
Report of the Chief Planning Officer

Report to Development Plan Panel

Date: 16th October 2018

Subject: Housing Needs – Changes to Household Projections and Government Methodology/Guidance

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s): All		
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?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:		
Appendix number:		

Summary of main issues

1. The Government has released Planning Practice Guidance (PPG) to provide more detail on policies within the revised National Planning Policy Framework (NPPF). This updates how local planning authorities should plan for housing need and clarifies that the Government's standard methodology for calculating housing remains in draft. It is understood that the Ministry of Housing, Communities and Local Government (MHCLG) are to undertake further consultation on a revised methodology before the end of the year.
2. The Office of National Statistics have released the latest 2016-based sub-national household projections which reveal a 25% drop in household growth over the next 25 years, however they have indicated that further releases may change this figure and new variant projections are anticipated in December 2018.
3. These occurrences are already causing delays to plan making across the Country and it is important for the Council to consider the implications of the recent changes on the policies in the submitted Core Strategy Selective Review (CSSR) so as to provide context for the hearing sessions and so as to ensure that the plan remains up to date and the most appropriate strategy moving forward.

Recommendation

4. Development Plan Panel is invited to consider the changing national policy position and changing evidential base for calculating housing requirements as set out in this report.

1 Purpose of this Report

- 1.1 The purpose of this report is to update Members of Development Plan Panel on changes to national planning practice guidance, sub-national projections and the Government's approach to calculating housing needs via a standard methodology, all of which are relevant context to the housing requirement for Leeds as set out in the Core Strategy Selective Review (CSSR).

2 Background Information

- 2.1 The CSSR was submitted for examination on 9th August 2018 following consideration by Development Plan Panel (20th June) and Executive Board (27th June) and a Council resolution to submit the plan to the Secretary of State for independent examination on 11th July 2018.
- 2.2 The housing requirement proposed in the submission draft of the CSSR is 3,247 dwellings per year (51,952 over the plan period of 16 years) based on a Strategic Housing Market Assessment of local evidence. The Government had already published a draft simplified method ("standard methodology") for calculating housing requirements with a figure for Leeds of 2,649 dwellings per year (42,384 over the plan period). The Government's commitment to using a standard methodology was finalised in the revised National Planning Policy Framework (NPPF) on 24th July 2018, however it remains in draft and consultation on further changes are expected (see section on Standard Method below).
- 2.3 In resolving to submit the CSSR Council agreed that the standard methodology was not the correct approach for Leeds. Council considered that it did not reflect the economic growth ambitions of the City or the City Region nor did it fully capture local evidence on affordable housing needs.
- 2.4 Since submission there have been two further changes. First, the Planning Practice Guidance, which provides more detail on the NPPF was updated on 13th September. Second, new 2016 based household projections were released on 20th September.

3 Main Issues

The Core Strategy Selective Review

- 3.1 The CSSR has been submitted under the transitional arrangements of the revised NPPF. Where plans are being prepared in this way, the plan will be assessed against the policies in the previous version of the NPPF published in 2012, alongside any previous guidance, which has been superseded since the new framework was published in July 2018.
- 3.2 In effect, the proposed housing requirement of 3,247 dwellings per year (51,952 over the plan period) would not have to be tested against the revised NPPF and the Council will not be required to justify why it has not used the standard method to calculate local housing requirements. However, it is important to consider what is happening with the standard method as wider context, for decision taking and to understand whether the CSSR is in conformity with the revised NPPF in any event.

The Standard Method

- 3.3 The Government has released further clarification on the standard method in the Planning Practice Guidance (PPG).
- 3.4 However, it is important to note that the method remains unfixed at this time. This is because the Government is aware that lower than previously forecast household projections (see below) have significantly reduced the outputs associated with the standard method. When applied to Leeds the standard methodology when using the 2016-based most recently published projection would provide for a housing need of 28k homes over the next 16 years (in contrast to the 42k homes when using the 2014-based projections).
- 3.5 This situation, being played out in the majority of local authorities across the Country, has not met the Government's expectations as set out in their Housing White Paper reforms. The reasons for the introduction of a standard method for assessing housing need were about more homes being built not fewer. Government's ambition is to see 300,000 homes are built per year by the mid-2020s. Applying the method against the revised projections shows a need of up to 215,000 homes a year. In order to ensure that more homes are built the Government has stated that it intends to amend the methodology before the end of the year. It should be noted that MHCLG are sending clear messages not to rely on the recent low projections, and the combination of the methodology change and new variant projections suggest that the figure will rise again.
- 3.6 No further clarity has been provided at present on how the standard methodology may be amended. For example, the consultation the Government undertook, raised issues around the spatial imbalance inherent within the methodology, i.e. overheating of the south eastern housing market at the expense of much needed growth elsewhere in the country.
- 3.7 Notwithstanding that the method remains unfixed and therefore relatively unusable for the purposes of plan making at the current time, there is helpful clarity in the PPG on its use as follows:
- the standard methodology is a minimum need figure not a housing requirement
 - it is not mandatory and Local Planning Authorities (LPAs) can use an alternative approach
 - higher figures may be justified e.g. if the LPA has a growth strategy or a housing deal with Government or if past rates of growth justify this
 - where an authority can demonstrate an alternative, which is higher than the standard methodology, that approach should be considered sound by an inspector as it will have exceeded the minimum starting point
- 3.8 This is useful clarification and helps support the locally driven approach of the CSSR were it to be tested against the revised NPPF. The Council views the standard methodology as a minimum and seeks to reflect local evidence to justify an uplift including on the basis of economic growth ambitions. This is

useful clarification from the Government that the Council's approach in the CSSR is sound and would also help allay demands from the housing industry to further increase the housing requirement, as has been the case in the past.

- 3.9 However, the PPG does not clarify one of the most challenging aspects of assessing housing need: that is the constant change in household projections. The guidance notes that projections are released every 2 years and that these can be applied to a plan period of at least 15 years but offers no guidance on how authorities may plan to avoid peaks and troughs of the projections.
- 3.10 This is precisely the difficulty faced by the Government in its application of the standard methodology highlighting that a 25% drop in base figures remains a significant evidential challenge which reduces confidence in national figures.

The 2016 Household Projections

- 3.11 The Office of National Statistics publishes household projections every two years. These are key inputs into assessing housing need whether using the standard method or a local approach like the Council.
- 3.12 For Leeds the latest household projections show a change to the figures used in the SHMA. Compared with the 2014 projections that were the baseline input into the SHMA, the 2016 projections show a reduction in household growth of over 12,000 households between 2017 and 2033.

Household Projections	2017	2033	Increase	Annual Increase
2016 Based	329,596	356,208	26,612	1,663
2014 Based	334,142	373,315	39,173	2,448

- 3.13 The nation-wide drop in projections is likely to be a result of a change in methodology by the ONS. This change has stopped drawing in data from as far back as the 1971 census and only uses figures that go back to 2001. There is a concern that this loses a period of household formation, when the ability to form a household i.e. purchase a house, was easier and over emphasises the difficulties for household formation this century. Clearly, when projected forward, a period of constrained household formation will simply be repeated rather than addressed. The ONS have clarified that they will publish a different version of the 2016 figures on 3rd December where household formation rates for younger adults (those aged 25 to 44 years) are higher. Given that the objectives of the Council (and Government) are to make a better housing market for younger people this is to be welcomed. But in the meantime there are uncertainties over the new national figures, which as published remain problematic for policy making.
- 3.14 The 2016 based household projection figures have produced some dramatic results for neighbouring local authorities. For Bradford, the average annual increase in households over 10 years is only 772. For Wakefield it is 922. For York 442. These are significantly lower than housing requirements being planned for. Nationally, at least six local authorities, including the Greater

Manchester Authority, have put their plans on hold in light of the recent changes.

Next Steps

- 3.15 There have clearly been a number of contextual changes to the approach to assessing housing need and the base national inputs since submission of the CSSR. At this stage the most positive aspect of this is the confirmation in planning practice guidance that the Council's approach to a local approach which exceeds the standard methodology on the basis of economic growth and local needs would be justified, albeit the CSSR is being examined under the transitional arrangements.
- 3.16 There remains uncertainty over the application of the standard methodology and the latest household projections with Government advice being to avoid relying on the latest projections. Consequently the position remains dynamic. Some further clarity may arise when ONS publish their variant projections in December. These numbers alongside any recommended modifications to the CSSR can be considered by Members at that time.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 The Core Strategy Selective Review (CSSR) has already been subject to public consultation on the scope of changes (June-July 2017) and the publication draft of the plan (Feb 2018). If further changes to the plan are proposed these would be presented as "Main Modifications" to the plan and subject to further formal public consultation.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 It is considered that the changing context of national planning policy and publication of new household projections for Leeds will have little direct impact on equality, diversity cohesion or integration of the population and communities of Leeds. However, if Leeds plans for less new housing than is actually needed this could have negative implications for certain groups with protected characteristics including young people and poorer people who may find it more difficult to access housing.

4.3 Council Policies and City Priorities

- 4.3.1 Having sufficient housing to meet the overall needs of Leeds will be essential to meet the Best Council Plan (2018/19 – 2020/21) priorities for "housing of the right quality, type, tenure and affordability in the right places" for providing housing to support older and vulnerable residents and for promoting health and wellbeing and inclusive growth.

4.4 Resources and value for money

- 4.4.1 The cost of preparing the Core Strategy Selective Review is already budgeted for. Should the need arise, the extra cost of commissioning work on housing need can be covered by existing budgets.

4.5 Legal Implications, Access to Information and Call In

4.6 There are no legal implications arising from the recommendations in this report.

4.7 Risk Management

4.7.1 National policy on calculating housing requirements remains in a state of flux which creates uncertainties for local authorities seeking to set a housing requirement which is supposed to enable planning for 15 years.

5 Conclusions

5.1 The effect of new national practice guidance and new household projections on the proposed housing requirement for Leeds is important context. At this stage there are no reasons for considering that the CSSR figure requires amending to reflect the latest evidence, although this will be kept under review. The key intention will be to ensure that the CSSR process concludes with a housing requirement that is right for Leeds in terms of up to date and reliable local evidence.

6 Recommendation

6.1 Development Plan Panel is invited to consider the changing national policy position and changing evidential base for calculating housing requirements as set out in this report.