

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**LOCAL PLAN COMMITTEE – WEDNESDAY, 13 NOVEMBER 2019**

Title of report	<b>LOCAL PLAN SUBSTANTIVE REVIEW – HOUSING REQUIREMENTS</b>
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Purpose of report	To outline for members a suggested interim housing requirement so as to inform the preparation of the Local plan Substantive Review
Council Priorities	<p>Local people live in high quality, affordable homes</p> <p>Support for businesses and helping people into local jobs</p> <p>Developing a clean and green district</p> <p>Our communities are safe, healthy and connected</p>
<p>Implications:</p> <p>Financial/Staff</p> <p>Link to relevant CAT</p> <p>Risk Management</p> <p>Equalities Impact Assessment</p> <p>Human Rights</p> <p>Transformational Government</p>	<p>The cost of the review is met from existing budgets.</p> <p>None</p> <p>A risk assessment of the Local Plan project has been undertaken. As far as possible control measures have been put in place to minimise these risks, including monthly Project Board meetings where risk is reviewed. The provision of sufficient housing will be a key test at any Examination and so it is important that the Council is able to identify a robust housing requirement.</p> <p>An Equalities Impact Assessment of the Local Plan review will be undertaken as part of the Sustainability Appraisal.</p> <p>None discernible</p> <p>Not applicable</p>

Comments of Head of Paid Service	Report is satisfactory
Comments of Section 151 Officer	Report is satisfactory
Comments of Deputy Monitoring Officer	Report is satisfactory
Consultees	None
Background papers	<p>National Planning Policy Framework  <a href="http://www.gov.uk/guidance/national-planning-policy-framework">www.gov.uk/guidance/national-planning-policy-framework</a></p> <p>Planning Practice Guidance – Housing and economic needs assessment  <a href="http://www.gov.uk/guidance/housing-and-economic-development-needs-assessments">www.gov.uk/guidance/housing-and-economic-development-needs-assessments</a></p> <p>Housing and Development Needs Assessment (2017)  <a href="http://www.nwleics.gov.uk/files/documents/hedna_main_report_january_2017/HEDNA%20Main%20Report%20%28January%202017%29.pdf">www.nwleics.gov.uk/files/documents/hedna_main_report_january_2017/HEDNA%20Main%20Report%20%28January%202017%29.pdf</a></p> <p>Adopted North West Leicestershire Local Plan  <a href="#">North West Leicestershire Local Plan</a></p> <p>Local Housing Needs Assessment – Overall Housing Need  <a href="https://www.nwleics.gov.uk/files/documents/local_housing_needs_assessment_report_1/Local%20housing%20Needs%20Assessment%20-%20Report%201%20.pdf">https://www.nwleics.gov.uk/files/documents/local_housing_needs_assessment_report_1/Local%20housing%20Needs%20Assessment%20-%20Report%201%20.pdf</a></p>
Recommendation	<p><b>THAT THE LOCAL PLAN COMMITTEE AGREES TO THE FIGURE OF 480 DWELLINGS BEING USED AS THE INTERIM HOUSING REQUIREMENT UNTIL SUCH TIME AS:</b></p> <ul style="list-style-type: none"> <li>• <b>THE UNMET NEED AND THE IMPLICATIONS OF ANY REDISTRIBUTION FROM LEICESTER CITY ARE KNOWN AND;</b></li> <li>• <b>THE OUTCOME FROM THE 2018 HOUSEHOLD PROJECTIONS AS APPLIED TO THE STANDARD METHOD ARE KNOWN</b></li> </ul>

## 1.0 INTRODUCTION

- 1.1 A key role of the Local Plan Substantive Review is to establish the housing requirements which the Council needs to plan for.
- 1.2 The purpose of this report is to identify a 'working' housing requirement figure to inform future work on the Substantive Review.

## 2.0 BACKGROUND TO HOUSING REQUIREMENTS

- 2.1 Members will recall from a number of previous reports that the government has introduced a standard method which is to be used to calculate future local housing need. Members will also recall that the purpose of the standard methodology is to have an approach which is relatively "*simpler, quicker to update and more transparent*" than is currently the case ('Planning for the right homes in the right places' DCLG September 2017). By having such a methodology less time should be required at examinations debating what the appropriate level of housing is which a plan should provide for.
- 2.2 The standard methodology uses a combination of data published by the Office for National Statistics on household growth projections and information regarding affordability of housing (referred to as the median workplace based affordability ratios). More information regarding the standard methodology can be found on the [planning practice guidance](#) website.
- 2.3 Notwithstanding the intention that the standard method was intended to provide a greater degree of certainty regarding future housing requirements, to date this has not been the case.
- 2.4 The latest household projections are those which use data from 2016 but were published in 2018 (there is always a two year time difference between the publication date and the year on which the projections are based). Nationally these resulted in a total housing requirement somewhat below the government's stated aim of 300,000 new homes being built each year. Therefore, the government has confirmed that the 2014 household projections should be used to inform the calculation of local housing need, not the 2016-based projections
- 2.5 Applying the 2014 household projections to the standard method results in an annual local housing need figure of 379 dwellings.
- 2.6 However, paragraph 60 of the NPPF states:

*"To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals. In addition to the local housing need figure, any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for."*

- 2.7 There are some important points to note from the paragraph above:
- The local housing need figure is not necessarily the same as the overall housing requirement but is a component of it;
  - Any local housing need figure is the minimum required;
  - There may be 'exceptional circumstances' in which a different approach can be used; and
  - Any housing requirement has to take account of unmet needs elsewhere in neighbouring areas.
- 2.8 What paragraph 60 of the NPPF in effect requires is what can be regarded as a 3 staged approach:
- Stage 1 – what is the local housing need derived from the standard methodology
  - Stage 2 – are there any demographic and (or) market signals which suggest there should be an adjustment?
  - Stage 3 – is there any unmet needs from elsewhere which needs to be accommodated in NWL?
- 2.9 The outcome from consideration of the 3 stages is the overall housing requirement.
- 2.10 Officers have sought external advice on this matter from a consultant who supported the Council on the adopted Local Plan. The consultant's report provides an overview of the standard methodology, how it has evolved and how it might change. A copy of his report can be viewed [here](#).
- 2.11 Having regard to the report, the following section considers each of the stages outlined above.

### **3.0 ESTABLISHING A HOUSING REQUIREMENT FIGURE**

#### Stage 1 – what is the local housing need derived from the standard methodology

- 3.1 As noted in paragraph 2.5 applying the 2014 household projections to the standard method results in an annual local housing need figure of 379 dwellings.

#### Stage 2 – are there any demographic and (or) market signals which suggest there should be an adjustment?

- 3.2 In addition to the NPPF, further guidance is to be found in the Planning Practice Guidance (PPG). This states that:

*The standard method for assessing local housing need provides a minimum starting point in determining the number of homes needed in an area". It goes on to state that "there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates".*

- 3.3 On the latter point the PPG states that:

*"Circumstances where this may be appropriate include, but are not limited to situations where increases in housing need are likely to exceed past trends because of:*

- *growth strategies for the area that are likely to be deliverable, for example where funding is in place to promote and facilitate additional growth (e.g. Housing Deals);*
- *strategic infrastructure improvements that are likely to drive an increase in the homes needed locally; or*
- *an authority agreeing to take on unmet need from neighbouring authorities, as set out in a statement of common ground [this is picked up later];*

*There may, occasionally, also be situations where previous levels of housing delivery in an area, or previous assessments of need (such as a recently-produced Strategic Housing Market Assessment) are significantly greater than the outcome from the standard method. Authorities will need to take this into account when considering whether it is appropriate to plan for a higher level of need than the standard model suggests”.*

- 3.4 Taking the last paragraph first, the table below compares the housing requirement derived from the standard method against both the adopted Local Plan and the Housing and Economic Development Needs Assessment (HEDNA) requirement to 2036 (that to 2031 is the same as the adopted Local Plan).

**Table 1**

<b>Source</b>	<b>Annual number of dwellings</b>
Standard Method (2014 based)	379
Adopted Local Plan	481
HEDNA (2011-36)	448

- 3.5 It can be seen that the outcome from the standard method is significantly less than that from the other sources. This raises some doubts as to how reliable the standard method outcome is.
- 3.6 This is further reinforced when looking at recent build rates. Table 2 below shows annual completions from 2011, the start date for the adopted Local Plan.

**Table 2 – build rates 2011-19**

<b>Year</b>	<b>Number of dwellings built</b>
2011/12	235
2012/13	365
2013/14	428
2014/15	686
2015/16	628
2016/17	727
2017/18	978
2018/19	710
Average	595

- 3.7 The outcome from the standard method has been exceeded in all but the first two years of the plan period. The low figures in these two years reflect the impact of the recession on

the housing market. Whilst the build rate is an indicator that the standard method is too low, it does not itself suggest what would be a reasonable figure, not least because to some extent the later figures are a market correction to the very low build rate achieved during the recession.

- 3.8 So both previous assessments of need and evidence in terms of housing delivery clearly suggest that the outcome from the standard method is on the low side.
- 3.9 Further support for this conclusion can be found by looking at the requirement derived from the standard method using the 2016-household projections (notwithstanding that the government has made it clear that it considers the 2016 projections to be unacceptable). In the instance the figure is 529 dwellings
- 3.10 It is clear that having regard to the advice and the factors outlined in the PPG, that the standard method figure is on the low side. However, there is no great consistency between the other figures outlined above and presented in the table 3 below for ease of reference.

**Table 3**

<b>Source</b>	<b>Annual number of dwellings</b>
Standard Method (2014 based)	379
Adopted Local Plan	481
HEDNA (2011-36)	448
Average build rate 2011-19	595
Standard method (2016 based)	529

- 3.11 Having established that the outcome from the standard method is on the low side, it is necessary to consider what a reasonable figure might be.
- 3.12 The NPPF refers to demographic trends and market signals. In terms of demographic trends, the 2014 Sub-National Population Projections (SNPP) produced by the Office for National Statistics forecast a growth in population between 2018 and 2036 of 9,800 people. The 2016 SNPP however, identified an increase of 12,800 people. A 31% increase over the 2014-based projections. The 2016-SNPP have informed the 2016-base household projections which the government has rejected for use with the standard method, but nevertheless suggests that demographic trends are on an upward trajectory.
- 3.13 In terms of market signals, to some extent this partly relates to the house build rates considered above. However, it can also refer to wider economic factors. In this respect the HEDNA included an economic uplift for North West Leicestershire (and also Melton Borough). The uplift used in the HEDNA could be applied to the standard method figure to give a further indication of possible requirements. The HEDNA added 56 dwellings per annum for the period 2011-31 and 32 for 2011-26. When these figures are added to the outcome from the standard method the resulting figures are:

**Table 5 – outcome from adding HEDNA economic growth uplift**

Scenario	Requirement
Standard method plus economic growth from HEDNA (2036)	411
Standard method plus economic growth from HEDNA (2031)	435

- 3.14 From the figures in table 4 (excluding the build rate and the standard method 2016 figures for the reasons set out in paragraph 3.7 and 3.9 respectively) and table 5 we can conclude that requirement could be between 379 and 435 dwellings. The NPPF refers to the government objective of “*significantly boosting the supply of homes*” and to the need to ensure that “*a sufficient amount and variety of land can come forward*”. Furthermore, a key test of soundness is that the plan is “*positively prepared*” and that “*as a minimum, seeks to meet the area’s objectively assessed needs*”.
- 3.15 Bearing this in mind, it is considered that it would be prudent to use the standard method plus economic growth from HEDNA taking the mid-way point between the 2 figures in table 5 (423 dwellings) to provide a suitable figure at this point. This is towards the top end and so demonstrates that the Council is planning positively.
- 3.16 The conclusion from stage 2 is that a figure of 423 dwellings would be appropriate. It is now necessary to consider the third stage.

Stage 3 – is there any unmet needs from elsewhere which needs to be accommodated in North West Leicestershire?

- 3.17 It is already known that Leicester City has an unmet need but has yet to formally quantify the amount. Discussions are ongoing with all of the Leicester and Leicestershire authorities regarding a Statement of Common Ground which will need to address this issue when there is greater clarity on the level of unmet need.
- 3.18 It is not possible with any great certainty to say how much unmet need might be directed to North West Leicestershire. However, it would be prudent to build in a buffer at this stage to allow for taking some unmet need from Leicester. Any such figure would be a best guess at this stage. However, a figure close to that in the adopted Local Plan would represent a continuation of the existing approach and would reinforce the fact that the council is planning positively.
- 3.19 At this stage a figure of 480 dwellings is recommended.
- 3.20 It is important to note that this figure is not the final figure; it is only to be regarded as an ‘interim’ figure. A final figure will only be known when the quantity of unmet need from Leicester City is both known and a redistribution agreed. In addition, new 2018 household projections are due to be published next year. On the basis of the 2016-based SNPP it is reasonable to assume that the next set of population and household projections will be higher than 2014-based projections and so a higher figure than the 379 dwellings from the standard method will result. Therefore, the final housing requirement may be at or above the 480 dwellings recommended in this report. However, it would not be reasonable to wait until the next set of projections are produced. The recommendation allows for a final decision on the housing requirements when these matters have been clarified.

## **4.0 NEXT STEPS**

- 4.1 It is important that the Council is able to identify a 'working' housing figure if progress is to be made on the Substantive Review. If Members agree the recommendations set out above, it will be possible for officers to begin to develop a clear understanding of what the outstanding requirements are that would need to be accommodated and options for how these could be met. This will be the subject of further reports to this committee in due course.