February 2009

# Briefing

# Yorkshire and Humber RSS Update on Housing

## Friends of the Earth response




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### Introduction

In May 2008 the Government Office for Yorkshire and the Humber published the Regional Spatial Strategy (RSS)[i], the master plan for development up to 2026. Part of this plan looked at the extent of new house building in the region and how this was divided across the region.

Despite research[ii] showing that the RSS would fail to meet greenhouse gas emission targets the plan provided for over 22000 new houses to be built in the region every year.

Almost immediately after the RSS was published, the Government (through the National Housing and Planning Advice Unit) raised the annual house building figures for the region to between 25100 and 28300[iii]. This required the Yorkshire and Humber Assembly to revisit the RSS and in November 2008 they launched a public consultation into the revised figures.

The following paragraphs are a verbatim copy of Friends of the Earth's response to the questions raised:

### Friends of the Earth's response

This publication followed extensive consultation and Friends of the Earth were involved throughout to ensure that

Friends of the Earth's response to this consultation starts by examining the consequences for recent projections and forecasts of the developing housing market and economic downturn, which is not short term; and is then primarily focused on the greenhouse gas emissions profile of the region and consideration of how this will be affected by the proposals outlined in the Spatial Options document[iv]. In preparing this consultation response we have reviewed the various documentation made available by the Regional Assembly.

In the period since the publication of Regional Spatial Strategy in May 2008, we have seen further developments in the area of climate change. Evidence of the urgency of climate change is growing including the recent report from the Tyndall Centre for Climate Change Research[v] which highlighted the need for a rapid decline in emissions from 2015 leading to a near-total decarbonisation of the economy; .

Furthermore, the Climate Change Act, in which Friends of the Earth played an instrumental role in the design and passage through legislation, has come into law and we await the Government's response to the Committee on Climate Change's proposed carbon budget for 2020 of reductions of between 34% and 42% on 1990 levels.

Housing has a key role to play in this reduction. By end use, residential consumption makes up nearly a quarter of all greenhouse gas emissions. There is scope for significant reductions from the residential sector but this scope could be severely jeopardised by the marginal effects of oversupplying the housing market.

### QUESTION 1:

*What rate of house building should we be planning for in the Region?*

| Level of Growth | | | |
|---|---|---|---|
| 1 | Current RSS | 22,260 a year | ☐ |
| 2 | NHPAU Lower | 25,100 a year | ☐ |
| 3 | NHPAU Upper | 28,300 a year | ☐ |
| 4 | Trend Based Household Projections | 30,000 a year | trend☐ |

| | | | |
|---|---|---|---|
| 5 | Other | Please specify in your response | ☑ |

*Please summarise the reasons for your choice including any comments you may have on the assumptions we have used in introducing the possibility that rates of building may need to increase from 22,260 homes per year. We would welcome any evidence in support of your answer that organisations or individuals may have.*

We need to start by examining the relationship between projections, the evidence base, Plan ‘requirements’ and finally real world events. Until the adoption of revised RSS in May 2008 the target provision rate for housing in the region was around 15,000 per annum. In adopted RSS the rate was increased by nearly half (47%) to 22,260, and with immediate effect. However RSS figure 12.2 identified that, on average, regional completions in the very buoyant housing market of recent years had only managed to achieve totals slightly above the previous target rate.

To fulfil the new RSS target of 22,000 would therefore have required a major expansion in market provision. However, in the two years that the new RSS was proceeding to completion and then adoption, the housing market was in practice going into drastic reverse. This was then followed by the economy as a whole, which in turn will impact upon a number of the component assumptions within the underlying projections which were pushing the regional target upwards.

There now appears to be a huge disparity between the RSS adopted target, let alone the growth figures above, and the reality on the ground. Regional housebuilding starts have fallen to just over 10800 for the most recent year for which figures are available (Q4 2007 – Q3 2008)[vi] and completions to just over 13200. The figures since then have experienced still further collapse: NHBC reports a national reduction in starts by half in 2008 compared to 2007[vii], that November 2008 starts dropped by 75% compared to the previous year, and that “combined public and private housing starts for the year [2009] will be about 100,000, compared with 200,697 in 2008”. Nor is it the expert view that this profound housing, and economy, slump will be short lived. Professor Stephen Nickell, chair of the NHPAU, has expressed the judgement that recovery in the housing market is unlikely before 2015, which is around one third of the plan period[viii].

Consequently it is almost certain that, for a period of maybe 5 years that the regional housing starts may fail to achieve even the RSS 2004 target, and that beyond this that it becomes far less likely that the adopted RSS 2008 target of 22,000 completions per annum will ever be attained.

Notwithstanding these market and real world realities, throughout the period of market transition and collapse, both the government’s housing adviser and demographic projections have continued to push upwards. NHPAU in mid-2008 were continuing to maintain their analysis that the long-term trend rate for house prices (thereby impacting on affordability) had been rising historically since 1975, and would reassert that trend as early as 2010 before continuing to push the affordability ratio to an all-time high of around 9 in 2026[ix]. This analysis involves setting a trend line to incorporate the housing price ‘bubble‘ that began around 1997; correct for the ‘bubble’ – as the market itself is now doing - and the trend line takes on a much flatter slope.

This NHPAU advice has still not been qualified, but regionally specific and very recent analysis for the Regional Assembly now contradicts their position. Experian compare judgments about affordability as follows: “The NHPAU report that, all things being equal, emerging RSS plans would lead to a further worsening of affordability prospects, with the lower quartile ratio in England deteriorating from 7.25 in 2007 to 8.6 by 2026" whereas Experian forecast: "The affordability indicator is expected to peak at 6.3 in 2007 in Yorkshire & Humber and improve to 3.7 by 2026"[x]

Meanwhile the 2006 projections (Population, and no doubt Household when they appear shortly) continue to show huge increases over 2004, which themselves demonstrated increases; however it is quite possible that subsequent revisions will start to show reductions as some of the trend drivers, for example economic growth rates and induced migration rates, fall way. Such revisions will however not be available for this RSS process. This would be further evidence of the volatility in forecasts that one would expect during a period of profound economic correction.

However it is essential that the RSS examination closes the yawning gap between actual starts (secular delivery trend, and the medium-term reduction to this now being experienced) and projections spiralling away up to 30,000 per annum. The gap between these two poles would be a factor of 3 or even 4, and a planning framework cannot work effectively, still less allocate scarce resources such as funding and housing land, within such wide variables. In real terms the disparity would be up to 20000 houses per year. This point is emphasised by the point that both the NHPAU and the trend based projections are front-loaded so that most of the construction comes in the early part of the 2008-2026 period.

This would then lead to one of two situations:

- The construction industry is expected to make up for this disparity in the 2015-2026 period with house building of up to over 42000 houses per year. It is debatable whether the industry will have the capacity to reach these figures. But an even more fundamental objection relates to 'funding capacity'. The recent expansion in both market provision and prices only occurred because almost unlimited amounts of globally sourced capital were able to be accessed by the UK housing market. This situation has now ended and will not recur.

  In the situation of its now semi-permanent withdrawal from the UK market, funding for UK house purchase and therefore construction will have to be far more endogenously supplied, from a higher national saving rate. This will in turn place substantial limitations on the market housing supply model, because a significant proportion of the population previously able to participate will simply not be able to achieve the necessary savings down payment to 'get on the housing ladder', and therefore different models of housing capital and ownership will have to be developed – including a rebalancing between the owner occupier and rented sectors. This may well take up to a decade to develop.
- Development land designated for residential properties will be "cherry-picked" by developers with the most profitable areas in suburban and out-of-settlement areas being developed first. This would lead to an increase in emissions and loss of greenfield sites as opposed to the optimum option of urban development and regeneration.

The Committee on Climate Change anticipates that cuts in carbon dioxide emissions from the residential sector (energy efficiency, renewable heat and micro-generation) could be of the order of 65% of its existing level by 2022[xi]. By increasing the number of households on the scale proposed would require emissions per household to reduce by up to 72%.

Even at the Committee on Climate Change's more realistic forecasts of 50MtC reductions of carbon dioxide emissions, this would require cuts in per household emissions of 39-41%.

Friends of the Earth's report "Home Truths"[xii] detailed how houses could reduce emissions by 80% by 2050 but this, in itself, requires a step-change in the rollout of energy efficiency and renewable heat and electricity.

In summary, Friends of the Earth is stating that:

- As the gap between targets, projections and real-world conditions ever widens, it is essential that this RSS process, which is actually focused upon the housing provision issue, addresses and then resolves the disparities between the various analyses and figures, because the regional plan – notwithstanding the fact that it is a long-term framework stretching to 2030 – cannot become divorced from the actual realities of the region, and the country.

- the extent of house building needs to have emissions reduction at its core. The Assembly and, in future, the Joint Regional Board needs to consider the scale of new housing that can be achieved whilst keeping within the RSS emissions reduction target and the region's contribution to the Committee on Climate Change on emissions reductions. This scale will be a function of housing supply numbers, the location of housing in relation to existing and planned infrastructure and the design quality of new housing. It will also relate, indirectly, to the political willingness and industrial capacity to retrofit energy efficiency measures into existing housing stock.

As we have previously requested, it is therefore essential that the evidence preparation at the start of this RSS process includes a modelling of the emissions consequences of the other basic driver assumptions - demographic, economic and housing - in relation to the current emissions baseline ***and*** required reduction trajectory in conformity with the first three carbon budgets through to 2022 now established by the Climate Change Act 2008 - in order to shape the entire subsequent direction of the resultant regional approach and eventual RSS.

## QUESTION 2

*If the Region were to introduce a step-up of housing from 22,260 dwellings per year to Levels 2, 3, 4 or 5 (Question 1) how soon do you think this could take place and please provide reasons?*

Our response to Question 1 indicates that we are of the opinion that there cannot be an uplift from the current RSS totals **without** a resolution of the projections analysis problem and a robust assessment of the extent of greenhouse gas emissions resulting from such an uplift. Indeed, the report commissioned by the Assembly from Arup/SEI indicates that the current RSS totals result in increased emissions. What this implies is that any increase in housing provision would have to be compensated for by an equivalent tightening of the energy efficiency construction standards in compensation.

## QUESTION 3

*In looking at where new homes needed in the Region could be located, should we continue to use the existing RSS distribution (as set out in Section 5 above)? If yes, please summarise your reasons below and go to Section 6 below.*

Yes, in principle. The existing distribution has been robustly tested through the RSS development process and the needs-based approach upon which that was based. However, that distribution and the phasing of any implementation will need to be retested as part of this process, given the transformation of housing and economic market conditions, and also more specific local circumstances e.g whether the previously anticipated continued growth of the financial services sector in the Leeds City Region will actually occur, and whether locations that may previously have been judged to be market viable remain so. .

A further qualification about the existing distribution pattern is that it was inadequately tested for its transport, and therefore emissions, viability; and also whether the necessary capital allocations to provide for sustainable transport infrastructure in relation to both new and existing settlements would be provided. The requirement to consider this issue is clearly laid out in RSS paragraph 13 .4; finding and then actually implementing solutions on the other hand will be a great deal more difficult. If the existing or any distribution pattern failed to pass either these emissions or funding tests, then it must be substantially questioned and reassessed.

**QUESTION 4**

If no, tell us how much emphasis you think should be placed on the following factors in shaping where new homes are located (as set out in Section 3). Please rate each factor on a scale of 1-5 (where 1 is the least important and 5 is the most important).

| | Score |
|---|---|
| Matching housing growth with forecast economic change | |
| Addressing affordability | |
| Meeting new household growth trends | |
| Reflecting market demand | |
| Other (please specify) | |
| Don't know | ☐ |

**QUESTION 5**

*Do you consider that the Plan's Core Approach (Spatial Option 1) can accommodate current levels of housing growth to 2026? If yes, please state why and provide any evidence that you have to support this view.*

If no, please answer question 7

The evidence which has been robustly tested during the development of the Regional Spatial Strategy and the Examination in Public has been found to show that the Core Approach could, in principle, **physically** accommodate the "current RSS" levels of growth. Whether, accounting for the ARUP/SEI report and the increasing demand for emission reductions, this growth and approach can be maintained within environmental limits is now highly questionable, and it is for the proponents of the proposed housing supply rate and its distribution pattern to substantiate its sustainability. .

The question asks about the accommodation of "current" levels of housebuilding. Since these are significantly below that detailed in the current RSS, we believe that this level can also be accommodated.

**QUESTION 6**

If you consider that the Plan's Core Approach cannot accommodate current levels of house building within the Region, please tell us which Spatial Option(s) you think should be used to deliver the current RSS housing requirements of 22,260 homes per year to 2026? Please provide reasons for your answer?

**QUESTION 7**

*Do you think the Plan's Core Approach could accommodate higher levels of house building through to 2026?*

- *If yes, which level(s) of growth could be accommodated (refer to question 1)?*
- *If no, please tell us which Spatial Option(s) you think should be used in order to deliver higher levels of house building.*

As we have stated earlier in this submission, we do not think that higher levels of growth can be delivered in the Region whilst still delivering effective greenhouse gas reductions and taking into account the current and short-medium term economic climate.

All spatial options should be tested robustly to assess the likely effect on greenhouse gas emissions resulting from their adoption. In the absence of this testing, the Core Approach should be maintained.

**QUESTIONS 8-26 - Sub-Area Considerations**

We asked you above in Questions 5 to 7 whether you thought the Region as a whole could accommodate a range of house building rates. Now we want you to tell us if the approach to this particular sub-area needs refining and how it might accommodate housing growth, by answering the following questions.

To what extent can the current strategy deliver current house building rates in this sub-area?

To what extent can the current strategy deliver higher house building rates in this sub-area?

Which Spatial Options or combination of Spatial Options do you think provide sufficient guidance for Local Authorities to determine broad locations for where further house building should be located?

In response to the above three questions, it should be pointed out that this submission is from the Regional Campaigns Office of Friends of the Earth and is, therefore, concerned primarily with the region as a whole. Friends of the Earth have an active network of seventeen local groups of informed, intelligent campaigners within the region who may respond to this consultation in their own right and with particular detailed knowledge of their own sub-area.

2008 RSS increased the emphasis on activity in Leeds City Region, particularly at its centre, so there was an increase in the percentage of new housing provision for the region as a whole expected to be provided in West Yorkshire: from 43% between 2004-8 to 49% in 2008-26. What was even more marked however was the increase in particular locations between the 2004 and 2008 RSSs: with the increase for the region as a whole at 47%, there was a marked differentiation between annual increases in North Yorkshire (limited to 11%) at one pole and 67.5% in West Yorkshire at the other.

Clearly the restraint being applied in North Yorkshire is appropriate; and disregarding for one moment the argument about the overall numbers - see above - the attempt to collocate residential growth closer to employment location is equally to be supported.

However it is when the growth assumptions in **combination** (demographic, economic and housing) are then translated into housing numbers and allocated to particular districts within West Yorkshire that the outputs become increasingly implausible, disconnected from the real world, and also unsustainable for example in terms of their environmental impacts and infrastructure/investment consequences.

So housing provision in Kirklees is even at present expected to increase by 60% p.a; in Bradford by 73%; and in Leeds by 90%. If the total regional target were to be increased still further, up to the 28-30,000 levels of the NHPAU and trend based projections, then these distorted distributions to particular locations will probably just break down and become physically impossible. It will be recalled in particular that Leeds City Council were not prepared to accept even the 2008 proposals, and since then their particular approach to new housing provision in the form of the previously buoyant apartment market will have suffered particular reversal.

We have highlighted our concerns over the deliverability and environmental sustainability of the proposed building rates and these are, generally, replicated at a smaller level in each of the sub-areas although we do recognise the characteristic differences between the sub-areas.

We support the inclusion of the “Regionally Important Considerations” and the “Additional Considerations” but would advocate the inclusion of greenhouse gas emissions as a regionally important consideration. This would require further study into the effect of each of the options detailed. Again, in the absence of these studies, we would advocate the retention of the Core Approach.

A particular concern at a sub-area level is the capacity issues surrounding public transport at the two main cities of Leeds and Sheffield. As house building rates increase in these areas, the existing problems of under-capacity at peak hours described by the Rail Utilisation Strategy will be exacerbated and potentially lead to a switch from public transport to car use.

The consequences for subarea allocations are therefore a further reason to question the validity of the overall increased growth assumptions being introduced at the start of the analysis.

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[i] Yorkshire and Humber Plan – Regional Spatial Strategy to 2026. May 2008
http://www.goyh.gov.uk/497763/docs/199734/199799/689582/1_Y_H_Published_RSS_May_2008.pdf

[ii] Regional Strategies and Climate Change – Arup/Stockholm Environment Institute/ Cambridge Econometrics. August 2007 http://www.yhassembly.gov.uk/dnlds/ARUP%20climate%20change%20exec%20summary.pdf

[iii] Meeting the housing requirements of an aspiring and growing nation – NHPAU. June 2008
http://www.communities.gov.uk/documents/507390/pdf/863376.pdf

[iv] The Housing Challenge – Yorkshire and Humber Assembly. November 2008.
http://www.yhassembly.gov.uk/dnlds/RSS%20Update%20Spatial%20Options.pdf

[v] Reframing the climate change challenge in light of post-2000 emission trends – 2008. Tyndall Centre for Climate Change Research http://www.tyndall.ac.uk/publications/journal_papers/fulltext.pdf

[vi] Table 217: Permanent dwellings started and completed by tenure and region (quarterly). DCLG
http://www.communities.gov.uk/documents/housing/xls/141200.xls

[vii] Press release - 2008 Home Starts Lowest on Record – January 2009. National House-Building Council
http://www.nhbc.co.uk/NewsandComment/Name,36494,en.html

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[viii] Daily Telegraph – June 2008. http://www.telegraph.co.uk/finance/2792376/House-prices-won%27t-recover-until-2015%2C-ex-MPC-expert-warns.html

[ix] Affordability Still Matters – July 2008. NHPAU http://www.communities.gov.uk/nhpau/keypublications/reports/affordabilitystillmatters/

[x] Testing the advice on the range of housing supply provided by the National Housing and Planning Advice Unit - Dec 2008. Experian http://www.yhassembly.gov.uk/dnlds/Experian%20work-web%20site%20text-intro%20Nov08.doc

[xi] Building a low carbon economy – Committee on Climate Change. December 2008 http://hmccc.s3.amazonaws.com/pdf/TSO-ClimateChange.pdf

[xii] Home Truths: a low-carbon strategy to reduce UK housing emissions - Environmental Change Institute. November 2007 http://www.foe.co.uk/resource/reports/home_truths.pdf