

Local Plan Working Group

20 September 2018

Report of the Corporate Director for Economy and Place

(The Local Plan is the portfolio of the Leader and the Executive Member for Economic Development and Community Engagement)

York Local Plan Update

Summary

The purpose of this report is to brief Members in relation to the housing issue raised in the Planning Inspectors' letter received on 24th July 2018 regarding York's objectively assessed housing need (OAHN) and to update Members in relation to the release of new relevant population statistics.

Recommendation

1. Members are asked to note the update report.

Reason: To allow Officers to progress York's Local Plan through to hearing sessions to determine the OAHN.

Background

2. As Members are aware, the Local Plan was submitted for examination on 25th May 2018. We have been appointed two planning Inspectors, Simon Berkeley and Andrew McCormack, to undertake the Examination of the plan and determine whether the plan is 'sound' against the tests of soundness set out in the National Planning Policy Framework (NPPF).
3. The Inspectors wrote to the Council on the 24th July 2018 setting out their initial observations in relation to the plan. Key issues raised were in relation to housing, green belt and infrastructure. The Council wrote back to the Inspectors on 8th August to acknowledge their letter and state the intention to respond in more detail in early September. Officers

are currently preparing this response and intend to submit this to the Inspectors shortly. An update will be provided to members at the meeting.

National Planning Policy

4. Members will be aware that a revised National Planning Policy Framework (NPPF) was released on the 24th July 2018. This is now a material consideration in Development Management decisions. However, transitional arrangements are in place for those councils who have prepared and submitted their plan for examination before the 24th January 2019. Given that City of York Council submitted the plan prior to this date, we are subject to transitional arrangements wherein York's Local Plan will be tested against the original NPPF (2012). References below therefore relate to the NPPF 2012 in line with the transitional arrangements.
5. A key objective of the National Planning Policy Framework (NPPF) is to '*boost significantly the supply of housing*' (Para 47, 2012). It requires that Local Planning Authorities identify the objectively assessed need for market and affordable housing in their areas, and that Local Plans translate those needs into land provision targets. Like all parts of a development plan such housing targets should be informed by robust and proportionate evidence.
6. The NPPF is clear that Local Plans should provide land to meet their objectively assessed need in full, in so far as their area has the sustainable capacity to do so, stating that:
"Local Plans should meet objectively assessed needs, with sufficient flexibility to adapt to rapid change, unless: any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole; or specific policies in this Framework indicate development should be restricted".
7. The outcomes of this work are required to be reported through the preparation of a Strategic Housing Market Assessment (SHMA). This evidence base should consider the most recent household and population projections, taking account of migration and demographic change and addresses the need for all types of housing, including affordable housing and the needs of different groups in the community and housing demand.

Planning Practice Guidance

8. The Planning Practice Guidance (PPG) sets out a framework for undertaking housing and employment need assessments. The York Local Plan was submitted under the transitional arrangements based on the NPPF (2012) and the Planning Practice Guidance (PPG). In relation to the assessment of OAN the PPG is clear that the latest household projections published by the Ministry for Housing, Communities and Local Government (MHCLG) are the starting point estimate of overall housing need. It is clear that the household projections estimate of need may require adjustment to reflect factor affecting local demography and household formation rates not captured in past trends. It also states that *'wherever possible local needs assessments should be informed by the latest information'* but that the assessment of housing need is *'not rendered outdated'* each time new household projections are released.¹
9. The PPG sets out that plan makers should make an assessment of the likely change in job numbers based on past trends and economic forecasts and have regard to the growth in working age population in the housing market area (HMA) and consider making an adjustment to the estimate of housing need where the supply of working age population that is economically active is less than the projected job growth².
10. In relation to market signals PPG states that relevant market signals that should be considered are land prices, house prices, rents, affordability, rates of development and over crowding. It recommends the use of long term trends analysing in the HMA, areas of similar demographic and economic make-up and nationally. It states that *'a worsening trend in any of these indicators will require an upward adjustment to the planned number compared to the household projections'*. It advises that the adjustment should be set at a *'level that is reasonable'*³.
11. Following the publication of the Housing White Paper *'Planning for the right homes in the right places: consultation proposals'* MHCLG consulted on a proposed standard methodology for calculating housing need to inform plan-making in November 2017. This was based on three principles: simplicity, using publicly available data and producing realistic

¹ Paragraph 015, National Planning Practice Guidance

² Paragraph 018, National Planning Practice Guidance

³ Paragraph 020, National Planning Practice Guidance

targets.

12. As reported to LPWG and Executive in January 2018, applied to City of York, the consultation standard methodology indicated a minimum of 1,070 dwellings per annum for the period 2016 to 2026 based on using the 2014 sub-national population projections as a starting point and factoring into the calculation an adjustment for affordability and market signals. A key change compared to York's current method is that the proposed methodology put forward was forward looking; whereas the current target included in the Local Plan has been adjusted to take account of under delivery from 2012 – 2017 by adding this to the future supply.
13. The 2016 based Population projections were released by ONS on 24th May 2018 and will inform the revised household projections to be released later this month. The revised household projections will form the baseline for calculating housing need using the new standard methodology. The general trend shows that the rate of growth across the country is lower than previously forecast and this is expected to translate into the household projections. Specific implications for York are covered in paragraph 19 below.
14. The updated Planning Practice Guidance on the matter of calculating housing need draws Local Authorities' attention to the Government's response to the recent NPPF consultation regarding the standard methodology following the release of the revised NPPF and the updated population projections, as follows:

“A number of responses to this question provided comment on the proposed local housing need method. The government is aware that lower than previously forecast population projections have an impact on the outputs associated with the method. Specifically it is noted that the revised projections are likely to result in the minimum need numbers generated by the method being subject to a significant reduction, once the relevant household projection figures are released in September 2018.

In the housing white paper the government was clear that reforms set out (which included the introduction of a standard method for assessing housing need) should lead to more homes being built. In order to ensure that the outputs associated with the method are consistent with this, we will consider adjusting the method after the household projections are released in September 2018. We will consult on the specific details of any change at that time.

It should be noted that the intention is to consider adjusting the method to ensure that the starting point in the plan-making process is consistent in aggregate with the proposals in Planning for the right homes in the right places consultation and

continues to be consistent with ensuring that 300,000 homes are built per year by the mid 2020s."

Local Plan Housing Need and Inspectors letter

15. At Executive in July 2017 Members agreed a figure of 867 dwellings per annum for the duration of the City of York Local Plan. As the submitted Plan includes provision to meet previous under supply within the 2012 to 2017 period (56 dwellings per annum), this means the plan as submitted includes a sufficient overall supply to meet both these requirement (circa 923 dwellings per annum). Members chose to accept no market signals uplift following consideration of a suggested 10% (SHMA, 2017) concluding that this was *"speculative and arbitrary, rely too heavily on short-term unrepresentative trends ad attach little or no weight to the special character and setting of York and other environmental constraints"*.
16. In their initial observations letter to the Council, the Inspectors ask for clarification on several issues in relation to the Local Plan's approach to York's housing market and objectively assessed housing need, infrastructure requirements and green belt evidence base. Officers are currently preparing a response to all of the questions raised by the Inspectors and intend send this to the programme officer by mid September. The response will be made available on the Councils examination webpage: www.york.gov.uk/localplanexamination.
17. Specifically in relation to the objectively assessed housing need, the Inspectors' acknowledge the production of the SHMA by consultants GL Hearn and the conclusions this report makes in relation to the OAHN. They also note Members conclusions following consideration of this evidence in relation to the market signals adjustment. In response, the Inspectors have asked the Council to *"elaborate on this shortcoming in their evidence"*. The Inspectors have set out a number of approaches for the Council to consider in moving forward with this issue.
18. Officers are currently reviewing the most up to date evidence in relation to market signals for York. This includes the latest figures for house prices, earnings and housing delivery rates as specified by Practice Guidance. The Practice Guidance specifies that *'identified housing needs should be adjusted upwards to support an improvement in affordability where any of the market signals suggest a worsening situation'*.

Updated Population Projections

19. ONS released revised sub national population projections in May 2018 post the submission of the York Local Plan which show a marked discrepancy with the previous 2014 based figures on which our current OAN is calculated. The 2016 based population projections for York show a starting point at 2016 of 206,900 which is substantially lower than that projected in the previous figures of 208, 748. Consequently the projected population at 2027 is reduced (217,000 rather than 224,695) and similarly at 2032 it projects a population of 221,200 as opposed to 231,374. Taken over a 10 year period 2017 to 2027 this would mean that York's population growth is predicted to now be circa 8,800 people over that 10 year time frame rather than the previous figures which projected an increase of 14,200 people.
20. We are aware that the new sub national household projections are anticipated for release this month by ONS (20th September 2018) and that given the downward trend in the population projections that underpin the household projections, that there is likely to be a corresponding downward trend. This could have significant implications for the OAN in the context of the submitted plan which we may need to explore further.
21. Given the release of these new figures we think it is important to consider the implications for the OAN regardless of the market signals issue and we will reflect on these figures, when released, as a matter of urgency.

Next steps

22. We are in dialogue currently with the Local Plans team at the Ministry of Housing, Communities and Local Government (MHCLG) regarding the revised population statistics released and how to consider these in the context of York's Local Plan Examination, particularly in view of the transitional arrangements for Local Plan examinations for those Plans submitted prior to January 2019.
23. We consider that it is important to fully consider the implications of an updated demographic starting point particularly as we are aware that MHCLG are seeking to adjust the previous standard methodology for

OAN given the lower baseline figures in the latest sub-national population projections and consequently, the sub-national household projections.

24. It is clear that there is currently conflicting advice from Local Plan Inspectors on how to apply the standard methodology to Local Plans currently in examination. A recent interim finding by the Inspector in the East Cambridgeshire District Council examination suggested that it would be a 'sound approach' for the standard method to be used to set the OAN for housing in the area. The Inspector reached this view even though the revised NPPF which was introduced on 24th July makes it clear that plans submitted before 24th January 2019 should be examined under the policies set out in the 2012 NPPF.
25. A subsequent interim finding from the Peterborough Local Plan examination appears to contradict the East Cambridgeshire position. There the Inspector concluded that the Council should not have used the standard methodology as the basis for OAN because the Government has recently announced that it is considering revising the standard method in light of the new household projections due to be published shortly which are expected to show a lower rate of household growth. It is in this context that we are seeking further advice from the Local Plans and Housing Planning policy teams at MHCLG.
26. Given the new evidence in relation to OAN, we will also be asking the Planning Inspectors to consider allowing early hearing sessions on the issue of housing need so that the Council and other interested parties can engage in early discussion on this matter, including the new evidence in relation to sub-national population and household projections and that the Council is fully committed to progressing the plan examination as expeditiously as possible in order to achieve an adopted Plan with a 5-year land supply at the earliest opportunity. Officers will consider the implications of the new population and household projections post their confirmed release on the 20th September.

Consultation

27. Should examination hearings commence on issues set out in the Local Plan, a statutory 6 weeks notice period will be given to allow interested parties to attend the meeting. Those able to take part will have registered their interest through the Regulation 19 consultation held between 21st February and 4th April 2018. Our appointed Programme

Officer will ensure participation by registered parties is appropriate for the session.

28. Any modifications made to the plan to make it legally compliant or sound in line with national policy, will be consulted on prior to adoption of the plan. This will be a citywide consultation seeking comments on the changes prior to Members consideration at committee.

Implications

29. The following implications have been assessed:

- **Financial** – The work on the Local Plan is funded from specific budgets set aside for that purpose. Further work in relation to the matters set out may incur additional costs alongside examination.
- **Human Resources (HR)** – The production of a Local Plan and associated evidence base requires the continued implementation of a comprehensive work programme that will predominantly, although not exclusively, need to be resourced within EAP.
- **Equalities** – N/a
- **Legal** – The procedures which the Council is required to follow when producing a Local Plan derive from the Planning and Compulsory Purchase Act 2004 (as amended) and the Town and Country Planning (Local Development) (England) Regulations 2012. The Council also has other legal duties including compliance with the Duty to Co-operate.
- **Crime and Disorder** – N/a
- **Information Technology (IT)** – N/a
- **Property** – N/a
- **Other** – None

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Report
Approved



Date 12/09/18

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Wards Affected:

All

Background Papers

None

Annexes

None

Abbreviations:

HMA – Housing Market Area

OAHN – Objectively Assessed Housing Need

OAN – Objectively Assessed Need

ONS – Office for National Statistics

MHCLG – Ministry of Housing, Communities and Local Government

NPPF – National Planning Policy Framework

PPG – Planning Practice Guidance

SHMA – Strategic Housing Market Assessment