

Housing Needs Update

City of York Council

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Public

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1 INTRODUCTION

- 1.1 The latest set of (2018-based) Sub-National Population Projections (SNPP) were published by the Office for National Statistics (ONS) in March 2020. Drawing from these, in June 2020, ONS published the 2018-based Sub-National Household Projections (SNHP). This report seeks to assess the impact on housing need in the City of York as a result of the latest Household Projections.
- 1.2 The SNPP provide estimates of the future population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration which are constrained to the assumptions made for the 2018-based National Population Projections.
- 1.3 The SNPP and SNHP are not forecasts and do not attempt to predict the impact that future government or local policies, changing economic circumstances or other factors might have on demographic behaviour. The primary purpose of the SNPP is to provide an estimate of the future size and age structure of the population of local authorities in England.
- 1.4 The SNPP are also used as a common framework for informing local-level policy and planning in a number of different fields as they are produced consistently.
- 1.5 This report seeks to interrogate the 2018-based SNPP, 2018-based Household Projections to consider the potential implications for household growth and housing needs in the City of York.
- 1.6 The core analysis looks at housing need over the period from 2017-33 to be consistent with the Local Plan period. Also to align with previous studies carried out for the City we have provided figures for the 2012 to 2037 period.
- 1.7 Because the projections are 2018-based and there is a known population for 2019 this essentially means that data for 2012-19 is fixed by reference to published population estimates (from ONS).
- 1.8 The report is split into some short sections considering a range of different outputs related to the new projections. These are summarised below:
 - Section 2: Demographics;
 - Section 3: Economic-Led Housing Need;
 - Section 4: Standard Method for Assessing Housing Need; and
 - Section 5: Conclusions.

2 DEMOGRAPHICS

2.1 According to the Office for National Statistics (ONS), the latest Mid-Year Population Estimate for the City of York was 210,618 in 2019. According to the latest household estimate from the 2018-based Household Projections, there were 86,939 households in the City. At the start of the Plan Period (2017), 208,163 people were living in 86,356 households in York.

Population Projections

2.2 The latest Sub-National population projections for York were published in March 2020 and are based on data up to and including 2018. As such they are known as the 2018-based SNPP. Over the 2017 to 2033 Plan Period and the 2012-37 period the latest projections show a notably lower rate of growth than previous editions.

Table 1: Population Growth by Projection and Different Periods – York

	2017	2033	Change	% Change	Change Per Annum
2018-based	208,163	215,595	7,432	3.6%	465
2016-based	208,163	221,715	13,552	6.5%	847
2014-based	208,163	232,392	24,229	11.6%	1,514
2012-based	208,163	225,436	17,273	8.3%	1,080
	2012	2037	Change	% Change	Change Per Annum
2018-based	199,567	215,944	16,377	8.2%	655
2016-based	199,567	223,603	24,036	12.0%	961
2014-based	199,567	236,366	36,799	18.4%	1,472
2012-based	199,567	228,952	29,385	14.7%	1,175

Source: ONS, 2020

2.3 This is consistent with what is projected nationally as a result of lower fertility rates and reduced international migration and a more negative approach to life expectancy improvements.

Variant Population Scenarios

2.4 it is also worthwhile examining variant scenarios from the population and household projections. For this, we have used the variant projections produced by ONS. These variants are:

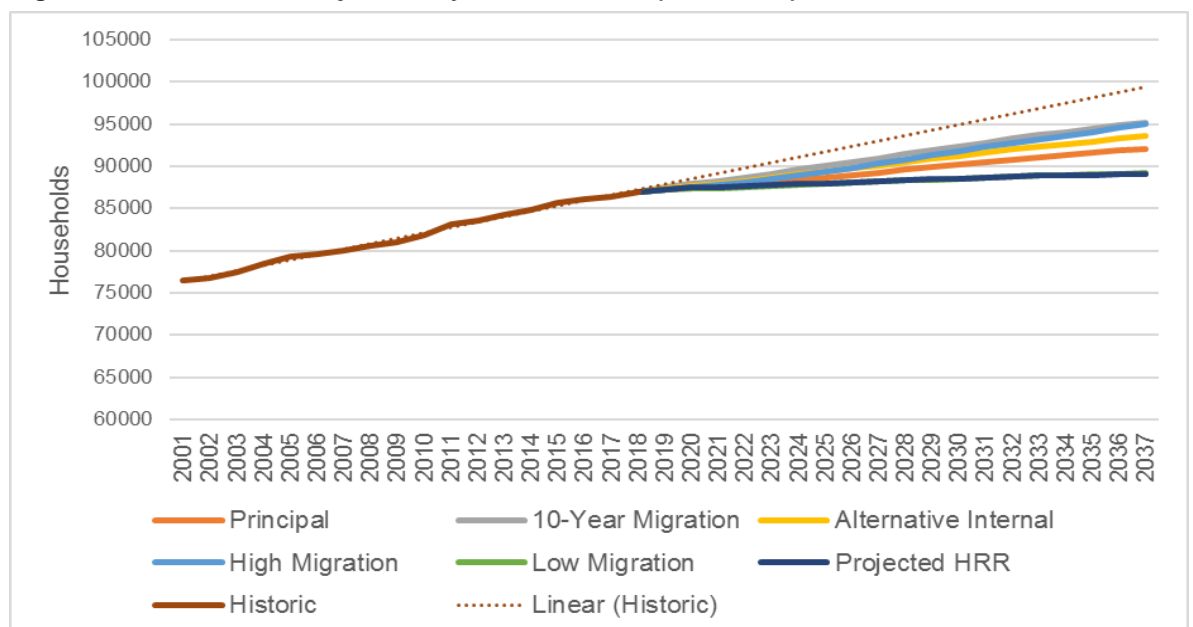
- a high international migration variant;
- a low international migration variant;
- an alternative internal migration variant; and
- a 10-year migration variant

2.5 It is important to examine these variants as the principal variant only draws on internal migration trends over two years from 2016 to 2018. Drawing trends over such a short period can distort the outputs of a projection if those years are particularly high or low. The ONS themselves recognises the difficulty in drawing trends from just two years of data on their website¹

“There is a chance that using only two years of data will create unusual averages for local authorities experiencing abnormal migration patterns over this short period

2.6 As the figure below shows, the principal projections is lower than four out of the five variant projections. Even the highest of these projections (10-year migration) is still lower than extrapolating the growth from 2001 to 2018. Although given reduced assumptions around fertility, mortality and international migration this is not unexpected.

Figure 1: Household Projection By Variant - York (2011-2037)



Source: ONS, 2020

2.7 There is a strong rationale for looking at the 10-Year trend and alternative internal migration scenarios. These are arguably more robust from a methodological point of view than the principle projection as they use longer-term trends.

- **10-year Migrant Variant** - The 10-year migration variant, as the name suggests draws on trends over the 2008 to 2018 period which is typically the period demographers use for examining trends.
- **Alternative Internal Migration Variant** – This variant draws on migration trends over 5 years rather than two years and as such is a closer correlation to previous sub-national population projections.

1

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/methodologies/subnationalpopulationprojectionsacrosstheukacomparisonofdatasourcesandmethods>

- 2.8 As the table below shows over the Local Plan period the principal variant would see a 3.6% growth in the population whereas the 10-year migration variant and alternative internal migration variant see a growth of 5.9% and 4.6% respectively.

Table 2: Population Growth by Variant and Different Periods – York

	2017	2033	Change	% Change	Change Per Annum
Principal	208,163	215,595	7,432	3.6%	465
10-Year	208,163	220,353	12,190	5.9%	762
Alternative Internal	208,163	217,787	9,624	4.6%	602
	2012	2037	Change	% Change	Change Per Annum
Principal	199,567	215,944	16,377	8.2%	655
10-Year	199,567	221,899	22,332	11.2%	893
Alternative Internal	199,567	218,613	19,046	9.5%	762

Source: ONS, 2020

- 2.9 Over the 2012-2037 period, the principal variant would see an 8.2% growth in the population whereas the 10-year migration variant and alternative internal migration variant see a growth of 11.2% and 9.5% respectively.

Household Projections

- 2.10 According to the PPG² (Reference ID: 2a-015-20140306), the demographic starting-point are the latest household projections. These are the 2018-based household projections published in June 2020. As published these show a growth of 293 households per annum over the period from 2017 to 2033 and 342 over the 2012-33 period.

Table 3: 2018-based Principal Household Projections for York (2017-2033)

	Start	End	Change	% Change	Households Per Annum	Dwellings Per Annum
2017-33	86,356	91,043	4,687	5%	293	302
2012-37	83,528	92,074	8,546	10%	342	352

Source: ONS, 2020

- 2.11 Applying a 3% vacancy would increase this to 352 dpa and 302 dpa. This compares to a 484 dpa starting point over the 2012-37 period within the Housing Needs Update (January 2019) which used the 2016-based household projections.

² <https://webarchive.nationalarchives.gov.uk/20180607114246/https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

- 2.12 As set out in the table below the preferred variants result in a notably higher need over the plan period and the 2017-2017 period. The 10-year migration variant shows the highest need over the plan period 471 dpa when the vacancy rates is applied this increases to 481 dpa over the longer 2012-37 period.

Table 4: Variant Household Growth by period – York

	2017	2033	Change	% Change	Households Per Annum	Dwellings Per Annum
Principal	86,356	91,043	4,687	5.4%	293	302
10-Year Migration	86,356	93,670	7,314	8.5%	457	471
Alternative Internal	86,356	92,311	5,955	6.9%	372	383
	2012	2037	Change	% Change	Households Per Annum	Dwellings Per Annum
Principal	83,528	92,074	8,546	10.2%	342	352
10-Year Migration	83,528	95,204	11,676	14.0%	467	481
Alternative Internal	83,528	93,544	10,016	12.0%	401	413

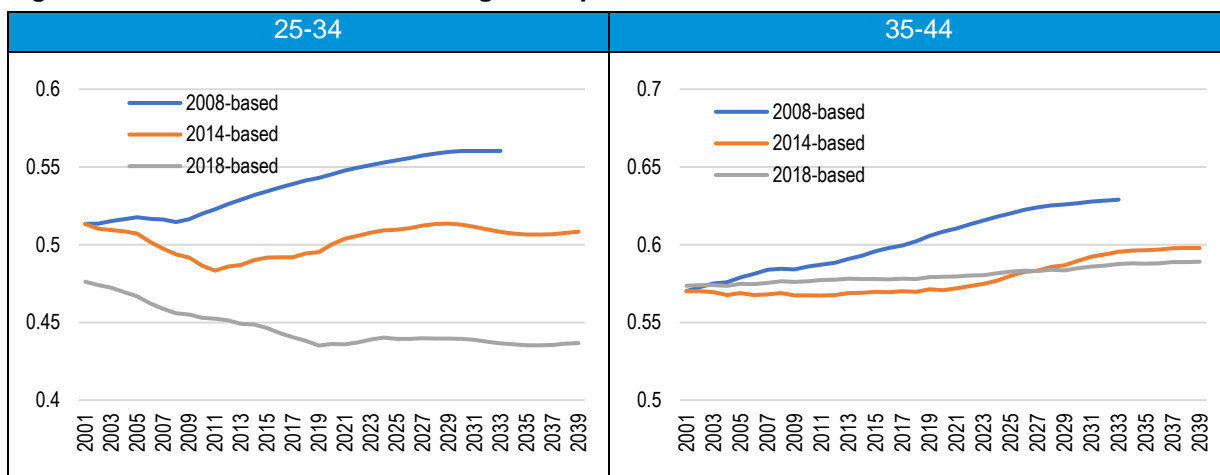
Source: ONS, 2020

- 2.13 The Alternative Internal Migration variant falls halfway between the 10-year migration scenario and the principal variant. For the longer period including the vacancy allowance, the need is 413 dpa based on this variant falling to 383 based on the Plan period.

Household Formation Rates

- 2.14 As per the previous Housing Needs Update, there are significant concerns around the HRRs, which it is argued lock-in recessionary trends during the 2001 to 2011 period from which they were drawn. These concerns were first raised about the 2016-based household projections, which use the same methodology as the 2018-based projections, and resulted in them being considered not suitable for assessing housing need within the standard method.
- 2.15 As the figure below shows the HFR in York, particularly for those aged 25-34 have deteriorated notably since 2001 and are projected to continue to be lower than historic trends going forward. it is therefore worthwhile examining the impact of partially returning the household representative rates (HRRs) to previous trends for the 25-34 and 35- 44 age groups. This approach is based on recommendations from the Local Plan Experts Group.

Figure 2: HFR for 25-34 and 35-44 Age Groups



Source: ONS, 2020

- 2.16 The table below applies the part return to trend HRRs for York to the population within the 2018-based subnational population projections for the principal, 10-year migration and alternative internal variants.
- 2.17 As shown for the Principal Variant the housing growth increases to 501 dpa over the Plan period and 541 dpa over the 2012 to 2037 period. This is approximately 65% higher than when the published household formation rates are used.

Table 5: Selected 2018-based Projections With Part Return To Trend HRR – York

	2017	2033	Change	% Change	Households Per Annum	Dwellings Per Annum
Principal	88,051	95,834	7,784	8.8%	486	501
10-Year Migration	88,051	98,450	10,399	11.8%	650	669
Alternative Internal	88,051	97,336	9,285	10.5%	580	598
	2012	2037	Change	% Change	Households Per Annum	Dwellings Per Annum
Principal	84,064	97,206	13,141	15.6%	526	541
10-Year Migration	84,064	100,316	16,252	19.3%	650	670
Alternative Internal	84,064	98,934	14,870	17.7%	595	613

Source: ONS, 2020 (starting figures differ to previous tables due to different HRR assumptions)

- 2.18 Applying the part return to trend HRR assumptions to the Alternative Internal Migration trend variant for York results in a demographic need of 598 dpa over the Plan period including a 3% vacancy rate. This changes to 613 dpa over the 2012 to 2037 period.
- 2.19 Applying the part return to trend HRR assumptions to the 10-Year Migration trend variant for York results in a demographic need of 669 dpa over the plan period including a 3% vacancy rate. This changes to 670 dpa over the 2012 to 2037 period.

- 2.20 In the Housing Need Update report, the concluded demographic need for the City, based on the PRT HRRs, was 679 dpa which equated to a 40% uplift from the starting point. Therefore the identified need for up to 670 dpa would not equate to a meaningful difference to the Housing Needs Update. Although, maintaining a figure of around 670 dpa, because of the lower starting point, would equate to a much higher uplift

Demographic Conclusion

- 2.21 In examining the demographic trends nationally there are clear issues with focussing on the principal variant which draws on just two years' worth of data to project trends. This is acknowledged by ONS themselves and there is, therefore, some merit in looking at longer-term trends.
- 2.22 We would, therefore, see the variant migration scenarios as being the more suitable to use for York. However, this is all largely academic as demographic housing need as the following chapter sets out is lower than the economic led housing need.

3 ECONOMIC LED HOUSING NEED

3.1 The Planning Practice Guidance (PPG) that supported the NPPF (2012) sets out that trend-based demographic projections should provide the starting point for assessing housing need. However, the approach set out in the PPG requires plan makers to consider how the economy might perform, and if higher housing provision might be needed to support growth in jobs. It outlines that:

'Plan makers should make an assessment of the likely growth in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population'. And 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.'

3.2 The scale of economic growth of 650 jobs was in the submitted local plan and was further corroborated by the economic forecasting by Oxford Economics published in December 2019 [EX CYC 29]. It was previously calculated that this needed 790 homes per annum to support it. This note has not sought to update the economic growth assessment but this chapter examines the impact of newer data on the economic-led housing need.

3.3 The newer data includes updated assumptions around doubled-jobbing (4%) as well as the impact of the 2018-based population projection and the latest 2019-based mid-year population estimates. The key input is the most recent age-profile for the City as well as the various assumptions around fertility and mortality and migration.

3.4 Because there is not more recently available data, as per our previous calculation we have used 2011 census commuting patterns and economic activity assumptions from the Office of Budget Responsibility's Fiscal Sustainability Report scaled to York levels. We have not made any assumptions regarding changes to unemployment.

3.5 We have not examined the economic need associated with historic employment growth as the accommodation has already been provided to support that growth. We have therefore focussed on the economic-led need required to support 650 jobs per annum for the period 2019-33 and 2019-37 with the interim period to 2019 taken from published in MYE.

3.6 To arrive at this figure several other assumptions have been made including continued use of part-return to trend assumption about household representation and a 3% vacancy allowance to translate households into dwellings.

- 3.7 The process firstly translates jobs into economically active residents using commuting ratio and double jobbing assumptions. This is then translated to a population growth using Economic Activity Rates and then to households and dwellings by applying household formation rates and a vacancy allowance.
- 3.8 Where additional population is required to fill these jobs we have used a base demographic profile (e.g. migration) based on 2018-based SNPP (alternative internal migration assumptions. Both in and out-migration are then adjusted to a point where there are enough economically active people to support the jobs growth.
- 3.9 As the table below sets out over the plan period there would be a need to deliver 766 dwellings per annum to meet the City's economic growth. This increases to around 777 dpa when looking over a longer period.

Table 6: Economic Led Housing Need - Census Commuting Ratio

Period	Start Households	End Households	Change in households	Per annum	Dwellings per annum
2017-33	88,051	99,949	11,898	744	766
2012-37	84,064	102,921	18,857	754	777

Source: GLH based on ONS data

- 3.10 As a further sensitivity, we have also looked at the housing need if York were to take a greater share of its workforces accommodation. This sensitivity is run based on for every new job created the City's resident workforce would increase by one also. This is referred to as a 1:1 commuting ratio. As Table 7 shows this marginally increases the housing need in the City to 779 dpa over the Plan period and to 788 dpa over the 2012-37 period.

Table 7: Economic Led Housing Need - 1:1 Commuting Ratio

Period	Start Households	End Households	Change in households	Per annum	Dwellings per annum
2017-33	88,051	100,159	12,109	757	779
2012-37	84,064	103,198	19,133	765	788

Source: GLH based on ONS data

Economic-based Conclusion

- 3.11 There is a clear need to increase housing delivery in York to support the City's economic potential. The scenarios we have run show this need to be in a fairly narrow range of 766 to 788 dpa. This is broadly comparable to the 790 dpa identified in the Housing Needs Update of January 2019.

4 STANDARD METHOD FOR ASSESSING HOUSING NEED

4.1 Although the York Local Plan is being examined under the 2012 NPPF it is worth briefly touching on the need resulting from the Standard Method as per the 2018 NPPF and associated guidance. It is also worth examining what the housing need would be if the proposed changes to the standard method are ever to be adopted.

4.2 At present, the Planning Practice Guidance (PPG) on Housing Need Assessment sets out a three-step process to calculate housing need.

Step 1

4.3 The first step is to establish a demographic baseline of household growth; this is to be taken directly from published household projections and should be the annual average household growth over “10 consecutive years, with the current year being used as the starting point” (Reference ID: 2a-004-20190220). As this report is being drafted in 2020 the 10 years is taken to be 2020 to 2030.

4.4 In October 2018, MHCLG published a technical consultation on updates to national planning policy and guidance – the main part of this document was around the Standard Method for assessing housing need. Essentially, whilst Planning Practice Guidance had previously recommended using the latest evidence where possible, the consultation document suggested setting aside the latest (2016-based) household projections in preference for the previous (2014-based) set.

4.5 The reason for this is that (at least at a national level) the 2016-based SNHP show a much lower level of household growth (and hence housing need). The Government has decided *‘it is not right to change its aspirations’* for housing supply to take account of the lower figures and has therefore proposed to continue using data from the older projections to inform housing need. In the NPPF (and related PPG) of February/July 2019, it was confirmed that the Standard Method should be linked to the older (2014-based) SNHP.

4.6 As set out in the table below Step 1 of the standard method for assessing housing need provides York with a starting point of 813 dpa.

Table 8: Current MHCLG Step 1 Standard Method Housing Need Calculations

Step	Calculation
Households 2020	91,691
Households 2030	99,816
Change in households	8,125
Per annum change – Step 1	813

Source: Derived from ONS data

4.7 Although this is calculated across the 10 years from 2020-30 as paragraph 12 of the PPG sets out “The method provides authorities with an annual number, based on a 10-year baseline, which can be applied to the whole plan period.” (Reference ID: 2a-012-20190220).

Step 2

4.8 The second step of the methodology seeks to adjust the demographic baseline based on market signals. The adjustment increases the housing need where house prices are high relative to workplace incomes. This uses the published median affordability ratios from ONS based on workplace-based median house price to median earnings ratio for the most recent year for which data is available (2019 at the time of writing).

4.9 Specifically, the PPG says that *‘for each 1% increase in the ratio of house prices to earnings, where the ratio is above 4, the average household growth should be increased by a quarter of a per cent’*. The equation to work out the adjustment factor for York is as follows:

$$\text{Adjustment factor} = \left(\frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25$$

4.10 In 2019, the median workplace affordability ratio was 8.2 for York (i.e. median house prices 8.2 times the median earnings of those working in the district. As set out in the table below this means that the adjustment factor for is 26%.

Table 9: Current Standard Method Step 2 Affordability Adjustment

Step	Calculation
Step 1 – Households per annum change	813
Affordability ratio (2019)	8.2
Uplift to household growth	26%
Total need (per annum)	1,026

Source: Derived from ONS data

4.11 The adjustment is calculated as follows: $((6.72 - 4) / 4) \times 0.25 = 0.26$ or 26%. When this is applied to the output of Step 1 then the housing need is increased to 1,026 dpa.

Step 3

4.12 The final step in the standard method is to possibly cap the market signals uplift. There are two situations where a cap is applied. The first is where an authority has reviewed their plan (including developing an assessment of housing need) or adopted a plan within the last five years. In this instance, the need may be capped at 40% above the requirement figure set out in the plan.

- 4.13 The second situation, which applies to York where plans and evidence are more than five years old. In such circumstances, a cap may be applied at 40% of the higher of the projected household growth or the housing requirement in the most recent plan (where this exists).
- 4.14 As York doesn't have an adopted target then the cap is applied at 40% above the household growth in Step 1. The housing need is therefore theoretically capped at 11,38 dpa. However, as the housing need is only 1,026 dpa then the cap is not applied and the housing need remains as calculated in Step 2 i.e. 1,026 dpa.

Consultation on the Standard Method

- 4.15 In August 2020 MHCLG announced a consultation which would see changes to the standard method being introduced. The proposed changes would see the housing need calculated using just two steps these are:

Step 1

- 4.16 Step 1 of the consultation version of the standard method utilises the most recent 2018-based household projections. However, if these show an annual growth which is less than 0.5% of the housing stock then the latter figure is used.
- 4.17 As set out in the table below the household projections shows an annual growth of 268 households per annum which is less than 0.5% of the current housing stock (450 dwellings). The starting point is therefore 450 dwelling per annum. This is almost half the rate of the 2014-based projections.

Table 10: Proposed MHCLG Step 1 Standard Method Housing Need Calculations

Local Authority	York
Households 2020	87,466
Households 2030	90,142
Average Annual Change	268
Housing Stock	90,027
0.5% Of Housing Stock	450
Step 1 (Higher of Projections or 0.5% of Stock)	450

Source: Derived from ONS data

Step 2

- 4.18 Step 2 of the proposed methodology also draws on the latest local affordability ratio (LAR) but also how the ratio has changed over the last 10 years. The calculation is similar to the current calculation but has an additional component. If affordability has improved in the last ten years then the adjustment

is reduced. If affordability has deteriorated in the last ten years then the adjustment is increased. The full calculation is as follows:

$$\begin{aligned}
 & \textit{Adjustment} \\
 & = \left(\frac{LAR(2019) - 4}{4} \right) * 0.25 + (LAR(2019) - LAR(2009) * 0.25) + 1
 \end{aligned}$$

4.19 In York the affordability ratio is 8.21 having deteriorated from 6.48 in 2009. As a result, the affordability adjustment in the City is 170%. Applying this to the housing stock figure from Step 1 results in an overall need for 763 dpa. Noting that there is no cap applied.

Conclusion

4.20 It should, however, be reiterated that these should have no bearing on the housing need for York at the Local Plan examination but it should provide some comfort that the latest version of the standard method arrives at a very similar number.

5 CONCLUSIONS

- 5.1 There is clear downward pressure from demographic trends in the City of York. The 2018-based household projections see a need for 302 dwellings per annum over the 2017 to 2033 plan period and 352 dwellings per annum over the 2012 to 2037 period.
- 5.2 However, there are significant concerns about the methodology employed in the population projections and also the household projections. Specifically, there are issues with the projections using internal migration trends over just two years and household formation rates which “lock-in recessionary trends”
- 5.3 In response to this, we would, therefore, recommend a greater focus on the variant population projections examining longer-term trends and apply these to bespoke household formation rates which take a more positive view of household formation.
- 5.4 The highest of these is the 10-year migration variant which results in a housing need of around 670 dwellings per annum regardless of the period examined. However, the economic-led housing need is greater still.
- 5.5 Based on the delivery of 650 jobs per annum the City would need to deliver 777 dwellings per annum over the plan period to meet the City’s economic growth. This falls to around 766 dpa when looking over a longer period.
- 5.6 However, this would increase if the Council decided to provide a greater level of accommodation for these jobs within the City rather than rely on an external supply from neighbouring boroughs. This is referred to as a 1:1 commuting ratio. And results in a marginally higher housing need in the City of 779 dpa over the Plan period and to 788 dpa over the 2012-37 period.
- 5.7 We have not updated market signals for the City however given the extent of the economic need and the uplift this entails from the demographic starting point a further uplift would not be merited. For example, for the Plan period, the economic-led need of 779 dpa is 157% higher than the demographic starting point of 302 dpa.
- 5.8 To conclude, the housing need in the City has not changed materially since the last assessment in January 2019. The previous report identified a need for 790 dpa and the economic-led need within this report is as high as 788 dpa. There is, therefore, no need for the Council to move away from their current position based on this new data.

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