City of York Council

Housing Requirements in York

Evidence on Housing Requirements in York: 2014 Update

Issue | September 2014

This report takes into account the particular instructions and requirements of our client.

It is not intended for and should not be relied upon by any third party and no responsibility is undertaken to any third party.

Job number 234552

Ove Arup & Partners Ltd
13 Fitzroy Street
London
W1T 4BQ
United Kingdom
www.arup.com

ARUP

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Executive Summary

A report 'Assessment of the Evidence on Housing Requirements in York' was produced in 2013 and accompanied the City of York – Preferred Options document. That report considered the most recent evidence in relation to the city's housing market to understand the range of potential housing figures that should be considered in developing the York Local Plan available at that time.

The 2013 report considered 4 options for the housing requirement as follows:

- Option 1 - Baseline , from ONS household projections - 850 dwellings per annum
- Option 2 – provides the scale of housing growth to support the employment growth forecast in the City of York Economic and Retail Growth and Visioning Study (2013) - 1,090 dwellings per annum
- Option 3 – Meeting newly arising affordable housing needs - 1,500 dwellings per annum
- Option 4 – Addressing both the backlog and newly arising affordable housing needs - 2,060 dwellings per annum

The purpose of this report is to reconsider the previous recommendation on the objectively assessed need for housing, in light of changes to available sources of evidence and representations received during consultation of the Preferred Options document.

The main findings of this evidence update can be summarised as follows:

- Housing completions in York remain low, and below the (abolished) RSS requirement. This is also the case in all neighbouring authorities (Section 2.5 and Section 5).
- The recently released 2012 based population projections show that projected population growth is more than reported in the 2010 based population projections, but still less than the 2008 and interim 2011 projections (Section 3.3).
- The most recent household projections (interim projections from 2011) show a lower rate of household growth to 2021. This is a result of changes to household formation rates (due, in part, to a lower propensity for young adults to form separate households). However, the 2014 ONS Labour Force Survey suggests that this is related to the economic downturn rather than a start of a longer trend (Section 3.4).
- Oxford Economics Forecasting have produced updated 2014 base data and scenarios for the future economy of York, all of which present a more optimistic picture for York than the December 2012 projections, as 2013 was actually a better performing year than anticipated (Section 4).
- In plans found sound between July 2013 and March 2014, the approach to base year and buffer varies. Not all authorities have been required to make up for past under-delivery in their future requirement and several have established more recent base years as the start point for consideration of backlog matters (Section 5).
- All neighbouring authorities, with the exception of Harrogate, are expecting to meet their objectively assessed needs. Harrogate is shortly to begin reviewing

their objectively assessed housing need in preparation for commencing work on a new Local Plan (Section 2.5).

The figure below sets out the implications for housing numbers of the various up-to-date sources of data and scenarios across the plan period to 2031. They suggest a convergence in requirements, in the range of 838-877 dwellings per annum.

Type	Source	2008 based	Interim 2011 based (indexed using 2008 household formation rates 2021 to 2031)
Objectively assessed need			
Demographic	DCLG Household projections	1,181	838
Economic	OEF Base	-	869
Housing to support economic growth			
Economic	OEF Scenario 2	-	877

In terms of progressing with the next draft of the local plan, the following recommendations are made:

- **In light of the most up-to-date evidence, housing provision should be in the range of 838-877 dwellings per annum. The higher provision would apply if the Plan adopts OEF Scenario 2, but the lower provision would also be valid as the objectively assessed need (although it would not take into account economic effects).**
- **Once 2012 based household projections are available and Edge Analytics have reported, the 838-877 requirement should be reviewed, particularly as this range is sensitive to household formation rates.**
- **It is considered that the plan allows for the application of a 20% buffer (to meet the requirement for a five year housing land supply). This means that the annual dwelling requirement will be higher in the first five years and lower in subsequent years.**
- **It is recommended that if York considers it is appropriate to add the accumulated shortfall for the period from 2012 to date to the requirement, this is added to the whole plan requirement (Liverpool approach). Alternatively, a start date of 2004 could also be appropriate, given that it is the start date of the RSS.**
- **It is not recommended that the shortfall should be met within the first five years of the Local Plan (Sedgefield approach). The proposed housing requirements represent a significant 'step up' from recent delivery trends; adopting the Sedgefield method would not meet the 'aspirational but realistic' test set out in Paragraph 154 of the NPPF.**

Next Steps:

- Edge Analytics are to be commissioned to undertake further work to further sensitivity test the household formation rates for the district using their POPGROUP model. This will be beneficial as it will allow a more refined approach to household growth to be derived from the most recent 2012 sub national population projections, in the absence of DCLG 2012 household projections.

  ONS will be issuing updated household projections and travel to work data later in 2014, and this information will inform background papers to the Examination of the York Local Plan.

1 Introduction

A report 'Assessment of the Evidence on Housing Requirements in York' was produced in 2013 and accompanied the City of York – Preferred Options document which was consulted on in Summer 2013. That report considered the most recent evidence in relation to the city's housing market to understand the range of potential housing figures that should be considered in developing the York Local Plan available at that time.

The purpose of this report is to reconsider the previous recommendation on the objectively assessed need for housing, in light of changes to available sources of evidence and representations received during consultation of the Preferred Options document. The report consists of:

- an update of guidance released since the last report;
- developments in Local Plans in neighbouring authorities;
- a review of the most up-to-date evidence including:
- Annual mid-year population estimates for England and Wales, Mid 2012 (2013);
- Interim 2011 based sub national population projections (2013);
- Interim 2011 based household projections (2013);
- 2012 based sub national population projections (2014);
- DCLG housing starts and completions data;
- DCLG housing market data;
- City of York housing completions monitoring data;
- a review of the implications of updated economic forecasts produced by OEF;
- a commentary on representations made to the City of York – Preferred Options consultation relating to housing requirements;
- a consideration of the cross-boundary implications of this work ; and
- a summary of main findings.

This report has been prepared to inform the submission draft of the Local Plan.

2 Changes in Policy Context and Guidance

2.1 Aligning with the Leeds City Region common methodological approach

Leeds City Region has set a common start point and methodology for objectively assessing housing need for the authorities within its geographical area. It has set out its methodology in a document 'The objective assessment of housing requirements: establishing a common methodological approach' (Edge Analytics, December 2013), and recommends that authorities give due consideration to the approach it provides. This was endorsed for use by all Leeds City Region local planning authorities in March 2014.

The approach taken by the City of York Council is consistent with the Leeds City Region approach, in that it:

- Makes use of the suggested inputs and assumptions, including migration history, past housing completion rates and economic forecasts. In addition to the economic projections used in previous studies, updated OEF forecasts for York have also been prepared and considered as part of this update.
- Includes population projections based on both official projections and alternative trend projections.
- Tests higher and lower household formation rates – this update explores changes in household size in relation to the local context.
- Sets out a range of scenarios, in order to provide a transparent and objective basis from which to consider and select a preferred housing growth trajectory.
- Deals with backlog issues through comparing past targets with historical household completions.

The LCR methodology recommends that local authorities should avoid any reliance on the interim 2011 based projections for any definitive evidence. However, Paragraph 158 of the National Planning Policy Framework (NPPF) requires that:

> *Each local planning authority should ensure that the Local Plan is based on adequate, up-to-date and relevant evidence […].*

For this reason, this update provides interim 2011 based projections alongside earlier statistical releases (and the more recent 2012 based sub national population projections), and clearly sets out when and how the interim projections have been projected forward past 2021. Weaknesses in the interim 2011 based projections have been mitigated by using sensitivity testing components of change, including household size. This work is covered in more detail in Section 3.

2.2 National Planning Practice Guidance

The National Planning Practice Guidance (Beta) version was published in August 2013, following the Taylor Review of government planning guidance. On 6 March 2014 the final guidance was made available. The guidance includes support for local planning authorities in objectively assessing and evidencing development needs for housing.

The guidance states that:

> *The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends.* (2a-016-20140306)

The guidance goes on to say that plan makers may also consider sensitivity testing, specific to their local circumstances, based on alternative assumptions. Any local changes must be clearly explained and justified, on the basis of robust evidence.

The guidance also calls for employment trends to be taken into account when considering housing numbers. It states that:

> *Plan makers should make an assessment of the likely growth in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area. Any cross-boundary migration assumptions, particularly where one area decides to assume a lower internal migration figure than the housing market area figures suggest, will need to be agreed with the other relevant local planning authority under the duty to cooperate. Failure to do so will mean that there would be an increase in unmet housing need.*
>
> *Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems.* (2a-019-20140306)

The guidance requires that need should be assessed in relation to the relevant functional area such as the housing market area – a geographical extent defined by household demand and preferences, reflecting the key functional linkages between places where people live and work. Housing market areas are likely in practice to cut across various administrative boundaries, and so there is a requirement for local planning authorities to work with other constituent authorities under the duty to co-operate. More information on this can be found in Section 2.5.

2.3 Other guidance

The Planning Advisory Service published a report called ‘Ten key principles for owning your housing number’ in July 2013. The principles include:

- use up to date demographic evidence to understand how the population has changed in the past, including the components of change;
- understanding what the most up to date population and household projections are saying over the plan period, and explore the differences between different projections, past information and Census data;
- consider the development of different scenarios, benchmarks against economic growth ambitions and tested in terms of population and households, clearly showing what assumptions have been applied;

- understand the affordable need and market demand information; and
- set out the likely range of housing requirement and test the appropriate mix of housing in terms of tenure, type and size that would be required as a result.

The guidance highlights the importance of using the most recent up to date information. However, it notes that caution should be applied in the use of projections which are projecting periods of particular economic decline. This is because projecting recessionary trends may impact on any growth ambitions that the council have. Instead, projections should be explored in relation to household representation rates, age structure and household types to see how they compare with Census data.

2.4 Developments in Local Plans in neighbouring authorities to York

Figure 1 provides an overview of the adopted and emerging housing requirements / targets set out within Local Plans in the authorities adjacent to York. This compares the target for the plan period with the annual average housing growth figure taken from the 2003, 2004, 2006, 2008 and interim 2011 based housing projections. The interim 2011 based projections are lower than previous projections for all surrounding authorities.

It also shows that most of the surrounding authorities have not been able to deliver against previously set targets across the period 2004 to 2012, with most authorities experiencing a decline in completions post 2008. More details for each local authority are given below.

The previous Arup report (2013) concluded that if the RSS (revoked in 2013) is used as the basis for determining if neighbouring authorities are meeting their needs then it would appear that all surrounding authorities are meeting if not exceeding these figures, but that there may be a potential issue of under-provision in some neighbouring authorities if the 2008 based household projections are used for this comparison. This is also true of the interim 2011 based projections, though to a far lower extent.

In terms of economic projections, all of the authorities surrounding York have made use of the Regional Econometric Model (updated bi-annually by Experian on behalf of the Regional Economic Intelligence Unit), but due to the timing of their plan production, different base year runs have been used. In addition, not all of the neighbouring authorities have sought to directly link their jobs growth projections with their housing requirement.

Figure 1 Comparison of household growth projections in surrounding authorities to York[1]

Local Authority	**2003 Projected Household Growth (2006 to 2026)**[2]		**2004 Projected Household Growth (2006 to 2026)**		**2006 Projected Household Growth (2006 to 2026)**		**2008 based Projected Household Growth (2006 to 2026)**		**Interim 2011 based Projected Household Growth (2011 to 2021)**		**2012 based Projected Household Growth (2012 to 2037)**		**RSS Annual Allocation 2008-2026**	**Annual average net completions, 2004 - 2012**[3]	**Adopted / Emerging Core Strategy annual average requirement**
	Total	**Annual average**	**Total**	**Annual average**	**Total**	**Annual average**	**Total**	**Annual average**	**Total**	**Annual average**	**Total**	**Annual average**			
East Riding of Yorkshire	37,130	1,857	47,000	2,350	51,000	2,550	42,000	2,100	13,421	1,342	32,800	1.312.	1,150	997	1,400
Hambleton	7,110	356	9,000	450	9,000	450	6,000	300	2,506	250	3,500	140	280	210	285[4]
Harrogate	15,010	751	19,000	950	23,000	1,150	16,000	800	5,307	530	10,500	420	390	359	390
Leeds	52,140	2,607	66,000	3,300	113,000	5,650	111,000	5,550	40,815	4,082	119,30 0	772	4,300	2,780	4,375[5]
Ryedale	3950	198	5,000	250	7,000	350	5,000	250	1,286	129	3,000	120	200	146	200
Selby	7,110	356	9,000	450	10,000	500	11,000	550	4,603	460	15,100	604	440	470	450
York	-[6]	-	22,000	1,100	28,000	1,400-	26,000	1,300	6,987	699	29,000	1160	850	648	N/A

[1] Annual averages are calculated by dividing by n years rather than n+1 years, in order to allow comparisons between reports.

[2] The 2003 household projections were only produced at a regional level. Therefore a calculation based on the 2004 household projections has been carried out. The 2003 household projections predicted a 17,700 annual increase in households in Yorkshire and the Humber up to 2026. The 2004 household projections predicted an annual increase of 22,000 households in the region up to 2026. The district level 2003 household projections have been calculated by using 79% of the 2004 district household projections.

[3] Figures taken from the respective LPAs Annual Monitoring Reports

[4] Hambleton Core Strategy, Adopted April 2007. Core Strategy sets out 285 annual average net additional dwellings between 2008 and 2021, based on 320 units per annum from 2004 until 2011, 290 units per annum between 2011 and 2016 and 260 units per annum between 2016 and 2021.

[5] Leeds City Council (2012) The Leeds Publication Draft Core Strategy, sets out to deliver 70,000 net additional dwellings per annum between 2012 and 2028, this equates to an annual average of 4,375. This figure is also included in the Proposed Main Modifications document, submitted to the Inspector in May 2014.

[6] 2003 data is not available for this update.

Figure 2 Comparison of population growth projections in surrounding authorities to York

Data source	Component	East Riding	Hambleton	Harrogate	Leeds	Ryedale	Selby	York
2008 based sub national population projections (2008-2033)	Net natural change	-1,700	-3,000	-2,400	130,700	-3,000	3,600	15,100
	Net internal migration	88,600	11,800	23,800	-82,900	8,400	17,900	-12,300
	Net international migration	12,300	2,400	7,500	180,600	5,000	2,500	47,600
	Net cross border migration	-2,300	0	0	300	0	-2,500	0
	Total population change	**80,900**	**10,200**	**27,600**	**227,200**	**9,500**	**22,100**	**51,100**
2010 based sub national population projections (2010-2035)	Net natural change	-22,000	-3,100	-4,200	121,100	-3,800	4,100	11,100
	Net internal migration	64,300	10,800	21,500	-24,200	5,900	14,500	4,000
	Net international migration	5,000	100	200	66,600	2,400	2,600	15,500
	Net cross border migration	0	0	-2,300	-2,500	0	-2,500	200
	Total population change	**45,700**	**7,100**	**16,300**	**158,300**	**3,000**	**20,200**	**30,100**
Interim 2011 based sub national population projections (2011-2021)	Net natural change	-4000	400	1,100	45,000	-1,000	2,800	5,800
	Net internal migration	25,600	2,800	5,400	11,700	2,200	6,000	1,000
	Net international migration	3,000	0	1,100	34,300	1,000	1,300	8,300
	Net cross border migration	0	0	900	-1,000	0	-1000	100
	Total population change	**23,900**	**3,200**	**7,300**	**88,900**	**1,800**	**9,900**	**14,800**
2012 based sub national population projections (2012-2037)	Net natural change	-24,500	-3,700	-5,400	106,200	-3,900	2,600	9,700
	Net internal migration	49,600	7,900	24,000	-41,800	6,300	11,000	-5,700
	Net international migration	7,700	0	-7,400	57,900	0	2,500	22,700
	Net cross border migration	-2,500	0	0	-2,500	0	0	2,500
	Total population change	**32,800**	**3,500**	**10,500**	**119,300**	**3,000**	**15,100**	**29,000**

East Riding of Yorkshire

The East Riding of Yorkshire Council consulted on the 'Proposed Submission Strategy Document' between January and March 2014.

This makes provision for 23,800 net additional dwellings between 2012 and 2029, which translates to an average annual housing growth requirement of 1,400 dwellings. Approximately 45% of the total proposed housing provision is located in the East Riding part of the Hull Housing Market Area. This figure is above the annual average increase set out in the interim 2011 based projections, but below earlier projections.

Completions in East Riding averaged 997 net additional dwellings between 2004 and 2012.

East Riding have used the REM as a component in their economic evidence, but also looked at past take up trends of employment land and have also examined migration patterns, commuting patterns, economic activity rates and the labour force composition, as they anticipate a proportion of their jobs growth will be taken up by residents of neighbouring Hull and therefore their housing requirement takes this into consideration.

The Strategy Document was submitted for examination 29th April 2014. An Inspector has been appointed and the examination is scheduled to commence in late summer 2014.

Hambleton

Hambleton adopted its Core Strategy in April 2007. The district's Core Strategy is in accordance with the Regional Spatial Strategy, which set a target for the district to deliver 285 net additional dwellings per annum.

Housing targets are stepped downwards, from 320 units per annum between 2004 and 2011, 290 units per year between 2011 and 2016, and 260 units per year until 2021. This is in order to provide scope to achieve the greater quantities of affordable housing in the early stages of the plan period, then to decline to match commensurate increases elsewhere in the main conurbations of the region.

Between 2004 and 2012, the district delivered an average annual of 210 dwellings.

Hambleton is progressing a focused review of the Local Plan and anticipate this will be adopted in late 2015.

Harrogate

Harrogate Borough Council adopted its Core Strategy in February 2009. The Strategy sets a requirement for the Borough to deliver 390 net additional dwelling per annum up to 2021. This is lower than the 2004, 2006, 2008 and interim 2011 based household projections for Harrogate.

Between 2004 and 2012, Harrogate has delivered an average of 359 net dwellings per year, slightly under the target set out in the Core Strategy.

Harrogate Borough Council resolved on 18 June 2014 to withdraw its Sites and Policies DPD (based on the Core Strategy housing requirement) and commence production of a comprehensive Local Plan. The council was challenged at Examination on whether its adopted Core Strategy is meeting objectively assessed needs.

Leeds

The Leeds Publication Draft Core Strategy was published for consultation in February 2012. It sets out the following housing requirements:

- 3,660 net additional dwellings per annum from 2012/13 to the end of 2016/17 (18,300); and
- 4,700 net additional dwellings per annum from 2017/18 (51,700).

Leeds has produced a housing need and supply topic paper as part of their Core Strategy examination, referring to work undertaken by Edge Analytics. This work sets out the implications of more recent projections on the figures derived from their Strategic Housing Market Assessment (which was based on 2008 projections). However, whilst the projections change some of the demographic inputs to the SHMA, it has been concluded that it remains robust and up-to-date. Edge recommended that the 2008, 2010 and interim 2011 based projections should be used conjunctively, rather than relying on the interim 2011 figures alone.

The topic paper also concludes that some caution should be taken when considering the Core Strategy’s intended step-up to 4,700 net dwellings in 2017/18, noting that it may be appropriate to delay the step-up or review the higher target pending consideration of further projection releases.

Between 2004 and 2012, Leeds had an annual average net completion rate of 2,780 dwellings However, due to significant discrepancies in the 2011 Census and preceding population estimates, Leeds are using a 2011 base date for their Core Strategy.

The Leeds Core Strategy Examination commenced in October 2013 and a number of hearing sessions have been held to date. Proposed Main Modifications were submitted to the Inspector in May 2014. Officers had examined the implications of the recently released 2012 sub national population projections, and concluded that this did not change their position on the proposed housing requirement for Leeds.

Ryedale

The Ryedale Plan was adopted in September 2013. This set outs the delivery of at least 3000 (net) additional dwellings between 2012 and 2027; equating to 200 per year of the 15 year plan period.

Consultations on the drafts of the Local Plan included two housing figures: 200 homes per annum; and 350 homes per annum. It was felt that, whilst the 2008 based household projections provided a figure of between 250-260 dwellings per annum, past completion rates did not support such a high figure. The interim 2011 based household projections point to an annual requirement of 129 dwellings per year.

The plan also set out that any completions which exceed the planned build target of 25% will not be deducted from the residual amount of housing to be built in the plan period.

Selby

The Selby Core Strategy Local Plan was adopted in October 2013. The Strategy sets a requirement for the authority to deliver 450 net additional dwelling per annum. A legal challenge to the Local Plan was received in December 2013 by Samuel Smiths Old Brewery, on a number of grounds; Selby is defending the decision.

An evidence paper, produced by Arup, concluded that (though it was not based upon them per se), a housing target very similar to the 2004 projections was most appropriate as it reflected more closely the economic factors and migration affecting the district. The 2006 and 2008 based projections were felt to overestimate the actual level of identified need.

The most recent household projections and past delivery rates broadly accord with the figure of 450, suggesting that Selby are able to meet their objectively assessed need.

Summary

Neighbouring authorities are in different stages in the plan production process; some, whist Ryedale and Selby have recently adopted post-NPPF plans, others are still preparing or consulting on plan documents. Ryedale and Selby have taken take into account the interim 2011 based projections (though their objective assessment also make use of earlier projections) in their recently adopted plans; East Riding and Leeds have also based their proposed requirements on, or reviewed their requirements against, 2011 projections. As their examination remains live, Leeds has also written to their appointed Inspector to outline the implications of the 2012 sub national population projections on their housing requirement, the implication being that they do not consider it will not affect their overall requirement.

With the exception of Selby, for the period 2004 to 2012, all neighbouring authorities have delivered less homes than were originally planned for in that period. However, moving forward, at the time of this report (Summer 2014) it is understood that each authority is planning to meet their ‘objectively assessed need’. The one exception to this is Harrogate, following the recent withdrawal of Harrogate’s Sites and Policies DPD, where the position is less clear; however it is assumed that the council would seek to meet the requirements set out in Paragraph 14 of the NPPF. Each authority has a different approach to dealing with any historic shortfall in their future requirement, for example Leeds has set a 2011 base year for their emerging plan and will only consider any shortfall in provision from that date. Others are considering a similar approach. All are yet to be examined.

The City of York Council has been engaging in positive and constructive dialogue with its neighbouring authorities in order to fulfil the requirements of the Duty to Cooperate. To date, none of the neighbouring authorities have requested that York assist them with meeting their own housing requirements. It is anticipated that if any of the neighbouring authorities are unsuccessful in demonstrating their preferred housing requirement at examination; this will be resolved by that authority. Constructive discussions with adjoining authorities on housing requirements and the housing market area for York have also taken place.

3 Review of recent evidence for York

3.1 Introduction

This section reviews data sources which have been updated or made available since the previous report on the housing requirements for York. This is in direct response to the requirements of the NPPF for evidence to be adequate, up-to-date and relevant.

A brief background to the new evidence that has emerged is provided below.

2012 based sub national population projections

The 2012 based sub national population projections were published in May 2014, replacing the 2011 based interim projections published in 2013. These projections are based on the 2012 mid-year population estimates published in June 2013, and a set of underlying demographic assumptions regarding fertility, mortality and migration based on local trends.

The trends used in the 2012 based sub national population projections are based on a historical population series rebased following the 2011 Census and are the most up-to-date projections, in comparison with the interim 2011 projections (see below) which provide the basis for the most recent household projections.

Annual mid-year population estimates for England and Wales, Mid 2012

The official mid-year estimates for England and wales were released on 26 June 2013. They build on the 2011 Census based mid-year estimates, updated to account for population change during the period between 1 July 2011 and 30 June 2012. They are estimated using a combination of registration, survey and administrative data, and are the most up-to-date population estimates currently available.

Interim 2011 based sub national population projections

The 2011-based interim sub national population projections for England were published on 28 September 2012, updating the 2010-based projections and projecting the population for 10 years to 2021 – that is, covering the period 2011 to 2021. They are based on the 2011 mid-year population estimates.

Figure 2 compares the interim 2011 based population estimates from York to projections or estimates for 2011 from various sources.

Figure 2 Comparison of population estimates for York

Source	Population estimate for York (2011)
2008 based sub national population projections	202,800
2010 based sub national population projections	198,700
Interim 2011 based sub national population projections	197,800
2011 Census Day (27 March 2011)	198,100
Mid 2011 population estimate	197,800
2012 based sub national population projections[7]	197,800

Interim 2011 based household projections

The 2011 based interim household projections (covering the period 2011 to 2021) in England were published by Department of Communities and Local Government on 9 April 2013. The projections are based on:

- ONS 2011 based interim sub national population projections (outlined above);
- ONS 2008 based England and Wales marital status projections;
- 2011 Census local total households by 17 types;
- 2011 Census local communal/institutional populations;
- 1971-2001 Census local representative rates by gender/age/relationship and 1991-2001 Census by gender/age/type.
- Labour Force Survey England representative rates by gender/age to 2011/12.

The 2011 based interim household projections therefore represent the most up-to-date data on household numbers and formations. Methodological changes have also been made in order to incorporate valuable information from the 2011 Census. A major difference between the 2011 based interim projections and previous projections are the updated assumptions surrounding household structure and a break in the long term trend in declining household size. There has been criticism of these projections, as they are influenced by both the economic downturn and a longer period of housing affordability issues; planning on the basis of these projections could therefore lead to an underprovision in some areas. Section 3.4.3 sensitivity tests these projections to assess their applicability to York and mitigate for and shortcomings.

Household projections also impact on the requirement to consider historic housing completions and their impact on future requirement; this is dealt with in Section 5.

[7] 2012 based sub national population projections use the mid 2011 population estimate as the population for 2011.

Other data sources

Other sources of evidence that have been updated since the previous report on the housing requirements for York are as follows:

- DCLG housing starts and completions data;
- City of York UA housing completions monitoring data; and
- DCLG housing market data, including median house prices and affordability ratios.

3.2 Housing market conditions

3.2.1 Housing completions

Figure 3 updates the number of housing completions in the district, including data for the last monitoring year (2012/13). It should be noted that DCLG-derived data includes only new build additions, whilst City of York monitoring data also counts conversions; hence the difference in numbers. Housing completions in 2012/13 remained low, reflecting the impact of the economic climate on the number of homes delivered in the district.

Figure 3 Housing completions in York, 2000/2001 - 2013/2014

Year	**DCLG Live Tables**	**City of York Monitoring Data**
2000/01	n/a	706
2001/02	n/a	1,002
2002/03	n/a	834
2003/04	n/a	525
2004/5	470	1,160
2005/6	850	906
2006/7	490	798
2007/8	300	523
2008/9	240	451
2009/10	540	507
2010/11	370	514
2011/12	250	321
2012/13	250	482
2013/14	220	345
Average (2000 -2014)	**n/a**	**648**
Average (2004 -2014)	**398**	**601**

Source: DCLG(2014) Live Table 253 – House building: permanent dwellings started and completed by tenure and district, 2013/14; City of York UA (2014) housing completions monitoring data, which includes dwellings derived from new builds and conversions.

3.2.2 House prices and affordability ratios

Between 2010 and 2011, the mean house price for the district fell slightly from £202,823 to £201,286[8]. A decrease was also experienced in the authorities surrounding York, with the exception of Selby district. The average for England and Wales also fell during the year (Figure 4). York remains higher than the average for the York and Humber region.

Figure 5 shows mean house prices in local authority areas surrounding York. As was previously the case, high house prices are experienced in neighbouring authorities such as Harrogate and Ryedale. This places increased pressure on the housing market in York, as people are less able to work in York and access affordable housing outside of the authority area.

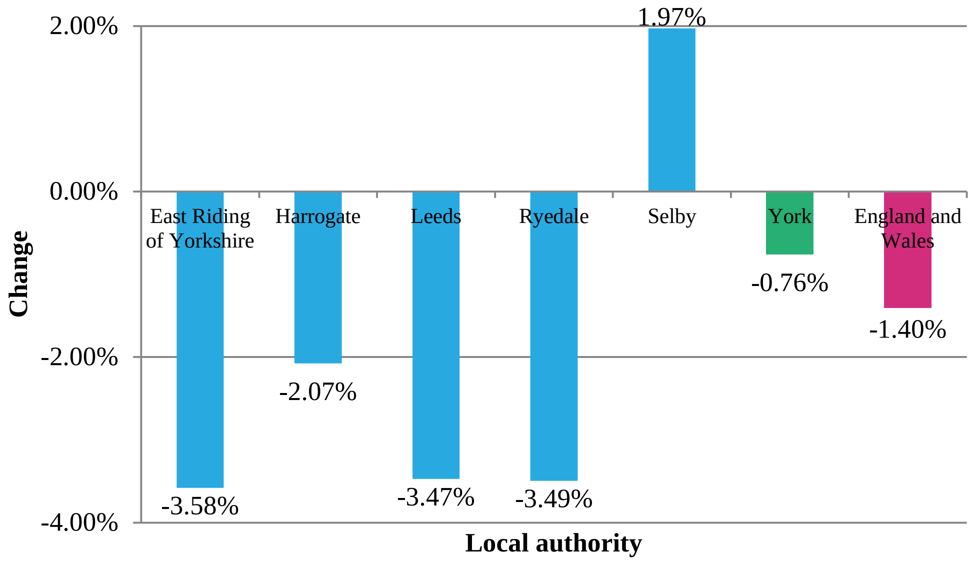

Figure 4 Change in mean house prices between 2010 and 2011

Source: DCLG (2013) Live Table 585 – Housing market: mean house prices based on Land Registry data, by district, from 1996

[8] DCLG (2013) Live Table 585 – Housing market: mean house prices based on Land Registry data, by district, from 1996

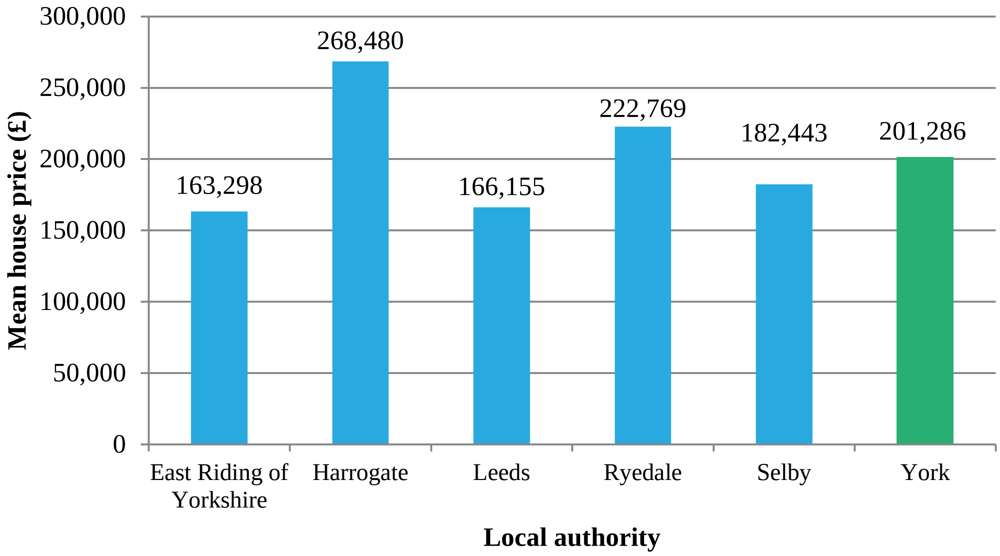

Figure 5 Mean house prices in authorities surrounding York, 2011

Source: DCLG (2013) Live Table 585 – Housing market: mean house prices based on Land Registry data, by district, from 1996

The revised housing affordability data for 2011 (revised due to revisions in the Annual Survey of Hours and Earnings data), shows an affordability ratio for the district of 7.99[9]. This is higher than the figure of 7.76 for 2011 which was previously used. The provisional 2012 ratio of 7.89 suggests a slight decrease, but it remains higher than national and Yorkshire and the Humber averages. Despite the fall in house prices in York, affordability continues to be a significant challenge faced by the authority, which needs to be considered in plans for future growth.

Separate work has been undertaken by City of York Council to validate the analysis of the need for affordable housing as set out in the SHMA. More information on this is provided in Section 6.3.

3.3 2011 based interim sub national population projections

3.3.1 Forecast levels of growth

The 2010 based sub national population projections showed that between 2011 and 2031 the population of York is forecast to grow by 24,100 people (12.1%), to almost 223,000 people. This equates to an **annual average growth rate of 1,150 people.**

The interim 2011 based projections, published in April 2013, forecast a growth of 14,800 people between 2011 and 2021, equating to an **annual average growth rate of 1,345 people**.

[9] DCLG (2013) Live Table 576 – Ratio of lower quartile house price to lower quartile earnings by district, from 1997

The 2012 based projections, published in May 2014, forecast a growth of 24,600 people between 2011 and 2031, equating to an **annual average growth rate of 1,170 people**. This is the most recent demographic forecast of population growth.

A more detailed comparison of the population projections is undertaken below.

3.3.2 Comparing the 2008, 2010, interim 2011 and 2012 based projections

Whilst not as high as the level of growth forecast in the 2008 based projections, the interim 2011 and 2012 based population projections show larger increases between 2011 and 2021 than the 2010 based projections (Figure 6).

Figure 6 Comparison of 2008, 2010,interim 2011 and 2012 based projections to 2021

Source	2011 population	2021 population	Absolute change	% change	Annual average change (11 years)
2008 based sub national population projections	202,800	223,200	20,400	10.1%	1,855
2010 based sub national population projections	198,700	210,800	12,100	6.1%	1,100
Interim 2011 based sub national population projections	197,800	212,600	14,800	7.5%	1,345
2012 based sub national population projections	197,800*	211,400	13,600	6.9%	1,235
Difference between the 2012 based and 2008 based projections	**-5,000**	**-11,800**	**-6,800**		
Difference between the 2012 based and 2010 based projections	**-900**	**+600**	**+1,500**		
Difference between the 2012 based and interim 2011 based projections	**0**	**-1,200**	**-1,200**		

Source: ONS (2014, 2013, 2012 and 2010) 2012, interim 2011, 2010 and 2008 based sub national population projections; Arup analysis

** 2011 population taken from 2011 mid year population estimate*

Back end indexation allows us to get an understanding of the implications of the most up to date evidence to 2031 (for dates past 2021, the interim 2011 based projections are increased using the index factor[10] from the 2010 data). Figure 7 and Figure 8 compare the projections to 2031. Here, an annual average change of 1,170 people is projected using the 2012 based projections, compared with 1,150 based on the 2010 based projections.

[10] An index number reflects quantity compared with a standard or base value. The 2010 based projection for the year 2021 has been treated at the base value (100), with the percentage uplift each year applied to the interim 2011 based projection for the year 2021.

Figure 7 Comparison of 2008, 2010, interim 2011 and 2012 based projections to 2031

Source	2011 population	2031 population	Absolute change	% change	Annual average change (21 years)
2008 based sub national population projections	202,800	242,700	39,900	19.7%	1,900
2010 based sub national population projections	198,700	222,800	24,100	12.1%	1,148
Interim 2011 based sub national population projections (indexed)	197,800	224,700	26,900	13.6%	1,281
2012 based sub national population projections	197,800*	223,500	24,600	12.4%	1,171
Difference between the 2012 based and 2008 based projections	**-5,000**	**-19,200**	**-15,300**		
Difference between the 2012 based and 2010 based projections	**-900**	**+700**	**+500**		
Difference between the 2012 based and interim 2011 based projections	**0**	**-1,200**	**-2,300**		

Source: ONS (2013, 2012 and 2010) interim 2011, 2010 and 2008 based sub national population projections; Arup analysis

** 2011 population taken from 2011 mid year population estimate*

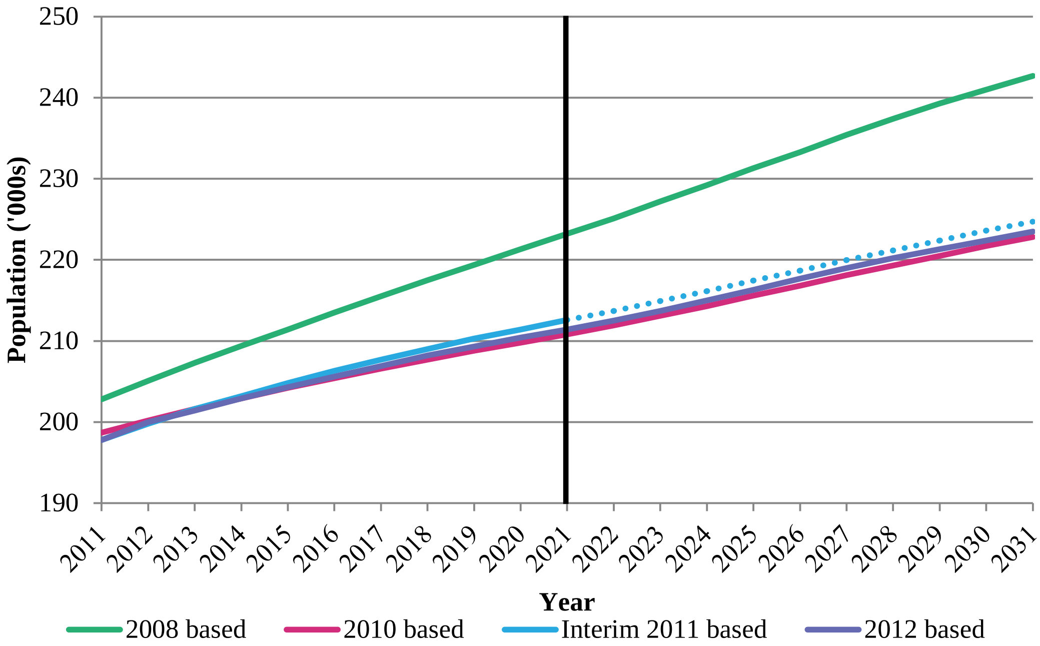

Figure 8 Comparison of 2008, 2010 and interim 2011 based projections to 2031

Source: ONS (2014, 2013, 2012 and 2010) 2012, interim 2011, 2010 and 2008 based sub national population projections; Arup analysis

3.3.3 Understanding the differences between projections

A key difference between the population projections are the differences in population bases used, with the interim 2011 projections and 2012 projections using an improved base, established in the results of the 2011 Census. If the same population base is used, the differences in projections are markedly reduced;

Figure 9 shows the effect of starting at the 2012 Mid Year Estimate for York of 200,000 people.

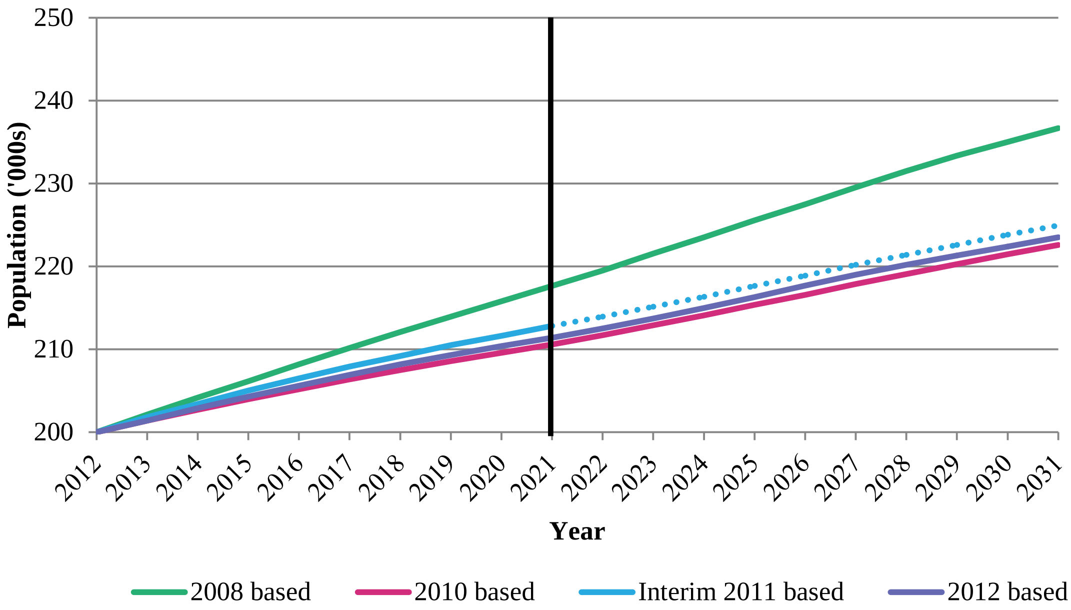

Figure 9 Comparison of 2008, 2010 and interim 2011 based projections to 2031, amended to incorporate the 2012 Mid Year Estimate

Source: ONS (2014, 2013, 2012 and 2010) 2012, interim 2011, 2010 and 2008 based sub national population projections; ONS (2013) Mid Year estimate 2012; Arup analysis

The 2013 report on housing requirements set out the reasons for the differences between the 2008 and 2010 based projections, and considered that the 2010 based figures provided a more appropriate level of overall growth as the five years previous reflected ones of both economic growth and decline. Figure 10 and Figure 11 show the components of change between the earlier and more recent projections. Similar to the 2010 based projections, the most significant difference between the 2008 based and most recent forecasts is the lower levels of international migration.

Though the 2011 projections start from an improved population base, there are some specific issues arising from applying the trends from the 2010 based projections, namely the assumptions in fertility and mortality rates and age structures which have been shown to be incorrect by the Census. This has been corrected in the 2012 based projections.

Figure 10 Components of population growth and change, 2011-2021

Component of population growth	2008 based (000s)	2010 based (000s)	Interim 2011 based (000s)
Natural Change	**6.4**	**5.9**	**5.8**
Births	23.0	22.7	22.0
Deaths	16.5	17.0	16.6
All Migration Net	**13.9**	**6.6**	**9.3**
Internal Migration In	114.5	113.2	114.3
Internal Migration Out	120.1	113.3	113.3
Net Internal Migration	**-5.6**	**-0.1**	**1.0**
International Migration In	36.0	25.0	25.0
International Migration Out	17.0	18.6	16.7
Net International Migration	**19.0**	**6.4**	**8.3**
Cross-border Migration In	6.0	6.0	6.0
Cross-border Migration Out	6.0	5.9	5.9
Net Cross-border Migration	**0**	**0.1**	**0.1**

Source: ONS (2013, 2012 and 2010) interim 2011, 2010 and 2008 based sub national population projections

Figure 11 Components of population growth and change, 2012-2031

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

Source: ONS (2014 2012 and 2010) 2012, 2010 and 2008 based sub national population projections

3.3.4 Population projections summary

In summary:

- The interim 2011 and 2012 based sub national population projections anticipate a smaller increase than the 2008 based projections, but a slightly larger one than the 2010 based figures.
- Across the plan period to 2031, the 2012 projections show 15,300 fewer people than the 2008 projections anticipate, and 500 more than the 2010 projections.
- This is in part a result of the improved population base, taken from the 2011 Census.
- The 2010, interim 2011 and 2012 based figures also differ from the 2008 based figures as a result of lower expected levels of net international migration in the future.
- There have been criticisms of assumptions used in the 2010 based projections (and retained in the 2011 figures), namely surrounding fertility and mortality rates and age structures which have been shown to be incorrect by the Census. The 2012 projections are more robust than the 2008 projections, as they include improved data on migration and more accurate assumptions about fertility, mortality and age structure taken from the 2011 Census.
- Therefore, population projections produced following the 2011 Census are considered to be sounder as they include a ‘real world’ start point and also incorporate methodological changes to improve their accuracy.

3.4 2011 based interim sub national household projections

3.4.1 Forecast levels of growth

The 2008 based household projections showed that between 2011 and 2033 the number of households in York is expected to grow by 24,800 dwellings (28.1%), to 113,000 in total. This equates to an **annual average growth rate of approximately 1,180 dwellings**.

The interim 2011 based projections, published in April 2013, forecast a growth of 7,000 dwellings between 2011 and 2021, equating to an **annual average of 636 dwellings**.

A more detailed comparison of the household projections is undertaken below.

3.4.2 Comparing the 2008 and interim 2011 based projections

Across the time period 2011 to 2021, the interim 2011 based population projections shows a slower increase than the 2008 based projections (Figure 12 and Figure 13). The reason for the large difference between the 2008 and 2011 projections are a result of the improved population base, as well as changes to household formation rates (see Section 3.4.3).

The 2004 based data has been included because, on reflection, the trends of the five years up to 2004 (on which the projections are based) are similar to current years – in that they are years of moderate growth following a recession.

Figure 12 Comparison of 2004, 2008 and interim 2011 based projections to 2021

Source	2011 households	2021 households	Absolute change	% change	Annual average change (11 years)
2004 based household projections	87,000	98,000	11,000	12.6%	1,000
2008 based household projections	88,200	101,200	13,000	14.7%	1,182
Interim 2011 based household projections	83,500	90,500	7,000	8.4%	636
Difference between the interim 2011 based and 2008 based projections	**-4,700**	**-10,700**	**-6,000**		

Source: ONS (2013 and 2010) interim 2011 and 2008 based household projections; Arup analysis

Back end manipulation gives an indication of the implications of the interim 2011 based projections to 2030. Two methods of extrapolating the data are used: the first takes the index factor[11] from the 2008 data; the second extrapolates[12] the average rise in the 2011 data forward. Both these methods show an annual increase which is lower than the 2008 based household projections suggests.

Figure 13 and Figure 14 illustrate this difference.

Of the two methods, indexation is preferable to extrapolation, as it reflects the likelihood of further recovery in the period post-2021. Extrapolation projects forward a constrained market further into the future, which is likely to under-estimate the number of houses that will be required across the plan period.

Figure 13 Comparison of 2004, 2008 and interim 2011 based projections to 2031

Source	2011 households	2031 households	Absolute change	% change	Annual average change (21 years)
2004 based household projections (indexed)[13]	87,000	107,000	20,000	23%	952
2008 based household projections	88,200	113,000	24,800	28.1%	1,181
Interim 2011 based household projections (indexed) (preferred method)	83,500	101,100	17,600	21.1%	838
Interim 2011 based household projections (extrapolated)	83,500	96,900	13,400	16.0%	638
Difference between the interim 2011 based (indexed) and 2008 based projections	**-4,700**	**-11,900**	**-7,200**		

Source: ONS (2013 and 2010) interim 2011 and 2008 based household projections; Arup analysis

[11] An index number reflects quantity compared with a standard or base value. The 2008 based projection for the year 2021 has been treated at the base value (100), with the percentage uplift each year applied to the interim 2011 based projection for the year 2021.
[12] The overall change projected between 2011 and 2021 is used to determine an annual average change, which has then been projected forwards.
[13] The 2004 projections run to 2029, and so have been indexed for the years 2030 and 2031.

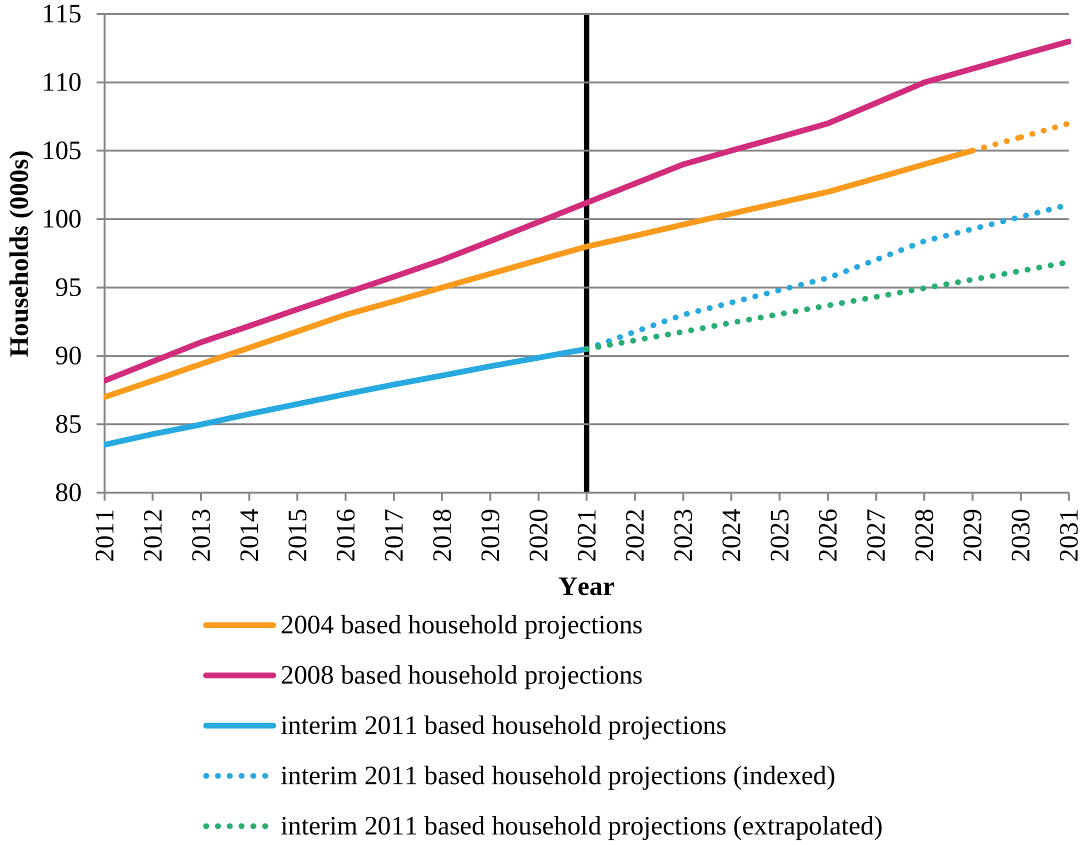

Figure 14 Comparison of 2004, 2008 and 2011 based projections to 2031

Source: ONS (2013 and 2010) interim 2011 and 2008 based household projections; Arup analysis

3.4.3 Factors driving forecast household growth

Figure 15 shows the change in average household size over the period 2011 to 2021, using two methods. The pink shows the three projections for 2011, 2016 and 2021 provided as part of the release. The blue shows average household size as calculated by dividing non-institutional population by number of households. The figure shows that the average household size is falling very slowly across the period – far slower than in previous projections.

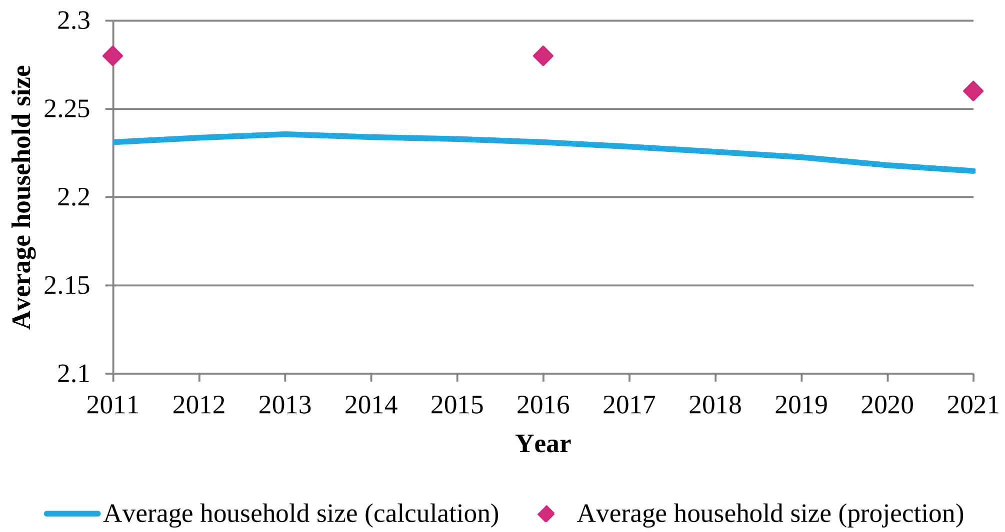

Figure 15 Comparison of average household sizes using different methods.

Source: DCLG (2013) Interim 2011 based household projections: Table 427 – Change in interim 2011 and 2008 based household projections; ONS (2013) Interim 2011 based sub national population projections; Arup

Figure 16 shows the components of household growth in the interim 2011 based projections. The projected growth in population is the main driver of the increase between 2011 and 2021, accounting for 107% of the growth. However, growth in households is supressed as a result of changes to household formation rates, which result in a 7% reduction in total number of households that would otherwise be required.

Figure 16 Components of household growth 2011-2021

Component of household change	York (%)	England (%)
Population level	107	98
Household formation	-7	3
Interaction terms (the relationship between population and household formation)	0	-1

Source: DCLG (2013) Interim 2011 based household projections Table 415: Components of household growth

This negative change in household formation rate is due to revised assumptions in light of the 2011 Census and continued economic downturn. A decline in average size is still projected, but this is slower as a result of two main factors:

- **Increased levels of international migration –** new migrants are more likely to link in larger households than those who have been born here or have lived here for longer; therefore, the more recent migrants there in the population the larger the average household size will be.
- **Changes to household formation rates** amongst the rest of the population, largely as a result of:
  - the effect of the recession on individual and household incomes; and
  - the high cost of property.

These factors have resulted in a lower propensity for young adults to form separate households, and have led to a higher national incidence in households formed of couples and independent adults (where offspring have been unable to leave home due to the high costs) and other two-plus person households (for example, adults sharing for convenience) than were projected in earlier projections.

Household formation change therefore represents a lower relative contribution to household growth than the 2008-based data, because of the decrease in formation rates. It is important to assess whether this change is likely to be a short-term departure from the previous trends, or the beginning of a new, longer-term trend.

Increased levels of international migration

Figure 17 shows the net level of migration into York in recent years, using National Insurance Number (NINo) data. It shows a large increase in international migrants between 2004 and 2007, rising from 830 to 1830 net change. The number has fallen since this peak, and in projected to be lower in the 2008 based, 2010 based, interim 2011 based and 2012 based sub national population projections.

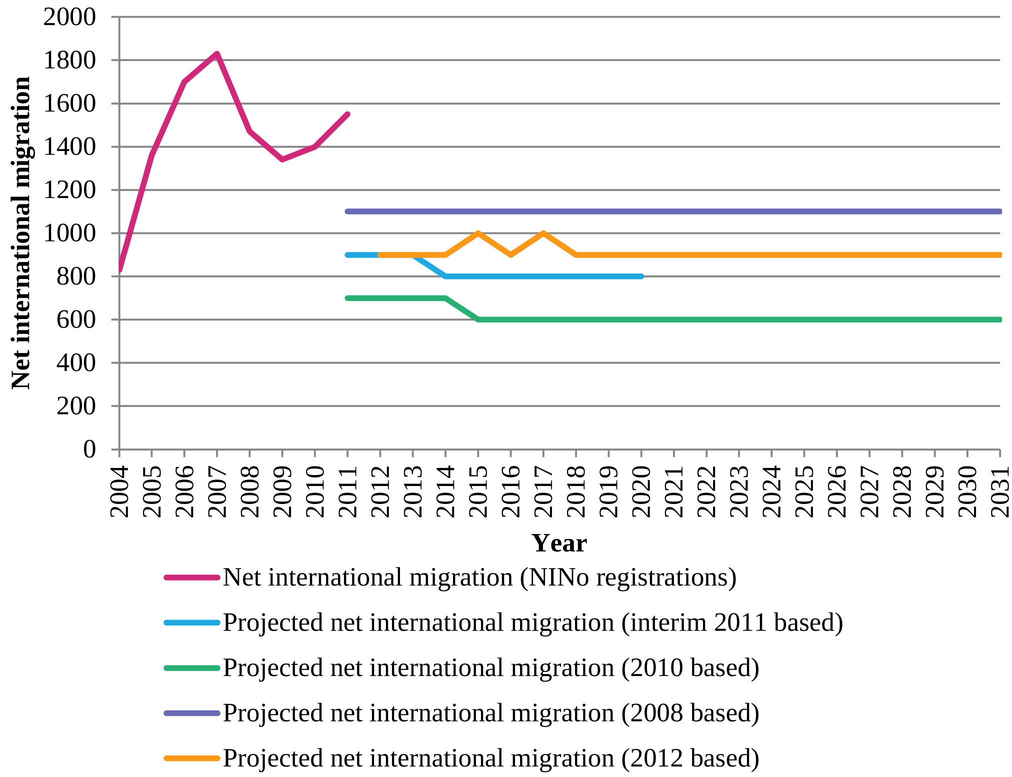

Figure 17 Net international migration into York - actual 2004-2011 and projected 2011-2030

Source: ONS (2013) National Insurance Number registration data 2004-2011; ONS (2013, 2012 and 2010) interim 2011, 2010 and 2008 based sub national population projections; Arup analysis

The level and type of international migration has potential implications on the demand for housing in York. For instance, economic international migrants are more likely to live in shared housing, therefore having a reduced impact on overall requirements. Familial reunion migration (where spouses or other family members move to join previous migrants) are more likely to have an impact. However, it is difficult to assess fully the impact of recent migration trends in York on future housing requirements without data on type of economic migrant (for example, proportion of skilled workers), length of stays, and so on.

Changes to household formation rates

The 2014 ONS Labour Force Survey release included data on the amount of young adults (20 – 34 year olds) who live with their parents, to the regional scale. Figure 18 shows that this proportion did not start increasing in Yorkshire and the Humber until 2008. This can be compared to the average for the UK as a whole, which started increasing earlier in the decade. Figure 19 show the proportion of young adults living with their parents in 2013, highlighting that the proportion in Yorkshire and the Humber is lower than most other regions.

These figures both indicate that the slowdown in the fall in average household size is related to the economic downturn (at least in Yorkshire and the Humber), rather than a longer-term trend. It might be expected that the proportion of young people living with their parents will fall with growth in the economy.

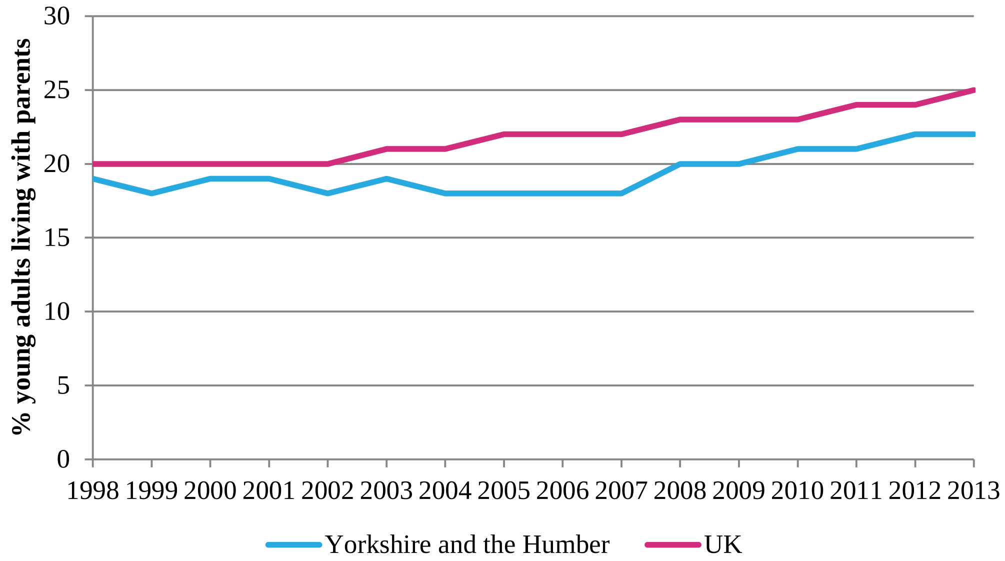

Figure 18 Percentage of young adults (20-34 year olds) living with parents
Source: ONS (2014) Labour Force Survey

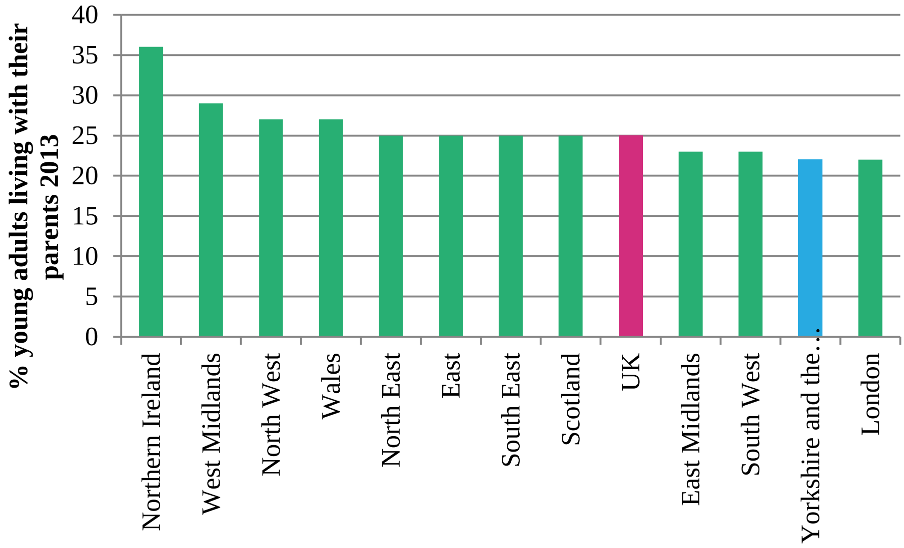

Figure 19 Percentage of young adults (20-34 year olds) living with parents in 2013
Source: ONS (2014) Labour force survey

The view that slowdown in household formation rates is simply a short-term departure from the previous trends has been taken by Inspectors at examination. The Inspector's Preliminary Findings from Lichfield Local Plan examination, for example, concluded that:

> *[…] although the household representation rates in the 2011 CLG household projections are lower than those in the 2008 projections, this is a result of poor economic conditions that the latter projection took account of. However, over the longer term household representation rates have been rising and the fall in these rates identified in the 2011 projection is likely to have been driven by short term factors such as the impact of the recession, constraints on housing supply and constraints on mortgage*

lending. It is reasonable, therefore, to assume that beyond 2021 (the end of the period covered by the 2011 projection) household representation rates will resume their long term rise.

3.4.4 Household projections summary

In summary:

- Household formation rates are largely based on the trends observed in proceeding five years. This means that short term trends can be inadvertently projected forward over a longer term.
- The 2008 based household formation rates are drawn from the proceeding trends of growth and if projected over a longer term may be too optimistic.
- The interim 2011 based household formation rates are drawn from a period of economic slow-down and, if projected over a long term may be suppressive.
- The 2004 based household formation rates represent a similar period in the economic cycle that we are experiencing in 2014; that is, a period of recovery and returning stability. Whilst it is interesting to compare outcomes with the 2004 based data, it is important to remember that there have been significant improvements in the methodological approach to deriving household formation rates since 2004, so they are not a valid dataset for current use.
- In short, neither the 2008 based or interim 2011 based household formation rates are ideal for understanding the housing requirement up to 2031.
- Recognising that the interim 2011 household projections represent (from a population only perspective) the most up to date start point (as the methodology uses 'real world' Census data), we have sought to 'sensitivity test' the longer term outcome. This approach is recommended by the RTPI in their guidance on household formation rates[14]. We have a) extrapolated 2011 household formation rates from 2021 to 2031 and b) indexed the household formation rate by applying the 2008 formation rate from 2021 to 2031, to recognise that by this time the economy will be stronger. Indexing the 2011 formation rates results in an additional 200 dwellings per annum.
- **It is recommended that the 2011 interim household projections, indexed from 2021 to 2031, provides the best position that can be ascertained using data sources currently available. Using this approach, the annual average requirement for York is 838 dwellings per annum.**
- DCLG are due to release the 2012 household projections in Autumn 2012. Observing the data trends on migration and economic growth, it is anticipated that the 2012 household formation rates will be much more positive than the 2011 rates, but unlikely to be as positive as the 2008 household formation rates. The work above on household formation rate change suggests that the slower rate of decline in average household size is likely to reverse with growth in the economy, rather than being the start of a longer term trend.

[14] 'Planning for housing in England: Understanding recent changes in household formation rates and their implications for planning for housing in England', RTPI (2014)

4 Review of recent economic forecasts

4.1 Introduction

The economic forecasts for York have been updated by Oxford Economic Forecasting. These updates include the production of a base forecast and two additional scenarios as a sensitivity test on the base scenario – these scenarios align with those used in the previous work:

- **The base scenario:** which reflects how global and national trends are expected to apply to York;
- **Base Scenario Sensitivity test:** where higher levels of migration are assumed and where it is assumed that there is a faster recovery from the current economic downturn; and
- **Scenario 2:** which assumes a faster rate of growth in the following sectors of the York economy: advanced manufacturing; science and research; financial and professional services; and tourism and leisure.

As was the case in our 2013 background paper, the main conclusion of the updates is that forecast employment growth is expected to grow at greater than the regional and national averages. The growth expectations for York will impact on the requisite housing requirements, as there is a relationship between the provision of the appropriate quantum and range of housing, in the right locations and economically successful areas.

The OEF model uses the latest release of ONS population data (2012 mid year Estimates. The model uses the ONS assumptions about natural change (birth and death rates) but recognises that net migration is economically driven and so is inherently shaped by economic prospects of an area *'the rational being that migrants are attracted to areas where there are perceived to be employment opportunities.*[15]*'*

The OEF projections consider that that the growth of the work age population will slow down in the future from an average of 0.9% per year from 2003 to 2013 to only 0.1% per year between 2013 to 2030, which is in line with national trends. This means that, to deliver the anticipated jobs growth, particularly in the policy on scenarios, increased economic activity rates of existing residents and continued net in-migration are required.*Please note: the OEF forecasts run to 2030; for this reason, the analysis below uses this as an end date rather than the plan period end date of 2031. Annual average changes are given in Section 4.4, which allow for comparison across the report.*

4.2 Base Scenario

The base forecast shows that employment in York will increase by 13,555 jobs between 2013 and 2030, representing a percentage increase of 12.6% for this period. This is a faster growth rate than either the regional average (6.8%) or the national average for the UK (9.5%) (Figure 20). This equates to approximately 750 jobs per annum. Across the period 2012-2020 (the period used in the original

[15] York Economic Forecasts Briefing Note, OEF, March 2014

report), there is an annual average increase of 970 jobs per year, which is slightly higher than the 920 forecasted in our original 2013.

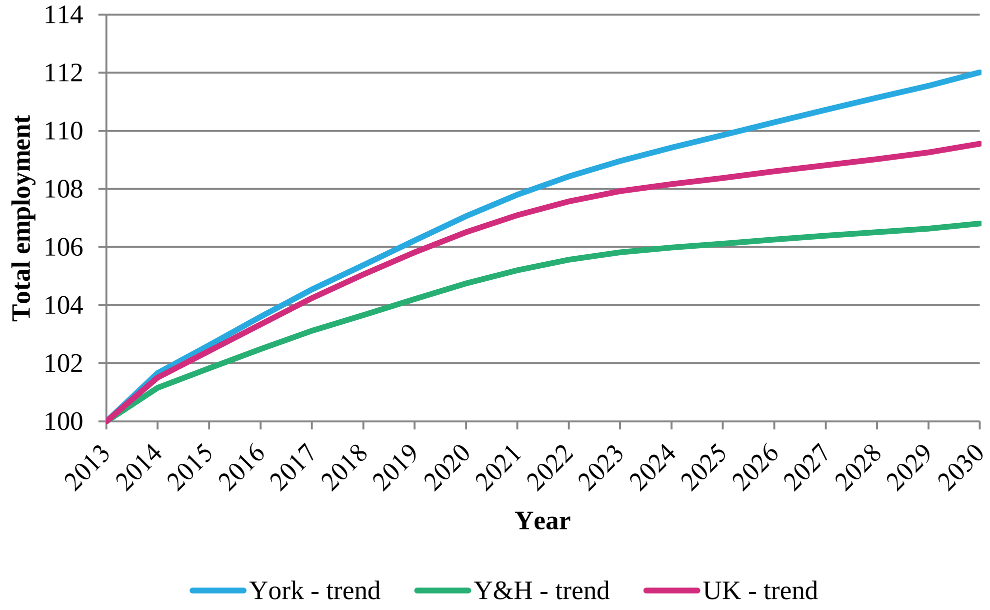

Figure 20 Forecast employment in the base growth scenario, update

4.3 Comparison with other base forecasts

Whilst the York Local Plan uses economic forecasts provided by Oxford Economics, many of the adjoining authorities use forecasts provided by Experian through the Regional Econometric Model (REM). To help ensure it is possible to compare the economic circumstances in York with that of its neighbours a baseline forecast from the REM has been carried out for York. The Oxford Economic forecast rate of job growth is 0.7% compared to a REM figure of 0.6% this leads to a difference between the two forecasts of 820 jobs over the whole forecast period. As a further check on the validation of job growth a baseline forecast was sought from Cambridge Econometrics this forecast job growth of 0.6% per annum.

In conclusion, the additional work has shown a high degree of agreement on the likely rate of job growth between the three main providers of economic forecasts and it is possible to compare the assumptions made in regard of York’s economic circumstances with those of its neighbours.

4.4 Scenario sensitivity testing of the OEF forecast

The two scenarios both show a stronger rate of employment growth in York than the base scenario. The highest levels of growth are achieved under Scenario 1 that is predicated on a faster national economic recovery, which forecasts that there will be an additional 18,600 jobs in York between 2013 and 2030, equating to 1,030 jobs per annum. Scenario 2 assumes faster growth in some key sectors of growth for York such as advanced manufacturing and bio-science. This scenario projects an increase of 15,100 jobs to 2030, or approximately 836 jobs per annum. Across the period 2012-2020 (the period used in the original report), Scenarios 1 and 2 forecast an average additional increase of 1,190 and 1,030 employees respectively.

The levels of growth under each scenario are illustrated in Figure 21.

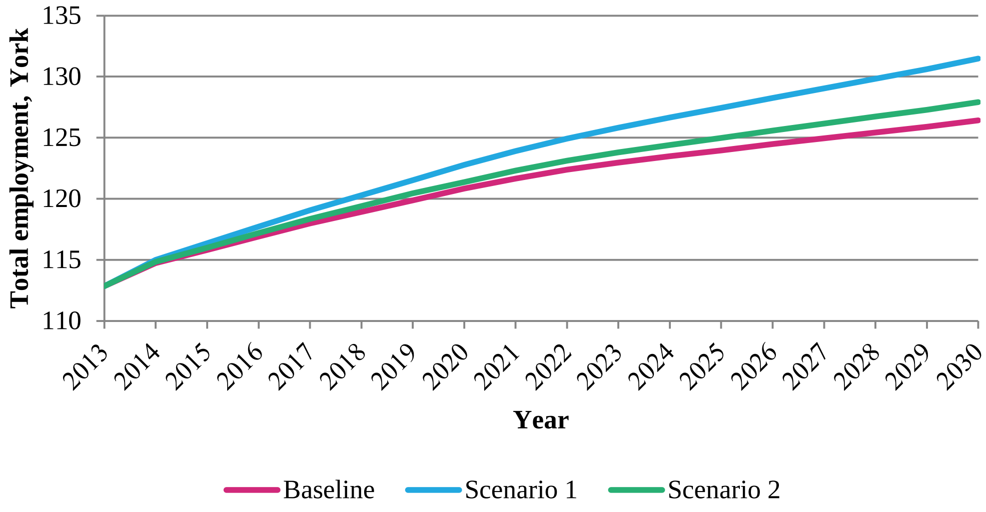

Figure 21 Employment growth for York under different scenarios

It is clear that Scenarios 1 and 2 would potentially create greater pressures on York's housing market than the base scenario as a result of the higher number of jobs that they would create – particularly as there is an underlying assumption that there will be higher levels of migration into the district.

4.5 Implications for population and housing growth

OEF forecasts include a population dimension; that is, the amount of residents needed to service the forecast economic growth, making certain commuting and migration statistics. The scale of growth envisaged under the two forecasts (Base and Scenario 2) is shown in Figure 22.

Figure 22 Forecast population growth in York

Population Forecast	2011 population	2030 population	Absolute change	Annual average change (20 years)
2010 based sub national population projections	198,700	221,700	23,000	1,150
Interim 2011 based sub national population projections	197,800	223,600	25,800	1,290
OEF Base forecast	197,600	225,496	27,896	1,395
OEF Scenario 2	197,600	225,847	28,247	1,412

The housing requirements for each of these scenarios can be derived by applying average household sizes to the change in population. In the previous report these sizes were taken from the North Yorkshire SHMA; more recent data is included within the interim 2011 household projections release.

There has been criticism at past examinations that the household size assumptions contained in the interim 2011 projections are drawn from a five year period when the housing market was in severe recession and that using these rates for a projection of need ‘locks in’ the recessionary trend. Conversely, the 2008 based projections (which provide the basis of the projections used in the SHMA) are drawn from a five year period which includes the peak of the housing market and arguably present an over optimistic picture in respect of falling household size. Looking ahead as the housing market emerges from deep recession, we can expect the longer term picture of household size over the plan period to fall somewhere between the assumptions used in the 2008 and interim 2011 projections.

Figure 23 shows the differences in housing requirements using the two different household size sources. To derive an annual housing requirement from OEF forecast we have:

- for the period 2011-2021, used the average household size for 2011 and 2021 from the interim 2011 based household projections;
- for the period 2022-2030, indexed the interim 2011 based average household size using the rate of decline taken from the 2008 based projections (providing an average household size of 2.167 in 2030); and:
- applied these household sizes to the population forecasts from the OEF work to calculate the associated change in households over these periods.

This method of indexation post-2021 is consistent with the one used in Section 3.4.2. Using extrapolation alone would project forward a constrained market further into the future, which is likely to under-estimate the household formation rate across the longer time period. Indexation, on the other hand, acknowledges that we would expect household size over the plan period to fall somewhere between the 2008 and interim 2011 projections assumptions, as set out above.

The analysis shows an annual housing requirement between 869 and 877 dwellings per annum. These are explained below.

Figure 23 Annual average change in households, derived from interim 2011 average household sizes (indexed using 2008 average household sizes to 2030)

Forecast	**Population**			**Ave. Household size**			**Households**							
	a	**b**	**c**	**d**	**e**	**f**	**g**	**h**	**i**	**j**	**k**	**l**	**m**	**n**
	2011	**2021**	**2030**	**2011**	**2021**	**2030**	**2011**	**2021**	**2030**	**Change 2011-2021**	**Change 2022-2030**	**Ann. ave. change 2011-2021**	**Ann. ave. change 2022-2030**	**Ann. ave. change**
							(a/d)	**(b/h)**	**(c/i)**	**(h-g)**	**(i-h)**	**(j/11years)**	**(k/9years)**	**(i+j/20years)**
OEF Base	197,619	212,987	225,496	2.28	2.25	2.17	86,675	94,661	104,059	7,986	9,398	726	1,044	**869**
OEF Scenario 2	197,619	212,892	225,847	2.28	2.25	2.17	86,675	94,619	104,221	7,944	9,602	722	1,067	**877**

As part of identifying objectively assessed need, the NPPG states that plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts (see Section 2.3). Applying average household sizes to the OEF Base forecasts indicates a requirement for 869 dwellings per annum. This is comparable to the demographic-derived objectively assessed needs of 838 dwellings per annum.

Scenario 2 of the OEF constitutes a 'policy on' figure, as it assumes a faster rate of growth in particular sectors of the York economy. Applying the interim 2011 average household sizes (indexed using 2008 average household sizes to 2030) to the OEF Scenario 2 indicates a requirement of 877 dwellings per annum. This is higher than the demographic and economic objectively assessed need figures. However, it is lower than the figure of 1,090 included in the 2013 report (derived from the earlier forecasts), for two main reasons:

- First, the improved economic circumstances have had the effect of bringing forward forecast job growth, with more of the forecast job growth already taking place.
- Second (and more significantly), our 2013 report predated the release of the interim 2011 household projections and, as a consequence, used the much more optimistic household formation rates from the 2008 based projections for the whole forecast period. The interim 2011 based figures show a slower rate of decline in average household size between 2011-2021, therefore reducing the number of individual households expected over the period.

Edge Analytics will be commissioned to undertake further work to further sensitivity test the household formation rates for the district using their POPGROUP model. This will be beneficial as it will allow a more refined approach to household growth to be derived from the most recent 2012 sub national population projections, in the absence of DCLG 2012 household projections.

(It is also important to note that the OEF model inputs demographic information and – in creating scenarios – manipulates the information depending on the sectoral focus. This could, for example, include slightly dampening population in assuming a higher rate of commuting to service anticipated new jobs. The analysis above seeks to transparently sensitivity test the OEF forecasts using household formation rates without 'double dampening' the data. It is anticipated that the Edge Analytics work will sensitivity test this further.)

4.6 Summary

The updated OEF forecasts show a more positive picture for York than their December 2012 forecasts. The updated base forecasts shows and annual average increase of 970 jobs compared to 920 jobs reported for the same period in December 2012. This is because 2013 was a better performing year than anticipated.

Additional work comparing OEF to REM and Cambridge Econometrics forecasts has shown a high degree of agreement on the likely rate of job growth between the three main providers of economic forecasts and validated the OEF forecasts.

Applying average household size to the OEF forecasts suggests a figure of 869 homes per year to support economic growth, which is lower than the 1,090 previously presented in the Preferred Options Local Plan. This figure should be reviewed in the light of the 2012 household projections, as it is particularly sensitive to assumptions on household size.

5 Historic Housing Completions and impact on future requirement

5.1 Overview

The National Planning Policy Guidance (NPPG), 6 March 2014 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. The NPPG suggests that LPAs **'take a view'** on the extent of past under delivery. It does not set out an approach to determining how under delivery should be calculated.

There are three components to consider in determining backlog:

- The 'base year' for the calculation of under delivery or 'backlog';
- Whether the LPA has a record of persistent under delivery (to determine the buffer required); and
- Whether the additional requirement generated from the backlog is applied to the first 5 years of the housing requirement (Sedgefield approach) or the whole plan requirement (Liverpool approach).

5.1.1 Base Year

Prior to the abolition of Regional Spatial Strategies in 2013, it was the accepted practice that either the RSS or a Local Plan adopted post RSS (as it needed to be in conformity with the RSS) provided the 'base year' for considering completions against the established housing requirement.

Since the issue of the NPPF and the subsequent abolition of RSS, the practice has been less straightforward, especially for authorities that did not have an adopted plan in place at the point of abolition of the RSS (as is the case of York). In addition, case law from planning appeals and Examinations of Local Plans/ Core Strategies do not present a consistent picture of how the base year and any related backlog calculation should be approached.

It is understood that several of York's neighbouring authorities are seeking to establish a more recent 'base year' for the Plan (i.e. 2011, 2012 or 2013) as a basis for determining the extent of the under-delivery. The benefit of setting a more recent base year would be that backlog would only be 'counted' for between 1 and 3 years. The justification being used by LPAs currently for this approach includes:

a) that the 2011 Census is an actual (not estimated) count of the population so represents an accurate start point for future housing requirements; and

b) that as the RSS was abolished (by the Localism Act) and no longer forms part of the adopted development plan, it carries no weight and the housing requirement set in the RSS was not 'objectively assessed' as the NPPF now requires.

We have reviewed the Inspector's reports of Local Plans and Core Strategies found sound at examination for the period July 2013 to 31st March 2014 to determine what approach each LPA proposed to the base year, as follows;

Local Authority	**Plan Type**	**Date Plan Found Sound**	**Base Date for the Plan (and determining the housing requirement)**
Babergh District Council	Core Strategy	January 2014	2011
Cannock Chase District Council	Local Plan	February 2014	2006
Christchurch and East Dorset Councils	Core Strategy	March 2014	Inspector's report not yet published by LPA
Copeland District Council	Core Strategy	September 2013	Not referenced in Inspector's report
Erewash Borough Council	Core Strategy	January 2014	2011
Hastings Borough Council	Local Plan	October 2013	2011, but 2006 used to consider undersupply
Reigate & Banstead District Council	Core Strategy	January 2014	2006
Rydale District Council	Local Plan	August 2013	2011
Solihull MBC	Local Plan	November 2013	2006
South Gloucestershire Council	Core Strategy	November 2013	2006
Staffordshire Morelands District Council	Core Strategy	January 2014	2006
West Lancashire Council	Local Plan	September 2013	2012
Wigan MBC	Core Strategy	August 2013	Not clearly expressed in the Plan or Inspector's report

Source: PINS Local Plans Process – 31 March 2014 and respective Inspector's Reports

It is worthwhile noting that some plans were submitted up to one year prior to the Inspector's report being published, so would have reflected the conventional approach of the time. It is also worth noting, that in relation to 'base year' many authorities have selected a similar base date to their neighbours. This is either due to circumstances where they may have had a joint evidence base or had a reference to the Regional Spatial Strategy, which for most regions were not abolished until 2013, so plans submitted for Examination in 2012 would still have some links to the RSS.

It is anticipated that as more plans are examined over the duration of 2014, the use of a more recent' base year' will emerge.

The Preferred Option Draft of the City of York Local Plan had a base year of October 2012, which is when production of the composite Local Plan commenced. This date could be carried over to the Submission Draft plan; alternatively, a base date of 2004 could be appropriate, given that it is the start date of the RSS.

5.1.2 Buffer

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 a record of 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."

Neither the NPPF or recent NPPG define the time period which qualifies as 'persistent under-delivery', but in most planning appeals and plan examinations this is considered to be a period of consistent under delivery below the target requirement for five years or more.

Figure 24 and Figure 25 compare net housing completions on York compared to the annual targets set by the now abolished RSS.

Figure 24 Housing completions and targets

Year	Net housing completions	Target (RSS)	[Target (Local Plan)]	Over / under Supply	
2004/05	1160	640	-	520	81%
2005/06	906	640	-	266	42%
2006/07	798	640	-	158	25%
2007/08	523	640	-	-117	-18%
Total 2004/05 - 2007/08	**3387**	**2560**	**-**	**827**	**32%**
2008/09	451	850	-	-399	-47%
2009/10	507	850	-	-343	-40%
2010/11	514	850	-	-336	-40%
2011/12	321	850	-	-529	-62%
Total 2008/09 - 2011/12	**1793**	**3400**	**-**	**-1607**	**-47%**
2012/13	482	850	[970[16]]	-368	-43%
2013/14	345	850	[1050]	-505	-59%
Total 2012/13 - 2013/14	**827**	**1700**	**[2060]**	**-873**	**-51%**
Total 2004/05 - 2013/14	**6007**	**7660**	**[8020]**	**-1653**	**-22%**

Source: City of York (2014) monitoring data

[16] The Local Plan annual target for 2012/13 results from a 'split year' of 6 months of RSS target (850) and six months Local Plan target (1090).

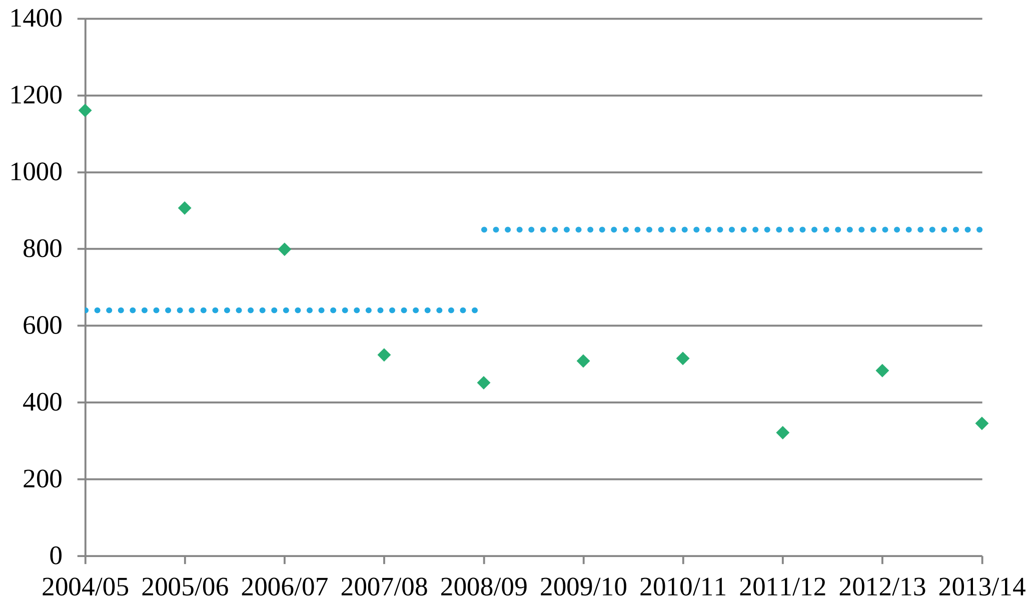

Figure 25 Housing completions and targets

Source: City of York (2014) monitoring data

Figure 24 shows that, since 2004, York has under-provided by **1,653 net dwellings**, or **22%** against the stepped RSS target.

Whilst a case could be made that the RSS requirement was not 'objectively assessed' and now has no status in planning law terms since it was abolished in 2013, in the absence of a subsequent Local Plan, it is the only Plan in the past 10+ years which has set a target housing requirement for York.

For the purpose of determining whether a 5% or 20% buffer should apply to the future housing requirement for York, it is worthwhile considering delivery against the RSS requirement, which set out the provision from 2004 to 2008, with a step up of requirement from 2008 onwards.

Determining 'persistent under delivery' is not an exact science. However, as a result of the delivery rates set out above, it is therefore very likely, and the safest assumption, that 'persistent under delivery' applies to York, and therefore the Local Plan housing requirement should include consider a 20% buffer bought forward from the total requirement in the first five years (i.e. 6 years' worth of supply rather than 5 years).

5.1.3 Sedgefield or Liverpool

There are two different approaches to how the 'backlog' of housing delivery has been 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.

The table below is a further review of the inspector's reports of all the Local Plans and Core Strategies found sound at examination for the period July 2013 to 31st Mach 2014. It sets out whether:

a) the Inspector's report made any reference to the undersupply / backlog of housing provision;
b) whether the Inspector determined what size of buffer was acceptable; and
c) whether the Inspector's Report made any reference the undersupply being added to the overall requirement using either the Sedgefield or Liverpool approach.

Local Authority	Reference to Backlog	Buffer	Sedgefield vs Liverpool
Babergh District Council	Some under-delivery but not persistent.	5%	No reference in Inspector's Report
Cannock Chase District Council	Between 2006/7 and 2012/13 there was a shortfall compared to relevant targets at the time. However, with revocation of the RSS these targets will be superseded by the Local Plan.	5%	No reference in Inspector's Report
Christchurch and East Dorset Councils	Inspector's report not yet published by LPA		
Copeland District Council		20%	No reference in Inspector's Report
Erewash Borough Council	Reference to low levels of completions in recent years and a cumulative shortfall against RSS target.	20%	Liverpool (for accommodating undersupply for years 2011/12 and 2012/13)
Hastings Borough Council	Undersupply for period 2006-2011'should be absorbed within the overall provision. Delivery for proceeding 5 years compared to RSS and Structure Plan requirements to determine extent on under delivery.	20%	No reference in Inspector's Report
Reigate & Banstead District Council	This LPA over-delivered in period 2006-2010	5%	n/a
Rydale District Council	Reference to net completions since 2006 against RSS requirement. *'neither NPPF nor the former RSS specifically requires overall provision within the plan period to be increased to compensate for past under performance, and with the revocation of the RSS, it could be argued that the need to make specific provision for this shortfall*	20%	25% 'zone of tolerance' above planned provision levels

Local Authority	Reference to Backlog	Buffer	Sedgefield vs Liverpool
	is no longer necessary'.		
Solihull MBC	Level of shortfall (for closely related neighbour Birmingham City) and how much of this Solihull may need to meet is yet to be established, but Inspector did not wish to delay Solihull's local plan.		
South Gloucestershire Council	Annual completions have not matched targets in the South Gloucestershire Local Plan or the submission version of the Core Strategy in the last decade.	20%	There is no indication in the NPPF, that one method is preferable to the other. Desirable to make good past deficiencies as soon as possible, but would require annual completion rates in excess of those achieved in the past quarter century. Inspector therefore favours Liverpool approach.
Staffordshire Morelands District Council	Since 2006/7 completions have been falling and show underperformance.	20%	No reference in Inspector's Report
West Lancashire Council	Any such effect will be addressed by the Council's acceptance that the shortfall against the RSS requirement up to 2012 should be made up within the Plan period.	No reference in Report	The shortfall itself should be distributed as evenly as possible across the Plan period, so as to ensure that it begins to be addressed immediately and is eliminated by the end of the period = Liverpool
Wigan MBC	I have taken the view that a buffer of 5% rather than 20% would be required from 2018 onwards given that the issue of persistent under delivery should have been addressed by that stage.	5%	No reference in Inspector's Report

In most cases, acknowledgement of an under-supply has led to the LPA needing to allow for a 20% buffer on the first five years of supply, moved forward from later in the plan period (to meet the requirements of NPPF Para 47).

Interestingly, not all LPAs have been required to then add the proceeding 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: a) 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).

The Inspector's report from the Rotherham Local Plan examination concludes that, whilst the base date is 2008, backlog should not be measured against the (extant) RSS requirement and should instead be measured against the proposed annual average requirement. As set out above, the Inspector also accepted the Liverpool approach for the backlog to be accommodated over the lifetime of the period.

5.2 Implications for York and Recommended Actions

It is evident from examining records of past completions, that since 2007/8 York has delivered less dwellings than it did in the period 2004/5 to 2007/8. This aligns with the economic downturn and is a similar pattern for other local planning authorities. Unfortunately, completion rates have remained below even the lower 2004-2008 RSS requirement of just over 600 dpa since 2007/8. Therefore it would be reasonable to conclude that York has a record of 'persistent under delivery' and in terms of housing land supply, York should include for a 20% buffer in the first five years (moved forward from later in the plan period).

Whilst this affects the amount of land to be specifically identified for development in the first five years, it does not affect the overall housing requirement.

It is evident that not all plans found sound have been required to add any under-delivery or backlog' from proceeding years to their overall housing requirement. In addition, neither the NPPF nor NPPG provide precise clarity over how this should be approached, with the NPPG recommending that *"local planning authorities should reflect the consequences of past under delivery, as household projections are trend based and do not reflect unmet needs*", and suggesting that LPAs *"**take a view** on the extent of past under delivery".*

If making an allowance for past under-delivery is required, the majority of Inspector's have accepted the Liverpool approach for adding this to the overall housing requirement.

It is recommended that the City of York Council:

a) **Continues to uses a 2012 base date for the plan (as per Preferred Option Draft);**

b) **Selects the housing requirement which best aligns with the economic strategy for the City of York, so that the Plan allows for sufficient housing to meet the economic future of the City;**

c) **Allows for a 20% buffer to its five year land supply;**

d) **Continues to track the approach and outcomes of plans currently being examined to determine if an alternative approach is required; and**

e) **Based on (d) above, considers seeking Counsel advice about whether the accumulated shortfall from 2012 to date should be added to the whole plan requirement (Liverpool approach).**

The benefits of this approach are that:

- the Plan is seeking to support the economic strategy with a housing requirement, rather than just relying on trend-based projections; and
- More land is available in the short term for development, offering choice and flexibility to the market.

If in the extreme, a backlog from the period 2004 onwards were added to the housing requirement were to be added to the first five years (the Sedgefield approach) it would be questionable if this could be realistically delivered for the following reasons:

- the capacity of the building industry to deliver above a particular quantity at any one time (particularly in the context of historic delivery rates for York set out above);
- lack of (viable) sites, or land banking by owners or developers (the site allocation process and extensive work undertaken by the City of York Council on the site viability should have reduced this risk);
- it is still too early to understand the implications of Government schemes such as Help to Buy and NewBuy on the delivery of housing in York;
- general barriers to development felt across the country, including the availability of developer finance (resulting in only firms with large balance sheets are able to build new homes in any significant quantity) and mortgage finance (constraining demand).

6 Representations made to the Preferred Options Local Plan

6.1 Introduction

The City of York – Preferred Options document was made available for consultation in Summer 2013. Responses were received from 4945 respondents, including residents, interest groups, Parish Councils, prescribed bodies and statutory consultees, developers, agents and land owners. In addition to individual responses, 21 petitions were submitted during the consultation period, containing a total of 9022 signatures.

The Preferred Options document presented four housing growth options:

Option 1 - Baseline of 850 dwellings per annum

This option is consistent with the overall level of population growth set out in the 2010 based sub national population projections and the SHMA. This figure would not be commensurate with the forecast economic growth and so would not provide the choice of housing for those with jobs in York to live in York and would increase in-commuting. It would not meet affordable housing need in line with the requirement from the SHMA for 790 affordable dwellings per annum.

Option 2 – 1,090 dwellings per annum

This option provides the scale of housing growth to support the employment growth forecast in the City of York Economic and Retail Growth and Visioning Study (2013) and would provide the choice for those who may take up new jobs to reside in York rather than commute into the district. The figure would make a moderate boost to affordable housing supply across the plan period although it would not meet the 790 target for affordable dwellings per annum set in the SHMA.

Option 3 – 1,500 dwellings per annum

This option is not purely derived from future demographic need but is an assessment of what the overall housing growth figure would need to be in order to meet the newly arising affordable housing need over the plan period based on the existing affordable housing target. This option would provide a significant boost to help to meet the newly arising affordable housing need element of the SHMA target but would not meet the affordable housing backlog over the plan period.

Option 4 – 2,060 dwellings per annum

This option would theoretically meet the affordable housing target of 790 affordable dwellings per annum over the plan period including both the backlog and the newly arising affordable housing need as set out in the SHMA.

Separate work has been undertaken by City of York Council to validate the analysis of the need for affordable housing as set out in the SHMA (see Section 6.3). Options 3 and 4 remain valid options, but the 2013 report concluded that the rates of delivery would be unachievable.

Option 2 (1,090 dwellings per annum) was put forward as the preferred option in the document.

A number of representations were made with regard to housing requirements, on the following policies and sections:

- Policy SS2: Delivering Sustainable Growth for York
- Section 10: Housing (general representations)
- Policy H1: The Scale of Housing Growth

Key issues raised at consultation are dealt with in the following sections:

- the level of housing requirement included in the Preferred Options document;
- the level of affordable housing need included in the Preferred Options document;
- the suitability of evidence bases used to assess housing requirement;
- the size of the buffer included as part of the housing requirement;
- the treatment of backlog or shortfall in the annual housing requirement; and
- the relationship between economic projections and housing requirement.

Other issues not directly relating to housing requirements were also raised, including: delivery and trajectories; windfall; site-specific allocations; capacity; and impacts. These have not been included in this report.

6.2 The level of housing requirement

The main concerns raised in representations in relation to the level of housing requirement are summarised below.

- The Preferred Options document annual housing target of 1,090 does not align with the figure of 850 included in the 'Assessment of the Evidence on Housing Requirements in York' supporting document. The inflated numbers are not sufficiently justified or explained.
- The annual housing target does not meet objectively assessed housing needs.
- An annual target of 850 houses per annum is in line with the sensitivity test used as part of the York and North Yorkshire SHMA, and should be taken forward.
- The annual housing requirement of 1,090 is unrealistic when compared with recent past completion rates.
- There is no detailed justification for why Option 2 was selected and Options 3 and 4 were not.
- There is a lack of evidence that the annual housing target of 1,090 will provide choice or reduce commuting as asserted.
- The RSS annual target of 650 houses between 2008 and 2026 should be retained.

The previous report set out the case for a range of options, including Option 1 (850 homes) and Option 2 (1,090 homes). The report found that 1,090 dwellings may help to provide the required amount of housing to facilitate the scale of employment growth in the economic growth base forecast. It also concluded that the higher housing requirement than baseline would also help to address affordability challenges.

Since the previous report was published, the importance of the relationship between economic forecasts and housing requirements has been emphasised both through guidance and at examinations. The National Planning Practice Guidance, in particular, states that:

- plan makers should make an assessment of the likely growth in job numbers based on past trends and/or economic forecasts as appropriate; and
- where the labour force supply is less than the projected job growth, plan makers should consider increasing housing numbers to address unsustainable commuting patterns.

The option of 850 homes presented in the 2013 report enabled the York to meet the needs of its population only, it did not allow for York to accommodate any population growth associated with economic growth. Work undertaken by OEF and sensitivity tested in Section 4 confirms that the economic growth forecasts remain valid and point again to Option 2. The figure of 1,090 homes provides the scale of housing growth to support the forecast employment growth and would provide the choice for those who may take up new jobs to reside in York rather than commute into the district.

The figure chosen is therefore a realistic balance between the objectively assessed need of the district, the robustness of the evidence base including the economic visioning and forecasts, and the capacity to deliver.

6.3 The level of affordable housing need

The main concerns raised in representations in relation to the level of affordable housing need are summarised below.

- The proposed target does not meet the full affordable housing need of 790 homes per year. Option 3 or 4 would better meet this need.
- Affordable housing should not be solely delivered through including a high target.

The SHMA for North Yorkshire and York was carried out in 2011 and there are no plans to undertake a new SHMA prior to the submission of the Plan. However, in order to ensure that the analysis on the need for affordable homes carried out for that SHMA remains robust, City of York Council has carried out further testing of the data used for that analysis.

This proportionate approach to ensuring a robust evidence base has taken the components of the affordable housing assessment in the SHMA and updated those where new evidence is available. The overall conclusion of this further testing is that the overall requirement of 790 per annum, which includes both addressing the current backlog of affordable homes and meeting newly arising need, remains a robust figure.

The City of York – Preferred Options document included an affordable housing requirement of 20% for 15 or more dwellings on brownfield sites, or 30% on greenfield land. Based on these proportions, a figure of 1,090 homes would not meet the need for 790 affordable dwellings per year for the first five years of the plan period, as set out by the SHMA.

A larger total housing requirement would be better placed to meet this affordable housing need; however, it would exceed the demand derived from demographic and economic projections.

The City of York Council is revising the approach to affordable housing in the preparation of the publications draft; as such, the policy approach to delivering affordable housing may change. Any increased requirement to deliver more affordable homes also has to consider realistic rates of delivery of new homes.

6.4 The suitability of evidence bases

The main concerns raised in representations in relation to the suitability of evidence bases are summarised below.

- The interim 2011 based sub national population projections and interim 2011 based household projections should be used as they are the most up-to-date sources of evidence, as required by the NPPF.
- The interim 2011 based sub national population projections and interim 2011 based household projections should not be used as they project a period of undersupply with no adopted plan, and do not project past 2021.
- The 2011 Census indicated a lower rate of growth as is used in the Preferred Options document.
- The annual housing target is based on based on work done as part of the RSS, with no evidence it is still relevant.
- The relationship between drivers of housing demand (population growth, average household size, past under-provision and travel-to-work patterns) has not been clearly articulated.
- Demographic change has not been factored into projections of future household growth.
- The Government's intentions to reduce international migration have not been reflected in the projections used.
- The Preferred Options document assumes population will increase by 50,000 during the plan period, compared with the expert forecast of 20,000 to 26, and actual population growth between 2001 and 2011 of 17,000.
- The 'Assessment of the Evidence on Housing Requirements in York' supporting document used an annual household size of 2.11, which is too low.
- There is a lack of clarity regarding the start and end of the plan period.

The 2013 report 'Assessment of the Evidence on Housing Requirements in York' used the most up-to-date evidence available at the time of production. Since its production, further statistical releases have been made. The purpose of this update is to consider the implications of the updated data on the conclusions drawn in the 2013 report.

Leeds City Region sets out a common start point and methodology in 'The objective assessment of housing requirements: establishing a common methodological approach'. The methodology recommends that local authorities should avoid any reliance on the interim 2011 based projections for any definitive evidence. The NPPF requires Local Plans to be based on adequate, up-to-date and relevant evidence. For this reason, this update provides interim 2011 based projections alongside earlier statistical releases, and clearly sets out when and how the interim projections have been projected forward past 2021. The approach taken is in accordance with both the Leeds City Region methodology and the NPPF.

6.5 The size of buffer included

The main concerns raised in representations in relation to the size of buffer included are summarised below.

- The 15% buffer applied to the figure of 1,090 is not clearly justified.
- York has a record of persistent undersupply of housing, therefore should adopt a 20% buffer as required by Paragraph 47 of the NPPF.
- York does not have a record of persistent undersupply of housing, therefore should adopt a 5% buffer as required by Paragraph 47 of the NPPF.

A buffer of 15% was added to the figure of 1,090 included in the Preferred Options document, in order to allow for a realistic prospect of achieving the planned supply and to ensure choice and competition in the market for land. It also incorporated the shortfall in delivery against targets during recent years.

As set out in Section 5.1.2, it is recommended that a 20% buffer bought forward from the total requirement in the first five years (i.e. 6 years' worth of supply rather than 5 years) should be used to address persistent under delivery of housing.

6.6 The treatment of backlog

The main concerns raised in representations in relation to the treatment of backlog are summarised below.

- Under-delivery has not been sufficiently dealt with within the Preferred Options document.
- Under-delivery of affordable housing will not be met by the proposed target.

Section 5 of this report further considers the approach to backlog. Affordable housing backlog is dealt with in Section 6.3.

6.7 The relationship with economic projections

The main concerns raised in representations in relation to the relationship between housing requirements and economic projections are summarised below.

- The link between housing and jobs is not straightforward and should be treated with caution.

- The housing target of 1,090 is not sufficient to meet the economic growth aspirations of the Council.
- The annual jobs growth figure of 890 is higher than achieved in previous years. York has lost jobs over recent years, and a higher than average proportion of the current jobs are dependent on public sector employment and are vulnerable to permanent reductions in government spending.
- The economic projections included in the Preferred Options document are significantly higher than the UK projections and are overly-ambitious.
- The relationship between economic and household projections have not been corroborated with other sources of information or independently assessed.

The economic forecasts have been updated by OEF, and the relationship between housing and jobs is considered in Section 4. Additional work comparing OEF to REM and Cambridge Econometrics forecasts has shown a high degree of agreement on the likely rate of job growth between the three main providers of economic forecasts and validated the OEF forecasts.

Whilst the relationship between housing and employment is complex, the NPPG states that plan makers should 'should make an assessment of the likely growth in job numbers based on past trends and/or economic forecasts as appropriate', and that this should be reflected in housing numbers in order to reduce potentially unsustainable commuting patterns.

7 Main Findings

7.1 Overview

This 2014 update of housing requirements for York has sought to understand the implications of new guidance and the most recent datasets on the findings from the report produced in 2013. The main findings can be summarised as follows.

- Housing completions in York remain low, and below the now abolished RSS requirement.
- Interim 2011 based population projections are above 2010 based projection projections, but still below 2008 projections. This is a result of a more recent base population being used (taken from the 2011 Census), as well a reduction in net international levels. However, there have been criticisms of assumptions used in the 2010 based projections (and retained in the 2011 figures) which have been shown to be incorrect by the Census.
- 2012 based population projections are above the 2010 based population projections, but below the 2008 and interim 2011 projections. The 2012 projections are more robust, as they include improved data on migration and more accurate assumptions about fertility, mortality and age structure taken from the 2011 Census, and supersede the interim 2011 projections.
- The most recent interim 2011 based household projections show a lower rate of household growth to 2021. This is a result of changes to household formation rates (due, in part, to a lower propensity for young adults to form separate households). However, 2014 ONS Labour Force Survey suggests that this is related to the economic downturn rather than a start of a longer trend.
- OEF have produced updated 2014 base data and scenarios for the future economy of York, all of which present a more optimistic picture for York than the December 2012 projections, as 2013 was actually a better performing year than anticipated.
- In plans found sound between July 2013 and March 2014, the approach to base year and buffer varies. Not all authorities have been required to make up for past under-delivery in their future requirement and several have established more recent base years as the start point for consideration of backlog matters.
- All neighbouring authorities, with the exception of Harrogate, are expecting to meet their objectively assessed needs. Harrogate is shortly to begin reviewing their objectively assessed housing need in preparation for commencing work on a new Local Plan.

7.2 Implications for Housing Requirements

Figure 26 sets out the implications for housing numbers of the various sources of data and scenarios across the plan period 2011 – 2031. They suggest a convergence in requirements, in the range of 838-877 dwellings per annum.

Figure 26 Implications for housing numbers

Type	Source	2008 based	Interim 2011 based (indexed using 2008 household formation rates 2021 to 2031)
Objectively assessed need			
Demographic	DCLG Household projections	1,181	838
Economic	OEF Base	-	869
Housing to support economic growth			
Economic	OEF Scenario 2	-	877

The purpose of this report was to provide an update on the original assessment, in light of changes to available sources of evidence. The evidence has been used to inform a number of options for the annual housing requirement for the plan. The objective of this report is to validate whether these options remain suitable for consideration going forward.

Option 1: Baseline

The 2013 report found that the evidence pointed to a baseline of 850dpa (Scenario 1), which was consistent with the overall level of population growth projected in the 2010 sub national population projections as well as the Sensitivity Test in the North Yorkshire SHMA (2011).

This report points to the conclusion that the 2008 based projections (projecting forward a period of economic growth) represent an over-optimistic trend, and the interim 2011 based projections (projecting forward a period of economic downturn and the effects of a longer period of housing affordability) represent an under-optimistic trend. An appropriate figure is likely to fall between these two extremes (indeed, the 2012 based sub national population projections points to this.

As advised by the RTPI guidance on understanding household formation rates[17], we have sensitivity tested the household formation rate assumptions applied to the 2011 household projections over the longer term, to ensure that both under- and over-optimistic trends are not perpetuated. Using the 2011 based household formation rate data from 2011 to 2021 and then indexing the household formation rates from 2021 to 2031 using the 2008 based household formation rate data indicates a demographic-derived objectively assessed need for 838 dwellings per annum.

[17] ‘Planning for housing in England: Understanding recent changes in household formation rates and their implications for planning for housing in England’, RTPI (2014)

As part of identifying objectively assessed need, the NPPG states that plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts. Applying average household sizes to the OEF Base forecasts indicates an economic-derived objectively assessed need of 869 dwellings per annum.

Therefore, from sensitivity testing the most up-to-date data available, a baseline objectively assessed need of 850dpa is still valid for current use.

Option 2: Housing to support economic growth

The Arup 2013 report put forward an option of 1,090dpa (Option 2). This took account of migration and population growth assumptions built into the OEF economic forecast (which are higher than the sub national population projections), to enable York to recover faster from the recession via growth in key sectors.

The projected number of households at 877dpa is now lower than the 1,090 included in our 2013 report (derived from the earlier forecasts), for two main reasons. First, the improved economic circumstances have had the effect of bringing forward forecast job growth, with more of the forecast job growth already taking place. Second (and more significantly), our 2013 report predated the release of the interim 2011 household projections and, as a consequence, used the much more optimistic household formation rates from the 2008 based projections for the whole forecast period.

The interim 2011 projections are drawn from a five year period when the housing market was in severe recession and that using these rates for a projection of need ‘locks in’ the recessionary trend. Conversely, the 2008 based projections are drawn from a five year period which includes the peak of the housing market and arguably present an over optimistic picture in respect of falling household size. Accordingly, we have adopted an assumption that seeks to represent the middle ground of more typical market conditions. This has been achieved by indexing the 2011 projections using the rate of decline taken from the 2008 based projections.

We understand Edge Analytics will be commissioned to undertake further work to further sensitivity test the household formation rates for the district using their POPGROUP model. This will be beneficial as it will allow a more refined approach to household growth to be derived from the most recent 2012 sub national population projections, in the absence of DCLG 2012 household projections. Once further updates on average household size are available, CYC should reconsider Option 2 as this figure is particularly sensitive to trends in household formation rates.

CYC should also continue to track employment growth and population growth / household increase to ensure that this ‘policy on’ scenario continues to be appropriate.

Options 3: Meeting newly arising affordable housing need; and

Options 4: Meeting newly arising affordable housing need plus backlog

These options to deliver 1,500dpa (Option 3) or 2,060dpa (Option 4) are not purely derived from future demographic need, but also how affordable housing can be viably delivered as a proportion of the overall housing requirement. These are based on the previous options, plus the affordable housing need included in the SHMA. As set out in Section 6.3, in order to ensure that the analysis on the need for affordable homes carried out for that SHMA remains robust, the City of York Council has carried out further testing of the data used for that analysis. The overall conclusion of this further testing is that the overall requirement of 790 per annum, (includes both addressing the current backlog of affordable homes and meeting newly arising need) remains a robust figure.

Recent delivery rates in York do not suggest that these figures are more deliverable than was concluded in the previous report.

7.3 Conclusion

- **In light of the most up-to-date evidence, housing provision should be in the range of 838-877 dwellings per annum. The higher provision would apply if the Plan adopts OEF Scenario 2, but the lower provision would also be valid as the objectively assessed need (although it would not take into account economic effects).**
- **Once 2012 based household projections are available and Edge Analytics have reported, the 838-877 requirement should be reviewed, particularly as this range is sensitive to household formation rates.**
- **It is considered that the plan allows for the application of a 20% buffer (to meet the requirement for a five year housing land supply). This means that the annual dwelling requirement will be higher in the first five years and lower in subsequent years.**
- **It is recommended that if York considers it is appropriate to add the accumulated shortfall for the period from 2012 to date to the requirement, this is added to the whole plan requirement (Liverpool approach). Alternatively, a start date of 2004 could also be appropriate, given that it is the start date of the RSS.**
- **It is not recommended that the shortfall should be met within the first five years of the Local Plan (Sedgefield approach). The proposed housing requirements represent a significant 'step up' from recent delivery trends; adopting the Sedgefield method would not meet the 'aspirational but realistic' test set out in Paragraph 154 of the NPPF.**

Next Steps:

- Edge Analytics are to be commissioned to undertake further work to further sensitivity test the household formation rates for the district using their POPGROUP model. This will be beneficial as it will allow a more refined approach to household growth to be derived from the most recent 2012 sub national population projections, in the absence of DCLG 2012 household projections.
- ONS will be issuing updated household projections and travel to work data later in 2014, and this information will inform background papers to the Examination of the York Local Plan.