

## Housing Need and Supply Update

Date: 17<sup>th</sup> July 2024

Report of: Chief Planning Officer

Report to: Development Plan Panel

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### Brief summary

The Council's planning service maintains up to date evidence on housing needs mainly for the purposes of plan-making and also needs to maintain information on a 5-year housing land supply to ensure that there is sufficient land to meet those needs across the city.

The Strategic Housing Market Assessment (SHMA), which assesses local needs for housing, was last undertaken in 2017 to support the adoption of the Core Strategy (as amended) in 2019. The Council has been working with consultants arc4 and Edge Analytics to undertake a revised SHMA for city-wide housing needs up to 2040 to support the Leeds Local Plan 2040. This work has now been completed following the relevant stages set out in national guidance including a survey of over 27,000 households, a stakeholder questionnaire to over 100 organisations and workshops with third sector groups.

The findings of the SHMA relate to the overall housing requirement, affordable housing needs, student accommodation, older persons housing and the requirements for specialist homes. This report sets out a summary of the headlines for each topic and the implications for both plan-making and decision taking following publication.

At the same time that the Core Strategy is to become five years old in September 2024 and the Government is proposing reforms to the national policy. The report sets out the technical implications of these changes for the City Council and the impact that they have upon the current five-year housing land supply.

### Recommendations

That Members of Development Plan Panel note the contents of this report.

#### What is this report about?

- 1 This report seeks to provide Members of Development Plan Panel with an update on the completion of the Strategic Housing Market Assessment (SHMA) prior to publication. The report sets out evidence of housing needs over the period 2022 – 2040 and provides

opportunity for Members to comment on the evidence and implications of future housing requirements for Leeds.

## **Background**

- 2 As part of plan-making for the Leeds Local Plan 2040 the Council commissioned consultants arc4 and Edge Analytics to undertake a complete Strategic Housing Market Assessment (SHMA) for Leeds in December 2022. Preparation of the SHMA followed the National Planning Policy Framework (NPPF) in assembling evidence and followed the National Planning Practice Guidance (NPPG) in terms of methodology. They require local planning authorities to prepare an evidence base that objectively assesses the future housing needs of different groups in the community for both affordable housing and market housing.
- 3 The NPPF stipulates that within the context of the overall housing requirement, the size, type and tenure of housing needed for various groups should be assessed and reflected in planning policy, including those requiring affordable housing, older people, students and those wishing to build their own homes.
- 4 The previous 2017 SHMA included a significant focus on estimating overall housing need, whereas this SHMA now uses the Government's methodology for Local Housing Need (LHN) known as the 'standard method'. The SHMA now has a greater focus on assessing the size, type and tenure of housing needed for different groups across the city; i.e. "what type" rather than "how much".

## **Preparation of the SHMA**

- 5 The process of preparing the SHMA aimed to be as inclusive as possible guided by a Steering Group of officers from City Development, Communities, Housing & Environment, Strategy & Resources and Adults & Health representing a wide range of local housing interests. The Steering Group agreed the scope and methodology of the SHMA in January 2023 and met throughout the process with the consultants to guide the completion of the SHMA at each stage. In addition, regular updates have been reported through Housing Growth & Choice Board.
- 6 A SHMA requires a range of diverse expertise from housing through to demographic analysis as well as expertise in undertaking household surveys as primary research. The Council entered into a Data Sharing Agreement with the consultants and information was provided not only from the standard sources of national and local data but also through a household survey which was circulated to a representative sample of 27,767 households. The household survey was supported by a communications plan developed by Communications & Marketing, which included a press release and advertisement on external social media and internal channels to drive engagement.
- 7 A stakeholder questionnaire was also undertaken with 104 specialist groups contacted (including representatives of protected characteristics) and an online survey aimed at a range of professional interests. Individual workshops were also provided to members of Third Sector Leeds, which is the leading policy body that advocates for the third sector's values and interests in supporting the Best City Ambition.
- 8 The focus of the commission was to look beyond the overall housing requirements, which would be set by the Government's standard method, to look in more detail at the size and type of properties needed and the requirement for specialist needs including student accommodation and older persons housing.
- 9 The analysis of the household survey and stakeholder questionnaire was completed in July 2023 with an initial draft report provided in November 2023. The Steering Group considered

the report and provided comments and amendments to the draft report in January 2024 with a final draft version completed in March 2024.

10 Amendments were made to the initial draft report following peer check and challenge. It is now agreed as a draft version for Development Plan Panel to note and be published on the Council's website in support of the emerging Leeds Local Plan 2040 (LLP2040) consultation material (**Appendix 1**).

## **Summary of SHMA findings**

11 The main SHMA outputs relate to:

- Overall housing requirement and the Government's standard method
- Increasing need for affordable housing across the city
- Detailed understanding of housing mix (size and type of properties) needed by sub-area
- Recognition of Unipol report on current and future student accommodation needs
- Increasing need for older persons housing particularly extra-care independent living units
- Specialist housing for people with additional needs and specific household types

### Overall housing requirement

12 The requirement figure for housing is to set by the Government's standard method with a 35% urban uplift for the 20 largest Cities and Urban Centres in England. The overall housing requirement in the SHMA is 3,022 average each year excluding the urban centres uplift. It is 4,080 per annum including the uplift. It is noted that the uplift was to be delivered only on previously developed land.

13 The 4,080 per annum is the SHMA figure based on the April 2023 ONS House price to workplace-based earnings ratio. The updated affordability ratio released in March 2024 would put the current figure at 3,987 per annum.

### Affordable housing need

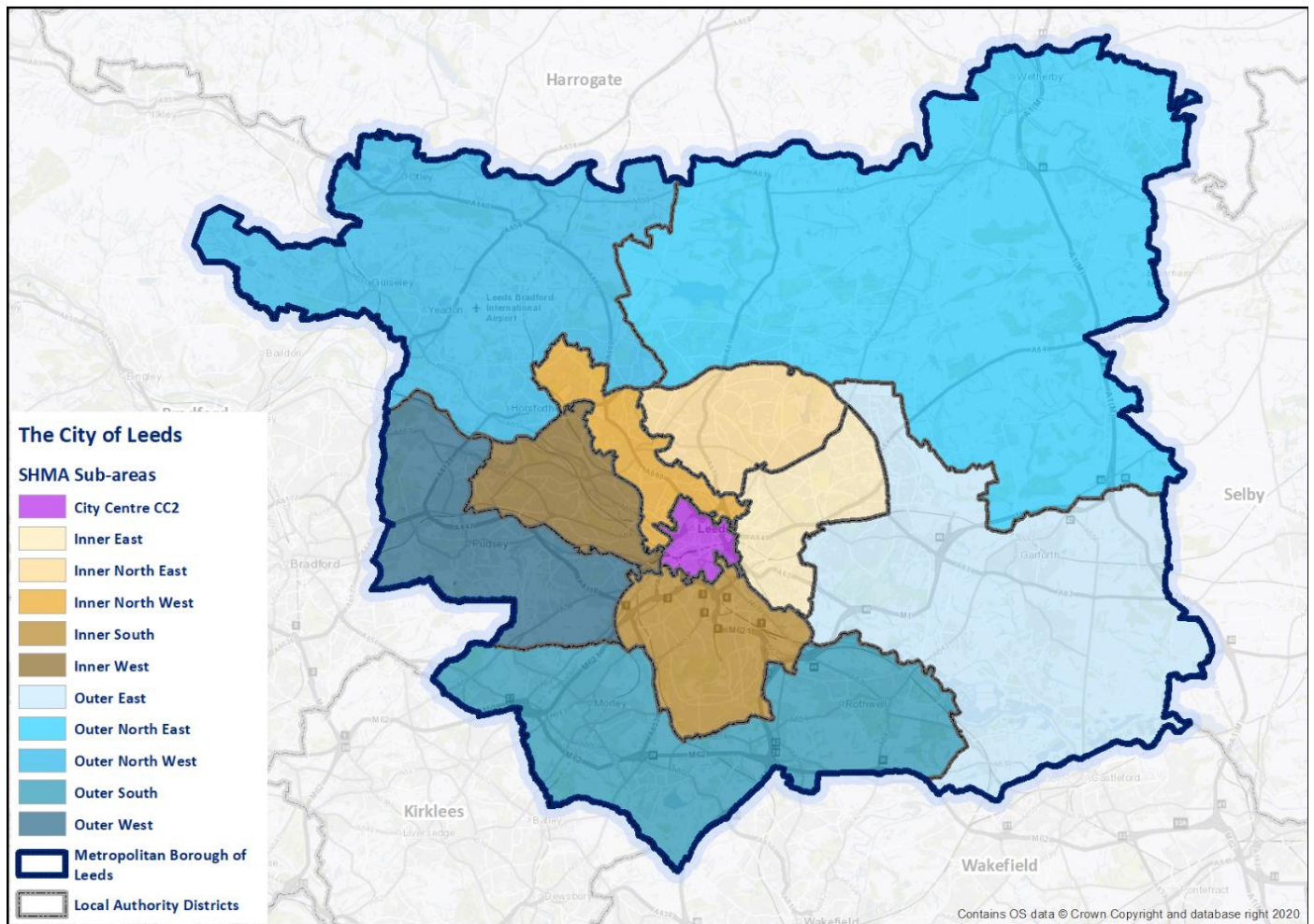
14 The SHMA identifies a critical need for affordable housing across the city and in all markets. This establishes an overall gross affordable need of 6,746 and after considering affordable lettings and newbuild the net shortfall is 2,136 each year (based on 10-year remedy of backlog). This figure represents a considerable increase in need evidenced in the 2017 SHMA and reflects the increased pressure on households resulting from the cost-of-living crisis and the increasing cost of private renting.

15 A tenure split of 80% rented and 20% affordable home ownership is recommended, which would include an element of First Homes whilst recognising that the greatest need is for social/affordable rented properties.

### Housing mix

16 Housing mix analysis is underpinned by a demographic scenario model which considers projected household change to 2040 using 2018-based ONS household projections. The SHMA considers the range of dwellings by sub-area (as shown on Map 1 below) and tenure based on demographics of Leeds blended with the expectations of existing and newly-forming households.

## Map 1: SHMA Sub-areas



17 The current Core Strategy Policy H4 has a city-wide focus on number of bedrooms whereas the SHMA takes a more detailed look at the size and type of properties by tenure split across 11 sub-areas.

### Student accommodation

18 The SHMA recognises that in December 2023 Unipol published 'Leeds: assessment of the student housing market, 2023' (**Appendix 2**) from research undertaken through the Student Housing Working Group. It includes representation from the Council, the University of Leeds, Leeds Beckett University, Leeds Trinity University, Unipol Student Homes, local student unions and Leeds Property Association. The research was commissioned by the Council, to provide an evidence base for planning activities.

19 The report recognises that demand for and supply of student accommodation in Leeds has changed significantly over the last 20 years. It identifies a rapid increase in the supply and delivery of Purpose Built Student Accommodation (PBSA) schemes demonstrating a shift away from the model of co-living in the outer areas and towards residential life in self-contained studio units in the city centre.

20 The overwhelming majority of these schemes are within the city centre are studio flats. However, it is unlikely that PBSA aimed exclusively at high-cost/high-specification provision is meeting current needs or will meet future needs and demand. There is now likely to be a need and demand for more moderately priced PBSA (at a lower specification level) in cluster flats rather than studio flats that we have seen delivered in recent years.

## Older persons housing

- 21 The SHMA identifies the need to diversify the range of older persons accommodation including sheltered/retirement, Extra Care and co-housing and calculates 8,805 additional units of accommodation for older people are needed by 2040. This includes 598 residential care bedspaces, 2,061 units of C2 Extra Care and 6,146 C3 dwellings including leasehold sheltered housing. This equates to 489 dwellings for older persons per annum.
- 22 Based on an assessment of additional needs and longer-term demographics, 3.6% of new dwellings should be built to M4(3) wheelchair accessible standard; and all other new dwellings should be built to M4(2) accessible and adaptable standard which would include bungalows/level access accommodation. It is expected that some of this need will be met through the development of C3 accommodation and there is overlap between affordable, specialist older person and M4(3) need.

## Specialist housing needs

- 23 In addition to age-related needs, the SHMA also sets out a range of accommodation evidence for people with health-related and life-experience related needs and an assessment of the need for supported living accommodation. This includes people with physical disabilities, learning disabilities and/or autism and people with mental health issues.
- 24 It is not possible to quantify the precise accommodation and support requirements, however, the SHMA has helped to scope out where needs are arising and has provided indicators of specific needs across various needs groups and the Council should use this evidence to inform the local plan and housing strategies.

## **Government proposals to reform the NPPF**

- 25 On 30th July 2024, the Government's proposed reforms to the NPPF included an update to the standard method taking an approach to increase existing stock and incorporate an uplift based an increased affordability multiplier. The changes also propose to remove the requirement for an urban uplift.
- 26 The new calculation generates a target of 4,159 per annum for Leeds more than our existing target (3,247) or what the standard method previously generated (3,022). Whilst it is broadly equivalent to the total figure including an urban uplift it does not specify how this uplift should be focussed on previously developed land in the same way that the existing NPPF does.
- 27 Accordingly, an addendum to the SHMA report will be required as part of publication to update and set out the implications of the Government's proposed reforms, once these are known – currently estimated to be by end of the year.

## Five Year Housing Land Supply

- 28 The NPPF states that local planning authorities must identify a deliverable five-year supply of housing sites. The 2023 Strategic Housing Land Availability Assessment (SHLAA) identified sites with the inclusion and the discount of demolitions to provide an overall supply of 7.7 years. This is calculated against the current Core Strategy requirement of 3,247 homes per annum. This healthy land supply position is supported by approvals in the City Centre for large scale developments including student accommodation and a mix of schemes in the Inner Area.

29 The requirement figure for housing is the adopted Core Strategy (2019) which applies until the adopted target becoming 5 years old on 11 September 2024. On that date, the previous Government’s methodology (as set out in current NPPF) for Local Housing Need (LHN) with a 35% uplift will start to apply. The current Government’s proposed reforms to the NPPF intend to increase that requirement further if the proposed changes to the NPPF are implemented.

30 In applying the emerging requirements, based on the 2023 SHLAA supply position, the short-term supply would be reduced from 7.7 years to between 6.1 to 6.4 years. There is therefore little room for complacency when maintaining the housing land supply in Leeds and the Council is advised to maintain a healthy bank of planning permissions in order to maintain a 5 year supply moving forward. The table below illustrates the impact of each scenario:

Requirement	Years
Core Strategy (2019) at 3,247 per annum	7.7
Core Strategy (2019) up to September 2024 and LHN with urban uplift	6.4
Local Housing Need with urban uplift at per annum	6.3
Local Housing Need (2024 Proposed NPPF)	6.1

31 The SHLAA and five-year housing land supply picture will be updated to reflect the current requirements as part of the 2024 update of the SHLAA to be published in December 2024 taking into account planning permissions? and construction activity to a base date of 1st April 2024.

**What impact will this proposal have?**

32 This report provides an update on the SHMA and emerging five-year housing land supply picture. The SHMA will be used by the Council to provide the evidence for draft policy proposals in LLP2040 and to inform the scope of a Local Plan Update as well as housing strategies and helping to establish and prioritise bids for both public and private funding to support the development of new homes.

33 The SHMA will be a material consideration for the determination of planning applications upon publication. The implications for decision-taking would relate mostly to the need for affordable housing to be delivered through existing policies and market information about housing mix and student accommodation.

34 The report also notes that because of changes to national planning guidance the Council’s 7.1-year housing land supply will decrease. The precise decrease will be between 6.1 to 6.3 years (depending on the finalised NPPF). It is important to maintain a healthy five-year supply because without it national guidance prescribes that developers can more readily achieve planning permission on sites not allocated in the development plan and these may not be sites that the LPA would otherwise have desired to come forward for development.

**How does this proposal impact the three pillars of the Best City Ambition?**

- Health and Wellbeing
- Inclusive Growth
- Zero Carbon

35 This report is an update and does not contain a proposal. However, the publication of the SHMA has a clear and supportive impact on all three of the pillars of the Best City Ambition.

## What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?  Yes  No

36 The consultation SHMA has been subject to consultation as set out in paragraphs 5 to 10 above.

## What are the resource implications?

37 This report is an update and there are no resource implications as a result of this report.

## What are the key risks and how are they being managed?

38 This report is a factual update and no direct risks emerge from this report. The Government is currently in the process of reviewing the NPPF including the calculation of housing needs. Officers are monitoring the implication of proposed reforms as closely as possible.

## What are the legal implications?

39 There are no legal implications arising from this report.

## Options, timescales and measuring success

### What other options were considered?

40 This report is an update and does not require a decision and as such no formal options are considered at this stage.

### How will success be measured?

41 Ultimately success on this matter will be measured by the adoption of LLP2040 and the achievement of its objectives around the right house of the type being delivered to meet the future housing needs of the city.

### What is the timetable and who will be responsible for implementation?

42 The SHMA will be published on the Council's website as part of the evidence base for the LLP2040.

## Appendices

- Appendix 1: Strategic Housing Market Assessment – Final Report
- Appendix 2: Leeds: assessment of the student housing market, 2023

## Background papers

- None