
Hearing Statement on behalf of Defence Infrastructure Organisation (PM SID 345)

City of York Local Plan Examination

Matter 2: The Housing Strategy

November 2019

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The Housing Market Area (HMA)

2.1 We understand that the Council considers York to be within an HMA which includes the City of York and the area of Selby District Council, but that the two Councils are identifying housing need within their administrative areas separately.

- a) Is that correct? If so:
- b) Is the identification of the HMA formed on a robust evidential basis?
- c) What is the justification for assessing housing needs separately?

DIO did not express a view regarding the HMA at the PMM consultation stage, however it is clearly a requirement of the NPPF 2012 that every Local Plan meet the full objectively assessed need 'in the housing market area' (para 47), and that Councils do this by 'working with neighbouring authorities where housing market areas cross administrative boundaries' (para 159). This requirement must be adequately addressed in order that the CYLP can be judged to be soundly-based.

The objectively assessed housing need

2.2 Policy SS1 and Paragraph 3.3 of the Plan say that the objectively assessed housing need ('the OAHN') is 867 dwellings per annum (dpa) in the Plan Area for the plan period to (2017 to 2033) (16 years). However, since the submission of the Plan for examination, the Council has put forward further evidence to indicate that the OAHN is now considered to be 790 dpa in the Plan Area for 2017 to 2033.

- a) We understand that this calculation initially was derived from the conclusions of Technical Work carried out by GL Hearn in the Strategic Housing Market Assessment Update (2017) [SD050] which updated the demographic baseline for York based on the July 2016 household projections. However, the revised OAHN is now based on further work undertaken by GL Hearn presented within the City of York – Housing Needs Update (January 2019) [EX/CYC/9]. Is this correct? Is this a robust evidential basis?

No. Our representations on the Proposed Main Modifications (PMMs) published in 2019 (SID345 - Chapter 2) set out a 'Chronology of Evidence' which sought to summarise the various figures now proposed by CYC as representing the credible basis for the OAN in York. Those representations went on to consider how the different OAN figures proposed have been taken forward through the various stages of CYLP consultation process (SID345 – Chapter 3).

There are a number of concerns are raised with regards to the downward movement in the Council's OAN, which has moved from the recommendation of 953dpa (SD050 - paragraph 3.13 and figure 5; SID345 – para 2.2.2) to 790dpa (EXCYC9 – para 5.11; SID345 - 2.3.2-2.3.4/3.4.2). This represents a significant reduction in the projected housing need in York over time.

Firstly, as highlighted in our representations (SID345 – para 3.3.1) there was no credible evidence presented by CYC at the Regulation 19 stage to justify why it ignored its own evidence arguing for an adjustment (of 10%) to the OAN to help address the affordability problems facing local people in York. Secondly, other factors that weigh heavily in deciding upon a credible OAN for York have not changed since the CYLP was first consulted on back in 2013, namely the scale of affordable housing need identified in York remains substantial (SD050 – Table 34) nor the economic growth agenda and critical importance in the CYLP of the York economy in the York Sub Area and its role within the wider Leeds City Region and York and North Yorkshire Sub- Region (SD005 – paragraph 5.2; SID345 – paragraph 3.1.1).

2.3 What methodological approach has been used to establish the OAHN, and does it follow the advice set out in the Planning Practice Guidance (under the heading 'Methodology: assessing housing need')? In particular:

- a) The OAHN identified is founded on the 2016-based population projections as its starting point. What is the justification for using these projections? What is the justification for the household formation rates used to 'convert' the population projections into household projections? Overall, is the general approach taken here justified and consistent with the Planning Practice Guidance?**

DIO sets out its evidence on the appropriateness of using the 2016-based projections at the post-submission stage in the plan-making process in its PMM representations (SID345, section 4.1), whereby the credibility of the 2016-based projections are discussed, including the Government's acknowledgement that Plan Makers should, in post-transitional plans, instead rely on the 2014-based projections as a more stable basis. Although it is noted that this is a transitional plan, RPS consider that the 2014-based projections represent a more appropriate starting-point.

The shift from the 2014-based to a 2016-based official projections represents a substantial downgrading of the demographic starting point and which results in a significant reduction in the projected growth in population and households in York over the plan period compared to the 2014-based starting point submitted by the Council (SD050). DIO considers that the shift in approach to assessing housing need at such a late stage is not justified on reasonable planning grounds. This is because the downward pressure now being applied to the housing need calculation does not properly reflect or acknowledge the growth aspirations and objectives of the CYLP, nor does it reflect the City's crucial role economically in the future of the local as well as wider sub-region which has been a consistent theme of the emerging Local Plan review since it began in 2012.

On the Council's use of Household Formation Rates (or 'HRRs') in the OAN calculation, DIO support the use of the 2014-based HRRs, as opposed to 2016-based HRRs, as a starting point for considering whether the HRRs incorporate household suppression in the projections for York. DIO note that the Council's own analysis '...potentially identifies a constraint within the official projections...' and so have proposed a 'part return' approach, which DIO broadly support.

- b) Have market signals been taken into account?**

Not correctly. The OAN of 790dpa does not adequately address the pressing issue of affordability in York, as required by the PPG, and a specific (upward) adjustment within the preferred OAN to address these pressures is justified. DIO sets out its evidence on market signals in its PMM representations (SID345 - section 4.6). DIO does not intend to repeat this evidence here, but does wish to draw out a number of significant concerns with how market signals has been accounted for in the Council's various OAN calculations.

Most significantly, up until and including the point at which the CYLP was submitted to PINS for examination in May 2018, CYC had not incorporated any meaningful adjustment within its OAN assessment for market signals. This included the OAN figures (841 and 867dpa respectively) that were consulted on as part of the Pre-Publication (Regulation 18) or Publication (Regulation 19) stages (SID345 – section 2.2 and 2.3). It was only at the point at which CYC moved to an ‘economic-led’ OAN approach, using the (lower) 2016-based projections as a starting-point, where CYC actually considered incorporating an adjustment (15%) for market signals into their OAN calculations. However, CYC does not actually rely on a market signals adjustment because, in their opinion, it would make no meaningful difference to the outcome because the significantly reduced demographic OAN starting point (484dpa) results in an adjusted figure (557dpa) that is lower than the ‘economic-led’ OAN now preferred by CYC (790dpa). Consequently, the adjusted OAN using the 2016-based projections would still result in a figure that is 223 dpa lower than the economic-led OAN figure, and also lower than the projected housing growth based on the ‘part-return to trend’ scenario of 679dpa (EXCYC9 – Table 6). Furthermore, the Council accepted, in its own evidence in 2017, that even an OAN of 867dpa would not address the City’s affordability issues (SID – para 2.2.3; SD050, para 5.9).

However, DIO’s preference would be for an adjustment of at least 15% for market signals to be applied to the 2014-based projections (SID345 - para 4.6.16), resulting in an OAN of 997dpa as a minimum (SID345, para 6.1.8). This would allow for a more meaningful adjustment to the OAN to address the affordability issue in York, in accordance with the PPG methodology, and in line with the Council’s own stated conclusion on affordability issues evident in York 2017 and which has worsened further since then.

c) Have employment trends been taken into account? If so, how, and what conclusions are drawn in this regard?

No. DIO’s evidence on how the Council has taken into account employment trends, as required by the PPG, is set out in our PMM representations (SID345 – section 4.5). As set out in our representations, DIO has concerns with the CYC’s focus on employment forecasts as a basis for its analysis of employment growth in the assessment of OAN, without giving due consideration to appropriate ‘sensitivity testing’ alternative sources of employment data, as recommended in the PPG. Given the recent high levels of jobs growth in York, this includes consideration of past trends in employment growth in York (SID345 – para 4.4.5 – 4.5.6). Looking at past trends would suggest that recent employment growth rate observed in York is significantly higher (0.83% annually between 2000-2017) than the preferred growth rate (0.54%) underpinning the CYC’s preferred jobs target (650 jobs per annum). However, this alternative growth rate has not been tested as part of their latest evidence issued by the CYC in 2019 (EXCYC9). DIO also wish to highlight other alternative employment growth scenarios that have not been tested as part of the ‘economic-led’ approach now preferred by CYC (SID345 – para 4.5.7); which suggest potential for jobs growth of c. 936 jobs per annum (or 0.7% growth rate) based on Scenario 1 – Higher Migration and faster recovery (SD064), or 975 jobs per annum based on Business Register data published by ONS (SID345 – para 4.5.7). These alternative data sources also suggest that future jobs growth is likely to be higher than that preferred by the CYC in the CYLP.

In this regard, DIO would draw attention to separate evidence provided by Lichfields in their Reg 19 Submission, which has considered past trend jobs growth scenarios (scenario E/Ei) as an alternative to the use of employment forecasts. This evidence suggests a range between 829dpa and 1,062dpa, with the higher of the two figures incorporating adjustments to household formation rates (‘part return to trend’) to tackle household suppression, similar to those supported by CYC (EXCYC9, Table 10). The demographic-based OAN preferred by DIO (997dpa, using the 2014-based population and household projections previously supported by CYC at Regulation 19 stage) falls within this range. DIO therefore consider that their preferred figure, based on a ‘demographic-led’ OAN that fully

utilises the 2014-based projections, broadly is consistent with other projections that apply a 'past trends jobs-led' approach to the OAN that use the 2016-based populations as the primary input to the calculation.

d) Does the OAHN provide enough new homes to cater for those taking up the new jobs expected over the plan period?

No, it is not clear that the OAN (either the 841 dpa, 867dpa or 790 dpa figures) preferred by CYC will provide enough homes to cater for the required number of workers needed in York expected in relation to the delivery of 650 jobs per annum. This is, in part, due to the fundamental concerns outlined in our response to 2.3b above regarding the lack of evidential basis for the preferred jobs target. In addition, it is not clearly stated in the evidence how CYC has addressed the requirement in the PPG to '...have regard to the working age population...'.

In this regard, CYC has outlined in its evidence the likely demand for resident workers needed to support 650 jobs per annum (EXCYC9, Table 8). This identified a 'demand' for a minimum additional 11,976 workers needed to reside in York by 2037, and which CYC accepts will not be secured through the official 2016-based SNPs without adjustment (EXCYC9, para 3.15). However, this assumes that the 650 jobs figure is, itself, a robust basis for an 'economic-led' OAN. As highlighted in 2.3b above, DIO suggest that alternative non-forecast based employment growth trends exist for York and which may provide a more reasonable jobs growth target on which to base this aspect of the OAN assessment. However, these have not been tested in the updated evidence base.

DIO has considered how the alternative jobs targets might impact on the change in resident workers needed in York. This is summarised in Table 1 below (adapted from CYC's own calculations) including the 889 jobs per annum figure supported by CYC at the preferred options stage (SD005, para 3.7).

Table 1 Forecast jobs growth and change in resident workforce (2017-37) – alternative scenarios

	NOMIS* (2000-17)	ELR 2017 – Scenario 1	LP- Preferred Options	CYLP – PMM 2019
Jobs per annum	800	936	889	650
Number of Jobs (2017-37)	16,000	18,720	17,780	13,000
Double jobbing allowance	0.961	0.961	0.961	0.961
Number of workers required	15,376	17,890	16,909	12,493
Commuting ratio	0.959	0.959	0.959	0.959
Change in resident workers	14,746	17,157	16,216	11,976

* Taken from SID345 - Table 4.2 (122,000 minus 106,000 /20 yerars)

This analysis illustrates the potential impact on the planned numbers of workers needed to support each jobs growth scenario. The Council has only considered the demand for resident workers in the context of the lowest jobs figure. However, the differences between the scenarios are significant (between 2,770 and potentially additional 5,181 workers, depending on the scenario). Despite the range and difference in the analysis of the available data, the consideration of different levels of demand for resident workers is absent from CYC's evidence base. Consequently, DIO question the credibility of using a single data point (11,976) as a basis for concluding that the OAHN provide

enough new homes to cater for those taking up the new jobs expected over the plan period. On the basis of the foregoing analysis, DIO strongly suggest this is not the case.

e) Overall, has the OAHN figure been arrived at on the basis of a robust methodology?

No. DIO consider that the methodology used by CYC in deriving the OAN figures underpinning the preferred housing requirement is flawed, and therefore not robust. This is for three main reasons as highlighted here (but there are other more detailed concerns set out in our PMM representations that cover other issues in addition to these).which are; adjustments to the household projection-based estimate of housing need; the approach to dealing with employment growth. These concerns are expressed in the context of the PPG 2014 methodology, which forms the basis for CYC's calculation of OAN for York.

The adjustments to the demographic-starting point are not soundly-based

DIO consider that other adjustments have been applied incorrectly by CYC, in relation to market signals. DIO has submitted representation on this matter (SID345, para 6.1.7-6.1.8), but to reiterate the point, CYC has applied the market signals adjustment (ERXCYC9, para 5.10) to the demographic starting point (uplifting the OAN from 484dpa to 557dpa). However, this is contrary to the PPG 2014 methodology, which treats the market signals uplift as an 'affordability adjustment', separate to the adjustments for 'demographic factors' including those covered by alternative household formation rates assumptions.

On this basis, DIO consider that CYC's approach to considering how '...other factors might have on demographic behaviour..' ignores this important element of local housing need and therefore is not consistent with the PPG 2014 methodology.

Use of employment forecasts as a direct 'input' to the housing need as an 'output' is flawed

DIO have serious reservations regarding how CYC have accounted for employment growth in justifying their updated preferred OAN (now 790dpa). In particular, as a general rule in ensuring that 'jobs-led' projections are logical and, therefore, credible is to ensure that the housing need projections are derived from a consistent set of input variables (assumptions), including those assumptions that underpin the 'jobs-led' population projection, most importantly relating to migration and economic activity. This is especially the case where modelling software packages are used, i.e Popgroup, otherwise what is derived (the 'output') is at risk of producing meaningless results. Unfortunately, as highlighted in DIO's answer to question 2.4 below, this appears not to be the case in York because different inputs, including those relating to economic activity, commuting and unemployment rates, have been applied by CYC in translating the jobs figure (650) into homes (790 to those underpinning the preferred jobs forecasts, based on Oxford Econometrics' own view of the future economy of York. Furthermore, migration has been applied as both an 'input' (to the OAN calculation) and an 'output' (from the Oxford Econometrics forecast) raising an obvious concern with the logic behind the approach taken by CYC.

f) Does the revised OAHN figure (790 dpa) take account of all housing needs, including the need for affordable housing and any need that may be the consequence of any shortfall in housing delivery before the plan period?

Affordable Housing Need

No. DIO has submitted representation on affordable housing need in its submissions to the PMM consultation (SID345, para 5.1.1- 5.2.7) The most recent evidence presented by CYC draws no conclusions on the appropriateness, or

otherwise, of incorporating any meaningful allowance to help increase the delivery of affordable housing in York, in line with the PPG. In fact, the only statement worthy of note suggests, "...a modest uplift to the demographic-based need figure to improve delivery of affordable housing in the city may be justified..." (EXCYC9, para 4.21).

Given that CYC has abandoned a 'demographic-based' OAN approach DIO suggest that CYC clearly does not wish to address this issue. By reducing their preferred OAN from 867dpa (which itself is not justified on the evidence) to 790dpa CYC is further restricting any opportunity to address the scale of affordable housing need in York (CYC maintain that the affordable housing need remains 573 dwellings per annum). DIO maintain the view that the alternative OAN of 997dpa advocated in its representations (SID345, para 5.2.6) would greatly assist in increasing the delivery of affordable housing consistent with the PPG and NPPF, which seeks to meet the need for market and affordable housing in full whilst generally boosting the supply of all types of housing (NPPF, para 47).

Dealing with Housing Shortfall

On the matter of shortfall, the Plan maintains its intention to address any shortfall in housing provision against this need from the period (CD001, para 3.3). Figures taken from the CYC Housing Monitoring Report (2018/19) indicate that there was a shortfall in delivery over this period against all of the preferred OAN figures, as set out below.

Table 2: Housing Completions versus Need Scenarios: York (2012-2017)

	OAN (790)	OAN (867)	OAN (953)	OAN (997)
Total OAN 2012-17	3,950	4,335	4,765	4,985
Total Completions*	3,604	3,604	3,604	3,604
Difference / shortfall 2012-17	-346	-731	-1,161	-1,381

*Figure of 3,604 net completions taken from CYC *Full Year Housing Monitoring Update for Monitoring Year 2018/191 Housing Completions – Summary* Table 6: Dwelling completions and Demolitions by Year, 1st April 2009 to 31st March 2019

Consequently, there is clearly evidence of under-delivery in York since the start of the plan period (assumed to be 2012). The same data source shows that this has continued up to 2019, with net completions (5,421 dwellings) against a notional OAN of 5,530 (based on 790dpa), resulting in under-delivery of 111 dwellings at April 2019, providing further contextual support an adjustment to address recent shortfalls in delivery in York.

Addressing Student Housing Needs

Finally, other evidence submitted to this examination, referred to above, suggests that a further component of housing need (relating to the housing needs of students living in communal establishments) should also be incorporate over and above the demographic-based OAN. The basis for this is that the official household projections do not take into account the housing needs of those in need of C2 housing (similar to the need for specialist housing for older people under C2 uses). By taking this component of need into account, Lichfields propose a specific allowance of 84dpa to meet the future projected growth needs of the University population in York. This allowance would be added to the calculated OAN figure (suggested by Lichfields to be 1,215dpa). DIO agrees with the general premise that an additional allowance should be considered to meet the needs of students in York up to 2037 in order to ensure that all housing needs in York are addressed in the CYLP and to avert undue pressure being placed on the demand for homes within the housing stock to the disbenefit of other households.

On this basis, DIO strongly suggest that CYC has clearly failed to properly take account of all housing needs in the OAN calculation for York.

2.4 Policy SS1 aims to ensure that around 650 new jobs are provided annually. Does either the OAHN identified or the housing requirement set out in Policy SS1 cater for the homes needed to meet this level of economic growth? What is the relationship between the number of new jobs anticipated and the OAHN and/or the housing requirement?

CYC's evidence relating to the economic-led approach is set out in their latest update to the OAN (EXCYC9 – para 3.1 to 3.21). In terms of methodology, CYC has taken the jobs figure directly from the updated ELR evidence / Oxford Econometrics forecasts (SD063) and then translated this (the number of workspace jobs) into a future population of residents, by means of applying assumptions on economic activity, commuting, double-jobbing and unemployment (as set out in EXCYC9, para 3.5 – 3.16). Of significance, CYC state that, "...[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..." (EXCYC9, para 3.20). Consequently, CYC are attempting to establish a direct relationship between the jobs forecast and the need for housing. As a result, DIO suggest the approach CYC has taken is logically flawed and produces outputs that are statistically incorrect, for the following reasons:

Firstly, in producing the forecast, Oxford Econometrics (OE) has applied its own outlook on population change in York. In particular, OE uses natural change assumptions from official projections as an 'input' to the model, but conversely migration is not an assumption but an 'output' of the model, being in fact linked to an employment rate forecast. This means that population growth is projected forward, but is also influenced by other factors relating to the local economy, such as the demand for labour and the need (or not) to attract more people into the area. The total population forecast is then constructed using the forecast of migration and the natural change assumptions. To the contrary, the modelling undertaken by CYC will have applied the official population projections (based on natural change and migration assumptions) wholly as an 'input'.

Secondly, the assumptions used in the economic forecasting model, used by OE and the modelling work undertaken on behalf of CYC, will inevitably differ in most cases. For example, OE take a view of the prospects for demand in the wider economy and how this might impact on employment or economic activity rates in the population, which in turn impact on the rate of unemployment. Consequently, in economic modelling, these (and other) assumptions such as commuting can therefore 'flex' in light of wider economic trends at regional and national level. The modelling carried out by CYC, however, assumes that variables such as commuting rates and unemployment remain constant into the future, given that changes in commuting rates would potentially impact on neighbouring areas and thus would need to be agreed as part of the duty to cooperate. This means that modelling of future jobs growth and projections of housing need based on those jobs forecasts use different, and thus inconsistent, assumptions which renders the output OAN figure as flawed.

The housing strategy: the housing requirement

2.5 Policy SS1 aims to ensure that "a minimum annual provision of 867 new dwellings [are delivered] over the plan period to 2032/33 and post plan period to 2037/38".

- a) Is this 867 figure an annual average, or is it a commitment to providing at least that number during every year of the plan period and post plan period? Is it intended to be a net figure?

As set out in its representations to the PMM consultation and supported by this statement, DIO has reservations regarding the basis for the 867 figure, which we consider to be too low as it (amongst other things) excludes any specific uplift for market signals, contrary to its own evidence base (SD050) that informed the original submitted Plan. DIO would state, nonetheless, that whichever figure is eventually adopted it should be applied as a 'minima' and not an average.

b) For the avoidance of any doubt, what period of time is the plan period?

The plan period should be 2012-2037, as this is broadly consistent with the previous rounds of consultation and the key pieces of evidence used to inform the submitted Plan (SHMA/OAN/ELR evidence base).

c) Is the "plan period" the period of time for which the Plan and its policies will be in force as part of the development plan? Related to this, is it legitimate, or possible, for a development plan to include policies which purport to dictate or direct development beyond the "plan period", as Policy SS1 appears to?

Yes. The plan period is 2012-37 and the policies cover that period, unless they are deemed to be out of date up until that point (for whatever reason).

d) At 867 dpa, the housing requirement is higher than the OAHN of 790 dpa. Why?

DIO assume this not to be the case, as the OAN and housing requirement are one and the same. This is ultimately the problem with the Plan, as it seeks to restrict the requirement to the absolute minimum.

e) Does setting a housing requirement that is higher than the OAHN undermine the Council's arguments in relation to the justification for releasing land from the Green Belt for housing purposes – that is to say, does it reduce the degree to which "exceptional circumstances" exist, in principle, for amending the Green Belt boundaries for housing delivery purposes?

DIO argues that the OAN, and thus the housing requirement, is not sufficient to meet the likely needs of York over the plan period (2012-2037). In fact, it is DIO's view that the OAN is significantly higher (at least 997dpa). This supports, rather than undermines, the argument for exceptional circumstances for amending the Green Belt boundaries in order to accommodate the higher level of need in York.

2.6 Will the housing requirement ensure that the need for affordable housing will be met?

No. The housing requirement is significantly lower than the level required to deliver the affordable housing need in full. Though DIO acknowledge that the full need doesn't need to be met in full, the PPG 2014 methodology¹ advises all Plans to consider the likely delivery of affordable housing as a proportion of the overall housing mix on sites '...given the probably percentage of affordable housing to be delivered...'. To achieve this in York would require a housing figure of 1,910 dpa, clearly unlikely to be achievable without significant changes in local policy flexibilities and greater investment in infrastructure locally. However, CYC are proposing no such adjustment in light of the need for affordable housing in York, despite the level of affordable need identified and acknowledged by CYC.

2.7 Overall, is the housing requirement set out in the plan underpinned by robust evidence and is the Plan sound in this regard?

¹ PPG Paragraph: 029 Reference ID: 2a-029-20140306 Revision date: 06 03 2014

No. DIO consider that the housing requirement (790dpa) now preferred by CYC is based on the minimum quantified measure of need from the updated evidence base CYC now rely upon (EXCYC9). In DIO's view (as highlighted in its representations) this figure omits or underscores certain key elements of need from the base requirement, i.e. market signals adjustment, student housing need, affordable housing need). In addition, as discussed more fully elsewhere in our representations, DIO has significant reservations with CYC's approach to employment growth and how this has been related to housing need.