

## 10 CONCLUSIONS AND RECOMMENDATIONS

10.1 This final section brings together the findings of the SHMA Report. It is structured to set out GL Hearn's conclusions in turn: regarding the geography of the housing market area; the overall objectively assessed need for housing; and then findings relating to the need for different types of homes and the housing needs of specific segments of the population.

10.2 It should be reiterated that **the OAN figure is not the housing target** it is just a first step towards it. The housing target itself will be informed by the OAN but will also take into account wider factors such as sustainability, infrastructure constraints and land capacity. It may also be necessary to take into account the unmet needs of neighbouring housing market areas.

### Housing Market Area

10.3 There are clearly a complex set of relationships across North Yorkshire; however, the balance of evidence across all three commissioning authorities suggests they operate in slight different but overlapping housing market areas.

10.4 In market-terms (as reflected in the house price analysis) the relationship between York and Hambleton is relatively strong correlation although Ryedale seems to have its own distinct trends such as lower prices and lower short term growth.

10.5 Both Migration and Travel to Work patterns identify a degree of self-containment which approaches or exceeds expected thresholds for housing market areas. York is very self-contained but is strongly linked to Selby. Ryedale and Scarborough are also closely linked although the latter has a high level of self-containment and the former is very close to the threshold. Hambleton is influenced in a number of directions but its strongest migratory links are with Richmondshire and Harrogate.

10.6 In travel to work terms York has a strong influence in the immediately surrounding districts particularly Selby, the southern parts of Hambleton and the eastern parts of Ryedale and East Riding. Ryedale also has an economic link with Scarborough. Hambleton is also partially located within the Middlesbrough TTWA and the Northallerton TTWA extends into Richmondshire.

10.7 In GL Hearn's view, the triangulation of the sources strongly supports defining three separate HMAs. It is however important to recognise overlaps between authorities and markets in this area. York and in particular Selby and the east of Ryedale and South of Hambleton has quite a strong relationship. Similarly, Leeds' influence is likely to extend into the western periphery of the York and Hambleton area.

10.8 In the context of the Duty to Cooperate, the authorities should continue to engage on strategic housing issues not only in the preparation of the SHMA but also the subsequent development of

plan policies with those neighbouring authorities set out above. Indeed, stakeholders and duty to cooperate partners have been invited to attend the two stakeholder sessions during the SHMA process.

### Overall Housing Need

10.9 The NPPF sets out that plans should be prepared on the basis of meeting full needs for market and affordable housing. PPG sets out that the latest national projections should be seen as a starting point but that authorities may consider sensitivity testing projections in response to local circumstances and the latest demographic evidence. Demographics provide the starting point for assessing housing need. The PPG then sets out that consideration should be given as to whether the housing need should be increased in order to:

- Support economic growth, based on interrogation of trends and forecast for future growth in employment;
- Improve affordability, taking account the need for affordable housing need and evidence from market signals.

10.10 In effect, the PPG approach recognises that demographic projections are influenced by what has happened in the past; and these further factors consider whether wider evidence suggests that there has been an imbalance between housing supply and demand, or whether in the future the evidence would suggest that housing provision needs to be increased.

10.11 The PPG is very clear that housing need refers to the need for both market and affordable housing, including taking account of the movement of people into the area. It is also clear that a SHMA should “leave aside” issues related to land supply, infrastructure, green belt and other constraints in identifying housing need – but clearly sets out that these factors are relevant in bringing evidence together through the plan-making process to identify policies for future housing provision.

### **The Demographic “Starting Point”**

10.12 The PPG emphasises the use of official population and household projections as a starting point for assessing housing need, as these are based on nationally-consistent assumptions and methodology.

10.13 We have interrogated the latest official population projections and also ran a number of alternative scenarios relating to:

- Implications of 2013 and 2014 mid-year population data
- Implications of Long term migration trends
- Implications of Unattributable Population Change

- 10.14 GL Hearn considers that SNPP is a sound projections based on the data available at the time. However, the analysis identifies a general reduction in migration and population growth since 2008 and therefore there is merit in considering long-term trends.
- 10.15 By reverting to longer term trends projection results in a housing need of 207dpa compared to 168 dpa from the official projections.
- 10.16 GL Hearn concludes that this approach provides an appropriate demographic estimate of housing need and is some 23% above the 'start point' (using the terminology in the PPG) which is based on the most recent CLG household projections. However, this figure does not take into account affordable housing need, or include adjustments to take account of market signals or the needs for the local economy. In such circumstances there may well be a higher need still in the District.

#### **Examining the Needs of the Local Economy**

- 10.17 Following the approach in the PPG, the demographic-based assessment set out above provides a baseline for housing need. The PPG recommends that consideration is given to whether economic growth could result in a need for additional housing.
- 10.18 The NPPF clearly sets out that the assessment of, and strategies in local plans for, housing and employment need to be integrated with one another<sup>17</sup> The SHMA has considered the likely levels of economic growth resulting from forecasts from both Oxford Economics (OE) and Experian (via Regional Economic Model). These result in a jobs growth of between 60 and 170 per annum.
- 10.19 The SHMA seeks to model the relationship between jobs and homes. The SHMA adopts an approach which does not seek to change commuting patterns in proportional terms. It models increasing employment rates, linked to an expectation that people will retire later and more women will work. It also takes account of evidence that people may hold down more than one job.
- 10.20 The modelling of the forecasts indicate that to support the forecast growth in employment, the following levels of housing provision would be needed:

	Households 2014	Households 2035	Change in households	Per annum	Dwellings (per annum)
Oxford Economics	38,928	43,843	4,915	234	245
YHREM	38,928	42,163	3,235	154	161

<sup>17</sup> CLG (2012) *National Planning Policy Framework, Paragraph 158*

- 10.21 Modelling housing need against the population assumptions in the OE forecast increases the need to 245dpa. This is higher than a similar analysis linked to the REM but that job forecast is considered less robust.
- 10.22 Our analysis shows that the OE forecast is projecting a somewhat higher level of population growth than any of the demographic projections whereas the YHREM show population growth which is very much at the bottom end of the range of demographic scenarios tested. This finding is interesting given the earlier observation that job growth in the YHREM is forecast to be significantly stronger – this would imply that Experian are expecting stronger improvements to employment rates in the future than is expected by OE.

### **Affordable Housing and Market Signals**

- 10.23 The SHMA includes an assessment of the number of households each year who require some form of subsidy in meeting their housing needs. This is assessed using the Basic Needs Assessment Model and is a statutory requirement to support policies seeking affordable housing in new developments.
- 10.24 The SHMA analysis indicates that 69 net additional households per year will require support in meeting their housing needs (using a 30% income threshold). However, it is not appropriate to directly compare the need identified in the analysis with the demographic projections – they are calculated in different ways.
- 10.25 It should be noted however that the level of affordable housing need calculated is heavily predicated on the assumptions relating to the level of income which is spent on housing costs.
- 10.26 The affordable housing need represents 33% of the need identified in the demographic-led projections, based on the longer term migration trends.
- 10.27 The identified need for affordable housing also includes existing households who need alternative size or tenure of accommodation but would release their current home for another household by moving. Thereby there is no requirement to uplift the OAN to provide additional homes for all of the identified affordable housing need.
- 10.28 There are also other ways of delivering new affordable housing besides through new-build development on market-led housing development schemes. Net additional needs arising would be solely from concealed and homeless households.

10.29 The report has then gone on to consider market signals. The NPPF<sup>18</sup> sets out that plans should take account of market signals, such as land prices and housing affordability. The Planning Practice Guidance clarifies this and outlines that:

*“the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance of the demand for and supply of dwellings. Prices or rents rising faster than the national/ local average may well indicate particular market undersupply relative to demand.”*

10.30 The SHMA evidence indicates that there has been some increase in affordability pressures over the long term in Hambleton which when benchmarked against the Regional and National picture the affordability pressures are more severe. There was a significant growth in house prices since 2001 both in absolute terms and relative to earnings. There has been a shift towards the private rental market as well as a small increase in the number of over-crowded and shared households.

10.31 The PPG sets out that the identified housing need should be adjusted upwards to support an improvement in affordability where any of the market signals suggest a worsening situation. The PPG does not however set out how such an adjustment should be quantified. It simply sets out that it should be ‘reasonable.’

10.32 To assess an appropriate adjustment to the assessed housing need, GL Hearn has used the demographic analysis to assess the degree to which household formation levels have been constrained for younger age groups, and what scale of adjustment to housing provision would be necessary for these to improve. The SHMA has considered the implication of returning the household formation rates of the 25-34 age group back to 2001 levels by 2025 (from 2015). In other words, this assumes that headship rates will improve between 2015 and 2025 and then track the ‘trends’ suggested in the 2012-based CLG household projections thereafter.

10.33 Against the demographic/economic baseline scenario this results in an increase in annual housing provision of 27-29 homes per annum across the District. This is based on Stage 2 outputs from the CLG household projections and the figure is substantially lower if Stage 1 figures are used.

### **Conclusions on Overall Housing Need**

10.34 The NPPF sets out that local authorities should seek to meet housing need within their areas where it is sustainable to do so and consistent with policies within the Framework. The Framework however affords significant protection to Green Belt and other nationally and internationally significant landscapes and environmental designations.

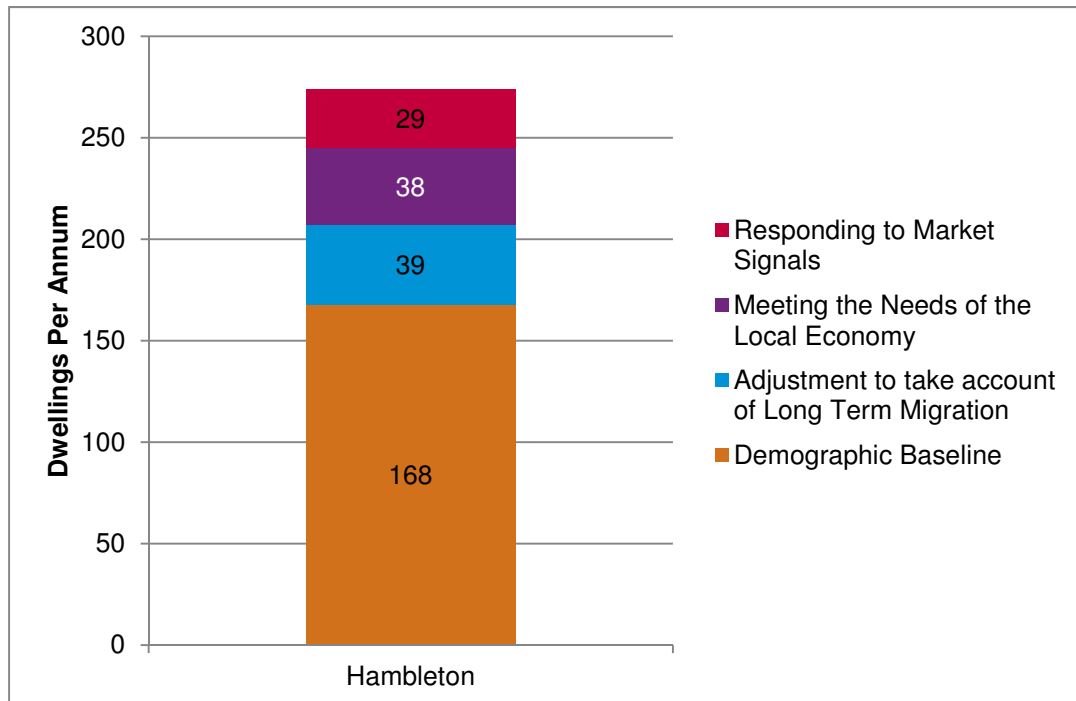
10.35 Taking account of long-term migration trends, the needs of the local economy and improvements to household formation rates for younger households, the SHMA draws the

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<sup>18</sup> CLG (2012) *National Planning Policy Framework, Paragraph 17*

conclusions on the overall full objectively assessed need for housing over the 2014-35 period to be 274 dwellings per annum. The derivation of the conclusions on housing need is shown in the figure below. These figures would include the provision of affordable homes as part of the overall housing delivery.

**Figure 51: Composition of Per Annum Housing Need in Hambleton (2014-2035)**



Source: Derived from demographic projections and OE forecasts

- 10.36 This assessment of housing need is a “policy-off” assessment and does not take into account constraints to delivery, nor does it take into account any aspirations of the local council to provide more housing than this assessment level of need should they wish to do so.
- 10.37 As part of plan-making, planning judgements will be necessary to assess whether meeting the full objectively assessed needs identified in this SHMA can be met, whilst avoiding adverse impacts which would significantly and demonstrably outweigh the benefits or conflicting with the policies of the National Planning Policy Framework (NPPF).
- 10.38 There is also no requirement for the District to increase their OAN figure to take account of under-supply before the 2014 base date. This is taken account of through the market signals adjustments. This is in line with the recent Winchester V Zurich High Court decision.

## Need for Different Types of Homes

### Conclusions on Housing Mix

- 10.39 In addition to considering the overall need for housing, the SHMA considers what types and sizes of homes – both market and affordable – will be needed.
- 10.40 The SHMA identifies that there is a need for a mix of house sizes across the HMA, as the table overleaf. The conclusions drawn take account of how the structure of the population and households are expected to change over the period to 2035 and how people occupy homes.
- 10.41 In terms of size mix, our analysis (taking account of demographic trends and market evidence) concludes that the following represents an appropriate indicative mix of affordable and market homes at a HMA-wide level.

**Table 57: Need for Different Sizes of Homes across Hambleton**

	1-bed	2-bed	3-bed	4+ bed
Market	5-10%	40-45%	40-45%	5-10%
Affordable	40-45%	35-40%	10-15%	5-10%
All dwellings	15-20%	40%	35%	5-10%

Source: Derived from Housing Market Model

- 10.42 It should be noted that this analysis is aimed at informing strategic policies over the plan period and there will be a range of factors which will influence demand for different sizes of homes over time, particularly demographic changes, growth in real earning/savings, housing affordability and wider economic performance. There is also a geographical dimension and the specific mix of housing needed at a local level will be influenced in part by gaps in the existing housing offer locally (such as differences between the urban and rural areas).
- 10.43 Policies for what proportion of homes in new development schemes should be affordable need to take account of evidence both of housing need and of the viability of residential development. The NPPF sets out that percentage targets for affordable housing need to take account of viability evidence.
- 10.44 The assessment of affordable housing needs indicates that, in delivering affordable units, a HMA-wide mix target of 25% intermediate and 75% social or affordable rented homes would be appropriate. Any strategic policy should however retain a degree of flexibility both to take account of local level variations which we have identified, as well as any site specific issues.
- 10.45 In the affordable sector, GL Hearn recommend that the focus of provision is on smaller properties. However, the recommended mix also recognises the potential role which delivery of larger family

homes (3 and 4 bedrooms) can play in releasing supply of smaller properties for other households together with the limited flexibility which one-bed properties offer to changing household circumstances, which feed through into higher turnover and management issues. These have been balanced against the recent Government reforms to social housing and welfare, including issues associated with the changes introduced by Government to housing benefit eligibility for working-age households in the social housing sector.

- 10.46 For market housing, GL Hearn recommend that the focus of new provision is on two and three-bed properties. This would serve to meet the needs of newly forming households and younger families in the HMA as well as demand from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay. There is however likely to be a notable level of continued need for larger family properties arising from existing growing households and those migrating into the District.
- 10.47 The mix identified above should inform strategic District-wide policies and help to inform the 'portfolio' of sites which are considered and ultimately allocated through the Local Plan process. However, we would again recommend that strategic policy retains a reasonable degree of flexibility to ensure that, in applying mix to individual development sites, appropriate regard can be given to the nature of the development site, the character and existing housing stock of the area as well as the most up-to-date evidence of need/demand.

### Monitoring and Review

- 10.48 Through a proactive monitoring process, it will be possible to maintain and develop understanding of the housing market, building on the outcomes of the SHMA. It will allow the implementation of policies to be tailored to evolving circumstances and inform future policy development.

Long-term monitoring which addresses indicators of housing need, market signals relating to supply-demand balance, and the housing supply trajectory can inform future development and implementation of planning policies for housing provision.



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