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Dear Sir / Madam,

## Harrogate Draft Local Plan

1. Thank you for consulting with the Home Builders Federation (HBF) on the Harrogate Draft Local Plan.
2. The HBF is the principal representative body of the house building industry in England and Wales and our representations reflect the views of our membership of multinational PLCs, through regional developers to small, local builders. Our members account for over 80% of all new housing built in England and Wales in any one year including a large proportion of the new affordable housing stock.
3. The HBF is keen to work with the Council in order to achieve an adopted local plan which enables an increase in the rate of house building across Harrogate. In this context there are a number of key areas where we have concerns and it is considered that the plan would benefit from modifications or further evidence prior to the next stage of consultation. The following comments are provided based upon our substantial experience of local plan examinations across the country.

### Duty to Co-operate

4. There is limited information relating to how the Council has engaged relevant bodies as part of its Duty to Co-operate. The HBF would expect a report which illustrates how the Council has worked with neighbouring authorities under the Duty to Co-operate. The report should not only identify meetings and discussions held but also identify actions and how these have influenced plan preparation. The importance of identified actions resulting from fulfilment of the duty is clearly articulated within the National Planning Practice Guidance (PPG). The PPG states “...it is unlikely that this (the duty) can be satisfied by consultation alone...” and that “...inspectors will assess the outcomes of the co-operation and not just whether local planning authorities have approached others...”.

5. The NPPF requires “...a *continuous process of engagement from initial thinking to implementation*” (paragraph 181). It is therefore essential that engagement over cross-boundary issues such as housing are addressed early and considered through the evidence gathering phases. This is particularly important given that the 2015 Strategic Housing Market Assessment (SHMA) identifies Harrogate is situated across two housing market area (2015 SHMA, paragraph 2.68).

### **Vision and Objectives**

6. The HBF is generally supportive of the Local Plan Vision, the following statement is particularly welcomed;

*“...The district has enjoyed continued economic growth and now has a more diverse and resilient economy. Increased and sustained delivery of new housing has resulted in a better match between the district's housing stock and local needs for housing, and the delivery of significant numbers of affordable housing for local people...”*

7. The HBF is, however, concerned that some of the policies within the plan are not fully compatible with meeting the vision.

### **Policy GS1: Providing New Homes and Jobs**

8. The plan seeks to provide 11,697 homes (557 per annum) as a minimum and 7,930 jobs over the period 2014 to 2035. The overall housing requirement is considered too low and as such unsound.
9. The HBF is, however, supportive of the expression of the housing requirement as a minimum. This is considered consistent with the NPPF requirements for positive planning and to boost significantly housing supply.
10. The key evidence base document, for the derivation of the housing requirement, is the June 2016 SHMA Update, produced by GL Hearn. The methodology employed to identify the objectively assessed housing need (OAN) for the area is generally considered appropriate. We do, however, have a number of concerns relating to the assumptions used. These are discussed against the various components of the OAN discussed in the GL Hearn report.

### Demographic Projections

11. The PPG (ID 2a-015) identifies that the most recent household projections, provided by CLG, should be used to provide the 'starting point' for establishing the OAN. The PPG goes on to consider that the CLG household projections may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends.
12. The 2016 SHMA Update correctly utilised the 2012 based sub national population and household projections (2012 SNPP and SNHP) as its starting point as these were the most up to date at the point of publication. Following publication of the 2016 SHMA Update the 2014 based SNHP were released. These show a reduction in the demographic starting point compared to their 2012 counterparts, these will require consideration. The HBF, however, notes that the change does not automatically mean previous projections are rendered out of date as there can be many factors which lead to a reduction in the household projections, a point recognised within the PPG (ID 2a-015 and 2a-016).
13. The demographic analysis correctly considers migration patterns and their impacts upon the demographic starting point. It concludes in paragraph 2.42 that overall the 2012 SNPP to provide the most robust analysis of future migration trends. It does, however, note that;

*“...account needs to be taken of the potential for higher in-migration as the economy moves away from recession as shown in the pre-recession trend projections.”* (Paragraph 2.42, 2016 SHMA Update).
14. The HBF strongly agrees with this latter point. Given that the plan should be seeking to plan positively for growth and boost significantly housing supply, both NPPF requirements, a more positive stance would be to place greater weight upon the pre-recession trend projections. The importance of higher levels of migration, similar to those experienced pre-recession, is also notable in terms of the age structure and providing a more balanced age profile, as identified in table 10 of the 2016 SHMA Update.
15. Headship rates are also considered in the update and an uplift is applied to the 2012 SNHP for the 25 to 34 age group. The application of an uplift is supported and is considered consistent with the PPG (ID 2a-015). It is, however, notable that in

its recommendations to Government the Local Plan Expert Group (LPEG)<sup>1</sup> identifies that an increase to headship rates should be applied to a wider age cohort of 25 to 44. Whilst the HBF has not considered the impact of this it is likely to lead to a higher starting point than the 413dpa identified in paragraph 2.70 of the 2016 SHMA Update.

### Economic-Led Housing Need

16. The 2016 SHMA Update correctly seeks to align economic and housing needs, this is generally supported and consistent with the NPPF and PPG (ID 2a-018). The study considers a number of economic forecasts, set out in Table 14, which project the creation of between 5,466 to 8,021 additional jobs over the plan period. Given that Draft Plan, paragraph 3.9, indicates an increase in jobs of 7,930 over the plan period, the upper end of the scale is considered the most appropriate.
  
17. In coming to a view upon how this translates into the housing requirement the 2016 SHMA Update utilises assumptions with regards to commuting rates, double-jobbing and economic activity rates. In relation to commuting rates the HBF agrees with the study that the ratio should remain consistent with the levels identified in 2011 census (paragraph 3.23). In terms of double-jobbing it is noted that a ratio of 0.95 is applied, based upon the APS data from 2004 to 2014, paragraph 3.24.
  
18. The assumptions surrounding economic activity rates are often the source of significant debate at local plan examinations. Indeed PAS guidance<sup>2</sup> identifies large increases in economic activity rates to be a risky strategy which will have a negative effect upon the identified housing need. The 2016 SHMA Update applies an 85% activity rate to the working age population (16-64) over the plan period, this is based upon retaining current levels of activity amongst the 16 to 64 age group. This is based upon information derived from the census, table 20. Whilst the retention of current levels of economically active working-age residents is considered generally appropriate it should be noted this alone may be a challenge due to the aging nature of the population.
  
19. The 2016 SHMA Update also considers economic activity rates above pensionable age (65+) and applies a gradual uplift from 18.2% (2014) to 22.4% (2035), based upon past rates of increase. The HBF agrees that it is likely economic activity rates amongst older residents is likely to increase. Whether this is likely to

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<sup>1</sup> Local Plan Expert Group (2016): Report to the Communities Secretary and to the Minister of Housing and Planning

<sup>2</sup> Planning Advisory Service (2015): Objectively Assessed Need and Housing Targets

be of the order suggested is debateable. The study does not provide sensitivity testing of these assumptions to ascertain whether they are overly optimistic. This is important because of the significant projected increase in Harrogate of the older population. Therefore to place too great a reliance upon the older age population continuing to take up jobs will have a significant dampening effect upon the housing need projections.

20. It is recommended that separate scenarios with lower levels of economic activity rates amongst those above pensionable age also be included in the analysis. This will be useful for comparative purposes and enable the realism of the assumptions to be tested.

### Market Signals

21. The analysis of market signals is primarily set out within the 2015 SHMA. To achieve the Council's preferred housing requirement figure of 557dpa a further uplift of 22dpa is applied to take account of market signals in Harrogate. This uplift appears to be made on the basis of providing an additional uplift for headship rates for 25 to 34 year olds. It does not appear to respond to market pressures for other age groups. This is considered a flawed approach which will suppress actual need.
22. The PPG provides a distinction between adjustments for household formation rates from any market signals uplift. The PPG question '*What is the starting point to establish the need for housing?*' (ID 2a-015) is clear that the household projections plus such adjustments for issues such as household formation and the effects of under-delivery on migration represent the demographic starting point. A market signals uplift is clearly made after this starting point. The PPG clearly separates the two issues and states;

“The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals...” (PPG ID 2a-019)

23. This stance is also agreed by the Local Plan Expert Group (LPEG). In its recommendations to Government, for a standard methodology for OAN, it notes that adjustments to household formation rates in younger age groups and for worsening market signals are separate and both are required (Flowchart Steps A & B in Appendix 6).

24. Within our response to the 2015 Local Plan Issues and Options consultation we discuss market signals and the fact that Harrogate shows numerous signs of housing market pressure. The district has seen the rate of house price rises outstrip the regional and national averages and is the highest of all areas considered in the 2015 SHMA (figure 42), it also has the highest mean rents and worst affordability ratio. The latter is significantly higher than the national average and continues to worsen, with the ratio of median house price to earnings being at 10.63 in 2015<sup>3</sup>. The amount of uplift applied to take account of market signals is therefore considered insufficient to deal with this scale of market pressures.

25. Whilst there is currently no set formulae to determine the amount of uplift to be provided the LPEG report within its recommendations to Government does provide some guidance. This report suggest that to account for a median house price to earnings ratio above 8.7, as is the case in Harrogate, a 25% market signals uplift should be applied. This would appear reasonable.

### Conclusion

26. To conclude, whilst much of the methodology is generally considered sound, the assumptions and lack of appropriate market signals uplift are likely to suppress the calculation of housing needs in the area. Whilst the HBF has not, at this stage, undertaken its own modelling of an OAN for Harrogate it is anticipated it would be significantly greater than the figure currently identified.

### **Policy HS1: Housing Mix and Density**

27. The policy has three key elements; housing mix, adaptable homes and density. The HBF has specific comments upon housing mix and adaptable homes which are each dealt with separately below.

### Housing Mix

28. The HBF understands the need for a mix of house types, sizes and tenures. It is, however, important that any policy is workable and ensures that housing delivery will not be compromised or stalled due to overly prescriptive requirements or the need to provide significant amounts of additional evidence. It is noted that the draft policy has been amended since the previous consultation upon the plan and is now less prescriptive in its wording. It also includes reference to the final mix of dwelling types and sizes being determined through negotiation with the applicant. These

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<sup>3</sup> DCLG Live Table 577

changes are generally supported providing the negotiations are not overly protracted. The HBF does, however, still have concerns relating to the policy.

29. The need to take account of the SHMA in terms of mix, size and type is recognised. This must, however, be within the context of the local area (NPPF paragraph 50) and not a plan wide requirement. The 2015 SHMA does not provide local area evidence, but rather is a district wide assessment. It therefore would not be appropriate to rigidly apply the SHMA requirements to every site, indeed paragraph 8.31 of the SHMA advises against this. The supporting policy text should recognise this.

30. It is also notable that the evidence upon housing mix has not been re-assessed as part of the 2016 SHMA Update. The update provides an amended assessments of OAN and affordable housing need. It is unclear if and how the assessment of housing mix may be influenced by this.

31. The policy indicates that in addition to the SHMA other studies will be considered. These are local assessments of need, detailed local market assessments and locality and ability of the site to accommodate a housing mix. The policy nor supporting text provide clarity upon the content of these assessments or who is anticipated to provide them. It is, however, assumed these can be provided by the applicant in support of their application. Supporting paragraph 5.8 identifies that;

*“...Where applicants propose a mix of housing that does not respond to identified needs, they will be expected to provide robust evidence relating to the identified level of housing need, existing housing stock, financial viability or deliverability to support their proposals.”*

32. This appears to suggest, given the lack of other evidence, every site which deviates from the size / type splits identified in the 2015 SHMA will be required to provide this evidence. This is unjustified and a proportionate approach should be provided based upon the amount of deviation, market area and demand at the time of the application.

33. It must also be recognised that the SHMA only provides a snap-shot and needs will not only vary geographically but also over-time. The SHMA provides no account for aspiration or the Council's ambition for economic growth. The achievement of

growth will be reliant upon attracting investors to locate to the Harrogate area. Part of this investment will be based upon the housing offer available and being planned. Furthermore the housing offer should include an element of aspiration to ensure working families are retained within the area and not lost to other areas as this would impact upon the economic prospects of Harrogate. Therefore rigid requirements would not be appropriate, particularly in a diverse district such as Harrogate.

#### Adaptable Homes

34. The policy requires 10% of homes on sites of 10 or more to be adaptable homes, which is referenced as optional Building Regulation standards M4(2) category 2. The HBF is supportive of providing homes for older and disabled persons. We also do not dispute the evidence provided within the SHMA in relation to the likely future needs of older and disabled people. It is, however, considered that the policy lacks finesse by requiring blanket requirements with no regard to the type or location of the housing being provided. This is a key element of the evidence base identified within the PPG (ID 56-07). The policy as currently identified would apply equally to retirement homes near urban centres, apartments within the urban area, family housing and executive housing in suburban or semi-rural locations. This blanket requirement does not take account of the needs or requirements of these various groups. There is also no flexibility within the policy to take account of local site characteristics.

35. The Council also appears to be missing a key piece of the evidence base required by the PPG (ID 56-07) relating to the accessibility and adaptability of existing housing stock. The HBF therefore recommends that further evidence is provided by the Council and the policy amended accordingly.

#### **Policy HS2: Affordable Housing and Starter Homes**

36. The policy requires a 40% affordable housing contribution from sites of 11 or more and a financial contribution from sites of 6 to 10 in designated areas. The HBF does not dispute the need for affordable housing within Harrogate and indeed supports its provision. This need must, however, be balanced against the viability implications of delivering the policy requirements.

37. The Council's evidence upon viability and the implications of the affordable housing contributions is set out within the 2016 *Whole Plan Viability Assessment* (hereafter referred to as the viability report). The Council will be aware that the HBF



has previously submitted comments upon this document, dated 8<sup>th</sup> July 2016. In aid of brevity these comments are not repeated here.

38. The study provides a wide range of scenarios including a range of affordable housing contributions and infrastructure costs. The latter is not split between section 106 contributions and Community Infrastructure Levy (CIL) and as such is the cumulative contribution per dwelling. Tables 10.3a and 10.3b of the viability report provide the assumed Council position taking account of the housing mix suggested in the SHMA. This indicates that outside Ripon over a third of all tested sites would either be unviable or marginal with a 40% affordable housing contribution and in Ripon this rises to nearly two thirds. This is a significant proportion of the tested sites and brings into question the validity of a blanket 40% affordable housing contribution. It is unclear why the Council has not sought to vary its affordable housing targets based upon the evidence provided in the viability report.
39. The viability report also assumes a baseline figure of £2,000 per unit for infrastructure costs (paragraph 7.27), this appears low and unrealistic. Infrastructure costs do vary greatly and as evidenced by table 6.6 of the viability report many have recently been significantly over £2,000 per unit. Indeed the average contribution, excluding 100% affordable schemes from the schemes identified, is in excess of £4,000. The £2,000 figure utilised in tables 10.3a and 10.3b is therefore questionable. Tables 10.4a and 10.4b indicate the effect of a range of infrastructure costs, understandably viability gets worse at £5,000 per unit and above. Realistic infrastructure costs are required to ensure provide robust evidence with regards to the level of affordable housing being sought. In this regard it is noted that the Council is undertaking further work upon this issue (paragraph 7.29).
40. It is noted that a viability clause is included within the final paragraph of the policy. Whilst this is supported it should not be used as a mechanism to justify an unsustainable affordable housing target. The HBF recommends that once the Council provides further evidence upon future infrastructure costs it amends the affordable housing targets accordingly. This may require variable contributions based upon geography and / or other criteria.

### **Policy HS3: Self and Custom Build Housing**

41. The policy requires sites of 20 or more to provide 5% of plots as self or custom build plots. The policy and supporting text are unclear how the number of plots will

be implemented. This should be clarified. The HBF recommends that, presuming the policy can be justified, it is done on a whole plot basis. So that 1 unit will be provided on sites between 20 and 39 units, 2 plots on sites between 40 and 59 units, etc. It is noted that this is also the basis upon which the viability implications have been considered.

42. There does not appear to be sufficient evidence at this stage to support the policy requirement. Paragraph 5.27 of the consultation document acknowledges this stating;

*“...At the time of preparation of this Local Plan there are only a small number of entries on the register, indicating limited existing demand for plots, however it will not be possible to accurately establish demand until the register has been up and running for a greater period of time...”*

43. If the policy requirement cannot be justified it should not be included.
44. To ensure plots are not left vacant indefinitely the 3<sup>rd</sup> paragraph of the policy is considered essential if the requirement can be justified.

### **Policy HS5: Space Standards**

45. The policy requires all new market and affordable homes to meet the nationally described space standards (NDSS). This is not currently considered justified.
46. The evidence required to introduce the optional space standards is set out within the PPG (ID 56-020) this evidence should consider the impact across different housing market character areas and differing tenures. For example whilst the adoption of the internal space standard may prove acceptable for the higher market areas, it may seriously harm regeneration initiatives. A one-size fits all approach to the evidence base does not capture the impact that the standard would have across the different market areas, in terms of viability and the need for the standard.
47. The HBF is unaware of any evidence which points towards a need for the space standard to be applied within the area. Rather the Council has simply considered the size of houses recently completed. The HBF undertakes an annual customer satisfaction survey of new home buyers. The most recent survey identified that 86% of buyers were satisfied with the quality of their new home and 92% were satisfied

with the internal layout. The full report can be accessed at [www.hbf.co.uk](http://www.hbf.co.uk). It is therefore clear that the vast majority of new home buyers are very happy with the homes currently being built and they meet their needs.

48. Furthermore the blanket introduction of the space standards may actually reduce choice. This is because many developers have entry level two, three and four bed properties, some of which may not currently meet the space standard. These types of properties provide a valuable product for those with a need for a certain number of bedrooms but who are unable to afford larger properties. The consequent increase in costs and reduction in variety could have a detrimental effect upon affordability and delivery, particularly in more marginal areas. Given the Council is already failing to meet its affordable housing needs in full this should be a key consideration.

49. Whilst it is noted that the policy has been considered within the viability report. The study appears to assume that the full extra cost will be met by the developer / landowner, with obvious implications for viability. This is unlikely to be fully the case and in some instances some of the costs will need to be borne by the purchaser. Whilst this may reduce viability problems it will exacerbate affordability issues. Given that Harrogate is already struggling to deliver its affordable housing need this should be given careful consideration.

50. It also appears to be assumed by the plan and viability report the NDSS will have no impact upon development density or conflict with other policies, such as housing mix. Whilst the impact may be minimal on some sites, those in areas of high density or apartment schemes are likely to suffer.

51. If the introduction of the space standards can be justified the HBF would recommend flexibility in its application. This is required to enable local and site specific needs and constraints to be taken into account as development is brought forward.

### **Policy DM1: Housing Allocations / Policy DM3: Mixed-use Allocations / New Settlement Options**

52. Whilst, at this stage, the HBF does not wish to comment upon the acceptability, or otherwise, of individual sites it is important that the sites are deliverable and there is in-built flexibility to provide for any under delivery from allocations or other sources

of supply. This is discussed in greater detail against the phasing and delivery section below.

## **Phasing and Delivery**

53. Table 10.6 identifies the sources of delivery proposed to meet the housing requirement. This table is a summary of the information provided within the Council's *Housing Background Paper*. These are discussed in turn below.

### Sites with Planning Permission

54. A total of 4,627 dwellings are identified from this source, as at 31<sup>st</sup> March 2016. This is made up of two components; large sites (10 units or more) and small sites (9 units or less). It is understood that in coming to this supply a 6% discount has been applied to small sites for non-implementation. Whilst the use of a non-implementation allowance is supported and considered a practical reality the amount of the allowance and the fact it is not also applied to larger sites is questioned.

55. The scale of the non-implementation would ideally be based upon robust local evidence. Whilst the Council infers it has evidence that no non-implementation allowance is required for large sites and a 6% allowance is required for small sites (Housing Background Paper, paragraphs 4.25, 4.27 respectively) it is unclear how these figures have been derived, as such their robustness cannot be verified.

56. A common approach which has been accepted at a number of planning appeals and local plan examinations is to provide a 10% deduction across all unimplemented housing permissions (see appeals at Rothley APP/X2410/A/13/2196928 and Honeybourne APP/H1840/A/12/2171339). In the absence of further evidence the HBF recommends such an approach be adopted.

### Windfall Allowance

57. The plan provides for a windfall allowance of 97 dwellings from 2019/20 onwards. The HBF agrees that a windfall allowance should not be included in the first three years due to the potential for double-counting (Housing Background Paper, paragraph 4.30).

58. The windfall allowance is based upon work undertaken within the 2016 *Windfall Allowance Paper* and is based upon small sites delivery. The HBF considers it reasonable to anticipate a number of small sites will continue to come forward as a

windfall allowance as they sit below the threshold for allocations or consideration within the SHELAA. The figure of 97dpa or 1,552 over the plan period does however appear high.

59. In terms of historic levels of completions it is noted that over the period 2004/5 to 2014/15, 1,035 windfalls were delivered from this source or an average of 94 per annum. In determining future supply the paper seeks to remove any potential anomalies in the data by disregarding the two years with the highest windfall completions and the two years with the lowest windfall completions. The effect upon the calculation is minimal and actually increases the allowance to 97 per annum.
60. Whilst historic completions provide a useful context the NPPF, paragraph 48, requires an assessment of whether they will continue to provide a reliable source of supply in the future. This element of the assessment is currently absent from the *Windfall Allowance Paper*. In determining future windfall supply it is important to consider the likelihood of continued delivery from different elements of the supply. This assessment should be made in the context of a new plan with new allocations and the more comprehensive assessment included within the SHELAA as well as the forthcoming brownfield register. Given these factors it stands to reason that the amount of windfalls are likely to decrease in the future.
61. In this regard it is considered that further evidence should be provided on this matter and consideration given to reducing the reliance upon windfalls.

### Allocations

62. If the other sources of supply can be justified there remains a residual requirement for allocation, after completions, of 6,209 dwellings. In common with Policy GS1 this should be seen as a minimum requirement. The NPPF also requires plans to be positively prepared, boost significantly housing supply and provide flexibility to deal with changing circumstances. The HBF is therefore supportive of the assertion in paragraph 4.53 of the *Housing Background Paper* that a buffer is required. The scale of the buffer, based upon an OAN of 557dpa is suggested as being between 2,187 and 2,377.
63. The need for a buffer is also supported by the recent Local Plan Expert Group recommendations to Government. The report recommends a 20% buffer be provided to ensure that the plan can maintain a five year supply and respond flexibly

and rapidly to change. The HBF agrees with this stance and accordingly recommends consideration be given to increasing the size of the buffer provided.

### **Information**

64. I would be pleased to be kept involved in the Local Plan preparation process as well as the development of other planning documents. I trust the Council will find the comments useful and the HBF would be happy to discuss them further prior to the next stage of consultation.

Yours sincerely,

*MJ Good*

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