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## EXECUTIVE BOARD

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Meeting to be held in Civic Hall, Leeds on  
Monday, 16th August, 2010 at 4.00 pm

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### MEMBERSHIP

#### Councillors

K Wakefield (Chair)	A Carter	S Golton	A Blackburn
J Blake			
P Gruen			
R Lewis			
T Murray			
A Ogilvie			
L Yeadon			
J Dowson*			

\*non voting advisory member

## CONFIDENTIAL AND EXEMPT ITEMS

The reason for confidentiality or exemption is stated on the agenda and on each of the reports in terms of Access to Information Procedure Rules 9.2 or 10.4(1) to (7). The number or numbers stated in the agenda and reports correspond to the reasons for exemption / confidentiality below:

### **9.0 Confidential information – requirement to exclude public access**

9.1 The public must be excluded from meetings whenever it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed. Likewise, public access to reports, background papers, and minutes will also be excluded.

### **9.2 Confidential information means**

- (a) information given to the Council by a Government Department on terms which forbid its public disclosure or
- (b) information the disclosure of which to the public is prohibited by or under another Act or by Court Order. Generally personal information which identifies an individual, must not be disclosed under the data protection and human rights rules.

### **10.0 Exempt information – discretion to exclude public access**

10.1 The public may be excluded from meetings whenever it is likely in view of the nature of the business to be transacted or the nature of the proceedings that exempt information would be disclosed provided:

- (a) the meeting resolves so to exclude the public, and that resolution identifies the proceedings or part of the proceedings to which it applies, and
- (b) that resolution states by reference to the descriptions in Schedule 12A to the Local Government Act 1972 (paragraph 10.4 below) the description of the exempt information giving rise to the exclusion of the public.
- (c) that resolution states, by reference to reasons given in a relevant report or otherwise, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

10.2 In these circumstances, public access to reports, background papers and minutes will also be excluded.

10.3 Where the meeting will determine any person's civil rights or obligations, or adversely affect their possessions, Article 6 of the Human Rights Act 1998 establishes a presumption that the meeting will be held in public unless a private hearing is necessary for one of the reasons specified in Article 6.

10.4 Exempt information means information falling within the following categories (subject to any condition):

- 1 Information relating to any individual
- 2 Information which is likely to reveal the identity of an individual.
- 3 Information relating to the financial or business affairs of any particular person (including the authority holding that information).
- 4 Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or officer-holders under the authority.
- 5 Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.
- 6 Information which reveals that the authority proposes –
  - (a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or
  - (b) to make an order or direction under any enactment
- 7 Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime

# A G E N D A

Item No K=Key Decision	Ward	Item Not Open		Page No
1			<p><b>APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS</b></p> <p>To consider any appeals in accordance with Procedure Rule 25 of the Access to Information Procedure Rules (in the event of an Appeal the press and public will be excluded)</p> <p>(*In accordance with Procedure Rule 25, written notice of an appeal must be received by the Chief Democratic Services Officer at least 24 hours before the meeting)</p>	
2			<p><b>EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC</b></p> <p>1 To highlight reports or appendices which officers have identified as containing exempt information, and where officers consider that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons outlined in the report.</p> <p>2 To consider whether or not to accept the officers recommendation in respect of the above information.</p> <p>3 If so, to formally pass the following resolution:-</p> <p><b>RESOLVED –</b> That the press and public be excluded from the meeting during consideration of those parts of the agenda designated as exempt information on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information.</p>	

Item No K=Key Decision	Ward	Item Not Open		Page No
3			<p><b>LATE ITEMS</b></p> <p>To identify items which have been admitted to the agenda by the Chair for consideration</p> <p>(The special circumstances shall be specified in the minutes)</p>	
4			<p><b>DECLARATION OF INTERESTS</b></p> <p>To declare any personal/prejudicial interests for the purpose of Section 81(3) of the Local Government Act 2000 and paragraphs 8 to 12 of the Members Code of Conduct</p>	
5			<p><b>HOME BUILDERS FEDERATION</b></p> <p>To consider the report of the Director of City Development on the contents of the letter from the Home Builders Federation, on the subject of house building targets, which was circulated at the meeting of the Board on 21<sup>st</sup> July 2010 and its relationship to the provisional view taken by the Board at that meeting.</p>	1 - 32



**Report of the Director of City Development**

**Executive Board**

**Date: 16 August 2010**

**Subject: Home Builders Federation**

**Electoral Wards Affected:**

All

Ward Members consulted  
(referred to in report)

**Specific Implications For:**

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In  
(Details contained in the report)

**EXECUTIVE SUMMARY**

1. Executive Board of 21 July 2010 considered a report on the implications of the Secretary of State Communities and Local Government's decision to revoke the Regional Spatial Strategy.
2. A letter received from the Home Builders Federation (HBF) late the previous day was circulated at the meeting. However, Members considered that this correspondence was too detailed to be considered at short notice. Members instructed that the matters raised by the HBF be brought to a future meeting of the Board.
3. This report reviews the HBF letter of the 20 July but recommends that Members confirm the interim housing target of 2260pa provisionally agreed at the previous meeting.

## **1.0 Purpose of this Report**

- 1.1 At the Executive Board meeting on 21 July Members considered a report on issues arising from the abolition of the Regional Spatial Strategy (RSS) and regional housing targets. Members agreed to provisionally adopt an alternative interim housing target of 2260pa net. At that meeting a letter was circulated from the Home Buildings Federation (HBF) which had been received the previous afternoon and which raised a number of concerns with the approach taken in the Executive Board report. Members felt that there was too much information in the HBF letter to consider at such short notice and requested that the issues raised be brought back for further consideration at a future meeting. That is the purpose of this report.
- 1.2 It is proposed that this report be exempt from Call-In. As the previous report noted there are a number of undetermined planning appeals pending. In particular a public inquiry relating to land at Allerton Bywater is due to commence on 23 August. It is important to ensure that the Council's position on these issues is established as soon as possible and certainly in advance of this inquiry.
- 1.3 This is a Key Decision. However, the urgency that has given rise to the need for this to be considered at a special meeting of the Executive Board, referred to in paragraph 1.2, means that it has not been possible to include it in the Forward Plan.

## **2.0 Background Information**

- 2.1 The background to current housing land issues and appeals is set out in the previous report to the Executive Board, a copy of which is attached. The essential feature giving rise to these reports is the decision of the Secretary of State, communities and Local Government on 6 July to formally revoke RSS. The Council's proposed stance in response to this change is set out in the report of 21 July. The letter from the HBF of 20 July (copy attached) sets out what it describes as a "counter-position" and requests that this is submitted for the Board's attention.

## **3.0 Main Issues**

- 3.1 The HBF letter addresses a number of detailed factors that it considers are important to the debate on housing numbers. These are considered later in this report but there are a number of general points that need to be made first.
- 3.2 The HBF suggest that the purpose of the Executive Board report is "to establish a new interim housing target in order to prevent the release of the phase 2 and phase 3 greenfield sites rather than addressing the needs of the citizens of Leeds". This is incorrect. The Secretary of State's statement to Parliament makes clear that imposed central targets are to be replaced. He also refers to advice to local planning authorities. This is contained in a letter from the Chief Planning CLG also issued on 6 July, the purpose of which is to provide advice on "how local planning authorities can continue to bring forward their local development frameworks (LDFs); and make planning decisions in the transitional period". This letter says very clearly that it is local planning authorities that will be responsible for establishing the right level of housing provision in their area. This represents a significant change in approach as the Coalition Government are clear that the determination of the housing requirement is no longer "top down". The 6<sup>th</sup> July letter advises that authorities may decide to retain existing targets or that they may be reviewed.

- 3.3 Given this authority's long standing and very clearly expressed concerns with the RSS targets it would have been somewhat perverse if given the opportunity for review, it had not been taken. The previous report to Executive Board provided the "quick signal" of the intention to review that the Chief Planner's advice required.
- 3.4 In these circumstances and with RSS targets removed it was important to establish an interim target for the purpose of decision making, as the advice suggests. The Executive Board report therefore sought to address the two fundamental matters raised by the Secretary of State and the Chief Planner; it established an intention to review housing targets; and it provided the necessary interim target against which to determine applications.
- 3.5 It appears that the HBF letter is also somewhat confused on the Council's intentions. In paragraph 17 it suggests that "The report advocates a new twenty year housing target". (this same paragraph also confuses net and gross provision). In paragraph 34 it goes on to state that the Council's report makes the mistake of believing that "local Council's can avoid planning for housing delivery".
- 3.6 It is the HBF that is mistaken. The Executive Board report makes clear that it is establishing an interim position only and recognises the need for longer term planning. The proposed interim target would remain in place until replaced by an alternative approved through the development plan process. This seems to be entirely consistent with the Secretary of State's advice to Parliament in which he says that revocation. "will make local spatial plans, drawn up in conformity with national policy, the basis for local planning decisions". He refers in particular to LDF Core Strategies and other Development Plan Documents. The Council is continuing to progress its LDF documents. The approach of using an interim target allows for the new target to be established through the formal planning route, taking account of all the evidence (including that of the HBF) but with the input of the local community that the new government's policy regards as essential. At the development plan stage the evidence and information from other stakeholders; including local community groups will make an important contribution to determining the final housing figure. The new regime to arrive at the final housing figure is to be much more inclusive and much more locally focussed. It will no longer be a closed debate between the council, the regional body and the housebuilding industry.

### **Economic Benefits**

- 3.7 Turning now to some of the more detailed points raised by the HBF. It refers to the economic benefits of house building. Whilst this is recognised it is felt that the position is over-stated. In the current climate of low demand, with restricted and expensive mortgages and job insecurity it is unlikely that high numbers of houses will be built. The benefits from increased house building of reversing high house prices, reducing household debt, increased labour mobility and boosting employment /GDP are only likely to be realised when the housing market recovers.

### **Population Projections and Housing Need**

- 3.8 The HBF letter also addresses the issues of population projections and housing need. Population projections produced by ONS rely on trend data, extrapolating trends over the last 5 years. This approach has been subject to some concern given that circumstances have changed considerably such that projecting forward over the next 20 year based on recent high levels of immigration and significant economic growth is questionable. Current ONS projections suggest an average growth rate of 10,000 people/yr over the next 5 years although population growth

has only twice exceeded this since 2001. It should also be noted that this annual rate is about the same as total growth throughout the 10 year period from 1991/2001. The University of Leeds has also produced population projections using a different methodology and this produces results that are up to 100,000 lower than ONS in the period to 2026.

- 3.9 Population projections are therefore a matter of some considerable uncertainty and debate. This also applies to a range of other factors that will affect decisions on housing need. The forecasts referred to by the HBF anticipate growth in excess of that which underpinned the revoked RSS targets. Forecasts of household formation are only one factor. On the delivery side recent housing starts have been running at about 80/month and current employment forecasts are for an increase of 1624 FTEs in 2010/11. RSS suggested annual job growth of over 6,000 per year throughout the period to 2026. Current conditions are particularly relevant to the interim, short-term position and the figure of 2260pa might even be regarded as ambitious in these circumstances.

### **Financial Incentives**

- 3.10 The HBF letter also draws attention to the government's intention to build more houses and to support this by means of a financial incentive. Local authority budgets will be top-sliced but with the government promising to match council tax (125% for affordable houses) for 6 years on every new home completed. This is clearly an important ingredient in the debate. However, it will be noted that of itself it bears no relation to housing need but will be a factor to be weighed in the balance alongside others, such as the views of local communities. This may be an argument for a different approach to housing land release but it is not directly relevant to whether or not 2260pa is an appropriate target.

### **Infrastructure**

- 3.11 The Council has long been concerned that the scale of development envisaged in RSS would not be matched by the appropriate level of infrastructure investment. The current position on public sector investment only serves to heighten that concern. The HBF suggest that it is contrary to policy for developers to be expected to make good deficits in investment. However guidance on planning obligations clearly allows this where proposals would exacerbate existing problems. In some cases new provision can be jointly funded. It is therefore entirely reasonable to conclude that the prospect of inadequate infrastructure delivery is a relevant factor. It will be noted that Infrastructure Delivery Plans remain an important component of the LDF system.

### **Regeneration**

- 3.12 The HBF refer to the Council's concerns regarding regeneration. Again this is not a factor that directly relates to the development of an interim target. The Council's concerns are more related to the planning appeal process and a view that the release of Greenfield sites will see only those sites developed, particularly in times of limited demand. The HBF letter suggests that developers will look elsewhere if unable to develop Greenfield sites in Leeds. This would seem to support the view that allowing Greenfield development will result in investment by-passing those areas most in need.



## **Voids**

- 3.13 The HBF suggest that the Executive Board report was misleading on the issue of voids. The report highlighted the fact that long term voids have increased over the past few years. Distribution is uneven but concentrations can have an adverse effect on communities affecting the value and desirability of the housing stock and impacting on local businesses. It is important not to add to this cycle of decline by directing investment away from these areas.

## **4.0 Implications for Council Policy and Governance**

- 4.1 The Council's approach to RSS policy and targets have been the subject of a number of resolutions to Council. The reports to Executive Board are seeking to respond to the changed national context with the revocation of RSS. There are no particular issues of governance.

## **5.0 Legal and Resource Implications**

- 5.1 The only implications are considered to be the normal costs and risks associated with the planning appeals.

## **6.0 Conclusions**

- 6.1 It is considered that the HBF has misunderstood the purpose of the Executive Board report. The report signals the Council's intention to review the RSS housing target and to establish an interim target for the purpose of decision making on applications and at appeal. In doing so it is entirely consistent with government policy as set out by the Secretary of State and the Chief Planner at CLG. The report is clear that the Council recognises the need to establish a longer-term approach through the formal plan-making process. In this respect the Council is continuing its LDF programme.
- 6.2 The HBF letter raises numerous issues. The Council agrees that there will be a continuing need for new homes, including family dwellings and affordable housing. The Council is currently reviewing its Strategic Housing Market Assessment as part of its evidence base for establishing a target in the LDF. This broader assessment will need to include many of the considerations highlighted by the HBF, although as this report highlights changing economic conditions mean that they are open to debate. Indeed some factors such as the housing incentive and planning obligations do not bear directly on housing numbers.
- 6.3 Overall the points raised by the HBF do not give cause to alter the interim housing target provisionally agreed by the Executive Board. It is important to recognise that this is only an interim figure and that many of the HBFs points will need to be addressed in setting figures formally through the LDF.

## **7.0 Recommendations**

- 7.1 Members are recommended to:-

- (a) note the contents of this report
- (b) following provisional agreement on the 21<sup>st</sup> July 2010 to now adopt an interim housing target of 2260 p.a.

## **Background Papers**

1. Executive Board report of 21 July 2010
2. Letter from the Home Builders Federation of 20 July 2010



**Report of the Director of City Development**

**Executive Board**

**Date: 21 July 2010**

**Subject: Housing Appeals – issues arising from the proposed abolition of the Regional Spatial Strategy and regional housing targets**

**Electoral Wards Affected:**

All

Ward Members consulted (referred to in report)

**Specific Implications For:**

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In (Details contained in the report)

**EXECUTIVE SUMMARY**

1. The Council has been faced with a series of planning appeals concerning residential proposals on greenfield sites. The appeals are a consequence of the housing targets set in the Regional Spatial Strategy and concern matters of interpretation of national, regional and local policy.
2. The appeals heard to date have all been lost by the Council. Further appeals remain undetermined. The new Coalition Government signaled its intent to rapidly abolish RSS and its housing targets. The Secretary of State also published a letter saying that local authorities and planning inspectors must take this into account as a material consideration. Subsequently on 6 July the Secretary of State formally revoked RSS in a Parliamentary Statement.
3. National planning policy, including the need for a 5 –yr housing land supply remains. If the RSS target is removed (or given little weight) there is a need to determine how a 5-yr supply is then judged. Some guidance is given in the Conservative Party Policy Green Paper: Open Source Planning (OSP) on how to address this on an interim basis, pending a full local needs assessment and new target to be delivered through the “local” development plan process. A further guidance note was issued on 6 July by the Chief Planner at CLG
4. This report reviews a range of issues and taking account of the Secretary of State’s guidance, OSP and the recent guidance note recommends that the Council’s approach be based on the Draft RSS target of 2,260 p.a. net.

## **1.0 Purpose of this Report**

- 1.1 A separate report on this agenda reflects on the outcome of the Council's challenge in the High Court against the decision of a planning inspector relating to a case at Greenlea, Yeadon. That report notes that the context for future appeals has changed with the new government's decision to abolish the Regional Spatial Strategy (RSS). It is recognised that in the absence of RSS and its associated housing targets the Council needs to determine its approach. This report seeks Executive Board support for a way forward in these changed circumstances.
- 1.2 It is proposed that this report be exempt from call-in. As the report notes at paragraph at paragraph 2.6 there are 4 undetermined appeal cases pending, two of which have already been heard and are awaiting the inspector's report. It is important that the Council's stance is established at the earliest opportunity to ensure that it can be taken into account, by inspectors and the Secretary of State, in the decision making process.

## **2.0 Background Information**

- 2.1 Members will be aware that we have been faced with a number of planning appeals for housing on greenfield allocations. The Council has been opposed to the release of greenfield housing sites and has been arguing that such sites are not needed given the land supply that already exists and the need to support urban regeneration. The Council's stance has been confirmed in various resolutions to Council.
- 2.2 The Council is faced with this series of applications/appeals as house-builders have been seeking to exploit the opportunity presented by the substantially increased housing targets in RSS to challenge the Council's stance. When RSS was published in May 2008 the housing target went up overnight from an annual average of 1930 units gross to 4740 units p.a. At the same time national guidance requires that the local authority can at all times demonstrate the availability of a supply of housing land that is 5 times the RSS requirement. Not only was there a step change in the requirement but the changing economic climate has meant that sites that might previously have counted towards supply are no longer included as they are now unlikely to be built within the next 5 years. A huge leap in the land supply target has been accompanied by the removal of sites that were previously considered available. National guidance suggests that where a 5 year supply cannot be demonstrated then proposals should be favourably considered.
- 2.3 Numerous arguments have been advanced by the Council in support of its stance. Some of the key issues are set out in the report on the outcome of the High Court elsewhere on this agenda. The Council has also argued that the reality of the housing market should be taken into account. We are being asked to have a 5 year land supply for over 20,000 dwellings at a time when new starts are running at less than 1,000 p.a. and many of these are only going ahead because of HCA subsidy. In effect we are being asked to release land for which there is no immediate market.
- 2.4 To date all our arguments have been unsuccessful. On Counsel's advice the first three cases lost by the Council at Greenlea, Yeadon; Selby Road, Garforth; and Pudsey Road, Swinnow were the subject of legal challenge. The cases were all due to be heard in the High Court in Leeds on 20/21 April.
- 2.5 Two further appeal decisions have been recently received relating to sites at Milner Lane, Robin Hood and Bagley Lane, Farsley. In both cases the appeals were again upheld and planning permission granted and in the Bagley Lane case the appellant

sought and won an award of costs against the Council. The inspector took the view that in using the same arguments rejected in earlier cases the Council's position was 'weak'. In doing so, with an even weaker land supply, she took the view that the Council had acted unreasonably. It is not yet known what the costs order will amount to.

2.6 The Council has been faced with 4 more appeals where similar arguments around the RSS targets and housing land supply are at the heart of the case. These are as follows:-

- Church Fields, Boston Spa – started 18.3.10, now completed and decision awaited – recovery requested
- Grimes Dyke, Whinmoor – started 27.4.10, now completed and decision awaited – recovered by the Secretary of State
- Holt Lane, Adel – due to start 25.5.10 but deferred for 2 months
- Queen Street, Allerton Bywater – started 15.6.10 but adjourned until August 23rd

2.7 Notwithstanding the consistent line taken by inspectors in response to the Council's arguments in these cases, the undetermined appeals are now in a very different position. The Coalition Government has been clear on its intention to abandon RSS and regional targets confirming the position in the Conservative Party Green Paper No. 14: Open Source Planning (OSP). This states very clearly that it is intended to eliminate bureaucracy by,

*“abolishing the entire bureaucratic and undemocratic tier of regional planning, including Regional Spatial Strategies and national and regional building targets.”*

2.8 This intention was confirmed in the post-election statement by the new government “The Coalition: our programme for government”. This advises that,

*“We will rapidly abolish Regional Spatial Strategies and return decision-making powers on housing and planning to local councils.....”*

2.9 More recently, and fundamentally, the new Secretary of State, Eric Pickles, sent a letter to all chief planners on 27 May 2010 confirming this intention and that a formal announcement would follow shortly. He added that,

*“I expect Local Planning Authorities and the Planning Inspectorate to have regard to this letter as a material planning consideration in any decisions they are currently taking.”*

2.10 The Planning Inspectorate subsequently issued its own guidance to planning inspectors. This advises that RSS remains part of the development plan until formally revoked. However, it also advises inspectors to recognize the intent to abolish RSS as a material consideration. The weight to be given to this will depend on the extent to which RSS policy and targets are central to the decision being taken. The Inspectorate's advice note also points to OSP as generally establishing the government's proposed approach in the absence of more formal transitional arrangements and guidance.

2.11 It is on the basis of this change of policy and guidance and in anticipation of further pronouncements from government that the two most recent appeal cases have been deferred and that the Council has requested that the other two undetermined cases, at Boston Spa and Grimes Dyke, should be re-opened. The position has now been

further clarified with a Parliamentary Statement on 6 July by the Secretary of State Communities and Local Government in which he formally revokes RSS. He makes clear that RSS is no longer part of the development plan for the purpose of S38 of the Planning and Compulsory Purchase Act 2004; that is in determinations under the planning acts. On the same day the Chief Planner CLG issued a guidance note (GN) to local authorities the purpose of which is to help clarify, *“how local planning authorities can continue to bring forward their Local Development Frameworks (LDFs); and make planning decisions in the transitional period.”* At any further appeal hearing it will be necessary for the Council to set out its approach to housing land supply in the absence of RSS targets and in the light of this guidance.

### **3.0 Main Issues**

- 3.1 As indicated in paragraph 2.7 the undetermined appeals are in a very different position. The Secretary of State has now abolished RSS and clearly intends to devolve decisions on housing supply to the local level. It was his clearly stated intention that this be taken into account by planning inspectors. The Council’s response to the Court’s decision on Greenlea and in relation to the remaining court cases will have little or no relevance to the undetermined cases given the significantly changed context.
- 3.2 In taking forward the outstanding cases it is however necessary to establish the Council’s view on housing land supply in the absence of RSS policy and targets. It is important to note in this context that national guidance on this issue remains intact. Planning Policy Statement 3 (PPS 3) Housing is the main source of guidance. This includes the need for Councils to maintain a 5-year supply of deliverable sites (PPS 3 paras 54 and 57) and where such supply is not available Local Planning Authorities should consider favourably planning applications for housing (PPS 3 para 71). OSP says that,

*“There is general acceptance that a five-year land supply provides a good baseline from which to work.”*

This is confirmed in the GN which advises that,

*“Authorities should also have a five year land supply of deliverable sites. This too will need to reflect any changes to overall local housing ambition.”*

In addition PPS 3 has recently been re-issued but the only changes deal with the new government’s commitment to end “garden-grabbing” and the removal of minimum densities. It is clear therefore that the 5-year land supply requirement remains.

- 3.3 The critical issue therefore becomes how the adequacy of the 5-year land supply should be judged in the absence of the regional target. Unfortunately there is no simple mathematical formula by which such an assessment can be made. Current guidance in PPS 3 indicates (para 33) the range of information to be taken into account in setting housing targets:

1. Evidence of current and future levels of housing need and demand
  - a. Local Strategic Housing Market Assessments (SHMAs)
  - b. Long term house prices
  - c. Advice from the National Housing and Planning Advice Unit (NHPAU)
  - d. Household Projections
  - e. The needs of the regional economy and economic growth forecasts
2. Evidence of land availability (SHLAAs)

3. Government policy ambitions (increase housing supply; better affordability)
4. Sustainability appraisal of social, environmental and economic consequences
5. Infrastructure impacts and needs

The RSS had its own checklist of factors at paragraph 12.5. This largely replicates the above factors from PPS3, but has the following further factors:

6. Evidence about low demand and vacancy rates
7. Levels of housing completions in recent years

- 3.4 As can be seen from the range of issues set out above, establishing the housing requirement is complex. It has been apparent for some time that many of the assumptions on which the RSS target was based were now significantly out of step with economic and market reality. RSS targets were essentially established projecting forward the conditions prevailing at the time and did not foresee the very different economic climate that now exists. Some of the factors are considered below.

### **Long term house prices**

- 3.5 House prices increased by 200% between 2000 and the peak of the market in 2007. Since then, Yorkshire and Humber prices fell to 87% of their peak values in 2009, but later rebounded. Work carried out by Ecotec for LGYH indicates that restrictions on lending are significantly holding back demand for housing and are unlikely to be eased until 2016. Even with a drop in house prices the ability to purchase has decreased.

### **Household Projections**

- 3.6 The Office for National Statistics (ONS) produce national population projections every two years. These projections are supplemented by mid-year population estimate data. Communities and Local Government then produced a series of household projections based on the resulting population projections. The base date for the ONS projections changed during RSS production with the final figures used reflecting an even more buoyant economy than the original. Since then there has been a drop in economic activity resulting in reduced migration. To date such changes have not fed through into the projections.
- 3.7 An early indication that growth may not occur at the rates seen in 2004 is found in the 2009 mid-year population estimate release. This release highlights that the Leeds population didn't grow to the same extent as estimated a year ago. In fact the revised figure for 2009 suggests that the actual 2009 figure is only about 75% of the estimated figure. If we were to project this difference forward till 2026, we would see the final population figure of around 42,000 people fewer than the current forecast. At 2 people per household, this is a difference of 21,000 housing units. Therefore some level of caution is needed when interpreting these long term forecasts.
- 3.8 Whilst some forecasts have suggested that Leeds population will grow to 1 million by 2030, forecasts by the University of Leeds suggest growth of around 8%.
- 3.9 The 2011 Census will provide the first indication of how accurate the estimates of ONS have been. It is not anticipated that figures from the 2011 Census will be available for some time afterwards, but it is anticipated that the updated population data will form the new base for future projections. Moreover, recent government

announcements to both cap immigration levels as well as count immigrant's leaving the country will result in more accurate information on immigration levels and influence population projections.

- 3.10 The National Housing and Planning Advisory Unit (NHPAU) has published several reports looking at various household demand scenarios. The scenarios looked at how different factors, such as immigration levels, household formation rates, size of households, economic growth, affordability, etc all can impact on the demand for housing. However, all of the NHPAU work built on the 2006 population projections produced by ONS. These projections were even more influenced by the above mentioned factors, so that the significant population increases that resulted must therefore be treated with caution. In some of the various scenario's, housing demand in Leeds was upwards of 6000 units per annum. Such a figure vastly exceeds any past build rate and has not been policy tested to look at sustainability and infrastructure issues that would arise from such a large population increase.

### **The needs of the regional economy and economic growth forecasts**

- 3.11 The most recent employment forecasts from the Regional Econometric Model (April 2010) suggests there will be job growth of around 15,000 full time equivalent jobs in Leeds by 2016 (2,610 per annum) and 48,000 by 2026 (3,005 p.a). This compares to the potential for 6,000 p.a. reflected in the RSS. The job growth for Leeds and the Region accelerates for the medium and long term periods.

<b>Total FTE jobs</b>	<b>2010</b>	<b>2016</b>	<b>2021</b>	<b>2026</b>
Leeds MD	342,692	358,351	373,893	390,778
Yorkshire & Humber	2,067,682	2,120,260	2,178,555	2,243,266

- 3.12 Work by Ecotec for LGYH considered a number of scenarios looking at the effective demand for new housing. Taking account of the recession and the reduced employment growth projected above, as well as the government's proposals on public sector spending and jobs, this would point to a reduced housing requirement in the short term with some recovery post 2014.

### **Evidence of low demand and vacancy rates**

- 3.13 Leeds still has a number of low demand areas in the inner city where the housing market is fragile and prone to collapse. Decisions on the distribution of new housing development need to be sensitive to the fragility of these areas and avoid oversupply of new housing in locations which could draw demand away from them and cause vacancy and abandonment.
- 3.14 Evidence of housing vacancy can mean that fewer new houses are required if vacant dwellings can be brought into use. Since the inception of the RSS, vacancy rates have risen in the District. The rates in the District are above the RSS regional target of 3.5% and as of 2008/09 were 5.6%. The data also shows that for every new unit built in the District over the past five years, one unit has become vacant. This suggests that the level of house building in previous years has not necessarily been ensuring that more people are accessing housing.

<b>Vacancy Rates in Leeds</b>					
	<b>Total Vacant Dwellings</b>	<b>Vacant more than 6 months</b>	<b>Total Housing Stock</b>	<b>% Vacant</b>	<b>% Long Term Vacant</b>
<b>2004/05</b>	12,712		317,215	-4.01%	



<b>2005/06</b>	10468	5966	319600	-3.28%	2%
<b>2006/07</b>	12512	5757	322456	-3.88%	2%
<b>2007/08</b>	17,557	6,851	328,201	-5.35%	2%
<b>2008/09</b>	18569	9346	334,083	-5.56%	3%
<b>Change</b>	<b>5,857</b>		<b>16,868</b>		

### Completions

- 3.15 Housing completions since 2004 rose steadily until 2008/09, peaking at 3828 net. This peak in completions arrived after the market meltdown across the country, but was sustained due to the high number of buildings under construction prior to the crash, particularly apartment blocks. The high level of completions occurred during some of the most prosperous years in the UK economy. Coupled with a surge in city centre living (increasing demand for flats), low interest rates, favourable lending for buy to let properties and grant funding for regeneration initiatives, it is no surprise that the district experienced such high levels of completions. If one were to only look at gross completions for housing units during the same period, an entirely different picture would emerge. Only 29% of the past six year's completions have been housing units (gross new build), or about 850 units per year. If there is to be a switch to more family housing, it is clear that reaching the 'RSS rate' of 4300 units becomes even more unrealistic and unachievable.

		Net Housing stock change						
Financial years		2004-5	2005-6	2006-7	2007-8	2008-9	2009-10	Total
<b>Gross building</b>		2924	3694	3538	3833	3976	2518	<b>20483</b>
<b>Total losses</b>		291	258	211	257	148	281	<b>1446</b>
<b>Net Gain</b>		<b>2633</b>	<b>3436</b>	<b>3327</b>	<b>3576</b>	<b>3828</b>	<b>2237</b>	<b>19037</b>
<b>New Build Housing Units</b>								
<b>Gross Flats</b>		1741	2551	1993	2297	2460	1665	<b>12707</b>
<b>Gross Houses</b>		867	755	785	1143	957	646	<b>5153</b>
<b>Total</b>		<b>2608</b>	<b>3306</b>	<b>2778</b>	<b>3440</b>	<b>3417</b>	<b>2311</b>	<b>17860</b>
<b>% Houses</b>		<b>33%</b>	<b>23%</b>	<b>28%</b>	<b>33%</b>	<b>28%</b>	<b>28%</b>	<b>29%</b>

### Other considerations

- 3.16 Leeds' SHLAA 2009 shows that Leeds has a good reserve of housing land. This includes considerable previously developed land (PDL) in urban areas. Only a proportion of this land is deemed "achievable" for housing development under current depressed market conditions, but more land would be expected to become "achievable" when the market recovers. Leeds' reserve of housing land also includes a considerable quantity of greenfield land, with decisions on if and when this is released to be determined through the development plan process.
- 3.17 SHMAs do not seek to reinvent a local authority's housing requirement as that would duplicate the Role of RSS. Their purpose is more to understand the types of housing (market and affordable) needed and geographical distinctions. The Leeds SHMA was published in 2007 and indicates that a large proportion of new housing ought to be affordable. In terms of sizes of dwellings and locations, the survey of households found that a variety of sizes and types is sought across the district. The only steer that Leeds' SHMA gives on total housing is that Leeds should not rely on the heavy proportions of flats built from 2000 to 2007. This is not an issue for the short term because market pressure for building flats has fallen significantly since 2007. However the most recent completion figures were heavily influenced by

flatted development and therefore the higher completion rates are unlikely to be sustained or replicated unless flats remain as the most prominent form of housing.

- 3.18 The government is clear that it wants to build more houses but sees the actual targets as a matter for local determination influenced by financial incentives.
- 3.19 No sustainability appraisal was carried out on the quantum of the housing requirement, because it was dealt with as part of RSS. In addition there was no clear and transparent evidence supporting the Secretary of State's Proposed Changes to demonstrate how the additional housing figure had been arrived at or apportioned. It has never been clearly demonstrated that the final housing target could be delivered in a sustainable way taking account of the other policy objectives of RSS.
- 3.20 As a general rule, the lower the housing growth, the less stress on infrastructure; whilst development provides opportunity to provide additional infrastructure (such as new greenspace through S106) it is often only providing to meet its self generated needs. Strategic needs such as improved public transport are normally too expensive to be entirely paid for by development and rely upon public subsidy. It can be expected that the Coalition Government's stress on reducing the public sector deficit will mean less public funding being available for infrastructure projects. Officers are currently preparing an Infrastructure Delivery Plan to accompany the Core Strategy which will provide further details. At present, it can generally be assumed that lack of infrastructure funding will tend towards having a lower housing requirement.

### **Looking Forward**

- 3.21 Although the Council has already completed both the SHMA and SHLAA it would clearly take some considerable time for Local Planning Authorities, including Leeds, to undertake the "professional assessment of the housing needed for their locality", with a need for "calculations to be robust" as OSP suggests. Furthermore, in arriving at a target it is clear that such an assessment is only the starting point, with considerable emphasis given to the views of local communities so that:

*"local people in each neighbourhood – a term we use to include villages, towns, estates, wards or other relevant local areas – will be able to specify what kind of development and use of land they want to see in their area."* and in drawing up the local (district) plan;

*"the evolution of the plan starting at "ground level" in neighbourhoods with every single resident of the neighbourhood approached to take part."*

The local housing target is therefore to be informed both by an overall assessment and local ambition and further guidance is to be provided which will need to address the means by which any discrepancies between the strategic and local positions may be reconciled.

- 3.22 OSP recognizes this position and has a section dealing with "transition arrangements". This advises that during the transition, current local planning documents will continue in force, but that local authorities can review them to remove unwanted policies that were a response to RSS. In Leeds, the most current local planning document is the Leeds UDP Review adopted in 2006, which pre-dated RSS.

- 3.23 As part of RSS preparation, Open Source Planning believes that local authorities had estimated their own housing requirements in the form of the so called Option 1 numbers before the Government imposed higher figures. For a transitional period, Open Source Planning suggests Option 1 numbers be used as the provisional numbers.
- 3.24 This position is essentially confirmed in the GN. This confirms that the development plan (in Leeds) now consists solely of the “saved” policies of the UDP. It also refers to the use of Option 1 targets and suggests these can replace RSS targets, *“if that is the right thing to do for your area.”*
- 3.25 In the case of Yorkshire and Humber a process of RSS preparation was used that did not invite local authorities to set out Option 1 numbers. Our understanding is that the Option 1 approach was used in the West Midlands and South East. Compared with the current RSS requirement for Leeds for 2008+, the Draft RSS figure was substantially lower. Nevertheless, at that time it was some 40% higher than the previous RSS (RPG 12) figure and was subject to formal objection by the City Council. The various figures are set out below.

RSS Document	Leeds Annual Housing Requirement Figure			
	Gross		Net	
	2004-8	2008-16	2004-8	2008-16
RSS (RPG 12)	1930	1930	-	-
RSS Draft (2005)	2700	2700	2260	2260
RSS Adopted (2008)	2700	4740	2260	4300

- 3.25 Whilst the Draft RSS figures of 2700 (gross) and 2260 (net) might be used as a proxy for the Open Source Planning Option 1 figure, there are problems with this approach. Leeds City Council objected to the figure for Leeds and in that sense it is unlike the Option 1 figures that were believed to have been advanced by the local authorities themselves. Given this Council’s sustained objections to the RSS figures the Draft target is in no sense the locally determined figure that OSP is seeking. The only real alternative to this in the interim is the 1930 p.a gross that is the basis of the Council’s adopted UDP, although even that figure derives from an earlier version of RSS.
- 3.26 However, it must be acknowledged that the UDP figure is significantly out of date and so far removed from the more recent projections that helped inform RSS that its use, even as an interim target, is questionable. The figure of 1930 p.a has to be compared with the assumed gross figure of 4,740 in RSS and would therefore represent a reduction of 60%.
- 3.27 Whilst accepting that the Council raised concerns about the Draft RSS requirement it is understood that the so called “Option 1” figures were produced at draft strategy stage. In that sense the Draft RSS figures could be considered appropriate. Furthermore, the Council, in its Core Strategy Preferred Approach published in October 2009, has promoted what it believed to be a more realistic approach to achieving RSS targets with lower delivery in the early years. The figures used in the Core Strategy, albeit that they are founded on RSS, are not dissimilar to Draft RSS.
- 3.26 In using either the UDP or draft RSS figures when assessing the 5-year supply there is a question about the period the assessment should cover. The UDP looks back to 1998 and takes its first phase from 2003, while the first phase of draft RSS is from 2004. The end date for the UDP is 2016 and for draft RSS 2026. These

considerations are important if the supply is to be judged against a residual annual requirement which is the normal approach.

3.27 The tables and housing trajectories in Appendix 1 illustrate potential performance based on current housing land supply information. These show that even in current market conditions Leeds would hope to out perform either the UDP or Draft RSS requirement. Housing land supply would not be a constraint on achieving this level of output.

3.28 It could be argued, and no doubt will be by others, that neither the UDP nor Draft RSS figures have been informed by the latest evidence. The work on the RSS review as input to the Regional Strategy (RS) was pointing to even higher housing targets based on the projections of ONS and the National Housing and Planning Advice Unit (NHPAU). On the other side of the equation employment growth projections are now significantly lower than the job growth assumptions of RSS. Work commissioned by LGYH to the RS suggests that the effective demand for housing in the region will be well below the RSS targets and points towards some recovery around 2014. This tends to suggest a lower requirement for housing in the short term with some increase from 2014 onwards. This is very much consistent with real world conditions which have seen a significant drop in new starts and completions.

Year	Starts	Completions	Under Construction 31/03
2004-5	3220	2924	4037
2005-6	2722	3694	3453
2006-7	4060	3538	4738
2007-8	3290	3833	4589
2008-9	1784	3976	2959
2009-10	901	2518	1551
<b>Grand Total</b>	<b>15977</b>	<b>20483</b>	<b>21327</b>

3.29 Are there any alternatives that might be used as the basis for interim targets? The Council has referred in its evidence to the various appeal hearings and High Court to the use of the LAA target (currently 2,300 p.a.). The latest LAA represent an informed view of what delivery of residential units can be expected in the light of prevailing economic circumstances. Reference has also been made to the early years figures in the emerging Core Strategy which proposed a more gradual stepping up of housing delivery. However, both figures have their basis in RSS and the use of these figures and the weight to be given to them has been consistently rejected by planning inspectors with a similar view taken in the High Court. Moreover the future of the LAA appears uncertain. More importantly in starting with RSS the figures are not derived from local assessment and do not reflect any community level debate as OSP suggests.

3.30 While it can clearly be argued that the use of alternative figures does not reflect longer term needs or Leeds` ambitions for growth this approach is consistent with the transitional arrangements outlined in OSP and the GN and the Secretary of State`s advice that local authorities have the opportunity to review their housing targets now that RSS is revoked. Furthermore, the factors considered earlier in this report all point to a much lower short term requirement than envisaged in the RSS annual average.

3.31 PPS 3 (para 70) advises that even where a 5-year land supply exists, Local Planning Authorities should consider whether granting permission for applications

for sites allocated in the overall land supply would undermine achievement of their policy objectives. The Council has argued that development now, in the absence of a demonstrable shortage of housing land would harm the regeneration and urban transformation agenda. RSS is abolished and is no longer part of the statutory development plan and the UDP is the only document to which section 38(6) of the 2004 Act now applies. With the consequence that applications are required to be determined in accordance with it unless material considerations indicate otherwise. Consequently, with RSS revoked much greater weight should be attached to the policies of the UDP, as the only remaining statutory development plan document against which proposals should be judged. This includes policies that seek to control the release of land with this objective in mind. This includes the trigger mechanism set out in the UDP.

- 3.32 In fact, the UDP's phased approach to housing release conforms closely to key strands of PPS3. Paragraphs 40-44 highlight the importance of effective use of land by-re-using land that has already been developed. Whilst the national target for housing development on PDL is set at 60%, it can naturally be expected that targets within urban areas would have to be much higher if the national figure is to be achieved. Also paragraphs 62-67 of PPS3 stress the importance of having a managed approach to housing land supply so that new circumstances can be taken into account and land release adjusted accordingly. Within paragraph 67 of PPS3 national policy considers invoking development control powers in order to prevent the development of greenfield land whilst the delivery of brownfield land is underperforming against expectation. Whilst the sequential approach to the development of residential land no longer forms part of national policy it is still the case that development of brownfield land in sustainable locations remains a priority. Where, as in Leeds, there is a robust supply of such land national policy clearly points to its release to support residential supply, promote social inclusion and urban renaissance. Under "Plan, Monitor and Manage" local policies may include:

*"An indication of the circumstances in which specific management actions may be introduced should monitoring and review demonstrate that objectives are either not being met or risk not being met." (para 62)*

This strand of PPS3 is very comparable to the UDP's trigger mechanism for release of housing land and illustrates that this part of the UDP remains up-to-date and consistent with national guidance.

- 3.32 In addition the Secretary of State's letter makes clear that decisions on what is needed will rest with local councils. As part of the section on "transition arrangements" OSP advises that,

*"It will be for local people and their elected representatives to decide how far these (sites previously identified as suitable for housing) remain part of their local plans, with the supply of land forming part of the local plan's definition of what is sustainable in each of the areas it covers".*

The local evaluation of sites and review of the sustainability credentials of them individually, cumulatively and relatively to other potential allocations is clearly part of the longer term input into the development plan. OSP clearly has in mind that this will apply to existing allocations and the grant of planning permission now would be prejudicial to this policy objective. Further OSP intends local decision making to include consideration of the local tariff, part of which will go to the local community. Clearly the full engagement of the housebuilding industry and local communities affected by allocations and development proposals will be required in determining

future policy choices. The potential for this to happen would also be undermined by the early grant of planning permission.

#### **4.0 Implications for Council Policy and Governance**

4.1 The issues in this report stem from the Council's refusal of planning permission for residential development on a number of Greenfield housing allocations. This arises from the Council's approach to the policies and targets set out in RSS which have been the subject of a number of resolutions in Council. The outcome of the Court case and the decisions of inspectors at appeal run counter to the Council's approach.

#### **5.0 Legal and Resource Implications**

5.1 The only implications are considered to be the normal costs and risks associated with the planning appeal process.

#### **6.0 Conclusions**

6.1 For the four remaining undetermined appeals it is considered that the change of government and the new Secretary of State's decision to revoke RSS and the further guidance issued constitute a significant change to the planning context. There remains a requirement to comply with national planning policy, which includes that related to the 5-year land supply.

6.2 In the absence of RSS there is no definitive guidance on what an alternative target should be. The approach in OSP points to the use of earlier and lower agreed targets, subsequently reiterated in the GN. There are a range of factors that would suggest that this is appropriate in the short term, pending a proper local assessment as part of the development of a formal "local" plan. Consistent with this guidance it is suggested that the 5-yr land supply is judged against the requirements of the Draft RSS. This would not only reflect that the influencing factors generally point to a lower figure in the short term but is also broadly consistent with position taken by the Council in the Core Strategy Preferred Approach and in the LAA. This represents a higher and more ambitious target than would the use of the RUDP figure, which is perhaps the only alternative but is significantly out of date.

6.3 Local authorities are not obliged to discard regional targets but have the option to retain them for local use if they so choose. In establishing a transitional position the Council is clearly signalling its intent to review its housing targets. Looking ahead it will be necessary to come to a view on the longer term scale of growth required. This will include a proper assessment of local housing need, with the establishment of a local housing target. This will need to take place as part of the development plan process (this is likely to mean the Core Strategy as the GN encourages authorities to continue with their LDF documents) subject to any further government guidance that might be issued.

#### **7.0 Recommendations**

7.1 Members are recommended to:

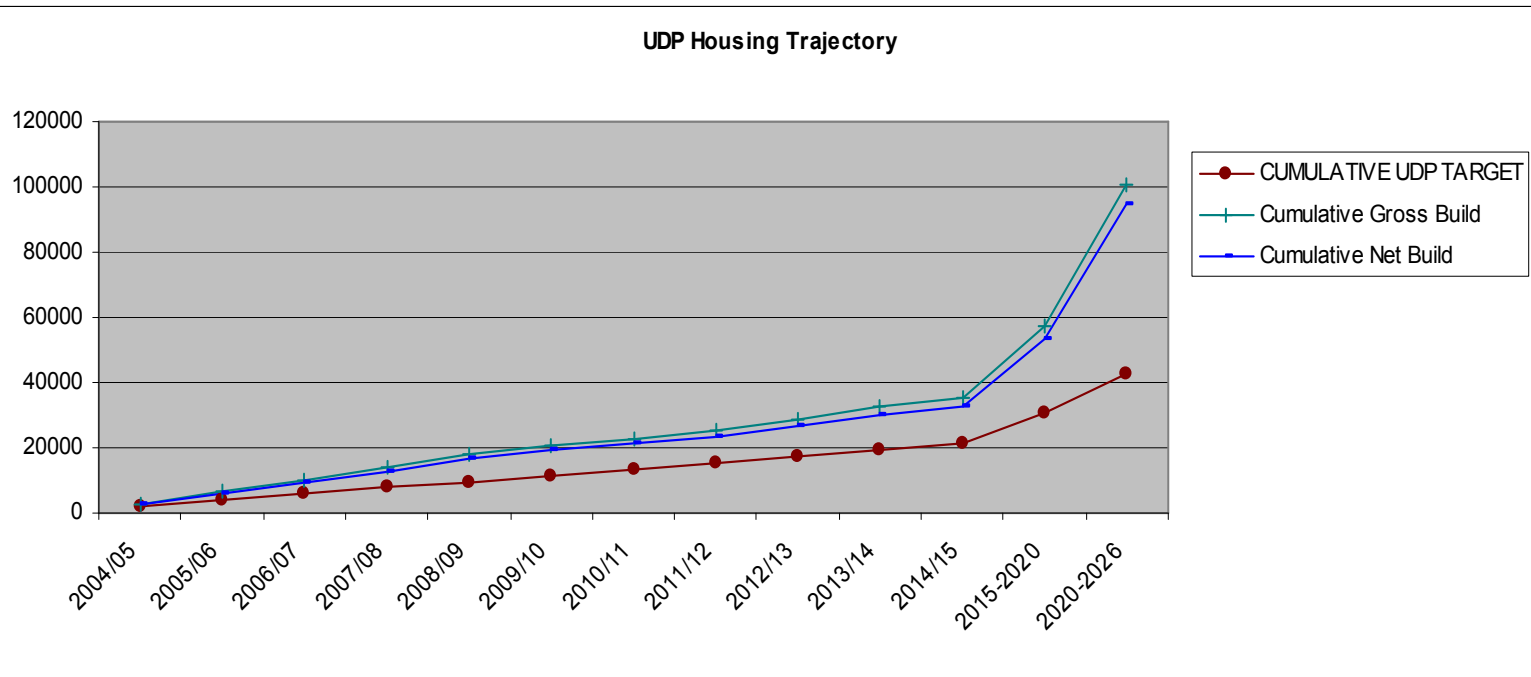
Agree that in the absence of RSS and in the context of the latest government advice that the Council's view on land supply and the 5-year requirement be based on the annual requirement of 2,260 p.a. net set out in the Draft Regional Spatial Strategy.

## **Background Papers**

1. The Coalition: our programme for government
2. The Conservative Party Policy Green Paper No. 14: Open Source Planning
3. The Secretary of State Communities and Local Government letter of 27 May 2010 to Chief Planning Officers
4. Planning Inspectorate Advice Note – Advice produced by The Planning Inspectorate for use by its Inspectors – “Regional Strategies – Forthcoming Abolition
5. Parliamentary Statement of 6 July 2010 by the Secretary of State Communities and Local Government
6. Guidance for Local Planning Authorities following the revocation of Regional Strategies issued by CLG on 6 July 2010

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015-2020	2020-2026
GROSS BUILD	2924	3694	3538	3833	3976	2518	2,312	2,582	3,426	3,607	2,846	22,178	42,907
NET BUILD	2,633	3,436	3,327	3,579	3,828	2,237	2,062	2,332	3,176	3,357	2,596	20,928	41,407
UDP TARGET GROSS	1930	1930	1930	1930	1930	1930	1930	1930	1930	1930	1930	9650	11580
<b>CUMULATIVE UDP TARGET</b>	<b>1930</b>	<b>3860</b>	<b>5790</b>	<b>7720</b>	<b>9650</b>	<b>11580</b>	<b>13510</b>	<b>15440</b>	<b>17370</b>	<b>19300</b>	<b>21230</b>	30880	42,460
Cumulative Gross Build	2924	6618	10156	13989	17965	20483	22795	25377	28803	32410	35256	57,434	100,341
Cumulative Net Build	2,633	6,069	9,396	12,975	16,803	19,040	21,102	23,434	26,610	29,967	32,563	53,491	94,898
Cumulative Difference (Gross)	994	2758	4366	6269	8315	8903	9285	9937	11433	13110	14026	26,554	57,881

UDP Housing Trajectory



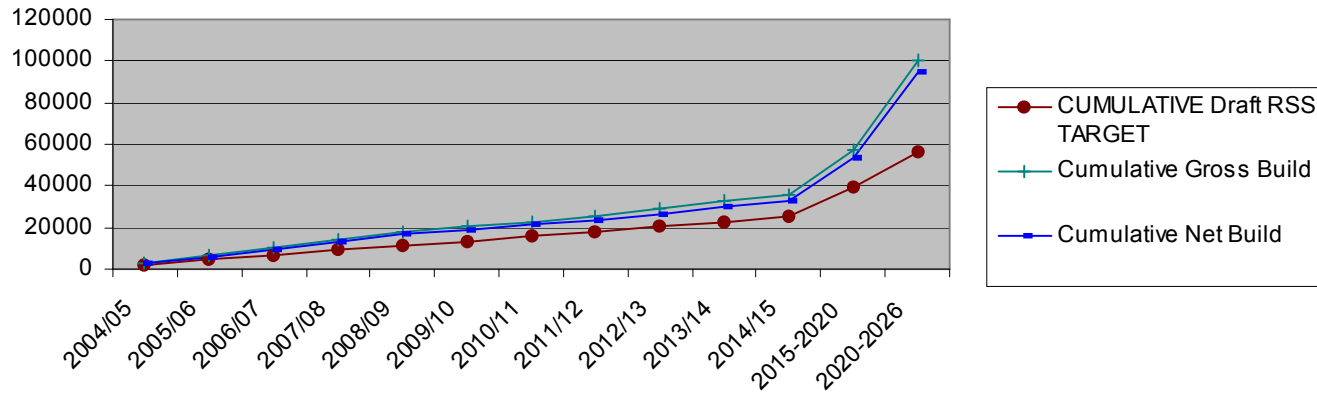


Draft RSS Figures

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015-2020	2020-2026
GROSS	2924	3694	3538	3833	3976	2518	2,312	2,582	3,426	3,607	2,846	22,178	0
NET BUILD	2,633	3,436	3,327	3,579	3,828	2,534	2,062	2,332	3,176	3,357	2,596	20,928	42,907
Draft RSS Target	2260	2260	2260	2260	2260	2260	2260	2260	2260	2260	2260	14060	17700
<b>CUMULATIVE Draft RSS TARGET</b>	<b>2260</b>	<b>4520</b>	<b>6780</b>	<b>9040</b>	<b>11300</b>	<b>13560</b>	<b>15820</b>	<b>18080</b>	<b>20340</b>	<b>22600</b>	<b>24860</b>	<b>38920</b>	<b>56620</b>
Cumulative Gross Build	2924	6618	10156	13989	17965	20483	22795	25377	28803	32410	35256	57434	100341
Cumulative Net Build	2633	6069	9396	12975	16803	19040	21102	23434	26610	29967	32563	53491	94898
Cumulative Difference	373	1549	2616	3935	5503	5480	5282	5354	6270	7367	7703	14571	38278

Draft RSS Housing Trajectory

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Mr Steve Speak  
Leeds City Council  
Planning Department  
The Leonardo Buildings  
Rossington Street  
Leeds  
LS2 8HD

20 July 2010

Dear Mr Speak

## **NEW HOUSING IN LEEDS**

The Home Builders Federation (HBF) has read the report of the Director of City Development that will be considered by the Council at tomorrow's Executive Board meeting. We would like to submit for the Board's consideration a counter-position that not only reflects the industry's perspective on how to address the city's housing needs but also better reflects what we believe is the new Coalition Government's approach to house building.

The HBF is the voice of the home building industry in England and Wales. Our members are responsible for building around 80% of all the new homes built each year. We represent member interests on a national and regional level to create the best possible climate in which they can deliver the homes the country needs.

### **Purpose of the Committee Report**

The paper, and the City Council's approach to housing to date, is biased in favour of the interests of those who already own homes, at the expense of non-home owners and of the wider Leeds economy. The purpose and content of the Board report as currently drafted is to seek to establish a new interim housing target in order to prevent the release of the phase 2 and phase 3 green field sites rather than addressing the needs of the citizens of Leeds.

### **Impact of the Secretary of State's revocation of Regional Strategies and a new approach to supporting economic growth**

1. The report is insufficiently balanced in its reporting of the approach of the new Coalition Government to the question of future house building in the

UK. While the Government has made clear its intention to abolish top down target setting and compulsion from the centre and to give communities more powers it has also given a clear commitment to housing and economic growth (see the Parliamentary Statement: *Revoking Regional Strategies*). The Government has also made clear on numerous occasions that it intends to build more homes than the previous Government and to increase levels of owner occupation.

2. The approach of the new Government is to reduce the over-reliance on public sector spending which has become so much a feature of economic life over the last two decades. Instead it recognises the need to re-invigorate the market to allow it to replace this over-dependence. This will entail creating the right conditions for private sector investment, including reducing unnecessary bureaucracy and regulatory burden in order to allow the market to flourish. A necessary adjunct to economic growth will be the need to make sure that the public's aspirations and need for housing is addressed.
3. It is quite clear that in revoking the Regional Strategies and handing power to local authorities the Government is not necessarily making a case for reducing the number of homes to be built, but for local authorities to consider what is needed in terms of employment and housing development to support the growth of their area (or not as the case may be). We understand that Leeds is committed to growing its local economy, as the report to the Committee indicates. Consequently it must by necessity consider planning for a level of housing which is commensurate with its ambitions and by making sure the right number and type of homes in suitable locations are provided.

### **Economic benefits**

4. Supporting the right level of housebuilding, of the right type and in suitable locations will bring several economic dividends.
5. Firstly, and most obviously, it supports direct and indirect jobs in the construction and manufacturing sectors – areas of employment that are of particular importance to Leeds's economy. According to Professor Michael Ball, in his 2005 study *The Labour Needs of Extra Housing Output* (HBF and ConstructionSkills, March 2005) home building makes a significant contribution to employment; in 2005 it employed 335,000 people directly with every new home providing 1.5 jobs directly, plus up to four times that many people in the supply chain. It provides benefits for the lower skilled and young workers who have relatively few alternative opportunities – issues that must be of central concern for Leeds City Council. Failure to deliver the right level of housing will jeopardise the employment prospects of a large number of young people for whom jobs in construction provide an important introduction to employment.
6. The failure to build a sufficient supply of the right type of homes in the right places, especially the failure to provide for low cost market housing in the mix (as required by PPS3) as a result of excessive policy demands, *will*

*maintain high house prices.* This will result in higher levels of household debt in relation to income, especially for younger households. This is financially burdensome and increases their vulnerability to default in the event of unemployment. The consequences of this can add additional strain to local public finances and services.

7. Higher house prices will mean that more household income is tied-up unproductively servicing mortgage debt that would otherwise, beneficially, be in circulation in the local economy. Higher household debt also discourages risk-taking and a more entrepreneurial culture if people are anxious that they may never get back on the housing ladder if they lose their home owing to job-loss or business failure.
8. Housing undersupply will also have adverse labour market consequences for Leeds. Households find it very difficult to move from low to high priced areas, so that labour mobility is impeded and unemployment differences tend to be perpetuated. In addition, employers have to pay more to attract employees to Leeds, and this will have implications for the competitiveness of businesses in the City. This has consequences for the cost of the delivery of public services too who find it difficult to attract employees in low to medium income occupations in high priced areas, as do lower-pay private sector businesses. People will also have to travel further to reach their place of work with the attendant environmental consequences.
9. We also refer to the recent Centre for Cities report *Arrested Development: are we building houses in the right places?* Higher house prices will not only increase the drain on public finances as the state takes emergency measures to help with hardship, but it holds back the economic growth of areas popular with the public where employers wish to invest (the author cites Solihull and Trafford as examples: places attractive to people and investors, but where supply is restricted in favour of inner-city regeneration policies in the cities of Birmingham and Manchester). These lessons apply equally to Leeds and to those areas that are popular with households and where demand is high but targets are low.
10. According to research commissioned by the UK Contractors Group (*Construction in the UK Economy*, October 2009) nationally, housebuilding used to contribute in the order of 3-4% to GDP. This has now slipped to 1.5% owing to the impact of the recession and planning and regulatory barriers to delivery. The housebuilding industry therefore has the potential to make a considerable contribution to addressing the national deficit, in addition to providing the houses that are needed by the City.

The table below provides an indication of the value of house building to the Leeds City economy.

Build rate per annum	Direct Jobs	Indirect Jobs	Construction spend	Wider Economic Spend
1,000	1,500	4,500	£90m	£270m
2,000	3,000	9,000	£180m	£540
3,000	4,500	13,500	£270m	£810
4,000	6,000	18,000	£360m	£1,080

The rate of current starts is reported by the Council to be 1,000 per annum in Leeds. With a pro-active approach to house building, thousands of construction and manufacturing sector jobs could be created and £Ms invested in the local economy.

11. Private house building also contributes to community infrastructure and affordable housing. The most recent analysis for by Cambridge University for the CLG (*The Incidence, Value and Delivery of Planning Obligations in England, 2007-08*, CLG, March 2010) shows that the total sum raised from S106 agreements has risen from £2bn in 2003-4, to £4bn in 2005-6 and £5bn in 2007-8. Half of the money in each of these years went towards affordable housing.
12. Construction activity generally (not solely house building) is one of the best ways of stimulating economic activity – not just in the construction sector, but across the economy as a whole, including the troubled manufacturing sectors. It also has one of the lowest levels of imports, so the stimulus spending remains within the national economy.
13. The City will benefit from business tax revenue derived from companies and businesses associated with house building and the benefits of a stronger local economy. The national exchequer will also benefit from the additional council tax revenue gained from each new home built.
14. In view of the Government's intention to top-slice local authority budgets we would strongly urge the Council to abandon its plans to reduce its housing target and work with developers to build more homes in locations of market demand. At a meeting last night with the HBF and representatives of the development industry, Grant Shapps, Secretary of State for Housing, stressed the downside of local authorities not developing – the "reverse carrot" of less revenue support grant from Government and the prospect of having to raise council tax. While it is the Government's intention to remove the cap on council tax rises this will be balanced by the introduction of the requirement for a local vote on any increase of 5% or more (as set out in the Green Paper).
15. This will mean that local authorities should be seeking to boost housing delivery in the short term to take advantage of the council tax incentive scheme. It is the intention of Government to pay the council tax incentive *on completion* of each home from April 2011 onwards. Because the incentive will only be paid on completion, if Leeds City wishes to be first in the queue to benefit from this incentive (given that it will be in competition

with every other local authority in England to secure a share of this grant) then it must grant permissions now to ensure that completions come forward from April onwards. Not only will this require reviewing unnecessary and onerous regulatory and policy obstacles to delivery, but it will also require of shift in emphasis in the City's planning policies so that sites in locations of strong market demand are brought forward, rather than focusing solely on regeneration sites that are currently unviable and have little prospect of coming forward.

16. Shifting emphasis away from regeneration initiatives to supporting house building in areas of market demand in Leeds has a number of benefits as described in the Centre for Cities report *Private Sector Cities: a new geography of opportunity*. Highly skilled workers will tend to be more mobile and prepared to undertake longer commutes between home and work. They will also tend to change their job more frequently. So the Urban Renaissance nirvana of having people live near to their place of work was always something of a pipe-dream, and rarely practised by its advocates. Regeneration will best be achieved by encouraging a thriving local economy and housing market. Restricting supply to low value areas will do little to encourage households to move to them – they will go elsewhere, to other Districts. If the City wishes to retain and continue to attract its high value-adding workforce, it must respond to market signals about where such people want to live. This will mean building more family homes in areas of high demand, letting these people decide for themselves what they think is in their best interests.

### **Establishing the current level of need for market and affordable housing**

17. The report advocates a new twenty year housing target of 2,260 homes per year as opposed to the target agreed on by the RSS of 4,740 net additions per year.
18. The report justifies this reduction on the basis of the revised population projections. The NHPAU's last set of advice to ministers on housing ranges in July 2009 before it was abolished is based upon the 2006 household projections and the latest population projections. The advice takes into account the impact of the recession and assumes a lower level of migration for the period to 2014. It also accounts for how the recession is expected to impact on earnings growth and how this will tend to reduce the demand for owner occupation. The cumulative impact was to 'dampen' its projections. Despite this, its revised minimum and maximum housing ranges for Yorkshire and Humberside still exceed the previous set of advice to ministers of June 2008.

<i>NHPAU Annual average housing supply ranges</i>			
<i>June 2008 advice</i>		<i>July 2009 advice</i>	
Minimum	23,800		26,400
Maximum	26,400		29,400

19. Other recent forecasts suggest a range of need for newly forming households in Leeds of between 4,500 to 6,000 per year. The most recent forecast appears in the LCR Ekosgen report where the scenario for low economic growth suggests an annual requirement of 5,317 homes.
20. How far the recession and Government policy will in fact impact upon levels of international migration is debateable. One might argue that because the performance of the UK economy is still relatively strong compared to other parts of the world, and because the UK still offers an attractive way of life for many people (as a tolerant democracy) levels of migration may continue unless the Government does decide to close the UK borders. Even so, last year's population projections were clear that natural population growth among the nation's indigenous population would account for more than two thirds of the projected population increase between now and 2031.

### **National population projections**

21. The population growth forecasts referenced in paragraph 3.7 of the Executive Board paper indicate that population growth is currently only 75% of the ONS forecast growth estimate. However, the paragraph does not state that the annual actual forecast growth for Leeds is 11,000 people per year (1.4% growth per year). At 75% this suggests an annual growth of nearer 8,250 people. Assuming there are two people per household as the report does in paragraph 3.7 then this suggests that some 4,125 households will be formed in Leeds in 2009.
22. Assuming this lower growth rate is repeated over the coming years and beyond 2014, the suggested target of 2,260 homes would at best meet only half of the City's forecast need.

### **Affordable housing**

23. Leeds has some 30,000 households on the housing waiting list and a reported need for affordable housing of some 1,889 homes per annum. Delivery rates currently stand at 400 per year, which is only 20% of the target.
24. Affordable housing is needed in all parts of the City, not just the inner regeneration areas targeted by the Council's regeneration programmes. Indeed targeting housing supply towards other suburban areas would increase the supply of affordable homes thereby helping to create mixed communities. Affordable housing could be provided and at no additional cost to the public purse if supply were to be improved in such locations.
25. Since public subsidy for the supply of affordable housing will be reduced significantly, the Government is expecting local authorities to adopt a more market-responsive stance and policies to encourage the private sector to supply social housing. It is for this reason that the Government



has included in *Open Source Planning* its intention to pay local authorities an incentive of 125% of council tax for each new affordable home built and for this to be matched again by Government – thus a 250% council tax payment will be gained by the Council for each new affordable home completed.

### **Long term house prices**

26. The report argues that restrictions on lending will significantly restrain demand for housing. This would only be true if all other factors remain the same including the policy response of the Council to the economic downturn: i.e. that land supply continues to be constrained by the City Council; that the level and productivity of private sector activity continues at the same pace as before, and does not expand to replace the role of the public sector; and that the profitability of house building continues to be reduced by unnecessary regulatory and policy impositions. In short, the report assumes no changes are afoot other than in the lending rates of banks. The Council assumes an entirely passive role in planning for new housing delivery.
27. By contrast with the assessment provided in the report it is not the intention of the house building industry to continue to build homes and sell these at prices that households are unable to afford. If mortgage lending is to be restricted to typical loan-to-value ratios of 3.5 times a household's income, then the industry, and we hope Council also, will need to ensure that people are able to meet their housing needs within this framework set by the banks.
28. This will entail a wide-spread review of the current burden of regulation imposed on house building (something currently being addressed by Government) and it may require the release of public sector owned land to stimulate the supply of more affordable market homes as well as social housing. This would be in accordance with the Coalition's programme for government. It may also necessitate the removal of affordable housing targets in order to encourage house building to come forward in regeneration areas and to support the creation of more mixed and balanced communities. Reducing regulatory and affordable housing demands, or providing public sector land at much reduced prices to developers, and re-directing these savings toward customers in the form of lower house prices (instead of towards the local authority in the form of section 106 payments) has the potential to stabilise and reduce house prices. Such solutions are being explored in other parts of the country (Macclesfield and Birmingham City Council) in order to support economic recovery and meet the aspirations of their citizens, while reducing the demands placed on the public purse.
29. House prices can also be helped by improving the supply of land. By contrast the deliberate constraint of land supply over the last decade has helped to inflate land and house prices. This might have helped once untouchable inner-city sites to become viable for apartment

developments, but this was only under-pinned by generous (and ultimately unsustainable) levels of mortgage lending. Local authorities nationally were able to benefit from this arrangement: by increasing the amount of section 106 revenue it extracted from each development - underpinned by high house prices and guaranteed through the rationing of land. In conjunction with design rules this has prevented more market sensitive house types to come forward catering for different segments of the market and incomes and has contributed to an imbalance in new build accommodation (and a shortage of family housing) in recent years.

### **Voids and empty properties**

30. The report is misleading at paragraphs 3.13 and 3.14. It argues that new housebuilding creates voids. The number of long term voids in Leeds District in 2004 was 12,000, in 2007 it was 8,000 and in early 2010 it was almost 10,000.
31. These long-term empty properties are mainly small poorly maintained rented units concentrated in a limited number of wards, largely related to student dominated areas, or the city centre. Long term void rates across suburban Leeds and larger outer settlements such as Rothwell and Morley stand at little over 2% - the typical percentage attributable to transactional vacancies (homes empty while waiting to be sold). Void property is not an issue for the majority of Leeds.
32. Homes that remain empty for longer periods reflect wider economic conditions. They tend to be concentrated in 'low demand areas' – a reflection of poor employment opportunities and amenities. Many voids are also hard to rent or sell units such as homes above shops. Such homes are not attractive to families who will instead be forced to migrate further afield to competing towns and cities such as Selby, Bradford and Wakefield.

### **Infrastructure**

33. The report also suggests there is a need to reduce the housing targets because of capacity constraints and because house buildings will no longer be able to make as great a contribution to this provision as in the past. We would disagree that this should be reason to refuse housing developments. This is not only contrary to Government policy on planning obligations (developer contributions should not be relied upon to make good deficits in investment) but each site is to be considered on its own planning merits. What is more, in the case of the phase 2 and phase 3 allocated sites, any infrastructure and services upgrades that arise from the development will be funded by the development through s106 obligations and so are not paid for by rate payers.
34. Scaling-back housing targets simply to reduce pressure on infrastructure is however a peculiar stance for a Council to adopt. Paragraph 3.20 makes the mistake of assuming that falling levels of public spending

means that local councils can avoid planning for housing delivery. Instead, if they wish to grow, the Government requires councils to adopt a more growth-orientated stance in order to improve productivity and value-generating activities. This will generate the profits necessary to invest in enhancing infrastructure provision. The supply of new houses in a particular location will also increase the viability of providing local services, whether it is a new bus route or doctor's surgery.

### **Demand for Family Housing**

35. All major house builders who are developing family housing schemes across Leeds advise that their schemes are selling well. There is a good market for housing in Leeds. Access to finance remains an underlying issue but is not a barrier to the development of more family housing. The Council's own Housing Needs Study recognises a need for additional family housing.

### **Undermining Regeneration**

36. The recent spate of appeal decisions have all proved that the development of allocated Phase 2 and Phase 3 sites will not impact upon the Council's regeneration schemes. The allocated sites were always planned to be developed in tandem as the larger regeneration schemes at places such as Easel and Aire Valley. Regeneration and development in higher-demand areas are not mutually exclusive activities. Larger house builders do both. Indeed the revenue from less-risky green field developments helps to underpin riskier ventures. Altering the housing target will not increase the likelihood of regeneration. The Council's argument on this matter remains unproven. It may however force developers to look to other local authorities where councils are keener to do business. Investment in the local economy and supporting funding from Government will be diverted elsewhere.

### **Conclusion**

37. The tenor of the Council report is also very much one of 'business as usual'. It would appear that the Council is unable to imagine any other way of going about securing growth for the City without high levels of public spending. Without this, the report seems unable to recommend an alternative and progressive strategy that would support the housing needs of the people of Leeds. Rather it should be considering bold measures to stimulate housing delivery to support economic expansion – measures that might include bringing forward locations of proven market demand, or reducing unnecessary policy and regulatory demands that are jeopardising the pace of necessary housing delivery.

We hope this counter-position will be reported to the Executive Board.

Yours sincerely

**James Stevens**  
**Strategic Planner for the Regions**

Email: [james.stevens@hbf.co.uk](mailto:james.stevens@hbf.co.uk)

Tel: 0207 960 1623