

Examination of the City of York Local Plan 2017-2033

Matter 2: The housing strategy: the objectively assessed need for housing and the housing requirement

Hearing Statement on behalf of L&Q Estates (formerly Gallagher Estates)

November 2019

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Client
L&Q Estates Limited
Our reference
GALY3010

November 2019

1. Introduction

1.1 This statement is submitted to the Examination of the City of York Local Plan 2017-2033 on behalf of L&Q Estates, formerly Gallagher Estates ('our client'). It relates to three of the elements of Matter 2, namely:

- The housing market area;
- The objectively assessed housing need (OAN); and
- The housing requirement.

1.2 With agreement from the programme officer a separate hearing statement for the "spatial distribution" element of Matter 2 has been submitted by Carter Jonas on behalf of our client.

1.3 We have previously prepared and submitted a number of technical critique documents during various stages of the Local Plan process. The latest of these technical papers, which responds to the latest Housing Needs Update¹ published by the Council, is included at Appendix 1. Reference is made to this document ('the OAN Critique') throughout this statement.

1.4 The Council has not published any updates to its OAN evidence. The latest evidence before the Examination that has been produced by the Council is therefore understood to be found in the Housing Needs Update, dated January 2019. Our client reserves the right to separately comment where new evidence is published or referenced within the Council's hearing statement.

¹ GL Hearn (January 2019) City of York – Housing Needs Update [EX/CYC/9]

2. Question Responses

The Housing Market Area (HMA)

Q2.1: We understand that the Council considers York to be within an HMA which includes the City of York and the area of Selby District Council, but that the two Councils are identifying housing need within their administrative areas separately.

a) Is that correct? If so:

b) Is the identification of the HMA formed on a robust evidential basis

2.1 It is understood that the 2016 SHMA defined the HMA and that this has not been subsequently reviewed. It is considered that this evidence correctly identifies that York's HMA extends beyond its administrative boundaries.

2.2 Importantly, whilst the HMA is defined to include Selby, this analysis also demonstrates the existence of linkages with other adjacent authorities including Ryedale and Hambleton. It is important to recognise that the failure of York to provide the homes that it needs in full will have ramifications, on this basis, for those authorities with which it shares functional relationships.

c) What is the justification for assessing housing needs separately?

2.3 The separate assessment of housing needs for each authority is accepted as a pragmatic approach to support the process of plan-making. This recognises that the two authorities have advanced their Local Plans to different timetables, and earlier in the process there was a risk of duplicating commissioned evidence.

2.4 However, York's wider housing need pressures must be understood in the translation of evidence into policy in the context of the HMA. Within our responses below, we consider that the Council has failed to adequately acknowledge these important housing market dynamics in its proposed housing requirement.

The objectively assessed housing need

Q2.2: Policy SS1 and Paragraph 3.3 of the Plan say that the objectively assessed housing need ('the OAHN') is 867 dwellings per annum (dpa) in the Plan Area for the plan period to (2017 to 2033) (16 years). However, since the submission of the Plan for examination, the Council has put forward further evidence to indicate that the OAHN is now considered to be 790 dpa in the Plan Area for 2017 to 2033.

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

2.5 No, we consider that the latest calculation of OAN [EX/CYC/9] is not robust because:

- It is underpinned by a demographic projection that appears likely to underestimate future population growth;
- It unjustifiably blurs the adjustments needed to correct fundamental flaws in the 2016-based household projections with those required to respond to market signals;
- Its 15% adjustment for market signals is applied to a misrepresentative demographic projection, but is agreed to be the absolute minimum necessary to respond to a continued deterioration of market conditions; and
- It is predicated upon supporting an employment forecast that has not been recently validated despite now being used as the basis to justify the OAN, with this forecast appearing to underestimate future job creation when last reviewed by the Council.

2.6 Our technical submissions have robustly demonstrated that an OAN in the order of 1,000 dwellings per annum is justified in York.

c) Do the adjoining local planning authorities accept the initial OAHN of 867 dwellings per annum, as Policy SS1 indicates in the submission Local Plan? Do the adjoining local planning authorities accept the revised OAHN of 790 dpa, and if so, are they basing their housing need in the context of that OAHN figure?

2.7 The acceptance of either the initial or revised OAN by neighbouring authorities does not necessarily mean that it is sound, and we maintain that there is a higher need for housing in York. In this context, a review of the Duty to Co-operate Addendum (EX/CYC/23) reveals no evidence that adjoining authorities are capable of accommodating the city's housing needs, nor willing to assist. This confirms that the Council must seek to meet the housing needs of York's residents in full within its administrative boundary.

Q2.3: What methodological approach has been used to establish the OAHN, and does it follow the advice set out in the Planning Practice Guidance (under the heading 'Methodology: assessing housing need' – as updated on 20 March 2015)? In particular:

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

2.8 No, the approach taken is not justified. The 2014-based projections could and should have been retained as a more appropriate, reliable and 'positive' demographic projection for York².

2.9 While the relevant PPG generally requires 'the latest available information' to be taken into account 'wherever possible', the Government has made an exception for the 2016-based projections due to overriding concerns about their reliability for the purposes of

² GL Hearn (May 2017) City of York Council Strategic Housing Market Assessment – Addendum Update [SD050] paragraph 2.11

assessing housing need. It has confirmed that such concerns remain of relevance when examining plans submitted prior to the implementation of the revised NPPF³, as is the case in York, and equally indicated that authorities could continue to rely upon 'existing assessments' of housing need following the release of the new projections⁴. The Council was nonetheless motivated to commission the Housing Needs Update in an apparent attempt to lower its housing need through the singular use of this demographic projection.

2.10 The Housing Needs Update correctly scrutinises the 2016-based household formation rates, which have been widely viewed as unreliable and significantly influence the downgrading of projected household growth in York. It ultimately and rightly attributes greater weight to the 2014-based household formation rates, which are applied in generating the claimed OAN figure, and the use of such 'alternative assumptions' is clearly permitted by the relevant PPG⁵.

2.11 The Housing Needs Update does, however, misleadingly retain the unadjusted 2016-based household projections as the 'starting point' from which its subsequent adjustments are benchmarked. This exaggerates the impact of such adjustments – specifically relating to market signals – and results in an OAN that fails to fully reflect the housing needs of York.

2.12 This situation is caused by the substantially lower 2016-based population projections that form the basis of its 'starting point'. The uncritical use of this projection conflicts with the 2017 SHMA Update, which confirmed a need for 953 homes per annum in York by drawing upon 2014-based population projections. It stated that 'a positive step' would be to 'consider these as the preferred population growth scenario' because lower sensitivity scenarios were 'not...defensible given the very strong recent trends' in population growth⁷. It continued by stating that:

*"A clear and evermore consistent migration trend is appearing and could not fully justify any move away from the official [2014-based] projections. Doing so would risk under-estimating the true housing need in the City"*⁸

2.13 Our OAN Critique (Appendix 1) robustly justifies the retention of the 2014-based population projections in York, on the basis that they provide a more appropriate 'starting point' from which the city's housing needs can be assessed. Specifically, it notes that:

- The projected rate of population growth under the 2014-based projections (0.6%) aligns comparatively closely with the annual growth rate recorded in York since 1991 (0.7%). The 2016-based projections assume that the rate of population growth will be markedly lower, at 0.4% per annum; and

³ London Plan Written Representation by the Ministry of Housing, Communities and Local Government (Reference ID 2631 – Housing Requirement, matter 17s)

⁴ MHCLG (November 2018) Planning Update Newsletter

⁵ PPG Reference ID 2a-017-20140306

⁷ GL Hearn (May 2017) City of York Council Strategic Housing Market Assessment – Addendum Update [SD050] paragraphs 2.11 and 2.12

⁸ *Ibid*, paragraph 2.13

- Net migration into York, from elsewhere in the UK and overseas, has been markedly higher than the 2016-based projections had anticipated in their initial two years (2016-18). While it is conceded that such flows can fluctuate over the short-term, it is notable that the 2014-based projections more closely predicted – though still slightly underestimated – the net inflow of migrants to date.

2.14 In the context of the latter, it is important to recognise the role of the city's universities in attracting people to York and creating the opportunity to retain graduates, who would appear more likely to stay where the Council's economic growth ambitions – discussed in response to later questions – are realised. Universities and the student population therefore have a marked influence on migration flows, population change and thus housing need.

2.15 It is evident that the city's universities have collectively grown their student numbers by some 7% in recent years⁹ (2014/15 – 2017/18 academic years). Representations made on behalf of the University of York, by O'Neill Associates, further confirm that this institution has alone grown its full-time equivalent student population by some 30% over a slightly longer term period (2009/10 – 2016/17), equivalent to circa 4% growth per annum. Further expansion is planned, with a range of scenarios having been developed (and confirmed through subsequent representations to remain valid, as of 2019) that could see student numbers exceed 19,000 or – if the recent rate of growth is sustained – reach 39,000 within twenty years. This would markedly uplift the current intake of c.17,000 students, and as such it is concerning that the Housing Needs Update fails to consider the demographic implications of continued growth in the student population nor the parallel opportunity to retain graduates in a growing economy and thus reduce the outflow of students following completion of their course.

b) Have market signals been taken into account?

2.16 Despite the Council's previous attempts to omit any response to market signals, its evidence base has consistently recognised that there is a need to uplift the underlying trend-based projections to account for clear evidence of worsening market signals in York. The latest published assessment recommends an elevation in the scale of this uplift to 15%.

2.17 Our appended OAN Critique questions the accuracy of the data cited to inform this judgement, noting that it appears to significantly understate the scale of the affordability challenges facing households in York, but concurs that such a level of adjustment is the absolute minimum necessary and could reasonably be increased to 20%. This conclusion recognises, based on data that remains the latest available, that:

- The lower quartile affordability ratio in 2018 was 9.41, considerably higher than the national average which stood at just over 7; and
- This ratio has increased by 20% over the past five years in York, almost doubling the growth recorded nationally (11%).

⁹ Higher Education Statistics Agency (2019) Table 1 – HE student enrolments by HE provider 2014/15 to 2017/18

2.18 The purpose of such an adjustment is, however, undermined by its application to a misrepresentative demographic projection, as noted in our response to the previous question. The 2014-based projections, which can be justifiably retained, indicate that *at least* 835 dwellings per annum will be needed in York over the period from 2012 to 2037. Applying the 15% uplift recommended to respond to market signals, which is agreed to represent the absolute *minimum* adjustment necessary, indicates that at least 966 dwellings per annum are needed. This could be reasonably elevated to around 1,000 dwellings per annum given its lack of an explicit allowance for suppressed household formation.

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

2.19 The Council's latest OAN is suggested as being based on the housing needed to align with forecast employment growth in the city. Whilst we support the principle of aligning these drivers of need to generate an OAN that supports likely job growth, we consider that the *scale* of job growth assumed within this assessment is not adequately justified or up-to-date.

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

2.20 Building upon our response to the previous question, we do not believe that the Council has adequately evidenced the extent to which its OAN will support the job growth that is actually expected over the plan period.

2.21 It is unclear why its OAN is predicated upon a baseline forecast produced by Oxford Economics over four years ago in May 2015, particularly given the Council's subsequent acknowledgement through the ELR Update (September 2017; SD063) that more recent forecasts had updated the outlook for job growth in the city by almost one third to circa 806 jobs per annum (2015-31).

2.22 Critically, the Council has also failed to examine whether this or any baseline forecast is actually representative of the economic growth potential of York. It has expressed a firm ambition to deliver stronger economic growth, recognising a belief that '*local interventions such as the 'Growth Deal' with Government will promote faster growth*'¹⁰.

2.23 These limitations also undermine the Council's confused approach of simply extrapolating the 650 additional jobs annually suggested by an outdated forecast over its plan period (2017-37) to imply that 13,000 jobs could be created therein. The evidence base has not considered job growth beyond 2031, and manipulating an outdated forecast in such a way – rather than drawing on more recent forecasts – is not considered to be necessary or justified.

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

2.24 Whilst the Council's OAN evidence has been ostensibly framed within the methodology set by the relevant Planning Practice Guidance (PPG), our responses to Q2.2 and 2.3(a-d) lead us to conclude that this methodology has been applied incorrectly. As a result, the concluded OAN is neither robust nor fully compliant with the requirements of the PPG and the National Planning Policy Framework (NPPF).

¹⁰ City of York Council (February 2018) City of York Local Plan – Publication Draft, paragraph 1.36

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

2.25 No.

2.26 As set out in the questions above the OAHN is not underpinned by a reasonable projection of demographic needs and would not as a result allow for the minimum adjustment for market signals required to address the historic shortfall in provision, as conceded in the Council's evidence.

2.27 In addition the Housing Needs Update confirms that there is an identified need for 573 affordable homes per annum. It also confirms that it *'may be necessary, based on the affordable needs evidence to consider an adjustment to enhance the delivery of affordable housing'*. It is agreed that such an approach accords with the PPG, and equally does not necessitate a formulaic adjustment to the OAN, but it is nonetheless concerning that there has been no consideration of how this need could be met through future delivery, or how this need could be met through a continuation of historic delivery trends.

2.28 It is important in this context to note that:

- Only 69 affordable homes were completed in 2017/18, the latest year for which Government monitoring is currently available¹⁴. This is despite the Council recording the delivery of some 1,296 net additional dwellings in that same year. This represents only 5% of all development, with such a low proportion appearing to be driven by the profile of development. Almost 50% (637 homes) were off-campus student accommodation schemes, and 15% (195) involved the change of existing buildings' use and conversions of existing residential properties;
- Over the last ten years (2008-18) only 135 affordable homes have been delivered on average annually¹⁵. This evidently falls significantly short of the assessed need, further exacerbating the scale and severity of the issue; and
- The impact of such new supply has been partially offset by the loss of existing affordable homes, with an average of 37 units annually lost in York over the same period (2008-18) through the Right to Buy¹⁶.

Q2.4: Policy SS1 aims to ensure that around 650 new jobs are provided annually. Does either the OAHN identified or the housing requirement set out in Policy SS1 cater for the homes needed to meet this level of economic growth? What is the relationship between the number of new jobs anticipated and the OAHN and/or the housing requirement?

2.29 The Housing Needs Update concludes that 790 dwellings per annum are needed to support the creation of 13,000 jobs, or 650 jobs each year, over the period from 2017 to 2037.

¹⁴ MHCLG Table 1008C

¹⁵ *Ibid*

¹⁶ MHCLG Table 685

- 2.30 In accordance with our earlier answers to Q2.3(b/c), the derivation of and justification for this level of job growth in Policy SS1 is unclear and based on data which is now over four years old. As a result, we consider there to be a significant risk that the housing requirement may undermine rather than support the economic potential of York.

The housing strategy: the housing requirement

Q2.5: Policy SS1 aims to ensure that “a minimum annual provision of 867 new dwellings [are delivered] over the plan period to 2032/33 and post plan period to 2037/38”.

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

- 2.31 We maintain that there is an OAN for more than 867 dwellings per annum in York, and as such the full housing need actually exceeds the proposed requirement.

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

- 2.32 In accordance with the answers above, we do not believe that the housing requirement meets the full OAN. On the basis of our technical submissions, we consider the full need for housing in York to be higher than the housing requirement proposed in the draft plan.

- 2.33 The scale of the full need for housing forms an important justification for the demonstration of exceptional circumstances to release land from the Green Belt, in accordance with the Council’s arguments.

Q2.6: Will the housing requirement ensure that the need for affordable housing will be met?

- 2.34 No. The Council has not demonstrated that its housing requirement will meet the evidenced need for 573 affordable homes each year.

- 2.35 It is recognised that a level of judgement is required in arriving at a justified housing requirement in this regard. However, it is apparent that provision in line with the proposed housing requirement (867 dpa) could at best support the delivery of only 260 affordable homes, where the Council is successful in its request for up to 30% affordable housing on larger sites (Policy H10). This represents considerably less than half of the overall calculated need, and is itself likely to be an overestimate given the Council’s concession that a lower rate of provision will be appropriate on certain sites.

Q2.7: Overall, is the housing requirement set out in the plan underpinned by robust evidence and is the Plan sound in this regard?

- 2.36 No. In accordance with our answers above, we do not consider that the housing requirement is underpinned by a robust evidence-based assessment of the full housing need in York. The plan as submitted is not sound, as it is not justified or consistent with the requirements of national policy and guidance.

- 2.37 Within section 2 of the appended technical critique, we provide a summary of the Council’s changing OAN position. This demonstrates that the Council has consistently and rigorously pursued every opportunity to claim a lower need for housing. This fixation has contributed to a significant delay in the progress of the Local Plan, both

prior to and following submission. The housing requirement and its evidence base must be viewed in this context. It is strongly considered that the approach taken by the Council sits at direct odds with the Government's explicit objective to boost the supply of housing and build '*a country that works for everyone*'¹⁷.

¹⁷ <https://www.gov.uk/government/collections/a-country-that-works-for-everyone-the-governments-plan>

Appendix 1: OAN Critique (July 2019)

**Proposed Modifications to the York Local
Plan: OAN Critique**
L&Q Estates Limited
(formerly Gallagher Estates)

July 2019

Turley

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1. Introduction

- 1.1 This report has been prepared by Turley on behalf of L&Q Estates – formerly Gallagher Estates – to review and critique the Housing Needs Update¹ published by the City of York Council (‘the Council’) in January 2019. The review is undertaken in the context of the Council’s ongoing consultation on proposed modifications² to its submitted Local Plan, which runs until 22 July 2019.
- 1.2 Through this consultation, the Council has proposed to lower its emerging housing requirement, from 867 to 790 dwellings per annum, to precisely align with the objectively assessed need (OAN) concluded in the Housing Needs Update. This report strongly challenges the basis for such a reduction, and indicates that the level of housing provision now proposed by the Council – or indeed previously proposed – would fail to meet the housing needs of York in full. Earlier submissions on behalf of L&Q Estates have expressed similarly fundamental concerns³.
- 1.3 Beyond the overall level of housing growth planned and needed, this report further considers the size and type of housing likely to be needed in York; a requirement of the relevant National Planning Policy Framework⁴ (NPPF) and its associated guidance. This is omitted from the recently published Housing Needs Update, but provides important context in appraising the extent to which the profile of housing supply proposed by the Council will ensure that housing needs are met in full.

Structure

- 1.4 This report is structured as follows:
- **Section 2 – Introducing the Emerging Policy Position** – a chronology of the Council’s approach to evidencing and planning for housing needs, including an overview of the factors that have been claimed by the Council in its evidence base to lower housing need in York relative to earlier evidence;
 - **Section 3 – Critique of the OAN** – a further interrogation and critique of the key inputs to the revised OAN calculation, including the demographic projections, employment growth forecasts and market signals adjustments;
 - **Section 4 – Size and Type of Housing Needed** – the overall need for housing in York is broken down to estimate the proportionate split between houses and flats, in the absence of such analysis in the Housing Needs Update; and
 - **Section 5 – Summary and Conclusions** – a concise overview of the conclusions and implications of this report.

¹ GL Hearn (January 2019) City of York – Housing Needs Update [EX/CYC/9]

² City of York Council (June 2019) City of York Local Plan: Proposed Modifications

³ See Appendix 1 of Gallagher Estates’ submission to the Regulation 19 consultation in March 2018 (Ref 604). This appended and referred to an “Updated Review of the Objectively Assessed Need for Housing in York”, dated October 2017, and an earlier report dated September 2016

⁴ DCLG (2012) National Planning Policy Framework, paragraphs 50 and 159

2. Introducing the Emerging Policy Position

- 2.1 This section provides a chronological overview of the housing need evidence commissioned by the Council, and its proposed approach to meeting this need based on public consultations and correspondence with the Inspectors following submission of the Local Plan.

OAN Evidenced at Submission

- 2.2 The York Local Plan was submitted for examination in May 2018, with its evidence base including a Strategic Housing Market Assessment Update⁵ ('the SHMA Update') produced in May 2017. This represented the latest OAN evidence commissioned by the Council, completed in the context of the relevant NPPF and Planning Practice Guidance (PPG).
- 2.3 The SHMA Update concluded that 953 dwellings per annum are needed in York over the plan period (2012-32). As shown at Table 2.1 overleaf, this was principally derived from its '*starting point*' of the 2014-based household projections, which were found to be predicated upon a '*level of population growth which is higher than any recent historic period or any trend based forecast of growth*'. It was nonetheless concluded that '*a positive step*' would be to '*consider these as the preferred population growth scenario*', with lower sensitivity scenarios '*not...defensible given the very strong recent trends*'⁶ in population growth. It continued by stating that:
- "A clear and evermore consistent migration trend is appearing and could not fully justify any move away from the official projections. Doing so would risk under-estimating the true housing need in the City"*⁷
- 2.4 The 2014-based household projections therefore form the demographic basis of the OAN concluded in the SHMA Update, and are uplifted by 10% '*to respond to housing market signals and to enhance affordable housing delivery*'⁸. While there was not '*a full update to the analysis of economic growth*', it was concluded that '*there is unlikely to be any justification for an uplift to housing numbers in the City to support expected growth in employment*'⁹.

⁵ GL Hearn (May 2017) City of York Council Strategic Housing Market Assessment – Addendum Update [SD050]

⁶ *Ibid*, paragraphs 2.11 and 2.12

⁷ *Ibid*, paragraph 2.13

⁸ *Ibid*, paragraph 3.30

⁹ *Ibid*, paragraphs 4.4 and 5.5

Table 2.1: Basis of OAN Concluded in the SHMA Update (2017)

	Dwellings per annum 2012-32	Adjustment from 'starting point'
2014-based projections – the 'starting point'	867	–
Preferred demographic projection	867	0%
Market signals adjustment (+10%)	953	+10%
Objectively assessed need	953	+10%

Source: GL Hearn, 2017

- 2.5 The SHMA Update was prefaced by a note, drafted by the Council, to provide 'introduction and context to [the] objective assessment of housing need'¹⁰. This "accepted" the figure of 867 dwellings per annum as 'the relevant baseline demographic figure', but noted that:

*"Executive also resolved 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"*¹¹ (emphasis added)

- 2.6 The Council therefore dismissed the market signals adjustment applied by its consultants, and consequently selected a figure that was derived from only a partial application of the PPG methodology. The submitted version of the Local Plan – like the Pre-Publication version, which was subject to consultation in autumn 2017 – misleadingly labelled this preferred figure of 867 dwellings per annum as 'an objectively assessed need'¹², and entirely omitted reference to the OAN for 953 dwellings per annum concluded in the SHMA Update.

Reaction to the Council's Approach

- 2.7 As noted within our previous submission, the Council was aware of the widespread objection to its proposed requirement for 867 dwellings per annum following consultation on the Pre-Publication version in autumn 2017. This reflected the departure from the conclusions of the SHMA Update and its resulting lack of conformity with existing and emerging national policy¹³. The Local Plan Working Group (LPWG) met in January 2018 and were advised that:

¹⁰ City of York Council (September 2017) City of York Strategic Housing Market Assessment Update, Introduction and Context to Objective Assessment of Housing Need [SD050]

¹¹ *Ibid*

¹² City of York Council (February 2018) City of York Local Plan – Publication Draft, Regulation 19 Consultation, paragraph 3.3

¹³ City of York Council (23 January 2018) Local Plan Working Group – Report of the Assistant Director of Planning and Public Protection [Agenda Item 4]

*“Members must be satisfied that they consider the Submission Draft Plan meets the test of “soundness”. This is a statutory duty. Officers’ advice is that the direction of travel in national policy indicates that if the site proposals previously consulted on were increased this would be a more robust position...In Officers’ opinion, **an increase in the supply of housing** would place the Council in a better position for defending the Plan proposals through the Examination process”¹⁴ (emphasis added)*

- 2.8 The minutes of the subsequent Executive meeting on 25 January 2018 confirmed that the recommendations of the LPWG differed from officers’ advice. As a consequence, the Publication draft of the Local Plan – submitted for examination in May 2018 – retained the requirement for 867 dwellings per annum, against officers’ advice.
- 2.9 This continued to be strongly challenged by Gallagher Estates (now L&Q Estates) and other representors, building upon and reiterating the concerns raised at earlier stages of consultation that were summarised in our previous submission¹⁵. At a fundamental level, the attempt to depart from the OAN concluded in the SHMA Update was widely criticised. This criticism was reinforced by evidence of a higher OAN, with the then-outcome of the standard method and three alternative assessments submitted by representors each independently concluding that at least 1,070 dwellings per annum are needed in York¹⁶.
- 2.10 As shown in Table 2.2, the standard method continues to indicate that such a level of provision is the minimum needed in the city, albeit it is accepted that the Local Plan was submitted prior to its implementation through national policy.

Table 2.2: Up-to-date Application of Standard Method for York

	Baseline	Affordability ratio	Uplift	Outcome
York	820	8.86	30.4%	1,069

Source: MHCLG; ONS

- 2.11 Housing need was immediately identified as an area of ‘*particular concern*’ by the Inspectors appointed to examine the Local Plan, as documented within their initial observations in July 2018¹⁷. The Inspectors observed that the preface to the SHMA Update was ‘*not the work of GL Hearn and is not part of the SHMA Update, as such*’. They referred to the Council’s claim that its adjustments were ‘*speculative and arbitrary*’, but noted that ‘*precisely what it is about the SHMA Update that the Council considers “speculative and arbitrary” is not apparent to us*’. Similarly, it was unclear to the Inspectors as to why the Council considered ‘*the SHMA Update to be “too heavily reliant on recent short-term unrepresentative trends”*’. They also reinforced that ‘*difficulty in housing delivery and the existence of environmental constraints have no place in identifying the OAN*’.

¹⁴ *Ibid*, paragraphs 26 and 27

¹⁵ Section 3 of our “Further Review of the Objectively Assessed Need for Housing in York”, March 2018 [Appendix 1 to Gallagher Estates’ submission, reference 604]

¹⁶ *Ibid*, Figure 3.1

¹⁷ Letter to City of York Council from Planning Inspectors, 24 July 2018 [EX/INS/1]

2.12 The Inspectors concluded that:

“As things presently stand, we have significant concerns about the Council’s stance regarding the OAN. The evidence necessary to demonstrate that the 867dpa figure used in the plan is properly justified is absent from the documents submitted so far. On the contrary, the evidence produced for and submitted by the Council does rather more to suggest that the 867dpa figure is not justified”¹⁸

2.13 The Council’s response to the Inspectors committed to setting out a timetable for a full response during the first week of September¹⁹. This self-imposed deadline was not met.

Housing Needs Update and Proposed Modifications

2.14 The Council’s delay in responding to the Inspectors’ initial observations extended beyond the publication date of the 2016-based household projections on 20 September 2018. The Council’s LPWG met on this date to discuss the housing issues raised by the Inspectors, in the knowledge that the 2016-based sub-national population projections (SNPP) had been released in May with a ‘*marked downward trend*’ implied for York²⁰. Members were advised that:

“...irrespective of the issues of clarification raised by the Inspector, new evidence has been released which appeared to show a substantive change in the demographic starting point or baseline for the Plan period and that officers considered that this new evidence must be analysed and the potential implications for the submitted Plan understood”²¹

2.15 The Council belatedly responded to the Inspectors on 13 November, though did not explicitly respond to each of the points raised through earlier correspondence. Instead, it referred to the publication of the 2016-based household projections and described ‘*a state of flux*’ in the national policy context as a result of the Government’s then-ongoing revision of its standard method²². It suggested that a process of ‘*dialogue*’ with the Ministry of Housing, Communities and Local Government (MHCLG) was ongoing ‘*in the light of these recent developments*’, with the Council considering that:

“...in order to achieve a robust and up-to-date Plan, the implications of the Government’s emerging position should also be clarified and understood before a final OAN figure is settled through the examination process...Subject to the issue of the draft guidance...we expect to conduct this review and to update you on its conclusions by early in the New Year”²³

¹⁸ *Ibid*

¹⁹ Letter to Planning Inspectors from City of York Council, 9 August 2018 [EX/CYC/4]

²⁰ Minutes of the Local Plan Working Group meeting (20 September 2018)

²¹ *Ibid*

²² Letter to Planning Inspectors from City of York Council, 13 November 2018 [EX/CYC/7]

²³ *Ibid*

2.16 The Inspectors' response²⁴ requested further detail on the outcome of the Council's dialogue with MHCLG, and directly questioned why clarity on emerging changes to the standard method was necessary given the Council's submission within the transition period from the previous NPPF. The Inspectors were clear that *'the 2012 NPPF requires that an OAN figure be identified'*, and outlined that:

*"The starting point for our examination is that the Council has submitted what it considers to be a sound plan. Given this, and in light of the above, unless the Council considers the OAN currently identified to be unsound in some way, we intend to now proceed to the first phase of hearings as expediently as possible..."*²⁵

2.17 Following this correspondence, interested parties were advised on 11 January 2019 that a first phase of hearings – to include consideration of the OAN – would be held in March/April²⁶.

2.18 The expedient progress sought by the Inspectors was jeopardised by the Council's publication of new OAN evidence less than three weeks later, as referenced in its subsequent letter to the Inspectors²⁷. This evidence took the form of a "Housing Needs Update", dated January 2019²⁸. It concludes with an OAN of 790 dwellings per annum; some 17% lower than the need for 953 dwellings per annum identified through the SHMA Update, and 9% below the requirement for 867 dwellings per annum proposed in the submitted Local Plan. It is also some 26% below the current outcome of the standard method, noting the Council's previous reference to the *'emerging position'*.

2.19 The Housing Needs Update refers to the 2016-based household projections as its *'starting point'*, deriving a need for 484 dwellings per annum from this dataset over a longer plan period (2012-37). This almost halves the *'starting point'* of the SHMA Update (867dpa) which drew upon the 2014-based household projections.

2.20 This has a further effect in moderating the absolute impact of the proportionate adjustment applied to respond to recent market signals, which are reviewed again in the Housing Needs Update to reflect the latest available data. It concedes that market signals now justify a larger uplift of 15%, and chooses to apply such an adjustment to its *'starting point'* to generate a figure (557dpa) that remains some way short of the previous OAN.

2.21 As a result, the OAN itself is ostensibly linked to the economy, aiming to provide the labour force required to support an employment forecast historically referenced elsewhere in the Council's evidence base²⁹. It is concluded that the 2016-based projections would not provide a sufficient growth in the labour force to support this forecast, requiring increased in-migration with implications for population and household growth. This would require provision for 590 dwellings per annum when applying the household formation rates assumed in the 2016-based household

²⁴ Letter to City of York Council from Planning Inspectors, 14 December 2018 [EX/INS/2]

²⁵ *Ibid*

²⁶ Initial letter to representors from Programme Officer [EX/INS/3]

²⁷ Letter to Planning Inspectors from City of York Council, 29 January 2019 [EX/CYC/8]

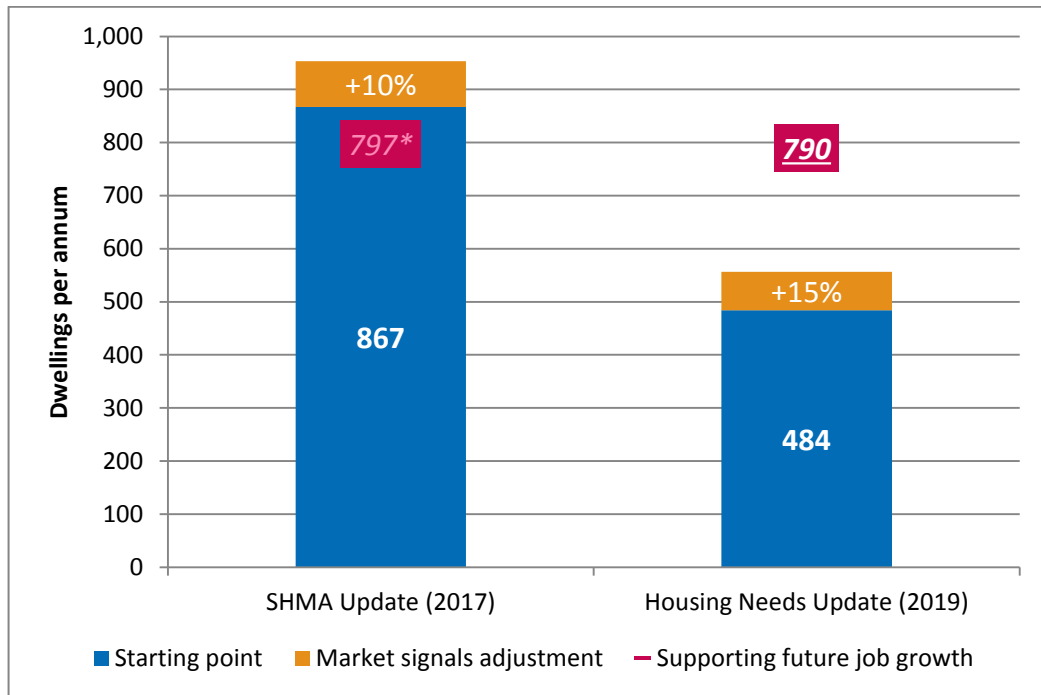
²⁸ GL Hearn (January 2019) City of York – Housing Needs Update [EX/CYC/9]

²⁹ City of York Council (September 2017) Employment Land Review Update [SD063]

projections, though the Housing Needs Update correctly acknowledges that these assumptions *'have not been met uncritically'*³⁰. It therefore tests the impact of applying 2014-based household formation rate assumptions to the *same* population, which generates a higher need for 735 dwellings per annum. This increases further to **790 dwellings per annum** where allowance is made for a partial return to historic trends for younger age groups (aged 25-44), providing the basis for the concluded OAN.

2.22 This is illustrated in Figure 2.1, which shows how the respective starting points have been proportionately adjusted in the SHMA Update and Housing Needs Update. Unlike in 2017, the lower *'starting point'* in the latter is claimed to bring demographic needs below the level of housing provision required to support future job growth, which now results in a "jobs-led" OAN for York. The SHMA Update notably considered this to be a remote prospect and did not present any jobs-led modelling scenarios, though did refer to modelling from the earlier 2016 SHMA which is included below for context³¹.

Figure 2.1: Basis of Respective Conclusions of OAN (2017/2019)



Source: Turley analysis of GL Hearn modelling

* 2016 SHMA modelling

2.23 In introducing the Housing Needs Update to the Inspectors, the Council took the view that:

³⁰ GL Hearn (January 2019) City of York – Housing Needs Update [EX/CYC/9] paragraph 2.17

³¹ GL Hearn (May 2017) City of York Council Strategic Housing Market Assessment – Addendum Update [SD050] paragraphs 4.2 and 4.3

“...in order to achieve a robust and up to date Plan it is necessary to consider the implications of the newly published national evidence before a final OAN is settled through the examination process”³²

- 2.24 It proceeded to claim that the OAN concluded in the Housing Needs Update confirms that *‘the 867 dwellings per annum proposed in the submitted Plan can be shown to robustly meet requirements’³³*.
- 2.25 The Council has, however, since proposed a series of modifications to the Local Plan to lower the housing requirement and precisely align with the OAN concluded in the Housing Needs Update³⁴. This followed correspondence with the Inspectors, who observed that the previous requirement was *‘higher than the number of houses the Council now considers to be needed’* and requested *‘a short paper setting out the justification for this’³⁵*.
- 2.26 The Inspectors simultaneously requested a further period of consultation to reflect the Council’s submission of *‘quite substantial new evidence of a fundamental nature’*. It was anticipated that this consultation would run from mid-March to allow Phase 1 hearings to begin in June, although this did not happen and the consultation on proposed modifications commenced on 10 June.

Summary

- 2.27 The Council has historically evidenced a need for 953 dwellings per annum in York, though chose not to accept this conclusion in an approach that was widely criticised during earlier consultations. Respondents cited independent evidence of a greater need for at least 1,070 dwellings per annum, which exceeded the Council’s proposed housing requirement (867dpa) by some 23%.
- 2.28 Following submission of the Local Plan, the Inspectors immediately identified housing need as an area of particular concern, due to a lack of justification for the Council’s proposed approach. The Council committed to responding to these concerns in a timely manner, but seemingly delayed its response to benefit from lower 2016-based household projections and ongoing uncertainty around the outcome of the standard method for assessing housing need.
- 2.29 The Inspectors questioned why such a delay was necessary, and had intended to swiftly proceed to the first phase of hearings based on the OAN evidence that had been submitted by the Council. This progress was, however, jeopardised by the Council’s publication of new evidence which claimed that the OAN had reduced to 790 dwellings per annum. This was markedly influenced by the 2016-based population and household projections, which suggested a substantially lower level of growth than was considered reasonable and *‘positive’* in the previous iteration of the Council’s evidence base. Demographic need is claimed to have changed so significantly that the OAN itself

³² Letter to Planning Inspectors from City of York Council, 29 January 2019 [EX/CYC/8]

³³ *Ibid*

³⁴ City of York Council (June 2019) City of York Local Plan: Proposed Modifications

³⁵ Letter to City of York Council from Planning Inspectors, 12 February 2019 [EX/INS/4]

is now linked to an employment forecast that was historically referenced elsewhere in the Council's evidence base.

- 2.30 The Council has proposed a series of modifications to the Local Plan to lower the housing requirement and precisely align with the OAN for 790 dwellings per annum. This is a 9% reduction from its submitted housing requirement, and a 17% reduction from the OAN evidenced in 2017. It is at least 26% lower than the need for at least 1,070 dwellings per annum advanced by various representors during earlier stages of consultation, which is also generated by the standard method.
- 2.31 It is evident from the summary of the Council's changing OAN position that it has sought every opportunity to present the lowest concluded need it considers that it can justify, with this contributing to a significant delay in the progress of the Plan both prior to and following submission. The OAN concluded within the latest Housing Needs Update must be considered in this context.

3. Critique of the OAN

3.1 This section technically critiques the OAN concluded in the Housing Needs Update. In the context of the relevant PPG, it focuses on:

- The **demographic need for housing**, specifically considering the conclusion advanced that the 2016-based sub-national population and household projections present a reasonable picture of demographic needs in the local circumstances of York;
- The proposed **response to market signals** of imbalance between supply and demand, and the impact of applying this to a reasonable demographic projection; and
- The housing needed to **support future job growth**, specifically reviewing the employment forecast that is now integral to the concluded OAN

3.2 Consideration of the above factors is prefaced by an overview and critique of the claimed justification for the Housing Needs Update.

Justification for the Housing Needs Update

3.3 The Housing Needs Update was evidently commissioned by the Council to take into account the lower level of population and household growth projected under the 2016-based sub-national population and household projections (SNPP/SNHP). The 2016-based SNPP were released on 24 May 2018, one day before the Local Plan was submitted for examination by the Council. The 2016-based household projections were published almost four months later, on 20 September 2018.

3.4 It is recognised that the relevant PPG requires the '*latest available*' household projections to be used as the '*starting point*' when assessing housing needs³⁶. It equally makes clear that '*wherever possible, local needs assessments should be informed by the latest available information*'³⁷. This information may signal '*a meaningful change in the housing situation*', albeit the guidance is clear that assessments are not '*automatically...rendered outdated every time new projections are issued*'³⁸.

3.5 This requirement to take '*the latest available information*' into account does, however, predate the publication of the 2016-based projections, which have been extensively scrutinised since their release. The Government has described its fundamental concerns with the 2016-based household projections, and made clear its view that they '*should not be used as a reason to justify lower housing need*'³⁹. It has been explicitly aware of '*concerns about not using the latest evidence*', but has still taken this position due to overriding concerns about the reliability of the latest projections for the

³⁶ PPG Reference ID 2a-015-20140306 and 2a-016-20150227

³⁷ PPG Reference ID 2a-016-20150227

³⁸ *Ibid*

³⁹ MHCLG (2019) Government response to the technical consultation on updates to national planning policy and guidance: a summary of consultation responses and the Government's view on the way forward, p6

purposes of assessing housing need⁴⁰. Although its concerns were raised in the context of the standard method and the revised NPPF, the Government has indicated that this should continue to provide '*relevant background to the level of weight that should be afforded to the revised household projections*' even where – as in York – plans are being examined in the context of the earlier NPPF⁴¹.

- 3.6 In taking this view, the Government referred to the 62 strategic plans that were being examined under the transitional arrangements of the revised NPPF as of October 2018. It was explicitly seeking to prevent the '*delays and uncertainty*' which had already been caused in such areas by often significant changes between the 2014-based and 2016-based household projections. This strongly indicates that any delay or lowering of need caused by integrating the new projections must be very carefully considered and justified.
- 3.7 Such a view was implicit in a newsletter issued by the Planning Directorate of MHCLG in November 2018, which reaffirmed that '*Plans submitted on or before 24 January can be based on **existing assessments** of housing need*'⁴² (emphasis added). In the case of York, this would have been the 2017 SHMA Update.
- 3.8 Similarly, the Inspectors examining the Local Plan did not appear to request consideration of the new projections, or an update to the OAN. To the contrary, they clearly intended to proceed on the basis that '*the Council has submitted what it considers to be a sound plan*'⁴³, thereby continuing to rely upon and examine the SHMA Update produced in 2017 and the extent to which it provided supporting justification for the housing requirement.
- 3.9 Given this important informing context, we consider that such a '*fundamental*'⁴⁴ change in the underlying evidence base was not necessary or appropriate at this stage of the examination process, in the circumstances of York.

Identifying a Reasonable Demographic Projection for York

- 3.10 Any demographic '*starting point*' in the calculation of housing need is underpinned by a projection of population growth, and assumptions on household formation. These elements are separately considered below.

Reasonable Population Projection

- 3.11 As introduced in section 2, the SHMA Update concluded that the use of the 2014-based SNPP would be '*a positive step*' which reflects '*very strong recent trends*' in York and avoids the risk of underestimating the demographic need for housing⁴⁵. The use of the 2014-based SNPP has been supported by L&Q Estates in its previous submissions, as

⁴⁰ *Ibid*

⁴¹ London Plan Written Representation by the Ministry of Housing, Communities and Local Government (Reference ID 2631 – Housing Requirement, matter 17s)

⁴² MHCLG (November 2018) Planning Update Newsletter

⁴³ Letter to City of York Council from Planning Inspectors, 14 December 2018 [EX/INS/2]

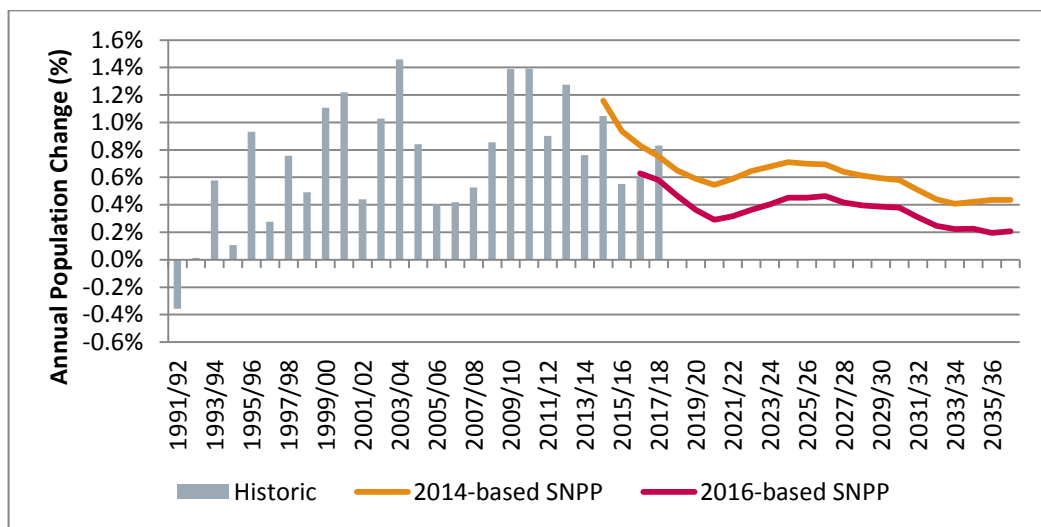
⁴⁴ Letter to City of York Council from Planning Inspectors, 12 February 2019 [EX/INS/4]

⁴⁵ GL Hearn (May 2017) City of York Council Strategic Housing Market Assessment – Addendum Update [SD050] paragraphs 2.11 – 2.13

well as other representors. The Government is also satisfied that this projection currently provides the most appropriate basis from which to understand future housing needs, at least in the short-term, given its continued integration within the standard method.

- 3.12 The Housing Needs Update chooses to revisit this conclusion of the SHMA Update, and now describes the 2016-based SNPP as ‘*a more robust assessment of population growth for York than their predecessor*’⁴⁶. It therefore favours a projection that, between 2012 and 2037, downgrades future population growth in York by over one third (35%) relative to the earlier projection, despite giving only cursory consideration to the factors and assumptions that have led to such a divergence and the confidence placed in the earlier dataset.
- 3.13 A change of this magnitude should not be accepted uncritically, particularly given the volatility of trend-based projections and their sensitivity to underlying assumptions and trend periods. Such a shift appears potentially anomalous in the context of the ‘*very strong*’ demographic pressures identified in York only two years ago, in the SHMA Update. The evidence which supported this conclusion is largely unchanged.
- 3.14 At a basic level, the projected rate of population growth assumed in the 2016-based SNPP is comparatively modest in the context of long-term historic trends. The population of York has annually grown by an average of 0.7% since 1991, which aligns relatively closely with the growth anticipated by the 2014-based SNPP over the period to 2037 (0.6%). In contrast, the 2016-based SNPP assumes an average growth of only 0.4% per annum. This long-term projected rate of growth has, on an annual basis, been exceeded in 23 of the past 27 years, and would clearly represent a notable departure from historic evidence. Such a scale of difference warrants careful consideration in order to ensure that there is not a risk that this projection will underestimate the future population growth of York.

Figure 3.1: Comparing Historic and Projected Rates of Population Growth

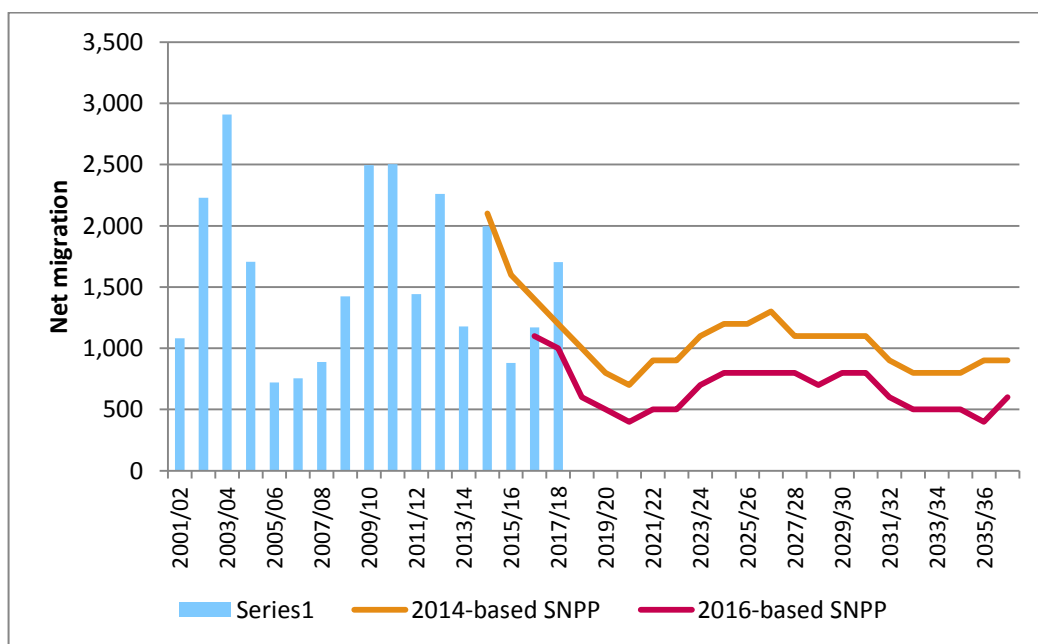


Source: ONS

⁴⁶ GL Hearn (January 2019) City of York – Housing Needs Update [EX/CYC/9] paragraph 5.2

- 3.15 The Housing Needs Update examines the individual components of projected change under the 2016-based SNPP, isolating the contribution of migration and natural change (births minus deaths). It broadly considers the 2016-based assumptions to be more reflective of recent trends, but such conclusions appear premature and potentially inaccurate in the context of the latest population estimates released by the Office for National Statistics (ONS) in June 2019.
- 3.16 Over the initial two years of its projection period (2016-18) the 2016-based SNPP anticipated a net inflow of only 2,100 people from elsewhere in the UK or internationally. The ONS has estimated that a larger net inflow of some 2,873 people has actually occurred over this period, demonstrating a much closer alignment with – though still exceeding – the 2014-based SNPP which assumed a net inflow of 2,600 people.
- 3.17 The longer-term migration assumptions of the 2014-based SNPP also appear more reasonable in the context of historic trends in York, as shown in the following chart. The 2016-based SNPP, in contrast, assume that annual inflows will reduce in the short-term and thereafter be no higher than 800 people. This is despite historic inflows exceeding this level in all but two of the past 17 years, and recent evidence of a growing net inflow.

Figure 3.2: Comparing Historic and Projected Net Migration to York



Source: ONS

- 3.18 The Housing Needs Update considered that the migration assumptions of the 2016-based SNPP ‘more closely follow on from the more recent trends’⁴⁷, but this is clearly no longer the case following the release of the latest population estimates that show a growing net inflow of people into York. This is consistent with the ‘clear and evermore

⁴⁷ Ibid, paragraph 2.9

consistent migration trend’ previously and correctly identified in the SHMA Update⁴⁸, with no evidence to suggest that this trend is diminishing. This undermines the Council’s decision to switch to a preference for the 2016-based SNPP, which are based upon a marked departure from recent demographic trends in York with no evidence that such a change is more likely to occur.

- 3.19 On the basis of the latest demographic evidence, the 2014-based SNPP are considered to remain a more appropriate demographic projection for York, allowing for a reasonable level of future population growth and net migration that is more in line with historic trends. This is consistent with the conclusions of the SHMA Update, which viewed the use of this projection as a *‘positive step’* that fully acknowledges recent demographic trends and averts the risk of underestimating future population growth. The use of the substantially lower 2016-based SNPP, by contrast, would be an implicitly *negative* approach, which appears likely to underestimate future growth and is not adequately justified in the Council’s evidence.

Reasonable Assumptions on Household Formation

- 3.20 The Housing Needs Update correctly acknowledges that the household formation rates assumed in the 2016-based household projections have been subject to criticism since their release. It describes how:

*“The main change is the period from which household formation rates trends have been drawn. Previously these were based on trends going back to 1971 but in the most recent projections trends have only been taken from 2001. It is argued that by focussing on shorter term trends **ONS have effectively locked in deteriorations in affordability and subsequently household formation rates particularly within younger age groups in that time**”⁴⁹ (emphasis added)*

- 3.21 This is consistent with the views of Government, which has warned that:

“Reducing the historic period of household formation on which the projections are based from five census points to two...focuses it more acutely on a period of low household formation where the English housing market was not supplying enough homes”⁵⁰

- 3.22 The ONS⁵¹ has itself acknowledged that the methodological changes implemented through the 2016-based household projections could *‘result in a downward trend in household formation for the younger age groups, which in turn would downplay the need for housing for younger people’*. It recognises that *‘users [may] wish to investigate the impact of the change in the...methodology on the household projections’*.

- 3.23 This reinforces the need to interpret the 2016-based assumptions on household formation rates with extreme caution. Any marked reduction is potentially a simple

⁴⁸ GL Hearn (May 2017) City of York Council Strategic Housing Market Assessment – Addendum Update [SD050] paragraph 2.13

⁴⁹ GL Hearn (January 2019) City of York – Housing Needs Update [EX/CYC/9] paragraphs 2.20 and 2.21

⁵⁰ MHCLG (October 2018) Technical consultation on updates to national planning policy and guidance, paragraph 11

⁵¹ ONS (2018) Methodology used to produce household projections for England: 2016-based

consequence of methodological changes that have been intensely scrutinised since their release.

- 3.24 The Housing Needs Update shows that these methodological changes have a significant impact in York. Its Table 6 compares the housing need implied when applying 2014-based and 2016-based rates to an identical population projection (2016-based SNPP). This shows that the annual need is some 30% higher when applying 2014-based rates, relative to outcomes derived from the 2016-based rates (629/484dpa respectively). This illustrates the extent to which the 2016-based rates are likely to underestimate household formation in York, notwithstanding their application to a misrepresentative population projection.
- 3.25 Divergence from the *'starting point'* of the 2016-based household projections increases further to 40% where the 2014-based rates are adjusted to allow for a partial return to historic trends for younger people, in order to avoid *'locking in...historic deteriorations and ensuring that these improve in future'*⁵². Such a demographic adjustment is strongly supported, as is the principle of retaining 2014-based household formation rates in preference to the 2016-based assumptions.
- 3.26 The Housing Needs Update does, however, proceed to retain the unadjusted 2016-based household projections as its *'starting point'* from which any subsequent adjustment should be benchmarked⁵³. This is despite acknowledgement that they have been extensively criticised and viewed as unrepresentative of future needs. As such, it blurs the adjustments needed to correct a dataset that the Government considers to be significantly flawed, and those required to respond to market signals of imbalance between supply and demand. This approach is not considered to be justified or appropriate.
- 3.27 The previous section concluded that the 2014-based SNPP provide a reasonable population projection for York. This section strongly indicates that the 2014-based household formation rates should be retained, in preference to the 2016-based assumptions that have been widely viewed as unreliable and should therefore be attributed little or no weight at the current point in time for the purposes of calculating future housing need.
- 3.28 Collectively, this indicates that the 2014-based household projections should be retained as the demographic *'starting point'* when assessing housing needs in York. When applying a consistent allowance for vacancy, this dataset provides a *'starting point'* of **835 dwellings per annum** over the period now covered by the Housing Needs Update (2012-37). This *'starting point'* exceeds the OAN concluded in the Housing Needs Update (790dpa) and would increase still further where any assumed *'deterioration'* in younger household formation is positively addressed, as considered necessary and reasonable within the Housing Needs Update.

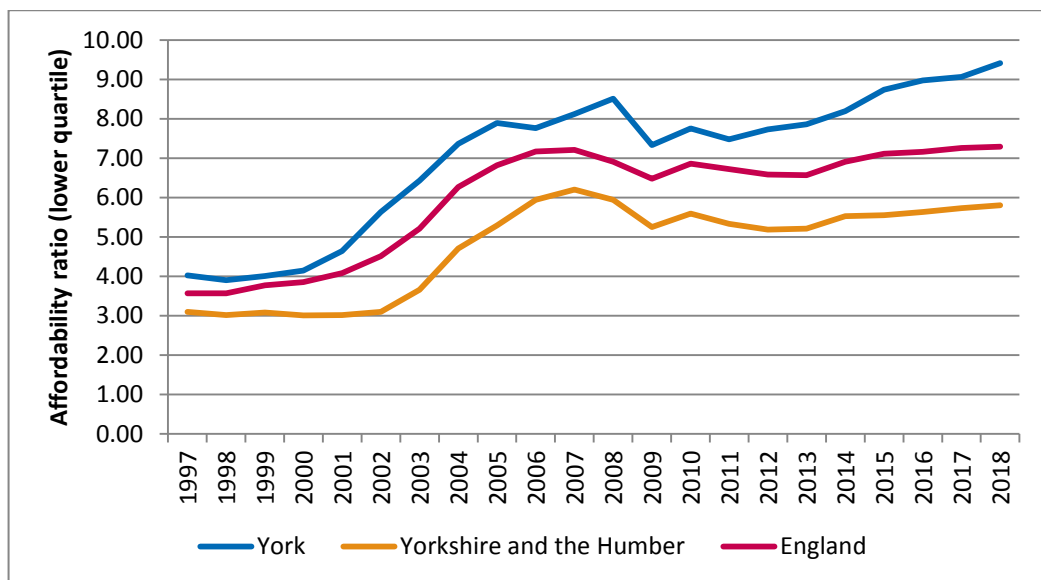
⁵² GL Hearn (January 2019) City of York – Housing Needs Update [EX/CYC/9] paragraph 3.19

⁵³ *Ibid*, paragraph 2.26

Responding to Market Signals

- 3.29 The SHMA Update previously concluded that the *'starting point'* of the 2014-based household projections should be uplifted by 10% to reflect market signals of imbalance between supply and demand. The Inspectors challenged an attempt by the Council to omit such an uplift, as outlined in section 2.
- 3.30 The Housing Needs Update provides an updated review of market signals, identifying that *'house prices have increased in the past year and the affordability ratio between house prices and earnings has worsened'*⁵⁴. The imbalance between house prices and earnings in York is actually more severe than it claims, with the latest ONS statistics confirming that entry-level house prices equate to some 9.41 years earnings as of 2018⁵⁵. This is substantially higher than the ratio of 7.26 cited at Table 12 of the Housing Needs Update, and indeed the origin of this figure is extremely unclear given that the ONS has not recorded such a low affordability ratio in York for fifteen years.
- 3.31 As shown in the following chart, the affordability situation in York has continued to worsen, with the ratio increasing by 20% over the past five years alone. This is almost double the growth recorded regionally and nationally during the same period (both 11%). The current ratio is also notably higher than the national average, undermining the unfounded claim of the Housing Needs Update that the affordability ratio of York is *'less than the rest of England'*⁵⁶.

Figure 3.3: Lower Quartile Affordability Ratio in York



Source: ONS

- 3.32 Though informed by seemingly inaccurate data, the Housing Needs Update concludes that *'an uplift in the region of 15% would seem reasonable'* in response to market

⁵⁴ *Ibid*, paragraph 4.29

⁵⁵ ONS (2019) Housing affordability in England and Wales, Table 6c

⁵⁶ GL Hearn (January 2019) City of York – Housing Needs Update [EX/CYC/9] paragraph 4.18

signals⁵⁷. This is evidently a more pronounced uplift than previously recommended in the SHMA Update, reflecting the further deterioration of market conditions in York in the intervening period. It is agreed that a more pronounced uplift is appropriate within this context, and a still greater uplift may indeed be justified given that this conclusion appears to have been based on inaccurate affordability data which understated the severity of the issue.

- 3.33 Uplifting the 2014-based household projections by 15% would suggest a need for **966 dwellings per annum**. This would be considered an absolute minimum need, given that it makes no explicit allowance to improve suppressed younger household formation. This could cumulatively lead to a larger uplift of 20%, which would imply a need for **in the order of 1,000 dwellings per annum** over the period from 2012 to 2037. It is of note that Turley has previously concluded that such a level of need exists in York within its submissions on behalf of L&Q Estates, with this outcome also proportionate to the standard method and the concluded levels of housing need previously submitted by other representors.

Supporting Future Job Growth

- 3.34 As shown at Figure 2.1 of this report, the Council's latest evidence arrives at the conclusion that the OAN is based on a "jobs-led" projection of need as a result of its view that demographic needs have significantly fallen. This position is arrived at based on a recognition that the 2016-based SNPP will not provide the labour force needed to support forecast employment growth, and therefore makes allowance for higher levels of net in-migration beyond that assumed in the demographic projection.
- 3.35 It is agreed that an assessment of the implications of job growth on the scale of housing needed is required in the context of the relevant PPG⁵⁸. The approach taken to model the relationship between job growth and population, and therefore housing need, is also considered to be broadly appropriate, based on a review of the input labour-force assumptions.
- 3.36 Given the reliance now placed on this step of the PPG methodology, however, it is concerning that the Housing Needs Update draws upon the '*most recent*' assessment of the '*economic growth potential*' of York by referring to baseline forecasts by Oxford Economics that were originally produced over four years ago in May 2015⁵⁹, and subsequently adjusted in an Employment Land Review⁶⁰ (ELR) dated July 2016. With the most recent OAN now seeking to justify its calculation of need on the basis of supporting likely employment growth, it is considered that attention must be given as to whether the forecasts remain up-to-date and reasonable.
- 3.37 An ELR Update was produced in September 2017, and identified that more recent baseline forecasts were suggesting an overall level of employment growth that was

⁵⁷ *Ibid*, paragraph 4.34

⁵⁸ PPG Reference ID 2a-018-20140306

⁵⁹ City of York Council (September 2017) Employment Land Review Update [SD063] Paragraph 2.1 confirms that the underlying Oxford Economics forecasts were produced in May 2015

⁶⁰ City of York Council (July 2016) Employment Land Review [SD064]

almost one third higher than suggested by Oxford Economics⁶¹. Retention of the earlier forecast was only justified by its stronger growth in those jobs requiring employment land (B use classes), which was seen to provide an acceptable level of ‘headroom’ when allocating land for these uses⁶². Such considerations are less relevant when considering the housing required to support job growth across all sectors, as required under the PPG. In basing its housing need on the earlier economic forecast, the Council’s assessment therefore risks underestimating the full need for housing.

- 3.38 This is compounded by the Council’s apparent stated ambition and support for delivering stronger economic growth, and its belief that ‘*local interventions such as the ‘Growth Deal’ with Government will promote faster growth in key sectors*’⁶³. L&Q Estates has previously questioned the justification for a comparatively low employment growth target in the context of these economic ambitions, which are unchanged from earlier consultations.
- 3.39 This increases the risk that the employment forecast which underpins the current OAN is underestimating the future job growth that is likely in York, and therefore the scale of housing needed to reasonably support its economic growth prospects. Any such risk would be at least partially offset by planning for a higher level of population growth, which fully reflects recent demographic trends and provides additional capacity to support further job growth. This is considered to further justify the use of the 2014-based SNPP in preference to the substantially lower 2016-based dataset that is currently favoured by the Council.

Summary

- 3.40 The commissioning of the Housing Needs Update has evidently been motivated by the release of lower, 2016-based sub-national population and household projections. While the relevant PPG generally requires ‘*the latest available information*’ to be taken into account ‘*wherever possible*’, the Government has made an exception for the 2016-based household projections due to overriding concerns about their reliability for the purposes of assessing housing need. It has confirmed that such concerns remain of relevance when examining plans submitted prior to the implementation of the revised NPPF and following the previous methodology for calculating OAN. It has explicitly sought to prevent the delays and uncertainty caused in such areas by disparities between the 2014-based and 2016-based household projections. It indicated in this context that authorities could continue to rely upon ‘*existing assessments*’ of housing need, such as the SHMA Update commissioned by the Council in 2017. The Inspectors did not appear to request consideration of the new projections, thereby calling into question the justification for the Council’s overt attempt to advance a lower level of housing need through reliance on this dataset specifically.
- 3.41 The Council has nonetheless taken the opportunity to substantially lower its OAN, from 953 to 790 dwellings per annum. The analysis in this section strongly indicates that such a reduction is not justified, because:

⁶¹ City of York Council (September 2017) Employment Land Review Update [SD063] Table 1

⁶² *Ibid*, paragraph 2.5

⁶³ City of York Council (February 2018) City of York Local Plan – Publication Draft, paragraph 1.36

- It is underpinned by a demographic projection that appears likely to underestimate future population growth.** The Housing Needs Update claims that the 2016-based SNPP is *'more robust'*, but fails to fully interrogate the assumptions that have led to projected growth being revised downwards by over one third relative to the 2014-based dataset. A change of this magnitude should not be accepted uncritically, particularly in light of the *'very strong'* demographic pressures identified only two years ago in the SHMA Update. The 2016-based SNPP allows for a very low level of population growth relative to long-term trends, with an inherent assumption that net migration will fall to a level that is largely without recent precedent. This has not occurred in the two years of its projection period to date, with evidence of a greater alignment with the 2014-based SNPP. As such, the 2014-based SNPP are considered to remain a more appropriate and *'positive'* demographic projection for York, in line with the conclusions of the SHMA Update;
- It unjustifiably blurs the adjustments needed to correct fundamental flaws in the 2016-based household projections with those required to respond to market signals.** The Housing Needs Update correctly scrutinises the 2016-based household formation rates, which have been widely viewed as unreliable and significantly influence the downgrading of projected household growth in York. It attributes greater weight to the 2014-based household formation rates, but retains the unadjusted 2016-based household projections as its *'starting point'* from which all subsequent adjustments are benchmarked. Building upon the conclusion above, it is considered that the 2014-based projections continue to provide a more reliable and appropriate demographic *'starting point'* for York, suggesting a need for *at least* 835 dwellings per annum over the period now covered by the Housing Needs Update (2012-37). This is significantly higher than the 2016-based household projections, and evidently exceeds the OAN of 790 dwellings per annum now claimed by the Council;
- Its 15% adjustment for market signals is applied to a misrepresentative demographic projection, but is agreed to be the absolute minimum necessary to respond to a continued deterioration of market conditions.** This is more pronounced than the 10% uplift recommended in the SHMA Update, due to a continued increase in house prices and a further worsening in the affordability ratio that is actually more severe than acknowledged and considerably worse than the national average. Uplifting the 2014-based household projections by 15% suggests that 966 dwellings per annum are needed in York, albeit this makes no explicit allowance for suppressed household formation and a larger uplift to around 1,000 dwellings per annum could therefore be justified within this context; and
- It is predicated upon supporting an employment forecast that has not been recently validated despite now being used as the basis to justify the OAN, with this forecast appearing to underestimate future job creation when last reviewed by the Council.** Such an approach is at odds with the Council's ambition for stronger economic growth, with a strong risk that the current OAN is therefore underestimating the job growth that will need to be serviced by a resident labour force. This is considered to further justify the use of the 2014-

based SNPP, which would provide additional capacity to support job growth in York.

- 3.42 The above strongly indicates that **an OAN in the order of 1,000 dwellings per annum is justified in York**, in line with our previous submissions on behalf of L&Q Estates. This continues to align closely with the outcome of the standard method (1,069dpa) and submissions made by other representors, which demonstrated a need for between 920 and 1,150 dwellings per annum⁶⁴.

⁶⁴ Section 3 of our “Further Review of the Objectively Assessed Need for Housing in York”, March 2018 [Appendix 1 to Gallagher Estates’ submission, reference 604] Figure 3.1

4. Size and Type of Housing Needed

- 4.1 The relevant NPPF states that local authorities should ‘*plan for a mix of housing based on current and future demographic trends*’, and identify ‘*the size, type, tenure and range of housing that is required in particular locations, reflecting local demand*’⁶⁵. It requires Strategic Housing Market Assessments to ‘*identify the scale **and mix** of housing...that the local population is likely to need over the plan period*’⁶⁶ (emphasis added).
- 4.2 The Housing Needs Update is solely concerned with the overall number of homes needed in York, and gives no consideration to the type of homes required. This was similarly omitted from the SHMA Update in 2017.
- 4.3 The latest such assessment to have been commissioned by the Council is therefore presented in the 2016 SHMA⁶⁷, albeit this relates to the 2012-based household projections and also refers to recalibrated data from the 2001 Census.
- 4.4 This can be updated to establish the implications of the 2014-based household projections, which are considered to represent an appropriate basis from which to assess housing needs in York based on the conclusions of the previous section. It can also draw upon data from the 2011 Census which shows the number of bedrooms in properties occupied by different household types in York⁶⁸. This data is summarised in the following table.

Table 4.1: Number of Bedrooms by Household Type in York (2011)

	1 bed	2 beds	3 beds	4+ beds	Total
One person household	25%	41%	28%	7%	100%
Families without children	7%	34%	40%	20%	100%
Households with dependent children	3%	22%	42%	33%	100%
Families with other adults	1%	19%	51%	28%	100%
Other households	5%	29%	28%	37%	100%

Source: Census 2011

- 4.5 The above confirms that one person households show the greatest tendency to occupy smaller homes, albeit the vast majority have at least two bedrooms and over one in three (35%) have at least three bedrooms. Families with dependent children, or families living with other adults (who may be non-dependent children), tend to live in larger homes, with over 75% of such households having at least three bedrooms. Families without children demonstrate a general tendency to occupy homes with two

⁶⁵ DCLG (2012) National Planning Policy Framework, paragraph 50

⁶⁶ *Ibid*, paragraph 159

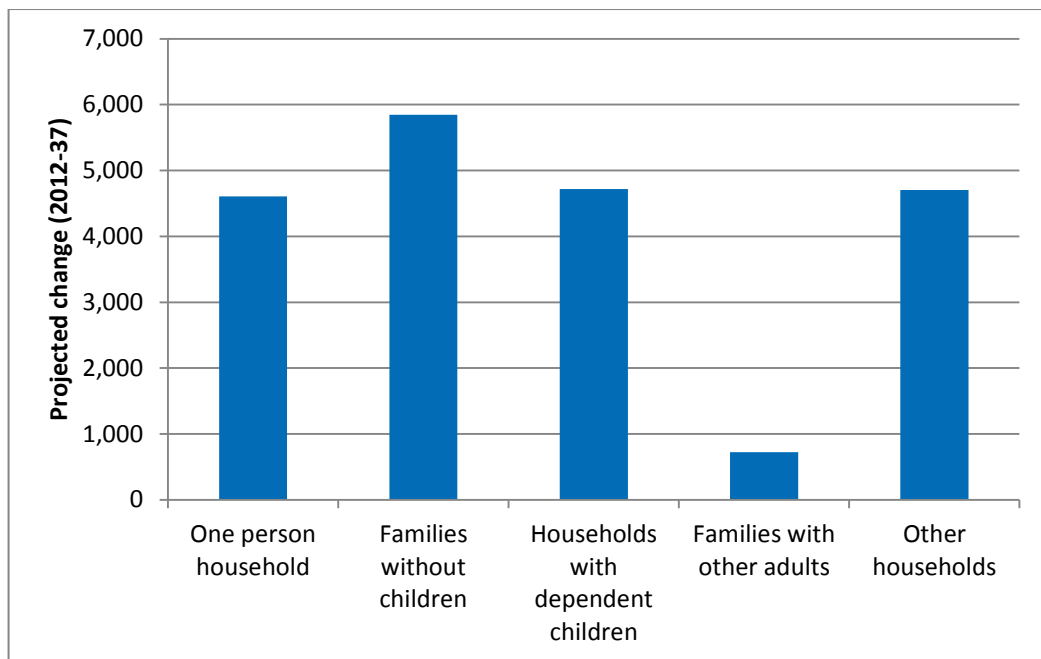
⁶⁷ GL Hearn (June 2016) City of York Council Strategic Housing Market Assessment [SD051]

⁶⁸ Census Table DC1402EW – Household composition by number of bedrooms

or three bedrooms. Other households occupy homes of different sizes, although the vast majority require at least two bedrooms.

- 4.6 Reflecting households’ tendency to occupy different sizes of home, the overall profile of household growth would be expected to influence the size of housing required in York over the plan period. As illustrated in the following chart, different types of households are projected to form over the period to 2037, with a broad level of consistency in their respective levels of growth. The exception is families with other adults, which are not expected to grow to the same extent.

Figure 4.1: Projected Change in Household Profile of York (2014-based; 2012-37)



Source: MHCLG

- 4.7 Within the context of the above, an illustrative profile of the size of housing likely to be required by additional households forming in York over the plan period can be established, by proportionately applying households’ existing tendencies to occupy different sizes of housing. Such an approach assumes that these tendencies are sustained throughout the plan period, and does not seek to estimate how market factors – such as changes to house prices, incomes and household preferences – will impact upon these occupancy patterns. Recognising market volatility over the longer term, this approach is considered reasonable to ensure that the analysis is grounded in a robust evidence-based position of household choice, and does not require unsubstantiated assumptions or predictions on future changes to household preferences.
- 4.8 The following table summarises the outcomes of this modelling, showing the proportion of *all* households that could be expected to require each size of property over the plan period. It indicates that only 9% of households will require a home with one bedroom, and suggests that 60% will require at least three bedrooms. The residual third would be expected to require two bedroom properties.

Table 4.2: Implied Size of Housing Required in York (2012-37)

	1 bed	2 beds	3 beds	4+ beds
Households requiring...	9%	31%	35%	24%

Source: Census 2011; MHCLG; Turley analysis

- 4.9 The type of property that may be needed to provide the necessary mix of unit sizes can also be estimated with reference to data from the 2011 Census, which shows how existing properties of different sizes in York are split between houses and flats⁶⁹. This suggests that circa 84% of households will require a house, with 16% requiring flats or apartments. Such a split can be simply applied to the identified need for in the order of 1,000 dwellings per annum, to suggest that circa 840 houses per annum are needed in York over the plan period.

Table 4.3: Implied Type of Housing Required in York (2012-37)

	Houses	Flats
Households requiring...	84%	16%
c.1,000 dwellings per annum	840	160

Source: Census 2011; MHCLG; Turley analysis

- 4.10 While the 2016-based household projections are not considered to provide a reliable indication of future housing need in York, it is notable that they suggest a comparable split in favour of houses in proportionate terms⁷⁰. Such a split would also be necessary to deliver the size of homes estimated as being needed across all tenures in the 2016 SHMA⁷¹.

Summary

- 4.11 This section has provided an updated assessment of the type and size of housing needed in York, drawing upon data from the 2011 Census and the 2014-based household projections.
- 4.12 Accommodating the formation of all types of households over the plan period will predominantly require larger homes, with 60% of additional households expected to require at least three bedrooms. Only 9% of households would be expected to require one bedroom, with the residual third (31%) requiring two bedrooms.

⁶⁹ Census Table CT0551 – Accommodation type (excluding caravans/temporary structures) by tenure by number of bedrooms

⁷⁰ Incorporating the 2016-based household projections indicates that 80% of households will require houses, and 20% will require flats

⁷¹ GL Hearn (June 2016) City of York Council Strategic Housing Market Assessment [SD051] Tables 55 and 56. Summing the additional households requiring market and affordable housing, and applying the split between houses and flats as outlined in this section, indicates that 78% of households will require houses, and 22% will require flats

- 4.13 Reflecting the profile of the existing stock, delivering this mix of unit sizes is likely to require 84% of new homes to be houses. Flats are expected to account for a smaller share of need, at circa 16%.
- 4.14 Within this context, L&Q Estates reserves the right to comment further on the profile of the housing land supply identified by the Council, prior to and during the relevant hearing sessions.

5. Summary and Conclusions

- 5.1 This report has been prepared by Turley on behalf of L&Q Estates to review and critique the Housing Needs Update published by the Council in January 2019. The review is undertaken in the context of the Council's ongoing consultation on proposed modifications to its submitted Local Plan, which runs until 22 July 2019.
- 5.2 Through this consultation, the Council has proposed to lower its emerging housing requirement, from 867 to 790 dwellings per annum, to precisely align with the OAN concluded in the Housing Needs Update. The housing requirement that was previously proposed by the Council failed to meet the OAN for 953 dwellings per annum that was identified through the 2017 SHMA Update. This approach was widely criticised, and the Inspectors immediately identified housing need as an area of concern.
- 5.3 While the Council committed to responding to these concerns in a timely manner, its delay in doing so created an opportunity to benefit from the release of lower, 2016-based population and household projections. Consideration of this dataset was not requested by the Inspectors and has caused further delay to hearings that were expected to have long since commenced.
- 5.4 The commissioning of the Housing Needs Update has been clearly motivated by the direction of travel in the 2016-based projections, which suggest a lower level of population and household growth than the previous dataset. While the relevant PPG generally requires '*the latest available information*' to be taken into account '*wherever possible*', the Government has made an exception for the 2016-based household projections due to overriding concerns about their reliability for the purposes of assessing housing need. It has confirmed that such concerns remain of relevance when examining plans submitted prior to the implementation of the revised NPPF, and has explicitly sought to prevent the delays and uncertainty caused in such areas by disparities between the 2014-based and 2016-based household projections. It indicated that authorities could continue to rely upon '*existing assessments*' of housing need, such as the SHMA Update commissioned by the Council in 2017. This undermines the perceived need for such a '*fundamental*' change in the evidence base at this stage of the examination process.
- 5.5 The Council has nonetheless taken the opportunity to substantially lower its OAN, from 953 to 790 dwellings per annum. This report strongly indicates that such a reduction is not justified, because:
- **It is underpinned by a demographic projection that appears likely to underestimate future population growth.** The Housing Needs Update claims that the 2016-based SNPP is '*more robust*', but fails to fully interrogate the assumptions that have led to projected growth being revised downwards by over one third relative to the 2014-based dataset. A change of this magnitude should not be accepted uncritically, particularly in light of the '*very strong*' demographic pressures identified only two years ago in the SHMA Update. The 2016-based SNPP allows for a very low level of population growth relative to long-term trends, with an inherent assumption that net migration will fall to a level that is

largely without recent precedent. This has not occurred in the two years of its projection period to date, with evidence of a greater alignment with the 2014-based SNPP. As such, the 2014-based SNPP are considered to remain a more appropriate and *'positive'* demographic projection for York, in line with the conclusions of the SHMA Update;

- **It unjustifiably blurs the adjustments needed to correct fundamental flaws in the 2016-based household projections with those required to respond to market signals.** The Housing Needs Update correctly scrutinises the 2016-based household formation rates, which have been widely viewed as unreliable and significantly influence the downgrading of projected household growth in York. It attributes greater weight to the 2014-based household formation rates, but retains the unadjusted 2016-based household projections as its *'starting point'* from which all subsequent adjustments are benchmarked. Building upon the conclusion above, it is considered that the 2014-based projections continue to provide a more reliable and appropriate demographic *'starting point'* for York, suggesting a need for *at least* 835 dwellings per annum over the period now covered by the Housing Needs Update (2012-37). This is significantly higher than the 2016-based household projections, and evidently exceeds the OAN of 790 dwellings per annum now claimed by the Council;
- **Its 15% adjustment for market signals is applied to a misrepresentative demographic projection, but is agreed to be the absolute minimum necessary to respond to a continued deterioration of market conditions.** This is more pronounced than the 10% uplift recommended in the SHMA Update, due to a continued increase in house prices and a further worsening in the affordability ratio that is actually more severe than acknowledged and considerably worse than the national average. Uplifting the 2014-based household projections by 15% suggests that 966 dwellings per annum are needed in York, albeit this makes no explicit allowance for suppressed household formation and a larger uplift to around 1,000 dwellings per annum could therefore be justified within this context; and
- **It is predicated upon supporting an employment forecast that has not been recently validated despite now being used as the basis to justify the OAN, with this forecast appearing to underestimate future job creation when last reviewed by the Council.** Such an approach is at odds with the Council's ambition for stronger economic growth, with a strong risk that the current OAN is therefore underestimating the job growth that will need to be serviced by a resident labour force. This is considered to further justify the use of the 2014-based SNPP, which would provide additional capacity to support job growth in York.

5.6 Drawing together the above, it is considered that **in the order of 1,000 dwellings per annum are needed in York** over the period from 2012 to 2037.

5.7 Additional evidence has been presented in this report to take account of the demographic evidence recommended as forming the basis for the OAN to update the analysis of the need for different types of homes, noting that the Council has not

provided such updated evidence since its 2016 SHMA. This analysis estimates that the majority of homes (c.84%) will need to be houses, with a smaller need for flats and apartments.

- 5.8 Our conclusions on the overall OAN are consistent with evidence previously submitted by Turley on behalf of L&Q Estates. It is also proportionate to the current outcome of the standard method (1,069dpa) and the alternative assessments submitted by other representors during earlier stages of consultation, which suggested that up to 1,150 dwellings per annum are needed in York.
- 5.9 Within this context, **the Council's proposal to lower its housing requirement and provide only 790 dwellings per annum is strongly challenged**. This proposed modification has not been positively prepared, but has instead been motivated by an opportunity to provide fewer homes rather than seeking to meet the full need for housing in York. The proposed level of housing provision is not justified or consistent with the requirements of national policy and guidance. It is therefore considered that the modified Local Plan, like the submitted version, is unsound.

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