City of York – Housing Needs Update

City of York Council

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Prepared by

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1   INTRODUCTION

1.1   The latest set of (2016-based) Sub-National Population Projections (SNPP) were published by the Office for National Statistics (ONS) in May 2018. Drawing from these, in September 2018, ONS published the 2016-based Sub-National Household Projections (SNHP). In between these publications the most up to date demographic evidence was published by way of the 2017 Mid-Year Population Estimates (MYE).

1.2   This report seeks to interrogate the 2016-based SNPP, 2016-based Household Projections and the latest mid-year estimates (2017) to consider the potential implications for household growth and housing needs in York.

1.3   The SNPP provides an estimate of the future population of local authorities, it assumes continuation of recent local trends when disaggregating from the national level. This includes examining and adjusting for trends in fertility, mortality and internal migration; assumptions on international migration at a national level are based on trends over the past 25-years (period to mid-2016) but then assigned to local areas on the basis of data over the previous six years. The SNPP are constrained to the assumptions made for the 2016-based National Population Projections so that totalling up all local authority data will tally with national estimates.

1.4   The SNPP and SNHP are not forecasts and do not attempt to predict the impact that future government or local policies, changing economic circumstances or other factors might have on demographic behaviour. The primary purpose of the SNPP is to provide an estimate of the future size and age structure of the population of local authorities in England.

1.5   The SNPP are also used as a common framework for informing local-level policy and planning in a number of different fields as they are produced in a consistent way.

1.6   The analysis herein looks at housing need over the period from 2012-37 to be consistent with the Local Plan. Because the projections are 2016-based and there is a known population for 2017 this essentially means that data for 2012-17 is fixed by reference to published population estimates (from ONS).

1.7   The report is split into a number of short sections considering a range of different outputs related to the new projections. These are summarised below:

- Section 2: Population and Household Growth;
- Section 3: Housing Market Signals and Affordable Housing Need;
- Section 4: Economic-Led Housing Need; and
- Section 5: Conclusions.

2   POPULATION AND HOUSEHOLD GROWTH

2.1   This section sets out the projected population growth in the 2016-based SNPP and compares the findings to the 2014-based SNPP figures. However, it is worthwhile understanding historic growth to contextualise this data.

2.2   As shown in the figure below growth in York has seen significantly faster growth than any of the wider comparators over the last 26 years and particularly since the millennium. Since around 2004, population growth has broadly tracked nationwide growth, this is a faster rate of growth than observed across North Yorkshire or the region.

Figure 1:   Population Growth (1991-2017)
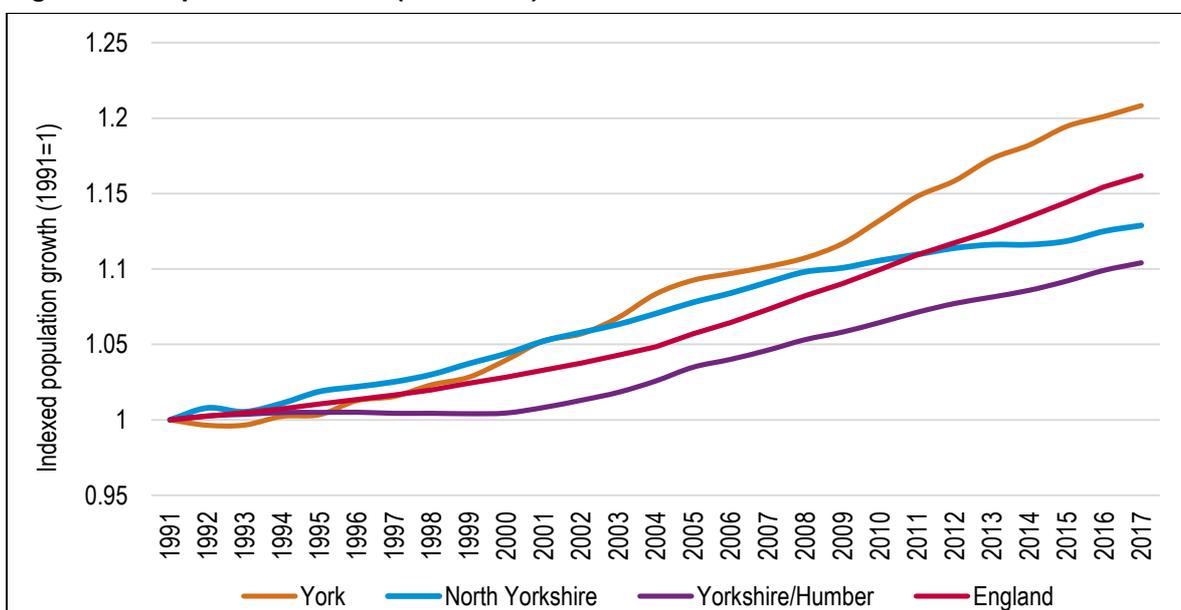
Source: ONS, Mid-Year Population Estimates, 2018

2.3   The table below shows projected population growth from 2016 to 2039 in the City of York and a range of comparator areas. The data shows that the population of York is projected to grow by around 17,600 people. This is an 8.5% increase – this is below the projected increase nationally but notably above the projected increase in the region and for North Yorkshire.

Table 1:   Projected Population Growth (2016-39) – 2016-based SNPP

	Population 2016	Population 2039	Change in population	% change
York	206,920	224,542	17,622	8.5%
North Yorkshire	609,538	628,028	18,490	3.0%
Yorks/Humber	5,425,370	5,779,821	354,451	6.5%
England	55,268,067	61,534,998	6,266,931	11.3%

Source: ONS

2.4   It is also possible to compare the 2016-based SNPP with the previous full set of projections (the 2014-based SNPP). This comparison is shown for York in the table below. This shows that the latest projections show a very significantly lower level of population growth (12,000 fewer people – equivalent to a 41% reduction in projected population growth) over the 2016-39 period.

Table 2:   Projected Population Growth (2016-39) – comparing projection releases

|	2014-based SNPP	2016-based SNPP	Difference
York	29,622	17,622	-12,000

Source: ONS

2.5   The reason for such a reduction stems from the 2016 National Population Projections. The national reduction can be explained by the following:

- ONS' long-term international migration assumptions have been revised downwards to 165,000 per annum (beyond mid-2022) compared to 185,000 in the 2014-based projections. This is based on a 25-year average;
- The latest projections assume that women will have fewer children, with the average number of children per woman expected to be 1.84 compared to 1.89 in the 2014-based projections; and
- ONS is no longer assuming a faster rate of increase in life expectancy of those born between 1923 and 1938, based essentially on more recent evidence. Life expectancy still increases, just not as fast as previously projected.

2.6   In examining how these have influenced population growth at a York level we have looked at each of the main components of change. The first of which is natural change (births – minus deaths). As shown in the figure below neither the 2014 nor 2016-based projections have an immediately obvious relationship with past trends.

2.7   However, on balance given the more recent trend of falling rates the 2016-based projections looks to reflect this to a greater extent than the 2014-based projections which show and immediate and significant improvement which is not founded on the most recent trends.

Figure 2:   Past and Projected Trends in natural change – York
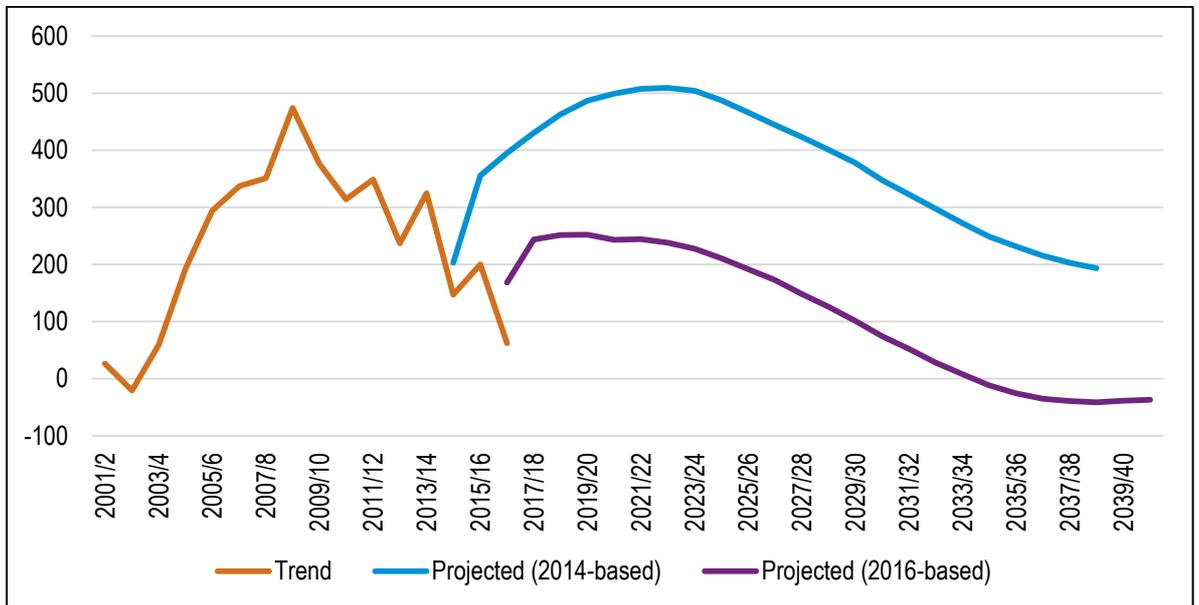
Source: ONS

2.8   As shown in Figure 3 for net internal migration the 2016-based population projection is actually slightly more positive than its predecessor. It would also more closely align with more recent trends as the 2014-based projection has a substantial and immediate fall greater than has subsequently been estimated as having actually occurred.

Figure 3:   Past and Projected Trends in net internal migration – York
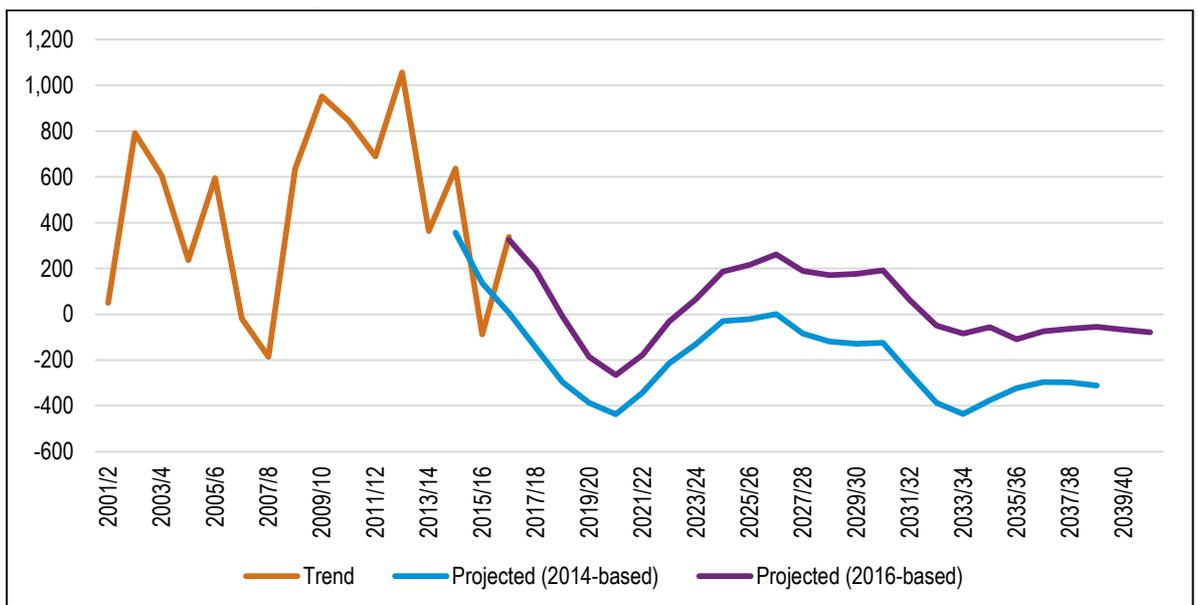
Source: ONS

2.9   However, the most significant difference arrives with the review of international migration. Neither trend projects any change beyond 2021 but the 2016- based trend more closely follow on from the more recent trends.

Figure 4:   Past and Projected Trends in net international migration – York

Source: ONS

2.10   By examining the Mid-Year Population Estimates for the interim period since their release it is also now known that the first few years of the 2014-based projection have been inaccurate for the City. As shown in the table below, migration within the 2014-based projection was significantly higher than actually recorded by ONS.

2.11   The same exercise can also be undertaken for the single year since the publication of the 2016-based projections. This shows a very close level of alignment albeit slightly lower that what actually happened.

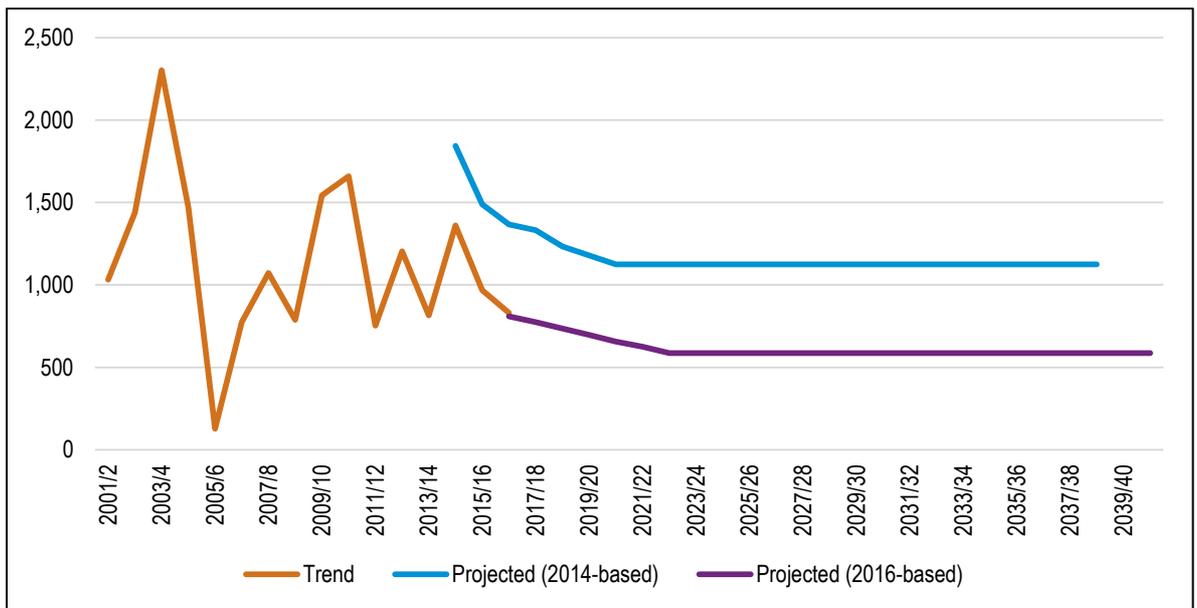**Table 3:   Comparing recorded migration (in the MYE) and projected levels**

	MYE recorded	2014-based SNPP	2016-based SNPP
2014/15	1,360	1,844	-
2015/16	968	1,489	-
2016/17	831	1,366	808

Source: ONS

2.12   As a final sense check we can also observe that the Patient Register shows lower growth than the MYE, adding weight to the 2014-based SNPP being too high and giving further credence to the 2016-based population projection.

Table 4:   Estimated population change (2011-2017) using different sources– York

	Population 2011	Population 2017	Change in population	% change
MYE	197,790	208,200	10,410	5.3%
Patient Register	203,430	211,870	8,440	4.1%

Source: ONS

Alternative Demographic Scenarios

2.13   As well as reviewing the official projections the guidance also advises consideration of more recent evidence (MYE) and examining any potential short-term influences on the demographic projections. This may include any particular contractions or growth in the population in the period feeding into the projections (2010/11 to 2016 for the latest projections).

2.14   In order to mitigate against any shorter term trends we have sought to look at trends over a longer (10-year) period. This is a fairly commonplace timeframe to examine trends when undertaking this type of work. We have therefore developed two further scenarios:

- Including 2017 mid-year population data and retaining other assumptions in the SNPP – 2016-SNPP (+MYE); and
- Implications of 10-year migration trends – 10-year migration

2.15   As demonstrated in the table below these alternative scenarios do not diverge substantially from the latest population projection but also that 2014-based SNPP is very much the outlier of the scenarios examined.

Table 5:   Projected population growth (2012-2037) – alternative scenarios – York

	Population 2012	Population 2037	Change in population	% change
2014-based SNPP	200,018	236,366	36,348	18.2%
2016-based SNPP	199,567	223,603	24,036	12.0%
2016-SNPP (+MYE)	199,567	224,035	24,468	12.3%
10-year migration	199,567	225,645	26,078	13.1%

Source: Demographic projections

Household Growth

2.16   Having studied the population growth and the age/sex profile of the population the next step in the process is to convert this information into estimates of the number of households in the areas. To do this, the concept of headship rates (or reference rates) is used. Headship rates can be described in their most simple terms as the number of people who are counted as heads of households (or the more widely used Household Reference Person (HRP)).

2.17   The latest sets of household reference rates were published as part of the 2016-based subnational household projections (SNHP) in September by ONS[1]. However, it is fair to say they have not been met uncritically.

2.18   The criticism mostly stems from the fact that the new projections do not have the ability to meet the Government's housing target of 300,000 homes per annum once the standard methodology is applied to them.

2.19   The methodology for the population projections which underpin the household projections has not faced much criticism as this has not changed. However, the responsibility for production of the household projections has changed from the MHCLG to ONS and as a result some changes have been implemented.

2.20   The main change is the period from which household formation rates trends have been drawn. Previously these were based on trends going back to 1971 but in the most recent projections trends have only been taken from 2001.

2.21   It is argued that by focussing on shorter term trends ONS have effectively locked in deteriorations in affordability and subsequently household formation rates particularly within younger age groups in that time.

2.22   The figure below illustrates the impact of this in York for those aged 25-34 and 35-44. For the oldest of these age groups household formation appears largely unaffected although they do eventually fall behind the 2014-based rates. However, for the 25-34 age group the 2016-based projections show a much lower level of household formation with (unlike the 2014-based projections) no improvement going forward.

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[1] Note that although the 2016-based household projections were published after the 2017 Mid-Year Population Estimates they did not incorporate the latter.

Figure 5:   Projected HRRs by age of head of household (selected age groups) – York
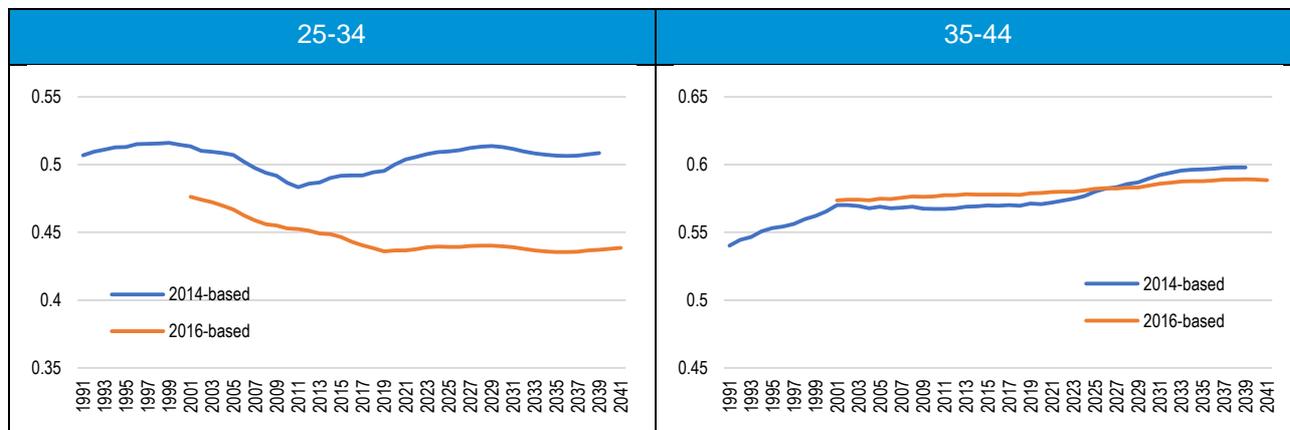
Source: Derived from ONS and CLG data

2.23   The question remains whether this is both an accurate assessment of current and future household formation and also positive planning to assume that certain age groups will not be able to form households in the same way that they once did.

2.24   To examine this further we have used three different household representative rate scenarios. These scenarios have been used as described below:

- Linking directly to 2016-based SNHP – 2016-SNHP HRRs;
- Linking directly to 2014-based SNHP – 2014-SNHP HRRs; and
- Linking to the 2014-based SNHP but with a part-return to previous trends for the 25-34 and 35-44 age groups – 2014-PRT

2.25   The last of these scenarios was initially suggested by the Local Plans Expert Group in their now defunct standard methodology proposal and while they hold no weight in guidance terms, they do address deterioration within even the 2014-based HRR.

2.26   The result of applying these rates to the 2016-based population growth figures (as set out in Table 5) is shown below. This also includes a vacancy rate of 3% (a fairly standard number to use in assessments of this nature). The official projections result in a need for 484 dpa. This according to the planning practice guidance is the official starting point for assessing need and from which any market signals adjustment should be benchmarked.

2.27   The analysis using alternative HRR show a significantly higher level of growth reflecting the difference between the forecasts, the extent of deterioration in HRR and the scale of the 25-34 age group.

2.28   The use of the 2014-based HRR in York would increase the housing need to 610 dpa when applied to the 2016-based population projections. This increases further when the PRT HRR applies

resulting in a housing need of 660 dpa. For the full period this scenario results in a need for 16,493 dwellings.

2.29   Such a level of need represents a 40% uplift above the starting point. If no other adjustments are required, then this would be the OAN i.e. if economic potential was low and there were few affordability pressures in the City. However, as the next two sections show, this is not the case in York and therefore this figure does not represent a robust OAN.

Table 6:   Projected Household Growth 2012-37 – 2016-based Population Projections

|	Households 2012	Households 2037	Change in households	Per annum	Dwellings Per Annum
2016-SNHP HRRs	83,522	95,266	11,744	470	484
2014-SNHP HRRs	84,064	99,320	15,256	610	629
Part-return to trend	84,064	100,556	16,492	660	679

Source: Derived from ONS and CLG data

3   ECONOMIC LED HOUSING NEED

3.1   There are a number of documents which have tested the economic growth potential of the City of York using Oxford Economic and the Regional Econometric Model which is produced by Experian. The most recent of these was a sensitivity test undertaken using the REM outputs of December 2016 and were published in the ELR Update in September 2017 as part of the REG 18 consultation at Pre-Publication Plan stage.

3.2   Table 1 of the ELR update presents the different scenarios over the period 2015 to 2031 as this was the time period looked at in the original Oxford Econometrics (OE) forecasts in the ELR 2016. This included Scenario 2 which was a locally led adjustment to the OE baseline to reflect local circumstances.

3.3   The ELR Update concluded that Scenario 2 was the most appropriate to take forward within the draft Local Plan. Before this occurred, the scenarios had to be moved onto a 2014 baseline as shown in Table 2 of the ELR update taking account of BRES change in the period 2012 to 2014.

3.4   This shows that the total forecast jobs growth for Scenario 2 it is +11,050 jobs over the remaining 17 years of the plan period (2014-31) reducing the economic growth potential in the City of York to 650 jobs per annum.

Modelling Assumptions

3.5   To consider the level of housing provision which might be needed to support the expected growth in jobs we need to make a number of modelling assumptions. Firstly, we have assumed that there will be no improvements to unemployment post 2017.

3.6   The second of which takes into account the number of people with more than one job (double-jobbing). At present around 3.3% of those working in York hold down more than one job. We have assumed this stays constant. This is taken from the long-term average from the Annual Population Survey (APS) and is set out in Figure 1 below.

Figure 6: Percentage of all people in employment who have a second job (2004-2017) – York
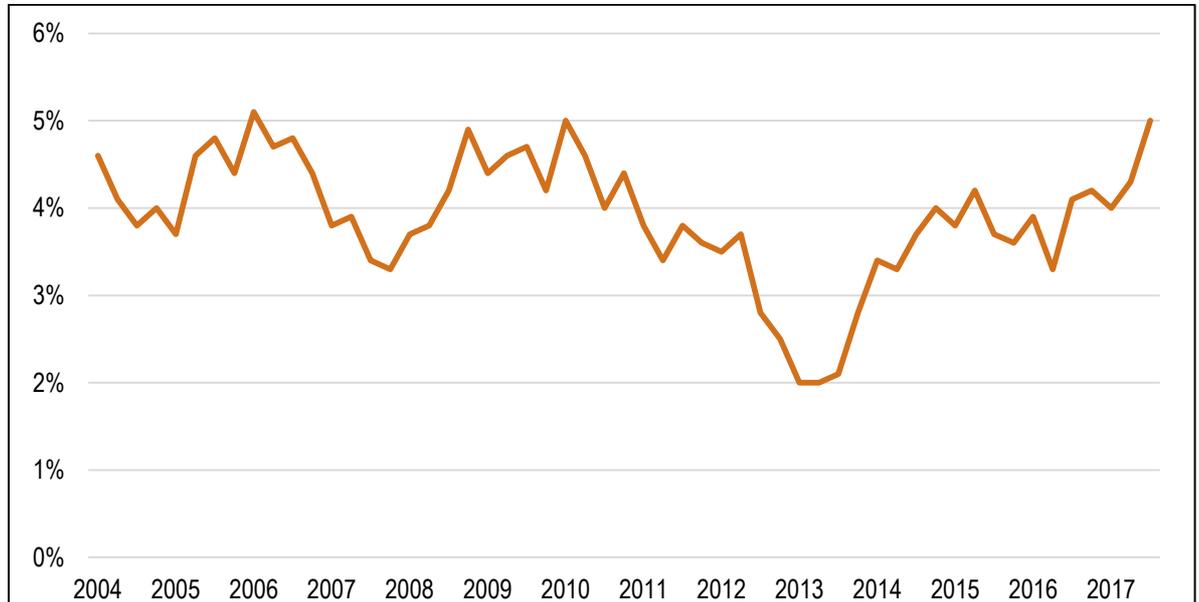
Source: Annual Population Survey (from NOMIS)

3.7   Similarly, we have assumed that commuting ratios as set out in the 2011 Census (which although dated is the best available evidence) also stay constant (see Table 7). As shown for every 1,000 people commuting in to the City for employment 959 commute out. There is a therefore a very broad balance of commuting (actually a small net in-commute) and this is expected to continue to be the case.

Table 7: Commuting patterns in York

	Number of people
Live and work in Local Authority (LA)	62,209
Home workers	9,422
No fixed workplace	6,101
In-commute	25,734
Out-commute	21,451
Total working in LA	103,466
Total living in LA (and working)	99,183
Commuting ratio	0.959

Source: 2011 Census

3.8   Any changes to commuting patterns would need to be agreed with neighbouring authorities who may be relying on York residence to meet their economic growth.

3.9   Drawing these assumptions together it is possible to look at increase in resident workforce required to service the increase in number of jobs. As shown in the table below the 13,000 increase in jobs translates into an almost 12,000 increase in resident workforce.

Table 8:   Forecast job growth and change in resident workforce with double jobbing and commuting allowance (2017-37) – York

	LP (650 jpa)
Number of jobs (2017-37)	13,000
Double jobbing allowance	0.961
Number of workers required	12,493
Commuting ratio	0.959
Change in resident workforce	11,976

Source: Derived from a range of sources as described

3.10   The next stage recognises that not all of the population are economically active and seeks to model what level of population growth is required to provide the calculated increase in resident workforce. To do this we used assumptions on economic activity.

Economic Activity Rates

3.11   The most contentious part of the modelling assumptions generally focuses on Economic Activity Rates. This relates to the percentage of population in each age group and sex who will be economically active (i.e. in employment or looking for employment).

3.12   For the purposes of this report (and in a departure from the previous SHMA) we have used the Economic Activity Rates (EAR) as published by the Office of Budgetary Responsibility (OBR) from summer 2018. We have modelled from 2017 onwards assuming 650 jobs per annum through to 2037.

3.13   As shown in the figure below Economic Activity increases are assumed to occur in all male age groups from 55 onwards and for all woman aged 25 onwards. This reflects a wide range of factors but most notably increases to the state pension age and the trends for woman to be working in greater numbers and for longer.

Figure 7:   Projected changes to economic activity rates (2017 and 2037) – York
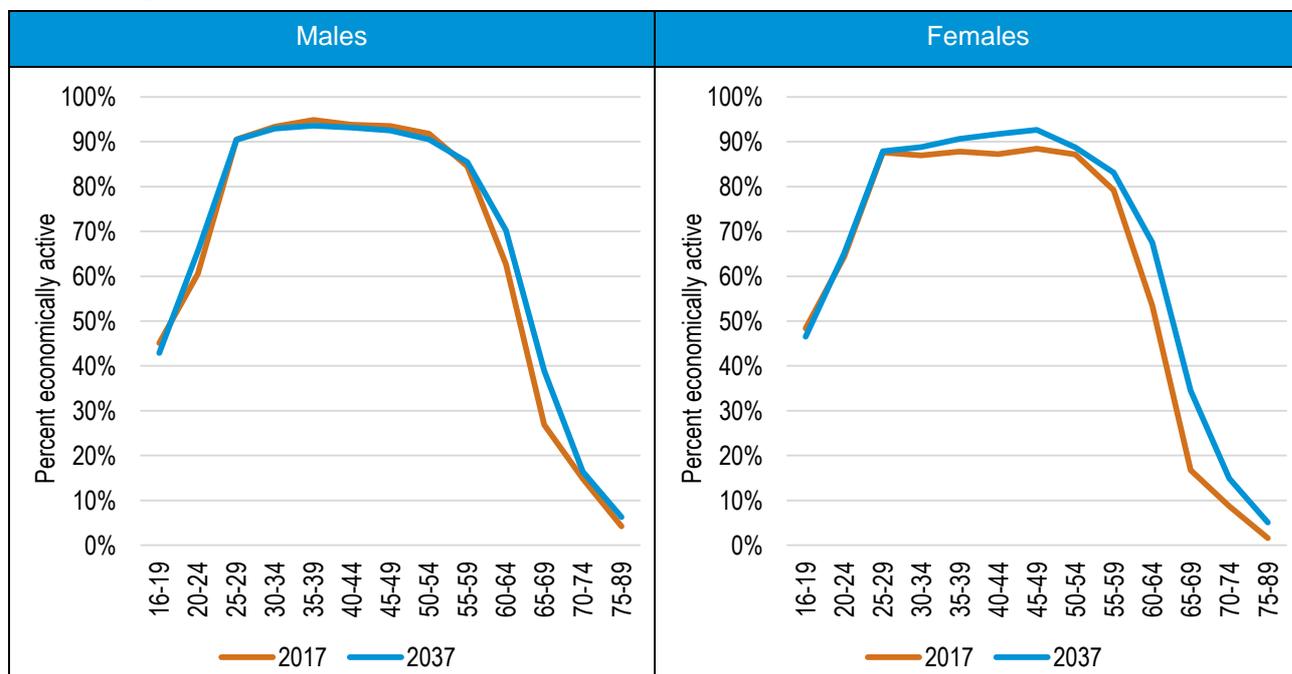
Source: Based on OBR and Census (2011) data

3.14   This data has also been tabulated below and shows in particular the increase in those aged 60 to 69 linked directly to the change in pensionable age. There is also some reduction in the economic activity of those aged 16-19. This can be attributed to recent trends linked to changes to the compulsory education leaving age.

Table 9:   Projected changes to economic activity rates (2017 and 2036) – York

	Males			Females		
	2017	2037	Change	2017	2037	Change
16-19	45.1%	42.9%	-2.2%	48.4%	46.5%	-1.8%
20-24	60.5%	65.6%	5.1%	64.4%	65.1%	0.7%
25-29	90.5%	90.4%	0.0%	87.6%	87.9%	0.3%
30-34	93.4%	92.9%	-0.4%	87.0%	88.8%	1.8%
35-39	94.8%	93.5%	-1.3%	87.8%	90.7%	2.9%
40-44	93.8%	93.1%	-0.7%	87.2%	91.7%	4.5%
45-49	93.5%	92.5%	-1.0%	88.5%	92.7%	4.2%
50-54	91.8%	90.5%	-1.3%	87.1%	88.7%	1.6%
55-59	84.5%	85.5%	1.0%	79.2%	83.1%	3.8%
60-64	62.6%	70.2%	7.6%	53.4%	67.5%	14.1%
65-69	26.8%	38.9%	12.1%	16.8%	34.5%	17.7%
70-74	14.8%	16.4%	1.6%	8.7%	14.9%	6.2%
75-89	4.2%	6.3%	2.1%	1.6%	5.1%	3.5%

Source: Based on OBR and Census (2011) data

3.15   The modelling starts with the official population projections and applies these economic activity rates to them. The official projections however do not provide enough of an increase in resident workforce to service the anticipated jobs growth using these economic activity rates.

3.16   In this circumstance the model then increases in migration (both international and internal) and decreases out-migration (both international and internal) by the same amount until the required increase in resident employment is achieved.

3.17   The final step is to translate this increase in population in to households and dwellings. As with the demographic growth we have run a number of scenarios in household representative rates and included a 3% vacancy allowance, the results of which is shown below.

Table 10:   Projected housing need with different HRR scenarios (Local Plan job growth) – York

|	Households 2012	Households 2037	Change in households	Per annum	Dwellings (per annum)
2016-SNHP HRRs	83,522	97,830	14,308	572	590
2014-SNHP HRRs	84,064	101,901	17,837	713	735
Part-return to trend	84,064	103,241	19,177	767	790

Source: Demographic projections

3.18   Using the official HRRs from the 2016-based projections results in a need for 590 dwellings per annum. This again assumes that the deterioration in household formation within younger age groups is acceptable.

3.19   However, by using the part return to trend HRRs we are again making the required improvements to avoid locking in these historic deteriorations and ensuring that these improve in future. Such an assumptions results in an **economic led housing need of 790 dwellings per annum.**

3.20   Only by providing this level of growth would the population be sufficient to meet the economic growth while also ensuring that there will be improvements to household representation rates among younger persons.

3.21   Any level of delivery below this will result in a combination of restricted economic growth (businesses not growing or moving out the City), unsustainable commuting patterns (increasing congestion and over-crowded public transport) or reduced household formation rates (greater levels of HMOs and/or non-dependent children living with their parents for longer and in greater numbers).

4   MARKET SIGNALS

House Prices

4.1   As shown in the figure below, the median house price in York sits at £230,000, near parity with England's median value of £235,995. The City is also more expensive than the North Yorkshire and Yorkshire and Humber equivalents of £210,000 and £157,500 respectively.

Figure 8:   Median and Lower Quartile House Prices (2017)
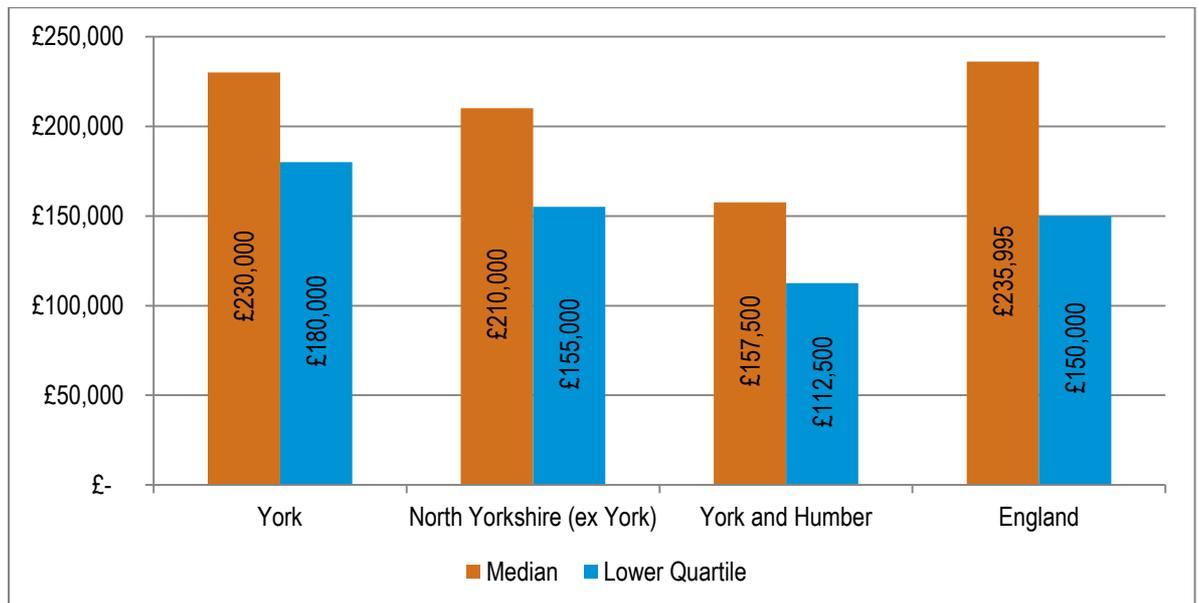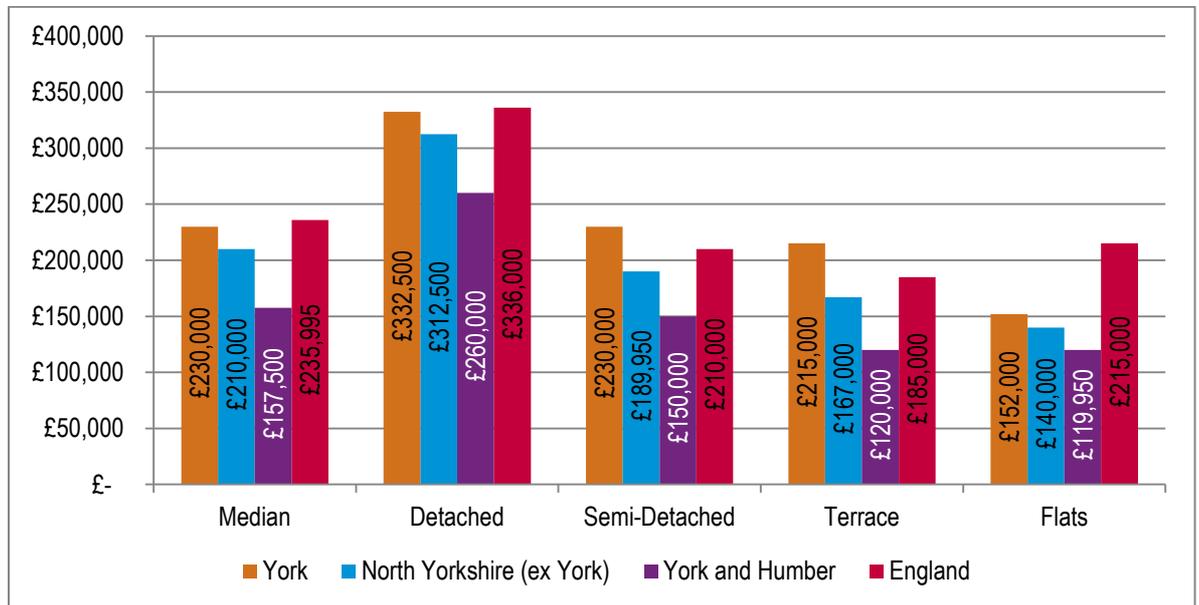

Source: HM Land Registry, 2018

4.2   Perhaps even more interesting to note is that lower quartile house prices in York exceed that of England by £30,000 despite having a similar overall median house price. Relatively higher values within a lower quartile housing range suggests that those with lower incomes (such as first-time buyers) feel greater housing pressure and are less likely to be able to afford a property.

4.3   On examining house prices by type in summary we have identified that for detached, semi-detached, terrace and flats prices are all higher in York than for the County and Regional comparators. This is also the case for semi-detached and terraced homes in comparison to England.

Figure 9:   House Prices by Type, 2018

Source: HM Land Registry, 2018

4.4   Cost analysis based on detached houses reveals that the properties in York, valued at £332,500 are similar in value to the rest of England at £336,000. They are £20,000 higher than surrounding North Yorkshire and £72,500 higher than the Yorkshire and Humber region.

4.5   Analysis of semi-detached house prices reveals that median values in York are £230,000, this is some £20,000 higher than England, £40,050 higher than surrounding North Yorkshire figure and £80,000 greater than the Yorkshire and Humber region.

4.6   Terraced house price analysis reveals that in York the median value is £215,000, £30,000 higher than England, £48,000 higher than surrounding North Yorkshire and £95,000 greater than the Yorkshire and Humber region.

4.7   Finally, cost analysis based on flats reveals that those types of properties in York are valued at £152,000, £63,000 lower than England, £12,000 higher than surrounding North Yorkshire and £32,050 greater than the Yorkshire and Humber region.

4.8   Most interesting to note are that semi-detached and terraced homes are more expensive than all the other geographies, suggesting a shortage of housing related to this type. Flats, however, are a different case to the rest of England despite still being more expensive than its surrounding geography. One possible reason for the lower value of flats may be relating to the quality and size of the stock in the City.

House Price Change

4.9   The figure below reveals the indexed median house price change relative to values from 1998 to 2018. These are indexed to 2008 levels to show pre and post-recession changes. The graph can reveals the pace at which median house prices are rising or falling over time relative to the other geographies.

4.10   Most notably, the gap of growth between York and the surrounding North Yorkshire county has widened from 10 years ago. Since 2008 (the last recession), median housing price change for York has been approx. 1.25, more similar to the growth of prices for England overall sitting at 1.30.

4.11   The North Yorkshire county and Yorkshire and the Humber region, on the other hand, sit closer to just a change of 1.10. This divergence also shows a larger gap in house price change between the four geographies than at any time in the 20-year period, as visually shown below.

Figure 10: Indexed Median House Price Change (1998-2018)
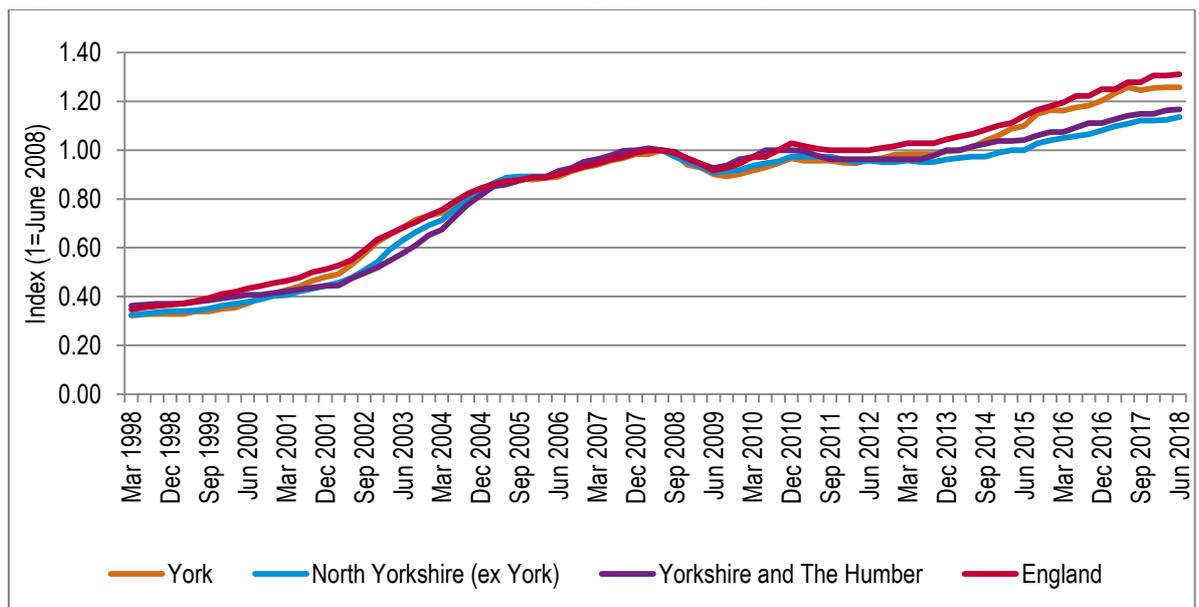
Source: ONS based on Land Registry Data, 2018

Rental Market

4.12   The table below shows rental growth in York, Yorkshire and Humber, and England over the past one and five years, along with the relative growth figures for the lower quartile. The table reveals the pace at which median rental prices are rising or falling relative to properties on the lower end.

4.13   Of particular interest is the trend related to median rental growth. Median rental values in York are £745, £70 higher than the rest of England and £220 higher than Yorkshire and Humber region. In

the past five years, rental values have increased by 10%, 5% less than in England (15%). In the past year, however, prices have increased by 3% whereas there has been no growth for the rest of England and only 1% growth in the Yorkshire and Humber region. Indicating a narrowing of trends.

Table 11:   Median and Lower Quartile Monthly Rents (2018)

	Median	1 Year Growth	5 Year Growth	Lower Quartile	1-year LQ Growth	5 Year LQ Growth
York	£745	3%	10%	£625	5%	14%
York & Humber	£525	1%	8%	£430	1%	9%
England	£675	0%	15%	£500	0%	11%

Source: Valuation Office Agency, 2018

4.14   In the lower quartile, more notably, York's rental growth has outpaced the rest of the country by 3%, sitting at total value increase of 14%. Similarly, rental prices have surged in the past year by 5% whereas there has been no increase in England.

4.15   The data demonstrated that rental housing has overall become more unaffordable in the past five years, but increasingly so amongst lower-value properties. This could be directly linked to a lack of affordability in the purchase market forcing a greater level of competition for rental properties.

Affordability

4.16   The table below shows the median and lower quartile affordability ratios of York, Yorkshire and Humber, and England in 2017, along with their 5-year change in values. The table demonstrates the relationship between incomes of those working in the City relative to property values.

Table 12:   Median and Lower Quartile Affordability Ratios (2017)

	Median	5 Year Change	LQ 2017	5 Year Change
York	8.62	1.88	7.26	0.68
North Yorkshire	8.16	0.51	5.73	0.55
Yorkshire & Humber	5.90	0.55	-	-
England	7.91	1.14	9.11	1.38

Source: MHCLG, 2018

4.17   At the median level, York has the highest affordability ratio, and thus the least affordable housing, relative to surrounding North Yorkshire, Yorkshire and Humber, and England. In addition, the affordability ratio in York has also increased the most in the past five years relative to the other geographies – indicating a significant worsening in affordability.

4.18   The table also shows the lower quartile values and growth, although this data has not been published at a regional level. Affordability at a lower quartile level is relatively better and grew less than in England, however it still sits above the surrounding North Yorkshire equivalent at 7.26.

Despite appearing to be less than the rest of England, 7.26 is still high relative to incomes when compared to typical mortgage multiples.

4.19   The affordability statistics and the market signals reveal that as a whole, York is becoming increasingly more unaffordable and that a market signals adjustment in the City is necessitated.

Affordable Housing Need

4.20   The other necessary consideration in determining the scale of an affordability uplift for the calculation of OAN is affordable housing need. There has been no reassessment of affordable housing need within this short update report. The previous SHMA identified a net affordable housing need of 573 dwellings per annum.

4.21   The affordable housing evidence suggests that a modest uplift to the demographic-based need figure to improve delivery of affordable housing in the City may be justified. We have examined the key judgements as an illustration of the most appropriate response.

Kings Lynn v Elm Park Holdings (July 2015)

4.22   The case of Kings Lynn and West Norfolk Council vs. SSCLG and Elm Park Holdings, decided in July 2015, involved the Council's challenge to an inspector's granting of permission for 40 dwellings in a village. Although much of the case was about the approach to take with regards to vacant and second homes, the issue of affordable housing was also a key part of the final judgment.

4.23   Focussing on affordable housing, Justice Dove considered the "ingredients" involved in making a FOAN and noted that the FOAN is the product of the Strategic Housing Market Assessment (SHMA) required by paragraph 159 of the NPPF. It is noted that the SHMA must identify the scale and mix of housing to meet household and population projections, taking account of migration and demographic change, and then address the need for all housing types, including affordable homes.

4.24   He continued by noting that the scale and mix of housing is *'a statistical exercise involving a range of* relevant *data for which there is no one set methodology, but which will involve elements of judgement'*. Crucially, in paragraph 35 of the judgment he says that the *'Framework makes clear that these needs [affordable housing needs] should be addressed in determining the FOAN, but neither the Framework nor the PPG suggest that they have to be met in full when determining that FOAN. This is no doubt because in practice very often the calculation of unmet affordable housing need will produce a figure which the planning authority has little or no prospect of delivering in practice'*.

4.25   This is an important point, given the previous judgements in Satnam and Oadby & Wigston. And indeed, in relation to Oadby and Wigston he notes that *'Insofar as Hickinbottom J in the case of Oadby and Wigston Borough Council v Secretary of State [2015] EWHC 1879 might be taken in paragraph 34(ii) of his judgment to be suggesting that in determining the FOAN, the total need for affordable housing must be met in full by its inclusion in the FOAN I would respectfully disagree. Such a suggestion is not warranted by the Framework or the PPG'*.

4.26   Therefore, this most recent judgement is clear that an assessment of affordable housing need should be carried out, but that the level of affordable need shown by analysis does not have to be met in full within the assessment of the FOAN. But should still be a consideration *in determining the FOAN.*

4.27   The approach in Kings Lynn is also similar to that taken by the inspector (Simon Emerson) to the Cornwall Local Plan. His preliminary findings in June 2015 noted in paragraph 3.20 that *'National guidance requires consideration of an uplift; it does not automatically require a mechanistic increase in the overall housing requirement to achieve all affordable housing needs based on the proportions required from market sites.'* A number of similar conclusions have been drawn at other local plan examinations.

4.28   It seems clear from this that the expectation is that it may be necessary, based on the affordable needs evidence to *consider* an adjustment to enhance the delivery of affordable housing, but that this does not need to be done in a "mechanical way" whereby the affordable need on its own drives the OAN.

Implications of Housing Market Signals

4.29   The updated market signals show that housing affordability is a worsening issue in York. House prices have increased in the past year and the affordability ratio between house prices and earnings has worsened. The housing market signals suggest that, in accordance with PPG, an uplift to the demographic projections is appropriate.

4.30   PPG sets out that "A worsening trend in any of the housing market signals indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections". In the context of the PPG, the appropriate test is therefore whether an upward adjustment should be made from the starting point household projections to take account of market signals.

4.31   There is however no guidance as to what an appropriate upwards adjustment should be instead the PPG sets out that it should be "at a level that is reasonable". There have been a number of inspectors' reports which have examined what is "reasonable". These are set out below.

Inspectors' Views on Market Signals Uplifts

4.32   Two of the earliest inspectors' reports where market signals were considered in detail are in Eastleigh and Uttlesford. In both cases different inspectors suggested that the local authorities should consider increasing housing need by 10% as a result of the evidence. Key quotes from these reports are provided below.

- Eastleigh (February 2015) – *'It is very difficult to judge the appropriate scale of such an uplift. I consider a cautious approach is reasonable bearing in mind that any practical benefit is likely to be very limited because Eastleigh is only part of a much larger HMA. Exploration of an uplift of, say, 10% would be compatible with the "modest" pressure of market signals recognised in the SHMA itself'*
- Uttlesford (December 2014) – *'I conclude that it would be reasonable and proportionate, in Uttlesford's circumstances, to make an upward adjustment to the OAN, thereby increasing provision with a view to relieving some of the pressures. In my view it would be appropriate to examine an overall increase of around 10%...'*

4.33   However more recently some inspectors have taken a stronger approach to market signals adjustments this includes:

- Waverley where the inspector applied a 25% uplift based on a median affordability ratio of 15.45;
- Mid Sussex where the inspector applied a 20% uplift based on a median affordability ratio of 12.6;
- Canterbury where the inspector applied a 20% uplift based on a median affordability ratio of 10.6;

4.34   All of the above examples are in locations where affordability is worse than in York. This would suggest that an uplift to these extents would be unnecessary. However, an uplift in the region of 15% would seem reasonable. Such an uplift applied to the demographic starting point (484 dpa) would arrive at an OAN of 557 dpa.

4.35   This is some way short of both the adjusted demographic growth and the economic growth. Therefore, the OAN should remain as 790 dwellings per annum in order to achieve both improvements to household formation and meet economic growth. This equates to an increase of 63% from the start point.

5   CONCLUSIONS

5.1   Overall, the 2016-based subnational population projections (SNPP) for York show an average annual population growth (2012-37) of 24,036, lower than the previous (2014-based) figure of 36,348 for the same period (12-37). Incorporating the latest mid-year population estimates off-sets this reduction to 24,468 persons over the same period.

5.2   Our analysis on the components of population change suggests that the 2016-based population projections provide a more robust assessment of population growth for York than their predecessor. This is also ratified by more recent population estimates.

5.3   To translate the 2016-based population projections into household growth and dwellings we ran a series of sensitivities on household representative rates and applied a vacancy rate of 3%.

5.4   The household formation rates analysis potentially identifies a constraint within the official household projections, particularly for those aged 25-34. We therefore developed an alternative scenario whereby the rates in this age group (and those aged 35-44) are part returned to those set out within the 2008-based projections (pre-recession).

5.5   These calculations resulted in a fairly wide range of growth of between 489 dpa to 679 dpa. Whereby the official projections are at the lower end of the range and the forecasts with adjusted HRR at the upper end.

5.6   In accordance with Planning Practice Guidance (PPG), we next considered whether it would be appropriate to consider any uplifts to account for economic growth or to improve housing affordability.

5.7   We have calculated the housing need required to meet an economic growth of 650 jobs per annum (based on the ELR Update and Draft Local Plan). Using a series of assumptions including economic activity rates from the Office of Budget Responsibility (OBR) resulted in an economic led need for housing of up to 790 dpa. This includes an adjustment to household formation rates.

5.8   We have also provided an updated analysis of housing market signals. These show that house prices are relatively high in York and that housing affordability is a significantly worsening issue over the last five years. This report has not re-assessed affordable housing needs. The SHMA had previously identified an affordable housing need of 573 dpa.

5.9   In accordance with Planning Practice Guidance (PPG), an uplift to improve affordability is required. Considering the above factors, we proposed a 15% uplift based on recent decisions and the significantly worsening affordability in York.

5.10   When applied to the demographic starting point (484 dpa) this 15% uplift would result in an OAN of 557 dpa. This some way short of the economic led need of 790 dpa.

5.11   This report therefore concludes that the OAN in York is 790 dpa. This would be sufficient to respond to market signals, including affordability adjustments, as well as making a significant contribution to affordable housing needs.

5.12   Only by providing this level of housing growth would the population be sufficient to meet the economic growth potential while ensuring that there will be improvements to household representation rates among younger persons.

5.13   Any level of delivery below this will result in a combination of restricted economic growth (businesses not growing or moving out the City), unsustainable commuting patterns (increasing congestion and over-crowded public transport) or reduced household formation rates (greater levels of HMOs and/or non-dependent children living with their parents for longer and in greater numbers).

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