CITY OF YORK COUNCIL HOUSING NEED EVIDENCE BASE REVIEW

Prepared on behalf of
Barratt David Wilson Homes Yorkshire East Division

November 2019

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<u>APPENDICES</u>

1.0 INTRODUCTION

1.1   This Technical Report has been prepared by Barton Willmore LLP's National Development Economics Team on behalf of Barratt David Wilson Homes Yorkshire East Division to support representations to the City of York (CoY) Local Plan Examination.

1.2   The report specifically provides evidence in respect of the Objective Assessment of Housing Need (OAN) for the CoY to respond to the questions which have been set by the Local Plan Inspector under *'Matter 2 – The housing strategy: the objectively assessed need for housing, the housing requirement and the spatial distribution of housing'* of document EX/INS/7; Inspector's Phase 1 Matters Issues and Questions.

1.3   Although a revised version of the National Planning Policy Framework (NPPF) was published on 24 July 2018 (updated February 2019), introducing a standard method for calculating housing need, all Local Plans submitted before the 24 January 2019 – such as the CoY Local Plan – are to be assessed against the 2012 NPPF. The 2012 NPPF requires an Objective Assessment of Housing Need (OAN) to be determined and this is the focus of this report, although we do evaluate the standard method given its adoption for the examination of Local Plans submitted after the above date.

1.4   The 2012 NPPF states that to boost significantly the supply of housing, local planning authorities should use their evidence base to ensure that their Local Plan meets the full OAN for market and affordable housing across the housing market area (paragraph 47). In this context this report provides a review, critique, and evaluation of the CoY's recent evidence in respect of the OAN.

1.5   At the time of writing this report, the most relevant documents available from the CoY are EX/CYC/9 (City of York – Housing Needs Update, January 2019); SD050 (City of York Strategic Housing Market Assessment (SHMA) September 2017); SD051 (City of York SHMA June 2016); and SD052 (City of York SHMA Addendum June 2016). All four documents were produced by GL Hearn and our review focusses on their approach to determining OAN. However where relevant we refer to other documents in CoY's evidence base.

1.6   The most recent OAN document (EX/CYC/09) concludes that the OAN for CoY is **790 dwellings per annum (dpa)** and that this is *"sufficient to respond to market signals, including affordability adjustments, as well as making a significant contribution to affordable housing needs."* [1]

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[1] Paragraph 5.11, EX/CYC/9

1.7   However it is important to note how Members of the Council's Executive (13 July 2017) had previously resolved to approve an OAN of **867 dpa** as determined by the Council's OAN consultants as representing demographic-led housing need. However GL Hearn concluded that *full* OAN (incorporating a market signals/affordable housing uplift) would require **953 dpa.**

1.8   Notwithstanding this conclusion in SD050, the Members of the Council concluded that *"the recommendation prepared by GL Hearn in the draft Strategic Housing Market Assessment, to apply a further 10% to the above figure for market signals (to 953 dwellings per annum), is* **not accepted** *on the basis that Hearn's conclusions were speculative and arbitrary, rely too heavily on recent short-term unrepresentative trends and attach little or no weight to the special character and setting of York and other* **environmental considerations***"*[2] (our emphasis).

1.9   The decision of the Council's members was unsound as it does not comply with the PPG which states *"Plan makers* **should not apply constraints** *to the overall assessment of need, such as limitations imposed by the supply of land for new development, historic under performance, viability, infrastructure or* **environmental** *constraints."* [3] The unconstrained OAN was determined as 953 dpa by SD050 and this should have been the figure used before other considerations were taken into account.

1.10   In the context of the recent lowering of the OAN in EX/CYC/9 to 790 dpa we consider whether the revised OAN complies with the 'Housing and Economic Development Needs Assessments' (HEDNA) section of the 2014 Planning Practice Guidance (PPG) supporting the 2012 NPPF, which sets out the recommended methodology to be followed in calculating the OAN.

1.11   This report is therefore structured as follows:

1.12   **Chapter 2** outlines the approach to establishing OAN required by the 2012 NPPF and its supporting PPG. We also summarise the changes to the calculation of housing need at local authority level introduced by the revised NPPF (July 2018 and February 2019) and its accompanying revised PPG (February 2019).

1.13   **Chapter 3** provides a summary analysis of the Housing Market Area in which the CoY is located, alongside a review of the Council's evidence base regarding HMA definition.

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[2] Page 2, Introduction and Context to Objective Assessment of Housing Need, SD050
[3] Paragraph: 005 Reference ID: 2a-005-2014030, PPG 2014

1.14   **Chapter 4** addresses the demographic projections presented in the evidence base, specifically the population projections and their conversion into household projections.

1.15   **Chapter 5** addresses the approach and results reported in the Council's evidence base concerning the number of homes needed to support future jobs growth in CoY. Specifically, this chapter considers the number of jobs that the evidence base suggests the OAN should be underpinned by and how that number of jobs is converted into homes.

1.16   **Chapter 6** examines the market signals evidence presented in the Council's evidence, paying particular attention to affordability, and appraises the conclusions regarding market signals (worsening or not) and the proposed response. An alternative to the conclusions and response to market signals by the Council's evidence is presented alongside an explanation as to why it should be preferred. This section also summarises the role of affordable housing need.

1.17   Finally, **Chapter 7** summarises the main findings of this review and presents overall conclusions on whether there is the potential for an increase to the Council's existing OAN.

2.0 THE APPROACH TO ASSESSING HOUSING NEED

i) Introduction

2.1 The National Planning Policy Framework was initially revised in July 2018 and has subsequently been revised again in February 2019.

2.2 In respect of housing need, and how this is calculated for each local authority, the revised NPPF introduces the 'Standard Method' (SM) for calculating local housing need. This replaced the previous 'Objective Assessment of Overall Housing Need' (OAN) as of July 2018 in respect of planning applications and appeals.

2.3 However, in respect of the examination of Local Plans, a transition period applied during which all Plans submitted to the Secretary of State for examination on or before 24 January 2019 will be subject to the OAN method.

2.4 The City of York Local Plan (CoYLP) is therefore to be examined under the provisions of the 2012 NPPF and its accompanying Planning Practice Guidance (PPF), which we summarise below.

2.5 We also summarise the revised NPPF and its accompanying PPG for completeness and due to its adoption for the purposes of plan making.

ii) National Planning Policy Framework (NPPF, 27 March 2012)

2.6 The 2012 NPPF set out the Government's planning policies for England and how these are expected to be applied. NPPF states that planning should proactively drive and support sustainable economic development to deliver the homes that the country needs, and that every effort should be made to objectively identify and then meet housing needs, taking account of market signals (paragraph 17).

2.7 In respect of delivering a wide choice of high-quality homes, NPPF confirms the need for local authorities to boost significantly the supply of housing. To do so, it states that local authorities should use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area (paragraph 47).

2.8   With regard to plan-making, local planning authorities are directed to set out strategic priorities for their area in the Local Plan, including policies to deliver the homes and jobs needed in the area (paragraph 156).

2.9   Further, Local Plans are to be based on adequate, up to date and relevant evidence, integrating assessments of and strategies for housing and employment uses, taking full account of relevant market and economic signals (paragraph 158).

2.10   For plan-making purposes, local planning authorities are required to clearly understand housing needs in their area. To do so they should prepare a Strategic Housing Market Assessment (SHMA) that identifies the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period (paragraph 159).

iii)   *Planning Practice Guidance (PPG, 06 March 2014)*

2.11   PPG was issued as a web-based resource on 6th March 2014. The Housing and Economic Development Needs Assessments (HEDNA) section of the PPG (ID2a) is intended to provide guidance to local planning authorities on how to determine the full OAN and present it in a SHMA as required by paragraph 159 of the NPPF.

2.12   The PPG's HEDNA section confirms that the OAN must be an objective assessment based on facts and unbiased evidence, and that constraints should not be applied to the OAN (ID2a, paragraph 4). The OAN should be 'policy off' and use of the PPG methodology for assessing OAN is strongly recommended, to ensure that the assessment is transparent (ID2a, paragraph 5).

2.13   The full methodology for establishing the OAN and affordable housing is set out in paragraphs ID2a-014 to 029 of the PPG's HEDNA section. However, the guidance related to establishing OAN is set out between paragraphs 15 and 20. In this study an assessment of OAN and not affordable housing is provided. The relevant paragraphs of PPG predominantly referred to are therefore paragraphs 15-20.

2.14   The PPG HEDNA methodology is summarised as follows:

Step 1 - Starting point estimate of need

2.15   The methodology states that the starting point for assessing overall housing need should be the household projections published by the Department for Communities and Local

Government, but that they are trends based and may require adjustment to reflect factors, such as unmet or suppressed need, not captured in past trends (ID2a 015).

> **"The household projection-based estimate of housing need <u>may require adjustment </u>to reflect factors affecting local demography and household formation rates which are not captured in past trends. <u>For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing</u>."** (2a-015) (Our emphasis)

Step 2 - Adjusting for demographic evidence

2.16   The PPG methodology advises that adjustments to household projection-based estimates of overall housing need should be made on the basis of established sources of robust evidence, such as ONS estimates (2a-017). This includes sensitivity testing for alternative migration trends.

Step 3 - Adjusting for likely change in job numbers

2.17   In addition to taking into account demographic evidence the methodology states that <u>job trends and or forecasts</u> should also be taken into account when assessing overall housing need. The implication is that housing numbers should be increased where this will enable labour force supply to match projected job growth (2a-018).

> **"Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns ... and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems."** (2a-018)

Step 4 - Adjusting for market signals

2.18   The final part of the methodology regarding overall housing need is concerned with <u>market signals</u> and their implications for housing supply (2a-019:020).

> **"The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings."** (2a-019)

2.19   Assessment of market signals is a further test intended to inform whether the starting point estimate of overall housing need (the household projections) should be adjusted upwards. Particular attention is given to the issue of affordability (2a-020).

"The more significant the affordability constraints … and the stronger other indicators of high demand … the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be." (2a-020)

Step 5 - Overall housing need

2.20 An objective assessment of overall housing need can be summarised as a test of whether the household projection based starting point can be reconciled with a) the latest demographic evidence, b) the ability to accommodate projected job demand, c) the requirement to address worsening market signals. If it cannot be reconciled, then an adjustment should be made.

2.21 The extent of any adjustment should be based on the extent to which it passes each test. That is:

- It will at least equal the housing need number implied by the latest demographic evidence;
- It will at least accommodate projected job demand; and,
- On reasonable assumptions, it could be expected to improve affordability.

Affordable Housing Need Assessment

2.22 The methodology for assessing affordable housing need is set out at 2a-022 to 029 and is largely unchanged from the methodology it supersedes (SHMA 2007). In summary, total affordable need is estimated by subtracting total available stock from total gross need. Whilst it has no bearing on the assessment of overall housing need, delivering the required number of affordable homes can be used to justify an increase in planned housing supply (2a-029).

"The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments … <u>An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes</u>." (2a-029) (our emphasis)

iv) Emergence and Adoption of the Standard Method

2.23 Notwithstanding that the CoYLP is to be examined under the policies of the 2012 NPPF and its accompanying PPG HEDNA, it is considered appropriate to summarise the chronology of the revised NPPF (adopted on 24 July 2018 and revised in February 2019) and what this means for the calculation of housing need.

2.24   The Housing White Paper (Fixing our Broken Housing Market) was published in February 2017 and acknowledged a **need for 225-275,000 new homes per annum** to keep up with population growth and start to tackle years of under-supply in the country.[4] However, in the November 2017 Autumn Budget the Chancellor Philip Hammond announced plans to build **300,000 homes per year** in the country, stating:

> **"I'm clear that we need to get to <u>300,000 units a year</u> if we are going to start to tackle the affordability problem, with the additions coming in areas of high demand."**

2.25   The Housing White Paper acknowledged that one of the main problems leading to significant under-supply of housing had been the failure of local authorities to plan for the homes they need,[5] and consequently the ratio of average house prices to average earnings had more than doubled since 1998.[6]

2.26   In seeking to address these problems, the White Paper stated how a 'radical rethink' of the approach to home building was required. This included the approach to establishing the OAN required by the 2012 NPPF and set out in the PPG HEDNA. The White Paper therefore stated the following in respect of how the OAN was proposed to be reformed:

> **"at the moment, some local authorities can duck potentially difficult decisions, because they are free to come up with their own methodology for calculating 'objectively assessed need'. So, we are going to consult on a <u>new standard methodology</u> for calculating 'objectively assessed need' and encourage councils to plan on this basis."** [7]

2.27   The Government consulted on its proposals for the new Standard Methodology in the *'Planning for the right homes in the places'* consultation during September to November 2017, and subsequently published the *'Draft revised NPPF'* in March 2018. Following this the revised NPPF was published and adopted on 24 July 2018, with accompanying revised PPG published in September 2018.

2.28   The **Standard Methodology** proposed a simplified three stepped approach to determining the **'<u>minimum</u>'** housing need figure as follows:

- **Step 1) Setting the baseline:** Average annual growth from the most recent 10-year period drawn from the most recent MHCLG household projections;

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[4] Paragraph 2, 'Our housing market is broken', page 9, 'Fixing our broken housing market', February 2017
[5] Paragraph 4, 'Our housing market is broken', page 9, 'Fixing our broken housing market', February 2017
[6] Paragraph 5, 'Our housing market is broken', page 9, 'Fixing our broken housing market', February 2017
[7] Paragraph 7, 'What we're going to do about it', page 14, 'Fixing our broken housing market', February 2017

- **Step 2) Making an adjustment to take account of market signals:** Based on the median workplace-based affordability ratio for the most recent year available. A prescribed uplift to the household projection is applied where the ratio exceeds 4.0;

- **Step 3) Capping the level of any increase:** A cap of 40% is imposed, applied to either the adopted Local Plan target where the adopted plan is less than 5 years old, or to the <u>higher of either</u> the adopted Local Plan target <u>or</u> the household projection, where the adopted plan is more than 5 years old.

2.29   This method was adopted immediately for the purposes of planning applications and appeals, but the revised NPPF (paragraph 214) confirmed that *"The policies in the previous Framework will apply for the purpose of examining plans, where those plans are submitted on or before 24 January 2019."*

2.30   Notwithstanding the method's adoption in July 2018, MHCLG consulted on changes to the standard method following the release of new ONS household projections in late September 2018.

2.31   These household projections were significantly lower than the previous 2014-based MHCLG household projections on which the standard method was originally based. This meant the standard method calculation reduced nationally from approximately 269,000 homes per annum to only 213,000 homes per annum. Government considered this fall to conflict with their aspiration for 300,000 homes per annum to be built by the mid-2020s.

2.32   In this context MHCLG consulted on stage 1 of the standard method calculation being based on the 2014-based MHCLG household projections, thereby ignoring the more recent 2016-based ONS household projections. The remaining steps 2 and 3 remained the same, and this is the approach expected to be adopted moving forward. The revised PPG in February 2019 confirmed that the 2014-based household projections would be used for the Standard Method. The 2016-based projections are therefore ignored and cannot be used as an 'exceptional circumstance' for justifying a figure lower than the Standard Method.

   v)   Planning Practice Guidance: Housing and Economic Needs Assessment (20 February 2019)

2.33   It is important to emphasise how the PPG is clear that the standard method determines the '**<u>minimum</u>**' level of housing need for a local authority. PPG is very clear in this respect, paragraph ID2a-002 stating that *"The standard method set out below identifies a **<u>minimum</u>** annual housing need figure. It **does not** produce a housing requirement."*

2.34   In this context paragraph ID2a-010 states ""*The government is committed to ensuring more homes are built and are **supportive of ambitious authorities who want to plan for growth**. The standard method for assessing local housing need provides the **minimum starting point** in determining the number of homes needed in an area. It does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Therefore, there will be circumstances where it is appropriate to consider whether actual housing need is **higher than the standard method** indicates.*"

2.35   Paragraph ID2a-010 moves on to consider the circumstances where housing *need* in excess of the minimum standard method *need* might be appropriate. Paragraph ID2a-010 states that "*This will need to be assessed prior to, and separate from, considering how much of the overall need can be accommodated (and then translated into a housing requirement figure for the strategic policies in the plan). **Circumstances where this may be appropriate include, but are not limited to situations where increases in housing need are likely to exceed past trends** because of:*

  - **growth strategies** *for the area that are likely to be deliverable, for example where funding is in place to promote and facilitate additional growth (e.g. Housing Deals);*
  - **strategic infrastructure improvements** *that are likely to drive an increase in the homes needed locally; or*
  - *an authority agreeing to take on **unmet need** from neighbouring authorities, as set out in a statement of common ground.*

2.36   Paragraph ID2a-010 of the PPG also states how "*there may, occasionally, also be situations where previous levels of housing delivery in an area, or previous assessments of need (such as a recently-produced Strategic Housing Market Assessment) are **significantly greater** than the outcome from the standard method. Authorities will need to take this into account when considering whether it is appropriate to plan for a higher level of need than the standard model suggests.*"

2.37   In summary, in the context of paragraphs ID2a-002 and ID2a-010, it is imperative to understand that the standard method calculation is simply a **minimum starting point** in determining the number of homes needed actual need has the potential to be higher in order to support the policies of the NPPF and the clear objectives of Government to 'significantly boost' housing supply and 'support economic growth'.

vi)   Summary

2.38   The CoYLP is to be assessed against the policies of the 2012 NPPF and its accompanying PPG methodology. However it is considered important to consider what the standard method calculation shows for the CoY in the context of its adoption since July 2018 for the purposes of planning applications, and its adoption since 24 January 2019 for Local Plans submitted after that date.

3.0   HOUSING MARKET AREA DEFINITION

i)   Introduction

3.1   The 2012 NPPF and its accompanying PPG HEDNA requires local planning authorities to assess housing need within the relevant housing market area (HMA), rather than simply within their own boundaries.

3.2   In defining 'What is a housing market area?', the PPG states:

> **"A housing market area is a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. The extent of the housing market areas identified will vary, and many will in practice cut across various local planning authority administrative boundaries. Local planning authorities should work with all the other constituent authorities under the Duty to Cooperate."** [8]

3.3   In this section we summarise the approach to determining the HMA provided by the Council's evidence base and consider what area the HMA should reasonably be expected to cover.

ii)   Council Evidence Base

3.4   It is notable how the most recent OAN evidence base document for the CoY (EX/CYC/9) does not refer to the HMA and only incorporates assessment of the CoY. The same is true of documents SD050 (May/September 2017) and SD052 (June 2016).

3.5   For consideration of the HMA in which York is located, we have to go back to document SD051 from September 2016. This includes a detailed section on analysing the HMA in which the CoY is located. Document SD051 concluded the following:

> **"The triangulation of the sources strongly supports placing each commissioning authority [CoY, Hambleton, and Ryedale] within a separate Housing Market Areas. Within this we would consider that <u>the HMA which covers the City of York extends to include Selby</u>. While there are links with Scarborough, the balance of evidence suggests Ryedale is a HMA in its own right."** [9]

3.6   Notwithstanding this conclusion, the more recent OAN documents identified above fail to consider housing need across the HMA defined by SD051.

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[8] Paragraph: 010 Reference ID: 2a-011-20140306, Planning Practice Guidance, 06 March 2014
[9] Paragraph 2.103, page 49, SD051

iii)   Barton Willmore HMA Analysis

3.7   In the context of the Council's evidence, Barton Willmore have undertaken their own sensitivity analysis to determine what the Housing Market Area may be based on commuting and migration patterns.

3.8   Table 3.2 provides the commuting data. In line with the containment thresholds applied during the determination of Travel to Work Areas (TTWAs) by ONS, retention of at least 67-75% of the workforce is considered an appropriate benchmark to suggest self-containment.

3.9   In respect of the CoY, the data shows significant flows into the East Riding of Yorkshire (ERoY) and Selby. However the total residents who also work in CoY (77,732 people) represents 75% of all workers (103,466 people). On this basis the CoY could be said to be a self-contained HMA, albeit there are obvious links to urban areas as document SD051 acknowledged.

Table 3.1: Travel to Work Flow Containment

| | | Place of Work | | | | | | | | |
		York	Selby	Ryedale	Leeds	East Riding of Yorkshire	Hambleton	Harrogate	Other	Total
Usual Residence	**York**	77,732	1,805	1,730	5,023	1,957	2,915	2,194	5,827	**99,183**
	Selby	5,093	22,440	264	6,193	1,607	372	710	6,816	**43,495**
	Ryedale	2,125	118	19,254	333	454	523	193	2,818	**25,818**
	Leeds	2,582	2,047	167	290,282	554	429	6,019	54,597	**356,677**
	East Riding of Yorkshire	5,464	2,524	1,016	1,858	104,322	368	269	44,064	**159,885**
	Hambleton	2,158	150	458	774	114	31,478	2,377	8,205	**45,714**
	Harrogate	1,837	303	171	8,481	129	1,920	63,420	5,827	**82,088**
	Other	6,475	6,301	3,258	98,661	25,433	11,182	7,766	-	**159,076**
	Total	**103,466**	**35,688**	**26,318**	**411,605**	**134,570**	**49,187**	**82,948**		

3.10   Table 3.2 provides similar comparison data to Table 3.1, although the measure in 3.2 is in respect of household moves.

3.11   However unlike commuting flows, PPG provides a useful guideline for household move containment. This states that to be a self-contained market, a minimum of 70% of moves must be within the same local authority area. From Table 3.2 we can calculate that 66% of York's household moves are within York (=19,212/29,267), falling **below** the self-containment threshold of 70%.

3.12   On this basis it is considered that York is **not** a self-contained Housing Market Area (HMA). As with commuting, there are strong links with Selby and ERoY, but also the city of Leeds.

Table 3.2: Household Move Containment

		Previous Residence								
		York	**Selby**	**Ryedale**	**Leeds**	**East Riding of Yorkshire**	**Hambleton**	**Harrogate**	**Other**	**Total**
Current Residence	**York**	19,212	546	330	727	724	323	377	9,178	**31,417**
	Selby	526	3,739	47	580	367	32	111	1,681	**7,083**
	Ryedale	296	40	2,750	89	152	146	76	1,264	**4,813**
	Leeds	653	492	74	75,242	664	169	823	30,685	**108,802**
	East Riding of Yorkshire	713	389	143	609	19,281	98	99	9,577	**30,909**
	Hambleton	334	38	105	165	68	4,394	486	3,096	**8,686**
	Harrogate	298	104	55	1,097	109	343	10,395	4,006	**16,407**
	Other	7,235	2,009	1,343	26,269	10,191	3,499	4,635	-	**55,181**
	Total	**29,267**	**7,357**	**4,847**	**104,778**	**31,556**	**9,004**	**17,002**		

Source: ONS, Census 2011

iv)   Summary

3.13   In summary the key points to note are as follows:

- Nowhere in the OAN evidence base do the City of York claim to be a self-contained HMA, or provide evidence to show that this is the case;

- On the contrary, SD051 states how the City of York is within a HMA with neighbouring Selby;

- Commuting data analysed by Barton Willmore suggests York could be considered as self-contained (75% of workers reside in the City);

- However housing movement data suggests York is not self-contained, with only 66% of moves within the City and PPG suggesting a minimum of 70% to conclude a local authority is self-contained;

3.14   Notwithstanding this contrary evidence, it is considered that GL Hearn's approach to assess York in isolation in the later OAN reports is a pragmatic approach.

4.0   DEMOGRAPHIC OAN PRESENTED IN THE COUNCIL'S EVIDENCE

i)   Introduction

4.1   Paragraphs ID2a-015 to 017 of the 2014 PPG provide the methodological guidance for determining the first stage of the OAN; demographic-led housing need. This section of our report therefore considers the demographic evidence presented by GL Hearn in their evidence base documents prepared for the Council (SD050, SD051, SD052, and EX/CYC/9). Any perceived weaknesses in the approach are identified and we provide alternative approaches and conclusions where it is considered necessary.

4.2   Consideration is then given as to whether the evidence base provides a robust conclusion in respect of determining demographic OAN for the City of York (CoY).

ii)   Starting Point Estimate (Step 1, PPG ID2a-015)

4.3   The starting point estimate of OAN is required by PPG to be the most recent household projections, however PPG also states that plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates.

4.4   The most recent projections are the 2016-based Office for National Statistics (ONS) household projections (September 2018), which are underpinned by the ONS 2016-based Sub National Population Projections (SNPP).

4.5   Barton Willmore consider that the previous 2014-based MHCLG projections and the 2014-based ONS SNPP which underpin them should take preference to the 2016-based ONS projections for a number of reasons. In contrast, document EX/CYC/9 concludes that *"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."*

4.6   This is a key assumption, as the 2016-based ONS SNPP and ONS 2016-based household projections project significantly lower population and household growth in York than the 2014-based SNPP and 2014-based MHCLG household projections.

4.7   We set out our reasons for preferring the 2014-based ONS SNPP and 2014-based MHCLG household projections as follows.

4.8   Our first reason for preferring the 2014-based projections follows the Government's technical consultation[10] and changes to PPG (20 February 2019) in respect of the 2018 NPPF's Standard Method.

4.9   We acknowledge that York's housing need is not being assessed against the Standard Method (due to the Plan being submitted for examination prior to 24 January 2019), however Government's recent decision to consult on reverting to MHCLG's 2014-based projections for the calculation of the standard method devalues the credibility of the 2016-based ONS projections for a number of reasons, many of which are applicable to the OAN.

4.10   The recommendations of the consultation, i.e. that the 2014-based MHCLG household projections should be used for calculating the Standard Method need rather than the more recent 2016-based ONS household projections, have now been taken forward in revised PPG (20 February 2019).

4.11   The credibility of ONS' 2016-based household projections was questioned by MHCLG as part of the aforementioned consultation, in the context of the Standard Method for calculating housing need.

4.12   A consideration of the Government in making this decision concerned the aspiration to be delivering 300,000 homes per annum across the country by the mid-2020s. The use of the 2016-based household projections would simply not accord with this aspiration. It therefore applies as much to housing need determined through OAN as it does the new Standard Method.

4.13   Furthermore although the Government's consultation related in part to the standard method calculation, much of its reasoning concerned the ONS' methodology in the latest 2016 projections, which differs from the previous MHCLG method used over a number of projection series. It is therefore applicable to the OAN method considered in this report and at the upcoming examination of the City of York Plan.

4.14   A headline point in the Government's consultation paper was how the 2016 ONS projections are based on household formation trends between two Census points (2001 to 2011) rather than five Census points under previous MHCLG projections (1971, 1981, 1991, 2001, and 2011). This change under the 2016 projections is considered by Government to *"focus it more*
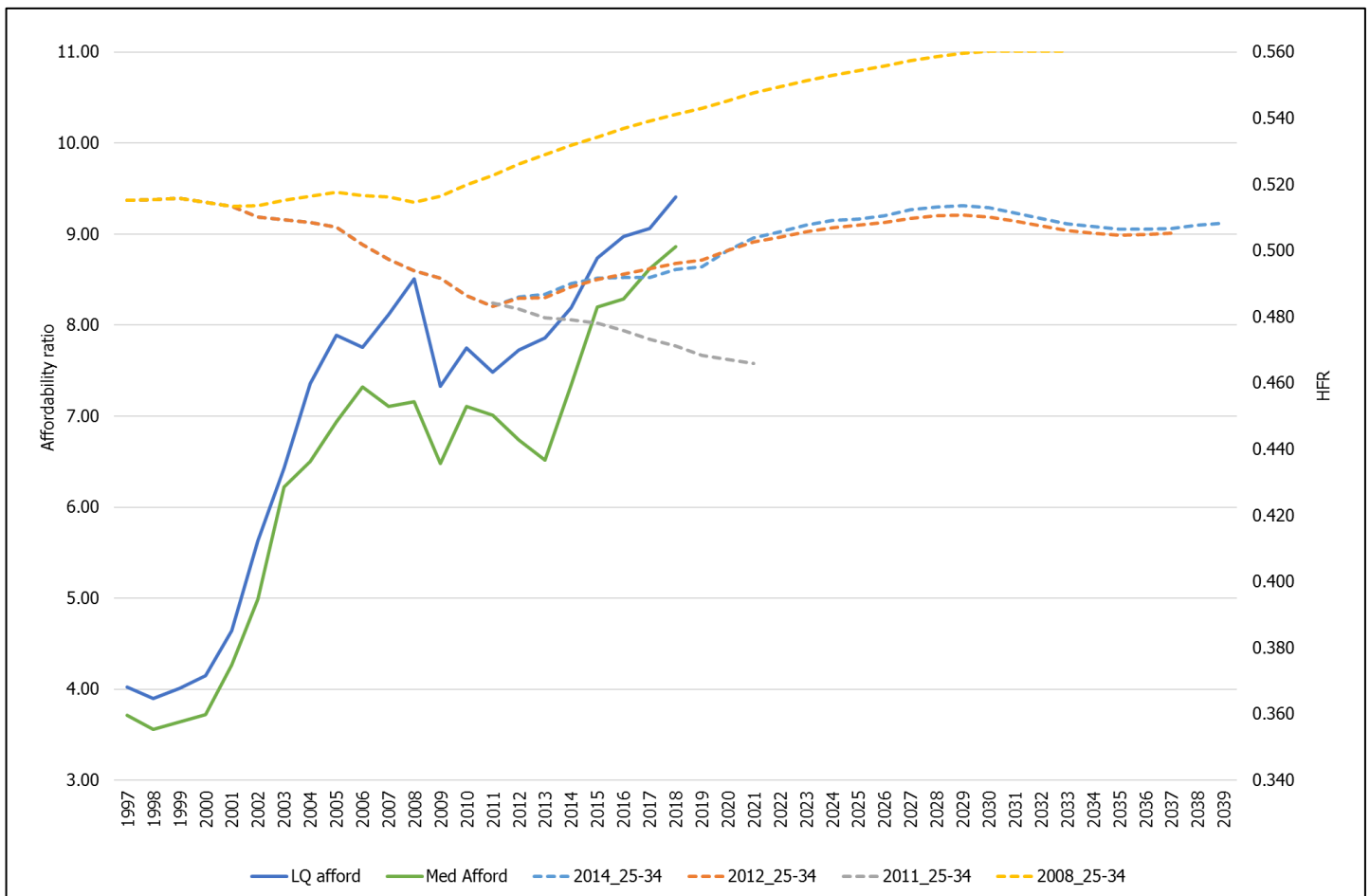
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[10] Technical consultation on updates to national planning policy and guidance, MHCLG, October 2018

acutely on a period of low household formation where the English housing market was not supplying enough homes." [11]

4.15   As Figure 4.1 (below) illustrates, the 2001-2011 period referred to by Government saw a rapid worsening of housing affordability in York, the lower quartile affordability ratio increasing from 4.64 (2001) to 7.48 (2011); a 61% increase in only 10 years, and the median ratio increasing from 4.27 to 7.01 (64% increase). This made it rapidly more difficult for younger people to form their own household, and formation rates amongst the younger age groups therefore fell.

4.16   In this context the decision of ONS to look at trends over the much shorter 2001-2011 period and project these trends forwards over the next 25 years compared is a considered to be a serious weakness of the 2016-based projections and a self-fulfilling prophecy as the Government have identified.

Figure 4.1: Household Formation Rates (25-34 years) and Affordability Ratio change

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[11] Paragraph 11, page 8, Technical consultation on updates to national planning policy and guidance, MHCLG, October 2018

4.17   Furthermore ONS themselves reported a significant 71% increase nationally in 'concealed families' (a family living in a multi-family household in addition to the primary family, such as a young couple living with parents) over the same 2001-2011 period, due partly to *"housing availability and cost in relation to employment and earnings."* [12]

4.18   In York the increase was 78%; higher than the national average. It should be noted how this measure only captures concealed *families*, and not individuals who represent a concealed household. Furthermore this data is now rather dated, and the figures are likely to be higher given the continued worsening of the affordability situation in York.

4.19   In this context, use of trends gathered over this 10-year period would only perpetuate the household formation problems experienced over the period and reflected in trends. It is therefore Government's view that the 2016-based ONS projections would not contribute to their objectives for housing supply, something that BW concur with.

4.20   The Government's consultation paper also referred to **housing delivery**, stating that housing projections are constrained by housing supply, and that *"If new, additional homes are not supplied, then households cannot form as there would be nowhere for them to live. This means that actual household growth cannot exceed the number of additional homes which are actually supplied."* The technical consultation went on to state that *"The historic under-delivery of housing means there is a case for public policy supporting delivery **in excess** of household projections, even if those projections fall* (our emphasis)*."* This is the case in respect of the 2016-based ONS projections which project lower growth in households than the 2014-based projections.

4.21   In this context of housing delivery, notwithstanding the Government's and Barton Willmore's preference for the 2014-based household projections, they are potentially an underestimate.

4.22   Reference to the City of York's Annual Monitoring Reports show that average delivery over the trend period captured by the 2014-based MHCLG projections (2009-2014) was only **434 net new dwellings per annum**.

4.23   This compares with SD051's conclusion that OAN for York was 841 dwellings per annum, 2012-2037, thereby incorporating three of the five trend years (2009-2014) underpinning the 2014-based household projections. As the household projections are based on past demographic trends, which are impacted by the level of housing delivery, the 2014-based projections may therefore be underestimates, as limited housing delivery against need would

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[12] Page 6, What does the 2011 Census tell us about concealed families living in multi-family households in England and Wales? 06 February 2014

have led to less people moving into the area, affecting the migration trends that the 2014-based projections are ultimately underpinned by.

4.24   This low level of delivery would only have served to perpetuate the household formation suppression issues identified by Government and projected forward in both the 2014 and 2016 projections.

4.25   For these reasons, Barton Willmore concur with Government's view that using the 2014-based MHCLG projections as a starting point is more appropriate, although it is important to emphasise that these projections also suffered from the trends affecting household formation in younger age groups between 2001 and 2011 and remain a 'starting point' for the calculation of the OAN. They may also be an underestimate due to a lack of delivery as set out above.

4.26   Table 4.1 sets out a comparison of the 2016-based and 2014-based household projections.

Table 4.1: City of York Household Projections Comparison

Household Projection	Households 2012-2037 (per annum)	Dwellings 2012-2037 (per annum)
2016-based ONS	11,744 (470)	12,096 (484)
2014-based MHCLG	20,596 (824)	21,214 (849)

4.27   Table 4.1 illustrates the contrast between the two household projections, with the 2014-based MHCLG projection being 75% higher than the 2016-based ONS projection.

4.28   Based on the 2014-based MHCLG household projections, the starting point estimate for OAN in the City of York should be **21,214 dwellings, 2012-2037, an annual average of 849 dwellings**.

iii)   Alternative Population Projections and Household Formation Rates (PPG ID2a-015/016/017)

4.29   In line with the PPG HEDNA (ID2a-015), the Council's OAN documents considered the official household projections in respect of their underlying trends in relation to **household formation** and alternative **migration trends** in order to determine whether an adjustment to the official projections was required. We begin our review of the GL Hearn approach by considering the alternative migration trends considered in their OAN documents, before going on to consider household formation.

Migration Trends

4.30   The past three OAN reports have all included consideration of a 10-year migration trend alongside the official ONS Sub National Population Projections (SNPP). Document SD051 (June 2016) included the 2004-2014 period for 10-year migration trends, and the following SD050 (May 2017) considered 2005-2015; the most recent EX/CYC/9 (January 2019) confirms the use of a 10-year trend but not the period used.

4.31   Notwithstanding this consideration of 10-year average trends, GL Hearn decided to use the official ONS SNPP ahead of the 10-year trend in all three documents. In SD050, they concluded as follows in respect of the 2014-based ONS SNPP and alternative migration trends:

> **"Any move away from the official projections need to be "justified on the basis of established sources of robust evidence". However a clear and evermore consistent migration trend is appearing and could not fully justify any move away from the official projections. Doing so would <u>risk underestimating the true housing need</u> in the City."[13]** (our emphasis)

4.32   This comment was made in the context of the 2014-based ONS SNPP, and the most recent ONS Mid-Year Population Estimates (MYPEs) for 2018 support this conclusion. The 2018 MYPEs have been published in the intervening period since the most recent OAN report (EX/CYC/9) and show net in-migration to York of 1,704 people between 2017 and 2018.

4.33   In contrast the 2016-based ONS SNPP are based on 600 net in-migrants per annum, and the 2014-based ONS SNPP on 1,000 per annum. To put these figures in perspective, Table 4.2 shows how net in-migration to York has been under 1,000 people in just one of the last ten years, and the 10-year average is 1,705 people per annum.

Table 4.2: ONS MYPE Net Migration in York, 2008/09-2017/18

Year	Net Migration
2008/09	1,423
2009/10	2,494
2010/11	2,504
2011/12	1,443
2012/13	2,261
2013/14	1,178
2014/15	1,997
2015/16	879
2016/17	1,169
2017/18	1,704
Average	**1,705**

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[13] Paragraph 2.13, page 6-7, SD050

4.34   An assumption of **at least** 1,000 people per annum should therefore be used to determine demographic-led OAN. Barton Willmore's view is that this level of net migration should be considered a minimum in the context of the most recently recorded year and the 10-year trend. Anything lower, i.e. the 2016-based ONS SNPP assumption 600 people per annum, is not justified by past trends and would continue to risk underestimating true housing need as stated by GL Hearn themselves in SD050.

4.35   In addition the Standard Method introduced by the 2018 NPPF uses the 2014-based MHCLG household projections as its baseline, with no adjustment for alternative migration trends. This decision by Government is considered to emphasise the robust nature of the 2014-based projections.

Household Formation Assumptions (Step 2, PPG ID2a-015)

4.36   The PPG HEDNA provides guidance on how the Household Formation Rates (HFRs) underpinning the conversion of population to households should be applied. Paragraph ID2a-015 of the PPG identifies how HFRs published by MHCLG are underpinned by past trends alone. They do not take account of government policy such as the NPPF and may have been suppressed by under-supply and worsening affordability of housing, factors that have led to an increase in concealed households (i.e. young couples living with parents).

4.37   The Housing White Paper acknowledges that home ownership among younger people has declined sharply in recent years and identifies the difficulties being faced by the younger age groups as follows, "*Rising prices are particularly tough on <u>younger people</u> trying to get onto the housing ladder, or wanting to move into their first family home. Some <u>young people</u> have no choice but to continue to live with their parents, friends or strangers to make ends meet.*"[14] (our emphasis)

4.38   The 25-34-year age group is widely considered as the age group in which the housing crisis has the most pronounced influence. This is acknowledged by the Housing White Paper which comments that "*As recently as the 1990s, a first-time buyer couple on a low-to-middle income saving five per cent of their wages each month would have enough for an average-sized deposit after just three years. Today it would take them 24 years. It's no surprise that home ownership among <u>25-to 34-year-olds</u> has fallen from 59 per cent just over a decade ago to just 37 per cent today. Without help from the "Bank of Mum and Dad", many young people will struggle to get on the housing ladder.*"[15] (our emphasis)

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[14] Paragraph 4.3, page 58, Fixing our broken housing market, February 2017
[15] Paragraphs 2-3, page 10, Fixing our broken housing market, February 2017

4.39   Although the White Paper acknowledges the impact on 25-34-year olds, the impact is also felt in the 35-44-year age group. This is borne out in the projected household formation rates of the projection series that have been published post 2011 Census.

4.40   Four series of HFRs have been published since the 2011 Census, and we compare these rates for York in Figure 4.2 (below) with the 2008-based MHCLG HFRs which were produced prior to the 2011 Census and which projected a more positive level of household formation in younger age groups. We have excluded the 2016-based ONS household formation rates for the reasons identified earlier in this report.

4.41   Figure 4.2 illustrates how both the 2012 and 2014-based HFRs projected a clear downward trajectory in household formation for the 25-34 age group between 2001 and 2011, a pattern which then recovers to a similar trajectory as the 2008-based HFRs until 2031 when it begins to level out and decline again. This is in contrast to the 2008-based HFRs which projected a minor decline until the mid-2000s before increasing gradually to 2031 and then remaining stable.

4.42   The difference between the HFRs for 35-44-year olds is less marked, although there is a clear difference between the 2012/2014 HFRs and the 2008-based series.

4.43   As discussed above, the Housing White Paper acknowledges that household formation for younger people has been suppressed nationally and therefore an adjustment needs to be made to address this. This is reflected by the PPG (ID2a-015).

4.44   GL Hearn's approach to household formation differs between the first three OAN reports (SD050/51/52) and the most recent report (EX/CYC/9):

- SD051 (June 2016); SD052 (June 2016); and SD050 (May 2017): The 2014-based MHCLG household formation rates in the 25-34-year age group for men and women are adjusted by returning them to levels experienced in 2001;

- EX/CYC/9 (January 2019): Household formation rates in the 2014-based MHCLG household projections part-returned to 2008-based MHCLG household formation rates in the 25-34 and 35-44 age group (men and women).

Figure 4.2: Household Formation Rate Comparison: York
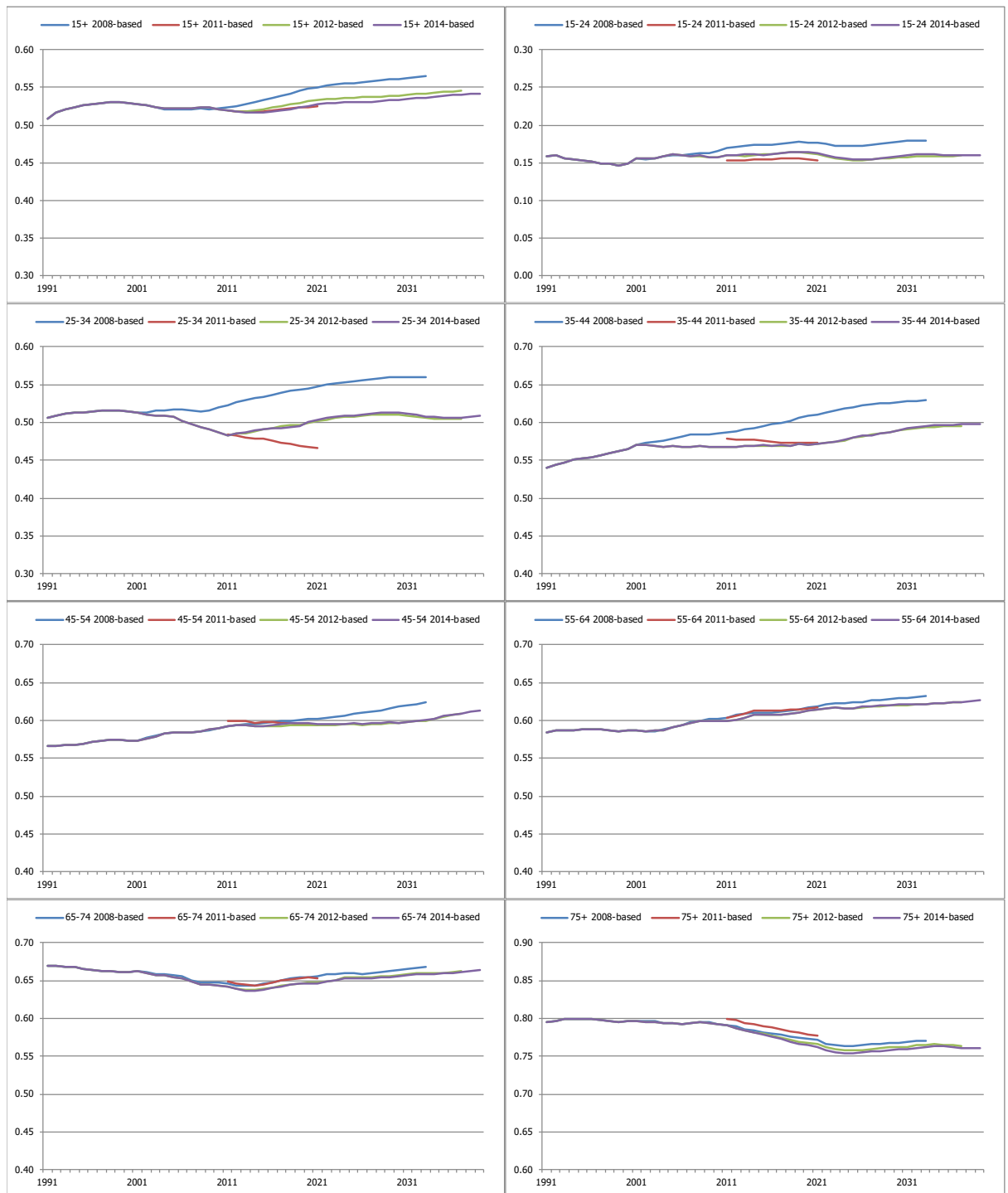
Source: MHCLG

4.45   As the above explains, the approach to household formation rates has recently been adjusted by GL Hearn in EX/CYC/9. It should also be noted how SD051 and SD052 apply the household formation rate adjustment as a 'market signals' rather than a 'demographic' adjustment. Barton Willmore consider the PPG is clearly drafted as to explain how the household formation adjustment should be made as part of the demographic led OAN, and not the market signals adjustment.

4.46   In respect of the 2014-based household projections – the projections which Barton Willmore consider should be used for the purposes of establishing OAN – Table 4.3 sets out how the adjustments made in the GL Hearn affect the baseline projection:

Table 4.3: GL Hearn Adjustments to 2014-Based Household Projections

Source	Approach to household formation adjustment	Dwellings per annum
SD052	Return (25-34 age group) to 2001 levels	898 (2012-2032)
SD050	Return (25-34 age group) to 2001 levels	873 (2012-2032)

4.47   As Table 4.3 serves to illustrate, documents SD050 and SD052 conclude that the 2014-based MHCLG household projection, with an adjustment for suppressed household formation, would require demographic-led OAN of at least 873 dpa.

4.48   However Barton Willmore have a further concern in respect of the approach to adjusting household formation. SD050/051/052 address household formation in aggregated 10-year blocks, an approach which inadvertently serves to constrain the household formation rate projection for women aged 30-34, which, as can be seen from figure 4.3, is projected to *rise* above the 2001 rate between 2011 and 2016.

4.49   Table 4.4 presents the result of applying an adjustment to the 25-44 household formation rate, alongside an alternative assessment which adjusts the 25-34 age group headship rates only. This aligns with the two approaches used by GL Hearn. Unlike GL Hearn's approach, the adjustment is only made where it would *improve* the formation rate and so avoids worsening it in any way. Note that in this instance, the results are almost identical, giving rise to a 2014-based SNPP demographic OAN of **circa 920 dwellings per annum.**

Table 4.4: 2014-Based Household Projections; Amended GL Hearn Adjustments

2014-based SNPP + 2014-based Formation Rates	Households 2012	Households 2032	Change in households	Households (Dwellings) per annum
50% return to 2008-based rates (25-44)	84,270	102,443	18,173	909 (923)
Corrected return to 2001 formation rates (25-34)	84,270	102,431	18,161	908 (922)

Male

Female
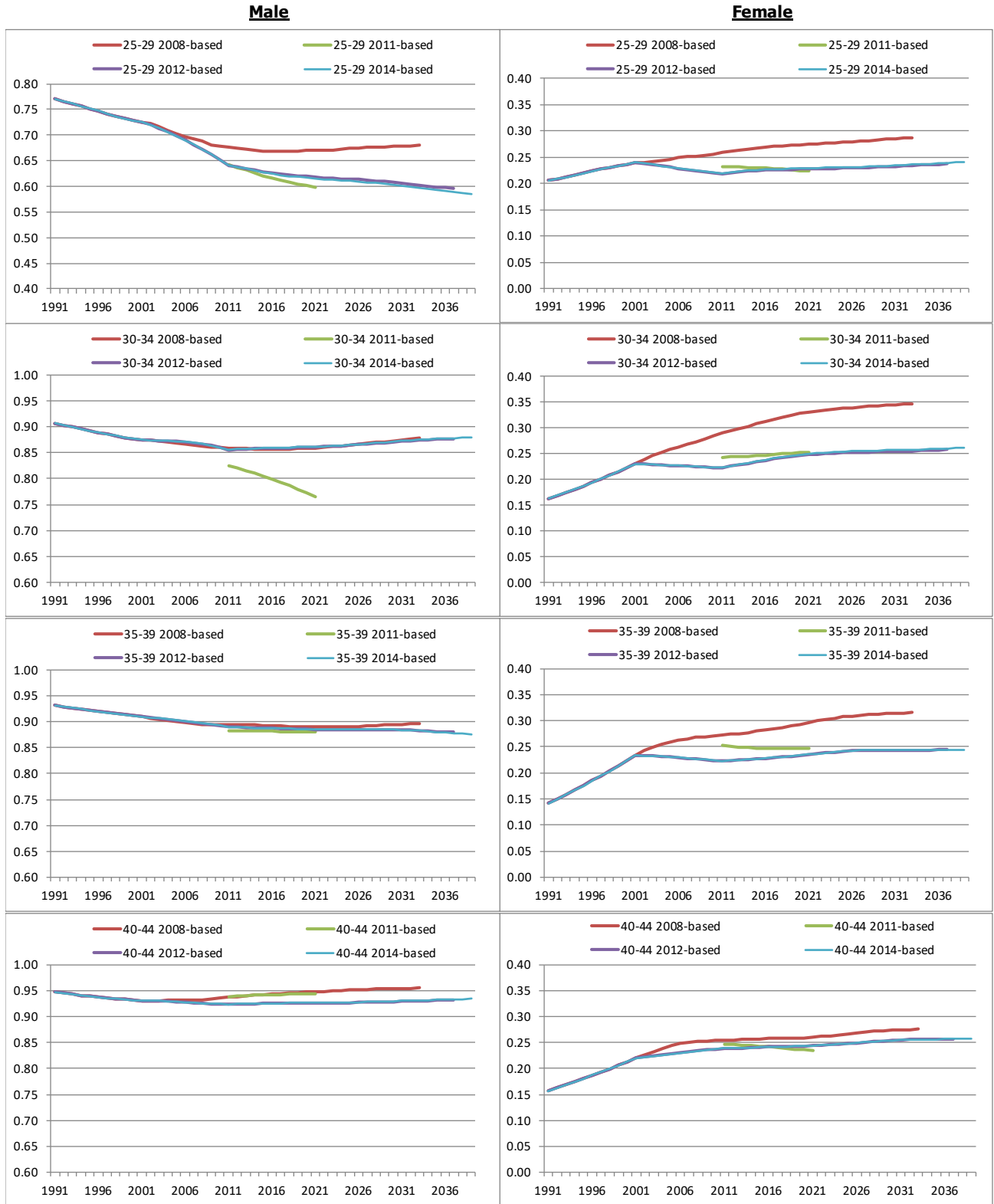
iv)   Conclusions on Demographic OAN

4.50   In summary we conclude that there is strong justification for preferring the 2014-based MHCLG household projections and the ONS SNPP which underpin them, instead of the more recent 2016-based ONS SNPP and ONS household projections as the starting point estimate of OAN. Failure to do so is considered to seriously risk the provision of housing in line with need. Barton Willmore consider the 2014-based projections should be used for the following reasons:

- Government's acknowledgement of the 2016-based ONS household projections methodological weaknesses (which affects OAN as well as Standard Method) and Government's rejection of them for determining housing need as evidenced in the revised Planning Practice Guidance (February 2019);

- The 2016-based ONS SNPP are underpinned by an assumption of 600 net in-migrants to York per annum. The 2014-based ONS SNPP are underpinned by an assumption of 1,000 net in-migrants per annum between 2014 and 2039. This compares with the most recent ONS Mid-Year Population Estimate (showing net in-migration of 1,700 people, 2017-2018), and the average of the past 10 years which also shows an average of 1,700 people per annum;

- The 2014-based ONS SNPP are underpinned by demographic trends over a period in which housing delivery averaged almost **half** the OAN determined by the Council's evidence base. This low delivery would have impacted on the ability of people to migrate into York, thereby **suppressing** demographic trends which ultimately underpinned the 2014-based ONS SNPP and MHCLG household projections. Notwithstanding our support for their use, the 2014-based ONS SNPP and MHCLG household projections are likely to be underestimates;

4.51   In conclusion, Barton Willmore consider the starting point estimate for demographic led OAN is **849 dwellings per annum, 2012-2037**. However as our own demographic modelling showed in our previous 2016 report, this figure exceeds 900 dpa once a robust adjustment is made for household formation suppression.

5.0 THE APPROACH TO RECONCILING HOUSING NEED AND JOB GROWTH IN THE COUNCIL'S EVIDENCE

i) Introduction

5.1 In relation to future economic growth and its link to housing need, paragraph ID2a-018 of the 2014 PPG is clear that *"plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate"* as part of the OAN process.

5.2 Having made such an assessment, the same paragraph moves on to state that *"Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems."*

5.3 As the PPG states, the inference is that the level of housing to support job growth based on forecasts or past trends must be considered. If demographic-led housing need (as considered in section 4 of this report) does not grow the economically active population by a sufficient amount to support expected job growth, an increase in the OAN will be required.

5.4 The most recent OAN document in the evidence base (EX/CYC/9) concludes that the full OAN of 790 dpa is based on economic-led housing need in York. In other words, the uplift from the starting point estimate of OAN (i.e. the household projection for York) for jobs growth exceeds any uplift for market signals or alternative demographic trends.

5.5 In this context it is imperative to determine whether the scale of job growth and the other assumptions required to determine economic-led OAN are robust.

ii) Job Growth Forecasts

5.6 Document EX/CYC/9 states that the economic-led OAN for York has been determined on the basis of evidence set out in the 2017 Employment Land Review Update (SD063). EX/CYC/9 refers to Table 2 of SD063 which shows a revised job growth figure of 11,050 jobs between 2014 and 2031 under 'OE Scenario 2 Forecast (2014-31), an average of 650 jobs per annum (jpa).

5.7   The initial forecast period had been *2012*-2031 in the original Employment Land Review (SD064), but SD063 records actual job growth in York between 2012 and 2014 (1,950 jobs) to arrive at a figure of 11,050 jobs 2014-2031 (650 jpa).

5.8   This job growth forecast is based on a 'Re-Profiled Growth Scenario' as set out in Table 2 below. This takes the Oxford Economics (OE) May 2015 baseline, and makes an adjustment explained in SD064 as follows:

> **"impact of <u>faster</u> growth in professional services, financial & insurance, and information & communication accompanied with <u>lower</u> growth within wholesale & retail trade and accommodation & food services. The scenario assumes that the UK outlook remains unchanged from the baseline, with the assumptions being applied at the local level and thus aims to align future sectoral trends with the Strategic Economic Plans."[16]**

5.9   This translates as 20% higher growth than the baseline projection within professional services, financial & insurance, and information & communication, and 10% lower growth than the baseline projection within wholesale & retail trade, accommodation & food services.

5.10   However as Table 5.1 shows, the scenario used for determining OAN is the <u>fourth lowest</u> out of five scenarios in the evidence base. Furthermore the most recent Regional Econometric Model (REM) for Yorkshire and the Humber is largely ignored, and projects growth of over 150 additional jpa above the 'Scenario 2' used to determine economic-led OAN.

Table 5.1: Job Forecasts in the Evidence Base

Source	Period	JPA
SD064 Scenario 1 – Higher migration faster recovery	2014-2031	910
SD063 Experian REM (December 2016)	2015-2031	806
SD064 Experian REM (March 2015)	2015-2031	698
SD064 Scenario 2 – Re-profiled sector growth	2014-2031	650
SD064 OE May 2015 Baseline	2014-2031	621

Source: SD063/64

5.11   The forecasts from SD064 were used in the OAN document SD051, albeit SD064 spread the scenarios over a slightly longer period (2012-2031) for the purposes of determining housing need. This led to the scenarios testing a slightly lower per annum job figure. Table 5.2 reproduces the results of SD051 in respect of economic-led housing need. It should be noted how SD050 did not update the economic-led OAN.

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[16] Paragraph 4.27, page 22, SD064

Table 5.1: Economic-Led OAN in York

Source	Period	DPA
SD064 Scenario 1 – Higher migration faster recovery	2012-2032	814
SD064 Experian REM (March 2015)	2012-2032	797
SD064 Scenario 2 – Re-profiled sector growth	2012-2032	780

Source: Page 87, SD051

5.12   Notwithstanding the figures set out in SD051, EX/CYC/9 also uses the job growth forecast by 'Scenario 2' as set out in the original ELR (SD064, July 2016). However EX/CYC/09 alters the forecast period to 2017-2037. The original forecast was for the 2014-2031 period. This significant change in the period assessed is not considered to be underpinned by any robust reasoning.

5.13   Furthermore the forecast used is **over four years old**. It is therefore considered that an update should be considered.

5.14   Barton Willmore have therefore acquired the most recent Oxford Economics forecasts (August 2019) and reproduced the approach of the re-profiling scenario 2 for the 2014-2031 period. This shows slightly higher growth of 11,700 jobs (690 jobs per annum). Based on following the Council's approach to determining economic growth, the OAN should therefore consider higher job growth of **690 jobs per annum**.

5.15   In addition, best practice in using job growth forecasts has historically been to acquire three forecasts (usually those produced by Oxford Economics, Experian Economics, and Cambridge Econometrics) and use the **average** to underpin OAN. This was endorsed by the Planning Inspector in charge of the South Worcestershire Local Plan Examination, who concluded as follows:

> **"Much more significant are the differences between each of the <u>three forecasts</u> used by Edge, with the CE forecast predicting job numbers to grow by over 10% in South Worcestershire from 2012 to 2030, compared to growth of around 6% predicted by Experian and OE3. Such differences are, of course, not unusual between forecasters each using their own methodology. <u>The use of three separate growth forecasts</u> (rather than just one as in the February 2012 SHMA) <u>adds substantially to the robustness</u> of Edge's modelling work." [17]**

5.16   Document EX/CYC/9 does not do this and this is considered to weaken the robustness of using the 650 jpa scenario.

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[17] Paragraph 11, page 3, Stage 1 of the Examination of the South Worcestershire Development Plan Inspector's Further Interim Conclusions on the Outstanding Stage 1 Matters, 31 March 2014

iii)   Past Trends Job Growth

5.17   PPG (ID2a-018) states that historical rates of job growth should also be considered alongside job growth forecasts. We have therefore considered the levels of job growth recorded by OE as recorded by their August 2019 data.

5.18   In assessing the number of jobs based on past trends, it is important to ensure that a representative period is used, and there is no bias in the data. The period over which past trends are calculated is very sensitive to small changes in the number of years for which the analysis is undertaken. For example the number of jobs may increase or decrease more dramatically over a single year rather than a longer period due to the onset or exit from recession.

5.19   Barton Willmore's approach is therefore to consider two periods known as 'peak to peak' and 'trough to trough'. This is considered to provide the most realistic and representative periods to assess past trends job growth, considering a business cycle from peak to peak and trough to trough. It is an approach used by other housing need specialists.

5.20   The job growth recorded by OE between 1991 and 2018 is illustrated in Figure 5.1 below to highlight the peaks and troughs of job growth brought about by economic cycles.

Figure 5.1: Historic Job Growth Recorded by OE − City of York
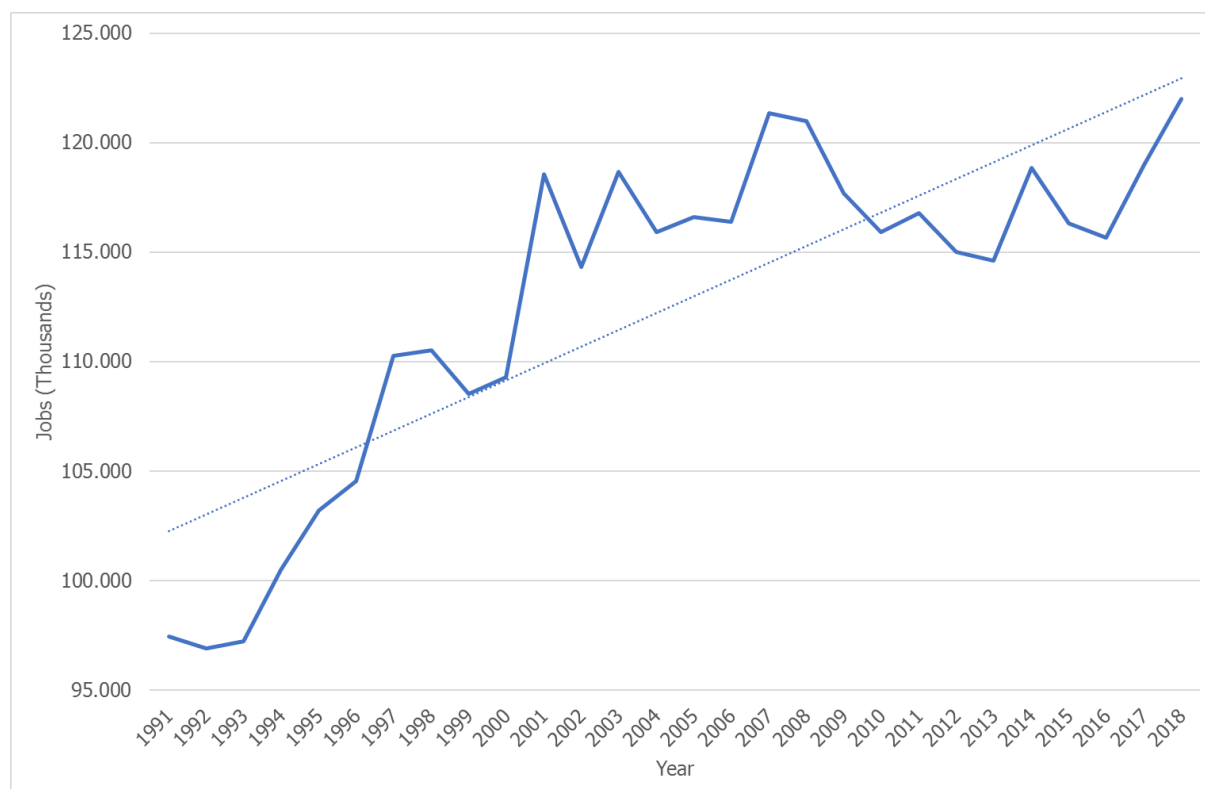
5.21   As Figure 5.1 illustrates, there have been clear peaks and troughs evident since OE records began in 1991. This is normal, however, to make a reasonable calculation of historic growth in jobs, the difference between 'peak to peak' and 'trough to trough' needs to be addressed.

5.22   For example, if we were to calculate from the peak in 2007 to the trough in 1993, an overestimate of job growth would be made (1,723 jobs per annum). In contrast, the trough in 2016 to the peak in 1997 would result in an under-estimate (285 jobs per annum).

5.23   A reasonable 'trough to trough' period is considered to be 1991-2016. This shows 97,448 jobs in 1991, rising to 115,667 jobs in 2016. This is a difference of 18,220 jobs and an annual average of **730 jobs per annum**.

5.24   A reasonable 'peak to peak' period is considered to be between 1997 and 2008, a period which experienced growth of **975 jobs per annum**.

5.25   In summary, a mid-point between these two figures **(850 jpa)** shows past trends suggest higher annual growth than the 650 jobs per annum which currently underpin the OAN.

iv)   Translating Job Growth into Housing Need

5.26   A range of assumptions have to be considered when attempting to determine the number of people and homes required to support a specific level of job growth. Below we consider the approach employed by ORS and whether Barton Willmore's approach differs.

Double-jobbing

5.27   Table 8, page 16 of EX/CYC/9 outlines the assumption of 3.9% double jobbing. Barton Willmore would concur with this assumption.

Economic Activity

5.28   The choice of activity rates used is particularly contentious and different assumptions can lead to materially different OAN for housing calculations. However, in this case, GL Hearn use the economic activity rates published by the Office for Budget Responsibility (OBR) in the latest OAN report (EX/CYC/9). Barton Willmore would again concur with this assumption.

<u>*Commuting*</u>

5.29   The commuting ratio is a further assumption which has to be considered when determining economic-led OAN. Table 8, page 16 of EX/CYC/9 shows a commuting assumption of 0.96 has been used. This is drawn from the 2011 Census and Barton Willmore agree with this approach.

v)   Summary and Conclusions

5.30   The key points from this section are as follows:

- The level of job growth (650 jpa) used to determine the City of York's OAN is considered to be an underestimate;

- Notwithstanding the outdated nature of the job growth forecasts in the evidence base, the decision to use 650 jpa ignores the most recent (December 2016) job growth forecast in the evidence base, i.e. the Yorkshire and Humber REM forecast of 800 jobs per annum;

- The original SHMA (SD051) also ignored much higher forecasts from the March 2015 REM (806 jobs per annum) and 'Scenario 1' of SD064 (910 jpa);

- The most recent OE forecast (August 2019) has been analysed by Barton Willmore. Adjusted for the assumptions included in the OAN's preferred scenario (Scenario 2), this most recent forecast is for 690 jpa;

- Historic job growth since 1991, as recorded by OE, also supports a higher level of job growth to underpin OAN. This analysis suggests a minimum 730 jpa should be used for OAN purposes. However a reasonable assumption would also be 975 jobs per annum;

- Barton Willmore agree with assumptions in respect of commuting, double jobbing, and economic activity rates.

6.0   MARKET SIGNALS AND AFFORDABLE HOUSING

i)   Introduction

6.1   The 2014 PPG lists six market signals to be analysed (ID2a-019/020) as part of the OAN, and an appraisal of market conditions is considered in the 2016 SHMA (SD051) and then updated in both SD050 and the most recent document EX/CYC/9.

6.2   At the outset it should be noted how the evidence base acknowledges the worsening affordability situation in the City of York, and that a response in line with PPG needs to be made.

6.3   It is important to note how the approach to the market signals adjustment varies between the three reports.   The initial 2016 SHMA (SD051) applies an adjustment to household formation suppression in younger age groups. This adjustment is considered by Barton Willmore to be a demographic adjustment, a factor which should be considered in isolation to a separate market signals response.   Notwithstanding this the adjustment to the starting point estimate of OAN (the official household projection) equated to 7%.

6.4   In contrast, documents SD050 and EX/CYC/9 apply a proportional uplift to the starting point estimate as a separate adjustment.   In the former (SD050) a 10% uplift (87 additional dwellings per annum – dpa) is made to the starting point estimate (867 dpa). This results in OAN of 953 for York.

6.5   In the most recent OAN report (EX/CYC/9) the uplift is revised and increased to 15%.   This increases the starting point estimate determined by GL Hearn from 484 dpa to 557 dpa. However this much lower market signals led OAN is based on using the 2016-based ONS SNPP to underpin demographic-led OAN. For reasons explained earlier in this report, the use of the 2016-based ONS SNPP is considered to seriously underestimate housing need in York.

6.6   Since the publication of the 2016 SHMA (SD051), the market signals response has focussed more on affordability. This is reflected in the different approaches to addressing market signals between SD051, SD050, and EX/CYC/9.   This is most notable in Government's Standard Method for calculating local housing need recently adopted by the revised NPPF.

6.7   The analysis and review we present here therefore focusses on the affordability of York, although we summarise the conclusions of SD051 where necessary.

ii) Market Signals and Proposed Uplift

6.8   The PPG states how market signals analysis should be undertaken on the basis of a comparison with similar demographic/economic areas, and in this context the 2016 SHMA (SD051) compared York with Ryedale, Hambleton, and the regional (Yorkshire & the Humber) and national averages. This was updated in SD050 for the same areas. However in the most recent document (EX/CYC/9) the comparisons are made with North Yorkshire, the Yorkshire & Humber region, and England.

Lower Quartile Affordability Ratio

6.9   Table 6.1 sets out the lower quartile affordability ratios for York and its neighbouring local authorities, alongside the reginal and national averages.

Table 6.1: Lower Quartile Affordability Ratio Change 1997-2018

Local Authority	1997 Ratio	2018 Ratio	% Change 1997 − 2018
York	4.02	9.41	134%
Harrogate	4.48	9.64	115%
Selby	3.74	7.44	99%
Hambleton	4.93	9.36	90%
East Riding	3.57	6.61	85%
Ryedale	5.27	8.48	61%
Yorkshire & Humber	3.10	5.80	87%
England	3.57	7.29	104%

Source: MHCLG

6.10   At the outset it is important to note how EX/CYC/9 **incorrectly** lists York's lower quartile affordability ratio as being 7.26 in 2017.[18] From reference to Table 6c of MHCLG's 2018 affordability ratios (28 March 2019), the lower quartile ratio was much higher at 9.06 in 2017.

6.11   Table 6.1 outlines how the lower quartile affordability ratio is significantly higher in York than the national (7.26) and regional (5.80) averages in 2018. York's lower quartile affordability ratio is therefore **30% higher** than the national average, and **62% higher** than the regional average in 2018.

6.12   York's ratio has also **increased by 134**%, higher than all neighbouring local authorities.

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[18] Table 12, page 22, EX/CYC/9

Median Affordability Ratio

6.13   The 2019 NPPF's introduction of the Standard Method incorporates use of the median affordability ratio rather than the lower quartile ratio. Although the housing need is being assessed under OAN, it is considered appropriate to consider the median ratio. Table 6.2 sets out the ratios and their change since 1997.

Table 6.2: Lower Quartile Affordability Ratio Change 1997-2018

Local Authority	1997 Ratio	2018 Ratio	% Change 1997 – 2018
York	3.71	8.86	139%
Harrogate	4.46	10.13	127%
East Riding	3.32	6.64	100%
Ryedale	4.84	9.32	93%
Selby	3.46	6.64	92%
Hambleton	4.86	9.09	87%
Yorkshire & Humber	3.12	5.95	91%
England	3.54	8.00	126%

Source: MHCLG

6.14   Table 6.2 shows a similar pattern to 6.1. The median ratio shows how York's affordability ratio has decline by the greatest proportion (139%) since 1997. Harrogate and Ryedale have higher ratios in 2018, but affordability has worsened more quickly than both authorities.

GL Hearn response to market signals pressure in York

6.15   To determine the appropriate uplift for market signals pressure, the approach of EX/CYC/9 is to consider the Eastleigh (2015) and Uttlesford (2014) Local Plan Examinations, where a 10% uplift for market signals was deemed appropriate, before highlighting more recent reports (Waverley, Mid Sussex, and Canterbury), where adjustments of 20% and 25% were imposed by the Inspectors.

6.16   In this context, EX/CYC/9 consider a 15% increase to be robust for York. GL Hearn apply this to the 2016-based ONS household projection (484 dpa) to reach 557 dpa. For the reasons given in earlier sections of this report, Barton Willmore consider this should be applied to the 2014-based household projection (849 dpa, 2012-2037), leading to market signals-led OAN of **976 dpa**.

6.17 However it is considered that a 15% increase may be inadequate, and other approaches suggest a higher increase might be appropriate in York.

6.18 We consider alternative approaches below, but before doing so the Mid Sussex Local Plan should be considered. This is one of the decisions referred to in EX/CYC/9.

6.19 In the case of the Mid Sussex Local Plan examination, the Inspector was provided with a number of approaches to setting a market signals uplift. In the context of these alternative approaches the Inspector concluded as follows:

> **"I consider that the approach with the greatest value is that based on the OBR house price forecast and University of Reading model updated to account for the OBR's November 2016 economic outlook. The Forum's calculations suggest that 918 dpa would be required to hold the affordability ratio constant until 2021, all other things being equal, including all housing needs being met in neighbouring areas." [19]**

6.20 Barton Willmore have therefore used the calculator (Appendix 1) to establish the number of homes required to keep the 2018 median affordability ratio constant at 8.86. The calculator shows there to be a need of **1,219 dpa** to do this. This would represent an increase of 44% from the starting point estimate.

iii) Alternative Approaches to Addressing Market Signals

Standard Method (NPPF, 2019)

6.21 As we have outlined earlier in this report, the standard method is now adopted for the purposes of planning applications, appeals, and newly submitted Local Plans (post 24 January 2019).

6.22 The key element of the standard method calculation relates to the median affordability ratio, which we have summarised above for York. The higher the ratio, the higher the uplift to address affordability constraints. The standard method shows a requirement for a 30% uplift to address affordability constraints in York.

6.23 If we were to apply a 30% uplift to EX/CYC/9's conclusion on the starting point estimate of need, it would increase **from 484 dpa to 629 dpa**. Based on Barton Willmore's conclusion of the starting point estimate need would increase from **849 dpa to 1,104 dpa**.

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[19] Paragraph 1, page 5, Mid Sussex District Plan 2014-2031 Housing requirement Inspector's letter, 20 February 2017

6.24   It should be noted how the Standard Method calculates **minimum** housing need in York to be **1,069 dpa**.

National Housing & Planning Advice Unit (NHPAU)

6.25   The NHPAU was founded by Government as direct response to the recommendations of the Barker Review and in October 2007 published *'Developing a target range for the supply of new homes across England'*[20]. This flowed from analytical modelling on the impact of the Government's housing supply target for housing affordability prospects over the medium and long-term. The report concluded that a supply range from 240,000 dpa (Government's annual target at that point) to 280,000 dpa should be tested (Table 18), going on to identify (para 4.68):

> **"NHPAU believes that there is a realistic possibility of stabilising the affordability of market housing over the long-term if a supply target for 270,000 net additions to stock, in the right place and of the right type can be adopted through the planning system for delivery before or by 2016."**

6.26   The target of 270,000 per annum would equate to a **24% increase** above the baseline 2014-based DCLG household projection for England (circa 218,000 dwellings per annum, 2014-2039). Applied to the starting point MHCLG projection in York this would result in OAN of **1,053 dpa.**

Redfern Review (November 2016)

6.27   The Redfern Review[21] was an independent review of the causes of falling home ownership, and associated housing market challenges. Published in November 2016, it was informed by a housing market model and built by Oxford Economics which looked at the impacts of different supply assumptions on prices and home ownership. The review ultimately concludes (paragraph 33):

> **"…looking forward, if the number of households in the UK were to grow at around 200,000 per year, new supply of 300,000 dwellings per year over a decade would be expected to cut house price inflation by around 5 percentage points (0.5 percentage points a year)… In other words boosting housing supply will have a material impact on house prices, but only if sustained over a long period."**

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[20] Developing a target range for the supply of new homes across England' (October 2007), NHPAU - http://webarchive.nationalarchives.gov.uk/20120919132719/http://www.communities.gov.uk/documents/housing/pdf/523984.pdf
[21] The Redfern Review into the decline of home ownership' (16 November 2016) - http://www.redfernreview.org/wp-content/uploads/2016/01/TW082_RR_online_PDF.pdf

6.28   The accompanying report by Oxford Economics[22] identifies that *"To put downward pressure on prices new supply would need to outstrip underlying household formation"*. It actually models a boost in housing supply of 100,000 above their baseline forecast of 210,000 dwellings per annum, concluding that 310,000 dwellings per annum *"helps to keep prices in check"* up to 2026, albeit still rising marginally.

6.29   Although no corresponding analysis is presented on the affordability ratio (i.e. accounting for changes in income over that period), the adoption of 310,000 dwellings per annum as a figure to keep prices in check would represent a **44.2%** uplift over the demographic baseline suggested by the 2014-based projections (215,000 dwellings). A lower percentage would be sufficient to hold affordability constant if household incomes increased in a corresponding manner.

6.30   In York, a 44.2% increase to the 2014-based household projection would lead to a requirement for **1,224 dpa**.

Barker Review

6.31   In Barton Willmore's previous (September 2016) OAN review for York, the Barker Review was referred to. The 2016 review concluded that an 86% increase to past delivery between 2006 and 2016 (average 557 dpa) would necessitate an OAN of **1,073 dpa**. This is almost identical to the Standard Method calculation of need for York identified above.

6.32   By way of an update, delivery over the most recent 10-year period (2008-2018) has been an average of 652 dpa. An 86% increase to this figure would result in **1,213 dpa**. This corresponds with the University of Reading calculator set out above, which showed need of 1,219 dpa just to keep the 2018 median affordability ratio stable over the Plan period.

iv)   Affordable housing Need in York

Introduction

6.33   The PPG (ID2a-029) states that *"An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes."* It is also acknowledged how paragraph 159 of the 2012 NPPF states that local planning authorities should prepare a SHMA which 'addresses' affordable housing need.

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[22]   'Forecasting   UK   house   prices   and   home   ownership'   (November   2016)   Oxford   Economics   - http://www.redfernreview.org/wp-content/uploads/2016/11/20161114-Redfern-Review-modelling-paper.pdf

6.34   Subsequent case law has confirmed that affordable housing need does not need to be met in full by the 2012 NPPF. EX/CYC/9 correctly points this position out, and reproduces the key paragraph from the Judgment referred to above, as follows:

> **"Framework makes clear that these needs [affordable housing needs] should be <u>addressed</u> 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." [23]**

6.35   Notwithstanding this it is imperative to understand what level of overall housing need would need to be achieved in order to deliver the affordable housing need in full, and what the Council's OAN is likely to deliver.

Affordable Housing Need in York

6.36   The most recent assessment of affordable housing need in York is made in document SD051, which was published in June 2016. At the outset it is considered an updated assessment is required, as documents SD050, SD052, or EX/CYC/9 do not provide an updated position.

6.37   Notwithstanding this initial conclusion, we note that SD051 concluded on there being a net need of **573 affordable dpa in York, 2012-2032**. [24] To achieve 30% affordable provision on all sites, this would require OAN of 1,910 dpa over the same period; a 142% increase from the OAN being put forward by EX/CYC/9.

6.38   Based on the need set out in SD051 and if we assume that York's calculation is correct, need between 2012/13 and 2018/19 totalled **4,011 affordable dwellings**.

6.39   Reference to York City Council's web site[25] shows that *gross* affordable housing completions have totalled **649 affordable dwellings** over the same period. This means that **only 16%** of the affordable need has been delivered over the last seven years. However *net* affordable completions will total even less than this figure. These figures are unavailable.

6.40   It therefore follows that *overall* housing need would need to be **approximately 3,600 dpa** in York if 573 affordable dpa were to be delivered at the historic rate of average delivery

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[23] Paragraph 32, page 10, Borough Council of Kings Lynn and West Norfolk v Secretary of State for Communities and Local Government, ELM Park Holdings Ltd, 09 July 2015
[24] Table 34, page 104, SD051
[25] https://www.york.gov.uk/AffordableHousingCompletions

(16%) over the past 8 years. Again it is important to emphasise how this calculation of 16% is based on gross delivery. Net delivery figures are unavailable and would show a lower level of delivery.

6.41   Based on 16% historic delivery, the proposed OAN (790 dpa) would only deliver **126 affordable dpa.** This is 447 affordable dpa short of the affordable need determined by SD051 (573 affordable dpa).

6.42   The Council are therefore failing to deliver anything approach affordable housing need in York.

v)   Conclusions on Market Signals and Affordable Housing Need

6.43   In respect of market signals this section has outlined how unaffordable housing is in York City compared with neighbouring authorities and the regional/national averages. The evidence also indicates how an OAN of 790 dpa significantly underestimates housing need in York.

6.44   This section has also highlighted how the Council are falling woefully short of meeting affordable housing need in the City.

6.45   The key points to note from this section of the report are as follows:

Market Signals

- EX/CYC/9 states that a 15% uplift should be applied for market signals pressure in York. This is welcomed by Barton Willmore however there is a wealth of evidence to suggest this uplift **does not go far enough** in addressing worsening affordability in York;

- As of 2018, the lower quartile ratio in York in **62% higher** than the regional average, and **30% higher** than the national average;

- York has experienced the **biggest increase** in the lower quartile and median ratios since 1997, when compared with all neighbouring local authorities, and the regional/national averages;

- Just to keep the median affordability ratio at its 2018 level by 2037, the University of Reading/OBR calculator endorsed by the Mid Sussex Local Plan Inspector shows need of **1,219 dpa**;

- Other alternative approaches show need of **between 1,053 and 1,224 dpa**;

- Although the Plan is not being assessed under Standard Method, it is important to note the Standard Method calculation of **1,069 dpa**.

6.46   Table 6.3 sets out the alternative market signals led figures and puts the OAN being suggested by EX/CYC/9 in perspective:

Table 6.3: Market Signals led OAN in York

Method	DPA
EX/CYC/9 *(15% uplift to 2016-based ONS household projection)*	557
Barton Willmore *(15% uplift to 2014-based household projection)*	976
National Housing & Planning Unit *(24% increase to 2014-based household projection)*	1,053
Standard Method calculation	1,069
Standard Method uplift *(30% uplift to 2014-based MHCLG household projection)*	1,104
Barker Review *(86% increase to past delivery)*	1,213
UoR/OBR calculator *(endorsed by Mid Sussex Inspector)*	1,219
Redfern Review *(44.2% increase to 2014-based household projection)*	1,224

Affordable Housing Need

- OAN of **1,900 dpa** would be required to deliver affordable need determined in SD051;

- The Council have only delivered **16%** of their affordable need in the last 8 years;

- This equates to a **shortfall** of **3,362** affordable dwellings over 8 years;

- Based on 16% delivery, the proposed OAN would deliver **126 affordable dpa** against need of 573 affordable dpa;

- OAN would need to be 3,600 dpa to deliver affordable need of 573 dpa if historic delivery of 16% were to continue.

7.0 SUMMARY AND CONCLUSIONS

7.1 This Technical Report has reviewed the OAN determined by GL Hearn for the City of York Council (CoY) through documents SD050, SD051, SD052, and EX/CYC/9. Barton Willmore's previous technical review (September 2016) addressed the OAN in SD051 and SD052. This latest review therefore focusses on SD050 and EX/CYC/9.

7.2 The OAN determined by EX/CYC/9 and being put forward to the CoY Local Plan Examination is 790 dpa, based on supporting 650 jobs per annum. EX/CYC/9 states that this level of need *"would be sufficient to respond to market signals, including affordability adjustments, as well as making a significant contribution to affordable housing needs."*[26]

7.3 Barton Willmore consider this to be an underestimate of BBC's OAN for reasons set out in detail in this report and summarised below. The key points of disagreement relate to the following:

- Demographic starting point;
- Market signals adjustment;
- Affordable housing delivery.

i) Demographic OAN

7.4 Barton Willmore consider that the starting point estimate of CoY's OAN should be the 2014-based MHCLG household projections **(849 dpa)**, and not the more recent 2016-based ONS household projections **(484 dpa)** for a number of reasons set out in detail in section 3 of this report. These can be summarised as follows:

- Government's review of the 2016-based ONS household projections, which concluded they should not be used to underpin baseline housing need due to concerns over their methodology and their failure to support Government's aspiration to build 300,000 dpa nationally by the mid-2020s;

- Government's decision to *replace* the 2016-based ONS household projections with the 2014-based MHCLG household projections for the purposes of calculating minimum housing need as part of the Standard Method, because of these concerns;

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[26] Paragraph 5.11, page 27, EX/CYC/9

- Notwithstanding these concerns, the fact that the 2014-based household projections are based on a conservative assumption of net in-migration to York (1,000 people per annum);

- The 10-year net in-migration average has been 1,700 people per annum, and **only one** of the last 10 years has experienced net in-migration less than 1,000 people;

- The most recent official 2018 ONS Mid-Year Population Estimates showing net in-migration of **1,700 people**, dispelling the notion that the Brexit referendum may have affected migration into York;

- This illustrates how the 2014-based MHCLG household projections may themselves be an underestimate due to the net-migration assumption they are underpinned by;

- The 2016-based ONS SNPP are underpinned by even lower net in-migration of 600 people per annum. Not a single year since 2001/02 has recorded net in-migration of 600 people or less;

- In addition the trend period underpinning the 2014-based projections (2009-2014) saw average housing delivery of **only 494 dpa**. This is below any of the OAN figures determined in the Council's evidence base and would have also inhibited migration into the city, thereby affecting the trends underpinning housing need projections.

ii)   Economic OAN

7.5   The full OAN determined in the previous OAN reports (SD050, SD051, and SD052) produced by GL Hearn were all based on demographic-led housing need, with a market signals adjustment.

7.6   The most recent OAN report (EX/CYC/9) is the first to arrive at full OAN on the basis of economic-led housing need.

7.7   Although Barton Willmore's OAN is based on the same approach which resulted in SD050/051/052 OAN (i.e. demographic plus market signals uplift), our conclusions in respect of EX/CYC/9's approach are as follows:

- The Oxford Economics (OE) job growth forecast (650 jobs per annum – jpa) used in EX/CYC/9 is **over four years old** – an update is required;

- The forecast of 650 jpa was **fourth lowest out of five** in a range of job growth forecasts included in SD063 and SD064;

- EX/CYC/9 **ignores** the Yorkshire & Humber Regional Econometrics Model (REM) which forecast **698 jpa** (SD063, March 2015), and **806 jpa** (SD064, December 2016);

- The **most recent** REM has not been consulted;

- Barton Willmore have acquired August 2019 OE forecasts. This shows growth of **690 jpa**;

- Notwithstanding this, the Planning Inspectorate[27] endorsed the approach of considering an average of three job growth forecasts. Given the fluctuation in forecasts, this approach should be applied in York;

- Historic job growth dating back to 1991 suggests a reasonable **mid-point** assumption of job growth in York would be **850 jpa**;

- Barton Willmore agree with assumptions in respect of commuting, double jobbing, and economic activity rates.

7.8 In summary, we conclude that 650 jpa is **too low** an assumption to use in underpinning economic-led OAN. In the absence of forecasts from other forecasting houses (Experian, Cambridge Econometrics), we consider a figure of approximately **850 jpa should be tested**. This is considered a reasonable mid-point assumption in the context of the forecasts available and the historic job growth in York over the last 28 years.

iii)   Market Signals OAN

7.9 Barton Willmore consider the 15% uplift determined by EX/CYC/9 should be considered a minimum in light of alternative approaches identified in this report. Our summary of market signals indicators in York is as follows:

- As of 2018, the lower quartile ratio in York in **62% higher** than the regional average, and **30% higher** than the national average;

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[27] Paragraph 11, page 3, Stage 1 of the Examination of the South Worcestershire Development Plan Inspector's Further Interim Conclusions on the Outstanding Stage 1 Matters, 31 March 2014

- York has experienced the **biggest increase** in the lower quartile (134%) and median (139%) ratios since 1997, when compared with all neighbouring local authorities, and the regional/national averages;

- Just to keep the median affordability ratio at its 2018 level by 2037, the University of Reading/OBR calculator endorsed by the Mid Sussex Local Plan Inspector shows need of **1,219 dpa** for York, 2017-2037;

- Other alternative approaches show need of **between 1,053 and 1,224 dpa**;

- Although the Plan is not being assessed under Standard Method, it is important to note the Standard Method calculation of **1,069 dpa**.

iv)   Affordable Housing Need

7.10   Barton Willmore acknowledge that affordable housing need does not have to be met **in full** by the OAN. However the OAN should **'address'** the need. In this context it is important to understand the current affordable need position in York.

7.11   Barton Willmore's analysis shows that the Council are wholly failing in meeting affordable need. An increase to the OAN to deliver more affordable need is considered to be justified, based on the following conclusions:

- OAN of **1,900 dpa** would be required to deliver affordable need determined in SD051;

- The Council have only delivered **16%** of their affordable need in the last 8 years;

- This equates to a **shortfall** of **3,362** affordable dwellings over 8 years;

- Based on 16% delivery, the proposed OAN would deliver **126 affordable dpa** against need of 573 affordable dpa;

- OAN would need to be **3,600 dpa** to deliver affordable need of 573 dpa if historic delivery of 16% were to continue.

v)   Summary and Way Forward

7.12   In summary Barton Willmore consider that 790 dpa **significantly underestimates** housing need in York and will wholly fail to address the significant affordable housing need evident in the City.

7.13   The main difference between the conclusions of Barton Willmore and EX/CYC/9 relates to the demographic starting point. EX/CYC/9 determined this as being the 2016-based ONS household projection, i.e. 484 dpa.

7.14   Barton Willmore have provided a wealth of evidence in this report to show it should be **at least** that projected by the 2014-based MHCLG household projection (i.e. 849 dpa).

7.15   Added to this demographic starting point should be a market signals uplift of **at least** 15%. However alternative approaches show this uplift should be much higher.

7.16   Barton Willmore therefore conclude that the **minimum OAN for York is 976 dpa**. However **three** robust approaches (Barker Review, Redfern Review, and the Planning Inspectorate endorsed UoR/OBR calculator) suggest the full OAN should be circa **1,220 dpa**.

7.17   A further uplift should also be considered to address the significant affordable housing need evident in York, and the significant lack of delivery which has resulted in a **shortfall of over 3,000 affordable dwellings** since 2012.

APPENDIX 1

AFFORDABILITY CALCULATOR

Median Affordability Calculator

York ▶

Implicit dwelling growth in OBR model: 971 per annum (2017-2034)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Median Earnings	26,434	27,201	27,989	28,801	29,636	30,496	31,380	32,290	33,227	34,190	35,182	36,202	37,252	38,332	39,444	40,588	41,765	42,976	44,222	45,505	46,824
Median House price	227,975	235,954	244,213	252,760	261,607	270,763	280,239	290,048	300,200	310,707	321,581	332,837	344,486	356,543	369,022	381,938	395,305	409,141	423,461	438,282	453,622
Number of homes* (assuming 1% growth as per OBR)	89,562	90,458	91,362	92,276	93,199	94,131	95,072	96,023	96,983	97,953	98,932	99,921	100,921	101,930	102,949	103,979	105,018	106,069	107,129	108,201	109,283
Median affordability Ratio	8.62	8.86	8.73	8.78	8.83	8.88	8.93	8.98	9.03	9.09	9.14	9.19	9.25	9.30	9.36	9.41	9.47	9.52	9.58	9.63	9.69

Total annual dwelling increase = 790 per annum (Local Plan target)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
No. of houses	89,562	90,352	91,142	91,932	92,722	93,512	94,302	95,092	95,882	96,672	97,462	98,252	99,042	99,832	100,622	101,412	102,202	102,992	103,782	104,572	105,362
Increase in supply above baseline assumption		-0.1%	-0.2%	-0.4%	-0.5%	-0.7%	-0.8%	-1.0%	-1.1%	-1.3%	-1.5%	-1.7%	-1.9%	-2.1%	-2.3%	-2.5%	-2.7%	-2.9%	-3.1%	-3.4%	-3.6%
Price change (assuming -2.0)		0.2%	0.5%	0.7%	1.0%	1.3%	1.6%	1.9%	2.3%	2.6%	3.0%	3.3%	3.7%	4.1%	4.5%	4.9%	5.4%	5.8%	6.2%	6.7%	7.2%
Median House price including reduction	227,975	236,505	245,390	254,644	264,282	274,321	284,778	295,670	307,014	318,831	331,139	343,959	357,312	371,220	385,706	400,794	416,509	432,877	449,924	467,679	486,171
New ratio	8.62	8.86	8.77	8.84	8.92	9.00	9.08	9.16	9.24	9.33	9.41	9.50	9.59	9.68	9.78	9.87	9.97	10.07	10.17	10.28	10.38

Total annual dwelling increase = 978 per annum (BW OAHN)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
No. of houses	89,562	90,540	91,518	92,496	93,474	94,452	95,430	96,408	97,386	98,364	99,342	100,320	101,298	102,276	103,254	104,232	105,210	106,188	107,166	108,144	109,122
Increase in supply above baseline assumption		0.1%	0.2%	0.2%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.3%	0.3%	0.2%	0.2%	0.1%	0.0%	-0.1%	-0.1%
Price change (assuming -2.0)		-0.2%	-0.3%	-0.5%	-0.6%	-0.7%	-0.8%	-0.8%	-0.8%	-0.8%	-0.8%	-0.8%	-0.7%	-0.7%	-0.6%	-0.5%	-0.4%	-0.2%	-0.1%	0.1%	0.3%
Median House price including reduction	227,975	235,524	243,380	251,554	260,060	268,914	278,128	287,719	297,703	308,097	318,917	330,182	341,910	354,122	366,837	380,077	393,864	408,221	423,171	438,741	454,956
New ratio	8.62	8.86	8.70	8.73	8.78	8.82	8.86	8.91	8.96	9.01	9.06	9.12	9.18	9.24	9.30	9.36	9.43	9.50	9.57	9.64	9.72

Dwellings required to keep affordability ratio constant = 1219 per annum

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
No. of houses	89,562	90,781	92,001	93,220	94,440	95,659	96,879	98,098	99,318	100,537	101,757	102,976	104,196	105,415	106,635	107,854	109,074	110,293	111,513	112,732	113,951
Increase in supply above baseline assumption		0.4%	0.7%	1.0%	1.3%	1.6%	1.9%	2.2%	2.4%	2.6%	2.9%	3.1%	3.2%	3.4%	3.6%	3.7%	3.9%	4.0%	4.1%	4.2%	4.3%
Price change (assuming -2.0)		-0.7%	-1.4%	-2.0%	-2.7%	-3.2%	-3.8%	-4.3%	-4.8%	-5.3%	-5.7%	-6.1%	-6.5%	-6.8%	-7.2%	-7.5%	-7.7%	-8.0%	-8.2%	-8.4%	-8.5%
Median House price including reduction	227,975	234,265	240,798	247,585	254,638	261,968	269,587	277,508	285,744	294,310	303,219	312,486	322,128	332,161	342,601	353,467	364,777	376,552	388,809	401,572	414,862
New ratio	8.62	8.86	8.60	8.60	8.59	8.59	8.59	8.59	8.60	8.61	8.62	8.63	8.65	8.67	8.69	8.71	8.73	8.76	8.79	8.82	8.86

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