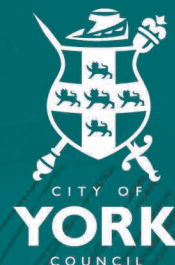


Annex 1



CITY OF YORK Strategic Housing Market Assessment GL Hearn (SHMA)



GL Hearn

Part of Capita Real Estate

City of York Council

Strategic Housing Market Assessment - Addendum Update

May 2017

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This document must only be treated as a draft unless it has been signed by the Originators and approved by a Business or Associate Director.

DATE
May 2017

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Limitations

This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of GL Hearn; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

1 PURPOSE

- 1.1 The purpose of this update addendum is to review the housing need in York taking into account of the latest demographic information. In particular we have reviewed the impact of the 2014-based Sub-National Household Projections (published July 2016) and the 2015 Mid-Year Estimates (published June 2016).
- 1.2 The addendum also looks at the latest evidence on market signals within the City. This is not a full trend based analysis but rather a snapshot of the latest evidence to be read in conjunction with the full SHMA document.
- 1.3 The report does not revisit the affordable housing need for the City, nor does it update analysis on the mix of housing required or the needs for specific groups. Again the full SHMA document should be referred to in these instances.
- 1.4 Within the appendix of this update we have summarised the most significant concerns relating to the housing need calculations raised as part of the local plan consultation process. These largely stem from the development industry and their planning consultants. Although it should also be noted that these refer to the previous methodology and are thus largely redundant.

2 DEMOGRAPHICS

- 2.1 To set this work in context the full SHMA document identified an objectively assessed need for the City of 841 dwellings per annum for the 2012-32 period. An addendum report published in the summer of 2016 identified a range of housing need between 706-898 dwellings per annum. The higher of this range included a questionable level of growth in student age population with the lower end using a ten-year trend scenario, which was equally questionable given that it did not reflect the most recent trends.

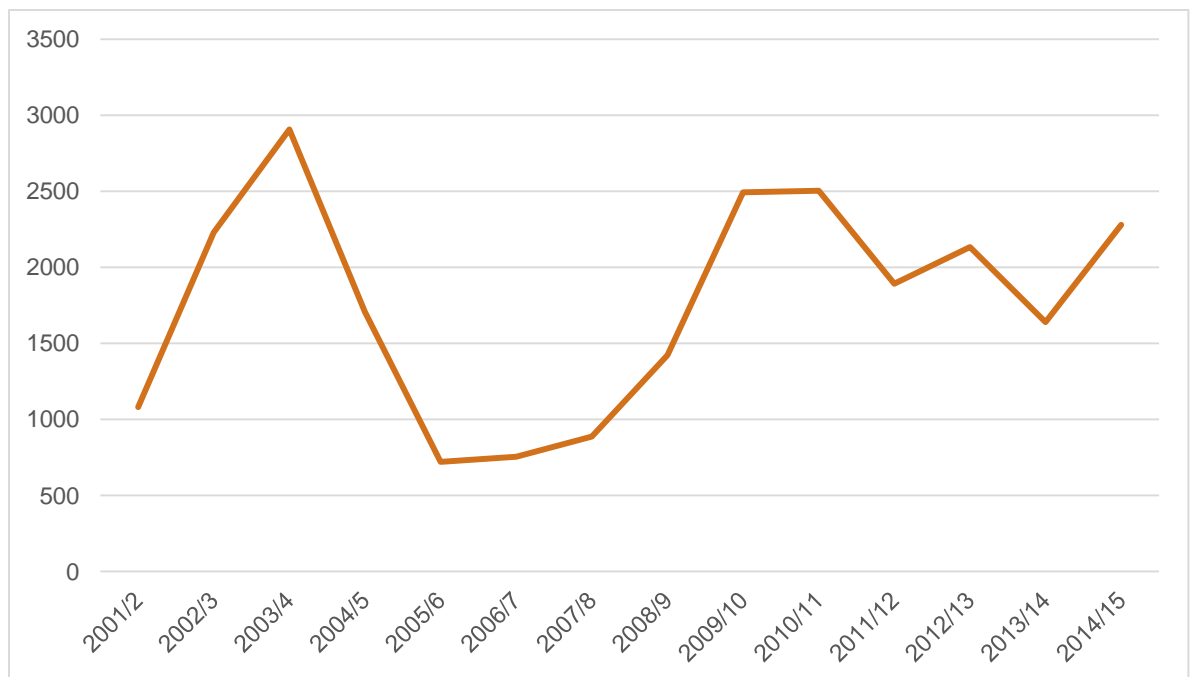
Demographic-led Projections

- 2.2 Overall, in the 2012-32 period, the 2014-based SNPP projects an increase in population of around 31,400 people (15.7%) in York; this is somewhat higher than the 2012-based SNPP (12.2%) and also higher than the main SHMA projection (which had population growth of 13.7%).
- 2.3 As has become convention, we have also considered longer term migration trend using the latest available evidence from the 2014-SNPP and the 2015 Mid-Year Estimate. The analysis of longer-term trends is suggested as an alternative scenario in the PAS technical advice note and the LPEG methodology.

2.4 Previous analysis has identified that levels of population growth have been variable over time and this is at least in part due to a variable level of recorded migration. As with other projections, migration levels are treated as variable within the model and changed depending on the age structure (both in the local area and areas from which people might be expected to migrate).

2.5 It is however notable that the level of need in York is driven by higher levels of migration in the recent past, particularly since the onset of recession in 2008. For example, average migration since 2008 has been 2,050 people per annum on average, compared with 1,470 in the seven years to 2008. This will have a notable impact on the assessed level of population growth and housing need in the CLG projections (which look at the 2008/9-14 period for migration information). Although its worth noting that the latest year's evidence presents a notable upturn.

Figure 1: Net migration 2001-15



Source: ONS

2.6 If we were to look at the population growth from the 10-year trends (2004/5-2014/15) then the growth would be considerably lower at 25,000 people over the 2012-32 period. This reflects the much lower level of net migration between 2005/6 and 2007/8. Increasing a base period for the migration assessment to 14-years would increase this figure up to about 27,800 persons.

2.7 There is also a notable level of Unattributable Population Change (UPC) in York in the 2001-11 period, the UPC in this case suggests that population growth and migration may have been over-estimated and if this is the case then this potentially has a knock-on effect on the projections. Hence taking account of UPC would show lower levels of need (as shown in the table overleaf).

Table 1: Projected Population Growth 2012-32 – range of demographic based scenarios

	Population 2012	Population 2032	Change in population
2014-based SNPP	200,018	231,374	31,356
2014-based SNPP (+ MYE)	200,018	231,769	31,751
10-Year Migration Trend	200,018	225,012	24,994
14-Year Migration Trend	200,018	227,808	27,790
10-Year Migration Trend (+UPC)	200,018	221,889	21,871
14-Year Migration Trend (+UPC)	200,018	224,081	24,063

Source: Derived from ONS data

- 2.8 While there is some merit at looking at longer term trends and UPC these do not provide robust enough evidence to justify such a notable departure from the official projections, particularly given the most recent year indicates an upturn in net migration. Migration trends suggest a general trend of increasing migration over time and the longer-term projections will not fully reflect this (although there are some concerns about projections of the student age population in the 2014-based SNPP).
- 2.9 Furthermore longer term trends could also been seen as a range with those adjusted for UPC. However UPC becomes a redundant issue in any projections based on data which is from 2007 onwards including the official projections. Hence, whilst there is merit in considering the trend based projection, they should not be given any greater weight than the figures emerging from official statistics.
- 2.10 The impact of Brexit on demographics cannot yet be quantified. This will largely be dependent on whatever deal, if any, is made in relation to the free movement of labour/access to the single market. Once more is known on this the Office of National Statistics will include what they believe to be the impact of it in their next set of national population projections.
- 2.11 The official population projections (particularly when the latest MYE are included) show level of population growth which is higher than any recent historic period or any trend based forecast of growth. It should therefore be seen as a positive step to consider these as the preferred population growth scenario.
- 2.12 We have therefore taken forward the official projections and those updated with the most recent date for further consideration. Any other sensitivity would result in a lower housing need but this would not be defensible given the very strong recent trends.
- 2.13 Any move away from the official projections need to be “justified on the basis of established sources of robust evidence”. However a clear and evermore consistent migration trend is appearing and

could not fully justify any move away from the official projections. Doing so would risk under-estimating the true housing need in the City.

Household Growth

- 2.14 Consistent with the SHMA analysis, the next stage of the process is to apply age specific household formation rates to the population data. At the time of writing the latest information is from the 2014-based CLG household projections and so this data has been applied to the new projections. It should be noted that there is no material difference between this version of household forecasts and the household formation rates from the previous 2012-based version.
- 2.15 To be consistent with the SHMA, household formation rates from the Stage 1 release of CLG projections have been used. These are based on longer term trends and the stage 2 projections are constrained to these. This would indicate reliance on their use would be more robust.
- 2.16 Additionally, information about the institutional population needs to be applied (to turn population information into household population) and again data from the 2014-based household projections has been used. Council Tax vacancy rate data has also been used to convert household into dwellings – this shows a vacancy rate of 1.3%; lower than the equivalent SHMA figure (of 3.8%) which was based on 2011 Census data.
- 2.17 The analysis shows that with the 2014-based Household Projections that the level of housing need would be for 867 dwellings per annum – this is about 4% higher than the figure (of 833) derived in the SHMA for the main demographic based projection.

Table 2: Projected Household Growth 2012-32 – range of demographic based scenarios

	House-holds 2012	House-holds 2032	Change in house-holds	Per annum	Dwellings (per annum)
2014-based SNPP	84,270	101,390	17,120	856	867
2014-based SNPP (+ MYE)	84,270	101,366	17,096	855	866

Source: Derived from ONS and CLG data

- 2.18 Despite a higher population growth using the latest mid-year estimates takes the housing need down by a single dwelling to 866 dpa. This is due to changes in the age structure.

Improving Household Formation

- 2.19 Within the SHMA, analysis was also undertaken (as part of the market signals analysis) to recognise a modest level of suppressed household formation – this essentially took the form of returning the household formation/headship rates of the 25-34 age group back to the levels seen in

2001 (which is when they started to drop). A consistent analysis has therefore been carried out applied to the projections with the table below showing relevant outputs.

- 2.20 With an uplift to the household formation rates of the 25-34 age group, the housing need (when linked to 2014-based projections when updated) increases to 873 dwellings per annum. When the mid-year estimates are included the housing need decreases to 871 dpa.

Table 3: Projected Household Growth 2012-32 – range of demographic based scenarios (with uplift to headship rates for 25-34 age group)

	House-holds 2012	House-holds 2032	Change in house-holds	Per annum	Dwellings (per annum)
2014-based SNPP	84,270	101,502	17,232	862	873
2014-based SNPP (+ MYE)	84,270	101,479	17,209	860	871

Source: Derived from ONS and CLG data

- 2.21 At 871 dpa the preferred population growth scenario (2014-based SNPP (+ MYE)) is similar to the upper end of the OAN in the SHMA addendum (898). However, this figure excludes any adjustment that might need to be made for economic growth nor would it improve affordability.

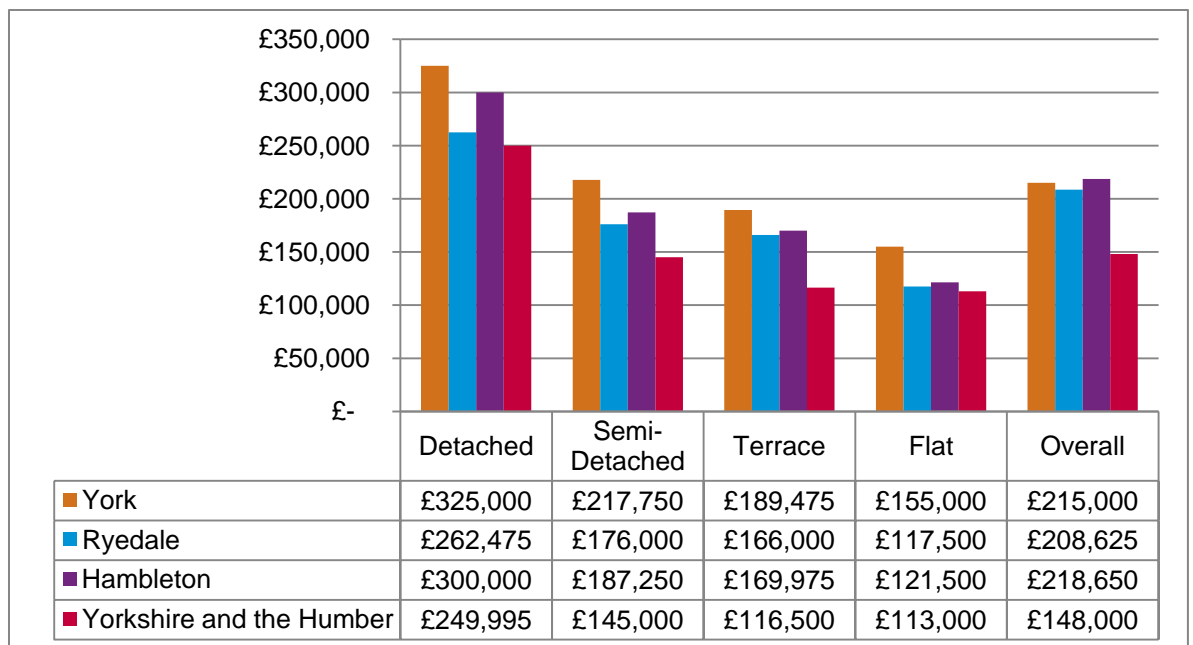
3 MARKET SIGNALS AND AFFORDABLE HOUSING NEED

- 3.1 We have undertaken a targeted update to the market signals section looking using recently published data. This is not a full update, as many of the datasets used have not been updated since publication of the SHMA.
- 3.2 We have considered a single adjustment to address both of these issues as they are intrinsically linked. For example an improvement in affordability would inevitably reduce the demand for affordable housing.
- 3.3 That said the update does not review affordable housing need but the situation is unlikely to have changed significantly from the SHMA. The SHMA identified a net affordable housing need of 573 dwellings. However large parts of this need is either existing households (who do not generate need for additional dwellings overall) or newly forming households (who are already included within the demographic modelling).

House Prices

- 3.4 The SHMA outlined significant house price growth in the HMA between 2001 and 2007. Since 2007, house prices nationally and locally have been very different due to the economic backdrop. This saw some initially falls in York followed by a longer period of stabilisation.
- 3.5 The SHMA reported that By Q4 2014 house prices in York had reached £195,000 which to that point was slightly lower than the previous quarter (£200,000). However, by Q2 2016 this had increased to £225,000. Again this was a notable increase since the previous quarter with the 8 month median figure for 2016 sitting at £215,000.

Figure 2: Median House Prices (Jan – Aug 2016)



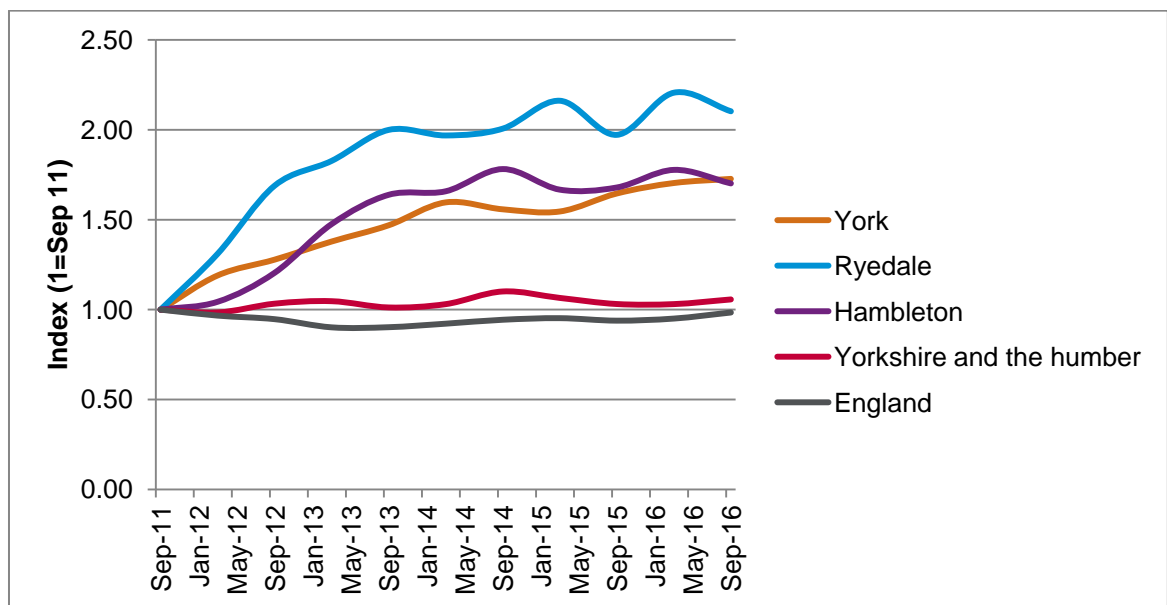
Source: GLH Analysis: Land Registry Price Paid Data

- 3.6 In 2015 York's median detached house price is £276,500 this increased to £325,000 suggesting a strong recovery in the upper end of the market. For semi-detached properties, prices for York stood at £193,000 and have since increased to £217,000.
- 3.7 There is a similar situation for terraced houses. The median house prices in York also increased from £175,000 to £189,000. The median flat prices in York have also increased from £144,725 to £155,000. The 2016 median prices by type are illustrated in Figure 2 above.
- 3.8 The SHMA set out VOA median private rental data from March 2015 which showed the median rental price in Yorkshire and the Humber was £495 per calendar month (pcm) and £675 pcm in York and the England average was £600 pcm. However, the most recent data shows that England

has grown to £650 (+8%), while York has seen median rental prices increase to £700 (+4%). In contrast Price in the region only grew by 1% to £500 per month.

3.9 Figure 39 shows trends in the number of private rental transactions recorded by the VOA benchmarked against September 2011 figures. This shows a strong upward trend in the number of rental transactions in York although falling in the last six months. In York rental transactions are currently 73% higher than in September 2011 showing continued return to the longer term trend than seen in the previous SHMA. By comparison, in Yorkshire and the Humber rental volume are still slightly above (6%) past figures. Nationally, over this period there has been a slight downward trend.

Figure 3: Trend in private rental transactions (Sep 2011 – Sep 2014)



Source: VOA Private Rental Data

Affordability of Market Housing

3.10 We have considered evidence of affordability by looking specifically at the relationship between lower quartile house prices and lower quartile earnings. As of 2015 the lower quartile house prices in York are 8.9 times higher than lower quartile earnings. The equivalent figures for Ryedale and Hambleton are 8.8 and 8.9 respectively.

3.11 As a general observation, we can see that across all areas the affordability of property has worsened quite markedly over the past 15 years. However much of this growth was prior to 2005, and there has been limited change in affordability over the last decade, particularly in York.

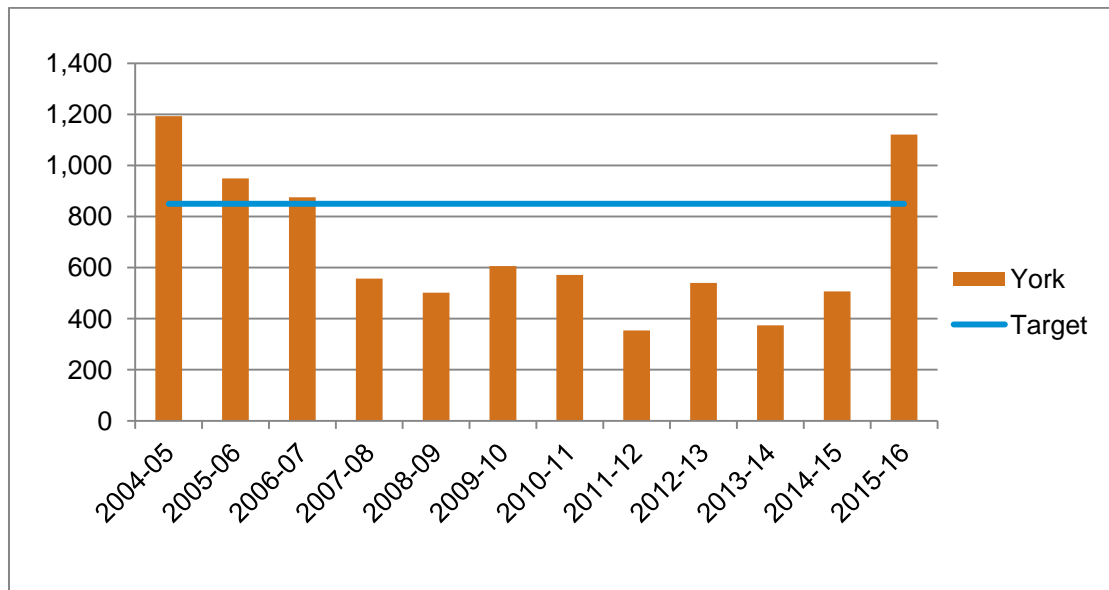
Table 4: Comparison of lower quartile and median affordability (2015)

	Median Ratio	Lower Quartile Ratio
England	7.6	7.0
Hambleton	8.8	8.9
Ryedale	8.7	8.8
York	8.3	8.9

Source: DCLG Housing Market Live Tables

- 3.12 Nationally, a combination of the deteriorating affordability of market homes, restricted access to mortgage products and a lack of social housing supply over the 2001-11 decade has resulted in fewer households being able to buy and increased pressures on the existing affordable housing stock. This has resulted in strong growth in the private rented sector as households are being forced to rent longer. This is exacerbated by the fact that affordability is worse in York within the lower quartile prices compared to the median prices.
- 3.13 We have examined housing completions data for York dating back to 2004/05 and set these against the annual housing target from 2004/05 to 2015/16. With the exception of the last year housing delivery in York has missed the target each year since 2007. Overall target for these years was missed by 20% which equals 2,051 units below the target level. The York Target is taken from the Yorkshire and Humber Plan Regional Spatial Strategy (adopted in 2008).
- 3.14 This analysis highlights a shortfall in provision against previous targets. The PPG states that 'if the historic rate of development shows that actual supply falls below planned supply, future supply should be increased to reflect the likelihood of under-delivery of a plan'. The PPG also urges that the assessment will need to reflect the consequences of past under-delivery of housing'. It is considered that under-delivery may have led to household formation (particularly of younger households) being constrained. This point is picked up in this report which uses a demographic projection based analysis to establish the level of housing need moving forward.
- 3.15 The finding of a past under-delivery of housing may suggest that there is a 'backlog' of need which requires adding on to an assessment of need moving forward. However, it is considered that this past under-delivery is not a discrete part of the analysis but is one of the various market signals which indicate a need to increase provision from that determined in a baseline demographic projection. As noted in the paragraph above it is recognised that this market signal will require upward adjustment through consideration of migration and household formation rates rather than just a blanket increase based on the level of 'shortfall'.

Figure 4: York – Housing Supply vs Target (2006/07 – 2013/14)



Source: Authority Monitoring Reports

- 3.16 Such an approach can be supported by a recent High Court ruling; Zurich Assurance Ltd vs Winchester City Council and South Downs National Park Authority of 18th March 2014. In this the claimant (Zurich) considered that the Inspector at the Local Plan EiP had made a ‘methodological error’ in his assessment of the proposed housing requirement. In this regard, the Honourable Mr Justice Sales stated that:

“According to Mr Cahill’s suggestion, the modellers in 2011 should have begun by saying that there was a shortfall of 854 homes against a previous estimate and then should have added that on to their own modelled estimates for new homes for 2011-2031 to produce the relevant total figure. In fact, none of them proceeded in that way, and rightly so. In my view, they would clearly have been wrong if they had tried to do so. Their own modelling for 2011-2031 is self-contained, with its own evidence base, and would have been badly distorted by trying to add in a figure derived from a different estimate using a different evidence base. That would have involved mixing apples and oranges in an unjustifiable way.” [§95, Case Number: CO/5057/2013].

Affordable Housing Need

- 3.17 The City of York Council currently have an affordable housing policy of up to 30%. The SHMA identified a net affordable housing need of 573 dwellings. Based on this level of need and the current policy the City would require to deliver 1,910 dwellings per annum. To put this in context the City has only delivered more than 1000 homes once since 2004-5. Using a lower policy target would result in an even higher need.

- 3.18 While there is clearly an affordable housing issue in the City many of the households in need are already in housing (just housing that is not suitable for some reason such as overcrowding) and therefore do not generate a need for additional dwellings.

Market Signals and Affordable Housing Need Conclusions

- 3.19 On balance, the market signals are quite strong and there is a notable affordable housing need. Combined these would merit some response within the derived OAN. This is a departure from the previous SHMA and the Addendum which did not make any market signals or affordable housing adjustment.
- 3.20 There has been some debate over the last few years regarding the response to affordable housing need, specifically whether affordable housing need is a component of the OAN or if it is a separate requirement.
- 3.21 In particular the Kings Lynn and West Norfolk Council vs. SSCLG and Elm Park Holdings case which involved the Council's challenge to an inspector's granting of permission for 40 dwellings in a village. Although much of the case was about the approach to take with regards to vacant and second homes, the issue of affordable housing was also a key part of the final judgment.
- 3.22 Focussing on affordable housing, Justice Dove considered the "ingredients" involved in making a FOAN and noted that the FOAN is the product of the Strategic Housing Market Assessment (SHMA) required by paragraph 159 of the NPPF. It is noted that the SHMA must identify the scale and mix of housing to meet household and population projections, taking account of migration and demographic change, and then address the need for all housing types, including affordable homes.
- 3.23 He continued by noting that the scale and mix of housing is 'a statistical exercise involving a range of relevant data for which there is no one set methodology, but which will involve elements of judgement'. Crucially, in paragraph 35 of the judgment he says that the 'Framework makes clear that these needs [affordable housing needs] should be addressed in determining the FOAN, but neither the Framework nor the PPG suggest that they have to be met in full when determining that FOAN. This is no doubt because in practice very often the calculation of unmet affordable housing need will produce a figure which the planning authority has little or no prospect of delivering in practice'.
- 3.24 This is an important point, given the previous judgements such as in Satnam and Oadby and Wigston where the inspector or judge suggested a mechanical uplift of the OAN based on the affordable housing need and the affordable housing policy. And indeed in relation to Oadby and Wigston he notes that 'Insofar as Hickinbottom J in the case of Oadby and Wigston Borough Council v Secretary of State [2015] EWHC 1879 might be taken in paragraph 34(ii) of his judgment

to be suggesting that in determining the FOAN, the total need for affordable housing must be met in full by its inclusion in the FOAN I would respectfully disagree. Such a suggestion is not warranted by the Framework or the PPG’.

3.25 Therefore, this judgement is clear that an assessment of affordable housing need should be carried out, but that the level of affordable need shown by analysis does not have to be met in full within the assessment of the OAN. However, should still be a material consideration in determining the OAN.

3.26 Taking the market signals and affordable housing need into account there is some justification of a response to affordable housing need in the City. As established there are also some market signals challenges across the City which require a response. Any adjustment should however be considered as addressing both elements.

3.27 The PPG sets out that the scale of such an adjustment should be *“a level that is reasonable”*. SHMAs around the country have generally applied adjustments to improve affordability of up to 20%, We are aware of only one exception to this, in Cambridge (where a 30% adjustment has been recommended). Over the last few years or so different Government Planning Inspectors have taken a range of views on this matter, including:

- Mendip (October 2014) – *‘these findings indicate that trends in Mendip sit fairly comfortably alongside county, regional and national trends and do not, therefore, justify an upward adjustment of the housing numbers that came out of the housing projection’*
- Eastleigh (November 2014) – *‘It is very difficult to judge the appropriate scale of such an uplift. I consider a cautious approach is reasonable bearing in mind that any practical benefit is likely to be very limited because Eastleigh is only a part of a much larger HMA. Exploration of an uplift of, say, 10% would be compatible with the “modest” pressure of market signals recognised in the SHMA itself’.*
- Uttlesford (December 2014) – *‘While evidence on some of these topics is patchy. Taking them in the round and without discussing them in detail here, I consider that an uplift of at least 10% would be a reasonable and proportionate increase in the circumstances of Uttlesford’*
- Stratford-on-Avon (March 2015) – Despite the area show strong evidence of strong affordability pressures the inspector concluded that *‘On balance I conclude, despite the SHMA’s finding that there is a case for an uplift, that an upward adjustment in housing numbers has not been justified in terms of market signals in the District’.*
- Crawley (May 2015) – Despite the Council themselves seeking to make a market signals adjustment the inspector concluded that he was *‘not convinced that the market signals uplift is justified by the evidence, for the various indicators reveal a situation in Crawley which is not as severe as in other North West Sussex authorities, and one that has not worsened in recent years’.*
- Cornwall (June 2015) – The same Inspector as the Eastleigh Local Plan inquiry suggested that *‘National guidance is that a worsening trend in any relevant market signal should result in an uplift. But for the reasons given below I do not consider that I should require such an uplift to be made for Cornwall at this time’*

- 3.28 Given the balance of judgement it would appear that a 10% adjustment could be justified in York on the basis of the previously established affordable housing need the updated market signals evidence.
- 3.29 There is also some debate as to whether a market signals adjustment should be made relative to the demographic need, or whether it should be applied on top of adjustments to support economic growth. Although largely redundant in York the argument in favour of the former is that it is intending to 'oversupply' housing in order to improve affordability; whilst in respect of the latter, it is that households are required to live in additional homes and that additional housing above the demographic starting point would potentially support additional workforce growth.
- 3.30 In line with the approach outlined in the PPG we consider it is most appropriate to make or consider an upward adjustment to the demographic starting point in order to respond to housing market signals and to enhance affordable housing delivery.
- 3.31 As set out in the previous Chapter the starting point of the demographics which were the official projections which supplied a housing need of 867. Therefore a 10% market signals and affordable housing need uplift would be 87 dpa. Overall this step increased the OAN in in the City to 953 dpa for the period 2012 to 2032. This would also incorporate an improvement to household formation rates.
- 3.32 An OAN set at this level would improve affordability in the City. The intended impact would be that household formation rates would improve as housing supply grows without increasing the population. This would allow more children to leave the parental homes, reduce concealed households and decrease shared households and housing in multiple occupation.

4 ECONOMIC GROWTH

- 4.1 The full SHMA examined economic growth in the City using four different forecasts for job growth. Three of these were from Oxford Economics (OE) including bespoke forecasts procured by Arup on behalf of the Council. The OE forecasts set out a jobs growth of between 609 and 868 jobs per annum the higher of which resulted in a housing need of 814 dpa. The Arup work and therefore the bespoke forecasts have not been updated.
- 4.2 The final forecast was from the Yorkshire and Humber Regional Economic Model. This set out a jobs growth of 789 dpa for the period 2012-32. This resulted in a housing need of 797 dpa. The later version of the REM substantially reduces this growth to 594 dpa. Therefore we would expect the housing need to also reduce further.

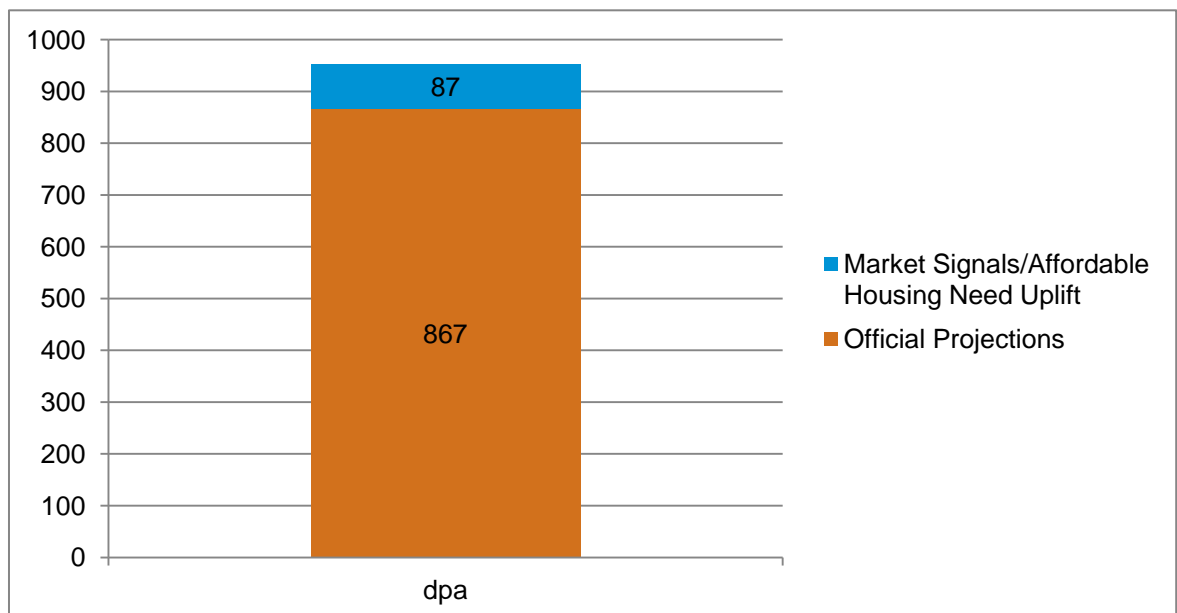
- 4.3 This report presents no alternative to the work in the original SHMA however it is clear in all cases that the housing need required to meet the economic growth is lower than the demographic need. Furthermore evidence of more recent forecasts suggest that the economic growth will be even lower than anticipated.
- 4.4 Therefore on balance, there is unlikely to be any justification for an uplift to housing numbers in the City to support expected growth in employment. The uplift for market signals would also see the likelihood for an economic uplift reduce.

5 CONCLUSIONS

- 5.1 In line with the PPG our assessment starting point are the latest official projections. At the time of publication these were the 2014-based household projections. Including an allowance for vacant homes these result in a need for 867 dpa. Inclusion of the most recent mid-year estimates within the calculations reduces this figure by 1 dpa.
- 5.2 A review of longer term trends suggests that the official projections are showing a higher level of need than if longer term migration trends were used. While this arguable could reduce the OAN any movement away from the official projections needs to be “justified on the basis of established sources of robust evidence”. No such evidence is apparent as the latest data appears to show net migration increasing once more.
- 5.3 Furthermore there is also the clear desire of the Government to boost housing delivery, and therefore setting an OAN that is below the most recent official projections while justifiable might be difficult to support.
- 5.4 There is however an apparent continued suppression of household formation rates within younger age groups within the official projections. In order to respond to this we have increased the household formation rates in this age group to the levels seen in 2001. The housing need (when linked to 2014-based projections) increases to 873 dwellings per annum. When the mid-year estimates are included the housing need decreases to 871 dpa. This should be seen as the demographic conclusions of this report.
- 5.5 Although we have not undertaken a full update to the analysis of economic growth all previous analysis provided a housing need lower than the most recent demographic evidence. Furthermore the most recent projections indicated a substantial reduction in potential economic growth in the City. There is therefore no justification for an uplift to the OAN on the basis of economic need.

- 5.6 In response to both market signals and affordable housing need we have advocated a 10% uplift to the OAN. In line with the PPG this was set against the official starting point of 867 dpa. The resultant housing need would therefore be 953 dpa for the 2012-32 period.
- 5.7 The level of housing need identified is somewhat higher than the previous SHMA reflecting the increased starting point but also the inclusion of a market signals uplift. This OAN would meet the demographic growth in the City as well as meet the needs of the local economy.
- 5.8 In addition the uplift above the official projections will improve local affordability issues allowing for improvements to household formation rates as well as deliver an increased amount of affordable housing. The derivation of the OAN for York is set out in the figure below.

Figure 5: Derivation of OAN for York (Dwellings Per Annum (2012-32))



- 5.9 The official projections should be seen as a starting point only and housing delivery at this level (867 dpa) would only meet the demographic growth of the City. It would not however address the City's affordability issues.
- 5.10 Without the 10% uplift for market signals/affordable housing need the City's younger population would fail to form properly. This would result in greater numbers residing with parents or friends or in share accommodations such as HMOs.

APPENDIX A: Consultation Responses

5.11 This appendix seeks to comment on the responses received by the City of York Council in relation to housing need. The City Council received twelve substantial responses, which in part relate to housing need. This section is not an attempt to respond to every point raised on a line-by-line basis, it does however respond to the most substantive or oft repeated comments which have been received. This section does not respond to any comments in relation to land supply or the housing requirement as set out in the local plan. Nor have we provided a critique of alternative assessment of need.

5.12 The twelve responses were made by the following groups:

- Barton Wilmore on Behalf of Barratt and David Wilson Homes;
- DPP Planning on behalf of a landowner;
- Gladman Development Limited;
- Nathaniel Lichfield and Partners on behalf of Linden Homes, Persimmon Homes, and Taylor Wimpey;
- Nathaniel Lichfield and Partners on behalf of Shirethorn Ltd;
- Regeneris on behalf of Barwood Land;
- Turley on Behalf of JJ Gallagher Ltd; and
- Understanding Data for Sandby (York Ltd) and Oakgates/Caddick Groups
- WYG Planning on behalf of Pilcher Homes Ltd;
- York, North Yorkshire & East Riding Local Enterprise Partnership;
- York and North Yorkshire Chamber of Commerce;

Demographics

The SHMA did not use the latest available data i.e. the 2014-based projections or the 2015 MYE

5.13 The SHMA used the latest available evidence at the time of publication. This update includes use of the latest demographic projections (2014-based) as well as the latest 215 Mid-Year Estimate.

The official projections should be a minimum and should not be deviated from or adjusted downwards.

5.14 The guidance gives a specific example of where a downwards adjustment should be made and therefore this point is not something that can be accepted as true.

5.15 We have used the latest official population projections as a starting point and while incorporating the mid-year estimates point to a lower need this is only marginal. Furthermore the revised methodology takes this figure onwards and makes subsequent upwards adjustments.

- 5.16 The OAN derived is also likely to be at the upper end of the range of need given the sensitivities around longer term trends.

The OAHN is significantly lower than the 2014-based SNPP demographic starting point

- 5.17 This continues the point above and is no longer relevant.

GL Hearn should recognise the reduction in HFR from the 2008-based projections which reflect the long term position.

- 5.18 The 2008-based HFR have been largely discredited as being too optimistic. The methodology recognises work carried out by the Cambridge Centre for Housing and Planning Research (CCHPR) in a September 2013 study for the Town and Country Planning Association (TCPA) – *new estimates of housing demand and need in England, 2011 to 2031*. In particular this notes:

“The central question for the household projection is whether what happened in 2001 – 11 was a structural break from a 40-year trend; or whether household formation was forced downwards by economic and housing market pressures that are likely to ease with time. At the time of the 2011 Census, the British economy was still in recession and the housing market was depressed. The working assumption in this study is that a considerable part but not all of the 375,000 shortfall of households relative to trend was due to the state of the economy and the housing market. 200,000 is attributed to over-projection of households due to the much larger proportion of recent immigrants in the population whose household formation rates are lower than for the population as a whole. This effect will not be reversed. The other 175,000 is attributed to the economy and the state of the housing market and is assumed to gradually reverse.”

- 5.19 On the basis of this analysis it can broadly be suggested that half of the lack of expected households is due to market factors with roughly half attributable to other issues (notably international migration) and hence any reliance on 2008-based household formation rates is likely to be questionable. We have instead used a known historical benchmark.
- 5.20 Furthermore by increasing the housing need by 10% for market signals then this will increase housing provision without increasing the populations. Therefore unless there is a notable increase in vacant homes it will have the inevitable consequences of increasing household formation rates.

GL Hearn overstate the issue of student growth and rejection of the 2014-SNPP is wholly unjustified,

5.21 We no longer adjust the OAN for this factor although the longer term trends do point to a lower need. This suggests the OAN is likely to be at the upper end of any range. Furthermore the Council have informed us that the University growth is likely to be slower than first anticipated.

GL Hearn should provide further evidence as to how their model generates lower population growth levels, from higher long term migration figures

5.22 Our model is a dynamic model. It is likely that alternative interpretations will be using a fixed level of migration whereas in reality ONS are projecting a reduction in net migration over time (in part due to age structure changes - internal migration and also due to reducing levels of international migration).

5.23 The 10-year projection averaged migration of 1,673pa compared with 2,039 in the SNPP reference period. Therefore it is unlikely that the housing need taking this forward would be lower than the official projections.

There is no review of the wider FE sector or wider education sectors

5.24 The wider FE and education sectors are unlikely to generate a need for additional housing attendees at these establishments are likely to be residing within the area. There is also limited data available relating to education establishments outside the Higher Education Statistics Authority.

Economics

The SHMA does not set out the job growth likely to result from any of the demographic projections

5.25 There is no requirement for the SHMA to do so. However the labour force will exceed that required from the forecasted job growth.

The Economic Forecasts are out of date

5.26 The economic forecasts have consistently shown a lower level of housing need resulting from economic growth than the demographic need. This is likely to continue to be the case with forecasts showing an ever more pessimistic view of job creation as a result of Brexit

The SHMA presents a suppressed picture of likely economic growth

5.27 The SHMA reflects the forecasts as set out by a number of robust data sources. These all pre-date Brexit with evidence of more recent forecasts showing lower growth still.

We have not provided detail on how it has translated the economic projections into its model through the integration of commuting ratios, unemployment or economic activity rates

5.28 These outputs are integrated within the forecasts. Commuting patterns are maintained and economic activity rates decline, albeit that for some age groups (most notable those aged over 60) they increase. The actual formulas for these calculations are not within our control. However we have tested the outputs and they seem reasonable,

We should not be using the integrated assumptions relating to Economic Activity rates, rather we should be using the OBR forecasts

5.29 The OBR employment rates are national dataset and cannot be robustly applied at a local level. They are also based on finite population growth at a national level combined with much lower employment growth. As such they show a much lower level of employment rate change than the forecasts which we base our assessment on.

5.30 If the OBR rates were to be adopted locally then so too must there assumptions on employment growth, which would markedly reduce the jobs growth figure in York again.

Market Signals

The SHMA underplays the market signals pressures within the Housing Market Area.

5.31 We have now applied an uplift of 10% within the revised report. This would result in improvements headship rates as supply would be boosted without impacting demand i.e. no further population growth.

Adjustments to headship rates have been conflated with the uplift for market signals.

5.32 The Headship Rate adjustment will boost supply without impacting demand. Hence the market signals adjustment will inevitable improve headship rates.

The Market Signals uplift is too precise

5.33 We have now applied an uplift of 10% within the revised report. This would result in improvements headship rates as supply would be boosted without impacting demand i.e. no further population growth.

The uplift should have been greater e.g. as with Eastleigh and Uttlesford a 10% or as with Canterbury a 30% uplift should be applied

5.34 We have now applied an uplift of 10% within the revised report. As set out in this report there have been a range of judgements on this matter but the balance of which is for a 10% adjustment.

Affordable Housing Need

The City Council should be seeking to meet the affordable housing need in full.

5.35 In order to meet the affordable housing need in full this would require an unsustainable level of housing growth. The reality is that much of the affordable housing need arise from households already within housing and therefore do not generate a need for additional housing.

5.36 The Kings Lynn High Court judgement also sets out that there is no requirement for local authorities to meet their affordable housing needs through increases to the OAN as these are separate and distinct calculations.

No explicit consideration or uplift applied in respect of delivering more homes to meet the needs of households in affordable housing need.

5.37 The methodology has changed and our market signals uplift will also go some way to addressing those in affordable housing need. This is because more homes will mean delivery of more affordable housing.

GL Hearn has not responded properly to affordable housing need within York in the way that the Kings Lynn judgement recommends

5.38 The methodology has changed and our market signals uplift will also go some way to addressing those in affordable housing need. In that it is now a material consideration for the OAN.

We should not be expecting the PRS to meet the affordable housing need.

5.39 We do not include any consideration in our calculation that the PRS will meet affordable housing need.

Other

The SHMA does not take into account the recommendations of the Local Plans Expert Group

5.40 The Local Plan Expert Group is not guidance and there is no certainty that it will become so.