

HEARING STATEMENT ON BEHALF OF DEFENCE INFRASTRUCTURE ORGANISATION (PM SID 345)

City of York Local Plan Examination

Phase 2 Matter Statement 2: Housing Need and Requirement

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RPS Summary

It has been two years since the matter of housing need was discussed as part at Examination in Public, a session in which RPS (on behalf of DIO) highlighted a number of soundness concerns relating to the calculation of York's housing need. The Council's latest evidence on the matter in the 2020 Housing Need Update does not resolve RPS' concerns. Furthermore, given the passage of time, RPS considers that there are various data sources, important for the calculation of housing need, which have not been updated, despite clear opportunity.

One element which has continued to worsen since the 2019 Examination hearings is the delivery of affordable housing. Provision, RPS say, should be made for this within the calculation of York's Housing need, to the tune of an additional 10% above the identified figure. When set against the housing requirement of 869 dwellings per annum, the Council would need to deliver 991 dwellings over the 12-year duration of the Plan, in order to address the existing shortfall, or 1,161 dwellings per annum to eliminate the shortfall in the next five years.

Actions to remedy soundness concerns with the housing requirement:

In light of the above, we recommend the Inspectors make the following modifications to the housing requirement in the submitted Plan:

- Increase the allowance for past performance to take into account under-delivery that has already occurred since the start of the plan (2017-2021).
- Include an allowance to support an increase in the provision of affordable housing in York, beyond the identified OAN. RPS maintains the view that a 10% contribution is both reasonable and achievable during the remainder of the plan period.

These modifications will remedy those deficiencies in the housing requirement highlighted in our responses to questions 2.4 and 2.5, and will ensure the Plan is soundly based.

Introduction

At the previous examination hearings, the Council's position was that, taking account of the 2016 based projections published by the Office for National Statistics (ONS), the need for housing in York over the Plan period was 790 dwellings per annum (dpa) and that, to meet this need and to address a shortfall in delivery of 32 dpa between 2012 and 2016, the housing requirement should be 822 dpa. Since then, the ONS has published its 2018 based projections. In response, the Council has considered whether or not those projections lead to a meaningful change in these figures. The 'Housing Need Update' (2020) concludes that economic-led housing need is in the range of 777 to 778 dpa. The Council considers that this does not amount to a meaningful change in the housing situation, such that the need for housing should be regarded as 790 dpa and the Plan's housing requirement should remain set at 822 dpa (i.e. 13,152 dwellings overall).

The Objectively assessed need for housing (the 'OAHN')

2.1 The introduction above sets out our understanding of the Council's position. Is it correct?

For the Council to respond to.

2.2 In the Housing Need Update (2020) what methodological approach has been used to establish the OAHN and does it follow the advice set out in the Planning Policy Guidance (under the heading 'Methodology: assessing housing need')? In particular:

- a. **Has the 2018-based household projection provided the starting point estimate of overall housing need? In this specific regard, has the Council's approach to identifying the OAHN been consistent with national guidance? If not, what is the justification for that?**

In simple terms, the approach taken by the Council's in the HNU (2020) has used the 2018-based projections as a starting point but then has applied adjustments based on local circumstances (EX/CYC/43a, Table 5). This approach is entirely consistent with the PPG methodology (see references 2a-015-20140306 and 2a-017-20140306). However, in any event, the household projection-based estimate of need based on the 2018-based (or the 2016-based) projections does not determine the OAHN for York because it is lower than the economic-led estimate (788-790dpa) based on the Council's analysis, whichever projections are applied.

- b. **What bearing, if any, does the 'standard method' have on this Plan's OAN or on any other aspect of the Plan's approach to housing?**

RPS would merely point out that the Local Plan (CD001) was submitted on 25 May 2018, over three and half years ago. The Plan is heavily reliant on evidence that is both not up to date and where gaps remain (i.e., relating to employment trends) and therefore requires further work. In this respect, RPS would suggest that it could be entirely logical to apply the standard method figure in order to remedy these problems and allow the Plan to proceed expeditiously to adoption.

- c. **Have market signals been taken into account and, if so, what effect have they had on calculating the OAHN?**

No.

As RPS has highlighted in the response to the Proposed Modifications ('PM') and Evidence Base consultation submitted in June 2021 (see paragraph 3.28 of the submission), the Council has not updated its evidence on market signals. This is confirmed by the Council at paragraph 5.7 of the 2020 Housing Need Update ('2020 HNU'). The reason given for not updating the market signals analysis is simply that this 'would not be merited', presumably on the basis that the economic-led projection is higher than the demographic starting point (suggested as being as high as 157%).

RPS disagrees with this reasoning. We would like to point out that the Council has taken the 2018-based projections as the basis for its justification for not needing to consider any further data on market signals. It is not appropriate to cherry pick which data to update and should, in RPS' view, be done in a wholesale way.

The use of the 2018-based figures (which the Council has already decided is not appropriate) exaggerates the difference between the demographic and economic-led OAHN figures when compared to other official projections available to the Council. For example, if we apply the 2016-based projections (the Council's preferred projection) the difference between the starting point (484dpa) and the economic projection (790dpa) is much less, at 63%. And if we apply the 2014-based projections (previously supported by the Council) there is no uplift, in fact the economic-led projection is actually lower, not higher, than the demographic starting point (867dpa), at -9%.

The difference therefore is only relative to whichever starting point is applied and should not be taken as being definitive or conclusive, as is being implied by the Council. Clearly, if a lower starting point is used (i.e. 302 dpa using the 2018-based projection) then the difference will obviously be greater. This does not, however, justify ignoring the PPG methodology on assessing housing need.

Similarly, the evidence relied on by the Council is now four years old and only covers the period up to 2018. This does not therefore represent the most up to date evidence available. If the evidence is not up to date, then it is not credible. If it is not credible, then the conclusions drawn from it are not justified, and therefore the Plan is not soundly based on this aspect of the soundness test.

In RPS' evidence submitted to the PM and Evidence Base consultation, RPS presented more up-to-date information on market signals up to 2020 (at paragraphs 3.29-3.37) which show that, in terms of housing affordability, York remains one of most unaffordable locations to own a property in the Yorkshire & Humberside region, in particular amongst those households on lower incomes (see Figure 3.2 of RPS' submission) who are currently paying 9 times their income in order to buy a house. It is also worth noting that new affordability data published by Office for National Statistics (ONS) shows that the affordability of housing in York worsened during 2021. Official figures¹ show that for middle-income households the house price: income ratio increased to 8.41 (from 8.04), whilst for lower-income households, the ratio is 9.67 (from 9.17). RPS therefore takes the view that affordability remains a 'live' issue and of clear importance to the assessment of housing need in York.

Consequently, RPS contends that the decision taken by the Council to not update its market signals evidence is unjustified and clearly contrary to the methodology in the practice guidance on calculating the OAHN. This is an obvious gap in the Council's evidence in the 2020 HNU that needs to be remedied in order for the Plan to be found sound. On the basis of the evidence RPS has submitted to this local plan process, RPS is strongly of the view that an adjustment for market signals should be incorporated into the OAHN for York.

- d. How have employment trends been taken into account in determining the OAHN? How robust are the assumptions that have been made regarding those trends and what impact have they had on the final OAHN?**

¹ ONS House price to workplace-based earnings ratio, 23 March 2022 (current edition)

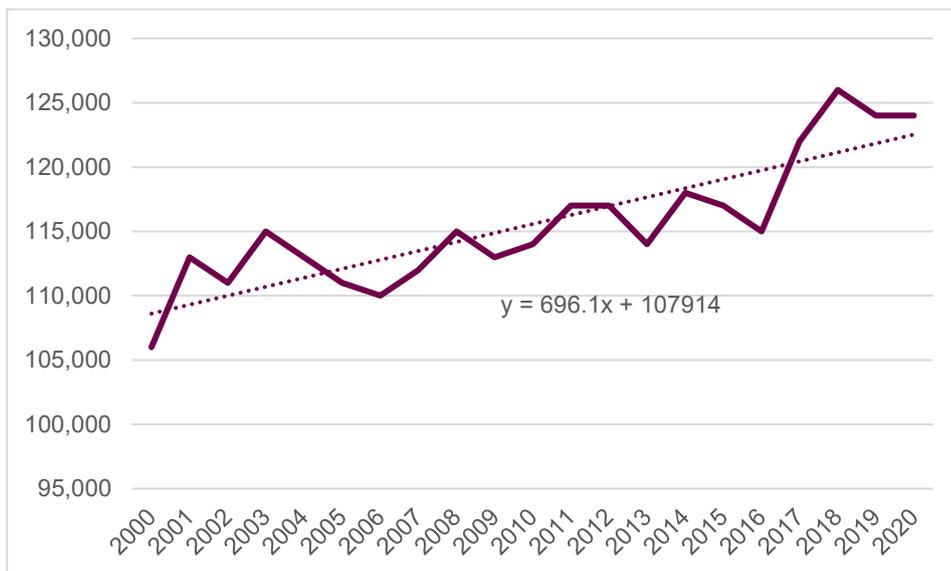
The Council’s approach to considering the housing need implications of employment growth in the 2020 HNU remains focused entirely on employment forecasts. In fact, the 2020 HNU does not provide any update whatsoever on the economic growth assessment and thus continues to rely on the 650 jobs per annum figure submitted to this examination, a figure which equates to a compound growth rate of 0.53%. The only ‘update’ that has been carried out is effectively a ‘re-run’ of the economic-led projection that applies the 650 job figure, but uses the population assumptions taken from the 2018-based projections and other more recent jobs-related assumptions.

Therefore, the Council has not taken the opportunity to consider employment trends as part of its latest update, which is clearly advocated in the PPG methodology (see reference 2a-018-20140306). RPS remains of the opinion that employment trends should be taken into account because, as explained below, they suggest a different picture is evident in York that is not reflected in the Council’s preferred approach based on a single forecast.

Secondary data sources are recommended for use in the PPG as a basis for assessing future housing need (see reference ID: 2a-014-20140306). Employment trend data is one such source that is recommended in the PPG (2a-018) and RPS therefore consider them to be a reasonable alternative assumption whose implications for housing need should be tested. No explanation is provided in the 2020 HNU as to why past employment trends are not a valid consideration in assessing the likely impact of employment growth on housing need in York.

RPS has carried out updated analysis of past change in employment growth, using data collected by Office for National Statistics (‘ONS’) and which is made readily available from the NOMIS website. Using such data, RPS has plotted the change in employment observed in York between 2000 and 2020. This is set out in the graph below.

Figure 1: ONS Total Jobs and linear trend (2000-2020), York



As can be seen, the overall trend for the period 2000-2020 shows an annual job growth of c. 696 jobs per annum, which is higher than the 650 figure used to inform the assessment of housing need in York. This

provides further evidence to suggest that the Council's preferred jobs growth assumption is downplaying potential future employment change in York.

Similarly, data provided by NOMIS between the period 2000 and 2020 presents compound growth of 0.79%. This is lower than the approach of 0.83% presented in RPS' June 2021 response to the PM's, though markedly higher than the rate of 0.53% which remains the position of the Council.

RPS maintain the view that the trend-based jobs assumption represents a reasonable alternative to the preferred figure which should be tested as part of the assessment of housing need. RPS' analysis has identified a higher jobs growth assumption and RPS sees no reason to exclude it from consideration in determining the appropriate OAHN for York.

e. Does the economic-led OAHN assessment now still reflect an appropriate OAHN to be addressed and delivered through the Plan during the Plan period?

No.

In terms of the forecast used by the Council, a considerable amount of time has past since they were originally devised. The jobs forecast, prepared by Oxford Economics ('OE'), dates from May 2015 and was quoted in the Council's Employment Land Review published in 2016 [SD064]. It is recognised that more recent forecasts were presented to the Examination in 2019 [EXCYC29] to corroborate the position, however, they themselves are now more than two years old.

In addition, the problem with relying on a projection that is so dated is that more recent evidence will not have been taken into account but could, nonetheless, impact on future employment growth projections and thus the likely need for housing. This could include the impact of a one-off event such as a large employer moving into the area, which would not have been accounted for in the OE forecast. Notably, it has been announced that discussions are well under way between the developers of the York Central development and the Government's Cabinet Office, which forecasts around 2,250 jobs moved from London to York². This would clearly fall into the category of 'one off events' highlighted in the PPG (see reference ID: 2a-017-20140306).

The provision of over 2,000 Government-related jobs over and above the forecast is likely to have an impact on the demand for homes in York and is, in RPS' opinion, a relevant factor that should be considered in the assessment of need.

On this basis, RPS question whether the OE forecast can be considered to be 'up to date, adequate and relevant' as required by national policy (NPPF, 2012, paragraph 158), when such factors have not considered in the Council's evidence. Furthermore, the potential for 2,250 additional jobs to be brought into the area from elsewhere in the country also points to a higher jobs target over the plan period. This provides further justification for the need to test alternative jobs growth assumptions, including the 696 jobs figure identified in our response to question 2.2b.

² <https://www.yorkpress.co.uk/news/19688970.york-central-set-bring-2-000-government-jobs-city-people/>

In light of the above, RPS are strongly of the opinion that the economic-led OAHN assessment carried out by the Council is not an appropriate basis for the OAHN.

f. Overall, has the OAHN figure been arrived at on the basis of a robust methodology and is it justified?

No.

The key areas of concern remain and these are reinforced having read the 2020 HNU, and are:

- For plans to be sound, national policy and the PPG methodology requires plans to be based on up to date and relevant information. The lack of up to date information provided in the 2020 HNU relating to the assessment of need in York clearly runs counter to national policy and is a clear flaw in the Council's justification for its preferred approach.
- Notably, the Council relies on market signals data that only covers the period to 2018. This is now 4 years old. However, more recent evidence would indicate that affordability of housing remains a pressing problem for the Plan and, importantly, has worsened for certain household groups, in particular for those on lower incomes.
- The Council also relies on an aged employment growth forecast. Because of its age, the forecast has not taken into account recent events, notably the impact a large number of new jobs moving into the area from elsewhere in the country could have on the assessment of need. This clearly raises concerns as to the veracity of the forecast, which RPS contend is a clear reason for giving consideration to other alternative employment growth scenarios.
- The Council continues to favour a single employment-led projection, without properly considering alternative jobs-growth scenarios, including those based on past trends supported by the PPG methodology. No reasons have been given by the Council to exclude options based on past trends. RPS has provided evidence to show that other alternative scenarios exist based on trends which should be given greater consideration in the assessment of need.

On this basis, RPS contend that the OAHN put forward by the Council is not justified and not consistent with national policy or guidance on the need for Plans to be based on a proportionate, up to date and relevant evidence.

2.3 Has there been a meaningful change in the housing situation in York since the Plan was submitted and, if so, how should this be addressed in the Plan?

No.

In respect to the use of the 2018-based projections, RPS do not consider there to have been any meaningful change between the outputs of that projection and the 2016-based projections supported by the Council.

Nonetheless, this is not the only issue of relevance to the question of whether a meaningful change in the housing situation has occurred in York since the Plan was submitted for examination on 25 May 2018. In relation to the delivery of housing in York, RPS consider that a meaningful change has indeed occurred, the implications of which are explained below.

Firstly, RPS has shown in this response that a number of variables and assumptions that underpin the Council's preferred economic-led OAHN are not up to date, given the age of the projections favoured by the Council and the fact the assessment omits some important factors of relevance, including the likely influx of jobs from the south-east. RPS has also shown a lack of any sensitivity testing with regards to the employment-led approach, with the Council continuing to rely on a single employment forecast as the basis for its preferred approach. RPS contends that further work is necessary to address these problems to enable the Plan to be founded on robust evidence. Whilst necessary, this would further delay the examination of the Plan.

In addition, it is very likely that the results of the Census 2021 will be published before the examination stage is completed. Indications are that the Phase 1 results could be released as soon as late May 2022, with further elements to be released thereafter³. ONS explain that the Phase 1 release will include unrounded population and household estimates for England and for Wales, at local authority level and cross-tabulated by sex and age. This will represent the most up to date estimates of population and household types in York, and will supersede the current evidence on households and population estimates. This impending new information demonstrates there is likely to be considerable volatility in the data underpinning the assessment that raises further question marks as to the robustness of the Council's approach.

On this basis, RPS contend that the Council can prevent such uncertainty and address the potential volatility caused by the new Census release by moving to the Standard Method (this calculated as being 1,031 dpa using a 2022-2032 ten-year household growth average, and the median workplace-based affordability ratio (8.40) as of 2021). By doing so, this would allow the Council to adopt the Plan in the knowledge that it can address the implications of the Census findings through the Plan review process.

The Housing Requirement

2.4 Is the shortfall figure (for 2012-2017) of 32 dpa which is incorporated into the 822 dpa housing requirement still a robust and justified figure?

2.5 Does the 822dpa housing requirement take into account any backlog or under delivery of housing in previous years? If so, how?

No.

The Council has taken the decision to address the under-delivery of housing during the period 2012-2017. This is in line with the PPG, which recognises that historic under performance should not be applied as a constraint to the overall assessment of need, but instead is a consideration that needs to be addressed when bringing forward specific policies within the development plan (see reference 2a-004-20140306).. It is however necessary to re-assess the level of contribution that should be applied given under-delivery of housing remains a persistent feature of the housing situation in York.

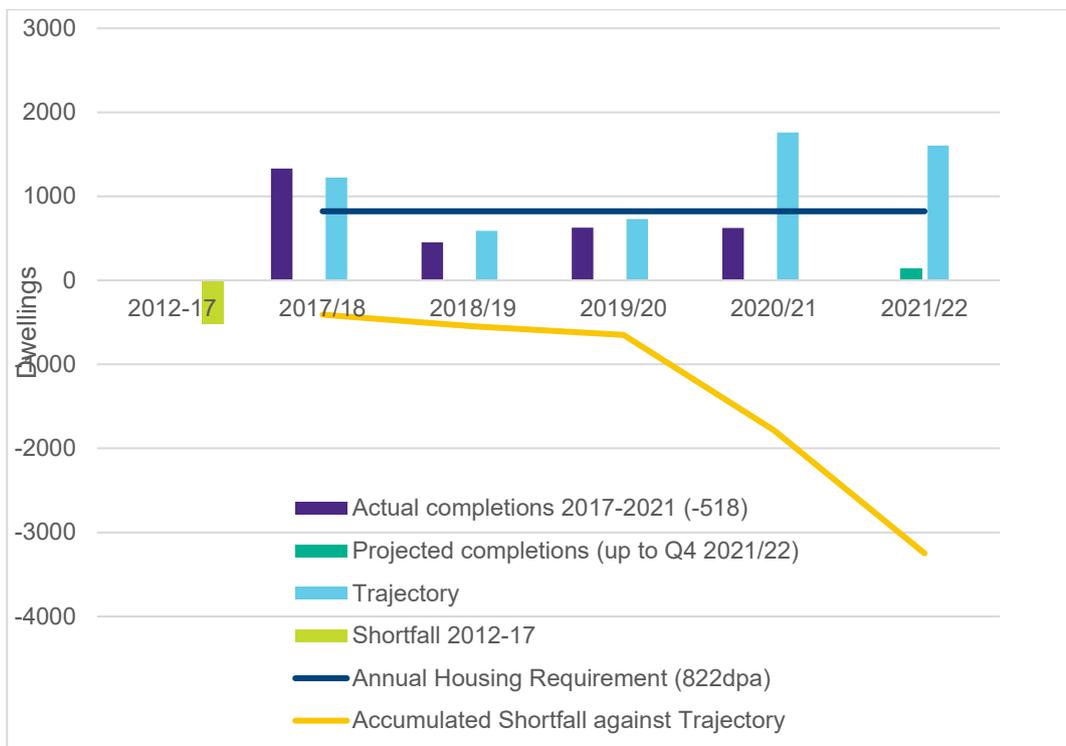
³ <https://www.ons.gov.uk/census/censustransformationprogramme/census2021outputs/releaseplans>

As RPS understands, the total under-delivery of housing in York between 2012 and 2017 was 518 dwellings, or 32 dpa⁴. However, data published by the Council shows that, between 2017 and 2021, completions totalled 2,927 dwellings⁵, against the Council's minimum need of 3,160 dwellings (790 x 4 years). This creates a shortfall of 233 dwellings, or 58 dwellings per annum, against the minimum need figure and the emerging housing requirement. Thus, the total under-delivery of housing between 2012 and 2021 has now increased to 751 dwellings at April 2021 (6,359 completions against a minimum need of 7,110 dwellings). This places the shortfall at over 10% of the Council's total requirement.

The additional shortfall (233 dwellings) has not been accounted for in setting the housing requirement, which has yet to be confirmed as part of a new local plan. The proposed adjustment of 32dpa is therefore insufficient to address the total shortfall to date. The housing requirement therefore requires further adjustment to, in the own Council words, "...ensure that the plan accurately reflects unmet historic housing need over the plan period..." (EX/HS/M2/HR/0, para 2.5.12).

It is also worth reflecting on how the Council anticipated the shortfall would be addressed, and the supply response in terms of forecast completions. The image below (Figure 2) shows the impact of the housing under-delivery when comparing net completions since 2017 against the housing trajectory submitted by the Council (CD001, Figure 5.1) taking into account past performance between 2012-2017. This indicates that in the four years since submission, the Council has fallen significantly behind forecast levels of growth, the consequence of which being that supply will be pushed further into the plan period.

Figure 2: Net Housing Completions v Housing Trajectory



⁴ Noted that there is an inconsistency between the completions data in the AMR and that held in Government Statistics (Table 122)

⁵ City of York Council Housing Monitoring Update, October 2021, Table 7

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(Source: Net completions taken from CYC AMR 2020-2021, Table 7)

Table 1: Net Housing Completions v Housing Trajectory

	2012-17	2017/18	2018/19	2019/20	2020/21	2021/22
Actual completions 2017-2021		1,331	451	627	622	
Projected completions (up to Q4 2021/22)						140
Trajectory		1,222	590	730	1,758	1,602
Annual Housing Requirement (822dpa)		822	822	822	822	822
Accumulated Shortfall against Trajectory		-409	-548	-651	-1787	-3249
Shortfall 2012-17	-518					

To ensure that the contested minimum need figure of 12,640 (or 790dpa) and the under-delivery in housing since 2012 is properly planned for during the plan period, the housing requirement must address the shortfall of 751 dwellings that has occurred up to 2021. In line with the PPG, this will need to be addressed within the specific policies of the Plan, in this case Policy SS1, as this is the policy which identifies the housing requirement. If the shortfall is spread over the remainder plan period (or 12 years from 2021/22 to 2032/33) this would increase the contribution from 32dpa to 63dpa (rounded up). If spread over the whole plan period, the figure would increase from 32 to 47dpa (rounded).

Whatever the allowance is, this would be separate and above any adjustments applied in the calculation of the OAHN figure, in line with the PPG methodology. In any event, it is clear that the 32dpa contribution is now not correct and so is not justified on the evidence of past delivery to date. A revised allowance for past performance needs to be applied.

Furthermore, RPS would also point out that the scale of the allowance is a function of planned need versus actual delivery. The Council's approach, and RPS' critique of the approach set out above, assumes that the 790 dpa OAHN is correct. However, RPS maintain our objections to this figure as set out in this statement on the basis that it is not sound because it doesn't adequately reflect the total needs of the City.

Consequently, the final allowance can only be determined once the final OAHN figure has been confirmed, which currently remains the subject of considerable dispute.

2.6 Overall, is the housing requirement figure now proposed underpinned by robust evidence and adequately justified?

No.

RPS would also like to reiterate concerns with how the Council is proposing to address the need for affordable housing in York over the period to 2033. RPS maintain the view that in order to make the York Local Plan sound, a specific adjustment should be applied to the housing requirement to facilitate additional supply of affordable housing in York, in line with the PPG. Some more recent information shows that the

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Council is simply not addressing adequately the pressing need for affordable housing in York and that further action is required, as explained below.

Affordable Housing

Specifically, more recent data on affordable housing completions in York up to 2021 show that the shortfall in affordable housing delivery is continuing to grow, the consequence of which is more and more households in need of affordable housing in York are not having their needs met. This is explained in the table below.

Table 2: Total Affordable Housing Completions v Need, York 2012-2021

(Dwellings)	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Totals
Affordable Completions	129	75	128	100	136	69	56	129	164	1,524
Annualised Need (573dpa)	573	573	573	573	573	573	573	573	573	5,157
Shortfall					-3,633					

Source: MHCLG/DLUHC, Affordable housing supply statistics (AHS) 2020-21, York, published 18 November 2021

From this, RPS observe that the shortfall in affordable housing delivery is over 3,600 dwellings at April 2021. This compares with the expected delivery of 3,539 affordable homes from all known sources during the plan period (EX/CYC/36, Table 10). Whilst RPS acknowledge that the Council is not required to meet the need for affordable housing in full it is, nonetheless, evident in the case that the quantum of supply identified in the Plan will only address the current backlog but will not address at all the future need for affordable homes. The consequence will be that the shortfall will persist and the Council will fail to adequately address the needs of those in need of affordable housing, contrary to national policy (NPPF 2012, paragraph 159).

In light of this, RPS recommend that the Plan makes a positive contribution to meeting the need for affordable housing by including a specific target allowance as part of the housing requirement. RPS maintain that a 10% contribution over and above the minimum OAHN would be reasonable and achievable in York. A 10% contribution would equate to 1,659 dwellings overall (based on 790dpa over a 21-year period 2012-2033) or 497 affordable homes. This will help to reduce the ongoing shortfall in affordable housing and ensure the Plan is positively prepared justified on the available evidence.

Consequently, as demonstrated in this submission, and in submissions made to previous rounds of consultation, it remains our contention that the housing requirement (now 822dpa) proposed by the Council is not underpinned by robust evidence and is not adequately justified.