeland, however the size of the UPC adjustment made by ONS should not be ignored.

4.44   The PAS Technical Advice Note makes a number of comments about UPC, and their consideration in demographic projections, the core conclusions can be found in paragraphs 6.34 and 6.35 (quoted below). Given the scale of UPC in the area, it is considered prudent to look at demographic scenarios with a specific adjustment.

'In local authorities where the UPC is large, we would suggest that housing needs assessments sensitivity-test the impact of including the UPC in past migration flows, and also that they interrogate the data closely for any local evidence of the causes of UPC… In the light of this analysis plan-makers may take a view that the UPC, or part of it, should be included in the base period as past migration'.

4.45   Whilst making an adjustment for UPC could be an alternative scenario, it is not considered, on its own, to be a robust alternative to the SNPP. The main reasons for this are that it is unclear if UPC is related to migration and more importantly, due to changes in the methods used by ONS to measure migration it is most probable that any errors are focussed on earlier periods (notably 2001-6) and therefore a UPC adjustment for more recent data would not be appropriate. On this basis, whilst it is not considered that UPC should be included on its own as a projection to take forward into the modelling of objectively assessed need it is considered that there is merit in looking at UPC when also considering longer-term trends.

4.46   Hence, this sensitivity projection takes the outputs from the long-term (10-year/14-year) migration scenario and makes a further additional adjustment for UPC. For the purposes of analysis, it has been assumed that UPC is a one-off adjustment and takes account of the age structure as shown by ONS.

4.47   For information, the age structure of UPC is shown in the figure below (this is the total for the 2001-11 period). The analysis shows that much of the UPC is concentrated in younger age groups; in housing need terms this means that UPC might have a fairly limited impact, this is due to household representative rates (discussed later in this section) in these age groups being lower than for older age cohorts. The overall negative level of UPC will however have a downward impact on household growth when modelled.

Figure 4.12: Total Unattributable Population Change by age (2001-11) – South Lakeland
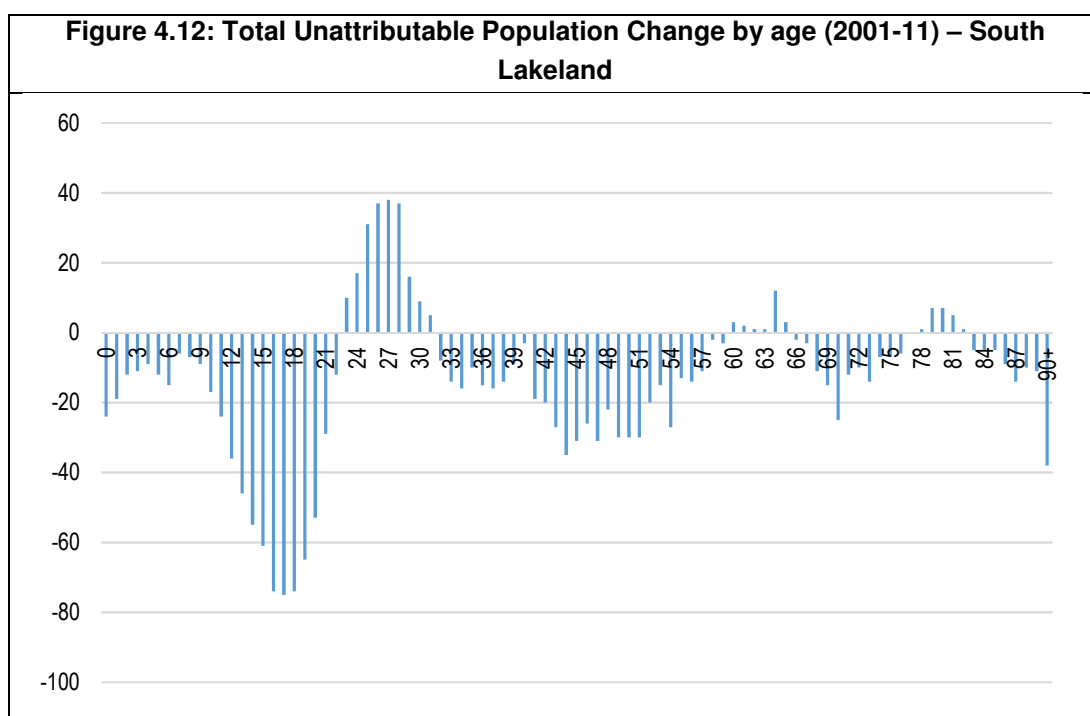
Source: ONS

Migration Assumptions in the Alternative Demographic Projections

4.48   The table below sets out the assumptions modelled (shown as average figures for the 2016-36 projection period). These figures are presented as net migration although the modelling itself looks separately at in- and out-migration (for each of internal and international migration). The estimate of net migration linked to long-term (14-year) trends is higher than a similar projection using 10-year trends, which in turn is higher than in the 2014-based SNPP. With 14-year trends, it is projected that the average level of net migration would be 852 people per annum, this is more than 300 people higher than the actual net level seen in the 14-year trend period (2001-15) and can be explained by the variable level of migration within the SNPP, which has also been modelled in the sensitivity scenarios. It should be noted that migration figures are not available for the UPC adjusted projections as these scenarios are based on a specific (one-off) adjustment rather than being a modelled flow.

Figure 4.13: Average net migration assumptions used in demographic modelling (per annum 2016-36)			
	2014-based SNPP (+MYE)	10-year migration	14-year migration
Internal migration	528	584	728
International migration	20	78	124
Total net migration	549	662	852

Source: Demographic analysis based on ONS data

Outputs from different demographic projections

4.49   The table below shows the estimated level of population growth in the SNPP and the alternative projections developed. Across the District, the SNPP shows population growth (2016-36) of 0.3% - this figure increases slightly when more recent population and migration data is included in the modelling (i.e. to include 2015 MYE data and a rebasing to 2016). When looking at 10-year trends the projected population growth increases to 3.1% and if a longer (14-year) base period is used the figure increases notably (to over 7%). When the data is overlaid with an adjustment for UPC the figures come down to show population growth of between 1.9% and 6.0%.

Figure 4.14: Projected population growth (2016-2036) – alternative scenarios – South Lakeland				
	Population 2016	Population 2036	Change in population	% change
2014-based SNPP	103,007	103,324	317	0.3%
2014-based SNPP (+MYE)	103,815	104,479	664	0.6%
10-year migration	103,815	107,022	3,207	3.1%
14-year migration	103,815	111,272	7,458	7.2%
10-year migration (+UPC)	103,815	105,800	1,985	1.9%
14-year migration (+UPC)	103,815	110,050	6,236	6.0%

Source: Demographic projections

4.50   The figure below plots the projected population growth in each of these scenarios along with past trend data. This shows that the highest of the projections (14-year migration) has population growth that is actually some way above the trend seen over the previous 14 years – this is likely in part to be because the trend data includes an adjustment for UPC as well as the variable migration (which typically sees net migration increase over time). The 14-year migration projection shows an average level of population growth of 373 people per annum, compared with population growth in the 2001-15 period of just 76 people per annum (although this would rise to 163 if UPC is removed from the trends). Hence the 14-year migration projection actually shows population growth some 129%-394% higher than in the trend period from which data has been drawn.

Figure 4.15: Past and projected population growth – range of demographic scenarios – South Lakeland
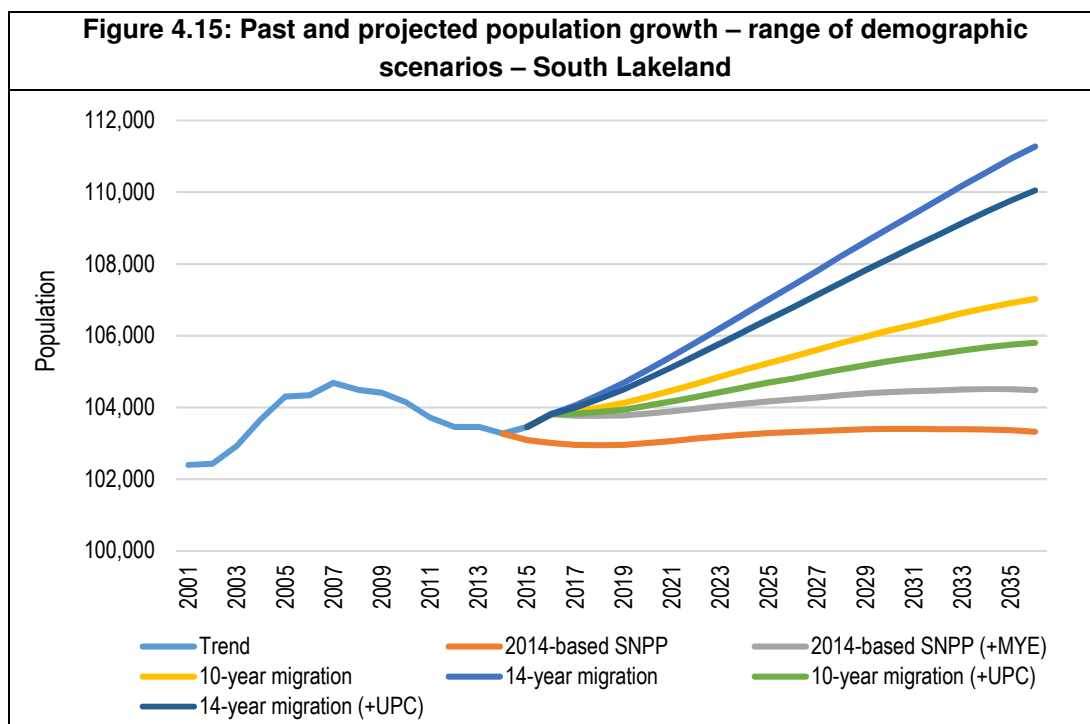
Source: ONS and demographic projections

Appropriateness of alternative scenarios

4.51   Having developed a range of scenarios, it is worth briefly considering which are the most appropriate to use when taking the data forward into estimates of housing need. The 2014-based SNPP is the only projection that is directly linked to official projections and should therefore be given some credence. It is also the projection which is identified in the PPG as the start point for the analysis of housing need.

4.52   The projection linked to 10-year migration trends should be given some weight. As the analysis of housing need has developed over time, it has become common practice to consider 10-year trends as well as the most recent official projections. Given that in South Lakeland there does appear to have been some short-term reduction in migration it is considered that this projection is a useful scenario to use when looking at housing need.

4.53   However, it is the case that the past 10-years shows relatively modest population growth and migration in the District and so looking further back in time should also be considered. The 14-year trend projection covers a longer period of time and also includes a similar amount of data from pre- and post-recession (i.e. the seven year periods either side of 2008). This longer period might be described as being more 'stable'. It should however be noted that there is little precedent in the use of a 14-year migration based scenario.

4.54   Additionally, it is notable that the 14-year based scenario which includes a UPC adjustment sits within the range of projections developed and can therefore be given some consideration, however, it is noted that including UPC within projections is not an approach universally supported by planning inspectors. The level of UPC in South Lakeland is however notable and this point should not be entirely ignored, particularly if looking back to 2001, and therefore including a base period where UPC is more likely to be influenced by the poor recording of migration data.

4.55   Hence, overall, whilst the modelling to follow continues to look at the six scenarios developed it is considered in drawing conclusions about a reasonable level of population growth to plan for that both the official (2014-based) and the 14-year trends should be the main ones used to understand potential housing need. These two projections essentially set out a range of population growth (and hence housing need) although there is clearly merit in considering other scenarios within this range.

Migration Profiles

4.56   One difficulty in developing projections using a different base period to the SNPP is that it is possible for the base period to have a different profile of migration (e.g. a different age structure). It is difficult to fully reflect any differences in age structure given that to do this would require understanding a full matrix of where population moves to- and from- (by age and sex) – such data is not readily available. Some analysts have attempted to develop their own migration profiles by looking at the proportions of migrants in a national context; it is not considered that this is a robust approach as it fails to reflect the linkages between areas. For example, such an approach would essentially give equal weight to the population profile in Barrow-in-Furness as it would to Cornwall. Clearly demographics in South Lakeland are more influenced by dynamics in Barrow than an area many hundreds of miles away.

4.57   Therefore, the analysis for different base periods assumes a migration profile that is the same as assumed in the SNPP, with adjustments made equally to all age and sex groups depending on the scale of moves shown in the SNPP. It is worth briefly checking if this analysis is appropriate; i.e. to see if longer-term migration profiles differ significantly from those which would have informed the 2014-based SNPP.

4.58   The series of figures below look at standardised migration rates by age. The figures are standardised to reflect that it is the profile which is of interest, whilst different assumptions are made about actual levels of migration, these would just see the lines go up or down, the shape of curves would remain the same. The figures look at standardised rates over the past 10-years (2005-15), 14-years (2001-15) and also the periods feeding into the SNPP; for internal migration this will be 2009-14 and for international migration 2008-14.

4.59   In South Lakeland there are some minor differences between the SNPP and the 10-/14-year period, this is mainly for international migration. When looking first at internal in-migration it can be seen that there is a small difference in the age 22 group, but other than this differences are very minor (even in this group the difference is not substantial; 4.6% of migrants in the 2009-14 period were in this age group compared with 3.8% over the previous 14-years (2001-15)). Differences in the profile of internal out-migrants are even less noteworthy. With international migration, the key difference shown is with regard to out-migration where the SNPP is based on a period where out-migration from the 20-30 age group is higher than in the 2001-15 period, the opposite trend appears to be true for some older age groups. Whilst this could have some impact on the projections, it needs to be noted that international migration is a very small component of population change in South Lakeland; over the 2001-15 period international migration made up just 12% of all in-migration and 9% of out-migration (these percentages remain largely unchanged if the SNPP trend period to 2014 were considered). Hence, overall, it seems unlikely that using the SNPP migration profile will have any notable impact on assessed levels of population growth (or the age structure).

Figure 4.16: Comparison of 10-/14-year and SNPP Migration Profiles – South Lakeland
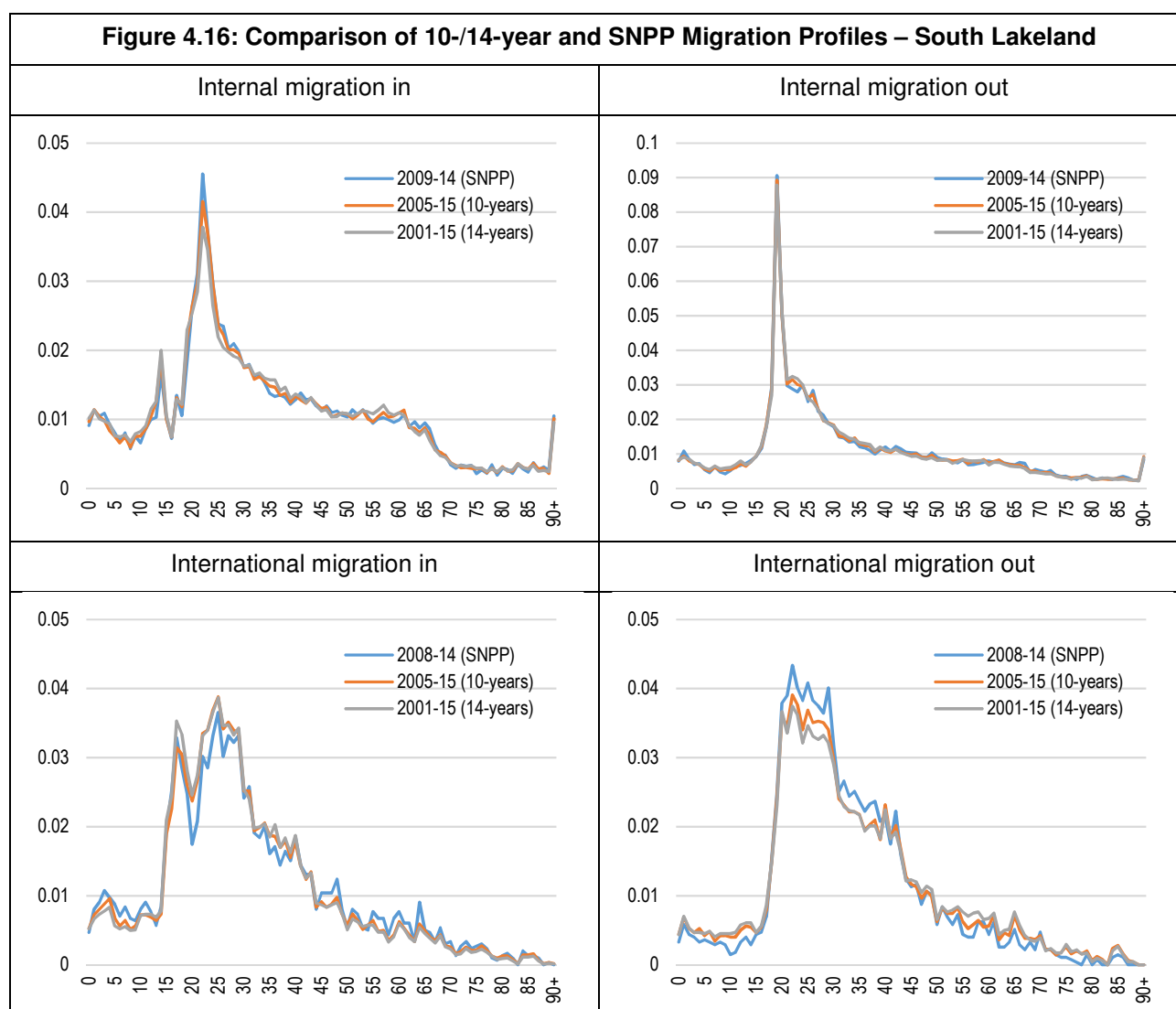
Source: ONS

Age Structure Changes

4.60   Analysis has previously shown changes in the age structure when using the 2014-based SNPP and below a similar analysis has been carried out with the 14-year migration trend projection (which is the highest alternative scenario suggested as being reasonable to use in the modelling). As with the SNPP, there is projected to be a notable ageing of the population; however, it is also noteworthy that the higher population growth in this scenario is concentrated in younger age groups – this reflects the fact that younger people (particularly of working-age) are more migrant than the older population.

Figure 4.17: Population change 2016 to 2036 by fifteen-year age bands (14-year migration trends) – South Lakeland				
Age group	Population 2016	Population 2036	Change in population	% change from 2016
Under 15	14,313	14,958	645	4.5%
15-29	14,338	14,200	-137	-1.0%
30-44	15,263	16,748	1,485	9.7%
45-59	23,783	18,903	-4,880	-20.5%
60-74	23,007	24,866	1,858	8.1%
75+	13,110	21,597	8,487	64.7%
Total	103,815	111,272	7,458	7.2%

Source: ONS and demographic projections

Household Growth (Household Representative Rates (HRRs)

4.61   Having studied the population size and the age/sex profile of the population the next step in the process is to convert this information into estimates of the number of households in the area. To do this the concept of household representative rates (HRR) is used. HRRs can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)).

4.62   On the 12th June 2016, CLG published a new set of (2014-based) household projections – the projections contain two core analyses. The Stage 1 household projections project HRRs based on data from the 1971, 1981, 1991, 2001 and 2011 Censuses with outputs for age, sex and marital status. For younger age groups greater weight was given in the CLG projections methodology to the dampened logistical trend than the simple logistics trend; the effect of which is to give greater weight to the shorter-term trends.

4.63   The Stage 2 household projections consider household types and the methodology report accompanying the projections is clear that these projections are based on just two data points – from the 2001 and 2011 Census. Overall outputs on total household growth are constrained to the totals from the Stage 1 Projections. This means that both sets of projections show the same level of overall household growth (when set against the last set of SNPP) but some of the age specific assumptions differ. Differences can however occur between the Stage 1 and 2 HRRs when modelled against different population projections (due to differences in the age structure).

4.64   Overall, it is considered that the Stage 1 projections should be favoured over the Stage 2 figures for the purposes of considering overall household growth; this is for two key reasons: a) the Stage 1 figures are based on a long-term time series (dating back to 1971 and using 5 Census data points) whereas the Stage 2 figures only look at two data points (2001 and 2011) and b) the Stage 2 figures are constrained back to Stage 1 values, essentially meaning that it is the Stage 1 figures that drive overall estimates of household growth in the CLG household projections themselves. The analysis to follow therefore focuses on Stage 1 figures.

4.65   The figure below shows how Stage 1 figures differ for different age groups (and provides a comparison with data for the North West and England). It is evident from the analysis that HRRs amongst households in their late 20s and early 30s fell slightly over the 2001-11 decade – the projections are however suggesting that this trend will stop and the HRR will begin to rise, at a rate notably above the comparator areas. The 2014-based household projections also expect HRRs amongst older age groups to fall over time. Given improving life expectancy this 'trend' looks to be reasonable (as it would be expected that more people would remain living as couples).

Figure 4.18: Household Representative Rates by age – South Lakeland
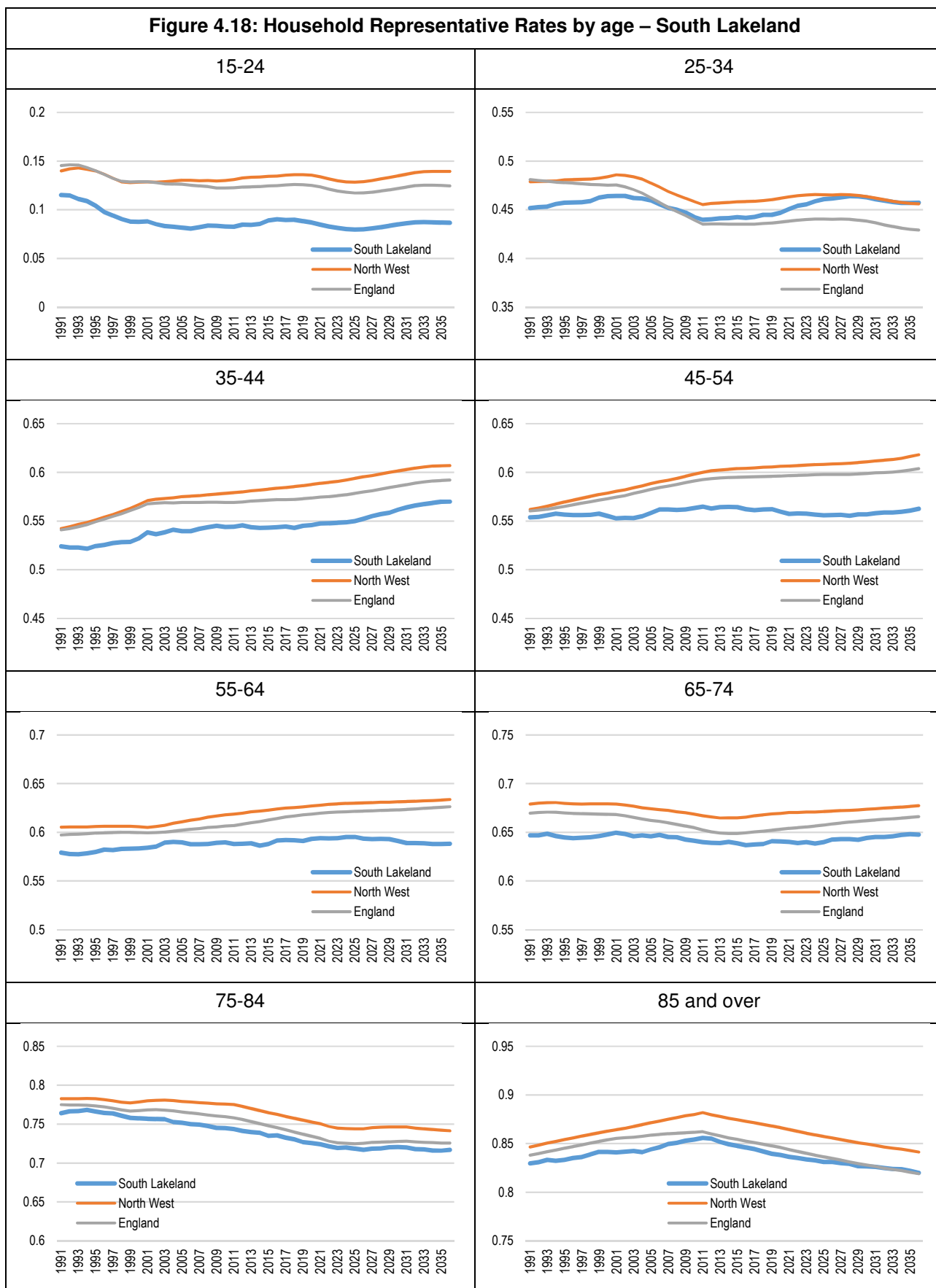
Source: Derived from CLG data

Critical Review of Headship Rates

4.66   The headship rates in the 2014-based CLG household projections should not be used uncritically. Paragraph 2a-015 of the PPG is clear that 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'*. Essentially this is suggesting, where the projections include a suppression of household formation that some sort of adjustment should be made.

4.67   It is not straightforward to determine if the projections contain any level of suppression (either in the past or projected forward) given that household formation rates can be influenced by a range of factors. One person to recognise this was the late Alan Holmans in the September 2013 Town and Country Planning Association (TCPA) publication *'new estimates of housing demand and need in england, 2011 to 2031'* where he stated:

'The working assumption in this study is that a considerable part but not all of the 375,000 shortfall of households relative to trend was due to the state of the economy and the housing market. 200,000 is attributed to over-projection of households due to the much larger proportion of recent immigrants in the population, whose household formation rates are lower than for the population as a whole. This effect will not be reversed. The other 175,000 is attributed to the economy and the state of the housing market and is assumed to gradually reverse'.

4.68   Broadly what Mr Holmans was saying is that about half of changes to household formation are due to market factors and about half due to international migration. Whilst the international migration impact is not expected to change (in terms of household structures), any suppression as a result of the economy and housing market could improve in the future.

4.69   In interpreting the view of Mr Holman's, it is worth noting that he only had access to data from the 2011-based 'interim' household projections, which unlike the 2014-based release only looked at trends in the 2001-11 period. Focussing on the 25-34 age group (the only one that arguably shows any suppression) it is clear that the latest (2014-based) projections are showing a break from the 2001-11 trend and are therefore not continuing to build in any suppression.

4.70   This view is supported by subsequent articles on the topic of household formation rates. One of note is *new estimates of housing requirements in england, 2012 to 2037* (Neil McDonald and Christine Whitehead – TCPA – November 2015). In this it is stated that:

'The 2012-based projections, which use the 2011 Census and up-to-date population figures, are more immediately relevant and more strongly based than earlier estimates. The latest projections can therefore be taken as a reasonable indication of what is likely to happen to household formation rates if recent trends continue. This is because, although economic growth might be expected to increase the household formation rate, there are both longer-term structural changes and other factors still in the pipeline (such as welfare reforms) that could offset any such increase'

4.71   Whilst this refers to the 2012-based projections, it is the case that the household formation rates in the 2014-based figures are almost identical. Overall, on the basis of the evidence available, it seems unlikely that the 2014-based household formation rates include any degree of suppression and can therefore realistically be used to assess levels of household growth when set against population projections.

Housing Need (linked to 2014-based headship rates)

4.72   The analysis below brings together outputs in terms of household growth and housing need using the 2014-based headship rates and the full range of scenarios developed. To convert households into dwellings the data includes an uplift to take account of vacant homes. This has been based on 2016 Council Tax data with a summary of the key statistics shown below (and compared with data for England). This shows that the total number of dwellings is some 11.8% higher than the number of occupied homes (which is taken as a proxy for households) and hence household growth figures are uplifted by 11.8% to provide an estimate of housing need. It is assumed that such a level of vacant homes will allow for movement within the housing stock and includes an allowance for second homes.

Figure 4.19: Vacant homes (Council Tax data)		
	South Lakeland	England
Dwellings	52,967	23,862,835
Second Homes	3,877	246,540
Other vacant homes	1,718	442,846
Total vacant	5,595	689,386
Total occupied	47,372	23,173,449
Vacancy allowance	11.8%	3.0%

Source: CLG

4.73   It is notable that vacancy rate (excluding second homes) in South Lakeland is above the national average (South Lakeland – 3.6%, England – 1.9%). Arguably, it could be assumed that vacancy might reduce over time (e.g. to return to the national average), and this would reduce assessed levels of need. This report does not model any improvement to vacancy rates although this point should be noted when interpreting the figures.

4.74   The analysis shows an overall housing need for 145 dwellings per annum across South Lakeland when using the 2014-based SNPP as the underlying population projection. This figure increases slightly (to 157) when the assumptions include MYE data for 2015 and a rebasing to 2016. With long-term (10-year) migration assumptions the housing need is shown to be for some 214, and this figure rises further (to 316) if the trend period is increased to 14-years. With a UPC adjustment the figures are reduced by around 24-25 dwellings per annum.

4.75   On the basis of the information below it is concluded that the demographic need for housing falls in the range of 145-316 dwellings per annum. The bottom end of the range being the 'start point' as defined in the PPG and the upper end being informed by longer-term trend data and an understanding of how trends have changed and the components of population growth.

Figure 4.20: Projected housing need – range of demographic based scenarios and 2014-based headship rates – South Lakeland					
	Households 2016	Households 2036	Change in households	Per annum	Dwellings (per annum)
2014-based SNPP	47,148	49,739	2,591	130	145
2014-based SNPP (+MYE)	47,369	50,178	2,810	140	157
10-year migration	47,369	51,199	3,831	192	214
14-year migration	47,369	53,013	5,644	282	316
10-year migration (+UPC)	47,369	50,768	3,399	170	190
14-year migration (+UPC)	47,369	52,581	5,212	261	291

Source: Demographic projections

The Impact of Brexit for Population and Household Projections

4.76   One key question for this assessment is whether or not the United Kingdom leaving the European Union ('Brexit') will have any impact on future migration and population growth, and hence housing need, over the period to 2036. As a preamble, it should be stressed that the impact of Brexit is clearly unknown and so the analysis to follow is mainly discursive, highlighting a series of issues.

4.77   Initially, it is observed that one of the key parts of the Brexit 'pledge' is to reduce levels of immigration to the UK. Given that Brexit will impact on EU migration, an initial analysis considers trends in migration from EU countries. The table below shows net migration to the UK from 2010 to 2015 (figures are all for the year to December). This shows an average net migration of about 250,000 people, with this figure having been rising since 2012; the data also shows that an average of 40% of net migrants are from EU countries, and the remaining 60% from the rest of the World – the proportion of migrants from the EU has however been steadily rising over time.

4.78   This analysis would suggest that any reductions to EU migration will only impact on about two-fifths of the migrants seen to the UK in a typical year.

Figure 4.21: Net migration to the United Kingdom by broad location (2010-2015)					
	British	EU (not-British)	All other	Total	% EU (excluding British)
2010	-43,000	77,000	217,000	256,000	26%
2011	-70,000	82,000	204,000	205,000	29%
2012	-63,000	82,000	157,000	177,000	34%
2013	-57,000	123,000	142,000	209,000	46%
2014	-55,000	174,000	194,000	313,000	47%
2015	-40,000	184,000	189,000	334,000	49%
Average	-55,000	120,000	184,000	249,000	40%

Source: ONS

4.79 To look at international migration at a local authority level, data has been taken from the Census about migrants in the year to 2011 – these figures only cover in-migration and not net flows (as in the table above). This shows that relative to other areas, the District sees a slightly higher proportion of EU in-migrants, totalling 50% compared with 42% nationally. This would suggest that the migration impact of Brexit <u>might</u> be slightly higher in the District than other locations (although it should be remembered that this data is only based on one year of information, and should therefore be treated with some caution). However, it should also be noted that international migration generally in the District is quite low. Using the ONS components of change data, it is calculated that international migration accounted for only 12% of in-migrants and 10% of out-migrants (over the 10-year period to 2015).

Figure 4.22: International in-migration (2011) – Census data				
		EU in-migration	Non-EU in-migration	Total in-migration
South Lakeland	Population	387	383	770
	% of population	50%	50%	100%
North West	% of population	42%	58%	100%
England	% of population	42%	58%	100%

Source: Census 2011

4.80 The final issue to consider are the assumptions relating to international migration underpinning the latest (2014-based) ONS projections; this is important as this source drives assessments of need at a local level. The table below shows that ONS were projecting net international migration to be around 329,000 in 2014/15 (a figure close to the actual estimated level in MYE); moving forward they assume that net in-migration will reduce to 185,000 by 2020/21 (this figure is projected moving forward from that date); the 185,000 represents a 45% reduction on the 2015 net level and is 26% down on the 2010-15 average shown above.

Figure 4.23: Projected net migration – United Kingdom	
Period	Projected net migration
2014/15	329,000
2015/16	256,000
2016/17	232,000
2017/18	226,000
2018/19	206,000
2019/20	196,000
2020/21	185,000

Source: 2014-based ONS national population projections

4.81   On the basis of this analysis (i.e. reflecting the fact that around 50% of the international migration is not EU related, that international migration in South Lakeland is fairly low and the fact that ONS are already projecting a reduction in international migration) it is difficult to confidently say that Brexit will have any impact on migration levels, population growth and housing need. At the present time it is considered that using the latest official projections (including with adjustments for longer-term trend) will provide the best estimates of future need. However, the figures should be kept under review, should there be any notable changes as a result of the UK leaving the EU. The next set of ONS projections to be produced (2016-based) will need to reflect a view about the impact of Brexit, and the Council should consider reviewing this evidence when it is released.

Projections Developed by Cumbria County Council

4.82   The analysis in this section has developed a number of different projection scenarios drawing on data published by ONS and CLG. Separately from this assessment, Cumbria County Council (CCC) regularly develop their own projections using the software package POPGroup. The latest CCC figures were published in December 2016 and are titled as a 2016 refresh.

4.83   Rather than studying the detail sitting behind the CCC projections, this section simply provides a brief commentary where comparable scenarios can potentially be seen. In this instance, CCC have run a scenario linking to the latest SNPP and also one based on 10-year trends. With the SNPP, CCC suggest an annual housing need of 149 dwellings (2016-36) compared with 145 in this report (or 157 when more up-to-date information about population growth and completions is included).

4.84   With 10-year trends, there is however a notable difference; CCC put the need at 136 dwellings per annum, compared with 214 in this report. The difference looks to be due to the way migration has been modelled; in this report, migration is treated as being variable and can change year-on-year as age structure change, whereas CCC treat migration as being fixed (based on the actual levels observed over the 10-year period). Whilst either approach can be considered as reasonable, it is likely in the case of South Lakeland that the 'rates-based' approach used in this report is more robust, this is because ONS (in the SNPP) are projecting for there to be some increase in migration moving forward and this is not reflected with an approach that keeps levels of migration fixed. Additionally, the analysis carried out in this report notes that migration was stronger over the 10-year period than the period feeding into the SNPP, and hence it is reasonable to expect any projections based on the 10-year period to be higher. Overall, given that the 10-year projection in this report is somewhat higher than the similarly titled CCC scenario, it could not readily be argued that this report has under-estimated the level of need.

4.85   CCC also developed some projections linked to past and future dwelling growth, these do not feature in this report and so no comparison is made. Additionally, CCC have developed economic-led projections; these are commented on in the next section of this report.

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Trend-Based Demographic Projections: Key Messages

- The start point for assessing housing need in line with the PPG is the most recent official household projections; these are the 2014-based CLG projections which suggest a need for around 145 dwellings per annum to be provided (2016-36). These projections were underpinned by the most recent ONS subnational population projections (SNPP – also 2014-based). The 2014-based subnational population projections (SNPP) look to be a sound demographic projection in technical terms and future population growth is projected to be in line with past trends in population growth (when taking account of both long- and short-term trends).

- Alternative projections based on long-term (up to 14-year) trends were developed (including more up-to-date information from ONS mid-year population estimates to 2015). The housing need linked to 14-year migration trends is for 316 dwellings per annum (2016-36). Whilst this projection is considered sound (in technical terms) it should be considered to be very much at the top end of what is reasonable, for example, population growth in this scenario is nearly 6,000 more than the figure in the most recent 'official' population projections. Other sensitivity scenarios developed tend to show levels of need somewhere in the middle of the range between official projections and the 14-year migration scenario.

- When looking at the data about headship rates underpinning the 2014-based CLG household projections it was observed that the 25-34 age group had reduced slightly in the 2001-11 period, although this trend was not projected to continue into the future (and was actually projected to increase) Overall there was no evidence of any suppression of household formation and hence the 2014-based CLG projections can readily be used as published to translate population figures into household growth and housing need.

- Overall, the analysis identifies a demographic based need for between 145 and 316 dwellings per annum (the latter based on 14-year migration trends).

5. Future Employment and the Link to Housing

Introduction

5.1 The PPG sets out that consideration should be given to future economic performance in drawing conclusions on the overall need for housing. Where the evidence suggests that a different level of migration might be needed than seen in past trends in order to support economic growth, consideration should be given to adjusting the spatial distribution of housing. Specifically, the Guidance [2a-018] outlines that:

'Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area. Any cross-boundary migration assumptions, particularly where one area decides to assume a lower internal migration figure than the housing market area figures suggest, will need to be agreed with the other relevant local planning authority under the duty to cooperate. Failure to do so will mean that there would be an increase in unmet housing need.'

And that:

'Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems.'

5.2 The actual wording of the PPG needs to be carefully considered. It is clear that understanding the link between jobs and population/housing is an important part of looking at the OAN, however, the PPG is clear that this issue is one in relation to the location of housing rather than overall housing numbers per se. Indeed, the wording of the PPG shows a notable departure from the wording in the draft PPG (of August 2013) where it was stated that *'in such circumstances [a shortfall in labour supply], plan makers will need to consider increasing their housing numbers to address these problems'*.

5.3 This is a clear, conscious and logical change to the PPG between draft and final version. Clearly it would be illogical for an area to increase population growth above the levels shown in trend-based projections (and hence increase housing need) without consideration of the impact this would have on other locations – i.e. given that there is a finite level of population growth projected nationally (as informed by national population projections) any increase in one area would need to come with a commensurate decrease in other locations.

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5.4   Despite the entirely logical wording in the PPG it is the case that a number of areas have sought to show a higher need linked to job growth than in trend-based projections; and this has often been done without consideration of the impact in other locations. Such an approach has been accepted by inspectors in some instances with the PAS technical advice note (para 8.2) noting for example that *'planning inspectors have interpreted this [the PPG] to mean that demographic projections should be tested against future jobs, to see if housing supply in line with the projections would be enough to support those future jobs. If that is not the case, the demographically projected need should be adjusted upwards accordingly.'*

5.5   To be clear, it appears from the PPG that the jobs/housing link is very much in relation to the locations of housing rather than the overall OAN. This position has support in the NPPF which in para 159 (bullet 1) states that the SHMA should *'identify the scale and mix of housing and the range of tenures that the local <u>population</u> is likely to need over the plan period which: - meets <u>household and population projections</u>, taking account of migration and demographic change'* [emphasis added].

5.6   Hence it is considered that any upward (or indeed downward) adjustment to the OAN as a result of job growth will need to be undertaken alongside an analysis of where the additional population will come from (or go to) and therefore include proportionate adjustments to the need in other locations.

5.7   It is however recognised that the NPPF seeks to *'boost significantly the supply of housing'* (para 47) and this is often used to support the 'need' for an uplift to housing numbers (often expressed as the OAN). This point does not seem right; the NPPF is clear of the need to boost housing supply, and such a boost is in relation to the low levels of delivery seen in the recent past – over the past 10-years (to 2015) the number of completions (in England) averaged about 130,000 per annum. This figure can be compared in light of the most recent (2014-based) CLG household projections which show household growth of about 210,000 per annum (2014-39) which once account is taken of vacant homes would arguably rise to approaching 220,000. Hence the 'boost' sought in the NPPF (and PPG) is to increase delivery to the sort of levels required by the growing population.

5.8   If every local authority planned (and delivered) on the basis of official projections, then the national OAN would be met; regardless of any consideration of the jobs/homes balance. It would still be the case that a number of authorities would be unable to meet their OAN (due to constraints); however, this is an issue to be dealt with through the Duty-to-Cooperate and not one of OAN.

5.9   Regardless of the discussion above, it is still considered that an understanding of the jobs/homes link is important. This will particularly be in areas where the evidence shows strong demographic growth (and weaker job growth) in one location and weak demographic growth (but strong job growth) in another. In such circumstances, 2a-018 of the PPG is logically used to consider the location of new housing, although this will to some extent be an issue for the plan making process; ensuring that the OAN is met across all areas but providing a spatial distribution that better fits the locations where job growth is forecast to occur.

5.10   It is also considered that there are some circumstances where an individual authority might consider a higher OAN due to job growth. A couple of examples are provided below:

a) In an area with low future population growth and potentially a minimal change in the economically active population (due to an ageing population). In such circumstances it may be sensible to suggest an above trend level of housing delivery to encourage a slightly younger age structure and to support economic growth.

b) In an area with a known 'shock' to the employment base such as a major new employment site which will generate many more jobs above a baseline forecast position. In such a case it may be reasonable to consider that more homes will be needed to accommodate the growing workforce (although recognising commuting patterns and the 'draw' of workers will also be important along with an understanding of the displacement impacts of sizeable development)

5.11   In such circumstances an 'economic-based' approach to looking at housing need may be appropriate. However, it would still be the case that any uplift would need to be considered in the light of the impact in other areas; for example, if an economic-based approach suggests an increase in population (and related housing need) of 2,000 people (over and above the levels in trend-based demographic projections) then some consideration of where the additional population will come from will be necessary, and assumptions about growth be agreed with the relevant authorities through the plan making process.

5.12   Of course it is arguable that an opposite set of scenarios might point towards the lowering of housing need (i.e. strong population growth relative to likely job increases or known future job losses). This is again something that should be considered when looking at housing need in the round.

5.13   There is also an issue of scale to be considered when looking at moving away from trend-based demographic projections. For example, a 20% uplift to housing need may be realistic and potentially deliverable (depending on local circumstances) but increases of say 50%+ may not be. To some extent this will be a matter of judgement although the PPG is clear [2a-003] that *'Assessing development needs should be proportionate and does not require local councils to consider purely hypothetical future scenarios, only future scenarios that could be reasonably expected to occur'*.

5.14   Finally, the general issue of the link between jobs and population/housing is complicated by the number of assumptions that need to be made to understand this link. This will include the assumptions to be made about commuting and double jobbing (the proportion of people with more than one job). However, this biggest issue is about assumptions with regard to how employment or economic activity rates might change in the future. A range of different assumptions are available and these can show radically different outputs (these approaches are discussed in more detail later in this section).

5.15   Overall, whilst it is possible to use job growth as a way of considering the OAN, this should be treated with extreme caution. If an increase in housing need is suggested, then this will need to be supported by an understanding of the impact in other areas; any increase will need to be based on robust and locally specific assumptions (so far as this is possible) and the outputs of modelling should be proportionate and reflect a scenario that could reasonably be expected to occur. The link between jobs and homes is really rather complex and therefore to some extent and modelled outputs can only be considered as indicative.

PAS Technical Advice Note

5.16   The PAS Technical Advice Note (referred to briefly above) provides some relevant commentary about looking at the link between jobs and homes (in Section 8). This highlights that a standard approach where jobs are translated into housing by making assumptions (e.g. about commuting and changes to economic activity rates) *'will often produce invalid results'* [para 8.6]. The reason for this is highlighted as being due to the fact that *'economic forecasters already incorporate a view of the factors that link workplace jobs to resident population'* [para 8.7].

5.17   The PAS guide goes on to demonstrate why linking jobs and homes can be a *'self-defeating prophecy'* – essentially because population growth will be both an input and an output of the modelling, and it is inconsistent if these two figures are different. PAS then suggest that for an approach to make sense, it is necessary to integrate demographic projections and economic forecasting.

5.18   Whilst in principle this seems like a good idea, the reality means that it is not readily possible to undertake such analysis. A key reason for this is that the economic models typically used do not allow for such integration, with all of the main forecasting houses (Experian, Oxford Economics (OE) and Cambridge Econometrics (CE)) using different methods when considering job growth. The main issue with looking at the link between homes and jobs is about assumptions as to how economic activity or employment rates might change in the future, and this has often been a hotly disputed topic at Local Plan and Section 78 inquiries.

5.19   Taking OE for example, they do provide a full set of information about employment rates, however, these are not an input to the model but an output (e.g. they will look at how a range of factors might change, such as jobs, full and part-time employment, commuting etc. and calculate the employment rate by dividing the estimated change in the number of residents in employment by the population aged 16 and over). The employment rate, as included in the modelling is therefore an output rather than an input and is not a view about how employment rates might change (it is more a view about how the rate would need to change for other assumptions to hold true).

5.20   With CE, whilst some economic activity data is provided, this in no way drives the forecasts which are entirely demand driven. Experian is more complicated, with the population being a stronger input to the modelling. Experian do provide a view about how economic activity rates might change (at a national level) but in local area projections this rate is 'flexed' depending on other variables (and is essentially also an output to the modelling).

5.21   Therefore, whilst the PAS suggestion of an integrated approach is laudable, the reality is that currently it is not possible for such an approach to be taken forward. Hence, it is necessary within this assessment to make some assumptions about how economic activity/employment rates might change and apply these to indicate what level of population growth and housing need might arise. Assumptions also need to be made regarding issues such as commuting patterns and double jobbing (i.e. the proportion of people with more than one job). All of these issues are discussed later in this section, but the number of assumptions, and the difficulty in making these does further emphasize the need for projections linking jobs to homes to be treated with a significant degree of caution.

Economic Forecasts

5.22   A forecast of future employment growth has been provided by Cumbria County Council – the forecast has been prepared by Experian and is part of an annual set of data used by the Cumbria Local Economic Partnership (LEP) in its Economic Impact Model. The latest forecasts have a 2015 base and were produced in March 2016.

5.23   In undertaking the forecasts, Experian take account of past performance in Cumbria relative to the UK as well as building in any local knowledge about recent trends or new developments. Of relevance to South Lakeland the latest forecast takes account of the expansion of the GSK pharmaceutical facility in Ulverston. Given the date of the forecast, it does not however make any adjustments for the impact of the UK leaving the European Union (Brexit).

5.24   The figure below shows how the number of jobs is forecast to change in South Lakeland from 2015 (the base date of the forecast) and 2031 (the end date). An additional estimate of job growth from 2031 to 2036 has been included so as to align with the projection period used in this report. The analysis shows the number of jobs increasing from 59,100 in 2016 up to 61,700 by 2031; using the trends in the latter part of the forecast period, it is estimated that the number of jobs in 2036 could be expected to be around 62,100 – in total, between 2016 and 2036 the number of jobs in the District is forecast to increase by 2,960.

Figure 5.1: Forecast job growth in South Lakeland (2015-2031/36)
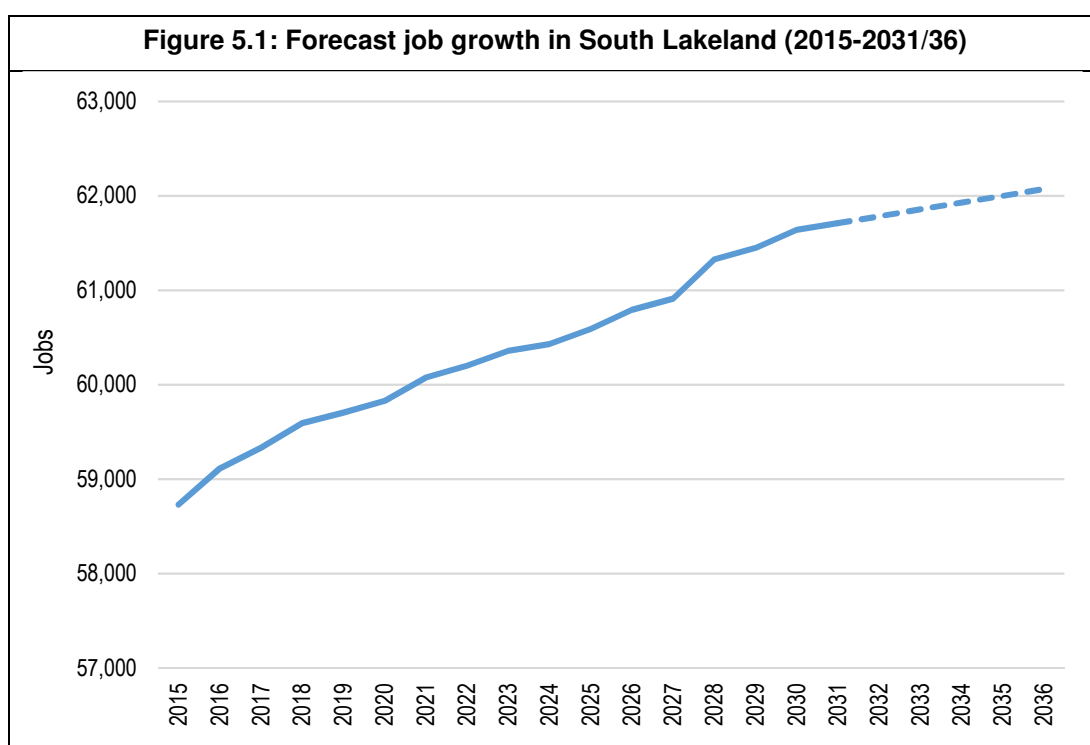
Source: Experian

5.25   The table below briefly compares the job growth in South Lakeland with equivalent figures from Experian for Cumbria and the United Kingdom – data is presented for the period to 2031. This analysis shows that job growth in the District is forecast to be slightly below the County average, with this figure in turn being some way below the national forecast. The lower job growth forecasts in Cumbria and South Lakeland are likely to at least in part be due to the demographic profile of the area (i.e. a relatively old population structure).

Figure 5.2: Forecast job growth 2016-31 in a range of areas				
	Jobs (2016)	Jobs (2031)	Change in jobs	% change
South Lakeland	59,114	61,712	2,598	4.4%
Cumbria	274,716	287,920	13,204	4.8%
United Kingdom	33,966,677	37,045,553	3,078,875	9.1%

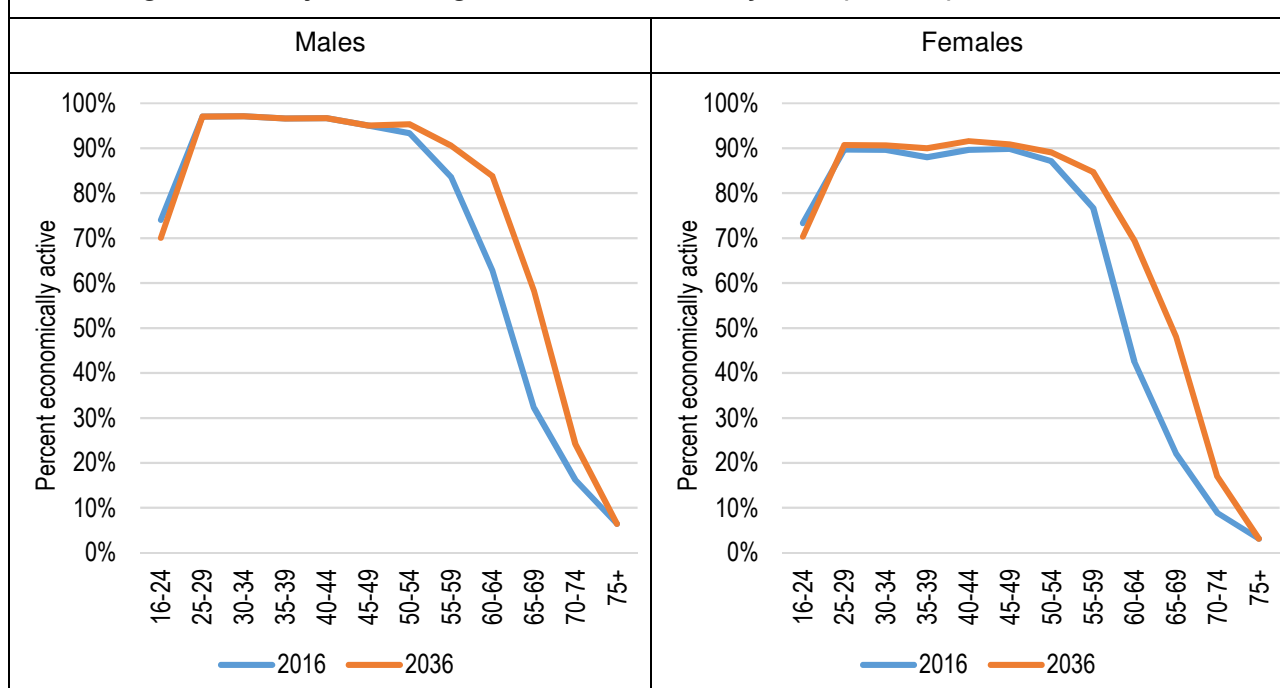Source: Experian

Growth in the Resident Labour Force

5.26   Having studied the likely level of job growth, the next stage is to estimate the change in the resident labour supply (to allow for a comparison between jobs and workforce growth). Making the link between population and the resident workforce is a very thorny issue with no set methodology and a range of different methods and views being used. It is considered difficult to robustly project how economic activity or employment rates will change in the future and hence any approach must be treated with extreme caution.

5.27   The approach taken in this report is to derive a series of age and sex specific economic activity rates and use these to estimate how many people in the population will be economically active as projections develop. This is a fairly typical approach although there are no set figures to be used when looking at how activity rates might change over time. Of the main forecasting houses (Experian, OE and CE) only Experian publish age and sex specific data about how economic activity rates might change (this data is available directly from Experian and underpins the document *'Comparison between Experian and OBR Participation Rate Projections'* (February 2016)).

5.28   Some consultancies (both for public and private sector clients) have looked for other sources of employment or economic activity rate data; the most commonly used being a set of figures published by the Office for Budget Responsibility (OBR). These figures as published are not of any great use for this analysis as they bear no relationship to economic forecasts developed at a local level. For example, the growth in the population who are economically active (from 2016 to 2032) by applying OBR rates is around 1.5 million people, this compares with a figure of about 3.1 million with the Experian rates. Whilst the other main forecasting houses (OE and CE) do not publish detailed rates in the same way as Experian, it is notable over the same (2016-32) period that each are forecasting between 2.4 million (CE) and 2.7 million (OE) additional jobs (the Experian job figure is around 3.3 million). Hence, whilst Experian may be at the top of the range, it is clear that OBR is a significant outlier. This means that the OBR employment/activity rate figures cannot realistically be used when testing job growth levels from forecasts, as they relate to a completely different set of national assumptions (additionally, OBR do not produce local level forecasts, unlike the three forecasting houses already mentioned).

5.29   Additionally, whilst CE and OE are typically showing less future job growth than Experian, this does not mean that they do not expect similar changes to economic activity rates. Both CE and OE produce their own demographic data as part of their forecasts, and in both cases are forecasting much lower levels of migration than Experian (who tend to rely on ONS data) – this is shown in the figure below. Essentially what this means is that it is likely that all three of the main forecasting houses are broadly expecting similar changes to levels of economic activity, and these changes are notably different to the changes in OBR data.

Figure 5.3: United Kingdom migration assumptions used by different forecasting houses
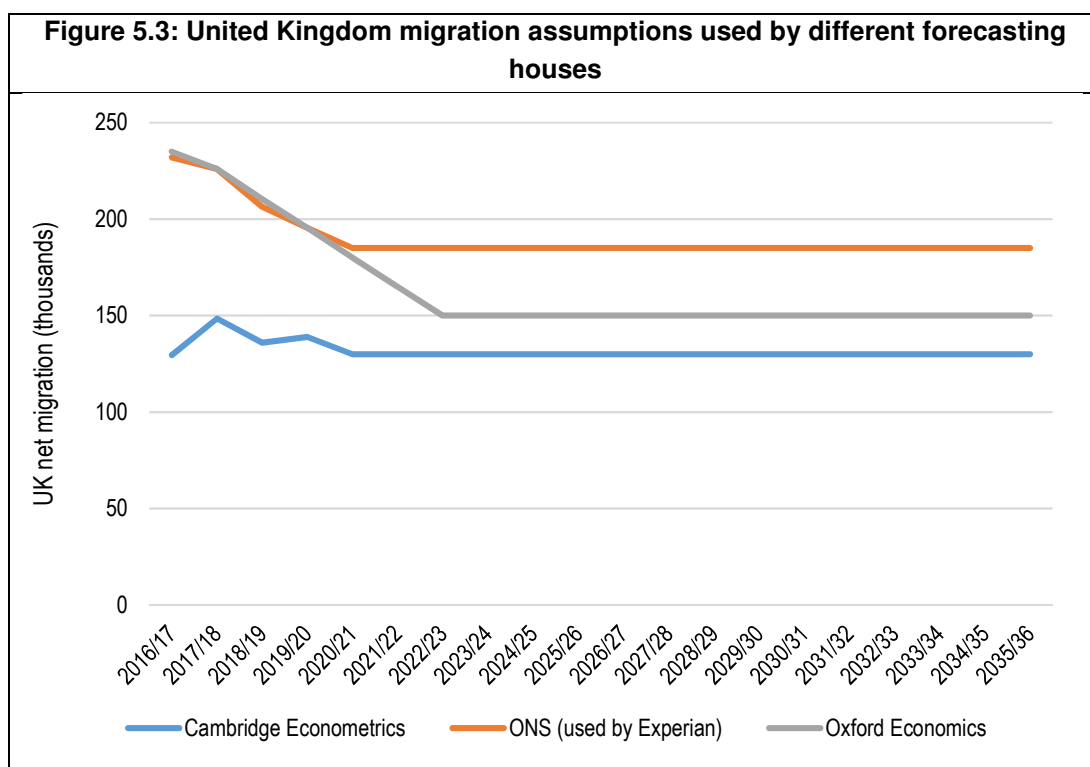
Source: ONS, CE, OE

5.30   Looking in more detail at the OBR rates, it can be observed that much of the reason for showing low levels of growth in the economically active population is that there are forecast to be some notable declines in activity rates of some age groups (particularly) males aged about 25 to 50. Whilst such declines are possible, they do appear unlikely, and if occurring would be a reversal of trends seen over the decade or more.

5.31   However, it is accepted, to provide an estimate of the link between jobs and homes that some assumptions need to be made. The figure and table below show the assumptions used in this assessment. These are based on Experian figures, which have been adjusted on the basis of Census data to match actual age/sex specific data for South Lakeland. Whilst there is good reason for using the Experian data in terms of the fact that it actually relates to economic forecasts, there is an even stronger case in South Lakeland; that is simply that the forecast accessed (and provided by the County Council) has also been developed by Experian.

5.32   The analysis shows that the main changes to economic activity rates are projected to be in the 60-69 age groups – this will to a considerable degree link to changes to pensionable age, as well as general trends in the number of older people working for longer (which in itself is linked to general reductions in pension provision). Intuitively the figures look to be reasonable.

Figure 5.4: Projected changes to economic activity rates (2016-36) – South Lakeland
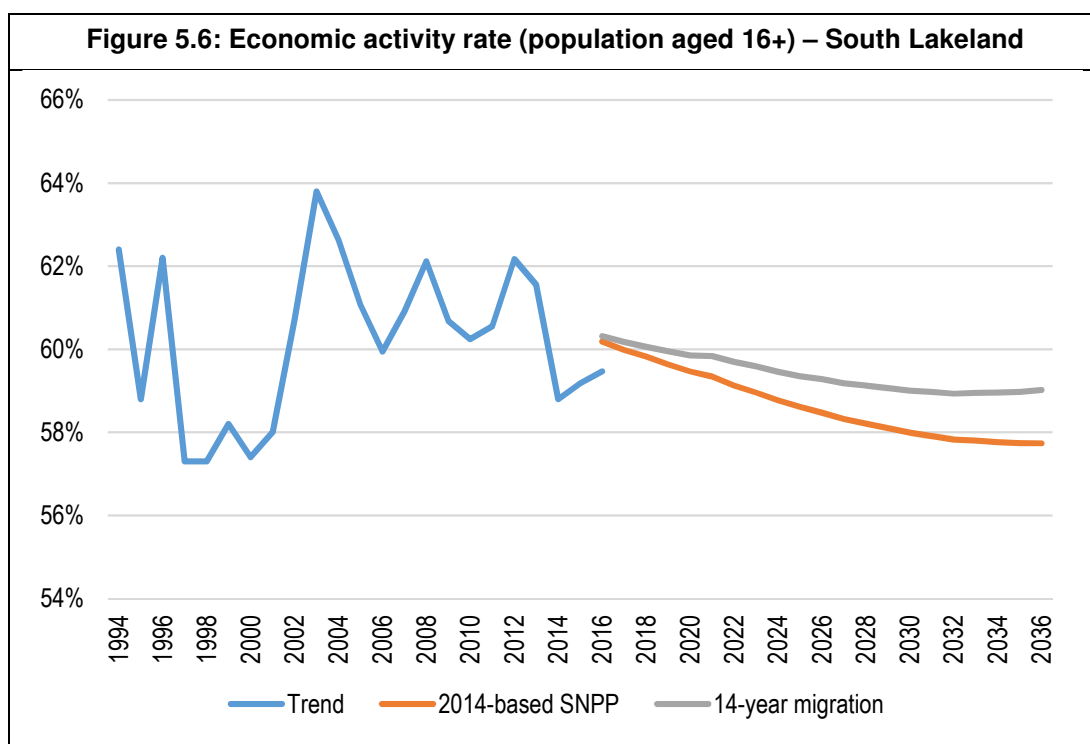

Source: Based on Experian and Census (2011) data

Figure 5.5: Projected changes to economic activity rates (2016-36) – South Lakeland						
	Males			Females		
	2016	2036	Change	2016	2036	Change
16-24	74.0%	70.0%	-4.0%	73.3%	70.3%	-3.0%
25-29	97.0%	97.0%	0.0%	89.7%	90.7%	1.0%
30-34	97.1%	97.1%	0.0%	89.6%	90.6%	1.0%
35-39	96.6%	96.6%	0.0%	88.0%	90.0%	2.0%
40-44	96.7%	96.7%	0.0%	89.6%	91.6%	2.0%
45-49	95.0%	95.0%	0.0%	89.8%	90.8%	1.0%
50-54	93.4%	95.4%	2.0%	87.0%	89.0%	2.0%
55-59	83.6%	90.6%	7.0%	76.7%	84.7%	8.0%
60-64	62.8%	83.8%	21.0%	42.4%	69.4%	27.0%
65-69	32.2%	58.2%	26.0%	22.1%	48.1%	26.0%
70-74	16.2%	24.2%	8.0%	8.9%	16.9%	8.0%
75+	6.4%	6.4%	0.0%	3.1%	3.1%	0.0%

Source: Based on Experian and Census (2011) data

5.33   Interestingly, despite the Experian data forecasting increases in activity rates for most age/sex groups; it is the case that the overall economic activity rate in South Lakeland would be expected to fall (the rate is conventionally expressed as the economically active population divided by the total population aged 16 and over). The figure below shows how the activity rate would be expected to change from 2016 to 2036; the figure also shows past trend data (drawn from the Labour Force Survey (LFS) and the successor Annual Population Survey (APS)). Some caution should be exercised with the trend data as it is based on survey information and subject to some degree of sampling error.

5.34   When taken in the round there is no substantial evidence to suggest that future levels of economic activity (when based on Experian data) are either demonstrably too high, or too low. Projected figures from both the 2014-based SNPP and with 14-year migration trends have been shown; this is because the projections have a different demographic profile, and this translates into differing overall activity rate calculations (the 14-year trend projection has less of an ageing population than the SNPP).

Figure 5.6: Economic activity rate (population aged 16+) – South Lakeland

Source: Based on Experian and Census (2011) data and LFS, APS

What is the change to the economically-active population?

5.35   Working through an analysis of age and sex specific economic activity rates it is possible to estimate the overall change in the number of economically active people in the District – this is set out in the table below. The analysis shows that linked to the 2014-based SNPP there would be a decrease in the economically active population of about 1,400 people. The highest of the demographic projections (linked to 14-year migration trends) would provide a workforce growth of about 2,800. The two 10-year based migration scenarios show relatively little change in the economically active population.

Figure 5.7: Estimated change to the economically active population (2016-36) – South Lakeland			
	Economically active (2016)	Economically active (2036)	Total change in economically active
2014-based SNPP	52,811	51,366	-1,445
2014-based SNPP (+MYE)	53,351	51,981	-1,371
10-year migration	53,351	53,528	177
14-year migration	53,351	56,159	2,808
10-year migration (+UPC)	53,351	52,941	-411
14-year migration (+UPC)	53,351	55,572	2,220

Source: Derived from demographic projections

Linking Job Growth and Changes to Resident Labour Force

5.36   The analysis above has set out a potential scenario for the change in the number of jobs in the District. However, for the purposes of analysis linked to demographic data it is necessary to convert this into estimates of the required change to the economically active population. The number of jobs and resident workers required to support these jobs will differ depending on three main factors:

- Commuting patterns – where an area sees more people out-commute for work than in-commute it may be the case that a higher level of increase in the economically active population would be required to provide a sufficient workforce for a given number of jobs (and vice versa where there is net in-commuting);
- Double jobbing – some people hold down more than one job and therefore the number of workers required will be slightly lower than the number of jobs;
- Unemployment – if unemployment were to fall then the growth in the economically active population would not need to be as large as the growth in jobs (and vice versa).

Commuting patterns

5.37   The table below shows summary data about commuting to and from South Lakeland from the 2011 Census. Overall the data shows that the District sees a small level of net in-commuting for work with the number of people resident in the area who are working being about 1% lower than the total number who work in the area. This number is shown as the commuting ratio in the final row of the table and is calculated as the number of people living in an area (and working) divided by the number of people working in the area (regardless of where they live).

Figure 5.8: Commuting patterns in South Lakeland (2011)	
	South Lakeland
Live and work in Local Authority (LA)	29,454
Home workers	9,356
No fixed workplace	4,065
In-commute	9,704
Out-commute	9,315
Total working in LA	52,579
Total living in LA (and working)	52,190
Commuting ratio	0.99

Source: 2011 Census

5.38   In translating the commuting pattern data into growth in the labour-force, a core assumption is that the commuting ratio remains at the same level as shown by the 2011 Census (i.e. it is assumed that the number of jobs potentially supported will be 1% higher than the change in the number of working residents.

5.39   Our qualitative investigation provided evidence of recent employment related impacts on South Lakeland's housing market - especially the Ulverston local housing market and the Cartmel Peninsula - specifically Grange-over-Sands. The estate and letting agent at Grange-over-Sands told us that those employed in the care sector were affected by the lack of housing affordable to them in the private rented sector and affordable housing generally. Private rented sector rents were considerably higher than Kendal and Ulverston. This was important because of the large number of older people that had come to the area in later life some of whom needed care and support as they aged. Letting agents in Ulverston drew our attention to the high level of demand for private rented housing from BAE staff at Barrow in Furness. These were professionals and service personnel choosing to rent in Ulverston rather than Barrow. There was a shortage of supply in Ulverston because of this for local households.

5.40   We are also aware of potential impacts arising within the Borough of Copeland with major construction projects arising from the nuclear industry.

Double jobbing

5.41   The analysis also considers that a number of people may have more than one job (double jobbing). This can be calculated as the number of people working in the local authority divided by the number of jobs. Data from the Annual Population Survey (available on the NOMIS website) suggests across the District that typically between about 4% and 10% of workers have a second job – levels of double jobbing have been variable over time (mainly due to the accuracy of data at a local level) and appears to have generally been increasing.

Figure 5.9: Percentage of all people in employment who have a second job (2004-2015)
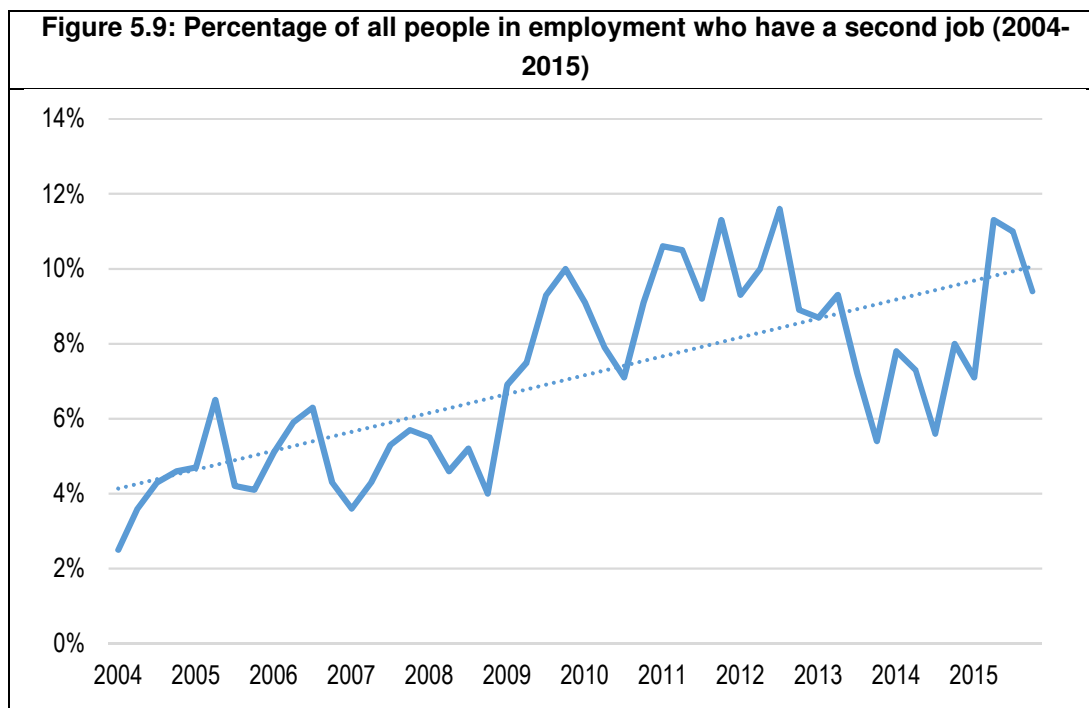
Source: Annual Population Survey (from NOMIS)

5.42 For the purposes of this assessment it has been assumed that around 7.1% of people will have more than one job moving forward, this is roughly the average shown for all data points back to 2004. A double jobbing figure of 7.1% gives rise to a ratio of 0.929 (i.e. the number of jobs supported by the workforce will be 7.1% higher than workforce growth). It has been assumed in the analysis that the level of double jobbing will remain constant over time.
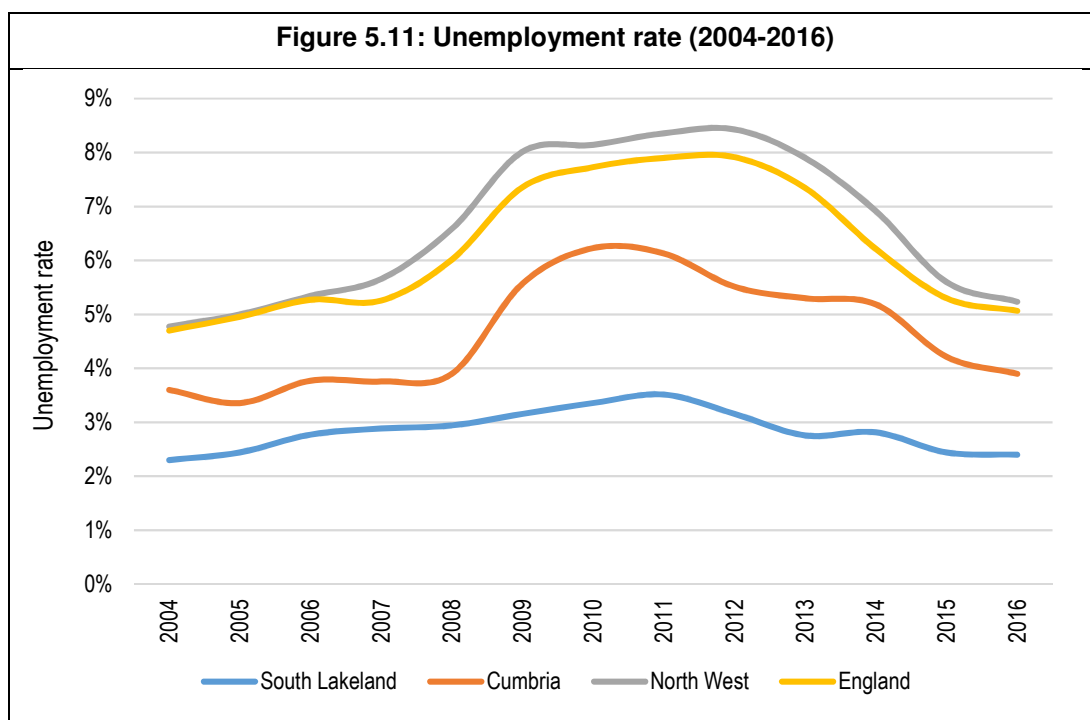
Unemployment

5.43 The last analysis when looking at the link between jobs and resident labour supply is a consideration of unemployment. Essentially, this is considering if there is any latent labour force that could move back into employment to take up new jobs. The figure below shows the number of people who are unemployed and how this has changed back to 2004. The analysis shows a clear increase in unemployment from 2004 to 2011 and that since 2011, the number of people unemployed has dropped notably – by 2016, the number of unemployed people in South Lakeland was at roughly the same level as observed in 2004.

Figure 5.10: Number of people unemployed (2004-2016) – South Lakeland
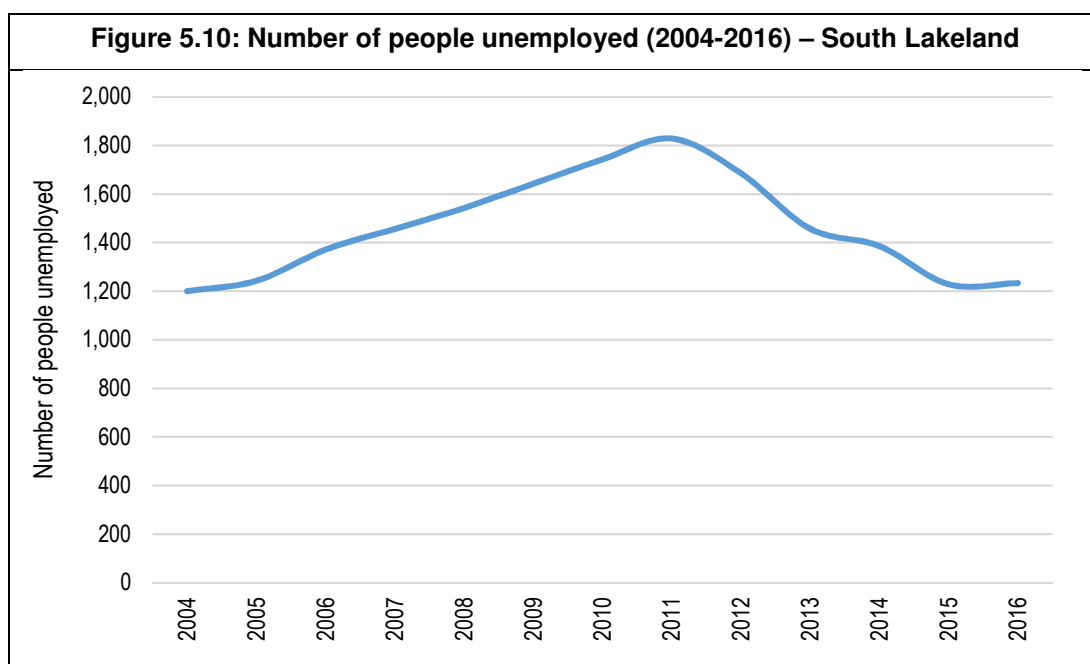
Source: Annual Population Survey (modelled unemployment data)

5.44   As well as looking at total unemployment, it is possible to look at the unemployment rate (shown in the figure below and compared with other areas). It should be noted that the Annual Population Survey source used is based on a measure of the unemployment count as a percentage of the economically active population aged 16+. This analysis shows that the unemployment rate in South Lakeland declined from 3.5% in 2011 to 2.4% in 2016, and is consistently below the County, regional and national average. This would indicate that there may be limited scope for further improvements and for the purposes of analysis in this report it has been assumed that there are no changes to the number of people who are unemployed moving forward from 2016 to 2036.

Figure 5.11: Unemployment rate (2004-2016)

Source: Annual Population Survey (modelled unemployment data)

Jobs supported by growth in the resident labour force

5.45   The table below shows how many additional jobs might be supported by population growth under each of the core demographic scenarios. The figures range from -1,600 to 3,000 over the 2016-36 period. With the exception of the 14-year migration projection, all of these figures are below the forecast level of job growth in the District (around 2,960 jobs). This suggests for most scenarios that there would be a mismatch between growth in the labour supply and the growth needed for jobs to be filled.

Figure 5.12: Estimated change to the economically active population (2016-36) – South Lakeland			
	Total change in economically active	Allowance for net out-commuting	Allowance for double jobbing (= jobs supported)
2014-based SNPP	-1,445	-1,456	-1,567
2014-based SNPP (+MYE)	-1,371	-1,381	-1,486
10-year migration	177	178	192
14-year migration	2,808	2,829	3,045
10-year migration (+UPC)	-411	-414	-446
14-year migration (+UPC)	2,220	2,237	2,408

Source: Derived from a range of sources as described

Housing Need linked to job growth forecasts

5.46   As well as looking at the growth in the economically active population linked to a range of demographic projections, it is of use to consider what level of housing might be required for forecasts to be met.

5.47   Within the modelling, migration assumptions have been changed so that across the local authority the increase in the economically active population matches the increase in the resident workforce required. The changes to migration have been applied on a proportionate basis; the methodology assumes that the age/sex profile of both in- and out-migrants is the same as underpins the SNPP with adjustments being consistently applied to both internal (domestic) and international migration. Adjustments are made to both in- and out-migration (e.g. if in-migration is increased by 1% then out-migration is reduced by 1%).Once the level of economically active population matches the job growth forecast, the population (and its age structure) is modelled against CLG headship rates to see what level of housing provision that might imply.

5.48   The first part of the analysis is to estimate what level of growth in the labour supply would be needed for the job growth forecast to be met. This is essentially the same as the analysis above, but working in reverse order. This calculation is shown below and shows that to meet 2,960 jobs, there would need to be an increase in the economically active population of about 2,730 (assuming a constant commuting ratio and levels of double jobbing) – this figure is fed through into the modelling which is again set against the economic activity rates discussed previously.

Figure 5.13: Forecast job growth and change in resident workforce with commuting and double jobbing allowance (2016-36)	
	South Lakeland
Number of jobs (2016-36)	2,960
Commuting ratio	0.99
Number of jobs filled by local residents	2,938
Double jobbing allowance	0.93
Change in resident workforce (2016-36)	2,729

Source: Derived from a range of sources as described

5.49   The table below shows estimates of housing need set against the job growth scenario. Two different methods have been used, the first takes the total growth in the resident labour supply and models a consistent change to the demographics (in this case approximately a 3% increase in in-migration and a 3% reduction in out-migration); the second uses a 'phased' approach where the labour supply is calculated to grow in line with the years in which the jobs are forecast to occur. Both methods end with labour supply growth of 2,729, but different demographic changes assumed for different years from 2016 to 2036 can have a small impact on final outputs (in terms of population/household growth).

5.50   The analysis shows similar outputs for the two sets of modelling, a range of need between 311 and 315 dwellings per annum. These figures are both some way above most of the demographic projections developed; the exception being in the case of 14-year trends, where the figure is virtually identical (316 dwellings per annum).

Figure 5.14: Projected housing need – job-led scenarios and 2014-based headship rates – South Lakeland					
	Households 2016	Households 2036	Change in households	Per annum	Dwellings (per annum)
2,960 jobs – total	47,369	52,934	5,566	278	311
2,960 jobs – phased	47,369	52,997	5,628	281	315

Source: Demographic projections

Information from duty to co-operate responses from neighbouring authorities

5.51   Duty to co-operate consultation partly focussed on economic development impacts. We asked LPAs about strategic proposals that may affect South Lakeland. Responses are summarised in the following table.

Figure 5.15: Strategic Proposals that may affect South Lakeland			
LPA	Description of strategic proposals	Implications for SLDC	Other information
Barrow Borough Council	BAE successor programme	Increase in jobs and demand for housing	SLDC SHMA has evidence that this is already affecting Ulverston and Grange-Over-Sands.
Lake District National Park	None identified	None identified	None
Lancaster City Council	The Local Plan identifies significant growth and the Council has drawn attention to significant employment growth (policy SP5 of the Strategic Policies and Land Allocations draft DPD, and housing growth (Policy SP7 (Delivery of New Homes)	Two developments at Carnforth (750 new homes in total) have been highlighted by the LPA as having potential for cross boundary travel to work movements.	None
Yorkshire Dales National Park	None anticipated		

Source: individual LPAs

Projections Developed by Cumbria County Council

5.52   In the previous section a comparison was made between demographic trend based projections developed by Cumbria County Council (CCC) and those within this report. It is also worth briefly reflecting on outputs from CCC linking jobs to population growth and housing need. The main projection developed by CCC on this topic is titled 'average jobs growth scenario', which is a scenario that looks at average past job growth across Cumbria and models this at a local authority level. The modelling assumes a 0.9% per annum increase in jobs; this is substantially higher than the Experian forecasts used in this report (which are showing growth of 0.3% per annum).

5.53   Partly as a result of assuming higher job growth, the estimated housing need in the CCC work is substantially higher (an estimated need for 946 dwellings per annum). This figure is also inflated by CCC making an assumption that economic activity rates will not change from the position shown in the 2011 Census (although they do acknowledge that there are a range of factors (such as retirement age changes) that mean activity rates could increase).

5.54   Overall, it is considered that the approach used in this report, linked to economic forecasts, is robust. Firstly, the job growth data applies to South Lakeland and is based on an up-to-date forecast. Additionally, the method used to look at change to economic activity draws on information from the same forecasting house (Experian) and therefore provides a consistent approach to analysis. The County Council projections are useful to note for reference, but are based on a very different methodology and data sources.

Future Employment and the Link to Housing: Key Messages

- Analysis has sought to estimate the likely level of housing needed to be delivered if the resident workforce is to increase sufficiently to meet job-growth forecasts. In line with the PPG, the main purpose should be to establish if there are any clear spatial imbalances between where population growth is projected to occur and where the jobs might be provided. In the case of South Lakeland (due to the District being defined as a single housing market area) this is less relevant, although any changes to housing need will have an impact on other areas that may need to be dealt with through the Duty-to-Cooperate.

- Stakeholder and duty to co-operate consultations drew attention to current and future impacts due to the BAE successor programme in Barrow-in-Furness affecting the south west of South Lakeland District.

- The analysis took account of both commuting patterns and double jobbing, as well as making a series of assumptions about how economic activity rates might change in the future. This latter point is a key difficulty in matching job-growth to population growth – a range of potential sources are available to undertake this step, but many cannot be considered as robust given that they do not relate to economic forecasts.

- The approach in this report used information published by Experian; Experian are the only one of the three main forecasting houses who publish age and sex specific economic activity rate data and it is therefore the most robust source to use. This is not however without problems, as the data is at a national level and the economy locally could potentially develop differently. Due to the assumptions made, outputs should be treated as indicative.

- In running the modelling, it is estimated that to meet the job growth forecast there would need to be provision of about 311-315 dwellings per annum across the District (2016-36). These figures sit at the top end of the demographic projection scenarios (linked to 14-year migration trends (a need for 316 dwellings per annum)).

- Given the similarity between the 14-year projection and the economic forecasts, it would be reasonable to conclude that the OAN for South Lakeland is around 315 dwellings per annum. However, as this is more than double the level suggested by 'official' projections; some caution should be exercised, in particular in terms of the impact this may have on other locations (particularly neighbouring authorities).

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6.   Affordability

Introduction

6.1   This section provides an overview of housing costs and incomes, which in turn leads to estimates of the proportion of households who can afford a range of different housing products (both market and affordable housing). It provides an overview of housing costs and incomes, which in turn leads to estimates of the proportion of households who can afford a range of different housing products (both market and affordable housing). The affordability estimates are then fed through into the following section which looks at the overall need for affordable housing. For clarity, affordability is considered for the following range of housing products (broadly working up from the cheapest to the most expensive):

- Social rent
- Shared ownership (25% equity share)
- Affordable rent
- Private rent
- South Lakeland low-cost home ownership
- Starter Home
- Open market purchase

6.2   This list does not reflect the full range of tenures available, for example, there may be other forms of discounted ownership as well as specific products with differing levels of equity share (e.g. shared ownership with a larger proportion of the home being bought).

6.3   Affordable housing need is defined in the NPPF (Annex 2) as *'social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market'. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision."*

6.4   Within the NPPF definition of affordable housing there is also the distinction between social rented affordable rented, and intermediate housing. Social rented housing is defined as:

"Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency."

6.5   Affordable rented housing is defined as:

"Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable)."

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6.6   The Welfare Reform and Work Act 2016 requires registered providers of social housing in England to reduce rents by 1% a year for 4 years from a frozen 2015 to 2016 baseline (this applies to both social and affordable rents). This means that the NPPF definition of affordable rented housing is no longer fully accurate.

6.7   The definition of intermediate housing is shown below:

"Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing."

6.8   In interpreting the definition of intermediate housing, it should be noted that affordable rents are typically more expensive than social rents. This arguably means that affordable rents fall into the definition of intermediate housing, despite the NPPF having a separate affordable rent category.

6.9   In October 2015, the Government published the Housing and Planning Bill 2015-16 (this received Royal Ascent as the Housing and Planning Act 2016 on the 12th May 2016). The Act sets out the introduction of a statutory requirement for local authorities to promote the supply of Starter Homes in England.

6.10   On the 7th February 2017, the Government published a new Housing White Paper; this included proposals to change the definition of affordable housing. The main change is to include a series of ownership options (including Starter Homes) within the definition of affordable housing. Additional tenures of rented housing are also proposed to be added (such as affordable private rent housing); in this case, it is difficult to see how this would vary substantially from the current affordable rented tenure, although it may be the case that the Government sees different products as applying to different client groups.

6.11   One key part of the White Paper is a clear intention of the Government to increase affordable home ownership; stating *'we intend to amend the NPPF to introduce a clear policy expectation that housing sites deliver a minimum of 10% affordable home ownership units'*.

6.12   The range of tenures studied does not represent the full range that might be available; however, there will be a notable level of overlap which means that the seven noted above should broadly cover the spectrum of housing tenures. For example, other discounted market products might be expected to have a similar cost to a Starter Home, whilst shared ownership would typically be expected to sit between access to the market (generally in the private rented sector) and the cost of a social rented home.

6.13   The analysis to follow therefore considers the likely cost of housing in each of these tenures and then considers what sort of income level might be required for a household to access different products. The analysis should be seen as indicative as affordability will to a considerable degree depend on a household's individual circumstances; however, the overview in this section will give an indication of the relative affordability of different housing products.

6.14   Given the very wide range of tenure options suggested in the White Paper, the analysis in this section seeks initially to simplify analysis to look at a simple split of three groups of households. This analysis is undertaken at a sub-area level and allows for a broad view to be determined about how many households are: a) able to afford to buy a home; b) able to afford private renting and c) unable to afford anything more than a social rent. Hence initially, four broad bands of affordability are developed. These are:

- Households able to buy a home
- Households able to afford private rents but not to buy
- Households unable to buy or rent but can afford a social rent without benefit support
- Households only able to afford social rent with benefit support

Local Prices and Rents

6.15   The analysis below looks at the typical housing costs for a range of tenures in South Lakeland. The analysis at a sub-area level concentrates on the four broad categories described above, with further analysis looking at a wider range of tenures (this latter analysis has only been carried out at a District-wide level.

Market housing to buy and rent

6.16   The table below shows estimated lower quartile property prices by dwelling type. The data shows that entry-level costs to buy are estimated to start from about £110,000 for a flat, and rising to £250,000 for a detached home. Looking at the lower quartile price across all dwelling types the analysis shows a figure of £153,750. There are variations by area with the highest prices being seen in the Central Lakes and Lake District sub-areas. The cheapest housing was found in Ulverston & Furness and Kendal.

Figure 6.1: Lower Quartile Sales Price by Type (year to September 2016)					
	Flat	Terraced	Semi-detached	Detached	All dwellings
South Lakeland	£110,000	£139,000	£161,500	£250,000	£153,750
Cartmel Peninsula	£73,750	£145,000	£170,750	£246,500	£155,750
Central Lakes	£160,000	£196,900	£236,250	£388,000	£201,750
Dales	£89,500	£130,250	£206,250	£249,500	£180,000
Kendal	£103,500	£143,000	£165,000	£240,000	£137,600
Kendal Rural	£113,750	£136,000	£159,750	£260,600	£178,000
Ulverston & Furness	£83,750	£112,250	£140,000	£215,000	£131,000
Lake District NP	£163,750	£180,000	£236,250	£336,500	£200,000
Yorkshire Dales NP	£89,500	£143,500	£210,000	£257,500	£185,250
SLDCLPA	£95,500	£131,450	£157,000	£240,000	£142,500

Source: Land Registry

6.17   A similar analysis has been carried out for private rents using Valuation Office Agency (VOA) data –
        this covers a 12-month period to September 2016. For the rental data information about dwelling
        sizes is provided (rather than types). The analysis shows an average lower quartile cost (across all
        dwelling sizes) of £515 per month. The variation by area is less than seen for buying a home,
        although consistent with the price analysis, the most expensive rents were found to be in the Central
        Lakes and Lake District sub-areas.

6.18   The sub-area data has been based on a number of sources, with the all dwelling total being based
        on an internet price search in each location. The costs by number of bedrooms in each sub-area
        have additionally considered the mix of private rented housing (drawing on 2011 Census data) and
        some more historic VOA data from the previous SHMA. Figures for estimated costs by size and sub-
        area should therefore be treated as indicative and it should be noted that it was not possible from the
        source available to provide robust estimates for room only accommodation and studios.

Figure 6.2: Lower Quartile Private Rents by Size and Location (year to September 2016) – per month							
	Room only	Studio	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	All dwellings
South Lakeland	£301	£345	£425	£545	£630	£795	£515
Cartmel Peninsula	-	-	£375	£510	£645	£765	£505
Central Lakes	-	-	£450	£575	£695	£845	£565
Dales	-	-	£390	£470	£535	£780	£480
Kendal	-	-	£455	£565	£645	£875	£510
Kendal Rural	-	-	£385	£540	£600	£710	£515
Ulverston & Furness	-	-	£370	£510	£580	£830	£490
Lake District NP	-	-	£450	£565	£670	£810	£555
Yorkshire Dales NP	-	-	£395	£465	£525	£755	£480
SLDCLPA	-	-	£415	£545	£620	£795	£505

Source: Valuation Office Agency (sub-area data derived from a number of sources)

Cost of Affordable Housing

6.19   Traditionally the main type of affordable housing available in an area is social rented housing and the
        cost of social rented accommodation by dwelling size can be obtained from Continuous Recording
        (CoRe) – a national information source on social rented lettings. The figure below illustrates the
        average cost of lettings of social rented properties in 2015/16.

6.20   Additionally, the table shows an estimate of the cost of an Affordable Rented home. Affordable
        Rented housing can be considered to be similar to social rented housing but at a potentially higher
        rent (up to 80% of the open market rental value of a property (actually 79% at the time of writing and
        falling)). For the purposes of the analysis in this report the cost of affordable rent is again taken from
        CoRe.

6.21   As can be seen, the costs of social rented housing are below those for the private rented sector with affordable rents being somewhere in between. The overall lower quartile private rent has also been shown in the table for comparative purposes. The figures below include service charges (for the affordable sector).

6.22   It is noteworthy that the average affordable rent is only about 95% of the access level to the private rented sector (rather than the 80% set out in the NPPF). However, it should be noted that the affordable rent figure is an average, whereas the private rent figure is the average (mean). According to the VOA source used earlier, the mean private rental cost in South Lakeland is £629 per month; and the £487 figure would represent 77% of this rent level.

Figure 6.3: Indicative costs of different tenures of rented housing – per month			
	Private rent (lower quartile)	Affordable rent	Social rent
South Lakeland	£515	£487	£438

Source: Valuation Office Agency and CoRe

Cost of Starter Homes

6.23   In looking at the cost of a Starter Home it needs to be recognised that this will be a new build product (and therefore may have a small premium) and that discounts on open market value (OMV) of at least 20% will be available. To establish the likely OMV we have looked at Land Registry data for new build properties and taken a median value to equate to a typical cost. In 2015/16, the median new build price in South Lakeland, from the Land Registry source, was estimated to be around £160,800 – with a 20% discount this would equate to a purchase price of £128,640.

6.24   It should be noted that the figure of £160,800 appears to be quite low and is influenced by the mix of housing; around 45% of new build homes in the year to September 2016 were flatted developments, which in turn may be linked to a specific (McCarthy and Stone) retirement home development. Additionally, in looking at Land Registry data, the Council has observed that the value entered is in some instances a discounted sale price, and will not therefore be reflecting market value. To show how variable the median new build price can be, it is additionally observed that the equivalent figure for the year to September 2015 was £215,000 (around a third higher).

6.25   The analysis proceeds by using this £160,800 figure, but given the concerns noted above, some caution should be exercised with any analysis that links to this specific house price.

6.26   The table below shows the estimated purchase price of a Starter Home (with the 20% discount) and this is compared with the earlier analysis of the cost of a lower quartile home (the majority of which will be second-hand housing). The analysis shows that a Starter Home is potentially cheaper than open market purchase although there will be households able to afford a Starter Home who can also afford a second-hand home (although financially this may not be as attractive an option).

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Figure 6.4: Indicative purchase price of Starter Homes and comparison with lower quartile purchase prices		
	Open market purchase (lower quartile)	Starter Home
South Lakeland	£153,750	£128,640

Source: Land Registry

Cost of South Lakeland Home Ownership

6.27   South Lakeland Council provide guidance to developers about the prices for low cost home ownership (which in NPPF terms is seen as fitting into an intermediate housing category). The latest guidance was published in January 2017 and provides a series of housing costs for different sizes and types of home. The table below shows the most up to date figures (note: OMV = Open Market Value). This shows a range of prices for homes to be considered as affordable housing of between £74,400 for a one bedroom flat, and up to £132,800 for a four-bedroom house.

Figure 6.5: SLDC Affordable Housing Prices – updated 19th January 2017		
Property type (Minimum sizes in brackets)	Affordable Housing Prices (AHP) (initial fixed sale prices)	Notional developer contribution
1 bed flats (40 sq. m)	£74,382	OMV less £74,382
2 bed flats (50 sq. m)	£85,008	OMV less £85,008
1 bed houses/bungalows (60 sq. m)	£90,321	OMV less £90,321
2 bed houses/bungalows (65 sq. m)	£100,947	OMV less £100,947
3 bed houses (75 sq. m)	£116,886	OMV less £116,886
4 bed houses (85 sq. m)	£132,825	OMV less £132,825

Source: South Lakeland Council

6.28   For the purposes of the analysis in this report, the suggested price in the gap between a two- and three-bedroom house has been used for comparison with other tenures – this seems to be a fair comparison price to use given that the majority of homes rented in the private sector have 2- or 3-bedrooms (70% of all homes let in the year to September 2016). Hence it is assumed that South Lakeland low-cost home ownership has a sale price of £108,900.

Cost of shared ownership

6.29   The final specific tenure for analysis is shared ownership; with this tenure a household buys a share in a property (typically 25% or 50%) and then pays a low cost rent on the remaining share. It is difficult to be precise about the income level required for shared ownership as this will depend on the share purchased and the rental cost on the unsold equity (as well as the open market value of the home). It is however possible to provide some indicative calculations to show where on the income scale such a product might fit. The worked example uses a 25% share of ownership and an annual rent of 3% on the unsold equity. The indicative income required to afford shared ownership is worked through later in this section.

Income Required to Access Different Tenures of Housing

6.30   Having established the likely cost of housing, the next step is to estimate what level of income might be required to access the different products. Separate tests are applied for home ownership and private renting; home ownership is based on looking at mortgage multiples (mortgage affordability) with accessing private rented housing being based on consideration of the proportion of income that might need to be spent on housing (rental affordability).

Mortgage affordability

6.31   A household is considered able to afford to buy a home if it costs less than four times the gross household income; it has also been assumed that a household will have a 10% deposit.

6.32   Previous CLG guidance (of 2007) suggests using thresholds of 2.9× for households with multiple incomes and 3.5× for those with a single income. The use in this study of a four times multiple reflects the fact that there is likely to be some keenness from Government to ensure that prospective households are able to access the finance they need (for example, with the Help-to-Buy Scheme, the maximum income multiple is 4.5). Additionally, a brief review of a number of lenders indicates that four times income is generally available across the market; although the exact availability of finance will also depend on an individual household's circumstances.

6.33   The 10% deposit is used to reflect the typical minimum deposit required to access mortgage finance. Again deposit availability will vary by household and raising this sort of level of capital would potentially be an issue for a number of households. However, there are initiatives available to help households to raise a deposit (such as Help-to-Buy ISAs).

6.34   Hence, as with other analysis, the affordability measure used should be treated as indicative given that there are a number of variables that will differ based on the circumstances of individual households – this cannot be captured within this study.

Rental affordability

6.35   A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis, CLG guidance (of 2007) suggested that 25% of income is a reasonable start point but also notes that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40% (although this can vary by area). Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics).

6.36   The threshold of income to be spent on housing should be set by asking the question *'what level of income is expected to be required for a household to be able to access market housing without the need for a subsidy (e.g. through Housing Benefit)?'* The choice of an appropriate threshold will to some degree be arbitrary and will be linked to the cost of housing rather than income. Income levels are only relevant in determining the number (or proportion) of households who fail to meet the threshold. It would be feasible to find an area with very low incomes and therefore conclude that no households can afford housing, alternatively an area with very high incomes might show the opposite output. The key here is that local income levels are not setting the threshold, but are simply being used to assess how many can or can't afford market housing.

6.37   To look at a reasonable threshold in South Lakeland a national benchmarking exercise has initially been carried out. Across the Country, evidence (from VOA) points to the cheapest areas having lower quartile rents of around £350 per month (this includes Liverpool, Hull and Leicester). It is assumed that these areas would have a 25% affordability threshold (i.e. the bottom end of the threshold range reflects the bottom end of the housing cost range).

6.38   The key point when looking at thresholds and housing costs is one of 'residual income' – i.e. the amount of money a household has after housing costs are paid for. Using the £350 pcm example (i.e. the cheapest private rents in England), if a household spent 25% of income on housing then their residual income would be £1,050 per month, the same threshold in South Lakeland would show a residual income of £1,545 (i.e. 47% higher). Hence it is arguably not appropriate to use the same (25%) threshold in each area. The workings for these figures is shown in the table below.

Figure 6.6: Calculating residual income with a 25% affordability threshold		
	Cheapest parts of England	South Lakeland
① Lower quartile rent (pcm)	£350	£515
② % of income to spend on housing	25%	25%
③ Income required per month (①/②)	£1,400	£2,060
④ Residual income (③-①)	£1,050	£1,545

Source: Rents Derived from Valuation Office Agency

6.39   This analysis is not conclusive given that such an analysis would need to be predicated on a) an assumption that a 25% threshold is an appropriate benchmark at the bottom end of the market; b) that living costs (other than housing) are equal across areas and c) to note that the analysis is based on gross income (households with higher gross incomes would be expected to be paying more tax). It does however serve to show why the cost of housing is the key input into understanding a reasonable threshold for affordability.

6.40   Returning to the question for South Lakeland, the analysis seeks to recognise residual income and also issues about tax and the cost of living. If it were assumed that the residual income (i.e. £1,050) should be held constant for all areas, then this would suggest a threshold in South Lakeland of 33%, this calculation is shown in the table below.

Figure 6.7: Calculation of % of income on housing with £1,050 residual income per month	
Stage of analysis	Calculation
① Residual income	£1,050
② Rent level (South Lakeland)	£515
③ Total income (①+②)	£1,565
④ % spent on housing (②/③)	33%

Source: Rents Derived from Valuation Office Agency

6.41   However, as noted keeping the residual income figure constant is probably not realistic. Hence, the analysis takes a simple average between the bottom line 25% and the 33% figure; this gives a threshold for affordability in South Lakeland of 29% (simply (25%+33%)/2). For information, this threshold would give a level of residual income in South Lakeland of around £1,260. The table below shows these figures.

Figure 6.8: Calculating residual income in South Lakeland with a 29% affordability threshold	
Stage of analysis	Calculation
① Lower quartile rent (pcm)	£515
② % of income to spend on housing	29%
③ Income required per month (①/②)	£1,775
④ Residual income (③-①)	£1,260

Source: Rents Derived from Valuation Office Agency

6.42   A similar analysis has been carried out to look at appropriate thresholds for different types of housing (including affordable rented and social rented). This analysis is shown below and indicates slightly lower thresholds for the affordable tenures. The figure of 29% has been applied consistently across all sub-areas of the District, although it does need to be borne in mind that slightly different proportions could arguably be used (given the different costs of rental housing in different locations).

Figure 6.9: Affordability thresholds for different tenures of rented housing			
	LQ private rent	Affordable rented	Social rented
South Lakeland	29%	28%	27%

Source: Housing costs from VOA and CoRe

Shared ownership affordability

6.43   Looking at affordability for shared ownership draws on both a mortgage and rental affordability test and is discussed separately below. On the basis of a new build price of £160,800 (the median new build price across the District), the income required for the purchase part of the tenure would be around £9,045 (this assumes a 10% deposit and 4× income multiple and is based on a household buying a 25% equity share). The rental element would be about £3,600 per annum (based on paying a rent of 3% per annum on the unsold equity) and based on 33% of income for this (which seems to be a fairly standard figure for shared ownership) an additional income of about £10,850 would be needed. The overall income required for shared ownership would therefore be around £19,900.

6.44   At a District-wide level, this figure sits between the estimates of the income required to rent privately, and the income needed for a social rented home. Hence shared ownership would be considered as an intermediate product in terms of the definition set out in the NPPF. In interpreting the figures to follow, the proportion of households in the gap between private rents and social rents can therefore be seen to be in an intermediate category, for which shared ownership would be a suitable tenure (although there will also be an overlap with affordable rented housing).

6.45   Some caution should be exercised with this calculation given issues noted previously about estimated new build housing costs in the District.

Income thresholds for different tenures of housing

6.46   The table below brings together an analysis of the different tenures of housing to consider what level of income would indicatively be required to access (just for three key tenures when looking at sub-areas). Although the measures for mortgage and rental affordability are different; both ultimately lead to an estimate of the income required. Looking at figures for the whole of the District it can be seen that it is estimated that an income of around £34,600 would be required for open market purchase; a lower figure of just under £29,000 would be needed for a Starter Home and notably lower figures again when looking at the rental options.

6.47   The analysis shows a figure of around £19,300 is shown for social rented housing and therefore it is assumed that any household with an income below this level would need this tenure of housing (probably supported by Housing Benefit). In reality, affordable rented housing might also be a solution for such a household, as long as sufficient Housing Benefit were to be available. There are therefore overlaps in the affordable sector as well as with market housing (i.e. the fact that many able to afford a Starter Home could also afford to buy a home in the open market).

Figure 6.10: Affordability thresholds for different tenures of housing – by sub-area							
	LQ purchase	Starter Home	SL low-cost housing	LQ private rent	Afford-able rented	Shared owner-ship	Social rented
South Lakeland	£34,594	£28,944	£24,503	£21,344	£20,619	£19,899	£19,311
Cartmel Peninsula	£35,044	-	-	£20,930	-	-	£19,311
Central Lakes	£45,394	-	-	£23,417	-	-	£19,311
Dales	£40,500	-	-	£19,894	-	-	£19,311
Kendal	£30,960	-	-	£21,137	-	-	£19,311
Kendal Rural	£40,050	-	-	£21,344	-	-	£19,311
Ulverston & Furness	£29,475	-	-	£20,308	-	-	£19,311
Lake District NP	£45,000	-	-	£23,002	-	-	£19,311
Yorkshire Dales NP	£41,681	-	-	£19,894	-	-	£19,311
SLDCLPA	£32,063	-	-	£20,930	-	-	£19,311

Source: Derived from a range of sources as described

6.48   With regard to the use of Housing Benefit (particularly to assist households affording affordable rented homes) it should be noted that there are a number of implications. The most obvious one is that the higher rents potentially charged will see a greater burden on the public purse. Additionally, with households being subject to the tapering of Housing Benefit as their income rises, the higher rents potentially provide for a longer 'benefit trap'.

6.49   One additional question arising from this analysis is to study at what point increasing the discount on a Starter Homes (above the minimum 20% assumed above) will put this tenure on an equal footing (in affordability/income requirement terms) as intermediate housing. The simplest way to consider this is to look at the discount required so that the income required is in line with that needed to access a lower quartile private rented home – this tenure essentially sets the upper bound for intermediate housing. Hence an additional analysis has been undertaken to test what level of discount might be needed for Starter Homes to be an intermediate product, as currently defined in the NPPF (i.e. to have a price whereby the income requirement would be the same as required to access the private rented sector). The table below shows for a Starter Home to just fall into the bracket of intermediate housing, that the discount from OMV would need to be in the order of 41% across the District (it should however be noted that this is based on the relatively low assumption about the cost of new build housing, in reality the discount required could be much higher).

| Figure 6.11: Theoretical discount needed from OMV to make a Starter Home as 'affordable' as intermediate housing	
	Discount from OMV
South Lakeland	41%

Source: Derived from a range of sources as described

6.50   Whilst these discounts would theoretically mean that a Starter Home meets the current NPPF definition of affordable housing; it will remain the case, that many households who are able to afford such a product, could already afford open market housing without the need for subsidy/discount (the White Paper sets an upper income limit of £80,000, which is sufficient to be able to buy a home across the District).

6.51   In looking at discounts to OMV, the South Lakeland discounted for sale products are also relevant – initial information about this product has already been provided, with a more detailed discussion to be found towards the end of this section.

Income Levels and Affordability

6.52   Following on from the assessment of local prices and rents it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability and also provide an indication of the potential for intermediate housing to meet needs. Data about total household income has been modelled on the basis of information provided by the Council from CACI. The CACI source includes estimates of the mean, median and lower quartile household income. To provide a more fine-grained income distribution, additional information has been drawn from the English Housing Survey (EHS). The income data has a base of 2016; the same as has been used throughout this report.

6.53   Drawing all of this data together an income distribution for the whole of the District for 2016 has been constructed. The data shows that around a third of households have incomes below £20,000 with a further third in the range of £20,000 to £40,000. The overall average (median) income of all households in the District was estimated to be around £31,200 with a mean income of £37,800.

Figure 6.12: Distribution of Household Income in South Lakeland (2016 estimate)
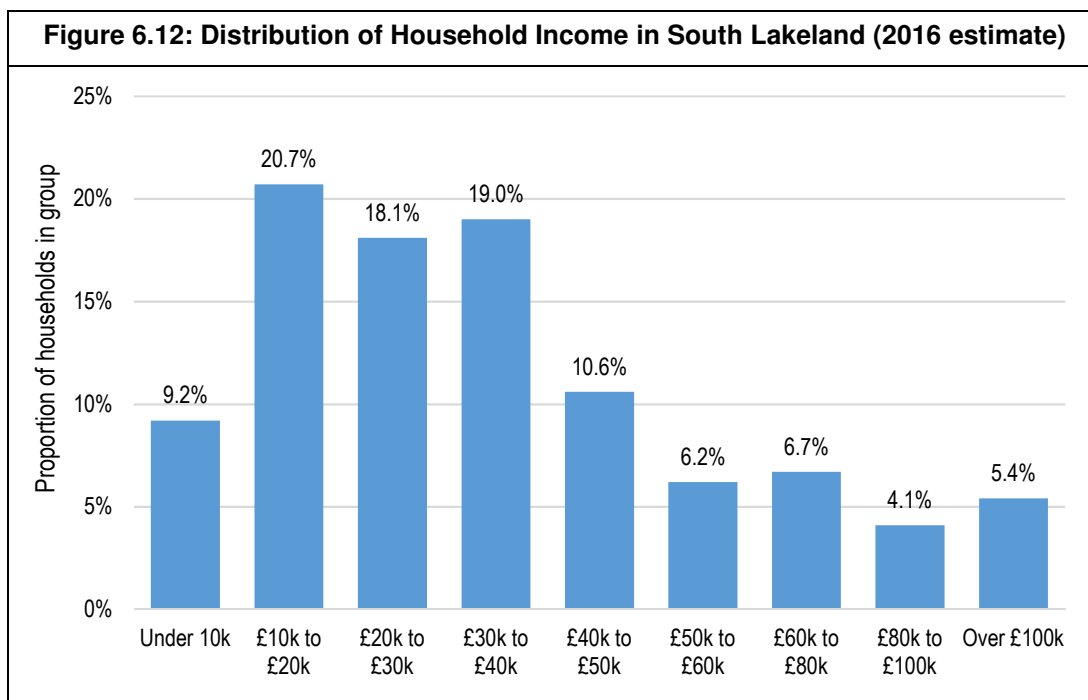
Source: Derived from CACI and EHS data

6.54   The table below shows estimated mean and median household incomes by market and National Park area. This data has again drawn on the CACI information, with some additional assumptions being necessary for the National Park areas (as this study is only interested in data for the parts of the National Parks that are within the District boundary). The data shows the highest households incomes to be in the Central Lakes are and also the Lake District National Park. The lowest incomes are estimated to be in Kendal (although the Dales sub-area also shows a relatively low income and this translates through to a relatively low estimate for the related National Park area).

Figure 6.13: Average Household Income in South Lakeland (2016 estimate) – by sub-area		
	Mean	Median
South Lakeland	£37,789	£31,219
Cartmel Peninsula	£38,600	£31,889
Central Lakes	£40,549	£33,498
Dales	£36,892	£30,478
Kendal	£34,224	£28,274
Kendal Rural	£43,738	£36,133
Ulverston & Furness	£37,759	£31,194
Lake District NP	£40,051	£33,088
Yorkshire Dales NP	£35,958	£29,706
SLDCLPA	£37,294	£30,810

Source: Derived from CACI and EHS data

Affordability

6.55   Having worked through a range of housing products and local income levels, it is possible to bring the data together to look at the proportion of households able to afford different housing products. The table below shows that some 41.4% of households would be able to buy a lower quartile property on the basis of their income and that this figure rises to 53.8% for Starter Homes.

6.56   There is a relatively big gap between the income required for a Starter Home and Private Rented accommodation with some 14% of households having an income in this range. It is most probable that this group of households would be able to afford a product such as shared ownership although technically such housing would not be affordable (given that all households in this 'gap' can afford private rented housing).

6.57   Around 3% of households fall in the gap between private rent and social rent. This category would be intermediate housing (as defined by the NPPF) although, as noted, it may be the case that some intermediate products actually require a higher income than is needed to access the private rented sector; in such cases, the housing may be described as 'affordable' but it is not affordable in terms of the NPPF.

6.58   Finally, the analysis shows some 29% of households in the 'below social rent' category. These households have incomes that are insufficient to afford any of the housing products without spending a high proportion of their income on housing (or without claiming Housing Benefit). Whilst these households are placed in a 'social rented' category for the purposes of analysis, it remains the case that other products (notably affordable rent) may be suitable, as long as sufficient Housing Benefit can be accessed.

6.59   The total figure of 67.5% who can afford a private rent (or a product requiring a higher income), broadly suggests that the need for affordable housing is around 32.5%. In other words, based on income data alone around a third of households are unable to afford private rented accommodation at the bottom end of the market (i.e. at lower quartile costs) – the majority of these households would only be able to afford some sort of subsidised rented housing (social/affordable rents).

Figure 6.14: Proportion of households able to afford different housing tenures – South Lakeland		
	% of households	Cumulative %
Market purchase	41.4%	41.4%
Starter Home (20% discount)	12.4%	53.8%
SL low-cost housing	7.6%	61.4%
Private Rent	6.1%	67.5%
Affordable Rent	1.6%	69.1%
Shared ownership (25%)	1.0%	70.1%
Social Rent	0.5%	70.6%
Below social rent	29.4%	100.0%
Unable to afford market	32.5%	-

Source: Derived from a range of sources as described

6.60   The figures provide a good indication of the relative affordability of different housing products. However, this should not be seen as indicating what tenure split is appropriate for new development – there are significant overlaps between the tenures which mean that households may be able to afford or access a range of different products.

6.61   The analysis should also be considered as indicative as it is based on estimated income levels of all households. In reality, individual households will have different and specific affordability levels which can vary, for example, depending on whether they are a current owner (with equity) and the size of home that they actually need. Also, certain groups will have a different profile (for example younger people are likely to have lower incomes than those in their 40s and 50s). However, the general ordering of the affordability of different products and the gap in costs between them does mean that the analysis is a useful guide to the potential mix of housing within the (broadening) affordable housing definition.

6.62   As noted, the analysis above provides an initial overview about the cost and affordability of different housing products. However, when looking at the need for affordable housing the analysis (to follow) considers the specific characteristics of different groups. For example, newly forming households (e.g. those forming an independent household for the first time (having possibly previously lived with parents) have a slightly different income profile to 'all households' as used in the analysis above).

Affordability by sub-area

6.63   A similar analysis has been carried out for each of the market areas and National Parks; this uses a slightly reduced range of tenures due to the analysis getting quite complex, and due to the way different products overlap in different areas. This shows that affordability for buying a home is worst in the Central Lakes and Dales market areas (and also the associated National Park areas). The final column of the table shows the overall proportion of households who (based on income) are unable to afford market housing – this is the sum of the previous two columns and is essentially the proportion unable to afford a private rent. This shows that Kendal is the least affordable area and Kendal Rural the most; these figures are driven by the variation in local incomes rather than the cost of housing, noting for example that private rents are slightly more expensive in Kendal Rural.

Figure 6.15: Affordability thresholds for different tenures of housing – by sub-area					
	Market purchase	Private Rent	Social Rent	Below social rent	Unable to afford market
South Lakeland	41.4%	26.1%	3.1%	29.4%	32.5%
Cartmel Peninsula	42.1%	27.2%	2.3%	28.4%	30.7%
Central Lakes	30.2%	36.3%	7.3%	26.2%	33.5%
Dales	31.2%	38.4%	0.5%	29.9%	30.4%
Kendal	42.5%	21.1%	4.0%	32.4%	36.4%
Kendal Rural	41.3%	31.4%	4.5%	22.8%	27.3%
Ulverston & Furness	52.9%	16.8%	0.9%	29.4%	30.3%
Lake District NP	30.1%	36.7%	6.4%	26.8%	33.2%
Yorkshire Dales NP	28.5%	39.9%	1.4%	30.2%	31.6%
SLDCLPA	47.4%	20.4%	2.3%	29.9%	32.2%

Source: Derived from a range of sources as described

6.64   The proportion of households in the social rent column is relatively high in Central Lakes and low in Dales and Ulverston & Furness, this suggests that intermediate housing (as defined in the NPPF) is less likely to provide a solution in these latter areas; this is due to the gap in cost between the market (private rent) and social rents being quite small.

6.65   All areas see a notable proportion of households sitting between the cost of buying and a private rent (most notably in Central Lakes and Dales); this means that there is potentially quite a large number of households who are able to rent but not buy a home. This is important given the Government's push for more affordable home ownership products to be made available. However, any decisions on the proportion of homes to be provided in the home ownership category needs to be tempered by the understanding that technically these households do not have an affordable need (as defined by the NPPF and also in the White Paper).

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South Lakeland low-cost home ownership – further discussion

6.66   Within the 'gap' between Starter Homes and private rents there is also the South Lakeland low-cost housing (SLLCH), and this seems likely to come in at a price which is below a Starter Home. Such housing is therefore more affordable than Starter Homes and should continue to be encouraged as a form of low-cost home ownership. It should also be noted that some sizes/types of SLLCH will be cheaper than has been assumed in the analysis carried out (which is based on a 2-/3-bedroom house).

6.67   The table below provides an indicative income requirement by dwelling size for SLLCH and the assumed income to access private rented accommodation of different sizes (all calculated on the basis of a 29% affordability threshold) – figures have been rounded to the nearest £100. This shows that there are a number of cases where the income required for SLLCH is lower than to access an equivalent sized private rented home. This is the case for flatted accommodation and also four bedroom homes; additionally, the difference for 2- and 3-bedroom homes is pretty minimal.

Figure 6.16: Estimated income required to access South Lakeland low-cost housing and private rented housing by dwelling size/type		
Property type	South Lakeland low-cost housing	Lower quartile private rented
1 bed flats	£16,700	£17,600
2 bed flats	£19,100	£22,600
1 bed houses/bungalows	£20,300	£17,600
2 bed houses/bungalows	£22,700	£22,600
3 bed houses	£26,300	£26,100
4 bed houses	£29,900	£32,900

Source: Derived from a range of sources as described

6.68   This analysis suggests that SLLCH fits quite comfortably at the access level for market housing (as defined as in the private rented sector). This tenure of housing should therefore continue to be supported on new developments.

Evidence from stakeholders

6.69   Stakeholder consultation revealed that there were some very local factors that affected supply and demand. In some cases, this resulted in specific gaps in the local market and these were mostly due to affordability problems. The information reported here illustrates the impact of affordability problems on groups of people important to the local economy and the service sector.

6.70   Stakeholders (estate and letting agents) described Grange-over-Sands and Kirkby Lonsdale as 'hot spots' in the residential market. We were told that this is due largely to demand for second homes and investment in holiday lettings and incomers which have led to higher prices.

6.71   We asked agents in all towns to define gaps or critical shortages in the housing supply. Kendal estate agents told us that starter homes for first time buyers were needed but had to be priced at around £100,000 if they were to affordable to this group. They also thought that there was a shortage of good quality housing for first time movers in the price range of £200,000 to £250,000. We were told that executive homes sold very quickly but there was an oversupply of apartments. Letting agents told us that there was a shortage of good quality family homes to let at the £600pcm price point. One agent was critical of what she described as the over bureaucratic administration of housing benefit by the council, which in her experience presented problems for low income working households with fluctuating income.

6.72   The estate and letting agent at Grange-over-Sands told us that those employed in the care sector were affected by the lack of housing affordable to them in the private rented sector and affordable housing generally. Private rented sector rents were considerably higher than Kendal and Ulverston. This was important because of the large number of older people that had come to the area in later life some of whom needed care and support as they aged. We were told that most first time buyers were priced out of the local market yet a recent shared ownership development has been slow to sell.

6.73   At Ulverston estate agents told us that the critical gap was re-sale housing for up-sizing households in the price range £175,000 to £225,000. First time buyers were managing to get onto the property ladder but in many cases this was with parental help. They were in competition with residential investors who would pay up to £150,000. Letting agents drew our attention to the high level of demand for private rented housing from BAE staff at Barrow in Furness. These were professionals and service personnel choosing to rent in Ulverston rather than Barrow. The shortage of supply because of this for local households was good quality family housing letting at around £650pcm. Demand was such that landlords could easily let and so fewer re-lets were available for benefit claimants.

6.74   Kirkby Lonsdale estate agents told us that the main gap was housing affordable to first time buyers. These were priced out of the market and many had no choice but to re-locate to Kendal or Lancaster. Prices were pushed up by incomers seeking second homes some of whom would pay cash and 'pay over the odds'. Agents told us that any new build would sell well if reserved for local people provided there was in curtilage parking and a garage. Agents drew our attention to the poor resale prices being obtained by residents of a recently build leasehold apartments for older people and this resulted in vacancies being slow to sell. The letting agent told us that there was a severe shortage of cheaper lettings in the form of apartments for young people who worked locally, sustaining the hospitality and retail sectors. Being on relatively low income they could not afford transport costs and small homes affordable to them were urgently needed to sustain local businesses.

6.75   At Milnthorpe, agents highlighted the need for supply to meet the changing needs of older residents. They commented that although local occupancy schemes were effective, they could result in delays in sales being completed. Prices were such that many first time buyers or first time movers could not realistically afford vacancies.

6.76   We asked all of the above agents about the potential for additional supply for new build as we observed very little new-build on site at the time of our visit. Agents were fully aware of allocated sites in their locality. We were told that the combined effect of 'stay put' and low levels of new build, led to a stagnant re-sale market and a low proportion of properties for sale. They also told us that the absence of new build help to buy meant that newly forming households were being denied the opportunity to get on the housing ladder. We were told that the rate of new build was likely to increase now that development briefs were in place for the larger sites. One stakeholder considered that national volume housebuilders might not build in South Lakeland due to its location. He welcomed the focus of the Housing White Paper on delivery by local small and medium builders and told us that there was a dialogue with this group. However, he thought that few small builders would get involved in speculative building, preferring to work on custom build commissions.

6.77   Some stakeholders considered that policy was too focussed on the delivery of affordable housing and that the groups identified above (first time buyers, first time movers and housing suitable for elderly downsizers) should also be a policy and housing mix consideration.

Affordability – discussion

6.78   The analysis in this section has considered a range of different affordable products to both buy and rent. There are clear overlaps between products, with the analysis only able to provide a broad overview; for example, shared ownership could be provided with different equity shares to that assumed in this study, whilst Starter Homes could be provided with a greater discount than 20% on open market value.

6.79   Overall, the analysis has identified that around a third of households (based solely on incomes) cannot afford market housing; this is based on accessing a lower quartile private rented home. Additionally, there looks to be a relatively small gap between accessing private rented accommodation and social rented housing (only about 3% of households are estimated to fall into this 'gap' which in NPPF terms would be termed intermediate housing).

6.80   There is also a clear and sizeable gap between the incomes required to access open market housing to buy and the private rented sector with just over a quarter (26%) of households falling into this gap. This does not however mean that 26% of new homes should be priced in this band as there will already be a sizeable amount of housing available (including a quarter of open market sales and likely to be much of the private rented sector). Any housing provided in the gap between private rents and the market would not be technically affordable, but could help some households to move out of private renting and into home ownership (which is a key aim of the Government as set out in the Housing White Paper). Hence, it is arguable that some housing could be provided as forms of low-cost home ownership.

6.81   Within the low-cost home ownership category is South Lakeland low-cost housing; this appears to have an income requirement that is broadly in-line with that required to access the private rented sector and is therefore more affordable than other products (notably Starter Homes). Therefore, if the Council plans to continue to support this type of housing it is probably not necessary to consider other forms of low-cost home ownership. The Housing White Paper has softened its view on Starter Homes and is now suggesting that housing sites should deliver a minimum of 10% affordable home ownership units (without being tenure specific). Given that South Lakeland Council typically seek 50% of the affordable housing on sites to be low-cost home ownership, it is likely that this 10% figure would be met without the need to include other tenures.

6.82   On the basis of the analysis carried out in this section, the following recommend mix of affordable housing is proposed:

- 60% rented housing
- 40% low-cost home ownership

6.83   This mix is to a considerable degree driven by the current approach for affordable housing in the District. The Affordable Housing guidance to developers notes (from the previous SHMA) that the affordable demand is roughly for 60% rented and 40% low-cost home ownership, and the Council then seeks a 50:50 split between the two on Section 106 sites (noting that some additional rented housing will come forward directly from Registered Providers, i.e. the Council's approach takes account of the fact that some 100% affordable housing schemes may come forward).

6.84   The 'guidance to developers' also sets an overall target of 35% of homes on sites to be affordable housing. Where viability is an issue, the Council could consider including other forms of affordable home ownership (such as Starter Homes), so as to maintain the 35% affordable housing and the (60%) rental element within this.

6.85   The analysis in this section would indicate that the potential for low-cost home ownership may be more limited; however, this finding is based on using the private rented sector to access the market and is also ignoring the Government's current push for more affordable home ownership options. Hence the higher figure (40% of all affordable housing) would be consistent with this Government desire.

6.86   Additionally, greater provision of home ownership options would allow some households to move out of private rented accommodation, and this housing would then potentially be available for use by another household (and on this point it should be noted that the White Paper is also suggesting including some forms of private renting within the definition of affordable housing).

6.87   Within the 60% rented housing, the analysis in this section suggests that the bulk of this should be for social rent. However, it is the case for many households (notably those claiming housing benefit) that an affordable rent would be as appropriate as social rent (as long as the rent level does not cause difficulty). In South Lakeland, the difference in the cost of social rented and affordable rented homes is not particularly substantial, and therefore affordable rented homes should be seen as an acceptable tenure of housing (this position is also consistent with the Council's guidance for developers).

6.88   Within the 40% low-cost home ownership, it is recommended that the Council try to deliver as much of this as possible in terms of the guidance for developers. This is because the cost of the low-cost housing is relatively affordable (certainly compared with the likely costs of Starter Homes) and it is still possible for a range of tenures to be provided under this heading (e.g. discounted sale, shared ownership and shared equity).

6.89   When looking at the sub-areas, there is some argument that a slightly different mix of affordable housing might be appropriate (most notably the Central Lakes and Dales areas have larger 'gaps' in the cost between open market purchase and the cost of private rented housing). However, these areas also show high proportions unable to afford the market generally, which would point towards a need for rented housing. Hence on balance, it is not considered that any different area approach would be appropriate.

6.90   The next section of the report looks at the overall need for affordable housing, this draws on some of the analysis in this section, but includes looking at a range of different household groups, these groups have different income profiles; affordability therefore varies from the figures presented in this section (which looks at all households).

Affordability: Key Messages

- There are a range of different tenures of housing available to households. In terms of the income likely to be required to access different products; these would run from open market purchase through to social rent. There is however a significant overlap between tenures with households potentially able to afford or access a range of products.

- Analysis has considered seven main tenures; open market purchase, Starter Homes, South Lakeland low-cost housing, private rent, shared ownership, affordable rent and social rent. This does not reflect the full range of tenures available, and for example, it would be the case that the income required to buy a Starter Home is likely to be similar to the income needed for other forms of discounted ownership (such as discounted market sales, as set out in the Housing White Paper, which suggest a discount of at least 20%). The income required for South Lakeland low-cost housing would however be expected to be somewhat lower than for a Starter Home.

- In looking at overall affordability of different products, the analysis is slightly complicated due to purchase products typically being looked at with mortgage multiples and rental product affordability being based on proportions of income spent on housing. In both cases there are no standard assumptions to be used.

- Across the whole of the District, the analysis has suggested that an income of around £34,600 would be needed to buy a lower quartile property and that the income drops (to about £28,900) to access a Starter Home (with a 20% discount on open market value). The typical incomes needed to access rented products are notably lower with a figure of £21,300 being shown for access to the private rented sector. This means for example, that a household able to afford a Starter Home could also afford to rent in the market without any level of discount or subsidy.

- Overall, the analysis identifies that around 29% of households have an income that would be insufficient to afford social rent without some form of subsidy, with a smaller proportion fitting in the gaps between different tenures. Arguably the most notable finding is the large proportion of households whose income sits in the gap between affording the private rented sector and affording a Starter Home. Such households can technically afford market housing but are unable to afford to buy a home on the open market with no restrictions.

- Within the affordable tenure category, the analysis would support a split of 60% rented and 40% low-cost home ownership – this is broadly the same conclusion as in the previous SHMA. Additionally, the analysis would support the Council's current approach to affordable provision when negotiating with developers (on Section 106 sites); this approach is to seek a 50:50 split between rented and low-cost home ownership, with a recognition that additional rented housing can come forward as part of 100% affordable housing schemes being promoted by Registered Providers. It is considered that the low-cost home ownership element should continue to follow the approach currently used by the Council (and as set out in its guidance for developers).

- The analysis also looked at affordability in each of the six sub-market areas. Whilst there were differences between locations, it is not considered that these are so great as to point towards a different tenure mix being needed when compared to District level findings.

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7.   Affordable Housing Need

Introduction

7.1   This section discusses the level of affordable housing need in South Lakeland. This builds on the affordability analysis discussed in the previous section. The PPG (2a-022) describes affordable housing need as being an estimate of *'the number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market'*.

7.2   The PPG sets out a model for assessing affordable housing need – this model largely replicates the model set out in previous SHMA guidance (of 2007). The 2007 guide contained more detail about specific aspects of the analysis and so is referred to in this section as appropriate. The analysis is based on secondary data sources. It draws on a number of sources of information including the South Lakeland Housing Register, 2011 Census data, demographic projections, house prices/rents and income information.

7.3   The affordable housing needs model is based largely on housing market conditions (and particularly the relationship of housing costs and incomes) at a particular point in time – the time of the assessment – as well as the existing supply of affordable housing which can be used to meet the need. The base date for analysis is 2016 (e.g. data about housing costs and incomes is for 2016). It is recognised that the analysis should align with other research and hence estimates of affordable housing need are provided in this section on an annual basis for the 20-year period between 2016 and 2036 (to be consistent with the demographic projections described in previous sections).

Current affordable housing policies

7.4   Current affordable housing policies for South Lakeland can be found in the Core Strategy (adopted in October 2010). Also of relevance are plan documents for the Lake District National Park (also an October 2010 Core strategy) and Yorkshire Dales National Park (Local Plan adopted in December 2016). These are briefly discussed below.

South Lakeland District Council

7.5   The provision of affordable housing in South Lakeland is driven by Policy CS6.3; this sets out a general requirement for no less than 35% of housing on sites to be affordable and that such housing should be affordable in perpetuity. The text below provides the key parts of Policy CS6.3.

CS6.3 – Provision of affordable housing

The Council will consider the appropriateness of allocating sites in every community in the plan area in order to ensure the delivery of affordable housing to meet local need. The percentage of affordable housing to be provided on allocated sites will be dependent on local land supply, housing need and viability, including the potential for allocating sites solely for affordable housing.

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Planning permission for the erection of new dwellings or conversion of existing buildings to dwellings will be permitted provided that the scheme provides local affordable housing in accordance with the following:

- *On all schemes of nine or more dwellings in the Principal/Key Service Centres, and three or more dwellings outside of these areas, no less than 35% of the total number of dwellings proposed are affordable. The Council may seek to require a higher percentage on individual sites, based on evidence of need and viability, through the preparation of development plan documents which allocate sites;*

- *The affordable housing provided is made available solely to people in housing need at an affordable cost for the life of the property. The Council will ensure that any planning permission granted is subject to appropriate conditions and/or planning obligations to secure its affordability in perpetuity;*

- *The mix and tenure of affordable housing provided reflects the identified housing needs at the time of the proposal as demonstrated in the Housing Market Assessment and waiting list information. Further targets and requirements are set out in each of the area strategy policies CS2-CS5;*

- *The affordable housing shall be mixed within the development.*

Exceptionally, a lower requirement for affordable housing will be acceptable where there is clear evidence that it would make the development unviable.

Lake District National Park

7.6   The Lake District National Park makes repeated reference to affordable housing throughout the Core strategy, with a *'lack of affordable housing'* being the first issue set out in paragraph 2.4 (Complex challenges and issues).

7.7   Policy CS18 (Housing Provision) is the main policy in the Core Strategy dealing with housing (including affordable housing), with the supporting text (para 4.29.5) stating *'any housing developed must be of an appropriate scale and type to fulfil our strict requirements for meeting the identified local, and local affordable, needs'*. The relevant wording of Policy CS18 is as follows:

We will permit new dwellings where they contribute towards meeting an identified local need or local affordable need with priority given to the delivery of affordable housing, and where they:

- *help to redress the imbalances in the local housing market; and*
- *are secured in perpetuity for the purpose it was originally intended through the use of appropriate planning controls.*

We will achieve this by:

- *allocating sites for 100 per cent affordable housing with the exception of sites in the West Distinctive Area (Policy CS06) where an appropriate mix of local need and local affordable need housing is acceptable;*
- *using exception sites for affordable housing; and*
- *maximising the potential from individual development opportunities.*

Yorkshire Dales National Park

7.8   The Yorkshire Dales Local Plan also has a significant recognition of the need for affordable housing, noting in paragraph 1.14 that one of the key challenges is to *'increase the supply of affordable housing'*. Paragraph 4.3 also notes that the overall housing target *'is almost twice the projected rate of household growth up until 2030 but still only half the estimated shortfall of affordable housing'* Paragraph 1.32 does however recognise that *'some open market housing is now necessary to make sites financially capable of delivering affordable housing'*.

7.9   The main policy dealing with affordable housing is Policy C1 (Housing in Settlements); on affordable housing, this states:

On sites of 11 or more dwellings, 50% must be affordable housing or alternatively 33% affordable housing and 33% local occupancy restricted housing.

On sites of between 6 and 10 dwellings, the Authority will require the payment of a commuted sum in lieu of the delivery of the relevant proportion of affordable housing above.

On sites of up to 5 dwellings, new housing will be restricted to local occupancy.

7.10   Additionally, Policy C2 (Rural Exception Sites) allows for additional 100% affordable housing schemes to come forward *'where there is a proven local need for affordable housing'*. Appendix 6 of the Local Plan sets out definitions of affordable housing, local connections and commuted sums.

Key Definitions

7.11   The analysis begins by setting out key definitions relating to affordable housing need, affordability and affordable housing.

Current Affordable Housing Need

7.12   Current affordable housing need is defined as the number of households who lack their own housing or who live in unsuitable housing and who cannot afford to meet their housing needs in the market.

Newly-Arising Need

7.13   Newly-arising (or future) need is a measure of the number of households who are expected to have an affordable housing need at some point in the future. In this assessment trend data from CoRe has been used along with demographic projections about the number of new households forming (along with affordability) to estimate future needs.

Supply of Affordable Housing

7.14   An estimate of the likely future supply of affordable housing is also made (drawing on secondary data sources about past lettings). The future supply of affordable housing is subtracted from the newly-arising need to make an assessment of the net future need for affordable housing.

Affordability

7.15   A general discussion of affordability was provided in the previous section. Within the modelling to follow, the analysis has looked at households' ability to afford either home ownership or private rented housing (whichever is the cheapest), without financial support. The distribution of household incomes is then used to estimate the likely proportion of households who are unable to afford to meet their needs in the private sector without support, on the basis of existing incomes. This analysis brings together the data on household incomes with the estimated incomes required to access private sector housing.

7.16   Different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower incomes than existing households). Assumptions about income levels are discussed where relevant in the analysis that follows.

Affordable Housing Needs Assessment

7.17   Affordable housing need has been assessed using the Affordable Needs Assessment Model as set out in the PPG (2a-023 to 2a-029) which is virtually identical to models set out in previous guidance (such as the 2007 CLG SHMA guide). This model is summarised in the chart below.

Figure 7.1: Overview of Affordable Needs Assessment Model
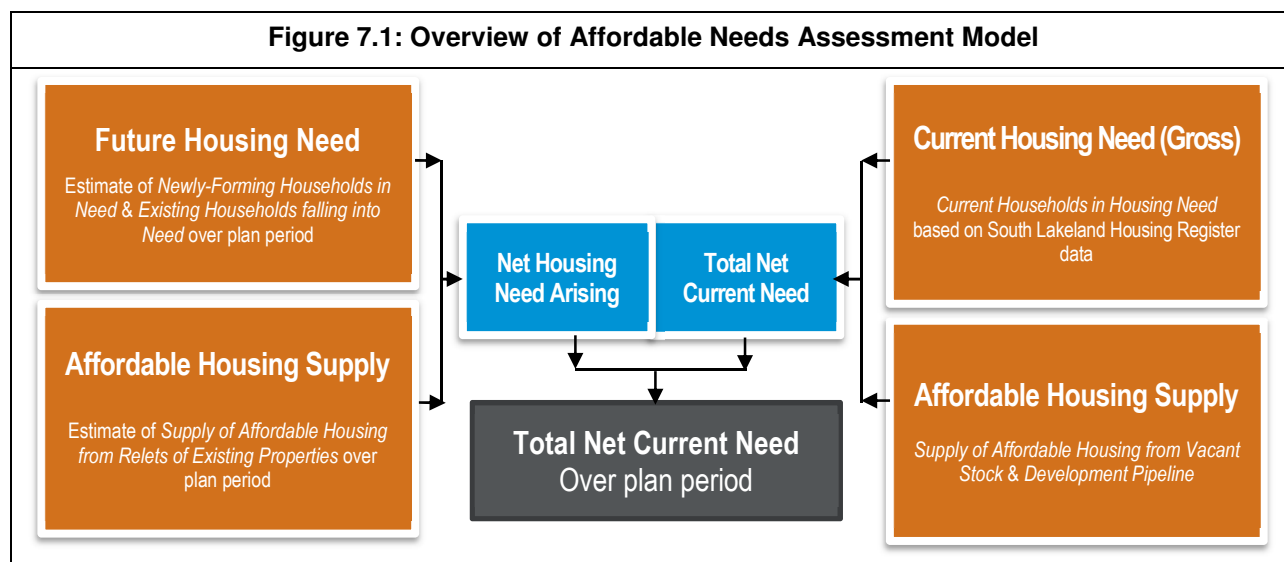
Source: Derived from CLG Planning Practice Guidance

Further Methodological Issues

7.18   Due to the analysis being based on secondary data sources only, there are a number of assumptions that need to be made to ensure that the analysis is as robust as possible. Key assumptions include understanding the likely income levels of different groups of the population (such as newly forming households), recognising that such households' incomes may differ from those in the general population.

7.19   To overcome the limitations of a secondary-data-only assessment, additional data has been taken from a range of survey-based affordable needs assessments carried out by JGC over the past five years or so. These surveys (which cover a range of areas and time periods) allow the assessment to consider issues such as needs which are not picked up in published sources and different income levels for different household groups. This data is then applied to actual data for South Lakeland (e.g. about income levels) as appropriate. It is the case that outputs from surveys in other areas show remarkably similar outputs to each other for a range of core variables (for example the income levels of newly forming households when compared with existing households) and are therefore likely to be fairly reflective of the situation locally in South Lakeland. Where possible, data has also been drawn from national surveys (notably the English Housing Survey).

7.20   It should also be stressed that the secondary data approach is consistent with the PPG. Specifically, guidance states that:

'Plan makers should avoid expending significant resources on primary research (information that is collected through surveys, focus groups or interviews etc. and analysed to produce a new set of findings) as this will in many cases be a disproportionate way of establishing an evidence base. They should instead look to rely predominantly on secondary data (e.g. Census, national surveys) to inform their assessment which are identified within the guidance'.

7.21   The analysis that follows is therefore consistent with the requirements of the Planning Practice Guidance.

Current Affordable Housing Need

7.22   In line with the PPG the current need for affordable housing is assessed through analysis of Housing Register information. As part of this project a download of the whole register was provided (as of January 2017) which has been interrogated to estimate the number of households with an affordable housing need.

7.23   As of January 2017 there were 2,891 households on the Register. Not all of the households registered for housing will have significant housing needs and the analysis below shows the banding of need as assessed on the Register (along with descriptions of the banding). For the purposes of this report, it has been assumed that those households in bands A to C can be considered as in housing need (although there is arguably a case to consider band E – households in this band may be in a reasonable preference category, but have reduced priority for other reasons (such as rent arrears)). Across South Lakeland some 764 households fall into the bands from A to C and would be considered as having an assessed housing need (and not just an expressed need) – this is 26% of all households on the register).

Band	Description	Number of households	% of households
Figure 7.2: Number of households on South Lakeland Housing Register by housing need banding (January 2017)			
A	Urgent Need for Housing due to Reasonable preference plus additional priority	35	1.2%
B	High Need for Housing due to Reasonable Preference	73	2.5%
C	Medium Need for Housing due to Reasonable Preference	656	22.7%
D	Low Need for Housing due to No Reasonable Preference	1,661	57.5%
E	Reduced Priority	466	16.1%
Total		2,891	100.0%

Source: South Lakeland Housing Register

7.24   This data has also been split down by market and National Park area with the table below showing the appropriate figures for the number of households in Bands A-C. The number of households on the Register varies between 21 in the Dales market area, up to 304 in Kendal. The differences between areas are to a significant degree driven by different levels of population and households in each location.

Figure 7.3: Number of households on South Lakeland Housing Register by housing need banding and sub-area (January 2017) – bands A to C only				
	A	B	C	Total
South Lakeland	35	73	656	764
Cartmel Peninsula	1	3	53	57
Central Lakes	9	10	131	150
Dales	0	3	18	21
Kendal	14	40	250	304
Kendal Rural	4	7	78	89
Ulverston & Furness	7	10	126	143
Lake District NP	9	11	148	168
Yorkshire Dales NP	0	3	17	20
SLDCLPA	26	59	491	576

Source: South Lakeland Housing Register

7.25   As well as looking at the level of need of households on the register, it is important to understand the living circumstances of those households. In particular, this focusses on current tenure, recognising that households already living in affordable housing would release a home for use by another household if they were to move and hence there is no additional need for housing to be provided (although there may be a mismatch between the homes needed and those released, both in terms of size and location). The table below shows that around 248 households are currently living in affordable housing leaving 516 within private sector housing or without accommodation (e.g. concealed households). For this analysis it is assumed that the 9 households for which information is not available are not currently living in affordable accommodation.

Figure 7.4: Current tenure of households on Housing Register and in need		
	Number of households	% of households
LA/RP housing	248	32.5%
No housing (e.g. concealed/homeless)	239	31.3%
Private sector	268	35.1%
Unknown	9	1.2%
Total	764	100.0%

Source: South Lakeland Housing Register

7.26   The table below shows the same information for each market and National Park area. There are some differences in patterns between locations with the National Park areas seeing a higher proportion of households registered from the private sector and other areas a higher proportion of households already living in affordable housing or with no housing (homeless/concealed).

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Figure 7.5: Current tenure of households on Housing Register and in need – by sub-area					
	LA/RP housing	No housing (e.g. concealed/ homeless)	Private sector	Unknown	Total
South Lakeland	248	239	268	9	764
Cartmel Peninsula	20	13	22	2	57
Central Lakes	45	43	61	1	150
Dales	5	3	13	0	21
Kendal	101	118	81	4	304
Kendal Rural	21	27	41	0	89
Ulverston & Furness	56	35	50	2	143
Lake District NP	51	47	68	2	168
Yorkshire Dales NP	4	2	14	0	20
SLDCLPA	193	190	186	7	576

Source: South Lakeland Housing Register

7.27 The final part of the assessment of current need is to consider whether or not these households might be able to afford market housing without the need for subsidy. The Housing Register data does not contain information about household incomes and so it has been necessary to estimate the likely incomes of these households. An affordability test has been developed which assumes that incomes of these households are typically around 42% of the average income of all households in the District. This figure is based on national data (from the EHS) about the incomes of tenants in social rented housing compared with other households. Incomes are compared with the cost of housing already set out in this report. As can be seen in the table below, it is estimated that around a fifth of households have an income that might allow them to afford market housing and as such the estimate of current need is reduced to 404 households.

Figure 7.6: Estimated Current Affordable Housing Need			
	On Housing Register and in need (excluding LA/RP)	% Unable to Afford	Revised Gross Need (including Affordability)
South Lakeland	516	78.3%	404
Cartmel Peninsula	37	76.5%	28
Central Lakes	105	79.1%	83
Dales	16	76.3%	12
Kendal	203	81.4%	165
Kendal Rural	68	71.6%	49
Ulverston & Furness	87	76.2%	66
Lake District NP	117	79.0%	92
Yorkshire Dales NP	16	77.5%	12
SLDCLPA	383	78.1%	299

Source: South Lakeland Housing Register and affordability modelling

Newly-Arising Need

7.28   To estimate newly-arising (projected future) need two key groups of households based on the PPG (2a-025) have been studied. These are:

- Newly forming households; and
- Existing households falling into need.

Newly-Forming Households

7.29   The number of newly-forming households has been estimated through the demographic modelling with an affordability test also being applied. This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below 5 years previously to provide an estimate of gross household formation. This differs from numbers presented in the demographic projections which are for net household growth. The numbers of newly-forming households are limited to households forming who are aged under 45 – this is consistent with CLG guidance (from 2007) which notes after age 45 that headship (household formation) rates 'plateau'. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households.

7.30   The estimates of gross new household formation have been based on outputs from the 2014-based CLG household projections to allow for a consistent approach across areas. In looking at the likely affordability of newly-forming households, data has been drawn from previous surveys. This establishes that the average income of newly-forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).

7.31   The analysis has therefore adjusted the overall household income data to reflect the lower average income for newly-forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average. In doing this it is possible to calculate the proportion of households unable to afford market housing without any form of subsidy (such as LHA/HB). The assessment suggests that overall around 40% of newly-forming households will be unable to afford market housing (in the private rented sector which typically has a lower income threshold) and that a total of 233 new households will have a need on average in each year to 2036.

Figure 7.7: Estimated Level of Affordable Housing Need from Newly Forming Households (per annum)			
	Number of new households	% unable to afford	Total in need
South Lakeland	586	39.8%	233
Cartmel Peninsula	43	38.4%	17
Central Lakes	94	41.2%	39
Dales	20	38.1%	8
Kendal	197	44.2%	87
Kendal Rural	113	33.7%	38
Ulverston & Furness	118	38.0%	45
Lake District NP	122	40.6%	50
Yorkshire Dales NP	26	38.9%	10
SLDCLPA	437	39.6%	173

Source: Projection Modelling/affordability analysis

Existing Households falling into Affordable Housing Need

7.32   The second element of newly arising need is existing households falling into need. To assess this, information from CoRe has been used. This looked at households who have been housed over the past three years – this group will represent the flow of households onto the Housing Register over this period. From this newly forming households (e.g. those currently living with family) have been discounted as well as households who have transferred from another social/affordable rented property. An affordability test has also been applied.

7.33   This method for assessing existing households falling into need is consistent with the 2007 SHMA guide which says on page 46 that *'Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless household applicants)'.*

7.34   Following the analysis through suggests a need arising from 210 existing households each year from 2016 to 2036.

Figure 7.8: Estimated Level of Affordable Housing Need from Existing Households Falling into Need (per annum)		
	Total in need	% of total
South Lakeland	210	100.0%
Cartmel Peninsula	12	5.8%
Central Lakes	56	26.8%
Dales	6	3.0%
Kendal	69	33.0%
Kendal Rural	29	14.0%
Ulverston & Furness	36	17.4%
Lake District NP	61	29.0%
Yorkshire Dales NP	9	4.3%
SLDCLPA	140	66.7%

Source: CoRe/affordability analysis

Supply of Affordable Housing

7.35   The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social/affordable rent relets and the annual supply of relets/sales within the intermediate sector.

7.36   The Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. Information from the Continuous Recording system (CoRe) has been used to establish past patterns of social housing turnover. The figures include general needs and supported lettings but exclude lettings of new properties plus an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.

7.37   On the basis of past trend data is has been estimated that 307 units of social/affordable rented housing are likely to become available each year moving forward.

7.38   It should be noted that the figures include both General Needs and Supported Housing, with supported housing making up a significant proportion of lettings (just under half); the supported housing will mainly be to meet the needs of older people. Whilst South Lakeland has a particularly old age structure, and this is projected to age further in the future, it should be noted that much of affordable need as assessed using the CLG methodology will be younger people (for example the newly forming households will all be aged under 45). Hence in interpreting the need and supply, it should be recognised that there may be an additional mismatch between those assessed as having an affordable need and the stock of housing available to meet this need. The previous SHMA for the District did not include supported lettings in the needs assessment model; a comparison with this assessment is provided later in this section.

Figure 7.9: Analysis of past social/affordable rented housing supply (per annum – based on data for 2013-16 period)			
	General needs	Supported housing	Total
Total lettings	343	202	545
% as non-new build	76.3%	-	85.1%
Lettings in existing stock	261	202	464
% non-transfers	60.5%	73.8%	66.3%
Total lettings to new tenants	158	149	307

Source: CoRe

7.39   The supply figure is for social/affordable rented housing only and whilst the stock of intermediate housing in South Lakeland is not significant compared to the social/affordable rented stock it is likely that some housing does become available each year (e.g. resales of shared ownership). For the purposes of this assessment data from CoRe about the number of sales of homes that were not new build has been used. From this it is estimated that around 3 additional properties might become available per annum. The total supply of affordable housing is therefore estimated to be 310 per annum. The table below shows total lettings and an estimate of how this will vary by sub-area (based on data from the Council about past lettings and also total stock information drawn from the 2011 Census).

Figure 7.10: Estimated Future Supply of Affordable Housing – per annum			
	Social/affordable rented relets	Intermediate housing 'relets'	Total supply (per annum)
South Lakeland	307	3	310
Cartmel Peninsula	18	0	19
Central Lakes	81	1	82
Dales	9	0	9
Kendal	97	1	98
Kendal Rural	47	1	47
Ulverston & Furness	55	0	55
Lake District NP	89	0	89
Yorkshire Dales NP	13	1	14
SLDCLPA	206	2	208

Source: CoRe

7.40   The analysis of future supply is based on past trends; the Council should monitor the number of relets moving forward, noting that there are a range of policies which might impact on future relets – this will include the sale of higher value Council owned homes, potential disposals of Housing Association properties and the extension of the Right to Buy to RP tenants; losses may however be offset over time through relets of new homes.

Net Affordable Housing Need

7.41   The table below shows the overall calculation of affordable housing need. This excludes supply arising from sites with planning consent (the 'development pipeline'). The analysis shows that there is a need for 153 dwellings per annum to be provided – a total of 3,050 over the 20-year period (2016-36).

Net Need = Current Need + Need from Newly-Forming Households + Existing Households falling into Need – Supply of Affordable Housing

Figure 7.11: Estimated Need for Affordable Housing		
	Per annum	2016-36
Current need	20	404
Newly forming households	233	4,663
Existing households falling into need	210	4,192
Total Gross Need	463	9,259
Relet Supply	310	6,209
Net Need	153	3,050

Source: Census (2011)/CoRe/Projection Modelling and affordability analysis

7.42   As well as looking at the need over the full 20-year plan period (2016-36), it is useful to consider the numbers if need were to be met over the period of the Housing Strategy (which runs to 2025), parts of the Housing Strategy are informed by the SHMA. The table below therefore shows the need if only looking at the 9-year period from 2016 to 2025. This is essentially the same calculation as above but the current need is divided by 9 (years) rather than 20. The analysis shows an annual need to provide 177 affordable homes; just under 1,600 in total over the 9-year period.

Figure 7.12: Estimated Need for Affordable Housing (2016-25)		
	Per annum	2016-25
Current need	45	404
Newly forming households	233	2,099
Existing households falling into need	210	1,886
Total Gross Need	488	4,389
Relet Supply	310	2,794
Net Need	177	1,595

Source: Census (2011)/CoRe/Projection Modelling and affordability analysis

7.43   The data has also been split down by sub-area in the table below (just for the full 20-year period); this shows that there is a need for affordable housing in all locations with Kendal seeing the highest need (for 67 homes per annum – 44% of the total). It is also worth focussing on the two National Park areas as it is likely in terms of housing delivery that these locations would predominantly seek to meet affordable needs (rather than market demand). In total, the analysis suggests a need for 32 affordable homes per annum within the National Park areas of the District (26 in the Lake District and 6 in Yorkshire Dales).

7.44   It should however be noted that it is likely that some of the need in the National Parks will be met within the South Lakeland planning area. The Council's Local Connection Policy allows need from the relevant HMAs (Central Lakes and Dales) to be satisfied in South Lakeland District Council planning areas.

Figure 7.13: Estimated Need for Affordable Housing (per annum) – by sub-area						
	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Relet Supply	Net Need
South Lakeland	20	233	210	463	310	153
Cartmel Peninsula	1	17	12	30	19	12
Central Lakes	4	39	56	99	82	17
Dales	1	8	6	15	9	5
Kendal	8	87	69	165	98	67
Kendal Rural	2	38	29	70	47	22
Ulverston & Furness	3	45	36	84	55	29
Lake District NP	5	50	61	115	89	26
Yorkshire Dales NP	1	10	9	20	14	6
SLDCLPA	15	173	140	328	208	120

Source: Projection Modelling/affordability analysis

Housing Need and the National Park areas

7.45   As well as looking at housing need across the whole District, it is important to consider the needs arising in the two National Park areas. This is because South Lakeland Council is only the planning authority for that area sitting outside of the National Park, hence any housing targets (e.g. in the Local Plan) would not apply to the whole District.

7.46   The Lake District and Yorkshire Dales National Parks are the planning authorities within the National Park. They have two statutory purposes, these are to:

• Conserve and enhance the natural beauty, wildlife and cultural heritage of the area; and
• Promote opportunities for the understanding and enjoyment of the special qualities of the Park by the public.

7.47   In carrying out these purposes, the two planning authorities have a duty to foster the economic and social well-being of local communities within the National Parks.

7.48   Section 62 of the Environment Act 1995 requires all relevant authorities, including statutory undertakers and other public bodies, to have regard to these purposes. Where there is an irreconcilable conflict between the statutory purposes, the 'Sandford Principle' is statutorily required to be applied and the first Purpose of the National Park will be given priority. The Sandford Principle relates to a statement first made by Lord Sandford in his committee report on possible changes to the management and legislation governing National Parks and now in the Environment Act 1995 which states that: 'if it appears that there is a conflict between those two Purposes, any relevant Authority shall attach greater weight to the first [Purpose]'.

7.49   Paragraph 115 in the NPPF reaffirms this, setting out that "*great weight should be given to conserving landscape and scenic beauty in National Parks, the Broads and Areas of Outstanding Natural Beauty, which have the highest status of protection in relation to landscape and scenic beauty. The conservation of wildlife and cultural heritage are important considerations in all these areas, and should be given great weight in National Parks and the Broads.*"

7.50   National Park Authorities also need to take into account the 2010 Circular[6] which sets out national policy in respect of National Parks. In this the Government is clear that action by National Park Authorities should include fostering and maintaining thriving rural economies, and supporting the delivery of affordable housing.

7.51   The 2010 Circular recognises that National Parks often have higher house prices than surrounding areas, and can have include low paid jobs in their local economies. It clearly sets out that national park authorities have an important role to play in the delivery of affordable housing, setting out that:

"Through their Local Development Frameworks they should include policies that pro-actively respond to local housing needs. The Government recognises that the National Parks are not suitable locations for unrestricted housing and does not therefore provide general housing targets for them. The expectation is that new housing will be focused on meeting affordable housing requirements, supporting local employment opportunities and key services.

The Government expects the Authorities to maintain a focus on affordable housing and to work with local authorities and other agencies to ensure that the needs of local communities in the Parks are met and that affordable housing remains so in the longer-term.[7]"

7.52   There is thus a particular emphasis in national policy on meeting affordable housing needs within national parks; and recognition that unrestricted provision of housing is not appropriate.

7.53   As noted above, the analysis suggests a need for 32 affordable homes per annum within the National Park areas of the District (26 in the Lake District and 6 in Yorkshire Dales). These figures can reasonably be considered as the OAN for each location and should be taken off any District-wide estimate of need to establish the number of homes to be provided within the South Lakeland Council planning area.

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[6] DEFRA (2010) English national parks and the broads: UK government vision and circular 2010
[7] DEFRA (2010) Circular: National Parks, Paragraphs 78 and 79

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Comparison with previous SHMA

7.54   It is worthwhile to briefly make a comparison between the findings in this report and the last assessment of affordable housing need. The last full assessment was undertaken in the 2011 SHMA (by ARC4) and this was updated in 2014; a comparison has therefore been made with this more recent assessment, figures being taken from Table D1 in the appendices.

7.55   Whilst, both this study and the previous SHMA both followed the same broad methodology (linked to CLG guidance) there are some differences that need to be noted to allow for a direct comparison to be made. The main difference is that the 2014 study looked at meeting the current need over a 5-year period rather than the 20-years assumed in this assessment. Hence to make comparable figures, the current need in the 2014 study has been divided by 20 to provide an equivalent annual figure. Additionally, the 2014 assessment included an estimate of committed supply (i.e. the pipeline of affordable housing); this has not been included in this report so as to allow for a comparison between the affordable need and overall housing need (as determined through demographic projections). In the comparison below, the pipeline has been excluded from the 2014 figures.

7.56   The analysis appears to show a significantly lower affordable need in this assessment compared with previous work – a need for 153 dwellings per annum, compared with 489. The difference is driven by both a lower level of gross need in this study and a higher estimated future supply from relets. The supply is likely to be explained by this study including supported lettings as well as general needs whilst the difference in the gross need is likely to be largely methodological.

7.57   In the 2014 SHMA, data was drawn from a household survey and this seems to have over-estimated key aspects of the assessment. For example, the 2014 SHMA shows that there were 1,050 overcrowded households in the District, however 2011 Census data puts the figure at about two-thirds of this (658 households). Additionally, the 2014 SHMA put household formation at 810 households per annum, compared with 586 in this study (the latter being based on demographic projections).

7.58   These two differences alone, along with differences in the estimated supply will account for much of the difference in the assessments (as well as other issues such as this study drawing on Housing Register data). It is difficult therefore to say on the basis of the evidence that affordable need has dropped, despite a clear reduction in terms of the figures presented. Regardless, both studies show a substantial need for additional affordable housing, and the Council should seek to provide such accommodation where the opportunities arise.

Figure 7.14: Comparison of affordable housing needs assessments (2014 and 2016) – all figures per annum		
	2016-based (this study)	2014-based SHMA
Current need	20	79
Projected need	443	602
Gross need	463	681
Relet Supply	310	192
Net need	153	489

Source: This study and 2014 SHMA update

Relating Affordable Need and OAN

7.59   There have been a number of legal judgments that have considered the link between overall housing need and affordable need (including in Warrington, Oadby & Wigston, King's Lynn and Hinckley & Bosworth). Whilst these cases can provide some useful background, there is a concern that none really seek to understand exactly how affordable housing sits within estimates of the overall need for housing. The latest (Hinckley & Bosworth) comes closest to doing this, by making it clear that the OAN is not simply a computed figure comparing the affordable need with likely delivery.

7.60   The Planning Advisory Service (PAS) technical advice note on Objectively Assessed Need and Housing Targets of July 2015 does provide some useful thoughts on affordable housing. The consideration of affordable housing need and its relationship to overall housing need is covered in some detail within Section 9 of the document. PAS set out a suggested approach for looking at the relationship between OAN and affordable housing (which is broadly in line with the approach in this report) before going on to consider their own view about the relationship.

7.61   They initially suggest that affordable housing is "a policy consideration" that bears on housing targets rather than OAN and note that they are not comparable because they relate to different meanings of the term "need." They also highlight that the OAN relates to new dwellings whereas much of the affordable need relates to existing households, who, when moving, would free up dwellings to be occupied by other households. PAS conclude that there is no arithmetical way of combining the OAN (calculated through demographic projections) and the affordable need before concluding that the affordable need cannot be a component part of the OAN.

7.62   The PAS view looks to be entirely sensible. When the components of need are looked at it is clear that the relationship between affordable housing and overall housing need is complex. Firstly, the modelling contains a category in the projection of *'existing households falling into need'*; these households already have accommodation and hence if they were to move to alternative accommodation, they would release a dwelling for use by another household – there is no net need to provide additional homes. The modelling also contains *'newly forming households'*; these households are a direct output from the demographic modelling and are therefore already included in the overall housing need figures.

7.63   This just leaves the *'current need'*; much of this group will be similar to the existing households already described (in that they are already living in accommodation) although it is possible that a number will be households without housing (mainly concealed households) – these households are not included in the demographic modelling and so are arguably an additional need. An analysis of concealed households (from Census data) is undertaken in the following section of the report.

7.64   The analysis above does however indicate a clear need for affordable housing. The Planning Practice Guidance sets out how it expects the affordable housing need to be considered as part of the plan-making process. It outlines in Paragraph 029 that:

"The total affordable housing need should 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."

7.65   This 'consideration' is difficult to quantify – as noted most of the affordable need is not a need for additional dwellings over and above the overall need identified through demographic modelling. If the Council were to consider an uplift then this would mean additional provision of market homes – the demographic modelling itself does not demonstrate a market demand for these additional dwellings. Additionally, if the Council were to increase planned housing figures, then this would generate increased migration and population growth, which would mean a lower level in other areas (and hence other locations would logically be expected to plan for fewer dwellings).

7.66   Overall, it is difficult to see a situation where a Council should provide additional homes due to the affordable need, unless this is agreed under the Duty-to-Cooperate, which would then become a policy decision.

7.67   Given the level of affordable housing need, the Council should however seek to maximise delivery where possible and it should be borne in mind that besides delivery of affordable housing on mixed-tenure development schemes, there are a number of other mechanisms which deliver affordable housing. These include:

- National Affordable Housing Programme – this (outside London this is administered by the HCA) provides funding to support Registered Providers in delivering new housing including on sites owned by RPs;
- Building Council Homes (where there is a stock holding council) – following reform of the HRA funding system, Councils can bring forward affordable housing themselves;
- Empty Homes Programmes – where local authorities can bring properties back into use as affordable housing. These are existing properties, and thus represent a change in tenure within the current housing stock;
- Rural Exception Site Development – where the emphasis is on delivering affordable housing to meet local needs (this could also form part of the three mechanisms above).

7.68   Funding for specialist forms of affordable housing, such as extra care provision, may also be available from other sources; whilst other niche agents, such as Community Land Trusts, may deliver new affordable housing. Net changes in affordable housing stock may also be influenced by estate regeneration schemes, as well as potentially by factors such as the proposed extension of the Right to Buy to housing association properties and increased disposals of vacant dwellings. Affordable housing can be met by changes in the ownership of existing housing stock, not just by new-build development. On larger housing sites, the mix of affordable housing could potentially include Extra-Care as well as general needs housing.

7.69   The discussion above has already noted that the need for affordable housing does not generally lead to a need to increase overall provision (with the exception of potentially providing housing for concealed households). It is however worth briefly thinking about how affordable need works in practice and the housing available to those unable to access market housing without Housing Benefit. In particular, the increasing role played by the Private Rented Sector (PRS) in providing housing for households who require financial support in meeting their housing needs should be recognised.

7.70   Whilst the Private Rented Sector (PRS) does not fall within the types of affordable housing set out in the NPPF 'for planning purposes', it has evidently been playing a role in meeting the needs of households who require financial support in meeting their housing need. Government recognises this, and indeed legislated through the 2011 Localism Act to allow Councils to discharge their "homelessness duty" through providing an offer of a suitable property in the PRS.

7.71   It is also worth reflecting on the NPPF (Annex 2) definition of affordable housing. This says: *'Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market'* [emphasis added]. Clearly where a household is able to access suitable housing in the private rented sector (with or without Housing Benefit) it is the case that these needs are being met by the market (as within the NPPF definition). As such the role played by the private rented sector should be recognised – it is evidently part of the functioning housing market. There are however issues with the use of Housing benefit in the private rented sector, including the cost to the public purse and a disincentive barrier to reduce benefit dependency (i.e. there is potentially a disincentive for households to work if benefit losses are greater than the income they can earn).

7.72   Data from the Department of Work and Pensions (DWP) has been used to look at the number of Housing Benefit supported private rented homes. As of August 2016 it is estimated that there were around 3,900 benefit claimants in the private rented sector in South Lakeland – this serves to illustrate that there is some flexibility within the wider housing market.

7.73   However, national planning policy does not specifically seek to meet the needs identified through the Needs Assessment Model in the Private Rented Sector. Government's benefit caps may reduce the contribution which this sector plays in providing a housing supply which meets the needs of households identified in the affordable housing needs model. In particular future growth in households living within the PRS and claiming LHA cannot be guaranteed.

Housing and Planning Act and Welfare Reform

7.74   The reforms introduced over recent years – alongside future planned reforms – could continue to impact upon the calculated need for affordable housing presented in this SHMA. This includes from announcements made in the Summer Budget of 2015 and the Housing and Planning Act.

7.75   In October 2015, the Government published the Housing and Planning Bill 2015-16 (this received Royal Ascent as the Housing and Planning Act 2016 on the 12th May 2016). This set out a number of government initiatives which are likely to directly influence the supply and demand for housing and affordable housing. The key change looks likely to be the introduction of Starter Homes and analysis of this topic is provided in the following section.

7.76   There were also a number of other initiatives (from both the Act and previous announcements) which may impact on the supply and demand for general and affordable homes, although the full impact is yet to be understood. These include:

- **A requirement for social/affordable rents to be reduced by 1% for four years from April 2016.** The likely impact of this will be to reduce income for both the local authorities (which have housing stock) and housing associations. This in turn may reduce the LA or RP reinvestment funding/borrowing power and may subsequently reduce the capacity for new affordable homes to be developed.

- **The extension of the Right to Buy to RP tenants**. Although voluntary, this could reduce affordable housing stock and reduce thus the number of re-lets. Research by Joseph Rowntree Foundation predicts that nationally 8.3% of housing association tenants will be eligible for and could afford the RTB, and that 71% of those will purchase their home over the first five years. The Housing and Planning Act empowers Government to reimburse Registered Providers the cost of the discount but does not confer any rights on any tenants.

- **Local authorities to sell high value social housing stock as it becomes vacant**. Whilst the detail has yet to be confirmed, this is will reduce the number of available properties which are available for re-lets each year. Higher value areas will be impacted most although it may provide additional funding for smaller affordable properties. At the time of writing it looks as if Government will estimate potential revenues and deduct these from Councils regardless of whether or not properties have been sold, and also regardless of whether or not what has been sold provides the sums of money the Government estimated.

- **Increasing rent to market rates for social housing tenants earning over £30,000**. This "pay to stay" initiative will ensure those who can afford to pay market rates will do so. However, it may mean that people are more likely to exercise their right to buy thus reducing the stock level of affordable housing. There is likely to be an administrative burden of tracking all existing tenants incomes.

- **Capping social housing rents at Local Housing Allowance.** For some Registered Providers this will limit their income to a multiple of the Local Housing Allowance. In the long term this is likely to influence the type of homes they build with more smaller homes being likely. The proposal will see any single claimants under 35 only being eligible for the LHA Shared Accommodation Rate which at present is much lower than the LHA for one bedroom flats. This could result in reduced demand for RP properties with a shift toward the PRS.

- **The introduction of 3% higher stamp duty on buy to let properties and second homes.** This may result in the number of Buy-to-let landlords being reduced; through both sales of their existing properties and new landlords seeing the market as unviable. The Bank of England expressed their concerns that the proliferation of Buy-to-let landlords could result in a housing crash if they flood the market with their unwanted property. While the introduction of the new rules may not result in a flood of sales it may well reduce the supply of PRS properties.

7.77   It is too early to fully quantify the impact these changes will have on the supply and demand for affordable homes. However, the local authorities should monitor the situation. We would however add that any reduction in the supply would need to be offset with increasing the need within the affordable housing calculations.

Affordable Housing Need: Key Messages

- An assessment of affordable housing need has been undertaken which is compliant with Government guidance to identify whether there is a shortfall or surplus of affordable housing in South Lakeland. Overall, in the period from 2016 to 2036 a net deficit of 153 affordable homes per annum is identified. There is thus a requirement for new affordable housing in the District and the Council is justified in seeking to secure additional affordable housing.

- How affordable housing need sits with the overall need for housing needs to be properly understood, it is important to bear in mind that the affordable housing needs model includes existing households who require a different size or tenure of accommodation rather than new accommodation per se. Additionally, the modelling includes newly forming households, who are already part of the demographic projections (i.e. they are already included within the need). Furthermore, many households secure suitable housing within the Private Rented Sector, supported by housing benefit.

- Once account is taken of the range of outputs with the modelling and the fact that many of the households in need are already living in accommodation (existing households) and the role played by the private rented sector, the analysis does not suggest that there is any strong evidence of a need to consider additional housing to help meet the affordable need. There are however a number of concealed households within the modelling who are not picked up by demographic projections (and are without housing). There is merit in considering these households as an additional need and this is addressed in the market signals section of the report.

- Looking at affordable need in the National Park areas is also important as this typically is the main focus when looking at new housing development. The analysis suggests a need for 32 affordable homes per annum within the National Park areas of the District (26 in the Lake District and 6 in Yorkshire Dales). These figures can reasonably be considered as the OAN for each location and should be taken off any District-wide estimate of need to establish the number of homes to be provided within the South Lakeland Council planning area.

- The estimated need for affordable housing is lower in this assessment than previous SHMA research. However, despite a lower level of need being suggested in this report, it is still clear that provision of new affordable housing is an important and pressing issue in the District. It does however need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where opportunities arise, and it supports the Council's existing Core Strategy policy (Policy CS6.3) of requiring 35% of new homes to be affordable, on sites over specified thresholds.

8.   Market Signals

Introduction

8.1   In line with the PPG, this section has sought to analyse in detail the housing market dynamics. This section initially reviews housing market dynamics including national and macro- economic drivers. This is then developed at a more local level with quantitative analysis of local prices, sales volumes and affordability.

Conceptual Framework

8.2   It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level. There are a number of key influences on housing demand, which are set out in the diagram below:

Figure 8.1: Understanding Housing Demand Drivers
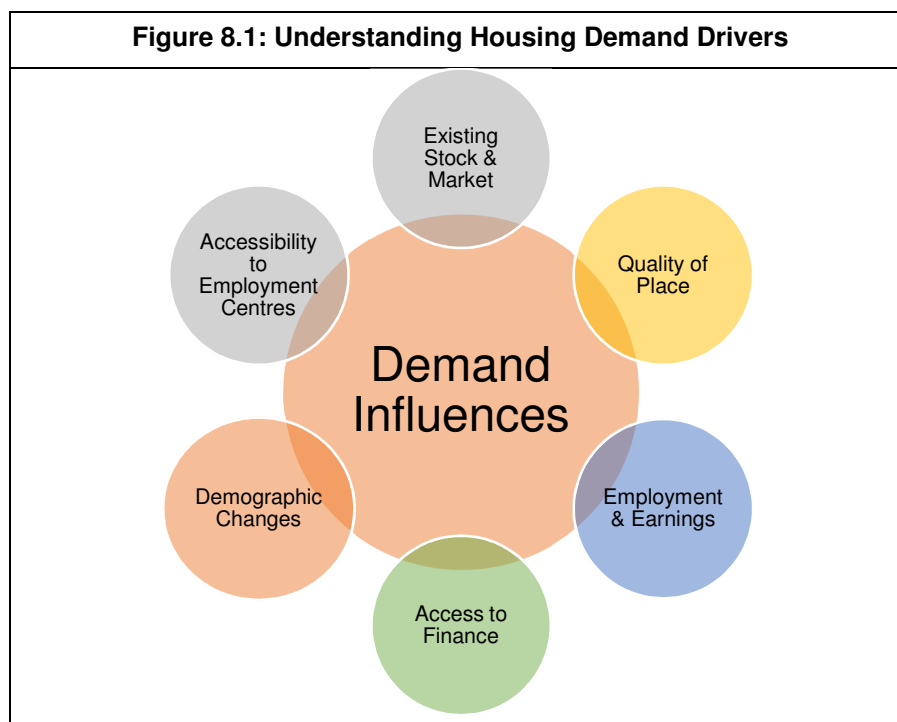
8.3   At the macro-level, the market is particularly influenced by interest rates and mortgage availability, as well as market sentiment (which is influenced by economic performance and prospects at the macro-level). Economic uncertainty resulting from the Brexit vote appears to be impacting on confidence within the housing market at the time of writing.

8.4   The market is also influenced by the economy at both regional and local levels, recognising that employment trends will influence migration patterns (as people move to and from areas to access jobs) and that the nature of employment growth and labour demand will influence changes in earnings and wealth (which influences affordability).

8.5   Housing demand over the longer-term is particularly influenced by population and economic trends: changes in the size and structure of the population directly influence housing need and demand, and the nature of demand for different housing products. There are then a number of factors which play out at a more local level, within a functional housing market and influence demand in different locations. Local factors include:

- quality of place and neighbourhood character;
- school performance and the catchments of good schools;
- the accessibility of areas including to employment centres (with transport links being an important component of this); and
- the existing housing market and local market conditions.

8.6   The influence of these factors can be particularly local and thus there is a limit to the extent that they can be covered in a strategic study; however key market characteristics and local trends are picked up through the qualitative research undertaken.

8.7   These factors influence the demand profile and pricing within the market. At a local level, this often means that the housing market (in terms of the profile of buyers) tends to be influenced and consequently reinforce to some degree the existing stock profile. However, regenerative investment or delivery of new transport infrastructure can influence the profile of housing demand in a location, by affecting its attractiveness to different households.

8.8   Local housing markets or sub-markets are also influenced by dynamics in surrounding areas, in regard to the relative balance between supply and demand in different markets; and the relative pricing of housing within them. Understanding relative pricing and price trends is thus important.

Local Demand Indicators and Market Signals

8.9   The PPG outlines that the housing need suggested by household projections should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between supply and demand for housing. Prices or rents rising faster than the national/ local average may well indicate market undersupply.

8.10   In assessing market signals, the PPG outlines that as individual indicators can be volatile, consideration should be given to longer-term trends (in terms of absolute and relative changes), as well as to similar demographic/ economic areas and nationally.

8.11   It is also considered important to understand how trends relate to different market cycles and thus consider trends over the period to 2007/8; post-2007/8 in the analysis. The analysis considers dynamics within each local authority and compares these to regional and national trends.

House Prices

8.12   The figure below shows the growth in average house prices over the pre-recession decade 1998 - 2007. Strong, sustained house price growth was seen at both a national and regional level over this period, prices typically increasing by around 200%. As the figure shows, a similar trend was seen across South Lakeland, although a greater increase in prices since about mid-2003 is notable.

8.13   The analysis largely points to national, macro-economic factors as driving house price growth, rather than a particular acute lack of supply in South Lakeland (although again the data since mid-2003 should be recognised). However, it does highlight a general supply/demand imbalance over this period which contributed to strong house price growth. The availability of mortgage finance and buy-to-let investment, coupled with the inelasticity of housing supply, contributed to house price growth over this period.

Figure 8.2: Average House Price Change, 1997-2007

Source: Land Registry
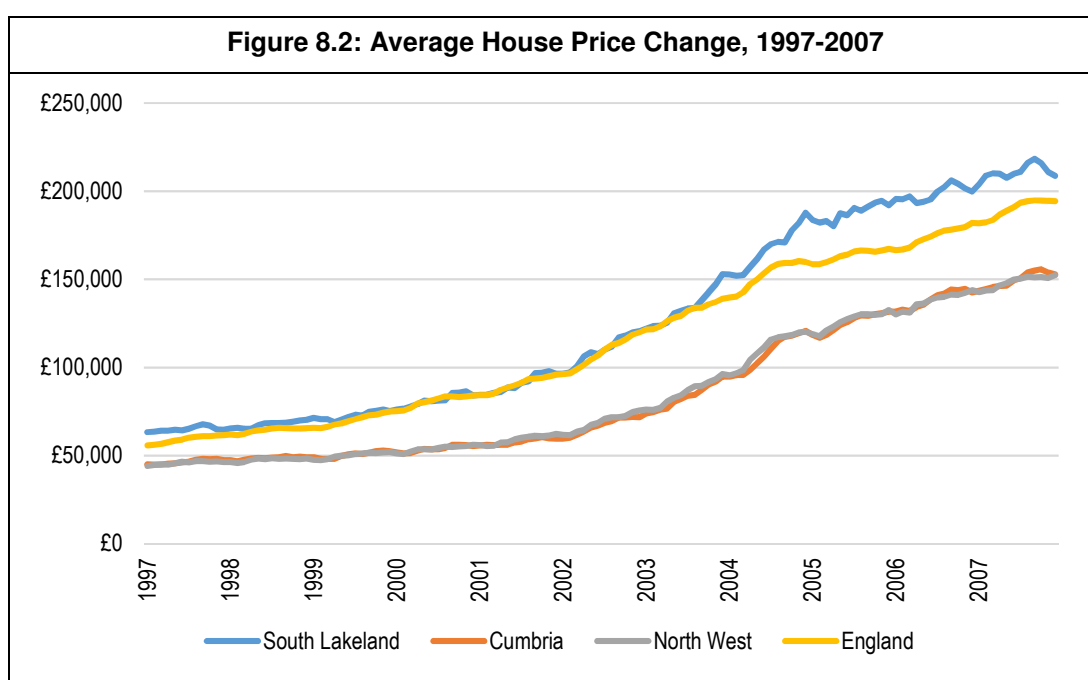
8.14   In absolute terms, house price growth in South Lakeland was substantially above the County and regional average, and also slightly above the national position, although in percentage terms all of the figures are quite similar.

Figure 8.3: Absolute and Relative House Price Changes, 1998-2007				
	1998 (Q1)	2007 (Q4)	Price Change	Price Change (%)
South Lakeland	£65,481	£211,917	£146,436	224%
Cumbria	£47,262	£154,082	£106,819	226%
North West	£46,154	£151,508	£105,354	228%
England	£61,938	£194,525	£132,587	214%

Source: Land Registry

8.15   Housing market conditions in the last economic cycle, since 2008, have been notably different. This period has seen more subdued market demand, associated with weaker economic conditions – particularly in the earlier part of the period – coupled with enhanced mortgage market regulation and more prudent lending attitudes. Using a consistent scale to the previous figure, the different trend seen in house prices is self-evident.

Figure 8.4: Average House Price Change, 2008-2016

Source: Land Registry
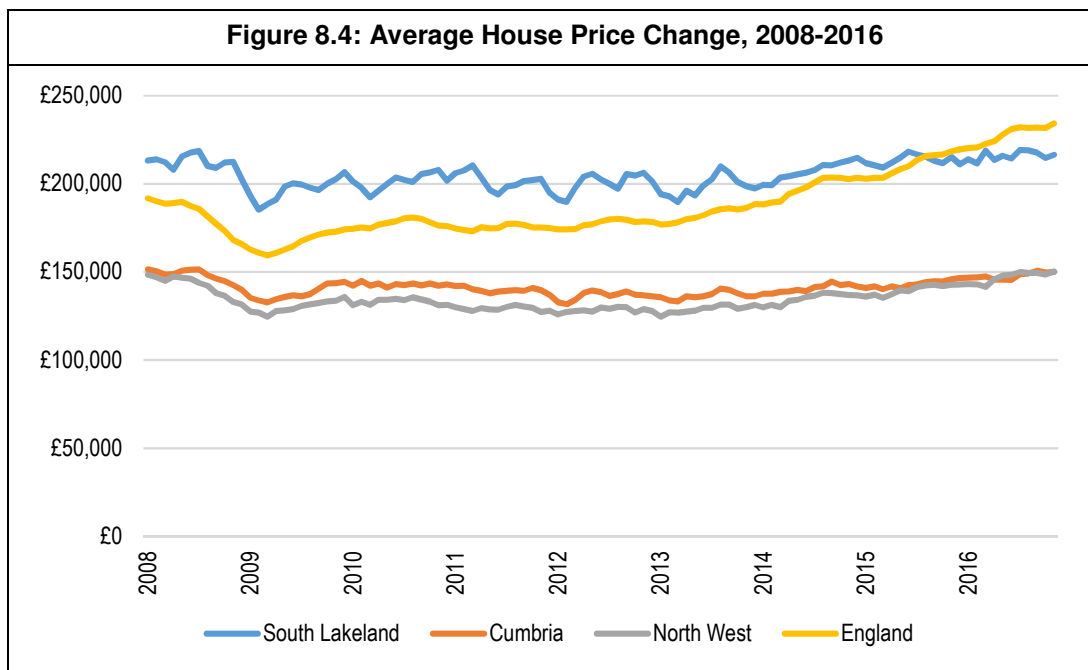
8.16   Over the market cycle since 2008, virtually no change in house prices has been seen in the District or across the County/region (prices in South Lakeland increasing by just 3%). This falls below inflation and indicates that the value of housing in real terms has fallen over the past 7/8 years. In proportional and absolute terms, house price growth over this period has fallen significantly below that seen at a national level.

Figure 8.5: Absolute and Relative House Price Changes, 2008-2016				
	2008 (Q1)	2016 (Q3)	Price Change	Price Change (%)
South Lakeland	£213,096	£218,658	£5,562	3%
Cumbria	£150,115	£149,531	-£584	0%
North West	£146,694	£149,639	£2,945	2%
England	£190,158	£231,925	£41,768	22%

Source: Land Registry

Sales Volumes and Effective Demand

8.17   Sales are an important indicator of effective demand for market housing. Analysis below has benchmarked sales performance against long-term trends to assess relative demand. The figure below benchmarks annual sales over the period of 1995/6 to 2015/16. It uses an index where 100 is the average annual sales over the 1996/7-2006/7 pre- recession decade.

8.18   The analysis points to a significant and sustained impact of the 2008-9 economic recession on the housing market, with a reduction in sales of around 50%. Sales volumes (and thus effectively demand) remained low through the 2010-13 period. Sales volume were improving significantly year-on-year between 2013-15; during 2016 this momentum has been lost. What is notable however is that sales volumes in 2016 remained generally around 25% down on the averages seen in the pre-recession decade.

8.19   Trends in sales at a local authority level have largely mirrored those seen at a County, regional and national level, highlighting the influence of macro-economic factors on the market.

Figure 8.6: Indexed Analysis of Sales Trends (1995 – 2016)
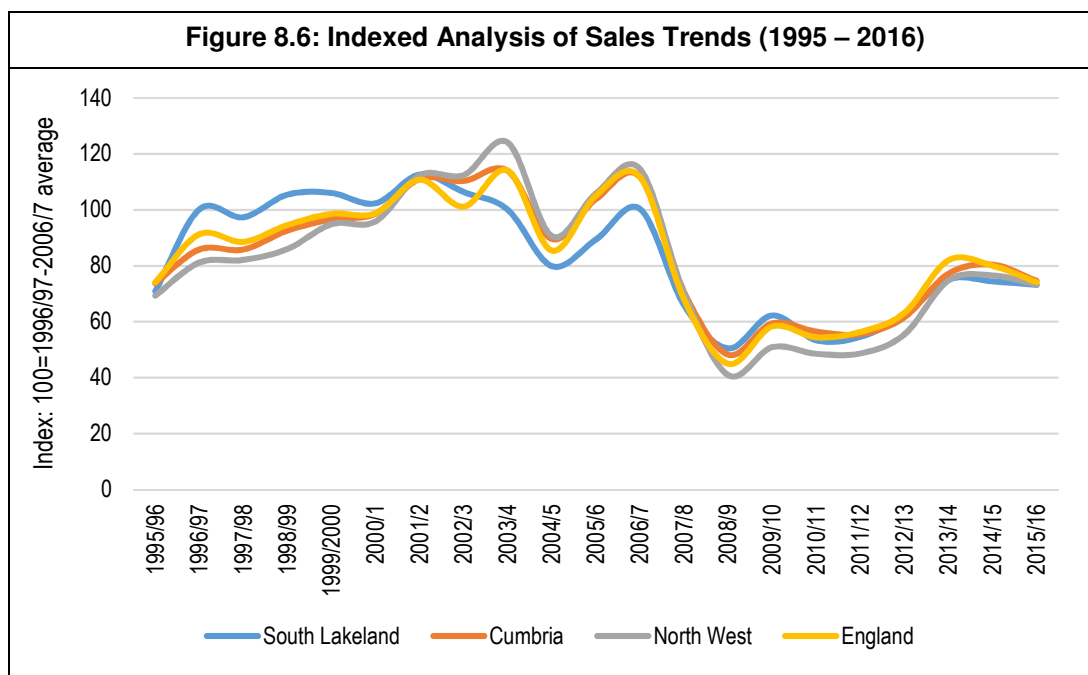
Source: Land Registry

Rental Costs

8.20   Median rental costs in South Lakeland are below the national average but some way above equivalent figures for Cumbria and the North West Region.

Figure 8.7: Median Private Rents, Year to September 2016		
	Median Rent, Year to September 2016	% Difference to England
South Lakeland	£600	-8%
Cumbria	£495	-24%
North West	£525	-19%
England	£650	-

Source: Analysis of VOA Private Rental Market Statistics

8.21   The figure below shows trends in rents over the period since 2011 (the longest period consistently available from VOA data). Rental growth in South Lakeland has been below the national average, and also below that seen across Cumbria and the North West. From 2011 to 2016, the median rent in South Lakeland rose by 4%; this compares with a national increase of 13%. It should be noted that all data in the chart below is for the year to September.

Figure 8.8: Benchmarked trend in median private rental values (2011 – 2016)
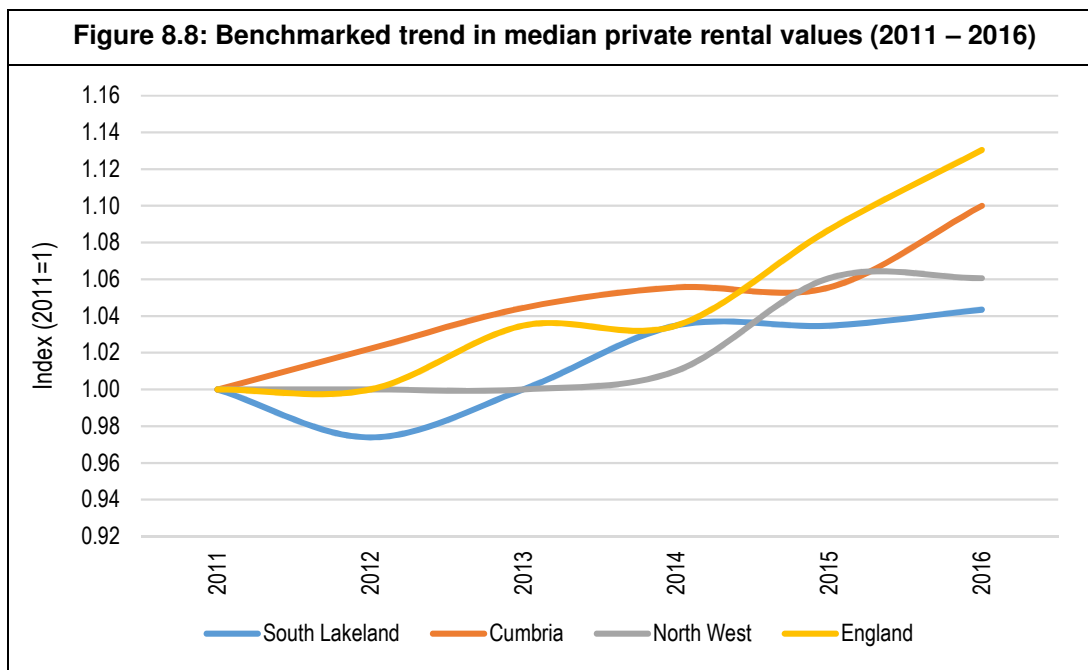
Source: VOA Private Rental Data

Affordability of Market Housing

8.22   Evidence of affordability has been studied by looking specifically at the relationship between lower quartile house prices and lower quartile earnings, as published by CLG. CLG has discontinued its previous dataset, and therefore two time periods are considered: 1997-2013; and 2013-15. There are some minor differences between the two datasets.

8.23   The latest data points to lower quartile house price-to-income ratios across South Lakeland which are above the national average. This does point to affordability pressures for younger would-be first-time buyers. It should be noted that the information below is not available for Counties or regions.

Figure 8.9: Lower Quartile House Price-to-Income Ratio, 2013-15				
	2013	2014	2015	Change
South Lakeland	8.46	9.03	9.14	0.68
England	6.66	6.95	7.02	0.36

Source: CLG Table 576

8.24   There has been some deterioration of the house price to income ratio over the 2013-15 period, however this is a relatively short period and follows a period in which affordability had improved since 2006, as the figure below shows. The figure does also show that the price:income ratio in the District is some way above that for Cumbria (as well as for England).

Figure 8.10: Lower Quartile Affordability Trend (1997- 2013)
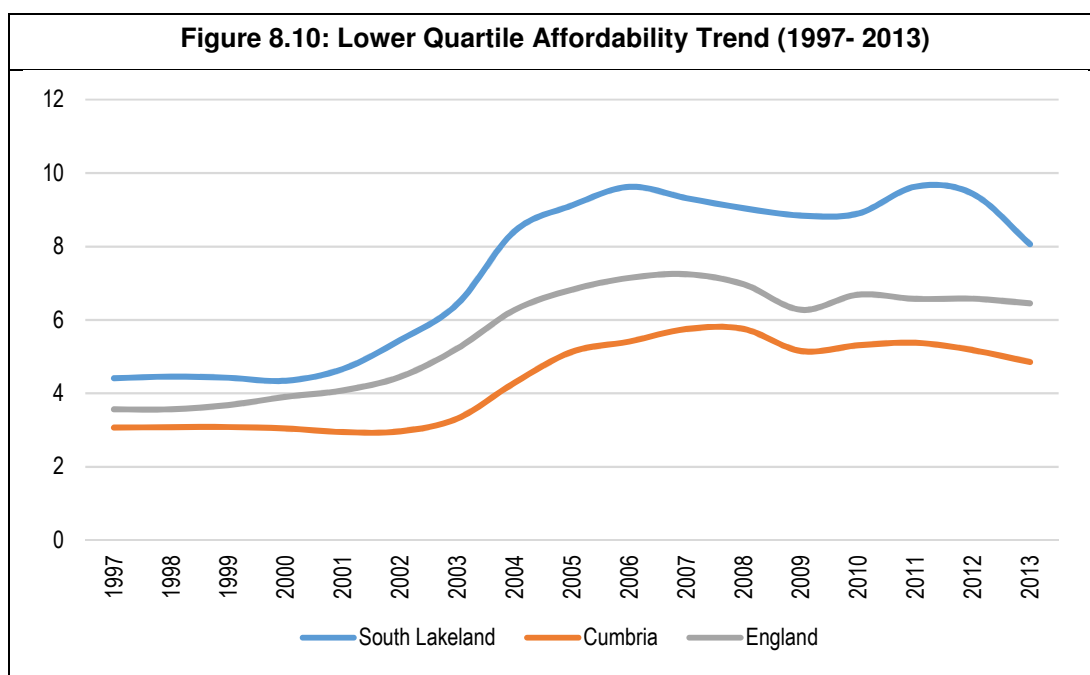
Source: CLG Live Tables: Land Registry Data

Land Values

8.25   As the PPG sets out, residential land values can provide direct information on the shortage of land in any locality for a particular use. Data published by CLG indicates residential land values in South Lakeland that are slightly above the national average (excluding London) and notably above the regional figure. This potentially points to a shortage of residential land.

Figure 8.11: Residential Land Values, 2015		
	Residential Land Value per Ha	% Difference to England Average
South Lakeland	£2,115,000	1%
North West	£1,400,000	-33%
England (excl. London)	£2,100,000	-

Source: CLG Land Value Estimates for Policy Appraisal, December 2015

8.26   Some caution should be exercised in interpreting the above data locally due to the assumptions that underpin it. The residential land values in this government data source have been produced assuming constraint free sites with planning permission secured and nil affordable housing with no other developer contributions, and are therefore largely hypothetical. The guidance notes for this source explain that the figures therefore may be significantly higher than could be reasonably obtained for land in the actual market. Whilst this data source can provide an indication of relative land prices across different areas it should not be used to infer an appropriate land value for South Lakeland. The Council's recent Viability Study has undertaken a comprehensive review of residential land values in the district based on local transaction evidence

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Housing Delivery

8.27   The PPG sets out that rates of development should be considered, including the flow of actual completions relative to the planned number. It sets out that if the historic rate of development shows actual supply falls below planned supply, future supply should be increased to reflect the likelihood of under-delivery of a plan.

8.28   The table below shows net completions from 2003/4 compared with the target in the Core Strategy (an average of 400 dwellings per annum). This analysis clearly indicates a shortfall when compared with the target, and by 2015/16 this shortfall had reached over 2,400 dwellings. In terms of the PPG, this market signal clearly identifies a need to increase provision above the start point demographic position. It should be noted that the figures in the table below are just for the planning authority area of South Lakeland (i.e. it excludes any data for the National Park areas).

Figure 8.12: Net completions compared with Core Strategy targets					
	Net completions	Cumulative completions	Target	Cumulative target	Balance
2003/4	221	221	400	400	-179
2004/5	232	453	400	800	-347
2005/6	303	756	400	1,200	-444
2006/7	238	994	400	1,600	-606
2007/8	156	1,150	400	2,000	-850
2008/9	155	1,305	400	2,400	-1,095
2009/10	282	1,587	400	2,800	-1,213
2010/11	103	1,690	400	3,200	-1,510
2011/12	148	1,838	400	3,600	-1,762
2012/13	206	2,044	400	4,000	-1,956
2013/14	112	2,156	400	4,400	-2,244
2014/15	256	2,412	400	4,800	-2,388
2015/16	370	2,782	400	5,200	-2,418

Source: Annual Monitoring Reports

8.29   South Lakeland has a housing target for 400 homes per annum from 2003, and by 2016 some 2,782 had been completed – whilst this is a shortfall of 2,418 homes, it is not clear if this is an under-supply of housing against need or simply an under-supply compared with the target. It is quite possible that the level of delivery since 2003 simply reflects the demand for housing in that period; it should be noted that the delivery (of 2,782) is significantly higher than the level of household growth suggested by the latest CLG projections (2,295 households for the 2003-16 period).

Overcrowding and wider indicators

8.30   The PPG sets out that consideration should be given to long-term increases in overcrowded, concealed and shared households, as well as those in homelessness and temporary accommodation. Long-term increases may point to a need to increase housing provision.

8.31   The analysis below firstly looks at levels of overcrowding in South Lakeland compared with other areas (based on the bedroom standard) before moving on to consider how overcrowding has changed over time (in this case using the room standard as historical bedroom standard data is not available from the Census source used).

8.32   The table below shows that in 2011 some 1.4% of households in South Lakeland were overcrowded. This is below the average for the North West region and also below the national average.

Figure 8.13: Overcrowding (2011) – bedroom standard		
	Overcrowded (no.)	Overcrowded (%)
South Lakeland	658	1.4%
Cumbria	4,053	1.8%
North West	107,256	3.6%
England	1,024,473	4.6%

Source: Census (2011)

8.33   The table below shows overcrowding (as measured through the room standard) in 2001 and 2011. The data confirms that levels of overcrowding in South Lakeland are lower than regional and national figures. Across the District, the number of overcrowded households (measured using the Census occupancy rating) increased by just under 300 (0.4%) between 2001-11, a small change compared to the regional and national picture.

Figure 8.14: Change in Overcrowded Households 2001-11						
	Overcrowded, 2001		Overcrowded, 2011		Change: Nos	Change: %
	No.	%	No.	%		
South Lakeland	1,548	3.5%	1,833	3.9%	285	0.4%
Cumbria	7,854	3.8%	8,242	3.7%	388	0.0%
North West	152,248	5.4%	187,816	6.2%	35,568	0.8%
England	1,457,512	7.1%	1,928,596	8.7%	471,084	1.6%

Source: Census data

8.34   As well as studying overcrowding the table below looks at the number of Houses in Multiple Occupation (HMOs). For the purposes of this analysis, data has been taken from the Census about the number of households in the 'Other' household composition category – this category is largely made up of multi-adult households where residents are unrelated. This therefore provides an indication of the number of sharing households.

8.35   The table below shows that the proportion of households sharing accommodation is below regional and national averages. The level of sharing households has increased slightly over the decade to 2011 – although the increases are generally more modest than seen in other areas.

Figure 8.15: Changes in sharing households (2001-2011)			
	2001	2011	Change
South Lakeland	2.7%	2.9%	0.2%
Cumbria	2.4%	2.6%	0.2%
North West	2.7%	3.4%	0.7%
England	3.7%	4.5%	0.8%

Source: Census (2001 and 2011)

8.36 The final analysis in this section concerns the number of concealed households. A concealed household is defined in the Census as *'a family living in a multi-family household in addition to the primary family, such as a young couple living with parents'*. The concept of concealed households is important in studying objectively assessed need as such households will not be included within demographic projections (as the projections work on the basis of one family per household).

8.37 The table below shows in 2011 that there were 346 concealed families in South Lakeland; generally, the proportion of concealed families in the District is low when compared with regional and national data. However, the number of concealed households has increased over time and in 2011 there were 94 more such households in the District than were recorded in 2001.

Figure 8.16: Concealed households and changes (2001-2011)					
	Concealed families (2001)	% of all families (2001)	Concealed families (2011)	% of all families (2011)	Change from 2001
South Lakeland	252	0.8%	346	1.1%	94
Cumbria	1,086	0.8%	1,685	1.1%	599
North West	21,162	1.1%	32,128	1.6%	10,966
England	161,254	1.2%	275,954	1.9%	114,700

Source: Census (2001 and 2011)

8.38 The table below shows the household composition of the 346 concealed households identified by the Census in 2011. This shows that the majority (around 60%) were couple households without children. Additional analysis (not detailed below) suggests that around a quarter of the concealed households are headed by someone aged 65 and over, implying that some of the households may be elderly parents living with their grown-up children (possibly for care purposes or cultural reasons).

Figure 8.17: Concealed families – household composition		
	Number of households	% of households
Lone parent family: Dependent children	83	24.0%
Lone parent family: All children non-dependent	10	2.9%
Couple family: No children	207	59.8%
Couple family: Dependent children	36	10.4%
Couple family: All children non-dependent	10	2.9%
Total	346	100.0%

Source: Census (2011)

Drawing the analysis together

8.39	Drawing the analysis together, conclusions can be made on whether an adjustment to overall housing provision should be made for market signals. Planning Practice Guidance outlines where the evidence points to a worsening trend, an adjustment should be made to planned housing provision relative to the *'starting point'* demographic projections (2a-019).

8.40	The evidence for South Lakeland indicates:

- House prices above the regional average and currently slightly below the national average; rents which are well below the national average (but above regional figures) – rents have seen little change since 2011. House price growth since 2008 represents an inflation adjusted decline in prices;
- Sales trends that have recovered from a 60% reduction in 2008/9, but which are still some way below pre-recession trends;
- A lower quartile affordability ratio of 9.14 which is well above the national average, although this has not changed to any notable degree over the last decade;
- A notable under-provision of housing relative to the Core Strategy target, but a level of delivery above that suggested as needed in the 2014-based CLG household projections;
- Higher land values than seen across the region, and also slightly above national figures (excluding London);
- Wider indicators point to increase in overcrowding and other relevant indicators, but levels are low in comparison with other areas.

8.41	Overall the analysis of market signals points towards some notable affordability pressures in South Lakeland and therefore there is strong evidence that housing provision should be increased. However, in line with the PPG (2a-019) any increase needs to be judged against the start point need – as seen when looking at demographic projections, this was a need for 145 dwellings per annum (2016-36).

8.42	The only topic where some specific increase might be merited is in relation to concealed households – as noted in the affordable housing section, these households do not form part of the demographic assessment of need.

8.43	The analysis above identifies that the number of concealed households in the District increased by 94 from 2001 to 2011 to reach a total of 346. It is not considered that all of this 346 should be added to the need as it would be expected at any point in time that there will be a number of concealed households and some of this will be through choice. However, the increase in the number of such households is likely to reflect some difficulties in the housing market; it is therefore suggested that the housing need figure should be increased by 94 dwellings (5 per annum) to reflect the change in the number of concealed households.

8.44	On the basis of the various analysis carried out (in relation to demographic trends, the economy, affordable housing and market signals) it is concluded that the objectively assessed need for housing in South Lakeland is in the range of 3,000 and 6,400 dwellings (2016-36) – the upper end of this range is 320 dwellings per annum.

8.45   It should be remembered that the PPG states that any uplift for market signals should be set against the start point projection and the table below also shows the uplift from the start point that each projection would imply. At the top end of the range the uplift is some 121%; if the Council were to plan for this level of provision then it is clear that this would be including a substantial 'market signals' uplift.

Figure 8.18: Estimated housing need including uplift for concealed households (range of projections developed)					
	Housing need (2016-36)	Additional concealed households	Total need (2016-36)	Per annum	Uplift from start point
2014-based SNPP	2,897	94	2,991	150	3%
2014-based SNPP (+MYE)	3,142	94	3,236	162	12%
10-year migration	4,283	94	4,377	219	51%
14-year migration	6,311	94	6,405	320	121%
10-year migration (+UPC)	3,800	94	3,894	195	34%
14-year migration (+UPC)	5,828	94	5,922	296	104%
2,960 jobs – total	6,223	94	6,317	316	118%
2,960 jobs – phased	6,293	94	6,387	319	120%

Source: Demographic projections and Census (2001 and 2011)

8.46   It is considered that an uplift of this scale would also assist in providing more affordable housing and therefore no further increase in the housing figures would be appropriate (this comment is in addition to noting that the link between affordable housing and OAN is complex and does not necessarily imply the need for additional dwellings).

Market Signals: Key Messages

- Analysis of a range of market signals has been undertaken to consider if any adjustments should be made to the demographic-based assessment of housing need. The market signals studied are consistent with those in the PPG and included; house prices, rents, affordability ratios, land values, rates of development and overcrowding/concealed households.

- The analysis did identify some particular issues to suggest that provision in South Lakeland should be increased; although this finding was not universal across all indicators.

- Even if the market signals were to suggest an uplift in provision, then any adjustments would need to be carefully considered. For example, if additional provision were to simply increase migration and population growth then there would be a Duty-to-Cooperate issue impact on other areas (where population growth and housing need would therefore be lower). If, however, an uplift is reasonable due to particularly suppressed household formation, then this could be done without impacting on other locations. In the District, the evidence did not point to any particular suppression within the CLG 2014-based household projections.

- The market signals did however identify an increase in the number of concealed households in the District. These households are not captured by demographic projections and do not currently have housing. It is therefore reasonable to increase the level of need by the increase in concealed households seen in the 2001-11 period – this increases need by some 94 dwellings (about 5 per annum over the 2016-36 period. On the basis of 14-year migration trends (the highest of the demographic projections developed), this would mean that the objectively assessed housing need in South Lakeland is for 6,405 dwellings (320 per annum); with a similar figure (of 319 dwellings per annum) if the concealed households are added to the jobs-led projection.

- If the Council were to set an OAN at around 320 dwellings per annum (post-2016) then this would be a 121% uplift on the start point demographic projections (a need for 145 dwellings per annum) – this is a substantial uplift. It should be remembered that the figures in this section are for the whole District Council area, and therefore include needs arising in the National Park areas.
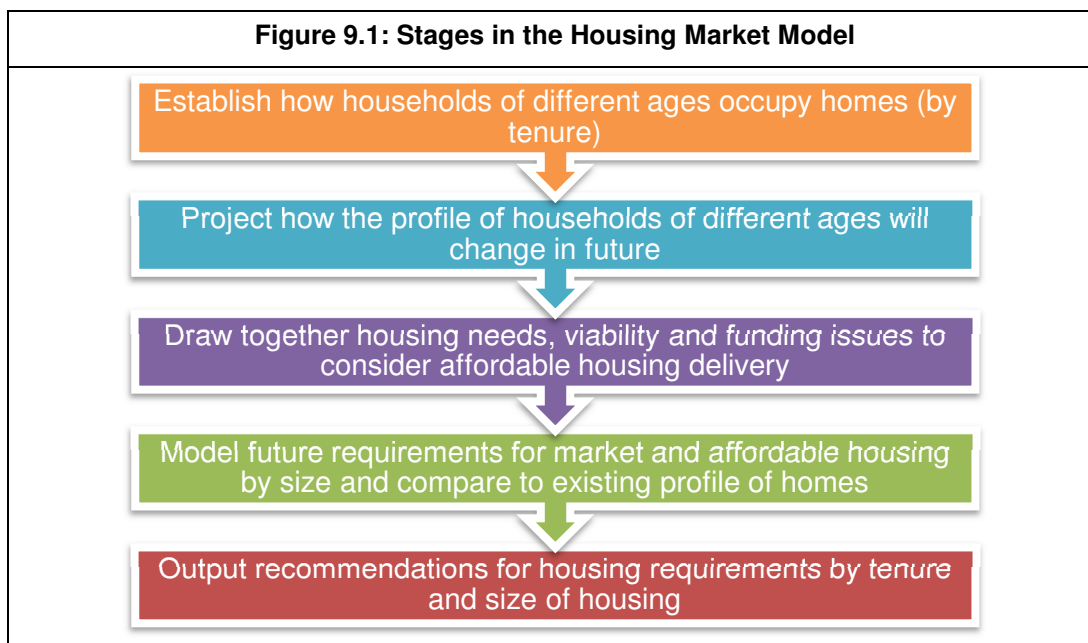
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9.   Housing Mix (Size of Homes Needed)

Introduction

9.1   As discussed in previous sections, there are a range of factors which influence housing demand. These factors play out at different spatial scales and influence both the level of housing demand (in terms of aggregate household growth) and the nature of demand for different types, tenures and sizes of homes. It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level.

9.2   This section assesses the need for different sizes of homes in the future, modelling the implications of demographic drivers on need/demand for different sizes of homes in different tenures. The assessment is intended to provide an understanding of the implications of demographic dynamics on need and demand for different sizes of homes.

9.3   The analysis in this section seeks to use the information available about the size and structure of the population and household structures; and consider what impact this may have on the sizes of housing required in the future. For analysis purposes, the analysis assumes population and household growth in line with the demographic projection linked to the 2014-based household projections and also with 14-year migration trends (the highest of the demographic projections developed); these two projections represent the range to be considered when looking at objectively assessed need. These projections indicate household growth of between about 2,600 and 5,600 across the District between 2016 and 2036.

9.4   It should be noted that these projections will not necessarily be translated into policy, but have been used to indicate the likely need for different sizes of homes moving forward.

Methodology

9.5   The figure below describes the broad methodology employed in the housing market model which is used to consider the need for different sizes of market and affordable homes. Data is drawn from a range of sources including the 2011 Census and demographic projections.

Figure 9.1: Stages in the Housing Market Model

Establish how households of different ages occupy homes (by tenure)

↓

Project how the profile of households of different ages will change in future

↓

Draw together housing needs, viability and funding issues to consider affordable housing delivery

↓

Model future requirements for market and affordable housing by size and compare to existing profile of homes

↓

Output recommendations for housing requirements by tenure and size of housing

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Understanding how Households Occupy Homes

9.6   Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households in to a suggested profile for additional housing to be provided. The main reason for this is that in the market sector households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.

9.7   The size of housing which households occupy relates more to their wealth and age than the number of people which they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a four-bedroom home as long as they can afford it and hence projecting an increase in single person households does not automatically translate in to a need for smaller units. This issue is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to under-occupy housing.

9.8   The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table CT0621 which provides relevant data for all local authorities in England and Wales from the 2011 Census).

9.9   The figure below shows an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group. In the owner-occupied sector the average size of accommodation rises over time to typically reach a peak around the age of 50-54; a similar pattern (but with smaller dwelling sizes is seen in the private rented sector). In the social rented sector, this peak appears earlier. After this peak, the average dwelling size decreases – as typically some households downsize as they get older. It is also notable that the average size for affordable housing dwellings are lower than those for market housing for all age groups.

Figure 9.2: Average Bedrooms by Age and Tenure – South Lakeland
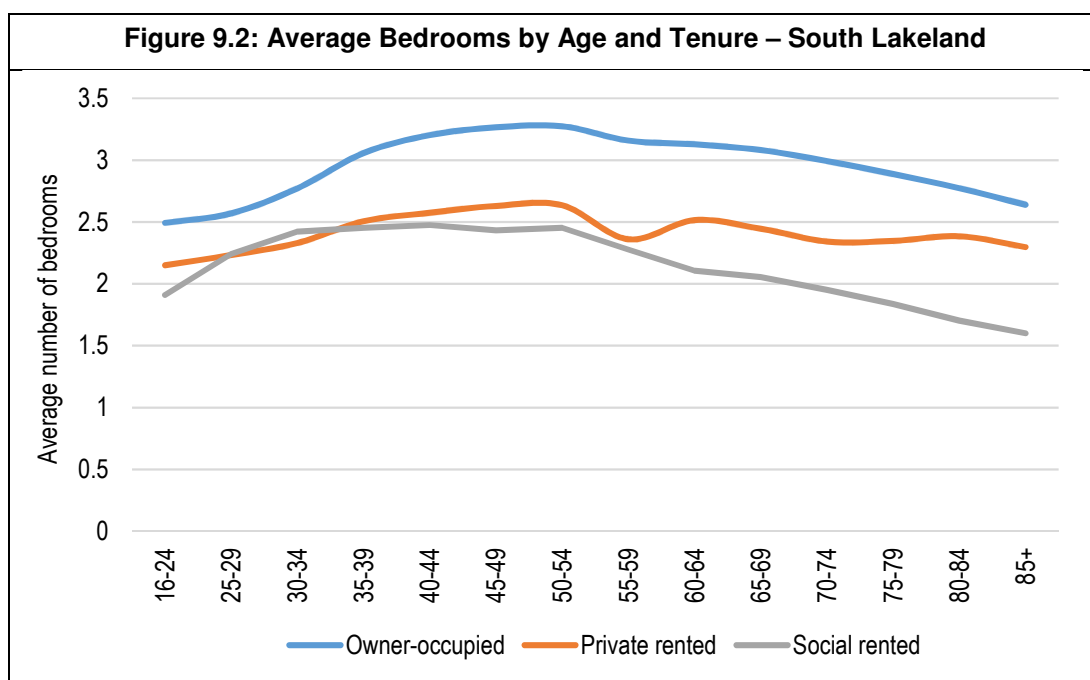
Source: Derived from ONS Commissioned Table CT0621

9.10   In terms of the analysis to follow, the outputs have been segmented into three broad categories. These are market housing, which is taken to follow the occupancy profiles in the owner-occupied sector; affordable home ownership, which is taken to follow the occupancy profile in the private rented sector (this is seen as reasonable as the Government's desired growth in home ownership looks to be largely driven by a wish to see households move out of private renting) and affordable housing, which is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow is expected to largely be rented housing and would include affordable rented housing.

Tenure Assumptions

9.11   The housing market model has been used to estimate the future need for different sizes of property over the 20-year period from 2016 to 2036. The model works by looking at the types and sizes of accommodation occupied by different ages of residents, and attaching projected changes in the population to this to project need and demand for different sizes of homes. However, the way households of different ages occupy homes differs between the market and affordable sectors (as shown earlier). Thus it is necessary to consider what the mix of future housing will be in the market and affordable sectors.

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9.12   It is necessary on this basis to make some judgement for modelling purposes on what proportion of net completions might be of market and affordable housing. For modelling purposes, the analysis assumes that 35% of net completions are either affordable housing (rented) or low-cost home ownership and therefore that 65% are market housing (designed to be sold for owner-occupation). Within the 35% affordable/low-cost a split of 60:40 has been used; this means an estimated total of 21% of completions as affordable housing (rented) and 14% as low-cost home ownership. These proportions are consistent with conclusions earlier in the report, whilst the 35% figure is based on what is considered to be reasonably possible in the District, it is consistent with both current policy and also recent completions in the area (32% of all completions in 2015/16 were affordable housing, along with 31% in the previous year – note: these figures exclude the National Parks).

9.13   It should be stressed that these figures are not policy targets. Policy targets for affordable housing on new development schemes in some cases are above this; but not all sites deliver policy-compliant affordable housing provision, whist some delivery is on sites below affordable housing policy thresholds. Equally some housing development is brought forward by Registered Providers and local authorities and may deliver higher proportions of affordable housing than in current policy. The figures used are not a policy position and has been applied simply for the purposes of providing outputs from the modelling process. To confirm, it has been assumed that the following proportions of different tenures will be provided moving forward:

- Market housing – 65%
- Low-cost home ownership – 14%
- Social/affordable rent – 21%

Key Findings: Market Housing

9.14   There are a range of factors which can influence demand for market housing in different locations. The focus of this analysis is on considering long-term needs, where changing demographics are expected to be a key influence. It uses a demographic-driven approach to quantify demand for different sizes of properties over the 20-year period from 2016 to 2036.

9.15   Looking first at projecting on the basis of the 2014-based SNPP, an increase of 1,700 additional households is modelled. The majority of these need two- and three-bed homes. The data suggests that housing need can be expected to reinforce the existing profile, but with a shift towards a requirement for smaller dwellings relative to the distribution of existing housing (particularly towards a need for 2-bedroom homes). This is understandable given the fact that household sizes are expected to fall slightly in the future – particularly as a result of a growing older population living in smaller households. The analysis also suggests a low need for 4+ bedroom homes, this finding is driven by the ageing population (and a relative lack of growth in the population of 'working-age) along with earlier evidence showing some degree of downsizing amongst the older population.

Figure 9.3: Estimated Size of Dwellings Needed 2016 to 2036 – Market Housing – 2014-based SNPP – South Lakeland				
Size	2016	2036	Additional households 2016-2036	% of additional households
1 bedroom	1,007	1,097	91	5.4%
2 bedrooms	8,576	9,338	761	45.8%
3 bedrooms	16,275	17,000	725	43.6%
4+ bedrooms	9,111	9,198	86	5.2%
Total	34,969	36,632	1,663	100.0%

Source: Housing Market Model

9.16   When looking at a demographic projection based on 14-year migration trends, it can be seen that the number of households in the market sector would be projected to increase by 3,700. The estimated size profile required is still focused on two- and three-bedroom homes but there is a higher need shown for larger (4+ bedroom) accommodation. This difference will be due to the 14-year migration based projection having a higher level of in-migration; migrants tending to be younger people and more likely to be part of family households (who tend to live in larger homes).

Figure 9.4: Estimated Size of Dwellings Needed 2016 to 2036 – Market Housing – 14-year migration trends – South Lakeland				
Size	2016	2036	Additional households 2016-2036	% of additional households
1 bedroom	1,011	1,158	147	4.0%
2 bedrooms	8,604	9,831	1,227	33.6%
3 bedrooms	16,325	17,988	1,663	45.5%
4+ bedrooms	9,140	9,757	617	16.9%
Total	35,079	38,733	3,654	100.0%

Source: Housing Market Model

9.17   The statistics are based upon the modelling of demographic trends. As has been identified, it should be recognised that a range of factors including affordability pressures and market signals will continue to be important in understanding market demand; this may include an increased demand in the private rented sector for rooms in a shared house due to changes in housing benefit for single people. In determining policies for housing mix, policy aspirations are also relevant.

9.18   At the strategic level, a local authority in considering which sites to allocate, can consider what type of development would likely be delivered on these sites. It can also provide guidance on housing mix implicitly through policies on development densities.

9.19   The analysis has also been undertaken by sub-area with the table below showing the outputs for the 14-year migration based projection. This shows only small variations between areas, with arguably the most notable being the relatively low need for 4+ bedroom accommodation in Kendal. However, on balance, the differences between areas are not so great that a different approach in different locations needs to be taken.

Figure 9.5: Estimated size mix of dwellings by sub-area – market housing				
	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
Cartmel Peninsula	5%	36%	44%	16%
Central Lakes	5%	33%	43%	19%
Dales	4%	32%	46%	18%
Kendal	5%	35%	48%	13%
Kendal Rural	3%	32%	45%	19%
Ulverston & Furness	3%	33%	46%	17%
District total	4%	34%	46%	17%

Source: Housing Market Model

Key Findings: Low-cost home ownership

9.20   The tables below show estimates of the need for different sizes of affordable home ownership based on the analysis of demographic trends (firstly linked to the 2014-based SNPP and then to the 14-year migration based scenario). The data suggests in the period between 2016 and 2036 that the main need is again for homes with two- or three-bedrooms, although the proportions in the 1-bedroom category are higher than for market housing. As with the market analysis, the outputs linked to the 14-year migration based projection show a greater need for larger homes (although both sets of data very much focus on smaller (particularly two-bedroom) dwellings). There is less variation in the findings for low-cost home ownership under the different projection scenarios than for market housing. This is because this analysis tends to focus on younger households who are not impacted by downsizing in the same way as the market sector (due to the relatively low number of older person households in this category).

Figure 9.6: Estimated Size of Dwellings Needed 2016 to 2036 – low-cost home ownership – 2014-based SNPP – South Lakeland				
Size	2016	2036	Additional households 2016-2036	% of additional households
1 bedroom	1,252	1,310	58	16.3%
2 bedrooms	2,899	3,059	160	44.7%
3 bedrooms	2,312	2,435	123	34.3%
4+ bedrooms	863	880	17	4.7%
Total	7,326	7,685	358	100.0%

Source: Housing Market Model

Figure 9.7: Estimated Size of Dwellings Needed 2016 to 2036 – low-cost home ownership – 14-year migration trends – South Lakeland				
Size	2016	2036	Additional households 2016-2036	% of additional households
1 bedroom	1,264	1,394	130	16.5%
2 bedrooms	2,925	3,253	328	41.6%
3 bedrooms	2,328	2,589	262	33.3%
4+ bedrooms	869	936	67	8.6%
Total	7,386	8,173	787	100.0%

Source: Housing Market Model

9.21   The analysis has also been undertaken by sub-area with the table below showing the outputs for the 14-year migration based projection. This shows some variations between areas, with arguably the most notable being the relatively high need for 1- and 2-bedroom accommodation in Kendal. Whilst the differences between areas are more notable than was the case for market housing, it is still questionable if these are substantial enough for different targets in different areas to be set.

Figure 9.8: Estimated size mix of dwellings by sub-area – low-cost home ownership				
	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
Cartmel Peninsula	15%	43%	34%	9%
Central Lakes	16%	40%	34%	10%
Dales	13%	41%	35%	11%
Kendal	21%	44%	29%	5%
Kendal Rural	14%	39%	36%	11%
Ulverston & Furness	16%	42%	34%	8%
District total	17%	42%	33%	9%

Source: Housing Market Model

Key Findings: Affordable Housing (rented)

9.22   The tables below show estimates of the need for different sizes of affordable homes based on the analysis of demographic trends (firstly linked to the 2014-based SNPP and then to the 14-year migration based scenario). The data suggests in the period between 2016 and 2036 that the main need is for homes with one- or two-bedrooms. The outputs linked to the 14-year migration projection show a greater need for larger homes (although both sets of data very much focus on smaller dwellings).

9.23   This analysis provides a longer-term view of the need for different sizes of affordable housing and does not reflect any specific priorities such as for family households in need rather than single people. In addition, it should be noted that smaller properties (i.e. one-bedroom homes) typically offer limited flexibility in accommodating the changing needs of households, whilst delivery of larger properties can help to meet the needs of households in high priority and to manage the housing stock by releasing supply of smaller properties. That said, there may in the short-term be an increased requirement for smaller homes as a result of welfare reforms limiting the amount of housing benefit being paid to some working-age households.

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Figure 9.9: Estimated Size of Dwellings Needed 2016 to 2036 – affordable housing (rented) – 2014-based SNPP – South Lakeland

Size	2016	2036	Additional households 2016-2036	% of additional households
1 bedroom	1,322	1,558	236	44.0%
2 bedrooms	1,840	2,021	182	33.8%
3 bedrooms	1,494	1,599	105	19.5%
4+ bedrooms	224	238	15	2.8%
Total	4,879	5,416	537	100.0%

Source: Housing Market Model

Figure 9.10: Estimated Size of Dwellings Needed 2016 to 2036 – affordable housing (rented) – 14-year migration trends – South Lakeland

| Size	2016	2036	Additional households 2016-2036	% of additional households
1 bedroom	1,328	1,726	398	33.7%
2 bedrooms	1,851	2,276	424	36.0%
3 bedrooms	1,501	1,816	315	26.7%
4+ bedrooms	225	268	43	3.7%
Total	4,905	6,085	1,181	100.0%

Source: Housing Market Model

9.24   As with market housing, the data again shows that relative to the current profile there is a slight move towards a greater proportion of smaller homes being needed (again related to the ageing population and the observation that older person households are more likely to occupy smaller dwellings).

9.25   The analysis has also been undertaken by sub-area with the table below showing the outputs for the 14-year migration based projection. This shows some variations between areas, with arguably the most notable being the relatively low need for 1-bedroom accommodation in Ulverston & Furness (and a greater need for homes with 3 or more bedrooms). Whilst the differences between areas are again more notable than was the case for market housing, it is still questionable if these are substantial enough for different targets in different areas to be set.

Figure 9.11: Estimated size mix of dwellings by sub-area – affordable housing (rented)				
	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
Cartmel Peninsula	37%	38%	23%	2%
Central Lakes	35%	36%	24%	5%
Dales	32%	44%	22%	2%
Kendal	39%	34%	25%	3%
Kendal Rural	32%	35%	29%	4%
Ulverston & Furness	25%	37%	34%	3%
District total	34%	36%	27%	4%

Source: Housing Market Model

Indicative Targets by Tenure

9.26   The figure below summarises the above data in both the market and affordable sectors under the modelling exercise. The analysis clear shows the different profiles in the three broad tenures with affordable housing being more heavily skewed towards smaller dwellings, and affordable home ownership sitting somewhere in between the market and affordable housing.

Figure 9.12: Size of housing required 2016 to 2036 – South Lakeland
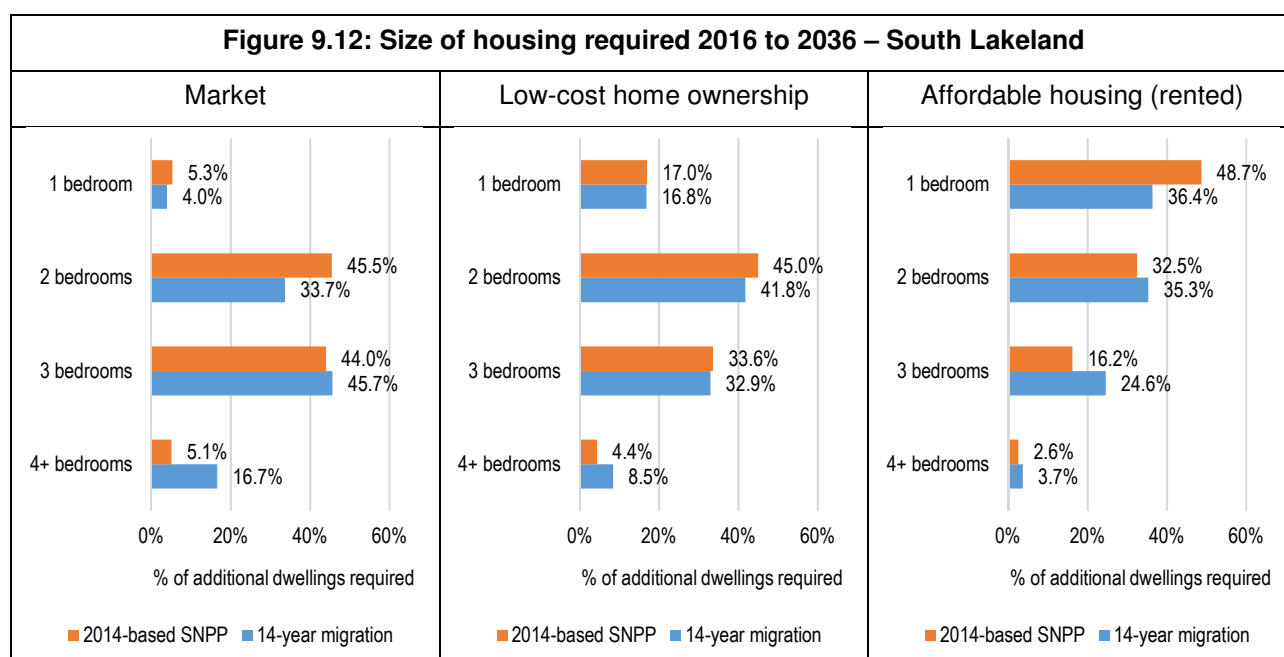
Source: Housing Market Model

9.27   Whilst the output of the modelling provides estimates of the proportion of homes of different sizes that are needed, there are a range of factors which should be taken into account in setting policies for provision. This is particularly the case in the affordable sector where there are typically issues around the demand for and turnover of one-bedroom homes (as well as allocations to older person households) – e.g. one bedroom homes provide limited flexibility for households (e.g. a couple household expecting to start a family) and as a result can see relatively high levels of turnover – therefore, it may not be appropriate to provide as much one-bedroom stock as is suggested by the modelling exercise. At the other end of the scale, conclusions also need to consider that the stock of four-bedroom affordable housing is very limited and tends to have a very low turnover. As a result, whilst the number of households coming forward for four or more bedroom homes is typically quite small the ability for these needs to be met is even more limited.

9.28   For these reasons, it is suggested in converting the long-term modelled outputs into a profile of housing to be provided (in the affordable sector) that the proportion of one bedroom homes required is reduced slightly from these outputs with a commensurate increase in four or more bedroom homes also being appropriate.

9.29   There are thus a range of factors which are relevant in considering policies for the mix of affordable housing (rented) sought through development schemes. At a District-wide level, the analysis would support policies for the mix of <u>affordable housing (rented)</u> of:

- 1-bed properties: 30-35%
- 2-bed properties: 40-45%
- 3-bed properties: 15-20%
- 4-bed properties: 5-10%

9.30   The strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

9.31   The need for affordable housing of different sizes will vary by area (at a more localised level) and over time. In considering the mix of homes to be provided within specific development schemes, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.

9.32   In the low-cost home ownership and market sectors a profile of housing that closely matches the outputs of the modelling is suggested. The recommendations take some account of the time period used for the modelling and the fact that the full impact of the ageing population will not be experienced in the short-term.

9.33   On the basis of these factors it is considered that the provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households. On this basis the following mix of <u>low-cost home ownership</u> is suggested:

- 1-bed properties: 15-20%
- 2-bed properties: 45-50%
- 3-bed properties: 25-30%
- 4-bed properties: 5-10%

9.34   Finally, in the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile, this sees a slightly larger recommended profile compared with other tenure groups. The following mix of <u>market housing</u> is suggested:

- 1-bed properties: 0-5%
- 2-bed properties: 35-40%
- 3-bed properties: 40-45%
- 4-bed properties: 15-20%

9.35   Although the analysis has quantified this on the basis of the market modelling and an understanding of the current housing market, it does not necessarily follow that such prescriptive figures should be included in the plan making process. The 'market' is to some degree a better judge of what is the most appropriate profile of homes to deliver at any point in time, and demand can change over time linked to macro-economic factors and local supply. The figures can however be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area.

Need/demand for Bungalows

9.36   The sources used for analysis in this report makes it difficult to quantify a need/demand for bungalows in the District as Census data (which is used to look at occupancy profiles) does not separately identify this type of accommodation. However, discussions were undertaken with local estate agents to consider the potential need/demand.

9.37   Agents recognised that bungalow accommodation was often the first choice for older people seeking suitable accommodation in later life and noted that there is generally a high demand for such accommodation when it becomes available. As a new build option it was commented that bungalow accommodation would often not be supported by either house builders or planners (due to potential plot sizes). There may however be instances where bungalows are the most suitable house type for a particular site; for example, to overcome objections about dwellings overlooking existing dwellings or preserving sight lines.

9.38   Regarding retirement accommodation more widely, it was noted that there is a supply of retirement apartments in Kendal. This is appropriate given the urban nature of the area and the riverside setting, however at the time of agent interviews it was observed that a small number had been on-sale for some time. Agents did however note that retirement apartments can prove very popular if they are well located and have a good view. However, some potential purchasers find high service charges unacceptable or un-affordable and new build units tend not to retain their value on re-sale.

9.39   In the smaller towns and rural areas, it was found that bungalows were a common house type, some of which are not particularly suited to the elderly downsizer, especially if they are dormer bungalows or have large gardens. Agents suggested that many older people will stay put in unsuitable housing unless their needs and aspirations can be met; bungalows are firmly part of the aspiration.

9.40   The previous SHMA (2011 and updated in 2014) included a household survey and was therefore able to consider the need/demand for bungalows. This identified a shortfall in bungalows *'across most of the District'* and that *'there is a strong expectation of moving to bungalows amongst older person households'*. A need/demand for bungalows was identified in both the market and affordable sectors with a specific need for two-bedroom retirement bungalows also being noted.

9.41   Overall, the Council should therefore consider the potential role of bungalows as part of the future mix of housing. Such housing may be particularly attractive to older owner-occupiers which may assist in encouraging households to downsize. However, the downside to providing bungalows is that they are relatively land intensive for the amount of floorspace created.

Housing Mix (Size of Homes Needed): Key Messages

- There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. The analysis linked to long-term (20-year) demographic change concludes that the following represents an appropriate mix of affordable and market homes:

	1-bed	2-bed	3-bed	4+ bed
Market	0-5%	35-40%	40-45%	15-20%
Low-cost home ownership	15-20%	45-50%	25-30%	5-10%
Affordable housing (rented)	30-35%	40-45%	15-20%	5-10%

- The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

- The mix identified above should inform strategic policies. In applying these to individual development sites regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

- Based on the evidence, it is expected that the focus of new market housing provision will be on two- and three-bed properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay.

- The Council should also consider the potential role of bungalows as part of the future mix of housing. Such housing may be particularly attractive to older owner-occupiers which may assist in encouraging households to downsize. However, the downside to providing bungalows is that they are relatively land intensive for the amount of floorspace created.

- The analysis of an appropriate mix of dwellings should also inform the 'portfolio' of sites which are considered by the local authority through its local plan process. Equally it will be of relevance to affordable housing negotiations.

- The analysis within the main report also looked at the housing mix in each of the six sub-market areas. Whilst there were differences between locations, it is not considered that these are so great as to point towards a different profile of new housing being needed when compared to District level findings.

10.   Housing Technical Standards

Introduction

10.1   Planning Practice Guidance note 56 (Housing: optional technical standards) sets out how local authorities can gather evidence to set requirements on a range of issues (including accessibility and wheelchair housing standards, water efficiency standards and internal space standards). This section looks at the first two of these (i.e. accessibility and wheelchair housing) as well as considering the specific needs of older people.

10.2   The PPG sets out that the reason for the approach to setting standards is designed to *'rationalise the many differing existing standards into a simpler, streamlined system which will reduce burdens and help bring forward much needed new homes'* (56-001) and that *'local planning authorities will need to gather evidence to determine whether there is a need for additional standards in their area'* (56-002).

10.3   The PPG sets out that local authorities should be using their assessment of housing need (and other sources) to consider the need for M4(2) (accessible and adaptable dwellings), and/or M4(3) (wheelchair user dwellings), of the Building Regulations. It sets out that there are a range of published statistics which can be considered, including:

*   the likely future need for housing for older and disabled people (including wheelchair user dwellings);
*   size, location, type and quality of dwellings needed to meet specifically evidenced needs (for example retirement homes, sheltered homes or care homes);
*   the accessibility and adaptability of existing housing stock;
*   how needs vary across different housing tenures; and
*   the overall impact on viability.

10.4   This section of the report draws on a range of statistics, including those suggested in the PPG (for which the Government has provided a summary data sheet 'Guide to available disability data') – termed the Guide in analysis to follow. The discussion below begins by looking at older persons' needs.

Current Population of Older People

10.5   The table below provides baseline population data about older persons and compares this with other areas. The data for has been taken from the published ONS mid-year population estimates and is provided for age groups from 65 and upwards. The data shows, when compared with both the region and England, that the District has a higher proportion of older persons. In 2015, it is estimated that 27% of the population of the District was aged 65 or over.

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Figure 10.1: Older Person Population (2015)		Under 65	65-74	75-84	85+	Total	Total 65+
South Lakeland	Popn	75,129	15,390	9,001	3,934	103,454	28,325
	% of popn	72.6%	14.9%	8.7%	3.8%	100.0%	27.4%
Cumbria	% of popn	76.9%	12.8%	7.4%	3.0%	100.0%	23.1%
North West	% of popn	81.9%	10.0%	5.9%	2.3%	100.0%	18.1%
England	% of popn	82.3%	9.6%	5.7%	2.4%	100.0%	17.7%

Source: ONS 2015 Mid-Year Population Estimates

Future Change in the Population of Older Persons

10.6   As well as providing a baseline position for the proportion of older persons in the District, population projections can be used to provide an indication of how the numbers might change in the future compared with other areas. The data presented below uses the 2014-based SNPP for consistency across areas and runs from 2016 to 2036 to be consistent with the projections developed in this report.

10.7   The data shows that the District is expected to see a notable increase in the older person population with the total number of people aged 65 and over expected to increase by 33% over the 20-years from 2016; this compares with overall population growth of 0.3% and a decrease in the Under 65 population of 12%. The proportionate increase in the number of older people in the District is lower than projected for the region and England, this will however be influenced by the lower overall projected level of population growth and the fact that the District already has a large older person population.

Figure 10.2: Projected Change in Population of Older Persons (2016 to 2036)	Under 65	65-74	75-84	85+	Total	Total 65+
South Lakeland	-12.4%	9.0%	41.3%	108.3%	0.3%	33.2%
Cumbria	-12.3%	11.8%	41.1%	113.6%	-1.4%	34.3%
North West	-1.2%	22.6%	46.5%	108.7%	6.6%	41.2%
England	5.3%	29.3%	54.2%	113.1%	13.0%	48.5%

Source: ONS subnational population projections (2014-based)

10.8   In total population terms, the projections show an increase in the population aged 65 and over of 9,500 people, this is against a backdrop of an overall increase of 300 and a decrease in the population aged under 65 of 9,200.

Figure 10.3: Projected Change in Population of Older Persons (2016 to 2036) – South Lakeland (2014-based SNPP)				
	2016 population	2036 population	Change in population	% change
Under 65	74,338	65,137	-9,201	-12.4%
65-74	15,605	17,015	1,410	9.0%
75-84	9,021	12,748	3,727	41.3%
85+	4,044	8,424	4,380	108.3%
Total	103,007	103,324	317	0.3%
Total 65+	28,670	38,187	9,517	33.2%

Source: ONS subnational population projections (2014-based)

10.9   The figures above are all based on the latest (2014-based) SNPP. It is possible to also show how the outputs would be expected to change under different scenarios. The table below shows a similar analysis when linked to 14-year migration trends. In this case there is still a significant ageing of the population but the decrease in the population aged under 65 is much lower. The large change in the under 65 age group relative to older groups reflects the migration assumptions, migration being largely concentrated in typical working-age groups (and their associated children).

Figure 10.4: Projected Change in Population of Older Persons (2016 to 2036) – South Lakeland (14-year migration trends)				
	2016 population	2036 population	Change in population	% change
Under 65	75,107	72,011	-3,096	-4.1%
65-74	15,598	17,664	2,067	13.3%
75-84	9,032	13,050	4,018	44.5%
85+	4,079	8,547	4,469	109.6%
Total	103,815	111,272	7,458	7.2%
Total 65+	28,708	39,262	10,554	36.8%

Source: Demographic Projections

Older Persons' Housing Needs

10.10   Given the ageing population and higher levels of disability and health problems amongst older people there is likely to be an increased requirement for specialist housing options moving forward. The analysis in this section draws on data from the Housing Learning and Information Network (Housing LIN) along with demographic projections to provide an indication of the potential level of additional specialist housing that might be required for older people in the future.

10.11   A toolkit has been developed by Housing LIN, in association with the Elderly Accommodation Council and endorsed by the Department of Health, to identify potential demand for different types of specialist housing for older people and model future range of housing and care provision. It suggests that there should be around 170 units of specialised accommodation (other than registered care home places) per thousand people aged over 75 years.

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10.12 The table below shows the change in the population aged 75 and over and what this would mean in terms of provision at 170 units per 1,000 population. The analysis shows a potential need for around 1,400 units – 69-72 per annum in the 2016-36 period – this is between 23% and 48% of the total need identified in the demographic modelling. The Housing LIN source also suggests a broad tenure split of 40% rented housing (affordable housing) and 60% in the market[8] - this is likely to be a reasonable tenure split to consider in South Lakeland.

Figure 10.5: Projected need for Specialist Housing for Older People (2016-36) – South Lakeland		
	2014-based SNPP	14-year migration
Population aged 75+ (2016)	13,065	13,110
Population aged 75+ (2036)	21,173	21,597
Change in population aged 75+	8,108	8,487
Specialist housing need (@ 170 units per 1,000)	1,378	1,443
Per annum need (2016-36)	69	72

Source: Derived from demographic projections and Housing LIN

10.13 Within the 170 units per 1,000 population in the Housing LIN data, an indicative split is provided between sheltered housing, enhanced sheltered and extra-care. In reality, most additional specialist housing can be expected to be within the extra-care category, this is because many areas already have a notable supply of sheltered accommodation; this appears to be the case in South Lakeland and across Cumbria, with Cumbria County Council developing its own projections of the need for specialist (extra-care) housing.

10.14 The table below shows estimates of the need for specialist housing (taken to be extra-care) for older people from both the SHMA (based on Housing LIN data) and from the County Council. The data is split into the six HMAs and is for gross need (i.e. does not take account of the current supply of extra-care housing). For the SHMA, figures are based on the 14-year migration based projection. The data shows that despite looking over slightly different time periods, the estimates of need are broadly the same. In total, the SHMA estimates an annual need for 72 units per annum, with the CCC data being slightly higher at 78 per annum.

Figure 10.6: Projected need for Specialist Housing for Older People (2016-36) – by market area – SHMA and CCC estimates				
	SHMA		Cumbria County Council	
	Per annum	2016-36	Per annum	2016-25
Cartmel Peninsula	10	203	10	93
Central Lakes	13	261	14	122
Dales	2	44	3	23
Kendal	17	344	18	164
Kendal Rural	18	351	19	170
Ulverston & Furness	12	239	14	128
South Lakeland	72	1,443	78	700

Source: Derived from demographic projections and Housing LIN

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[8] See: http://www.housinglin.org.uk/_library/Resources/Housing/Support_materials/Reports/MCGVdocument.pdf

10.15   The CCC information also includes an estimate of the supply of extra-care housing, and including this reduces the overall need to 500 homes in total – this is about 56 per annum. Overall, there is a good level of agreement about the need from the two sources.

Registered Care Bedspaces (C2 use class)

10.16   As well as the need for specialist housing for older people the analysis needs to consider Registered Care. As with the analysis of potential need for specialist accommodation, the analysis below considers changes to the number of people aged 75 and over who are expected to be living in some form of institutional housing. This is a direct output of the demographic modelling which indicates an increase of 700 people living in institutions over the 2016-36 period (35-36 per annum). These figures are important to note if the Council intends to include C2 class uses in their assessment of 5-year housing land supply as it will be necessary to include figures on both the need and supply side of the equation.

Figure 10.7: Potential Need for Residential Care Housing – South Lakeland		
	2014-based SNPP	14-year migration
Institutional population aged 75+ (2016)	918	925
Institutional population aged 75+ (2036)	1,623	1,650
Change in institutional population aged 75+	705	724
Per annum 'need' (2016-36)	35	36

Source: Derived from demographic projections

Health-related Population Projections

10.17   In addition to providing projections about how the number and proportion of older people is expected to change in the future we can look at the likely impact on the number of people with specific illnesses or disabilities. For this data from the Projecting Older People Information System (POPPI) website has been used which provides prevalence rates for different disabilities by age and sex. For the purposes of the SHMA analysis has focussed on estimates of the number of people with dementia and mobility problems.

10.18   For both of the health issues analysed the figures relate to the population aged 65 and over. The figures from POPPI are based on prevalence rates from a range of different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order.

10.19   The table below shows that both of the illnesses/disabilities are expected to increase significantly in the future although this would be expected given the increasing population. In particular, there is projected to be a large rise in the number of people with dementia (up 70%-73%) along with a 53%-56% increase in the number with mobility problems.

10.20   When related back to the total projected change to the population, the increase of 2,800-3,000 people with a mobility problem represents at least 40% of the total population growth projected by the respective projections (well over 100% in the case of the 2014-based SNPP).

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Figure 10.8: Estimated Population Change for range of Health Issues (2016 to 2036) – South Lakeland					
	Type of illness/ disability	2016	2036	Change	% increase
2014-based SNPP	Dementia	2,014	3,427	1,413	70.1%
	Mobility problems	5,242	8,031	2,789	53.2%
14-year migration	Dementia	2,023	3,492	1,469	72.6%
	Mobility problems	5,261	8,211	2,950	56.1%

Source: Data from POPPI and demographic projections

People with Disabilities

10.21   The CLG Disability data guide provides data about households with a long-term illness or disability from the English Housing Survey. Whilst this provides a national perspective, the source cannot provide more localised data. Hence the analysis below has drawn on the 2011 Census (which has a definition of long-term health problem or disability (LTHPD)).

10.22   The table below shows the proportion of people with a long-term health problem or disability (LTHPD) and the proportion of households where at least one person has a LTHPD. The data suggests that across the District some 26% of households contain someone with a LTHPD. This figure is slightly lower than seen across the County and region, but is in line with the national average. The figures for the population with a LTHPD again show a similar pattern in comparison with other areas (an estimated 19% of the population of the District have a LTHPD). The finding that levels of disability are not particularly high is notable given the older age structure seen in the District.

Figure 10.9: Households and people with Long-Term Health Problem or Disability (2011)				
	Households containing someone with health problem		Population with health problem	
	Number	%	Number	%
South Lakeland	12,173	26.1%	19,519	18.8%
Cumbria	61,925	27.9%	101,721	20.3%
North West	857,462	28.5%	1,426,805	20.2%
England	5,659,606	25.7%	9,352,586	17.6%

Source: 2011 Census

10.23   It is likely that the age profile will impact upon the numbers of people with a LTHPD, as older people tend to be more likely to have a LTHPD. Therefore, the figure below shows the age bands of people with a LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have a LTHPD. It is also notable that for individual age groups, levels of disability in South Lakeland are relatively low.

Figure 10.10: Population with Long-Term Health Problem or Disability in each Age Band
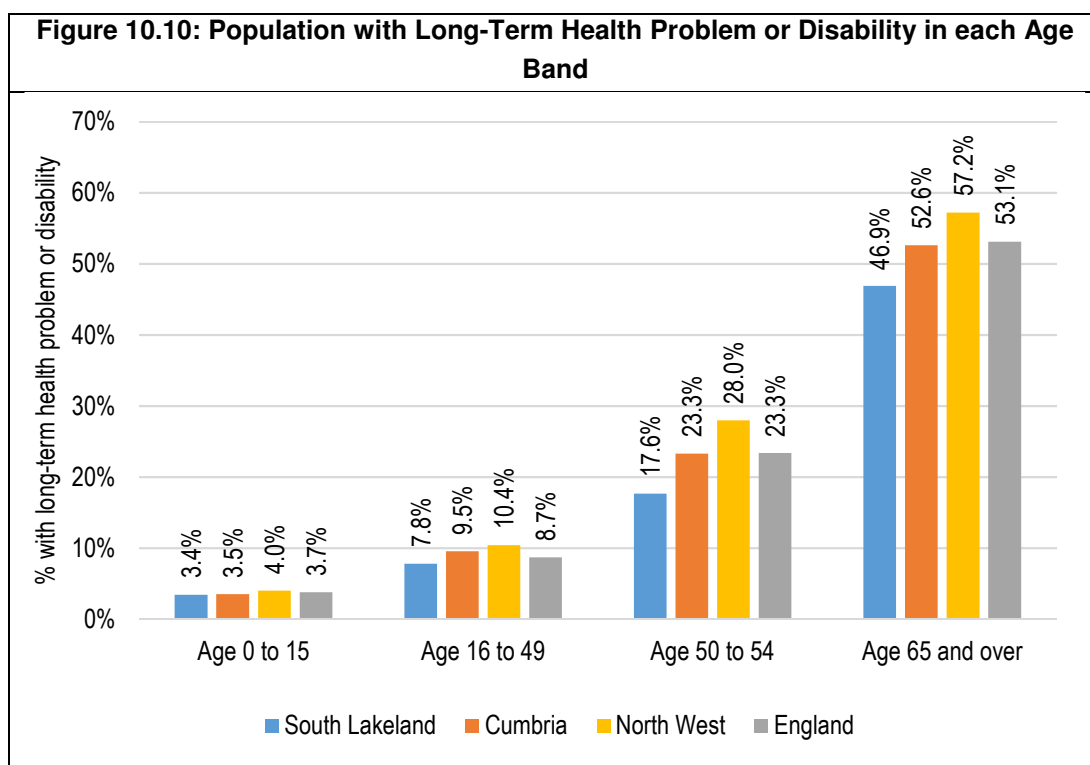
Source: 2011 Census

10.24 The age specific prevalence rates shown above can be applied to the demographic data to estimate the likely increase over time of the number of people with a LTHPD. In applying this information to the demographic projections, it is estimated that the number of people with a LTHPD will increase by around 3,300-4,300 (a 16%-21% increase).

10.25 Across the District, all of this increase is expected to be in age groups aged 65 and over (with some reduction in the population aged under 65 due to a falling population). The population increase of people with a LTHPD represents at least 58% of the total increase in the population estimated by the projections.

Figure 10.11: Estimated change in population with LTHPD (2016-2036) – South Lakeland				
	Population with LTHPD		Change	% change from
	2016	2036	(2016-36)	2016
2014-based SNPP	20,871	24,187	3,316	15.9%
14-year migration	20,956	25,257	4,302	20.5%

Source: Derived from demographic modelling and Census (2011)

10.26 The figure below shows the tenures of people with a LTHPD – it should be noted that the data is for population living in households rather than households. The analysis clearly shows that people with a LTHPD are more likely to live in social rented housing and are also more likely to be outright owners (this will be linked to the age profile of the population with a disability). Given that typically the lowest incomes are found in the social rented sector and to a lesser extent for outright owners the analysis would suggest that the population/households with a disability are likely to be relatively disadvantaged when compared to the rest of the population.

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Figure 10.12: Tenure of people with LTHPD – South Lakeland

Source: 2011 Census
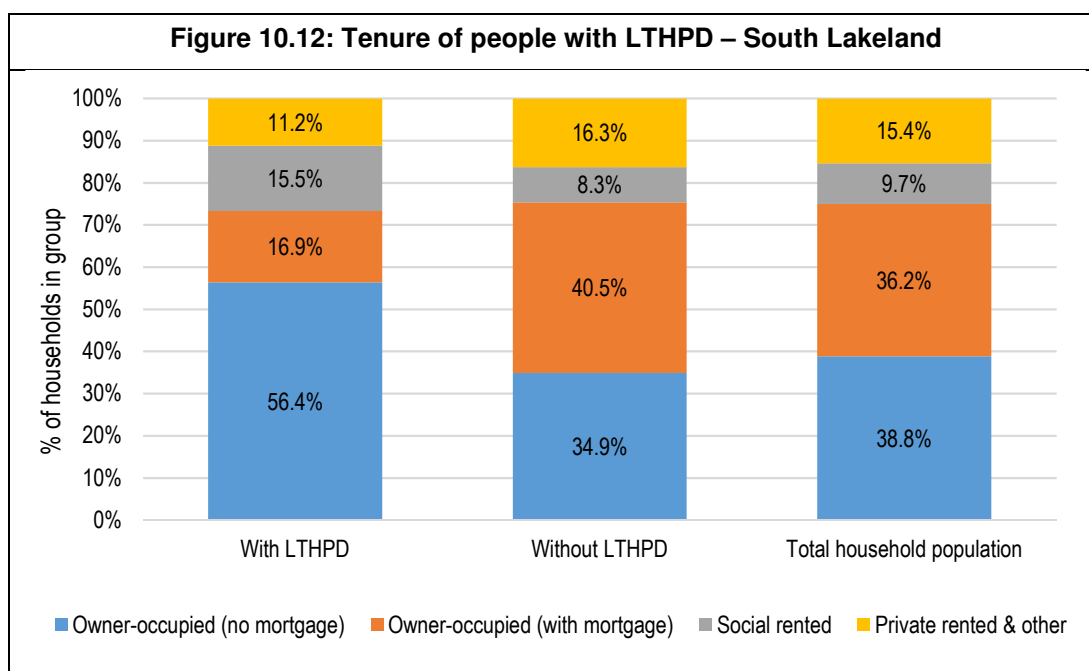
10.27   The table below shows further information about the tenure split of the household population with a LTHPD. This shows that people living in the social rented sector are nearly twice as likely to have a LTHPD than those in other tenures.

Figure 10.13: Tenure of people with a LTHPD		
	% of social rent with LTHPD	% of other tenures with LTHPD
South Lakeland	29.4%	17.2%

Source: Derived from demographic modelling and Census (2011)

Wheelchair User Housing

10.28   Information about the need for housing for wheelchair users is difficult to obtain (particularly at a local level) and so some brief analysis has been carried out based on national data within a research report by Habinteg Housing Association and London South Bank University (Supported by the Homes and Communities Agency) - *Mind the Step: An estimation of housing need among wheelchair users in England*. This report provides information at a national and regional level although there are some doubts about the validity even of the regional figures; hence the focus is on national data.

10.29   The report identifies that around 84% of homes in England do not allow someone using a wheelchair to get to and through the front door without difficulty and that once inside, it gets even more restrictive. Furthermore, it is estimated (based on English House Condition Survey data) that just 0.5% of homes meet criteria for 'accessible and adaptable', while 3.4% are 'visitable' by someone with mobility problems (data from the CLG Guide to available disability (taken from the English Housing Survey) puts the proportion of 'visitable' properties at a slightly higher 5.3%).

10.30   Overall, the report estimates that there is an unmet need for wheelchair user dwellings equivalent to 3.5 per 1,000 households (this is described in the Habinteg report as the *number of wheelchair user households with unmet housing need*). In South Lakeland, as of 2016, this would represent a current need for about 170 wheelchair user dwellings. Moving forward, the report estimates a wheelchair user need from around 3% of households. If 3% is applied to the household growth in the demographic projections (2016-36) then there would be an additional need for around 78-169 adapted homes. If this figure is brought together with the estimated current need then the total wheelchair user need would be for around 243-335 homes – this is about 6%-9% of the total household growth in the projections.

Figure 10.14: Estimated need for wheelchair user homes (2016-2036) – South Lakeland					
	Current need	Projected need (2016-36)	Total	Total household growth	% wheelchair user
2014-based SNPP	165	78	243	2,591	9.4%
14-year migration	166	169	335	5,644	5.9%

Source: Derived from demographic projections and Habinteg prevalence rates

10.31   Information in the CLG Guide to available disability data, also provides some historical national data about wheelchair users by tenure (data from the 2007/8 English Housing Survey). This showed around 7.1% of social tenants to be wheelchair uses, compared with 2.3% of owner-occupiers (there was insufficient data for private renting, suggesting that the number is low). This may impact on the proportion of different tenures that should be developed to be for wheelchair users (although it should be noted that the PPG (56-009) states that *'Local Plan policies for wheelchair accessible homes should be applied only to those dwellings where the local authority is responsible for allocating or nominating a person to live in that dwelling'*).

Housing Technical Standards: Key Messages

- Planning Practice Guidance note 56 (Housing: optional technical standards) sets out how local authorities can gather evidence to set requirements on a range of issues (including accessibility and wheelchair housing standards, water efficiency standards and internal space standards). The SHMA considered the first two of these (i.e. accessibility and wheelchair housing) as well as considering the specific needs of older people. The SHMA draws on a range of data sources, as suggested by CLG and also some more traditionally used in assessments such as this (e.g. from Housing LIN). This is to consider the need for Building Regulations M4(2) (accessible and adaptable dwellings), and M4(3) (wheelchair user dwellings).

- The data shows that in general, South Lakeland has a similar level of disability when compared with the national position, but that an ageing population means that the number of people with disabilities is expected to increase substantially in the future. Key findings include:

  ➢ 33%-37% increase in the population aged 65+ (accounting for over 100% of total population growth);
  ➢ 23%-48% of household growth identified in the CLG projections to be specialist housing for older persons;
  ➢ 53%-56% increase in the number of older people with mobility problems (representing at least 40% of all population growth);
  ➢ 16%-21% increase in the number of people with a long-term health problem or disability (LTHPD) (representing at least 58% of all population growth);
  ➢ concentrations of LTHPD in the social rented sector; and
  ➢ a need for around 6%-9% of dwellings to be for wheelchair users (M4(3))

- This would suggest that there is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings. The exact proportion of homes in categories M4(2) and M4(3) is for the Council to consider based on this evidence and also any other relevant information (e.g. about viability). In seeking M4(2) compliant homes the Council should also be mindful that such homes could be considered as 'homes for life' and would be suitable for any occupant, regardless of whether or not they have a disability at the time of initial occupation.

- The Council should also consider if a different approach is prudent for market housing and affordable homes, recognising that Registered Providers may already build to higher standards, and that households in the affordable sector are more likely to have some form of disability.

11. Self- and Custom-build

Introduction

11.1 Paragraph 50 of the NPPF sets out that that local planning authorities should plan for people wishing to build their own homes (bullet point 1), and this is further emphasised in the PPG (paragraph 2a-021): *'The Government wants to enable more people to build their own home and wants to make this form of housing a mainstream housing option. There is strong industry evidence of significant demand for such housing, as supported by successive surveys. Local planning authorities should, therefore, plan to meet the strong latent demand for such housing'.*

11.2 In its Housing Strategy (2016-2025), South Lakeland Council is fairly proactive in seeking to provide opportunities for self-build. The overarching message of the document being to enable *'the completion in South Lakeland by 2025, of at least 1,000 new affordable homes for rent, 750 new affordable homes for sale and 500 new self-build homes'.*

11.3 There is also a separate PPG dealing with self-build and custom housebuilding registers (ID: 57) and this section considers what value a SHMA can add to this subject given that the local authority must maintain a register of those interested in pursuing this route in its administrative area.

11.4 The following statement was obtained from the National Custom and Self-Build Association (NaCSBA) portal:
http://customandselfbuildtoolkit.org.uk/briefing-notes/registers-and-assessing-demand/#

'To avoid double counting, SHMAs should not attempt to replicate or re-run a register. Instead councils should consider using the SHMA to build on and qualify the information captured by Registers by drawing on secondary data sources and inviting qualitative feedback. They can do this through opinion polls, surveys of local residents and community organisations, focus groups and feedback from estate agents and developers. This layered approach will help build a strong local evidence base that can guide informed local planning and investment decisions'.

11.5 The Government has a clear commitment to the sector and there is a section in the White Paper: 'Fixing our Broken Housing Market' (2017) paras 3.14-3.16. In preceding paragraphs, the White Paper describes an accelerated building programme centred upon small and medium sized house builders. The section on custom building then features a case study where a small builder was pivotal in a project.

11.6 The study method has been guided by the above advice, but in addition, much can be learned from local authority planning authority data. The analysis in this document therefore draws evidence from:

- estate letting and land agents;
- the local authority self-build register;
- CIL self-build exemption decisions;
- supply and demand information from portals run by BuildStore.

11.7 The term 'self and custom build' (and building) is abbreviated to SCB (build) or SCBs (builders) below.

Information from estate agents and land agents

11.8 As part of our qualitative research for the SHMA we undertook a face to face survey of estate agents based in Kendal, other towns in the district where agents were present plus the town of Barrow in Furness outside the district. Twelve interviews were achieved. Only a small number described themselves as land agents. Estate agents told us that they rarely offered land for sale and had relatively few enquiries. We saw only 2 pieces of land being marketed by estate agents across the district.

11.9 In discussion, agents made four main points to us regarding SCB and these remarks apply to the parts of the district outside the national parks:

- farmers and landowners seeking to release plots rarely used sales agents. There was always an 'insider' local network of people that agreed terms without the help of an agent;
- SCB portals and support groups were a major source of information for potential SCBs;
- the role of the local authority was to assess demand for the right to build and assist people seeking plots. Agents told us that the local authorities should do more to make the public aware of their role; and
- local authorities should do more to negotiate with developers to release serviced plots on large sites.

11.10 We have interviewed a great many estate agents outside the study area on this subject over several years. The evidence points to the conclusion that significant demand exists for self and custom build projects and the biggest barrier to success is the lack of available land. To date, most projects rely upon potential self and custom builders investigating potential plots, many of which were not actively being offered for sale. This confirms the view of local agents that many transactions proceed without estate or land agents being involved in the public marketing of sites. We have also been told by many agents that local builders are the most pro-active group in identifying plots. The local housebuilder may choose to build for the speculative market but is exposed to less risk if working - and eventually building - for a custom build client. We always ask agents about the customer for self and custom build. We are always told that the true self builder is rare. The custom builder may be building with retirement in view or through a desire not to compromise on location and design. However, many agents have drawn our attention to the needs of the self-employed or those running small businesses who need to incorporate storage and small offices into their project and have outgrown their present accommodation.

Self and custom build portals

11.11 We looked only in detail at BuildStore as this is the major portal and the assessment of further portals may have resulted in double counting. As at January 2017 the portal stated that it had 35,477 plot search subscribers, of which 401 people had registered in the last month.

11.12   The portal listed 26 available plots within a 20-mile radius of Kendal. We looked in detail at plots available identified as being at or near the main towns in the study area. The area with the most number of plots advertised were:

- Kendal – 9*, mostly un-serviced priced between £130,000 and £350,000. Two of the plots had capacity for more than one home;
- Carnforth – 1 priced at £140,000;
- Grange-over-Sands – 1 priced at £525,000 capacity for more than one home)
- Kirkby Lonsdale – 1* priced at £225,000;
- Milnthorpe – 1 priced at £135,000 (small plot);
- Ulverston – 1 priced at £245,000;
  * two sites in total were conversion opportunities rather than plots.

11.13   We looked at the character of some of the plots and information on the portal suggests that their availability is a reflection of their quality and location. Higher quality sites would, based on the evidence from agents, be sold quickly and would not be publicly advertised in the first place. Around half of the above had been advertised with though BuildStore for over 6 months indicating that they may have elements of being problematic, poor quality or over-priced. Nevertheless, BuildStore is significant to the sector. It stimulates interest in the sector by means of events, seminars and trade fayres. BuildStore runs exhibitions across the country at regular intervals that in our experience are well attended.

Information from Community Infrastructure Levy (CIL): exemptions from the local planning authority

11.14   Since June 2014, the Government has exempted self and custom build projects including home extensions and residential annexes from CIL. SCBs must comply with a 3-year self-occupancy rule and follow an application procedure before commencing their development. In South Lakeland, CIL is in place outside the National Parks and therefore the evidence below does not include National Park areas. It should also be noted that in South Lakeland, CIL took effect from June 2015 and that is therefore the date to which this data applies.

11.15   The local authority has provided the information on exemption claims; 29 claims were decided. The figure below shows that around 40% were conversions, the majority being from agricultural buildings. A similar proportion were new dwellings presumably on cleared sites or new sites. Demolition and re-build accounted for around 20% of projects.

Figure 11.1: CIL exemptions – South Lakeland		
Source	No.	%
Convert (from agricultural)	8	27.6%
Convert from other	4	13.8%
Demolish dwelling	4	13.8%
Demolish other	2	6.9%
Erect new dwelling	11	37.9%
Total	29	100.0%

Source: local authority CIL exemption decisions (anonymised)

11.16   The location of claims is widely dispersed however the larger settlements have attracted a larger number of projects.

Figure 11.2: CIL exemptions – locations within South Lakeland					
Location	No.	Location	No.	Location	No.
Kendal	8	Burton in Kendal	2	Kirkby in Furness	1
Ulverston	5	Burnside	1	Killington	1
Grange-over-Sands	3	Cartmel	1	Milnthorpe	1
Kirkby Lonsdale	2	Flookburgh	1	Firbank	1
Mansergh	2				

Source: local authority CIL exemption decisions (anonymised)

11.17   This evidence suggests that the scale of self and custom build is much larger than evidence from the local authority register. Taking all of the evidence into account it seems that the majority of SCBs applicants engage with landowners directly. They have no need of the local authority register. However, the register is regarded as a significant evidence base to support planning policy to assist SCBs.

Information from the local authority register

11.18   The local authority provided us with anonymous details of people who had asked to join the register. The register has recently been updated and applicants had been asked to renew their registration. This had initially resulted in a drop in the number of those registered although towards the end of drafting the SHMA, the numbers were rising again.

11.19   The local authority asks for a great deal of information about the location and details of their proposed SCB project. It is one of the most detailed questionnaires we have seen. The following analysis is based upon the 22 registrations current at this time. It is necessary to point out that very few respondents completed most of the questions. The vast majority of those providing a preferred location for the project cited somewhere in South Lakeland (mainly Kendal) with the remainder not providing any specific view.

Figure 11.3: Preferred location of self-build project		
	No.	%
Within South Lakeland	17	81%
Anywhere/nowhere specific	4	19%
Total	21	100%

Source: local authority register

11.20   The majority of registrations come from within Cumbria as a whole; 8 of these claim a residential connection with South Lakeland, others claim a work-related connection. Five applicants are seeking a number of destinations, most within South Lakeland, but also in neighbouring areas (notably Carnforth is mentioned). Seven households described their level of interest as 'very strong', and one stated 'quite' the others did not reply to this question.

Figure 11.4: Preferred type of self-build	
Options	No.
Self-Build	2
Self-Build, Supported	3
Self-Build, Supported, Affordable	1
Self-Build, Self-Finish, Affordable	1
Self-Build, Supported Self Build, Self-Finish	1

Source: local authority register

11.21   Most of the respondents stated that they wanted 'self-build, supported' as the type of project and two were seeking to undertake an affordable project.

Finance

11.22   Applicants were asked to outline their financial resources in relation to their proposed project. In terms of savings or equity in their exiting home, 7 households replied, some in part. It looks likely from this data that one or two households would need to seek an affordable solution.

Figure 11.5: Potential Sources of Funding		
Household	Amount of capital	Maximum mortgage
1	£100,000-£149,999	£200,000
2	-	Under £49,999
3	£75,000-£99,999	-
4	£200,000	-
5	£10,000-£24,999	£100,000-£149,999
6	£50,000-£74,999	-
7	200,000	£200,000

Source: local authority register

11.23   A related question was regarding household income. This would also suggest that for some households, an affordable solution is likely to be needed.

Figure 11.6: household income	
Income Range	Number in each range
Under £30,000	4
£30,000-£39,999	2
£50,000-£59,999	2
£70,000-£79,999	1
£100,000+	1

Source: local authority register

11.24 Many of the following questions offered multiple choice responses. Therefore, the responses will in some cases include the same household more than once. Most households responding would be looking for a single plot, although many of these also expressed an interest in being part of a bigger scheme or community led housing. There was a strong preference for Eco homes from those who replied to this question.

Figure 11.7: Type of self-build project	
Type	Number
Individual Plot	8
Individual serviced - part of bigger scheme	5
Community led	4
Eco Home	7

Source: local authority register

11.25 In terms of the size of accommodation households would be seeking, the table below shows the 2- and 3-bedroom homes were the most sought after. There was limited demand for homes with one bedroom and some demand for homes with 4 or more bedrooms (it should be noted that the two respondents stating 5+ bedrooms has also expressed an interest in four bedrooms).

Figure 11.8: Preferred Number of Bedrooms	
Bedrooms	Number
1-bedroom	1
2-bedrooms	5
3-bedrooms	5
4-bedrooms	3
5+ bedrooms	2

Source: local authority register

11.26 Similarly, respondents expressed interest in a range of house-types, although the number of responses to this question was particularly low

Figure 11.9: Preferred House Type	
Type	Number
Detached only	2
Detached or semi-detached	1
Detached, semi-detached or terraced	2
Any	1

Source: local authority register

11.27 Most respondents indicated that they would prefer full ownership on a single plot but some indicated interest in other options and groupings of plots.

Figure 11.10: Ownership and size of development			
	Yes	No	Maybe
Full ownership	10		
Shared equity	0		
Community land trust	3	1	6
Co-housing	2	3	5
Individual home	10		
Development of 2 to 4	5		
Development of 5 to 9	4		
Development of 10 plus	2		

Source: local authority register

11.28   Most respondents indicated a relatively short timescale for finding a suitable plot – 8 of 9 respondents to this question would be seeking a plot within the next year (with the other reply looking within the next two years).

11.29   Respondents told us that they were interested in a range of plot amenities, particularly around outside space. Additionally (and not tabulated), all respondents indicated a need for space for one (6 respondents) or 2 (3 respondents) cars.

Figure 11.11: Plot amenities	
Type of plot	No.
Shared outside space	2
Small garden	5
Large garden	4
Allotment	1
Small holding	2
Annexe	1

Source: local authority register

Education and training

11.30   Seven applicants expressed interest in a wide range of training topics. Five applicants specifically expressed interest in building techniques.

Summary

11.31   Although the Register has grown since it was updated by the Council, the numbers registered are still low, with many not providing much useful information about exactly what they are looking for and what they can afford. The paucity of responses means that the above analysis is of limited value. Even if more people were on the register and replied more fully we consider that important information is not being collected.

11.32   If the local authority is to enable or provide plots the key issues are location, size of plot and cost. Regarding the size of plot, we would recommend a question that seeks responses in terms of area (m^2) or an appreciation of large medium and small – perhaps giving examples based upon CIL exemption related planning applications. The other two questions can only be answered if the council succeeds in attracting more people to register. The council could also consider asking fewer questions about personal finance and mortgages and more about the price that the respondent would consider paying for a plot.

11.33   Other key questions are missing. In our experience capacity to park commercial vans is a factor in many self-build proposals. Also the questions about type of self-build could be more explicit in that the preference for a custom build project i.e. a commissioned design and build project cannot readily be expressed by applicants. The NaCSBA portal features alternative methods of construction and this option might be usefully included in the questionnaire.

11.34   We think that the short timescale expressed by applicants is noteworthy. Clearly, on the basis of this limited evidence, respondents have expectations that sites can be provided and projects will be up and running within 1-2 years. The delivery of such sites through the planning process is likely to be outside this timescale and it is possible that the perceived delay in anything being made available for households on the register is a disincentive for people to register in the first place.

Further information from NaCSBA

11.35   It is clear that the local authority registers do not reflect the level of demand for SCB plots. The NaCSBA portal referred to above underlines the views expressed by 'go to' estate and land agents and urges local authorities to:

- (note that) assessment of demand is the first and most important step to determine a council's approach to supporting local people to build their own homes, and the best tool for this is a local demand Register;
- Be aware that failure to robustly assess demand risks Plans being found unsound or housing supply policies in the Local Plan not being up to date which could trigger the 'presumption in favour of sustainable development'.

11.36   NaCSBA concludes that local authorities should:

- Ensure the Register includes a set of core questions needed to establish a robust assessment of current and potential future demand; and
- Engage with in-house press and public relations teams to launch a targeted marketing and promotion campaign to draw local people's attention to the Register.

Chapter Summary

11.37   The Government's self and custom build initiative and the 'right to build' is likely to raise the profile of a sector that has existed and successfully provided additional bespoke housing for decades if not centuries. The sector has made a significant contribution to the character of neighbourhoods, innovations in energy efficiency, new methods of construction and design. A review of the work of BuildStore and estate and land agents suggests that demand is significantly greater than local authority registers would suggest.

11.38   An analysis of CIL exemptions planning applications revealed that the self and custom builders are active in the local authority area on a scale much larger than is suggested by the register and confirms the view of estate agents that land is being sold by negotiation rather than offered on the open market.

11.39   The analysis of CIL exemptions, the register and evidence from agents suggests that there are two groups of potential self or custom builder: the 'planning savvy' custom builder that already owns land or has identified land for custom building and the aspirational self or custom builder that has joined the local authority register, many of whom have been unable to find appropriate land for their project. Those that have achieved CIL exemption are almost entirely single dwelling projects. There is a third group, evidenced from a small number of cases on the register that have expressed interest in larger sites that would enable semi-detached and terraced homes to be built.

11.40   The government White Paper "fixing our broken housing market" signals a strengthening of government support for this sector and illustrates the potential role of small and medium sized house builders in this sector. These are potentially crucial to the sector and may have the land, expertise and other resources to kick start and energise the sector. Individual SCBs seem to be successful at producing single dwelling projects. Overall we believe that the involvement of small and medium sized local house builders and registered providers might be instrumental in making larger plots available.

Self and Custom-Build: Key Messages

- The Government's self and custom build (SCB) initiative including the right to build is likely to raise the profile of a sector that has existed and successfully provided additional bespoke housing for many years, contributes to the distinctiveness of neighbourhoods and advances building technology.

- The evidence from South Lakeland's Community Infrastructure Levy (CIL) records (as self and custom build dwellings are exempt from paying CIL) shows that there is considerably more SCB activity in the area than is suggested by the self-build register.

- Local authority planning application and the SCB register pro-forma do not readily enable projects that are self-build or custom build to be distinguished. However, it should be noted that the Council uses the national planning application forms from the Planning Portal so any amendment would need to be made nationally.

- It is considered that the local authority should review the structure of its register questionnaire to provide better information about the size of plots that are required, the parking of other vehicles such as vans (which may be necessary for self-employment work purposes), and assess the level of interest methods of construction that involve kits or pre-fabrication. Overall, it would be desirable for the Council to be able to understand how properties are to be used – particularly in establishing if households would be seeking to run a business from home, and any design/space implications this may have.

- The local authority should pro-actively engage with local small and medium size house builders as well as registered providers with an aim of establishing projects for both market and affordable SCB schemes. The Community Housing Fund will also be of relevance to South Lakeland; with £2.4m having been allocated in late 2016 to support community-led housing developments in areas where the impact of second homes is particularly acute.

Appendix 1: Impact of LPEG Proposals on Housing Need

Introduction

A1.1 The Communities Secretary, Greg Clark MP, and the Minister for Housing and Planning, Brandon Lewis MP, established a "Local Plan Expert Group" in September 2015, with a remit to consider how plan-making could be made more efficient and effective. The Local Plan Expert Group (LPEG) reported back to Ministers on 16th March 2016 with recommendations.

A1.2 The LPEG Report to Government proposed some significant changes to the process of plan-making, including the approach and guidance for assessing housing needs, through the adoption of a simplified and standard methodology. This, together with the LPEG's wider proposals, was subject to consultation by Government between 16th March and 27th April 2016.

A1.3 The LPEG Report identified that agreeing housing needs and difficulties with the Duty to Cooperate, particularly in respect of housing, are key difficulties affecting plan-making. It was critical of the lack of definitive guidance on how to prepare a Strategic Housing Market Assessment as a key issue, resulting in these studies becoming "*one of the most burdensome, complex and controversial elements of plan making.*"

A1.4 In September 2017, the Government published a consultation on a new proposed methodology and so it appears as if the LPEG methodology is not going to be taken forward. The new standardised methodology is commented on in Appendix 2 (below).

The LPEG Approach to Calculating Objectively-Assessed Housing Need (OAN)

A1.5 The report recommended that Government commissions an updated assessment of housing market area geographies nationally (updating the 2010 'CURDS' research), which identifies contiguous 'best fit' HMAs based on administrative boundaries. However, recognising that in many areas HMA boundaries and joint working arrangements are well-established, it is suggested that these may continue to be used unless there was "compelling evidence" that they no longer remain fit-for-purpose. In longer-term it recommends that Government gives thought to coordinating economic and housing planning boundaries.

A1.6 The Expert Group clearly recognise that with the current system there is significant uncertainty regarding what an objectively-assessed housing need (OAN) figure for an area actually is. It sought instead to provide a simplified, standard common methodology through proposed revisions to Planning Practice Guidance text (set out in Appendix 6 to the LPEG Report), with a clear stipulation that (if accepted) this is the approach which Government expects to be followed.

A1.7 The proposed amendments in Appendix 6 to the LPEG Report effectively show a process of identifying the appropriate population projection (at HMA level) and then testing the basis for three adjustments:

Figure A1.1: LPEG Process of Identifying Housing Need
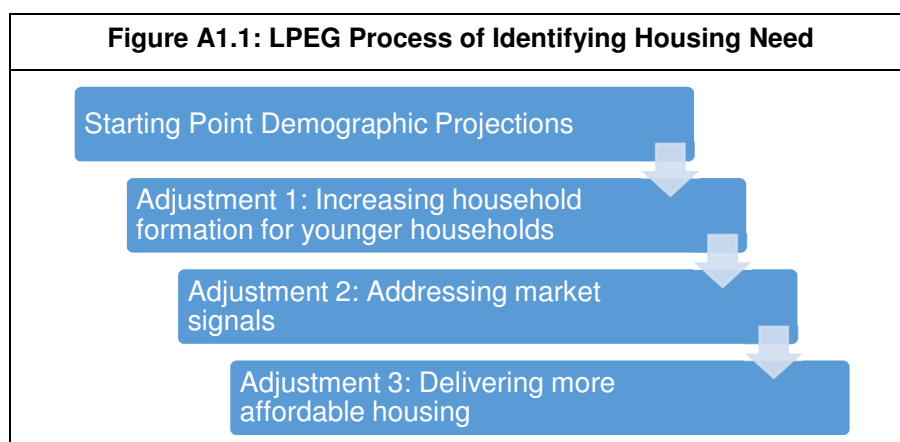
A1.8   The Guidance suggests a process for each of these steps which seeks to remove many of the uncertainties and judgements in how these kinds of assessments, and the associated scope for debate. The proposed approach is set out in the table below.

Figure A1.2: Proposed Approach to Setting OAN	
OAN Steps	Tasks Envisaged
A. Demographic Starting Point	➢ Compare the latest official projections and test against a 10 year migration projection. Take the higher at HMA level. ➢ Apply the household formation rates from the latest official projection, and test against 2008-based rates for those aged 25-44. Where the latter are higher, adjust to recover ½ of the difference by 2033 and project forward the rate of change thereafter. ➢ Apply the local rate for vacant and second homes based on CLG Live Table data for the most recent year. Where vacancy levels are above the national average, assume this reduces to it.

B. Market Signals	➢ Assess median/ lower quartile[9] house price-to-income ratio (HPR) and lower quartile rental affordability ratio (RAR).
	 ➢ Apply upward adjustment to the demographic starting point as follows:
	   ➢ HPR less than 5.3 and RAR less than 25%: No Uplift
	   ➢ HPR between 5.3 – 7.0 and/or RAR 25-30%: 10% Uplift
	   ➢ HPR between 7.0 – 8.7 and/or RAR 30-35%: 20% Uplift
	   ➢ HPR at/above 8.7 and/or RAR at/above 35%: 25% Uplift

C. Affordable Housing Need	➢ Assess the affordable housing need (detailed text to be updated) ➢ Assess total housing provision necessary to deliver affordable housing need (based on likely delivery as % total housing derived from the target in the current/ proposed plan)
D. Full Objectively Assessed Housing Need	➢ Assess output of C against B. If C points to higher provision being necessary to meet the affordable need, include a further adjustment B equivalent to the lower of either meeting output C or an amount equivalent to 10% of Output A

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[9] A median ratio is suggested in Paragraph 19, but the overview chart in Paragraph 14 refers to the lower quartile ratio

A1.9   A key major change in approach is the proposed removal of the requirement to consider the alignment of housing need and economic forecasts in deriving conclusions on housing need, on the basis that this has been one of "*the single most difficult and disputed steps in the current methodology*" and that employment growth pressure is also likely to be manifest in local affordability issues.

A1.10   The report instead proposes that adjustments to support employment growth would not form part of the OAN assessment, but provides flexibility such that authorities could choose to justify a higher housing requirement to align with policy aspirations. It outlines that:

"*…estimates of future employment growth should not be used as part of the calculation of housing need, because other adjustments, such as market signals, are likely to respond proportionally to housing pressures arising from local economic growth across the housing market area. Plan makers may choose to use estimates of future employment growth to justify a plan adopting a housing requirement in excess of the FOAHN for housing but this is a policy matter for plan makers in setting the housing requirement. An estimate of FOAHN arrived at through application of this guidance will not be considered unsound because estimates of employment growth informing other parts of the Plan might imply a higher level of housing at the existing commuting ratio.*"

A1.11   It goes on to outline that "*where plan makers choose to set a 'policy on' housing requirement in excess of FOAHN, based on employment growth, this should be based on applying the changes in economic activity rates that are projected in estimates produced annually by the Office for Budget Responsibility, applied to the local baseline rates of economic activity. The existing commuting ratio should be applied, based on comparison of economically active residents drawn from the Annual Population Survey and the number of jobs drawn from BRES.*"

A1.12   OAN figures would be expected to be defined at HMA and local authority level, with authorities working together to meet the HMA's needs. However, in view of the potential for HMA boundaries to be 'gamed,' the report recommends that clarity is provided through the PPG that where the full OAN cannot be met in one HMA, it should be in a contiguous HMA through the Duty to Cooperate (subject to evidence of functional and infrastructure links).

A1.13   It is proposed that the OAN evidence would be "locked down" for a period of two years from the point of submission of a plan, limiting the prospect of evidence being found unsound simply as new data had been issued.

A1.14   At the time of writing, the LPEG Report's status is simply a set of proposals: it is not Government policy. A number of strongly worded consultation responses which were highly critical of the LPEG Report, including in respect of the potential removal of the requirement to align housing and economic evidence; and in the potential for double-counting and overlap between a number of the adjustments. A number of consultees have for instance pointed out that adjustments to headship rates and for market signals could overlap, and that there are not necessarily additional households there to support adjustments for market signals. Moreover, adoption of the LPEG proposals could significant increase OAN figures in a range of areas in London and the Greater South East in particular, which would almost inevitably put further pressure on the development of Green Belt land. This has inevitable political implications which Government will need to think through.

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A1.15   Whilst it therefore cannot be guaranteed that future revisions to the PPG will take forward, either in full or in part, the LPEG proposals; it does seem reasonably likely that some changes to the process of the calculation of OAN are likely against a context of seeking to speed-up the plan-making process.

OAN Figures Using the LPEG Approach

A1.16   Having set out the context to the LPEG Report and proposals for amendments to the PPG on *Housing and Economic Development Needs Assessment*, the analysis to follow considers what the implications might be for the calculation of OAN for South Lakeland.

Uncertainties and Caveats

A1.17   Whilst the LPEG Methodology is intended to be "definitive" the reality however is that there are several areas in which it contradicts itself, or where there is a lack of detail provided on the specific approach which is expected. The particular uncertainties or contradictions include:

- The approach to modelling a 10 Year Migration Projection – it is not specified whether this should be simply a linear projection of average net migration moving forwards, or whether it should be modelled as an adjustment to the official projections based on differences between trends over the input period and past 10 years. The latter is a more advanced approach as it takes into account potential age structure changes and how this might impact on in- and out-migration. We have modelled 10-year migration trends on this basis;
- Modelling changes to vacancy rates – the LPEG report suggests that where the vacancy level is above 3% it should be assumed that this will reduce to the national average. It is not clear whether this is expected to apply to second homes, or only to those which are vacant. It seems logical to assume the latter;
- Median or lower quartile house price ratio – there is a contradiction within the document with the main text referring to use of a median house price-to-income ratio but the methodology diagram in Paragraph 14 referring to use of the lower quartile ratio. The latter has been more commonly used, and is the indicator used in the PPG currently. We have therefore assumed that this is the appropriate measure;
- Adjustment for affordable housing need – there is a potential contradiction or lack of clarity within the LPEG Appendix 6 proposed amendments as to whether an additional adjustment for affordable housing of 10% where appropriate should be applied to the output relating to demographic need (Output A) as indicated in the methodology diagram in Paragraph 14 or to Output B (which includes an adjustment for market signals). We have assumed that it is the diagram which should be followed, and thus an adjustment quantified using Output A, but added to Output B.

A1.18   There is also some uncertainty over what time period OAN should be considered (in particular in regard to the starting point) and whether official projections should be re-based to take account of the latest Mid-Year Population Estimates. These issues could have implications on precise OAN numbers using the LPEG approach. The precision associated with the individual figures should be viewed with this in mind.

Step A: Demographic Starting Point

A1.19   Establishing the "demographic starting point" is the first step in calculating the OAN. The first step is to compare the latest official household projections against a 10-year migration scenario.

The Latest Official Projections

A1.20   The latest official demographic projections are 2014-based; 2014-based Sub-National Population Projections (SNPP) were published in May 2016, with associated Household Projections published by CLG in July 2016.

A1.21   The LPEG methodology sets out that that "*the base date for the assessment should be consistent with the base date for the plan period, and should use the latest ONS Mid-Year Estimates.*" There is inherently a potential contradiction within this: the latest Mid-Year Estimates are for mid-2015. This doesn't necessarily align with time periods for plans (for example South Lakeland currently has a plan covering the period 2003-25 and moving forward is likely to look at 2016-36; consistent with the analysis in this report).

A1.22   For the purposes of this exercise a 2016-36 period has been used to provide consistency and read-across against the OAN figures already derived in this report. The official 2014-based projections (as published) have been taken for the core modelling, along with showing what impact the latest MYEs might have.

A1.23   The 2014-based Household Projections as published result in household growth of 130 per annum across the District. This provides the starting point for the assessment. If these were rebased to take account of 2015 Mid-Year Population Estimates (and also housing delivery in the 2015-16 period), the average annual household growth would rise slightly (to 140). The difference essentially takes account of the difference between projected and estimated population growth between 2014 and 2015, and potential growth in 2015-16.

Figure A1.3: Household Growth arising from 2014-based Projections, 2016-36 (per annum		
	2014-based Projections as Published	Rebased Projections to take account of 2015 MYEs
South Lakeland	130	140

Official Projections or 10-year migration trends?

A1.24   The LPEG methodology recommends running a sensitivity test of a ten year migration trend. It sets out that the higher of the official projections or 10-year trends <u>at a housing market area level</u> should be taken forward, setting out:

"..in some locations recent trends in migration may be influenced by short term factors that may mean future needs are not captured in by the official projections. Plan makers should apply a sensitivity test based on a longer term, ten year migration trend working back from latest Mid-Year Estimates, and using the migration data set out in the Components of Change in the Mid-Year Estimates. For the period prior to 2011, the Revised Mid-Year Estimates following the 2011 Census should be used. Where the ten year migration trend projects a higher level of population and household growth across the housing market area as a whole, this should be used as the demographic starting point, replacing the DCLG household projections. Where the ten year migration trend is lower, the official projections should always be used. A consistent set of projections (either the latest official projections or the ten year trend, whichever is higher) should be used across the whole housing market area."

A1.25   As part of the main analysis in this report, a 10-year migration trend projection has already been developed and this shows a higher level of household growth (as set out in the table below and compared with the official projections). The 10-year projection is therefore taken forward in the assessment of need.

Figure A1.4: Ten-year migration trend annual household growth (2016-36)		
	2014-based Projection	10-year migration
South Lakeland	130-140	192

Adjustments to Household Formation

A1.26   The LPEG methodology sets out that the household projections should be adjusted as in many areas household formation rates will have been suppressed historically by under-supply and worsening affordability of housing. It outlines that:

"This adjustment should take the form of a comparison between the household representative rates set out in the 2008- and 2012-based projections. Where the rates for those in the 25-44 year age cohorts are lower in the 2012-based projections than was estimated in the 2008-based figures, the assessment should make adjustments to the rate for these cohorts to recover half of the difference in rates between these two projections by 2033, and thereafter from that point trend forward the rate of change for that year from the 2012-based projections. Where the rates for these age cohorts in the 2012-based projections are higher than the 2008-based projections, no adjustment should be made."

A1.27   Whilst the paragraph refers to 2012-based projections, 2014-based Household Projections have since been published. There is a minimal difference between the household formation rates in the 2012-based and 2014-based Household Projections, and therefore the 2014-based Projections as the latest available have been used as the starting point herein.

A1.28 The LPEG methodology suggests that there should be adjustments to the household rates for those aged 25-44 if the 2008-based rates are higher than the 2012-based (or in this case the 2014-based) ones. This is the case in South Lakeland, as it will be in many areas. An adjustment is therefore made as set out above. The table below presents the impact of this: the headship rate adjustment increases household growth by approximately 5%.

Figure A1.5: Household Formation Rate 25-44 age group adjustment			
	10-year migration trends	Household growth uplift from 25-44 formation rate	% Upward Adjustment
South Lakeland	192	201	5%

Applying a Vacancy Allowance

A1.29 Finally, in order to calculate the Output A Demographic Need the LPEG Methodology states that:

".. an allowance should be added for the local rates of vacancy and second homes. This data is recorded by the Council Tax Base and presented in DCLG Live Tables, using data from the most recent year. The current rates should apply, except where the vacancy rate is above the national average, in which case plan makers should assume a reduction in that vacancy rate down to the national average to reflect the impact of measures to encourage bringing empty homes back into use."

A1.30 Where the current vacancy rate is above the national average it should be assumed that the rate will return to the national average. The LPEG methodology isn't entirely clear about whether the level of second homes should be assumed to change and for the purposes of this analysis it is assumed that the proportion of second homes is kept constant.

A1.31 Analysis of 2016 Council Tax records reveals that the proportion of vacant homes in South Lakeland is higher than the national average and therefore a reduction should be applied over the projection period. The vacancy rates that have been applied are presented in the table below.

Figure A1.6: Vacancy Rates		
	South Lakeland	England
Number of occupied dwellings	47,372	23,173,449
Second homes	3,877	246,540
Other vacant	1,718	442,846
% second homes	8.2%	1.1%
% other vacant	3.6%	1.9%
Current vacancy rate	11.8%	3.0%
Vacancy rate at end of projection period	10.1%	-

Source: Council Tax 2016

A1.32 As a result, the demographic starting point (LPEG Output A) is of a need for 180 dwellings per annum.

Figure A1.7: Output A – The demographic Starting Point	
	Output A – Dwellings per Annum, 2016-36
South Lakeland	180

Step B: Market Signals

A1.33   The LPEG methodology outlines that adjustments should be made for market signals. The scale of adjustment proposed are intended to be based on a transparent and consistent methodology, and higher than has been 'standard practice' on the basis that the adjustments are intended to compensate in part for the removal of adjustments to support economic growth from the methodology.

A1.34   Appendix 6 to the LPEG Report outlines that:

"The National Planning Policy Framework states that plans should take account of market signals, and this is given practical effect in estimating FOAHN by means of an upward adjustment to the demographic starting point to reflect market signals and other indicators of the balance between the demand and supply of dwellings. Significant problems with affordability and other adverse consequences of housing under-supply are indicators of market undersupply relative to demand – a market imbalance."

A1.35   The methodology suggests that the two following market signals should be considered:

- The lower quartile[10] house price to income ratio (HPR); and
- The lower quartile private rent to income ratio (RAR)

A1.36   The LPEG report suggests that data for the most recent past three years should be used *"to allow for any anomalies and volatility which may occur from one year to the next"*. Moreover, it is stated that CLG published data will provide this indicators as standard, however at the time of writing this report CLG have published data for HPR but is yet to undertake a similar assessment for the RAR indicator. Therefore, as suggested also in the report, plan makers have to estimate the value of this indicator based on available data. Below, the Rental Affordability Ratio has been calculated based on VOA Private Rental Market Statistics and Annual Survey of Hours and Earnings. The table below shows all the findings for both market signals.

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[10] As discussed above, whilst the text refers to the median quartile house price to median earnings; the methodology diagram refers to a lower quartile ratio. We have assumed that the latter is the correct measure to use, in line with current practice.

Figure A1.8: Market Signals			
House Price to Income Ratio			
	2013	2014	2015	Average
South Lakeland	8.46	9.03	9.14	8.88
Rental Affordability Ratio			
	2013	2014	2015	Average
South Lakeland	32.7%	33.4%	34.4%	33.5%

Source: CLG Live Table 576 (HPR) & VOA Private Rental Market Statistics and ASHE (RAR)

A1.37 The LPEG Methodology suggest the following adjustments to the Output A Demographic Starting Point:

- No Uplift, if the HPR is less than 5.3 and RAR less than 25%;
- 10% Uplift, if HPR is between 5.3 - 7.0 and/or RAR 25-30%;
- 20% Uplift, if HPR is between 7.0 - 8.7 and/or RAR 30-35%; and
- 25% Uplift, if HPR at/above 8.7 and/or RAR at/above 35%.

A1.38 On this basis, a 25% upward adjustment is required for South Lakeland. The table below therefore presents Output B, based on applying the market signals uplift to the Output A Demographic Starting Point.

Figure A1.9: Output B – Need with Market Signals Uplift			
Dwellings per Annum, 2016-36	Output A: Demographic Need	Market Signals Uplift	Output B: Need with Market Signals Uplift
South Lakeland	180	25%	226

Step C: Affordable Housing Need

A1.39 The affordable housing need calculation represents the final potential adjustment to the housing need using the LPEG Methodology. Appendix 6 to the LPEG Report sets out that:

"The affordable housing need figure should be expressed as both the total number of affordable homes needed and the total number of homes that would be necessary to meet this need, based on 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, derived from the current proposed percentage of affordable housing in the last adopted or latest emerging plan. The total need for affordable housing should be 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. The result of this calculation is Output C."

A1.40   This study has not sought to work out the likely delivery of affordable housing from market led developments and would note that this will depend on a number of factors (notably viability issues, but also the type of sites that might come forward in the future). The table below however compares the estimated level of affordable housing need (as derived earlier in this report) with the Output B figures shown above. This analysis shows that the affordable need represents 48% of the overall Output B figures.

Figure A1.10: Affordable housing need and LPEG Output B			
	Outputs B housing need	Affordable need (per annum)	Affordable need as % of Output B
South Lakeland	226	108	48%

A1.41   On the basis of the analysis it seems likely that a further 10% uplift would be required in South Lakeland.

Step D: Full Objectively Assessed Housing Need (FOAHN)

A1.42   According to the Diagram in Appendix 6 of LPEG report, the final step of the FOAHN estimation is:

"If Output C (affordable housing need) is greater than B, then FOAHN for each local area is reached by a further upward adjustment equivalent to the lower of either meeting Output C in total or adding an amount to 10% of Output A."

A1.43   As discussed there is some ambiguity as to whether a 10% adjustment where appropriate should be applied to the Output A or Output B figure. It has been assumed that the 10% is applied to the Output B figure as shown in the Methodology Diagram. The table below summarises the Output A – C figures calculated in this report.

Figure A1.11: Outputs A to C for South Lakeland			
	Output A	Output B	Output C
South Lakeland	180	226	248

A1.44   The FOAHN is therefore 248 dwellings per annum across the District. This figure is below the conclusions of this report (which put the housing need at up to 320). The LPEG need is therefore some 22% below the need assessed in this report but 71% above the 'start point' as currently set out in Planning Practice Guidance.

Appendix 2: CLG Proposed Standardised OAN Methodology

A2.1   In September 2017, the Government published a consultation document (Planning for the right homes in the right places). Of interest to this report is that the document sets out a (long-awaited) consultation on revisions to the OAN methodology. CLG has also published a supporting paper detailing the revisions, as well as a spreadsheet estimating the impact of these changes for most local authorities.

A2.2   The new approach is to ensure that enough homes are built to meet demographic growth, whilst ensuring that housing is affordable to those who live and work in the local authority. The new approach effectively takes the latest official household projections and increases these with an uplift to address affordability (based on a median house price to income ratio).

A2.3   For South Lakeland (District rather than LPA area) the methodology suggests an annual housing need to provide 211 dwellings per annum. This is based (as per the proposed methodology) on household growth in the 2014-based CLG projections of 160 per annum (2016-26) and then applying an increase to this figure of 32% (based on the median affordability ratio being 9.12 in 2016). The 211 figure is (as noted) for the District and therefore includes parts of, but not all of, the National Park – no figures are provided for the LPA.

A2.4   The proposals are only for consultation at this stage and may well change. One clear issue with the proposals is that there is little flexibility to study data in a local context. However, para 46 does say that *'Plan makers may put forward proposals that lead to a local housing need above that given by our proposed approach'* with economic growth ambitions being cited as a reason for planning for a higher number.

A2.5   The consultation document also includes some important notes in relation to National Parks. Paragraph 45 of the consultation document (under the heading of deviation from the method) notes '*Where local planning authorities do not align with local authority boundaries, such as National Parks, the Broads Authority and Urban Development Corporations, available data does not allow local housing needs to be calculated using the standard method set out above. In these cases we propose that authorities should continue to identify a housing need figure locally, but in doing so have regard to the best available information on anticipated changes in households as well as local income levels'*.

A2.6   The need to deviate from the new method could arguably apply equally to the South Lakeland District Council Planning Authority area as the National Park covers a substantial part of the of the district land area (the consultation documents records 75% of South Lakeland as being in National Parks, Areas of Outstanding Natural Beauty or Sites of Special Scientific Interest). Additionally, analysis in this report records around a quarter of district households as living in National Park areas (i.e. there is a substantial overlap between areas). The 211 figure discussed above is not applicable to either the LPA or the National Park Authorities (or even the three areas combined).

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A2.7   Given the comments in the consultation document, this report potentially takes on greater significance, as it is clear that none of the relevant Planning Authorities will be covered by the Government's standardised approach to OAN. Although the Government consultation has: (a) only just been published; and (b) is a consultation document, this report provides an opportunity to identify an OAN figure that is locally derived and one that will remain relevant after the 31st March 2018 (or revised NPPF deadline).

A2.8   The consultation document also comments on the possibility of using a method that results in a lower need, the key text being in paragraph 47 as follows: '*There should be very limited grounds for adopting an alternative method which results in a lower need than our proposed approach. The reasons for doing so will be tested rigorously by the Planning Inspector through examination of the plan. We would expect: the Inspector to take the number from our preferred method as a reference point in considering the alternative method; and the plan-making body to make sure that the evidence base is robust and based on realistic assumptions, and that they have clearly set out how they have demonstrated joint working*'. Clearly it would be for the Council in question to decide if there were grounds for progressing a lower figure than suggested by the methodology.

Appendix 3: Stakeholder Consultation

Introduction

A3.1   This appendix briefly describes a stakeholder consultation event conducted on the 4th July 2017 and the subsequent comments from stakeholders on a draft SHMA report.

Consultation event

A3.2   The stakeholder consultation event was carried out in the afternoon of the 4th July (1pm to 2.30pm) at Kendal Town Hall – the following 31 people attended.

Justin Gardner (Justin Gardner Consulting)	Rachel Bagshaw (Holker Estate)
Daniel Barton (Story Homes)	Stephen Breen (Furness Building Society)
David Crossland (Home Group)	Henry Cumbers, (Lancaster City Council)
Chris Garner (Chris Garner Associates)	Ellie Kerr (Davis & Bowring)
Abigail Kos (Persimmon Homes)	Kayleigh Lancaster (PFK Planning)
Matt Messenger (Lambert Smith Hampton)	Martyn Nicholson (Russell Armer)
Claire Norris (Persimmon Homes)	Rachel Osliff (Story Homes)
Julian Oston (Dallam Tower Estate)	Harry Tonge (Stephen Abbott Associates)
Peter Winter (Peter Winter Town Planning Services)	Richard Wood (Russell Armer)
Ingrid Gaskell (Progress Housing)	Georgina Crabtree (The Planning Bureau)
Cllr Jonathan Brook (SLDC)	Tony Whittaker (SLDC)
Julie Jackson (SLDC)	Megan Henderson (SLDC)
Dan Hudson (SLDC)	Alastair McNeill (SLDC)
Laura Chamberlain (SLDC)	Lorayne Woodend (SLDC)
Elizabeth Scott-Clarke (SLDC)	Simon Fawcett (SLDC)
Chris Harrison (SLDC)	

A3.3   Dan Hudson provided an introduction on behalf of the Council, followed by a presentation of the SHMA findings from Justin Gardner. The presentation broadly followed the sequence of analysis in the SHMA and can be summarised as:

- Context and Purpose – describing National Planning Policy and Guidance and the scope of the assessment;
- Methodology and HMA review – a brief description of the methodology employed and the outcomes from a review of Housing Market Areas;
- Demographic Housing Need – running through a series of stages of analysis; population/ household projections and the range of sensitivity scenarios developed;
- Considering the Needs of the Economy – set out forecast job growth and the level of housing needed to ensure sufficient labour-supply growth;
- Affordable Housing Need – including the methodology used, the key outputs, a discussion of the relationship between affordable need and OAN, a comparison with previous assessments and conclusions of the types (tenures) required;
- Housing Market Signals – a overview of the market signals and core conclusions;

- Other Analysis – including the mix of housing by size, self- and custom-build housing and needs from older persons; and
- Conclusions/Next Steps

A3.4   Following the presentation, participants were given the opportunity to ask questions and below is a list of the questions asked and a summary of the response.

Q1: Should market signals be applied to the projections or the starting point?
A: Recent Inspectors' decisions have confirmed that market signals should be applied to the starting point.

Q2: What is driving the population trends – is it migration?
A: Yes, as natural change is negative in South Lakeland so migration is driving the population change.

Q3: What age are migrants generally?
A: Would need to double check but most likely to be of working age.

Q4: With regards the jobs forecasts do you look at factors such as the expansion plans of individual major employers in the area?
A: Yes – the County Experian based projections used in the study factor in known local employer plans.

Q5: The final demographic based need figure is the same as the final economic led need figure – would you not expect the economic figure to be higher, as it usually seems to be in other areas?
A: No, it's not that unusual to see them around the same figure. At a national level they should be balanced. Economic forecasts also have population inputs. With regards the demographic projections for South Lakeland there are some quite 'bullish' assumptions in there that result in a high need figure compared with the CLG household projection starting point.

Q6: With regards affordability statements, price/income ratios can sometimes be misleading – would you not expect a higher ratio anyway in an area with older people who may be equity rich but income poor and own homes outright. It doesn't mean they are in affordable need.
A: Agree there will be a significant proportion of equity rich income poor people given the older population. But the affordability ratio is still quite a lot higher than national figures, and house prices are still relatively high. Agree it is potentially a simplistic measure, but national Government pushes us to use this measure.

Q7: In terms of meeting need and demand, as a local housebuilder we would contest the strong emphasis on 'downsizing' in terms of bedroom numbers. We find that older people often want to retain the same number of bedrooms but choose to buy new build due to there being smaller grounds to maintain and the houses being more economical to run. Also in terms of bungalows we do build them but have found they can be slow to sell and often aren't sold until they are finished.
A: In developing these findings have looked at demographic trends and rolled them forwards. The study does not assume all older people will 'downsize'. The study's findings are still suggesting that 60% of homes should be 3-4 bedrooms. The study is still therefore suggesting a strong focus on family sized homes.

Q8: With regards the suggested unit mix in terms of bedroom sizes we would be concerned if this was applied rigidly on each site – words should be added to the report to make clear this isn't the intention.
A: The report makes clear that this is an overarching mix and shouldn't be rigidly applied to each site.

Q9: Query with regards the balance between 1 and 2 beds in the affordable sector.
A: An element of judgement had to be applied here – the Housing Register and modelling points towards a higher need for 1 bed as opposed to 2 bed properties, however conscious that we do not want to promote an oversupply of 1 bedroom properties in rural areas where they can be hard to let. The proportions are therefore based on a balanced judgement.

Q10: With regards Low Cost Home Ownership, the suggested 15% off 1 bed properties is concerning – people buying this type of property will likely be looking more to the future and thinking further ahead than 1 bedroom.
A: Appreciate that when determining the appropriate mix on a site then local characteristics are important. This is intended to be an overall guide to the mix across the study area.

Q11: With regards discounted sale and the SLDC product, lenders' multipliers don't always match what is required to purchase these properties e.g. in Kendal with discounted sale properties being sold on it can be difficult to reach the loan amount required – bigger lenders may stretch but local lenders often can't.
A: This would be addressed through the annual review of the Council's guidance which sets the price cap for this type of property. It was also mentioned that this situation should be better going forward as historically some of the discounted properties were sold at 80-90% open market value which has led to difficulties when they are resold. Current discounts are nearer 40%.

Q12: How did the study arrive at the figure for wheelchair accessible homes?
A: Study has largely followed the CLG data guide.

Q13: Does the study look at the demand for Extra Care housing?
A: Yes – have looked at prevalence rates and applied these to the demographic projections. JJ also commented that Cumbria County Council is also undertaking work in regard to this – shortfall of 500 extra care units in South Lakeland by 2025.

Q14: With regards the technical standards, the slides include words like 'statistics', 'increases' etc – are there actual numbers in the report for example the % of people with disabilities who require adaptable homes?
A: Yes, the report includes specific figures.

Q15: Where do we stand in terms of current delivery of homes?
A: (DH) 2015/16 was a good year with around 370 completions. Currently have a 5 year supply based on current targets. The Council will publish an updated position in September which will take into account the new OAN figure.

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Q16: How does the new 290 dwellings figure in this study compare with current target?

A: Core Strategy target is 400, but when backlog factored in it drives the current annual target up to about 700.

Q17: Has historic undersupply been factored into the need calculations?

A: Yes, this is considered within the market signals section, which looks at factors such as past completions rates, affordability ratios, house price trends etc relative to other areas to determine whether supply appears to have been restrained in relation to demand.

Comments on the Draft Report

A3.5   All participants attending the consultation event (and those who were unable to attend) were told of the publication of a draft report for the study and invited to make comments. In the end, only two responses were received; one of these (from Cumbria County Council) was fairly brief and referred more to plan target setting and wider policy objectives than the SHMA. The second was from Christopher Garner of Garner Planning on behalf of the Cumbria House Builders Group (CHBG). Mr Garner's response was comprehensive and worked logically through the stages of reporting. Mr Garner's comments are not replicated in full below but are summarised along with comments in response as appropriate. A brief summary of comments from the County Council can also be provided at the end of this appendix.

Figure A3.1: Summary of Comments from CHBG and brief responses		
Topic	Comment from CHBG	Response
Introduction	The main point made was concerning the need to consider any new methodology for assessing housing need.	The response from CHBG was made prior to publication of the proposed standardised methodology and it is accepted that consideration should be given to any emerging advice. However, it is the case that any standardised methodology, once published, may still not adequately reflect the needs of South Lakeland (due to the National Parks) and the analysis in the SHMA is likely to remain relevant into the future.
Housing Market Geographies	The response did not specifically comment on the definition of the HMA, but some comments were made with regard to the different character (and pricing) in different locations. Of interest, the response commented on high proportions of buyers of new build homes having some sort of local connection (this comment was made in relation to developments in both Kendal and Ulverston).	The SHMA report has not been changed as a result of the comments regarding local connections, but it is certainly a noteworthy observation.

Figure A3.1: Summary of Comments from CHBG and brief responses (cont…)		
Topic	Comment from CHBG	Response
South Lakeland District Profile	With regard to the profile of housing and the population of South Lakeland, a number of useful comments are made; this included noting the high proportion of outright owners in the area and the impact this might have on using affordability ratios. Additionally, comments are made about the high proportions of self-employed people and the potential need for homes to include provision for a study.	The point regarding affordability ratios was made at the consultation event, and it is agreed that they are not a perfect measure (albeit one supported by CLG). It is also agreed that the high proportion of self-employed may mean that some new dwellings could have additional provision for a study – this would not however impact on the overall mix shown in analysis but could impact on proposals for specific sites.
Trend-based demographic projections	With regard to demographic projections, comments are made about the link between migration and housing completions. Additionally, the key conclusion drawn from the response is to compare South Lakeland with Lancaster – noting that both areas have similar Core Strategy housing requirements but different OAN estimates.	The SHMA could not definitively establish a link between migration and completions and this is noted in the report. Regarding Lancaster, the OAN estimates will be outputs from modelling (following the PPG) and there is no reason to think that they should be similar in these two areas.
Future Employment and the Link to Housing	On employment growth, comments were provided about Cumbria County Council's projections (which show a higher level of need).	This is commented on in the SHMA, with key differences being due to different estimates of future job growth and key assumptions in the modelling (such as around changes to economic participation).
Key messages on OAN	The response brings together the findings of the SHMA (for OAN) with the current Core Strategy (noting that the SHMA shows a lower need) and a comment that CHBG does not support the lower figure. Again, the response encourages the Council to review the OAN upon publication of a new CLG methodology.	The SHMA has used the best available data, which is a very different evidence base to that at the time of the Core Strategy. It is clear that demographic trends have been lower for some years, and this in part reflects the finding of a lower OAN than the current Core Strategy. Initial findings would suggest that a lower need is supported by the proposed CLG methodology.

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Figure A3.1: Summary of Comments from CHBG and brief responses (cont…)		
Topic	Comment from CHBG	Response
Affordability	The CHBG provide substantial comments about the affordability section of the SHMA with the key conclusions being to note that income levels are averaged across the District for all house types.	The analysis in the SHMA does not average incomes across the District. However, it is accepted that it is difficult in a document of this nature to fully reflect differences in affordability across areas (not least because pricing can vary from village to village or even street to street). The SHMA analysis should be considered as indicative, with the actual cost of new housing being determined by the local market at a point in time (this will also have an impact on viability and potentially the types of affordable housing to be provided).
Affordable Housing Need	Comments on affordable need include suggesting some additional data that might be provided and also comments on the difference between OAN and newly forming households. The overall conclusion questions the evidence that affordable delivery should be maximised.	In terms of the additional data suggested, it is not considered that this would impact on the outputs and so no further analysis has been carried out. In terms of the difference between the OAN and newly forming households, the two numbers are not the same. The OAN is a net figure (for example it includes people who die) whereas the newly forming households is gross and relates mainly to younger households. At a national level the English Housing Survey typically shows newly forming households to be about 1.8 times higher than total household growth – this figure is roughly the same in South Lakeland (about 1.86). The evidence in the report (and past SHMAs) is that there is a notable affordable need in the District and hence delivery should be maximised where opportunities arise.
Market Signals	CHBG makes two main comments on market signals; firstly about land values and secondly about past housing supply and targets. CHBG does not agree that the supply of homes may be a reflection of demand.	The wording with regard to land values has now been changed, whilst the supply data looks to be the same as that already included in the report. With regard to the comments on demand, the SHMA has analysed data and formed a view based on that information (although it does not provide a definitive conclusion).
Housing Mix	A number of comments are made with the key conclusion being that prescriptive figures should not be included in the plan making process.	This point is agreed with and the report notes this.
Housing Technical Standards	It is commented that the evidence does not support a requirement for all homes to be of M4(2) standards.	The SHMA provides an evidence base and does not say that all homes should be M4(2). That will be a matter for policy making.

Figure A3.1: Summary of Comments from CHBG and brief responses (cont…)		
Topic	Comment from CHBG	Response
Self- and Custom-build	It is noted that there is limited evidence of a demand for self-build and that CHBG are not enthusiastic about providing serviced plots.	The evidence available to the SHMA did show limited demand for self-build from the Council's register. There was however quite a lot of activity identified when looking at CIL records. The evidence would suggest that there is a demand for self-build but that this is at present difficult to fully quantify.

A3.6   The CHBG provided a detailed response to all of the key parts of the SHMA, and a limited number of changes to the report were made as a result of this, as well as many of the key points being noted. However, the main bulk of the comments seem to be a general disagreement that the OAN is lower than the current Core Strategy figure. The lower OAN has been derived from working through up-to-date evidence within the framework of the PPG. A lower OAN seems likely to be supported by a new standardised methodology (although his is yet to be finalised) and it is considered that the analysis in the SHMA is robust, and hence further changes to the report in response to CHBG is not required.

Comments from Cumbria County Council (CCC)

A3.7   As noted previously, the County Council's comments were largely observations with regard to plan making and policy objectives, and generally did not require changes to the SHMA. It is however worth noting the key points made by the County Council:

- CCC noted the findings of an ageing population and recognised that without inward migration there would be a decline in the population (including the population of working-age). This point was framed around the need for the Council to meet 'economic growth potential'; and
- CCC support the SHMA findings with regard to Extra-Care housing and the section looking at Housing Technical Standards. A comment was made about Extra-Care housing on larger sites, which has led to a small change to the text in this report.

Appendix 4: Duty-to-cooperate responses

Introduction

A3.8   The four local planning authorities (LPAs) adjoining the South Lakeland planning authority area were asked to respond to questions regarding progress made with their local plan, housing targets and other matters relevant to the SHMA. The series of tables below provide key outputs from this consultation exercise.

Figure A4.1: Local Plan Stage Reached			
LPA	Local plan	Date	Other information
Barrow Borough Council	Submission draft submitted	March 2017	Public consultation in April 2017
Lake District National Park	Plan Part 1: Core strategy adopted Plan Part 2: Land allocations Plan Part 3: Minerals safeguarding	2010 2013 2015	Two neighbourhood development plans made legal
Lancaster City Council	Adopted Documents: Core Strategy Development management DPD Morecambe Area Action Plan DPD Emerging documents: Strategic Policies and land allocations DPD Review of the development management DPD Arnside ad Silverdale AONB DPD Gypsy and traveller DPD	2008 2014 (date not supplied) Consultation March 2017 Ditto	Anticipates adoption late 2018
Yorkshire Dales National Park	Adopted	December 2016	

Source: individual LPAs

Figure A4.2: Proposed or Adopted Housing Requirement			
LPA	Proposed or adopted	Target	Other information
Barrow Borough Council	Proposed	3,150 dwellings 2012-2031, 105 dwellings per annum	Target will be higher for the 5 year land supply due to historic shortfall
Lake District National Park	Adopted	900 dwellings 2010 - 2025, 36 dwellings per annum	Core strategy policy CS18. Target is subject to review within the local plan review.
Lancaster City Council	Proposed	13,500 dwellings 2011-2031, 675 per annum	Stepped approach to take account of the need for new infrastructure. (draft policy SP7 (delivery of new homes))
Yorkshire Dales National Park	Adopted	1,375 dwellings 2015-2030, 55 dwellings per annum	OAN is about 30 dpa

Source: individual LPAs

Figure A4.3: Evidence Supporting Housing Targets			
LPA	Current evidence	Proposals for review	Other information
Barrow Borough Council	SHMA 2016	Currently being updated	To report march 2017. Implications of BAE Systems job growth are under consideration
Lake District National Park	Based upon SHMA evidence of the 4 districts within the national park	Will be reviewed as part pf the local plan review	Has comprehensive coverage of parish level housing needs
Lancaster City Council	OAN 2015	Awaiting new practice guidance referred to in the Housing White Paper 2016.	SHMA part 2 looking at affordable need, housing mix and tenure, specialist groups, has been commissioned
Yorkshire Dales National Park	Based upon evidence collected by relevant LPAs	Land supply will be reviewed within 5 years	

Source: individual LPAs

Figure A4.4: Ability to Meet Housing Need within the LPA			
LPA	Fully met within the LPA?	Implications for other LPAs	Other information
Barrow Borough Council	Yes	None	None
Lake District National Park	Will endeavour to meet affordable need	Market need will not be met within the national park	None
Lancaster City Council	If possible and work is ongoing to meet requirements within the city	Neighbouring authorities have been consulted	Some of the proposals would involve the development of green belt land
Yorkshire Dales National Park	Target is higher than OAN in order to encourage younger working households to live within the park	A neighbouring LPA believes that the park is under-providing and displacing need into the LPA	The park considers that the numbers are too small to have any major impact

Source: individual LPAs

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