

Report of the Acting Director for City and Environmental Services

## **City of York Local Plan – Objective Assessment of Housing Need**

### **Summary**

1. The purpose of this report is to update Members on the report regarding the Objective Assessment of Housing Need (OAHN) produced by consultants Arup to inform the preparation of the emerging Local Plan.
2. This report informs Members of the requirements placed on the Council through national guidance in relation to OAHN and presents to Members the updated work which includes an assessment of the implications of the revised national household projections published by Department of Communities and Local Government (CLG) in February 2015 which are the starting point in the assessment of housing need.
3. Members of the Working Group are invited to note and consider this evidence on the objective assessment of housing need which to provide the starting point for determining the amount of housing land required to be identified in the Plan.

### **Background – Policy Context**

4. A key objective of the National Planning Policy Framework (NPPF) is to '*boost significantly the supply of housing*'. It requires that Local Planning Authorities identify the objectively assessed need for market and affordable housing in their areas, and that Local Plans translate those needs into land provision targets. Like all parts of a development plan such housing targets should be informed by robust and proportionate evidence.
5. Paragraph 17 of NPPF sets out a set of core land-use planning principles which should underpin both plan-making and decision-taking. This includes the following principle:

*“Every effort should be made objectively to identify and then meet the housing, business and other development needs of an area, and respond positively to wider opportunities for growth. Plans should take account of market signals, such as land prices and housing affordability, and set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities”.*

6. Paragraph 47 of NPPF states that local planning authorities should:

*“ use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework, including identifying key sites which are critical to the delivery of the housing strategy over the plan period”.*

7. The NPPF is clear that Local Plans should provide land to meet their objectively assessed need in full, in so far as their area has the sustainable capacity to do so stating *that “Local Plans should meet objectively assessed needs, with sufficient flexibility to adapt to rapid change, unless: any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole; or specific policies in this Framework indicate development should be restricted<sup>1</sup>.*

8. National Planning Practice Guidance (NPPG) was published in March 2014. It includes guidance for local planning authorities in objectively assessing and evidencing development needs for housing covered in three sub-sections – the approach to assessing need, scope of assessments and methodology for assessing housing need.

9. The first sub-section covers both housing and economic need and makes three key points about the objective assessment of development needs:

- That the assessment should take no account of constraints on development such as the availability of land, viability of development, infrastructure or environmental impacts. These

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<sup>1</sup> For example, those policies relating to sites protected under the Birds and Habitats Directives (see paragraph 119) and/or designated as Sites of Special Scientific Interest; land designated as Green Belt, Local Green Space, an Area of Outstanding Natural Beauty, Heritage Coast or within a National Park (or the Broads Authority); designated heritage assets; and locations at risk of flooding or coastal erosion.

factors should be considered when setting policy targets for the Plan but do not have a bearing on need<sup>2</sup>;

- Local planning authorities are recommended to use the standard methodology set out in the Guidance and that any departures from that method should be justified in terms of specific local circumstances<sup>3</sup>; and
- Authorities should join forces with neighbours, in line with the Duty to Co-operate, so that the assessments of development needs cover market areas that cross local authority boundaries. For housing the relevant areas are housing market areas. Where joint assessments are not practical due to different plan-making timetables, single authority assessments are acceptable providing consideration has been taken of neighbours' evidence bases<sup>4</sup>.

10. The second sub-section – scope of assessment advises on the definition of housing market areas. The third sub-section provides the methodology for the assessment of housing need. In terms of overall housing need (the total number of net dwellings to be provided in the plan period) this is covered in paragraphs 15 to 21 of the Guidance. The Guidance advises that the starting point should be the household projections published by the Department of Communities and Local Government (CLG) and they should also take account of the most recent demographic evidence including the latest population estimates from the Office of National Statistics (ONS). The Guidance notes that demographic projections are trend-based – i.e. they carry forward past demographic trends from the previous five years. Accordingly they may be adjusted to take account of factors that are not captured by those trends, including past under supply, market signals and future job growth.

11. Paragraph 18 advises that authorities '*should make an assessment if the likely change in job numbers based on past trends and/or economic forecasts*' and that if the demographic projection does not provide a sufficient labour supply to match the expected growth in jobs then it should be adjusted. In relation to market signals paragraph 19 advises that '*the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals*' it

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<sup>2</sup> ID: 2a-004-20140306

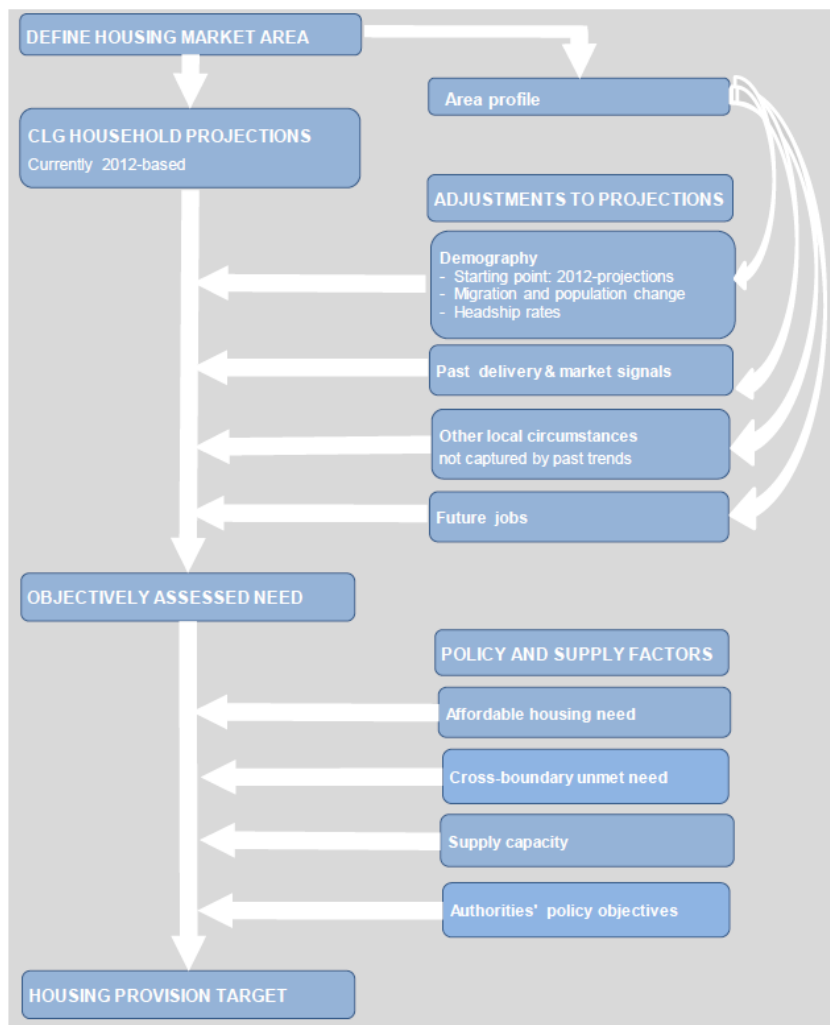
<sup>3</sup> ID: 2a-006-20140306

<sup>4</sup> ID: 2a-007-20150320

advises that appropriate market signals include *'land prices, house prices, rents, affordability, rate of development and overcrowding'*.

12. Paragraph 20 provides advice on how to respond to market signals which should include the comparison with longer term trends. It advises that *'a worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections'* and that *'if upward adjustment is required this should be set at a reasonable level'*.
13. The Planning Advisory Service (PAS) also provides guidance to local authorities on plan-making. The Planning Advisory Service is a national organisation funded by central government which essentially promotes best practice in Planning. The role of PAS is to help local authorities to get an up to date local plan in place so that they have a framework for making local decisions. PAS have produced guidance on undertaking their assessment of housing need in their recently updated technical advice note *'Objectively Assessed Need and Housing Targets'*, Technical Advice Note, July 2015.
14. The note advises that the demographic starting point for OAHN should now be the 2012 based CLG household projections and that the OAHN should test this projection and if necessary adjust this for technical anomalies and alternative reference periods. This sensitivity testing is dealt with in paragraphs 43 to 61 of this report. Figure 1 extracted from the PAS report shows the stages that should be followed in assessing the objective housing requirement. It also illustrates that determining the objective assessment of housing need is only the first step in determining the housing provision target in the Plan. Once the OAHN is determined there is a range of policy and supply issues such as affordable housing need, supply capacity and other policy objectives of the Plan which could, if evidenced, influence the housing requirement. This report is presenting to Members of the working group the objective assessment of housing need undertaken by Arup and is not at this stage seeking to agree the housing provision target for the emerging Plan.

Figure 1: Assessing needs and setting targets



15. PAS advise that in respect of analysing the past under supply of housing that there are two kinds of evidence available – direct evidence provided by past housing provision rates in relation to national trends and the local planning context and indirect evidence provided by market signals especially house price change. The past under supply of housing is dealt with in paragraphs 32 to 42 of this report.
16. When considering future employment PAS advise that the OAHN should be clear about the future population, that it is incorporated in the forecast and how the population interacts with workplace jobs in the forecast. PAS also advise that when modelling alternative scenarios to align housing and job growth that the assessments should integrate economic forecasts and demographic projections that work to consistent assumptions. This is dealt with in paragraphs 27 to 31 of this report.

## **Housing Requirements in York – Evidence on Housing Requirements in York 2015 (Arup)**

### **Housing Demand**

17. In September 2014 Arup prepared the report 'Evidence on Housing Requirements in York: 2014 Update' which reconsidered the OAHN for York based on updates to available sources of evidence and representations received during consultation on the York Local Plan Preferred Options document. Following the release of the 2012 based national household projections by CLG in February 2015 Arup were asked to produce a revised OAHN in light of this new evidence.
18. This report includes a summary of the findings of the revised OAHN work undertaken by Arup. A copy of the Arup report is included as Annex 1 to this report.

### **Demographic-based requirements - Implications of 2012-based household projections**

19. The 2012-based sub national household projections (SNHP) published on 27<sup>th</sup> February 2015 represent the most up to date household projections and NPPF and NPPG make it clear that these projections should be used as the starting point for assessing housing needs. However the NPPG maintains that '*plan makers may consider sensitivity testing specific to their local circumstances based on alternative assumptions in relation to the underlying demographic projections and household formation rates*'.
20. The 2012 SNHP are based on a period when household formation has slowed due to the impact of recessionary trends, namely a shortfall in household supply coupled with issues regarding affordability and mortgage availability. This has meant that households which would have otherwise formed (namely younger households) were not able to. There is therefore a risk of locking in trends such as suppressed household projections in the longer term over the plan period. However, whilst the 2012 projections may project forward recessionary trends the scale of this 'dampening' has yet to be qualified. The recovery could be reasonably modest given that the economic recovery is showing to be more steady and slow rather than fast and dramatic like the economic growth which took place in the period 2003 to 2008 – the time period on which the previous 2008 CLG household projections are based.

21. Across the period from 2012 to 2031 (the Plan Period) the 2012 based SNHP suggest that the number of households in York is expected to grow by 14,404 dwellings (17%) to 98,651 in total. This equates to an annual average growth rate of approximately 758 dwellings based on 19 financial/monitoring years (which run from 31<sup>st</sup> March to 1<sup>st</sup> April) from the Plan start date of 1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2031.
22. Financial/monitoring years rather than calendar years have been used to align with the housing trajectory to be prepared for the emerging Local Plan as housing completion data and consents data is also collated on a financial year basis. Table 1 compares the most recent household projections for York.

Table 1: Comparison of Household Projections

Household Projections (CLG)	2012 households	2031 households	Absolute change	% change	Annual average change (19 years)
2008 Based	89,600	113,000	23,400	26.1%	1,232
Interim 2011 based (indexed to 2008)	84,293	101,062	16,769	19.9%	882
2012 based	84,247	98,561	14,404	17.1%	758

### **Reliability of 2012 based household projections**

23. The 2012 household projections take their starting point from the 2012 mid-year population estimates (released June 2013) and assume that trends from the previous 5 years (2007-2012) continue. The CLG household projections methodology report released in February 2015 states that the Stage 1 release of the projections does not include the detailed household representative data<sup>5</sup> from the 2011 Census. Instead the stage 1 release uses the change in household representative rates (HRRs) by age from the Labour Force Survey (LFS).

<sup>5</sup> For Stage One household representative rates for 2011 have been derived at England level using the aggregate household representative rates by marital status from the 2011 Census, household population by age, sex and marital status from the Census 2011, data on household representative rates by age profile from the LFS and previous household projections. At local authority level, the household projections have been controlled to both the national projections and the aggregate household representative rate from the 2011 Census for each local authority.

24. It is therefore possible that the HRRs and therefore the household projections are subject to change particularly if the results from the 2011 Census reveal trends by age group different to that observed from the LFS. The methodology report published by CLG states that it is too early to quantify the difference and that further analysis of household formation rates as revealed by the 2011 Census will continue during 2015.
25. There is a possibility that the 2012 sub-national population projections could extrapolate recessionary characteristics inherent within the LFS but until the Stage 2 release is issued by CLG it is not possible to qualify this. There is currently no alternate evidence available on household formation rates against which to assess the reliability of this component of the 2012 projections. However Arup conclude in their report that economic recovery is occurring at a steady and gradual rate and it is not expected that household formation rates will revert back to the levels observed in the 2008 based projections which were representative of a period of rapid economic growth (based on the 5 year period 2003-2008) until later in the plan period.
26. As part of the plan making process and moving towards examination Arup advise that it will be necessary to examine the implications of the stage 2 data (date of release yet to be confirmed). The report by Arup does consider the components of population change as part of the sensitivity testing undertaken (see paragraphs 45 to 50 of this report and Section 5 of Arup's report presented as Annex 1 to this report) in order to understand the implications of the uncertainties on the objective assessment of need. An option for managing this uncertainty as the Plan moves towards examination and adoption is to develop a policy response in the Plan to provide an element of flexibility to deal with potential future changes in the housing requirement.

### **Allowing for Economic Growth**

27. NPPG states that plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts in assessing housing requirements.
28. The previous 2014 economic projections produced by Oxford Economics (OE) to support the Publication Draft Local Plan (2014) have been updated by OE in May 2015. A separate report detailing this work and the accompanying report from OE is provided to Members as a separate



agenda item to this LPWG. The forecasts from OE include a population dimension; that is, the amount of residents needed to service the forecast economic growth, making certain economic activity, commuting and migration assumptions. The growth forecasts also have implications for the requisite household requirements as the amount of workers required will need to be housed, or else there is a risk of unsustainable commuting patterns.

29. The forecasts provided by OE consist of a baseline scenario (reflecting how global and national trends are expected to apply to York) plus two additional scenarios for sensitivity testing. Scenario 1 assumes higher migration and a faster recovery of the UK economy whilst Scenario 2 assumes a faster growth in the professional services, financial and insurance and information and communication sectors balanced with lower growth within the wholesale and retail trade and accommodation and food services sectors. The scenario assumes that the UK outlook remains unchanged from the baseline with the assumptions being applied at the local level to align future sectoral trends with the Council’s emerging Economic Strategy.
30. Table 2 shows the implications of the economic forecasts for the baseline (trend based) and the additional two scenarios. The economic-led requirement is derived from applying the average household sizes provided by the 2012 national household projections<sup>6</sup> to the population dimension of the updated economic projections.

Table 2: Annual Average Change in Households derived from Economic Forecasts

Forecast	Population		Ave. Household size		Households			
	a	b	c	d	e	f	g	h
	2012/13	2030/31	2012	2031	2012/13	2030/31	Change 2012-2031	Ann. ave. change
					(a/c)	(b/d)	(f-e)	(g/19years)
Baseline	200,760	223,179	2.28	2.181	88,053	102,329	14,276	751
Scenario 1	200,760	224,742	2.28	2.181	88,053	103,045	14,993	789
Scenario 2	200,760	223,179	2.28	2.181	88,053	102,329	14,276	751

<sup>6</sup> DCLG Live Table 427

31. The analysis undertaken by Arup suggests that the economic led housing need using the OE baseline forecast and the demographic led housing need (based on CLG 2012 household projections) largely align, albeit the baseline economic forecast is slightly lower (- 7 dwellings or - 0.9%). This means that no adjustment is recommended to the baseline CLG household requirement of 758 per annum to align with the forecast economic growth. The very small difference between the two figures (751 using the OE population base and 758 using the CLG population base) is as a result of the difference between the population bases in the CLG 2012 household projections and that used in the Oxford Economic forecasts. This can be seen as a normal variance between the different forecasting methods used and represents a minimal difference of less than 1%.

### **Under-Delivery**

32. NPPG states that in assessing housing requirements, local planning authorities should reflect the consequences of past under delivery, as household projections are trend based and do not reflect unmet needs. It states that the *'housing requirement is set at the starting point of the plan, which can be earlier than the date the plan is adopted'*<sup>7</sup>. It does not set out an approach to determining how under delivery should be calculated.
33. Table 3 shows housing completions from the past ten years from 2004/05 to date against the potential household requirement. The RSS assumed annual average has been used as a policy benchmark from 2004 to 2012 as, due to the lack of a local statutory development plan, the RSS was the extant development plan at that time. Whilst it is noted that RSS housing targets took into account supply constraints as well as need, it is considered that this is the only available benchmark against which to measure under-delivery. The analysis shows that there was no under delivery against the benchmark prior to April 2008 after which recessionary conditions are likely to have resulted in the downward trend in net housing completions.
34. Over the full ten year period housing delivery has fallen short of the benchmark by 1,720 dwellings. Since the Plan date of 1<sup>st</sup> April 2012 delivery has fallen short of the benchmark by -940 dwellings using the demographic led requirement of 758 dwellings per annum. It is recommended by Arup that a 2012 base date should be used for the

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<sup>7</sup> Paragraph 036 Reference ID: 3-036-20140306

calculation of past under-delivery. This is in line with the Zurich decision<sup>8</sup> a high court case in March 2014.

Table 3: Delivery against CLG housing requirement benchmark 2004/-5 to 2014/15

Year	Net housing completions	RSS Assumed Annual Average	Household projections (Section 4.2)	
2004/05	<b>1160</b>	640	-	520
2005/06	<b>906</b>	640	-	266
2006/07	<b>798</b>	640	-	158
2007/08	<b>523</b>	640	-	-117
2008/09	<b>451</b>	850	-	-399
2009/10	<b>507</b>	850	-	-343
2010/11	<b>514</b>	850	-	-336
2011/12	<b>321</b>	850	-	-529
2012/13	<b>482</b>		758	-276
2013/14	<b>345</b>		758	-413
2014/15	<b>507</b>		758	-251
<b>Total 2004/05 - 2014/15</b>	<b>6,514</b>			<b>-1,720</b>
<b>Total 2012/13 - 2014/15</b>	<b>1,334</b>			<b>-940</b>

### The Sedgefield or Liverpool Method – How to deal with the backlog over the plan period

35. There are two different approaches to how the 'backlog' of housing delivery can be approached in setting the future housing requirement; as follows:
- The 'Sedgefield approach' seeks to meet the backlog by loading the 'unmet provision from proceeding years' within the first five years of the plan.
  - The 'Liverpool approach' or 'residual approach' seeks to meet the backlog over the whole plan period.

<sup>8</sup> High Court Case of Zurich Assurance Limited Claimant vs Winchester City Council and South Downs National Park Authority, March 2014.

36. The PAS technical note states that there is no guidance or advice which sets out the preferred approach. However the 'Sedgefield approach' is more closely aligned with the requirements of the NPPF and the need to boost significantly the supply of housing and remedy the unsatisfactory consequences of persistent under delivery. Inspectors' decisions in relation to S78 appeals<sup>9</sup> confirms their preference for this approach.
37. In terms of recent local plan examinations not all local authorities have been required to add the preceding years undersupply to the future requirement. When required, in most cases, the Inspector has accepted the Liverpool approach (to make up the past under-delivery over the whole plan period). The reasons given for this are to ensure that there is a **realistic prospect** of achieving the planned land supply (NPPF, para 47) and to ensure that the plan is 'aspirational but also **realistic**' (NPPF para 154).
38. The two different approaches to how the 'backlog' of housing delivery can be dealt with have been calculated and result in an annual backlog requirement of 59 dwellings per annum<sup>10</sup> when spread over the whole plan period (Liverpool approach) and an annual backlog requirement of 188 dwellings per annum<sup>11</sup> for the first five years of the plan (Sedgefield approach).
39. Arup advise in their report (Section 4.4) that the decision to apply the Liverpool or Sedgefield approach depends to a large extent on the character of the land supply and the establishment of a realistic housing trajectory which accords with the pattern of development set out within the emerging Local Plan. Applying the Sedgefield approach would represent a significant step-up in housing completions that Arup consider would not be necessary or realistic in the context of recent delivery rates in York. Applying the Sedgefield method would equate to a objectively assessed need of 946 per annum (758 + 188 backlog) for the first five years of the Plan. This compares to average completion rates over the past five years in York of 434 dwellings per annum and a longer term average over the past 10 years (which represents a full economic cycle) of 535 dwellings per annum. Arup state in their report that "*The balance of probabilities is that such a step change in completions implicit in the Sedgefield method would be unrealistic in market terms*".
40. Arup also consider that it may not be necessary to 'make-up' the backlog in the first five years of the Plan since the backlog occurred under recessionary conditions, and we are now in a position where the

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<sup>9</sup> Appeal against planning refusals

<sup>10</sup> Shortfall to 2012 of 940 dwellings spread over plan period (2012-2031) or 16 monitoring years (940 / 16 = 59 p.a.)

<sup>11</sup> Shortfall to 2012 of 940 dwellings spread over first five years of the housing trajectory 2015-2020 (940/5 = 188 p.a.)

economy is returning to growth and it is expected that delivery will meet and likely exceed annual averages over the plan period. This would be in line with the cyclical patterns evident in the past ten years. This approach is also in line with the Zurich decision which noted that annual averages are not in themselves a target.

41. Use of the ‘Liverpool Method’ to spread the under-delivery over the full Plan period is recommended by Arup as more appropriate and realistic although Arup state that the emphasis will be on the local authority to demonstrate and evidence why it cannot adopt the Sedgefield approach. South Cambridgeshire is one such example where the Council contends that there are particular circumstances to justify the use of the Liverpool method due to the particular spatial strategy (utilising new settlements and large strategic sites) and their associated longer lead in times. Whilst there may be a risk in arguing for the Liverpool approach that the Inspector may not accept that the backlog could not be addressed sooner the NPPF does state that Plans should be ‘*aspirational but also realistic*’.
42. Table 4 shows the implications of using the Liverpool method and the Sedgefield Method on the housing requirement.

Table 4: Housing Requirement with Backlog applied (Sedgefield and Liverpool Method)

	<b>Liverpool Method</b>	<b>Sedgefield Method</b>
Newly arising requirement	758	758
Annual backlog requirement (Section 3.4)	59	188
<b>Total requirement</b>	<b>817</b>	<b>946</b>

## Sensitivity Testing

43. NPPG states that plan makers ‘*may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates<sup>12</sup>*’. Arup have carried out sensitivity testing in line with practice guidance and this is covered in section 6 of their report. The sensitivity testing includes assessments of:

<sup>12</sup> Paragraph 018 Reference ID:2a-018-20140306

- Components of change within the population and household projections including Unattributable Population Growth (UPC);
  - Student populations; and
  - Market signals.
44. For each of these aspects it is considered by Arup whether there is sufficient evidence that the objectively assessed need should be corrected to take these factors into account. It should be noted that even where there may not be compelling evidence to change the objectively assessed need figure itself this sensitivity testing may still help to understand the uncertainties within the projections and inform the development of a policy approach in the emerging Local Plan which can help to manage these uncertainties.

### **Assessing the components of change within the 2012-based projections**

#### **1. 2012 Sub National Population Projections (SNPP)**

45. The 2012 SNPP suggest a higher level of population growth than those in the previous 2010 based projections but slightly lower than the interim 2011 based projections. Table 5 shows the components of population change in the most recent projections (2012 based) compared with the 2010 based and 2008 based projections. The key difference between the projections is the difference in the population base as the one used in the 2012 based projections uses an improved base taken from the 2011 Census. This most up to date Census provides the first count of the population since the previous 2001 Census and has led to the recalibration of population figures including revised Mid Year Population estimates, as covered in paragraph 50 to 52 of this report).
46. Differences between projections need to be treated with caution because the effects of the 2011 Census also means different assumptions for fertility rates and base year figures. Table 5 shows that the main changes in the projections are a reduction in the projected natural increase (births minus deaths) and internal migration and an increase in international migration.

Table 5: Components of Population Growth Change 2012-2031

Component of population growth	2008 based (000s)	2010 based (000s)	2012 based (000s)
<b>Natural Change</b>	<b>12.2</b>	<b>10.3</b>	<b>8.4</b>
Births	44.8	46.4	41.7
Deaths	32.4	36.4	33.0
<b>All Migration Net</b>	<b>25.3</b>	<b>16.1</b>	<b>15.3</b>
Internal Migration In	220.9	240.5	218.7
Internal Migration Out	232.3	237.6	222.6
<b>Net Internal Migration</b>	<b>-11.4</b>	<b>2.9</b>	<b>-3.9</b>
International Migration In	68.4	52.1	38.2
International Migration Out	32.3	39.0	20.9
<b>Net International Migration</b>	<b>36.1</b>	<b>13.1</b>	<b>17.3</b>
Cross-border Migration In	11.4	12.6	11.4
Cross-border Migration Out	11.4	12.4	9.5
<b>Net Cross-border Migration</b>	<b>0</b>	<b>0.2</b>	<b>1.9</b>

47. As table 5 illustrates it is migration which has driven much of the change in the recent projections with the more recent projections showing fewer net international migrants although this is partially offset by a reduction in the balance of internal out migration. Given that migration is a key component of the difference in projections the sensitivity of this component has been tested further by Arup. For each of the past three projections (2008, 2010 and interim 2011 based projections) the yearly total migration component of change has been applied to the base population and the natural change from the 2012 based projections to see what impact this would have on the indicative housing requirement.
48. The assessment given in Table 6 shows that the application of the 2010 based and 2011 based migration assumptions makes little difference to the housing requirement which ranges from 755 using 2010 based assumptions to 761 using the 2011 based assumptions compared to the 2012 based figure of 758. The application of the 2008 based projection has more impact with an additional 36 homes per annum (794 p.a.). Arup recommend that it would not be appropriate to take forward the figure which applies the 2008 based migration figure because the economic downturn slowed down migration rates and so the numbers projected have not been realised. However it may be arguable that, once

fully recovered from the downturn, that York may expect to return to similar levels of migration.

Table 6 Migration component of change sensitivity testing

	Population (2031)	Difference from 2012 based population (2031)	% change	Indicative housing requirement to 2031	Indicative annual housing requirement
2012 based SNPP (original)	223,500	N/A	N/A	14,404	<b>758</b>
2012 based SNPP with interim 2011 based SNPP migration applied	224,500	1,000	0.4%	14,468	<b>761</b>
2012 based SNPP with 2010-based SNPP migration applied	222,700	-800	-0.4%	14,352	<b>755</b>
2012 based SNPP with 2008 based SNPP migration applied	234,000	10,500	4.7%	15,081	<b>794</b>
2012 based SNPP with 2008 based SNPP migration applied post 2021	229,000	5,500	2.5%	14,758	<b>777</b>

49. Arup also assessed the impact a return to the 2008 migration rates post 2021 would have on the housing requirement (using this date as an estimation of when the economy may have fully recovered) and this would increase the 2012 based figure to 777 or an additional 15 homes per year above the 2012 based figure of 758. Arup conclude in their report that there does not appear to be sufficient justification for using a variant population projection as part of the objective assessment of need. This is because in line with the NPPG there is not considered to be 'compelling evidence' that the local circumstances specific to York will cause a deviation from the CLG national projections.



## 2. Recent Mid Year Population Estimates

50. The 2014 based mid year population estimates were released by Office for National Statistics (ONS) on 25<sup>th</sup> June 2015. They estimate a population for York of 204,349 in 2014. This is higher than the population forecast for 2014 in the 2012 based SNPP also produced by ONS which is 202,900. The differences in the components of change between the two figures are shown in table 7.

Table 7: Difference in components of change between 2012 based population projections (SNPP) and 2014 Mid Year Estimate (MYE)

Components of Change	2012 based SNPP	2014 MYE
2013 Population	201,400	202,435
Natural Increase	400	325
Net Internal Migration	0	363
Net International Migration	900	1,277
Net Cross Boundary Migration	100	-
Other	-	39
<b>2014 Population</b>	<b>202,900</b>	<b>204,439</b>
<b>Difference</b>		<b>+1,539 (+0.76%)</b>

51. Arup suggest in their report (Section 6.1.2) that there are three ways in which this higher than expected mid year estimate could be treated:

- It could be assumed that this represents a normal year-on-year variation within the existing projections and therefore no adjustment should be made;
- It could be assumed that the trends contained within the 2012 based projections are correct but that they should be rebased (indexed) to reflect the improved population base from 2014; or
- It could suggest a higher trend in population growth which should be extrapolated across the plan period.

52. Table 8 shows the implications of these three approaches. Arup conclude in their report that the +1,539 (0.76%) in the population base reported in the 2014 mid year estimate could most reasonably be regarded as normal variance around the projection and does not in itself

justify an adjustment to the objective assessment of need. They recommend that mid year estimates should continue to be monitored as a number of higher than expected estimates could indicate that a deviation from the justification is required.

Table 8: Sensitivity Testing 2014 Mid Year Estimate

<b>Approach</b>	<b>2014</b>	<b>2031</b>
2012 based sub national population projections (no change)	202,900	<b>223,500</b>
Indexation	204,439	<b>225,195</b>
Extrapolation	204,439	<b>242,170</b>

### **3. Unattributable population change (UPC)**

53. Following the 2011 Census the intercensal population estimates were rebased by the Office for National Statistics (ONS) so that the mid year estimates (MYEs) for the period 2002 to 2010 are brought in line with the 2011 Census population base. After making allowances for the methodological changes and estimated errors in the components of change over the decade, the remaining difference between the MYEs and the re-based 2011 Census MYEs is referred to as unattributable population change (UPC). ONS then apportions the UPC across each of the 10 years. Going forward no adjustment has been made to the 2012 based sub-national population projections for UPC. An adjustment for UPC is only made if it can be demonstrated that it measures a bias in the trend data that will continue in the future.
54. At the local level UPC affects some local authorities more than others. Figure 14 of the Arup report (Annex 1, page x) sets out the UPC for York and nationally using the original and re-based MYEs. It shows that York's mid years population estimates have been revised downwards as a result of the 2011 Census by a relatively large percentage – the difference between the two versions of the 2010 MYE for example was 3.6%.
55. There is no clear advice on how UPC should be reflected in the OAHN so Arup conclude that there are two options. One option would be to make no change to the official ONS population and CLG household

projections on the rationale that there is insufficient evidence available for the reasons in the difference between populations. This is the approach that has been supported in recent Inspectors decisions including Eastleigh and Stratford upon Avon. Another justification for not applying a correction is that it is possible that some of the difference between projections could be explained by under-enumeration in the 2011 Census rather than inaccuracies in the preceding MYE's.

56. The second option would be to assume that the reduction in population would lead to a proportionate reduction in household requirements, i.e. 3.6% fewer units required than the 2012 based household projections suggest. This correction would reduce the CLG household projection from 758 p.a. to 732 p.a. to which a recalculated backlog figure would need to be added (54 p.a.). This would give a revised total housing requirement of 786 p.a.
57. Arup recommend in their report that no correction for UPC should be made because they consider that the reasons for the differences between the population estimates are not clear, there is no evidence of when the error in the estimates occurred (ONS has simply distributed UPC evenly across the 10 year period) and there is a significant risk in using an approach which does not accord with recent Inspector's decisions particularly where it could be argued that the downward correction suppresses housing need.

#### **4. Household formation rates**

58. Table 9 compares the components of change of household growth in the interim 2011 based projections and the 2012 based projections. The projected growth in population is the main driver of the increase to the 2012 based projections though some is also the result of changes to the household formation rate. This is in contrast to the 2011 based projections where the growth in households was suppressed leading to a 7% reduction in the total number of households that would otherwise be required.

Table 9: Comparison of components of household growth between CLG 2011-based interim household projections and 2012 –based household projections

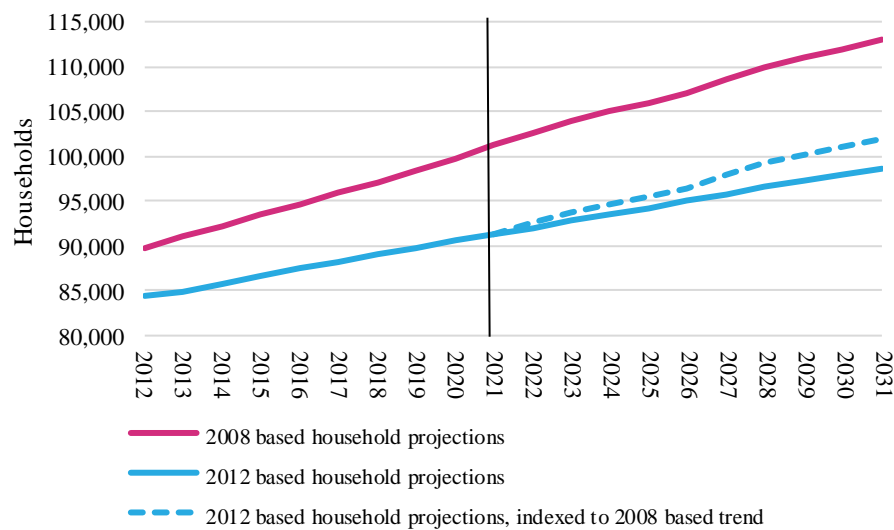
<b>Component of household growth</b>	<b>Interim 2011-based (2011-2021)</b>	<b>2012-based (2012-2037)</b>
Population level	107%	92%
Household formation	-7%	4%
Interaction terms (the relationship between population and household formation)	0%	4%

59. To sensitivity test the effect that applying different household formation rates has on the requirement Arup have also 'indexed' post 2021 the 2012 household projections using the rate of change from the 2008 based household projections (the most recent full projection proceeding the 2012 dataset). The logic behind this being that the slower rate of decline in average household size (inherent in the 2012 based projections) could be a short term effect of the recent economic recession (with less people able to form separate households) and this is likely to reverse with growth in the economy rather than being the start of a longer term trend. The implications of this sensitivity testing is set out in table 10 and figure 2.

Table 10: Household growth sensitivity testing

<b>Source</b>	<b>2012 households</b>	<b>2031 households</b>	<b>Absolute change</b>	<b>% change</b>	<b>Annual average change (19 years)</b>
2008 based household projections	89,600	113,000	23,400	26.12%	<b>1,232</b>
2012 based household projections	84,247	98,651	14,404	17.10%	<b>758</b>
2012 based household projections, indexed to 2008 based trend past 2021	84,247	101,860	17,613	20.91%	<b>927</b>

Figure 2: Household Growth sensitivity testing



60. As illustrated by table 10 and figure 2 the household projections are very sensitive to average household size and this sensitivity analysis suggests that a return to the 2008 based household formation levels (post 2021) would result in an additional requirement of 169 homes or 22.3%. Arup recommend however that there is no clear evidence currently as to what a more appropriate household formation rate might be as it is unclear how rates will respond to a recovering economy. The 2008 projections represent a strong position of growth (based on the period 2003 to 2008) whilst the 2011 based interim projections represent a suppressed position (2007 to 2011). It is likely therefore that the current 2012 based projections represent a part way between the two earlier sets of assumptions and give a realistic view of future household formation rates.
61. In Arup's judgement there is not compelling evidence to suggest that a variant of the 2012 based household projections should be used to inform the OAN. This is because any variations must be based on strong local evidence to justify why the official projections have not been used. Arup recommend that the Local Plan could seek to manage the uncertainty in the projections through building flexibility into the housing supply trajectory. This could either be achieved by building sufficient 'headroom' into the supply to deal with the uncertainty, by including sites that could be delivered earlier in the plan period or by including change in household formation rates as a trigger point for Plan monitoring and review. Arup also note that it may be necessary to undertake further sensitivity analysis and to re-assess the position once the Stage 2 CLG

release has been made as this is expected to provide further information on household formation.

## Assessing the impact of change in student populations

62. The NPPG provides the following guidance on housing for students:

***‘Local planning authorities should plan for sufficient student accommodation whether it consists of communal halls of residence or self-contained dwellings, and whether or not it is on campus. Student housing provided by private landlords is often a lower-cost form of housing. Encouraging more dedicated student accommodation may provide low cost housing that takes pressure off the private rented sector and increases the overall housing stock. Plan makers are encouraged to consider options which would support both the needs of the student population as well as local residents before imposing caps or restrictions on students living outside of university-provided accommodation. Plan makers should engage with universities and other higher educational establishments to better understand their student accommodation requirements.’***<sup>13</sup>

63. Officers have engaged with the universities in York, in order to understand the likely trends in student population levels and housing requirements. Representations made by the University of York and York St John on the Local Plan Preferred Options (July 2013) and Further Sites Consultation (July 2014) made clear that both universities have plans for growth over the plan period. Indeed, the University of York stated that ‘because of the Government’s decision to relax the caps on student number and the need to remain at the forefront of the competitive market, it is envisaged that growth in student numbers will continue over the duration of the Local Plan period until 2030’.

64. The student population in York fall within two groups: institutional population (those living in purpose-built student accommodation such as halls of residence, either university or privately owned); and non-institutional population (all others e.g. those living at home or within the private rented sector). The Arup report (Section 6.2) includes student headcount data for University of York (UOY), York St John University (YSJU) and Askham Bryan College (ABC) from the Higher and Education Statistics Agency (HESA). In addition the report also includes the latest agreed projection data provided to the Council by the universities planning agents. The planning agents have confirmed that

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<sup>13</sup> Reference ID: 2a-021-20150326

the University of York seeks to expand to circa 21,000 full time equivalent (FTE) students by 2030. Currently UOY have 15,383 FTE students. In terms of FTE this would equate to an approximate growth of 350 students per annum in a straight line trend. Similarly YSJU consider that a 'modest growth rate' is reasonable and project a straight line trend of 250 students per annum. In addition to student numbers the Arup report also presents data on known student accommodation numbers using data from the Universities and from monitoring records on consents and completions.

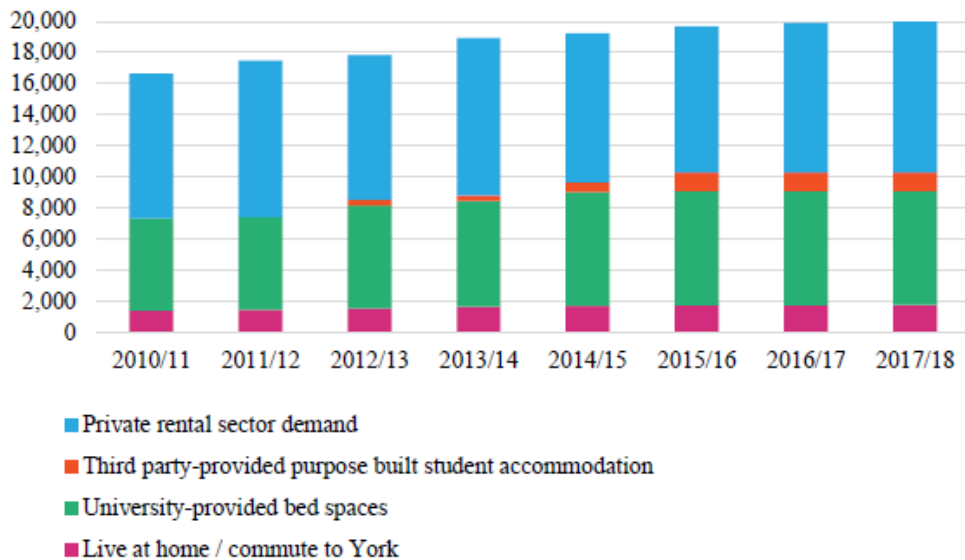
65. In considering the implications of the student figures one of the main issues is the extent to which planned expansion is above or below past trends. The ONS population projections already reflect the recent trends in student population increase in York (based on the 5 years prior to 2012) therefore if the universities' projections suggested a higher than trend expansion was expected this would suggest that the ONS population projections are under estimating the population (and therefore housing requirements) or conversely if growth in student numbers is expected to be lower than trend this would suggest that the ONS projections are over estimates.
66. Arup conclude in their report that the projected increase in students at both UOY and UYSJ broadly represents an on-trend increase and that for this reason further sensitivity analysis around the student population with regards to the housing requirement would not be justified. Whilst no firm evidence exists to make accurate predictions it is considered unlikely that the future university growth will exceed the component of growth assumed within the ONS projections and therefore the CLG housing requirement). It is considered more likely that the trend over recent years (which forms the basis of the projections) is equal to the future expectations.
67. Arup has also considered in their report how the student population is housed in terms of the split between institutional and non-institutional provision. As the requirements of students in on-campus halls of residence (institutional population) is excluded from the CLG household projections the main area of interest is the proportion of students living in the private rented sector as this has a direct competition factor with the non-student population also trying to access this accommodation. Analysis has been undertaken of the likely change in accommodation demand to 2017/18 based on the student population projections and recent and anticipated future completions<sup>14</sup> of both university provided and privately provided purpose built accommodation. Figure 3 shows the

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<sup>14</sup> Position at 1<sup>st</sup> April 2015

anticipated student accommodation demand and provision to 2017/2018.

Figure 3: Anticipated student accommodation demand and provision to 2017/2018



Source: CYC analysis

68. Whilst the analysis shows that the student demand on the private rented sector will both increase and decrease over time as a result of the availability of purpose built units overall there is a slight increase in students accessing private rental sector bed space. If an average student household size of 4.0 is used this would suggest that between 2010/11 and 2017/18 an additional 101 homes are required for student use which if extrapolated over the plan period would equate to approximately 14 homes per annum. This assumes that the current rate of delivery of purpose built accommodation will stay broadly the same.
69. Arup advise that in practice the longer term translation of student numbers into households is complex given the different accommodation choices open to students and the lack of evidence available on student household size and formation rates. Without advance knowledge of housing choices it is difficult to make accurate predictions particularly over the longer term. It is considered that the safest assumption is that provision follows existing trends and is reflected in the official ONS and CLG projections. Any reduction in household numbers would be dependent upon the universities making a commitment to provide a higher proportion of accommodation over the plan period and ensuring that their current accommodation remains attractive to students, otherwise it is likely that students will chose to move into market housing provision.



70. The scope to predict student choices and to enforce controls on student choice over the lifetime of the plan is limited and any approach to increase student in purpose built accommodation (either on or off campus) would need to be carefully and specifically evidenced. Work is ongoing on a Strategic Housing Market Assessment (SHMA) for York which may provide more evidence on student populations, household size and housing preferences in order to be able to calculate what element of the overall housing requirement they represent. This work will be reported to the LPWG in due course and the emerging Local Plan will need to reflect the outcomes of the work accordingly.
71. Dependent on further evidence from the SHMA it may be possible to offset the impact of student housing need through the provision of additional purpose built student accommodation, either on-campus provided by the universities or off campus by third parties. Encouraging more dedicated student accommodation, provided it is attractive to students, may take pressure off the private rented sector and would also allow for development at higher densities which would not be appropriate for non-student housing allowing a more efficient use of land. This would need to be strongly evidenced both in terms of commitments by the universities to provide more accommodation and also through mechanisms to ensure that students did not choose private rental accommodation over purpose built accommodation even when available. This would then need to be reflected in the housing trajectory for the emerging plan including the calculation of the release of former student accommodation back onto the market.

## **Market Signals**

72. Following the consideration of the latest demographic and household projections as the starting point for establishing housing need the NPPG suggests that household projections should be adjusted to reflect appropriate market signals as well as other market indicators of the balance between the demand for and the supply of dwellings. The Guidance advises that the assessment of market conditions should take account both of indicator relating to price and quantity<sup>15</sup> and concludes that where adjustment based on housing need is required, plan makers should set this at a level that is reasonable.

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<sup>15</sup> Paragraph 020: Reference ID: 2a-020-20140306.

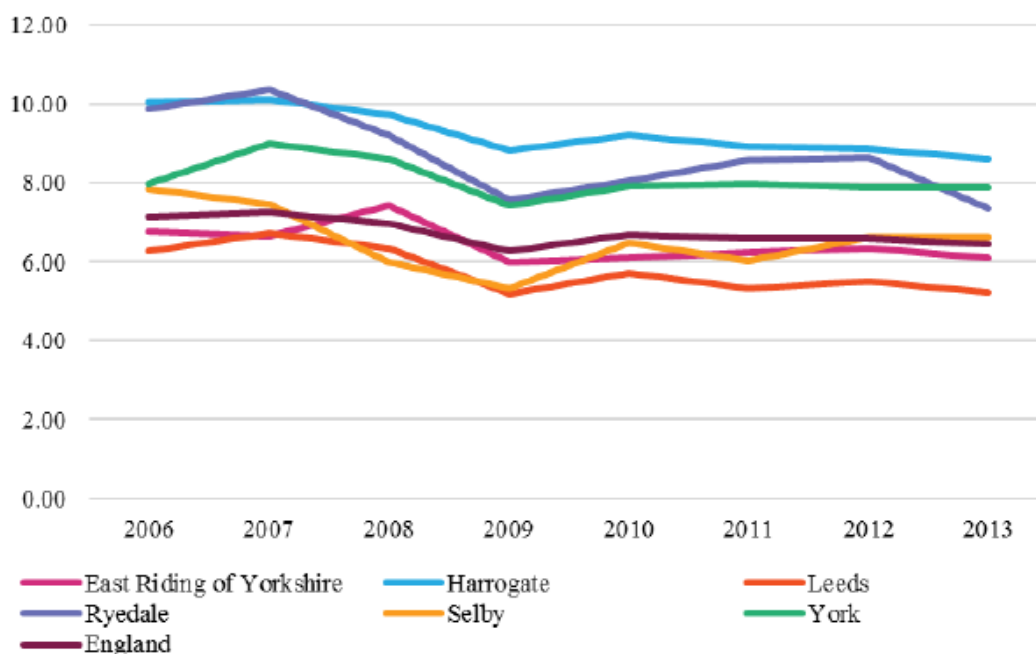
73. NPPG suggests that mix adjusted house prices measure inflation in house prices and longer term changes indicate imbalance between the demand for and the supply of housing. The guidance suggests that the ONS and Land Registry Index should be used in the assessment. In assessing affordability the Guidance advises that this should involve comparing housing costs against the ability to pay and it also suggests that the CLG quarterly releases of lower quartile house prices to lower quartile earnings ratios should be used in the assessment.
74. Between 2011 and 2012 (the latest CLG house price data available) house prices in York increased from an average of £201,286 to £208,983 (an increase of 3.8%) which was greater than the average change in house prices for neighbouring local authorities and greater than the percentage change between 2010 and 2011 in York. Average house prices in York (2012) are 2% less now than the 2007 peak where house prices averaged £210,942.
75. At the Eastleigh Local Plan examination (Feb 2015) the Inspector identified that the Council had failed to recognise the true scale of affordable housing need within their assessment of market signals and concluded that the market signals presented justified an uplift of 10% to the overall objectively assessed housing requirement. He suggested that where 'modest market pressure' existed this required an uplift adjustment to the overall housing requirement. 'Modest market pressures' were identified as the highest median prices within the 2011 Strategic Housing Market Area. Table 11 shows house price change 2003 to 2012 for York and its neighbouring authorities. It shows that the median house prices within York are relatively average when compared to the median house prices of adjoining districts. Arup do not consider that this would justify an uplift to the housing requirement.

Table 11: Median House Price Change 2003 to 2012 (£000)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>York</b>	133	153	160	170	180	172	165	177	173	180
<b>Hambleton</b>	142	179	185	195	200	200	180	200	200	200
<b>Harrogate</b>	158	177	189	198	218	210	195	220	215	210
<b>Ryedale</b>	135	170	175	190	196	187	170	185	184	178
<b>Selby</b>	123	143	158	160	170	156	160	157	157	160
<b>East Riding</b>	100	130	135	143	150	147	140	145	138	141

76. Analysis of affordability ratios for York from the CLG data<sup>16</sup> for the period 2006 to 2013 is shown in Figure 4. York's ratio currently is 7.89 and has remained at this level for the past four years with higher ratio of circa 9.00 at the peak of the market in 2007. York's ratio of affordability remains higher than the national average and many of the neighbouring authorities (except Harrogate) although broadly speaking affordability has largely remained at consistent levels over the past four years and has not worsened.

Figure 4: Affordability Ratios for York and Neighbouring Authorities (2006-2013)



77. In relation to land prices the principal source of evidence is the Valuation Officer Agency (VOA) property reports. Whilst the most recent report (2011) does not include data for York it reports that land value in Leeds have fallen to £1.36m per hectare. Recent estimates for York taken from the City of York Local Plan Viability Assessment undertaken by Peter Brett Associates suggest land values for York of between £1m to £1.5m depending on its location within the City with City Centre sites achieving the highest value.

78. In relation to rental levels the VOA publishes data on the private rental market by local authority area. At 2013 the data shows that the lower quartile monthly rent paid for a 2 bed property in York is £595 per month which is substantially higher than the Yorkshire and Humber lower

<sup>16</sup> CLG Table 576 Ratio of lower quartile house price to lower quartile earnings by district 2006 to 2013

quartile average of £425 per month and the national lower quartile average of £485 per month. Research undertaken by Leeds City Region<sup>17</sup> shows that York has upper weekly rental levels consistent with the highest rental levels demanded in the city region at £307.38 and an average rental level on a par with Harrogate at £226.62 per week.

79. In relation to overcrowding and homelessness Arup have analysed eligible households between April 2012 and December 2014 from the CLG homelessness statistics. This includes those households which are intentionally homeless and those which are eligible but are not currently homeless. This shows that levels in York have ranged from 48 to 62 per quarter which is lower in terms of absolute levels of homelessness than East Riding and Leeds. The level of homelessness in priority need over the same time period has fallen by 29% whereas other neighbouring authorities including Selby and Harrogate have seen growth in levels of priority need. A full assessment of housing needs will be provided through the updated SHMA work which is currently underway and this may identify further levels of homelessness or concealed households which are not apparent from the CLG figures. Whilst it appears to date that levels of homelessness do not represent a worsening trend this may need to be reviewed in light of the SHMA findings which will be reported back to LPWG in due course.
80. In relation to overcrowding Arup have analysed the 2011 Census data for York which shows that approximately 3.5% of households within York are considered to have at least one less bedroom than required compared to 1.9% of households in East Riding, 2.2% of households within Harrogate and 1.9% in Selby. Arup suggest that this may in part be a reflection of housing costs in York when compared with income and the inability of households to purchase the amount of 'housing space' they require.
81. In relation to market signals Arup advise in their report that recent Inspectors decisions have highlighted the importance of clarity in how market signals have influenced the objective assessment of need. However this cannot have the effect of an upward adjustment that would result in a housing number not grounded in realism in respect of the associated population levels and the ability of the market to be able to deliver it. In Eastleigh the Inspector considered that evidence showing that rents were rising above the national level and regional level justified an upward adjustment of the housing need and suggested a 10% uplift

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<sup>17</sup> Research on the affordability of housing in the Leeds Region, Huw Jones, 2013.

would be compatible with the modest pressure of market signals. NPPG also indicates that a worsening trend in market signals may require an upward adjustment to the planned housing number compared to those based solely on household projections.

82. Arup conclude that the analysis undertaken of house prices and affordability suggests that York is a higher cost housing location relative to other areas in the wider region but that affordability levels have remained similar over recent years and there is no direct evidence to suggest that affordability has worsened – which is the key test for the market signals analysis. Moreover Arup advise that if provision is made in the Plan to meet the CLG household requirement and the backlog/under delivery in previous then it is likely that the potential supply will be considerably higher than completion levels in recent years and would in itself constitute a significant step up in delivery levels. It is recommended that following the outcomes of the SHMA update currently being undertaken that the market signals assessment is updated to assess further whether York reflects a worsening affordability trend in comparison to the wider region.

#### Housing Supply Issues:

83. Whilst this report deals primarily with housing demand the Arup report also covers a number of housing supply based issues relating to the identification of a buffer (as required by NPPF) and overall flexibility or 'headroom' in the Local Plan housing trajectory. In addition officers have produced an indicative five year supply calculation based at 1<sup>st</sup> April 2015 against the emerging housing requirement to provide an update to Members on the five year supply position which may be required to deal with planning applications.

#### **Identification of a Buffer**

84. Paragraph 47 of the NPPF states that local planning authorities should:

*'Identify and update annually a supply of specific deliverable sites sufficient to provide five years worth of housing against their housing requirements with an additional buffer of 5% (moved forward from later in the plan period) to ensure choice and competition in the market for land. Where there has been persistent under delivery of housing, local planning authorities should increase the buffer to 20% (moved forward from later in the plan period) to provide a realistic prospect of achieving*

*the planned supply and to ensure choice and competition in the market for land'*

85. Neither the NPPF or NPPG define the time period which qualifies as 'persistent under-delivery' but Arup conclude in their report that in most planning appeals and local plan examinations this is considered to be a period of consistent under delivery below the target requirement for five years or more. Since 2004 York has under delivered by up to 1,720 dwellings, equivalent to 27% of actual completions against the RSS target to 2011/2012 and the CLG household projection of 758 households per annum from 2012/2013 onwards. Arup consider that this represents 'persistent under-delivery' and therefore their recommendation remains that a 20% buffer brought forward from the total requirement is added to the total housing land supply requirement in the first five years (i.e. six years worth of supply rather than five years).
86. It should be noted that the requirement to include a buffer is not, and it does not become, part of the housing requirement; it is simply a given excess of land over the land supply necessary to permit the identified need for housing to be delivered offering choice and competition to the market. That remains the position each year, the buffer does not carry forward in to the annual calculation of housing need made in subsequent years; it is re-calculated on the basis of the need identified to ensure the appropriate degree of choice and competition in the market for land.

### **Trajectory flexibility**

87. Aside from the requirement to demonstrate a five year housing land supply, authorities are also expected to show that housing delivery is sufficiently flexible across the full plan period to deal with changes or uncertainty. For example, Eastleigh Local Plan was found unsound in February 2015 partly on the basis that it was considered by the Inspector that the supply of housing would be too inflexible to buffer for changing market signals and delivery rates over the lifetime of the plan. The Inspector concluded that (apart from a time-consuming plan review) the authority had no means of increasing supply if there is a problem and that the plan needed to demonstrate that there is some flexibility to respond to changing circumstances.
88. Similarly as part of the hearing sessions held as part of the South Cambridgeshire local plan examinations the Inspector asked: *'Is there sufficient flexibility to deal with changing circumstances and/or*

*uncertainty over when allocations will come forward for development?* In responding to this question the local authority referred to the fact that the trajectory had identified land for an additional 10% of the objectively assessed need, which strategic sites might be brought forward in the trajectory in order to ensure a five year housing land supply or phased later to provide flexibility, the level of windfall sites expected (but not included in the trajectory) which they argued would help to make up any shortfall over the plan period and the relatively high proportion of the housing requirement which would be provided on sites that either already had permission or had a resolution to grant permission.

89. Arup conclude in their report that by allowing a 20% buffer in provision for the first five years this would build in a significant element of flexibility. However when allocating sites they advise that the Council will need to assess the risks to delivery including the availability of infrastructure, ownership or viability and site conditions ensuring that they not operate systematically across allocations.
90. The existing Local Plan evidence base work to date including that undertaken in the Viability and Deliverability work (Peter Brett Associates) to support the Local Plan Publication Draft and the Site Selection work to date has assessed in detail issues of site specific deliverability and also ensuring sites have willing land owners. This work will need to be updated and will be reported to members of LPWG in due course to support the emerging Plan. In addition a housing implementation survey will be undertaken with the development industry to inform assumptions on site lead-in times, phasing and annual delivery rates across a range of site sizes and types which will help to inform judgements on the flexibility of the plan trajectory. The outcomes of this survey will be reported to Members of the LPWG later this year.

### **Indicative 5 Year Supply position**

91. NPPF sets out a requirement that authorities should identify and update annually a supply of specific deliverable sites sufficient to provide five years worth of housing against their housing requirements. Therefore local planning authorities should have an identified five year housing supply at all points during their plan period. Without this even recently adopted planning policies for the supply of housing will be considered out of date<sup>18</sup>. This is particularly important given that NPPF states that where relevant policies are out of date, permission should be granted

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<sup>18</sup> Paragraph 49, NPPF.

unless any adverse impacts outweigh the benefits, or other policies indicate otherwise, when assessed against the NPPF<sup>19</sup>.

92. The Council is required to demonstrate the equivalent of 5 years worth of housing land (5YHLS) on adoption and throughout the plan period. This is known as the 5YHLS calculation and is a comparison of the anticipated supply of new homes against the number of years worth of supply. So as to avoid being skewed by annual fluctuations in housing supply it is calculated over a 5 year period. It should therefore exceed 5. Any 5YHLS is a snapshot in time with the 5 year period being a 'forward look' produced on at least an annual basis and standard practice is for the starting point to be 1 April each year.
93. Work on the five year land supply is ongoing and cannot be concluded until a series of decisions have been made on both factors that effect demand and future sites. These include the use of the CLG household projections, the approach to dealing with backlog and the potential application of windfalls. Based on work to date however, it is estimated that the current supply (at 1<sup>st</sup> April 2015) is around 4,904 units for the period 2015/2016 to 2019/2020. It should be stressed that this is for indicative purposes only and explained in more detail below. For indicative purposes only based on using the CLG projections and using the Liverpool approach to backlog this would give a five year supply. Further details of the indicative supply included in the calculation is included as annex 2 to this report.

### **Components of the indicative 5 year housing supply:**

#### **Sites with Consent (@ 1<sup>st</sup> April 2015)**

94. As listed in Annex 2 to this report the indicative 5YHLS includes those sites with planning consent at 1<sup>st</sup> April 2015 including those which are under construction and part implemented and also those sites which at 1<sup>st</sup> April 2015 were awaiting legal/planning conditions approval. In total there are 4,390 dwellings with consent or awaiting legal/conditions approval.

#### **Emerging Draft Allocations**

95. NPPF states that deliverable sites for housing could include sites with planning permission (outline or full that have not been implemented) and

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<sup>19</sup> Paragraph 10, NPPF.



those allocated for housing in the development plan unless there is clear evidence that schemes will not be implemented within five years. Having planning permission is not a pre-requisite for sites being deliverable in terms of the 5YHLS but local authorities need to provide robust, up to date evidence to support the deliverability of sites ensuring that judgements on deliverability are clearly set out. In terms of emerging allocations included within the indicative 5YHLSC, drawing on the experience of the Brecks Lane Case (APP/C2741/V/14/2216946), the 5YHLSC does not include any sites which are within the general extent of the York Green belt unless there is an extant permission for the site.

96. As detailed in Annex 2 the indicative 5YHLSC includes a total of 873 dwellings from emerging draft allocations. Of these 524 are on non-strategic sites (less than 5 hectares) including sites such as the gas works site at Heworth Green (H1) and the former Askham Bar Park and Ride site (H8). A total of 279 dwellings are identified on strategic site allocations (over 5 hectares) which includes British Sugar, Nestle South and the Hungate site.

## **Windfalls**

97. Windfalls sites, as defined in the NPPF (March 2012) are: *'Sites which have not been specifically identified as available in the Local Plan process – they normally comprise previously developed sites that have unexpectedly become available.'* These unidentified sites are typically not allocated for development or highlighted within the Strategic Housing Land Availability Assessment. An analysis of historic windfall trends is included in Annex 3 to this report.
98. Paragraph 48 of the NPPF states:

*'Local planning authorities may make an allowance for windfall sites in the five-year supply if they have compelling evidence that such sites have consistently become available in the local area and will continue to provide a reliable source of supply. Any allowance should be realistic having regard to the Strategic Housing Land Availability Assessment, historic windfall delivery rates and expected future trends, and should not include residential gardens'. NPPG states that 'A windfall allowance may be justified in the five-year supply if a local planning authority has compelling evidence as set out in paragraph 48 of the National Planning Policy Framework'.*

99. In taking a proportionate approach to identifying land for development in the emerging local plan only sites above 0.2ha have been identified as draft allocations. To ensure we properly understand the potential for development on very small sites below this allocation threshold an assessment of the 10 year trend in the historic rate of windfall delivery along with changes of use and conversions has been carried out<sup>20</sup>. It should be noted that this covers a period of time in which York had no adopted development plan in place and therefore continued high levels of windfall supply are unlikely to be maintained over the plan period, especially in the case of larger windfall sites above 0.2 ha, the threshold used for the allocation of sites. This is important because the NPPF requires not just compelling evidence of historic windfall rates but also evidence of expected future trends in order to justify using a windfall allowance within housing supply.
100. During the last 10 years the housing market has experienced a full cycle of market conditions with both peaks and troughs in housing delivery at a local, regional and national level. In using this period of time to estimate the future supply of windfall delivery, it should ensure that neither an overly optimistic or pessimistic projection for windfalls will be applied. In total 2,413 net<sup>21</sup> dwellings have been delivered on windfall sites. Of total net windfalls the largest proportion comes from conversions (inclusive of changes of use) with 746 net dwellings (31% of total net windfalls) and from very small windfalls (sites below 0.2ha) with 679 net dwellings (28% of total net windfalls). Together these two categories account for almost 60% of the total net windfalls between 2005 and 2015. These totals are significant in as much as they fall outside the threshold used to identify potential housing sites in the Local Plan and therefore will not be identified in future years. By including a qualified allowance for this type of windfall within the housing supply this would ensure that an appropriate estimate of future windfall supply is included within the housing trajectory.
101. Over a ten year period housing completions through very small windfalls (less than 0.2ha) together with changes of use/conversions within the City totals 1425, this equates to an average of 143 net additional dwellings per year. When subdivision of small housing units over the same period, which equates to 3 homes per year, is removed<sup>22</sup> a total of

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<sup>20</sup> Garden infill sites have been excluded from the analysis in line with NPPF.

<sup>21</sup> Net housing completions are calculated as the sum of new build completions, minus demolitions, plus any gains or losses through change of use or conversions to existing properties

<sup>22</sup> The City of York Draft SPD – Subdivision of Dwellings - was approved in December 2012 with the aim of reducing the number of small terraced houses being converted to flats. As a result we have

140 net additional homes per year have been calculated as the average windfall projection from this source of supply.

102. The emerging local plan policy seeks to protect the loss of B type Use Classes (B1: Business, B2: General Industrial & B8: Storage and Distribution), therefore it is considered reasonable to remove this type of change of use from any future windfall allowance. Conversions have been analysed over the ten year period and removing conversions from B use classes to residential would bring the number of windfalls from conversions (including change of use) from 746 to 505, a reduction of 241 completions. This would equate to an average of 115 net additional homes per year from very small windfalls and changes of use and conversions (excluding B use classes).

103. This figure of 115 dwellings per annum has been included within the indicative 5YHLSC for years 4 and 5 to ensure there is no double counting between permissions granted and the future allowance made.

### **Non-Implementation Discount**

104. To help ensure a robust position in relation to future land supply and to demonstrate to an Inspector that there is sufficient flexibility in the supply to deal with changing circumstances a non-implementation allowance of 10% is recommended to the identified supply to account for the possible non-delivery of sites within the 5YHLS. This level of 10% is common practice across local authorities both in respect of 5 year land calculations and housing trajectories and has been accepted by Inspectors at a number of local plan examinations and planning appeals. This non implementation discount is a separate issue to the 20% buffer, the buffer being to ensure choice and competition to the market for land and not to take account of under supply or unimplemented permissions.

105. The indicative 5YHLSC includes a 10% non-implementation discount. The total supply identified from consents and emerging allocations (5,193) has been reduced by 10% (- 519 dwellings) to 4,674 dwellings. Once the very small windfall allowance for years 4 and 5 (230 dwellings) has been added this gives an identified indicative supply of 4,904 dwellings. The non-implementation discount has not be applied to the very small windfall allowance given that this figure, as explained in

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calculated that the annual windfall total accounts for approximately 3 small dwelling conversions during the last 10 years.

paragraphs 97 to 103 of this report, is already an estimate based on a ten year average of windfalls.

## Options

106. This report has set out the main considerations in determining the objectively assessed need for housing including the analysis of the latest national household projections. Members are asked to note the evidence presented in this report and at Annex 1 and Members comments are invited. There are therefore no policy options presented at this stage.

## Council Plan

107. The information in this report accords with the following priorities from the Council Plan:

- Create jobs and grow the economy;
- Get York moving;
- Build strong communities; and
- Protect the environment.

## Implications

108. The following implications have been assessed.

- **Financial (1)** – The work detailed above has been funded from budgets set aside for the Local Plan. A review of the Local Plan budget is being undertaken to see whether all commitments can be funded. Over the last four years, significant sums have been expended on achieving a robust evidence base, carrying out consultations, sustainability and other appraisals, policy development and financial analyses. Whilst this work remains of great value, the longer it takes to agree the housing trajectory, the more will have to be redone at additional cost. This would have to be factored into future years budget allocations.
- **Financial (2)** - managing the planning process in the absence of a Plan will lead to significant costs to the council in managing appeals and examinations
- **Human Resources (HR)** – The production of a Local Plan and associated evidence base requires the continued implementation of a comprehensive work programme that will predominantly, although not exclusively, need to be resourced within CES.

- **Community Impact Assessment** A Community Impact Assessment (CIA) has been carried out for the local plan to date and highlights the positive impact on the following groups: age, disability and race.
- **Legal (1)** – The procedures which the Council is required to follow when producing a Local Plan derive from the Planning and Compulsory Purchase Act 2004 (as amended) and the Town and Country Planning (Local Development) (England) Regulations 2012. The legislation states that a local planning authority must only submit a plan for examination which it considers to be sound. This is defined by the National Planning Policy Framework as being:
  - **Positively Prepared:** based on a strategy which seeks to meet objectively assessed development and infrastructure requirements;
  - **Justified:** the most appropriate strategy, when considered against the reasonable alternatives, based on proportionate evidence;
  - **Effective:** deliverable over its period and based on effective joint working on cross-boundary strategic priorities; and
  - **Consistent with national policy:** enable the deliver of sustainable development in accordance with the policies in the Framework.
- **Legal (2)** The Council also has a legal duty to comply with the Statement of Community Involvement in preparing the Plan. (S19(3) 2004 Act). Planning Inspectorate guidance states that “general accordance” amounts to compliance.
- **Legal (3)** The Council also has a legal “Duty to Co-operate” in preparing the Plan. (S33A 2004 Act).
- **Legal (4)** The Community Infrastructure Levy Regulations 2010. Regulation 122 states that a planning obligation may only constitute a reason for granting planning permission for the development if the obligation is—
  - (a) necessary to make the development acceptable in planning terms;
  - (b) directly related to the development; and
  - (c) fairly and reasonably related in scale and kind to the development.

Regulation 123 states that where more than 5 planning obligations pursuant to S106 have been entered into since 6<sup>th</sup> April 2010 that provide funding for a project or type of infrastructure it cannot constitute a reason for granting planning permission.

In the absence of a Local Plan and a Community Infrastructure Levy, this restricts the ability of the Local Planning Authority to require contributions towards infrastructure projects through S106. Without certainty of identification of Infrastructure requirements through the Local Plan it is difficult to progress a Community Infrastructure Levy.

- **Legal (5)** The Government have indicated in a Ministerial Statement dated 22<sup>nd</sup> July 2015 that if a Local Plan is not produced by March 2017 the Government will intervene and it may be written by others.
- **Crime and Disorder** – The Plan addresses where applicable.
- **Information Technology (IT)** – The Plan promotes where applicable.
- **Property** – The Plan includes land within Council ownership.
- **Other** – None

## Risk Management

109. In addition to compliance with the Council's risk management strategy, the main risks in producing a Local Plan for the City of York are as follows.

- The risk that the Council is unable to steer, promote or restrict development across its administrative area;
- Planning by Appeal may incur considerable expenditure as the Council seeks to defend decisions to refuse development considered to be inappropriately located. Such decisions may be difficult to defend in that the primary policy context to assess applications is presently the NPPF, in the absence of a Local Plan;
- The potential damage to the Council's image and reputation if a development plan is not adopted in an appropriate timeframe;
- Risks arising from failure to comply with the laws and regulations relating to Planning and the SA and Strategic Environmental Assessment processes and not exercising local control of developments;

- Risk associated with hindering the delivery of key projects for the Council and key stakeholders; and
- Financial risk associated with the Council's ability to utilise planning gain and deliver strategic infrastructure.

110. Measured in terms of impact and likelihood, the risks associated with this report have been assessed as requiring frequent monitoring.

## **Recommendations**

111. It is recommended that Members:

Note the Arup report on the Objective Assessment of Housing Need which is to be used as the starting point for determining the amount of housing land required to be identified in the Plan.

Reason: To inform Members of the updated evidence base being used in further work on the development of an NPPF compliant Local Plan.

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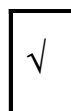
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Report  
Approved



Date 18/09/15

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**Wards Affected:** List wards or tick box to indicate all

All

### Annexes:

Annex 1: - Housing Requirements in York  
Annex 2:- Indicative 5 yr Supply at 1 April 2015  
Annex 3:- Windfalls Analysis

### Abbreviations:

ABC - Askham Bryan College  
CLG - Communities and Local Government  
CIA- Community Impact Assessment  
FTE - Full Time Equivalent  
HESA - Higher and Education Statistics Agency  
HRRs - Household representative rates  
LFS - Labour Force Survey  
LPWG – Local Plan Working Group  
MYE – Mid Year Estimates



NPPF - National Planning Policy Framework  
NPPG - National Planning Practice Guidance  
OAHN - Objective Assessment of Housing Need  
OE – Oxford Economics  
OAN – Objectively Assessed Need  
ONS – Office for National Statistics  
PAS - Planning Advisory Service  
RSS – Regional Spatial Strategy  
SNHP- Sub national household projections  
SNPP- Sub National Population Projections  
SHMA - Strategic Housing Market Assessment  
UPC- Unattributable Population Growth  
UOY - University of York  
VOA - Valuation Officer Agency  
YSJU - York St John University  
5YHLS - 5 years worth of housing land