

**Report of Director of City Development**

**Report to Development Plan Panel**

**Date: 21<sup>st</sup> November 2017**

**Subject: Core Strategy Selective Review Housing Requirement Options**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. The Core Strategy Selective Review (CSSR) is underway and Members have agreed the scope of the Review and provided comments, via a workshop on the specific strands of work. One of the key actions for the Review is to update the City Council's housing target – currently at 70,000 (net) homes between 2012 – 2028 and considered to not reflect the latest evidence or performance of the housing industry.
2. The evidence of the Strategic Housing Market Assessment 2017 and the recent consultation by the Department of Communities and Local Government (DCLG) generates different housing requirement figures for Leeds ranging between 42,000 and 60,000, based on the latest evidence, over the plan period of 2017 - 2033.
3. This report sets out options for consideration by Development Plan Panel prior to the drafting of specific housing policies for consultation. Development Plan Panel are invited to make comments on these options and the recommended approach to the housing requirement in the Publication Draft of the CSSR.
4. The drafted publication policies for all aspects of the CSSR will be brought to Development Plan Panel in December for consideration and recommendation to Executive Board that the publication draft policies be subject of public consultation under Regulation 19 of the Town and Country Planning Act.

## **Recommendations**

5. Development Plan Panel is invited to comment on the housing requirement options put forward in this report and the recommended approach.

## 1 Purpose of this report

- 1.1 This report sets out the options for Leeds' housing requirement over the period 2017 – 2033 and provides opportunity for Members to comment on the evidence and implications for Leeds.

## 2 Background information

- 2.1 The housing requirement is a key element of the Core Strategy Selective Review (CSSR) which was approved for commencement by Executive Board in February 2017. The CSSR also includes an update to affordable housing and green space policies, introduces new policies on housing standards (size and accessibility) and updates the sustainable construction / Carbon Dioxide (CO2) reduction policies to reflect national advice.
- 2.2 A workshop with Development Plan Panel Members was held on 4th October which considered issues and options relating to the new and revised CSSR policies. At the workshop Members' consensus was that the evidence suggested that a new housing requirement would need to be considerably lower than the current requirement, but there were differing views on the level that the requirement should be pitched.
- 2.3 It is widely acknowledged that the Core Strategy housing requirement was set at the upper end of likely scenarios for the plan period. The Government Inspector's hopes that the national and local economy would swiftly recover from recession have not happened and the CS annual targets have not been met since 2012.

Figure 1 – Completions since 2004

Year	Completions	Targets <sup>1</sup>
2004-5	2,633	n/a
2005-6	3,436	n/a
2006-7	3,327	n/a
2007-8	3,576	n/a
2008-9	3,828	n/a
2009-10	2,238	n/a
2010-11	1,686	n/a
2011-12	1,931	n/a
2012-13	1,801	3,660
2013-14	3,195	3,660
2014-15	2,226	3,660
2015-16	3,296	3,660
2016-17	3,306	3,660

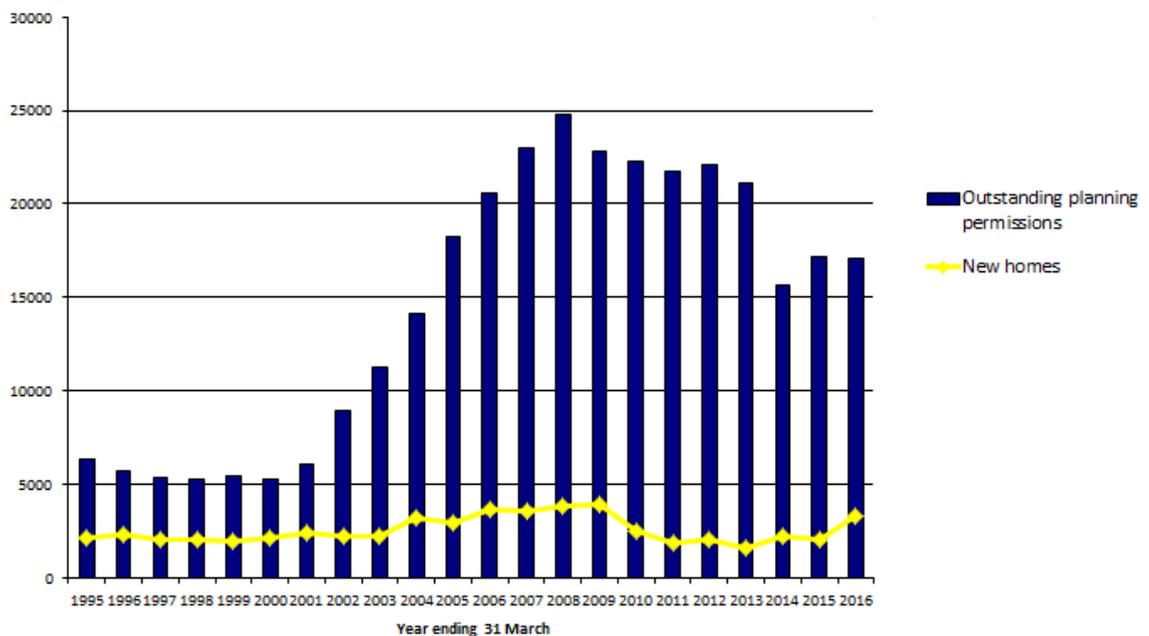
- 2.4 The housing market has struggled through a series of wider economic crises not least the impacts of the uncertainties around the mortgage market review in 2015 and the Brexit referendum in 2016, which saw tangible decreases in quarter on

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<sup>1</sup> Note that the Core Strategy target steps up to 4,700 per annum at 2017-18

quarter housebuilding activity in Leeds. This wider national context has been reflected in the Strategic Housing Market Assessment evidence (below) and the Government’s recent consultation on housing needs (*“Planning for the right homes in the right places”*). Notwithstanding that delivery lies below current CS targets there is a considerable level of housing land supply in Leeds. The issue remains the conversion of permissions into completed units. There are 7 planning permissions in place for every new home built (see Figure 2 below) which suggests that house builders are not building to meet CS targets and are responding to a lower level of demand in the market.

Figure 2 – Outstanding planning permissions as compared to new homes delivered between 1995/6 and 2016/17



- 2.5 The CS targets place the Council in an invidious position as regards the Local Plan; because the National Planning Policy Framework advises that a five year housing land supply<sup>2</sup> be in place when measured against these targets or otherwise the Plan policies are deemed to be out of date. At the current time the Council can demonstrate a 4.38 year land supply (see agenda item on the Strategic Housing Land Availability Assessment, ¶3.18).
- 2.6 An updated CS target in the region of 42,000 to 60,000 would enable the Council to immediately exceed a 5 year land supply.

<sup>2</sup> Local authorities are required to demonstrate that they have the equivalent of a 5 year supply of land for housing development (i.e. 5 years worth of their annual target plus a buffer and any backlog) in accordance with paragraph 47 of the National Planning Policy Framework (NPPF).

### 3 Main issues

#### National Policy

- 3.1 On the issue of how local authority housing requirements should be set, national planning policy is currently in an interregnum awaiting expected new policy and guidance in April 2018. Until new national policy is issued, the current National Planning Policy Framework (NPPF) and supporting Practice Guidance requires that local planning authorities identify the full “Objectively Assessed Need” (OAN) for housing in their areas, and that Local Plans translate those needs into a housing requirement and land provision targets.
- 3.2 OAN is not defined by Government, however the NPPF sets out a current methodology as follows. Local authorities start with the national population and household projections and then take into account a comprehensive set of factors that produce a full evidence based assessment of housing need. Factors include local population and migration variations, household formation rates, economic/employment growth forecasts and market sensitivities including particular unmet needs for affordable housing.
- 3.3 However, as a result of the Government’s current consultation proposals it is understood that the OAN is now set by the standard methodology (which is the new basis for assessing local housing need) and any deviation from that (higher or lower) is a local choice around setting a housing requirement.
- 3.4 Concerned that too many examinations and planning inquiries were being stalled due to complexities of housing numbers, DCLG commissioned the Local Plans Expert Group<sup>3</sup> (LPEG) to devise a simpler methodology for calculating housing requirements. LPEG published a report in March 2016 which set out a simplified methodology, but one that still had regard to employment growth and one or two other considerations.
- 3.5 DCLG then published a consultation “Planning for the right homes in the right places” in September 2017. Unexpectedly this put forward an extremely simplified methodology which starts with sub-national household projections and makes one adjustment for local house price/income affordability ratios. Using this methodology provides for Leeds a figure of 2,649 dwellings per annum which would generate a requirement of 42,384 over the plan period 2017 – 2033. Notwithstanding that methodology, the consultation paper says that local authorities may plan for higher numbers. Paragraph 46 says:

*“Plan makers may put forward proposals that lead to a local housing need above that given by our proposed approach. This could be as a result of a strategic infrastructure project, or through increased employment (and hence housing) ambition as a result of a Local Economic Partnership investment strategy, a bespoke housing deal with Government or through delivering the modern Industrial Strategy. We want to make sure that we give proper support*

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<sup>3</sup> The Local Plans Expert Group was established by the Communities Secretary, Greg Clark and the Minister of Housing and Planning, Brandon Lewis MP, in September 2015, with a remit to consider how local plan making can be made more efficient and effective.

*to those ambitious authorities who want to deliver more homes. To facilitate this we propose to amend planning guidance so that where a plan is based on an assessment of local housing need in excess of that which the standard method would provide, Planning Inspectors are advised to work on the assumption that the approach adopted is sound unless there are compelling reasons to indicate otherwise.”*

- 3.6 The CSSR will not be submitted for examination until after the expected issue of new national policy and guidance, which means that the new methodology is likely to be what the CSSR will be tested against.

### Local Evidence

#### The housing requirement for 2017 - 2033

- 3.7 The Council commissioned consultants Arc4 and Edge Analytics to undertake a complete Strategic Housing Market Assessment (SHMA) for Leeds in January 2017. Preparation of the SHMA followed the national planning policy framework in assembling evidence of “objectively assessed need” and followed the national practice guidance in terms of methodology. In addition, the SHMA 2017 sought to anticipate the Government’s stated intention to introduce a simpler method for calculating affordable housing. It produced a calculation of the housing requirement using the methodology advanced by the LPEG set up to advise the Government on a new simple methodology (see para 3.1.2 above). The LPEG methodology generated a figure of 55,296 homes (3,456 homes per annum).
- 3.8 The process of preparing the SHMA aimed to be as inclusive as possible by meeting with a “reference group” representing a wide range of local housing interests. It met at the outset of the process to share the proposed methodology and again to share interim findings before finalisation. Data and information was gleaned not only from the standard sources of national and local data, but also through a household survey which was circulated to nearly 28,000 households and received a healthy 15% return (including on-line responses). A number of stakeholder consultation sessions were held with specialist groups and an online survey aimed at a range of professional interests.
- 3.9 The results of the SHMA 2017 offer a very thorough understanding of Leeds’ housing needs and its relationship with job growth and commuting. It provides two objectively assessed housing need figures based on different levels of employment growth. The “REM 2017” figure uses the employment growth forecast in the March run of the Regional Econometric Model<sup>4</sup>. With other adjustments for headship rates<sup>5</sup> and market signals the REM 2017 scenario has an annual housing need figure of 3,478 dwellings (55,648 over the plan period). The High Growth scenario uses a more aspirational forecast of employment growth aligned to the Leeds Inclusive Growth Strategy 2017 – 22. With the other adjustments, the High Growth

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<sup>4</sup> The REM is hosted by the Regional Economic Intelligence Unit for the West Yorkshire Combined Authority and looks at 30 employment sectors and national and local market factors to model future job growth consistently across the West Yorkshire local authorities.

<sup>5</sup> Headship rates are the number of adults per household and are a means of assessing whether there is pressure on household formation or not. Where more than three adults are present in one household there may be an unmet need e.g. adult child still living at home.

scenario has an annual housing need figure of 3,783 dwellings (60,528 over the plan period).

Housing Requirement Options for Leeds

- 3.10 Based on the DCLG consultation (which sets the OAN for Leeds) and the SHMA 2017 (which generates local housing requirement options) three housing figures can be easily identified for consideration:

OAN / Requirement Scenario	Annual Figure	Plan Period Figure
DCLG Consultation (OAN)	2,649	42,384
SHMA REM 2017	3,478	55,648
SHMA HIGH GROWTH	3,783	60,528

- 3.11 These figures have ready justifications and warrant further exploration of their impacts and merits, see below. The LPEG figure (as noted in ¶3.5 above) was calculated as 55,296 homes but given the DCLG consultation has no validity as a methodology in its own right. It can be seen that the gap between the DCLG base figure and the REM 2017 figure is significant. The Council have therefore examined the findings of the SHMA and sought to ensure alignment of the assumptions therein with the latest Government advice.

- 3.12 The LPEG recommends that the headship rates from the latest household projection model (i.e. 2014-based) are adjusted in the context of 2008-based rates. This effectively means adding an uplift on the basis that household formation would return to pre-recession levels particularly amongst the age group commonly referred to as “millennials”. The SHMA sought to accommodate a partial return to such levels in line with the LPEG methodology. However, it is important to note that recent trends in Leeds provide no evidence that headship rates will return to the rate of pre-2014. Moreover, there is no suggestion in the latest Government consultation that the baseline figure should be uplifted for this factor. Removing the uplift of Partial Return of Headship Rates (231 dwellings p.a.) would give a figure of 51,952.

- 3.13 This figure is considered to be a valid scenario on the basis of headship rates outlined above. It is further broadly corroborated because in simple terms it lies around the mid-point between 42,384 (CLG base) and 60,528 (High Growth).

OAN / Requirement Scenario	Annual Figure	Plan Period Figure
DCLG Consultation (OAN)	2,649	42,384
SHMA ADJUSTMENT	3,247	51,952
SHMA REM 2017	3,478	55,648
SHMA HIGH GROWTH	3,783	60,528

- 3.14 Whilst it is not considered that headship rate will never return to pre-2011 levels there is caution about allowing further uplift for a factor that currently has no evidential basis. With an improving job market, the share of young adults living in their parents’ homes may fall. If this happens and young adults move out of their

parents' spare bedrooms headship rates in the future will change. This can be captured and reflected in future analysis. One of the characteristics of the latest Government consultation is the ability to respond more quickly to changes in evidence and the Government advises that plan targets be reviewed every five years.

### Further Adjustments

- 3.15 It should be noted that a further adjustment to take account of future demolitions is required to convert the figure to a gross housing requirement. Evidence suggests this should be 150 dwellings p.a. (2,400 homes over the plan period) which is lower than the 250 dwellings p.a. in the adopted Core Strategy. A reduction is justified given the evidence of a reduced rate of housing clearance programmes at the current time. Should such programmes be re-introduced there would be scope to re-adjust the figure.
- 3.16 To determine the quantity of housing supply to be achieved through identifying and allocating sites, a windfall allowance can be deducted from the housing requirement. If the windfall allowance of 500 dwellings p.a. is used, which was agreed in the adopted Core Strategy, 8,000 dwellings can be accounted for through other means and therefore removed from the target for the plan period when assessing the level of land needing to be allocated.
- 3.17 It is not considered appropriate to include backlog against previous Core Strategy targets (2012 to 2017). This is not required by the NPPF, was not constrained by a lack of housing supply (as figure 2 demonstrates) and is not recommended by the SHMA consultants.

### Implications and Considerations of the Objectively Assessed Need options

#### The implications of revised requirements on allocation targets

- 3.18 It is generally accepted that the OAN, as its name indicates, should be derived from objective analysis of the evidence. Once done there are supply-side factors such as local strategy, physical constraints, policy designations and adverse impacts of development which local planning authorities may take into account. However, at the current time national guidance is clear that the full objectively assessed needs should be met unless they can be accommodated elsewhere i.e. in neighbouring authorities.

OAN Figure	Annual Figure (net) <sup>6</sup>	Plan period (net)	Land to Allocate <sup>7</sup>	Illustrative 5 year supply <sup>8</sup>
DCLG Consultation	2,649	42,384	36,784	11 years
<b>Requirement Figures</b>				
SHMA ADJUSTMENT	3,247	51,952	46,352	9 years
SHMA REM 2017	3,478	55,648	50,048	8 years
SHMA HIGH GROWTH	3,783	60,528	54,928	7 years
<b>Illustrative Current Position</b>				
CORE STRATEGY 2014	4,700	70,000	66,000	4.3 years <sup>9</sup>

3.19 Given the current consultation it should be noted that there is some uncertainty

#### DCLG Consultation Figure

- At 2,649 (42,384) dwellings, this is the lowest figure, which would create less need for greenfield and Green Belt releases as all housing could be accommodated on brownfield land in the main urban area and major settlements. However, this would ignore the need for a spatial distribution of housing to meet local needs locally. There are therefore significant issues regarding the extent to which this figure fulfils the Council's inclusive growth strategy ambitions. Also, the extent to which this figure fully reflects the needs for affordable housing across the City is underplayed (it doesn't reflect the conclusions of the SHMA 2017, which has again highlighted that affordability is a key issue in Leeds, and would on that basis provide an insufficient level of market housing from which to secure affordable housing obligations). The SHMA analysis of matching local housing needs with expected rates of economic growth means that under this scenario it is likely that insufficient homes would be provided to meet the needs of a growing economy. In such a scenario there may be significant consequences: employers would find it harder to recruit in Leeds and potentially locate elsewhere and/or employees would increasingly live outside of Leeds and commute in to access jobs. This would in turn place pressure on the strategic road, rail and bus network and is considered to

<sup>6</sup> This is the figure against which the 5 year housing land supply will apply

<sup>7</sup> The land to allocate = the net OAN figure plus an allowance for demolitions (+2,400) minus windfall allowance (-8,000)

<sup>8</sup> When assessed against the SHLAA 2017 supply of 29,383 houses (with backlog 2012-2017 removed and a 5% buffer applied)

<sup>9</sup> Including backlog (4,476 homes) and 20% buffer

be strategically unsustainable. These issues can be further discussed through Duty to Cooperate arrangements.

#### SHMA Adjustment Figure

- The 3,247 (51,952) figure would reduce the previous needs for Green Belt release albeit there would remain a necessity for some release as there would be insufficient alternative land to meet needs for the new plan period. As it is based on the SHMA 2017 scenario with an adjustment to remove an uplift for headship rates it would accord with the most realistic estimates of Leeds' economic growth prospects and ability to meet housing needs. It would also withstand peaks and troughs of economic cycles.

#### SHMA 2017 Figure

- The 3,478 (55,648) figure would reduce the need for greenfield and Green Belt releases somewhat albeit there would remain a necessity for some release as there would be insufficient alternative land to meet needs for the new plan period. It accords with realistic estimates of Leeds' economic growth prospects and would be able to meet housing needs comfortably. It would also withstand peaks and troughs of economic cycles.

#### SHMA HIGH GROWTH Figure

- The 3,783 (60,528) figure would minimally reduce the previous needs for Green Belt release when looked at over the revised plan period. It accords with the most optimistic estimates of Leeds' economic growth prospects which is a similar approach to that taken in the Core Strategy and would provide ability to meet housing needs reasonably well. However, it is susceptible to market failures and the inability of the house building industry to build at such scales consistently.

#### Housing Distribution: Consequential Amendments to Policy SP7

- 3.20 Policy SP7 of the Core Strategy 2014 divides the total dwelling supply for allocation (66,000 dwellings) into different geographical areas. It sets out the number and percentages of dwellings that should be allocated in different parts of the Settlement Hierarchy (City Centre, Main Urban Area, Major Settlements and Smaller Settlements) and in the different Housing Market Characteristic Areas (HMCAs).
- 3.21 If Policy SP7 were not amended, the numbers of dwellings for the different geographical areas would be too high for the new housing requirement. This means it would make sense and avoid confusion if the absolute numbers currently stated in the policy were deleted from the tables of Policy SP7.
- 3.22 Regarding the percentages for the Settlement Hierarchy including percentages for infill and urban extensions, these will no longer be achievable with the lower

housing requirement and may not serve any beneficial planning purpose. This means it would make sense to delete the Settlement Hierarchy table altogether from Policy SP7.

- 3.23 In contrast, the percentages for the HMCAs will largely be achievable with the lower housing requirement. Keeping the HMCA percentage targets of SP7 would concur with the wider spatial strategy of the Core Strategy as expressed in the Vision and Policy SP1. This can be summarised as a balanced provision of brownfield and greenfield land (Vision paragraph 3.2), sustainable growth related to the Settlement Hierarchy with the scale of growth reflecting the size, function and sustainability of the settlement (Spatial Policy 1) and selective use of Green Belt land where this provides the most sustainable option. A balanced mix of sites including greenfield and brownfield is part of that strategy. A good geographic spread of sites associated with settlements of the Settlement Hierarchy will help secure delivery of housing to meet the varied needs of Leeds residents. Keeping the HMCA percentage targets would also concur with the conclusion of the Member workshop that it would be appropriate to keep the HMCAs as a means for securing a balanced distribution of the housing supply.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 Preparation of development plan documents, including the selective review of the Core Strategy is subject to the provisions of the Town and Country Planning (Local Planning) Regulations which require a minimum level of public consultation as well as the Council's Statement of Community Involvement. The consultation on the scope of the review was carried out for 6 weeks from 19th June until 31st July 2017. It involved notifying statutory consultees, neighbouring local authorities and people / organisations who had commented on the original Core Strategy. A consultation statement set out the proposed scope of the selective review and invited representations on the topics proposed and on whether other parts of the Core Strategy should be reviewed and why. Details were provided on the Council website and in Libraries and One Stop Shops were notified.

- 4.1.2 An explanation of the proposed consultation for the Publication Draft was set out in the report to Development Plan Panel of 5th September 2017.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 The council will need to consider any impacts that new planning policy is likely to have on equality, diversity, cohesion and integration. An Equality Impact Assessment will be prepared for the Publication Draft stage of plan preparation.

### **4.3 Council policies and Best Council Plan**

- 4.3.1 The Best Council Plan 2017-18 is relevant in terms of its priorities for Good Growth, Health & Wellbeing, Resilient Communities, Better Lives for People with Care & Support Needs and Low Carbon. The quantity of homes that Leeds plans for will have ramifications for economic growth, but also meeting needs of a growing population. The CSSR will also have ability to improve the range and quality of

dwellings delivered to ensure the needs of particular groups such as the elderly are met, and that health and wellbeing of residents is improved. Provision of new greenspace in association with new housing developments is also important

#### **4.4 Resources and value for money**

4.4.1 Preparation of the CSSR will be met from existing budgets.

#### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 The CSSR follows the statutory Development Plan process in accordance with The Town and Planning County Planning Act 1990, Planning and Compulsory Purchase Act 2004 (as amended), The Environmental Assessment of Plans and Programmes Regulations 2004, Town and Country Planning (Local Planning ) (England) Regulations 2012 (as amended) , Localism Act 2010, and associated legislation. Once adopted the Plan will form part of the Council's statutory Local Plan.

4.5.2 The report is not eligible for call in, in line with the Executive and Decision Making Procedure Rule 5.1.2 – the power to call-in decisions does not extend to those being made in accordance with the Budget and Policy Framework Procedure Rules. The Plan will need to be considered by Scrutiny Board (City Development) in accordance with the Budget and Policy Framework Procedure Rules.

#### **4.6 Risk Management**

4.6.1 The Government is currently in the process of reviewing national planning policy concerning housing matters. A white paper was published at the start of 2017 followed by a consultation paper on calculating local housing requirements in September 2017. There is a risk the changes to national policy expected to be confirmed in April 2018 could make the CSSR Publication Draft proposals out of line with national policy. To reduce this risk officers have tried to anticipate the direction of travel as closely as possible. Also, the City Council will have a further opportunity to bring the CSSR back to accord with national policy in the Submission Draft which is anticipated in summer 2018.

### **5 Conclusions**

5.1 The report sets out four credible housing requirement options for Leeds with considerations of the pros and cons of adopting each one. The two middle figures of 51,952 and 55,648 dwellings would represent significant reductions on the current requirement of 70,000, but would accord with the best current forecasts of economic and employment growth in Leeds. The low DCLG figure of 42,384 could be harmful in constraining future economic growth. The HIGH GROWTH scenario is considered to be too susceptible to market fluctuations.

### **6 Recommendations**

6.1 Development Plan Panel is invited to comment on the housing requirement options put forward in this report.