GL Hearn
Part of Capita Real Estate

Harrogate District Strategic Housing Market Assessment

Update Report

Harrogate Borough Council

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Contents

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DATE	ORIGINATORS	APPROVED
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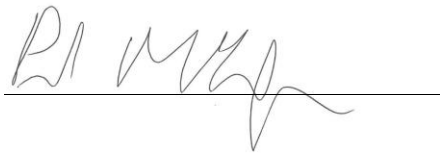


Limitations

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

1 INTRODUCTION

1.1 GL Hearn (GLH) and Justin Gardner Consulting (JGC) have been commissioned by Harrogate Borough Council to update the District's Strategic Housing Market Assessment (SHMA). This update report follows on from the version published in late 2015 and takes account of the latest demographic and economic evidence.

1.2 As with the full SHMA document the update report responds to and is compliant with the requirements of both the National Planning Policy Framework (the NPPF)[1] and the Planning Practice Guidance (PPG) published in March 2014[2]. It provides assessment of the future need for housing, with the intention that this will inform future development of planning policies. According to the PPG, housing need:

> *"refers to the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet that demand."*

1.3 The PPG is clear that the SHMA should not apply constraints to the assessment of need, such as those relating to land supply, environmental constraints or infrastructure provision, although it is clear that these are relevant considerations in bringing together the range of evidence in the preparation of a local plan.

1.4 The SHMA provides specific evidence and analysis of the need for different sizes of homes, to inform policies on the mix of homes (both market and affordable). The SHMA also analyses the needs of specific groups, such as older people.

1.5 The SHMA covers Harrogate District. It supersedes and updates the previous North Yorkshire SHMA (2011) and the Harrogate SHMA (September 2015) respectively. This version of the SHMA takes account of more recent information, most notably the latest economic forecasts for the region and District. As a result, the overall housing need for the District changes from 518 dwellings per annum to 557 dwellings per annum. Large parts of the full SHMA document still remain unchanged (i.e. analysis of the housing market area and needs of specific groups within the population) and therefore this document needs to be read alongside the September 2015 SHMA Report.

1.6 The SHMA considers the range of factors which influence housing needs, and in doing so captures impacts of past under-delivery of housing through the adjustments it makes from the starting point demographic projections. It considers needs arising over the 2014-35 period.

[1] CLG (March 2012) *National Planning Policy Framework*
[2] CLG (March 2014) *Planning Practice Guidance – Assessment of Housing and Economic Development Needs*

2 TREND-BASED DEMOGRAPHIC PROJECTIONS

Introduction

2.1 In this section, consideration is given to demographic evidence of housing need and trend-based projections. Such projections are critical to the SHMA process and this is emphasised in the NPPF (para 158) which states that local planning authorities should prepare a SHMA to identify the scale of housing which *'meets household and population projection, taking account of migration and demographic change'*.

2.2 The importance of such projections can also be seen in the PPG, which states [2a-015] that *'household projections published by [CLG] should provide the starting point estimate of overall housing need'*. The CLG projections are directly linked to ONS subnational population projections (SNPP). Further emphasis is put on the CLG projections in 2a-017 where it is noted that *'the household projections… are statistically robust and are based on nationally consistent assumptions'*.

2.3 However, the PPG also identifies [2a-014] that *'establishing future need for housing is not an exact science. No single approach will provide a definitive answer'* and in 2a-017 notes that *'plan makers may consider sensitivity testing, specific to their local circumstances'* – this is particularly related to evidence that there have been particular events which may have impacted on migration or the profile of the local population. Furthermore, the PPG notes [2a-016] that *'where possible, local needs assessments should be informed by the latest available data'* – this is relevant in this area due to new population estimates having been published since the release of the last SNPP.

2.4 The PAS Technical Advice Note provides some additional detail about sensitivity testing and in particular advises (para 6.24) that using a longer (10- to 15-year) past trend analysis should provide a more robust projection than the SNPP (which uses data from the previous 5-6 years). The PAS Technical Advice Note also highlights the issue of Unattributable Population Change (UPC) – UPC is an adjustment made by ONS for discrepancies between Census data and annual monitoring. PAS states (para 6.35) that *'plan makers may take a view that the UPC, or part of it, should be included in the base period as past migration'*.

2.5 On the basis of the wording in both the PPG and the PAS Technical Advice Note a number of observations can be made which are relevant to the assessment of trend-based demographic projections:

- CLG household projections (which link to ONS population projections) are technically robust, based on nationally consistent assumptions and should be used as the 'start point' for assessing housing need;

- These projections can be sensitivity tested where there is evidence of changes over time (e.g. short-term changes to migration patterns) or where UPC may be related to recorded migration levels; and
- Up-to-date information should be used where possible and this will include later releases of ONS mid-year population estimates (MYE).

2.6 It is considered in looking at sensitivities to demographic projections that the suggested level of need can go down as well as up. This is on the basis of a 'common sense' approach whereby any suggested increase in migration in one area will come with a commensurate decrease in other locations. It is also recognised that levels of population growth for individual local authorities (nationally) will need to sum to the total level of growth projected nationally (through ONS national population projections). This latter point is slightly complicated by a new set of national projections (published in October 2015 (2014-based)) which suggest population growth (2014-37) to be 6% higher than in the previous (2012-based) version.

2.7 In considering whether or not projections can be increased or decreased from ONS figures some general trends should also be understood. In particular, it has been evident since about 2008 (the start of recession) that population growth has been relatively strong in many urban areas – this looks to be driven by a reduced trend of out-migration from such locations (which is likely to be linked to factors such as mortgage finance constraints). This has meant that more rural locations have typically seen lower levels of population growth than previously. These trends have not been observed universally across different types of locations but can give an insight into whether or not it is reasonable to move away from official projections.

2.8 In understanding what a reasonable projection is a number of factors can be considered. In particular, this would include overlaying past and projected population growth (to see if there is a correlation) and also to compare past and projected levels of migration – this needs to recognise that migration may well be expected to change over time as the age structure of the population changes.

2.9 Overall, it is clear that developing the most reasonable and realistic projections for housing need is far from straightforward and will involve a degree of professional judgement. The need for judgment can clearly be seen in a recent High Court case in Kings Lynn (CO/914/2015) where it is noted that *'this is a statistical exercise involving a range of relevant data for which there is no one set methodology, but which will involve elements of judgment about trends and the interpretation and application of the empirical material available'*.

Demographic Profile of Harrogate District

2.10 The analysis below looks at the population profile of Harrogate District (also referred to as 'Harrogate' or 'Harrogate area' throughout the rest of this report), including past levels of population change, the components of this change (e.g. births, deaths and migration) and the age structure. Where relevant, comparisons are made with other areas (North Yorkshire, the Yorkshire/Humber region and England). The analysis uses 2014 as a base date, due to this being the date for which the most recent information was available at the time of writing (from ONS mid-year population estimates).

Population Trends

2.11 The population of Harrogate in 2014 is estimated to be 157,300, this is an increase of 5,800 people since 2001 – a 3.8% increase over the 13-year period. This level of population growth is below that seen across the County (5.5%), the region (7.7%) and nationally (9.8%).

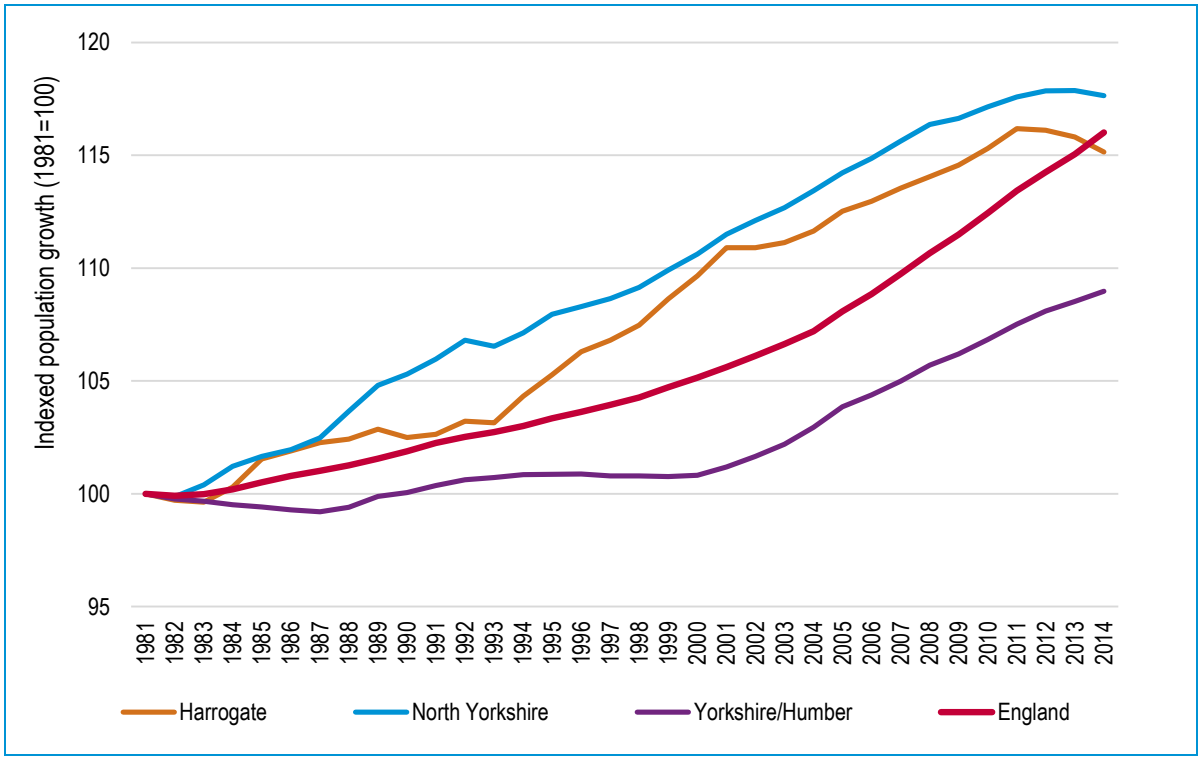
Table 1: Population Growth (2001-14)

Area	Population 2001	Population 2014	Change in Population	% change
Harrogate	151,467	157,267	5,800	3.8%
North Yorkshire	570,094	601,536	31,442	5.5%
Yorkshire/Humber	4,976,643	5,360,027	383,384	7.7%
England	49,449,746	54,316,618	4,866,872	9.8%

Source: ONS (mid-year population estimates)

2.12 Analysis can also be provided to consider longer-term trends in population growth with data being available back to 1981. The data shows variations in population change over time in all areas with stronger growth in Harrogate being seen in the period to about 2001. This is in contrast with population change observed both regionally and nationally, which has been stronger since about 2001. Across the whole period studied, the level of population growth has been slightly lower than observed across the County or England as a whole, but some way above that observed in the Yorkshire/Humber region.

Figure 1: Indexed population growth (1981-2014)



Source: ONS (mid-year population estimates)

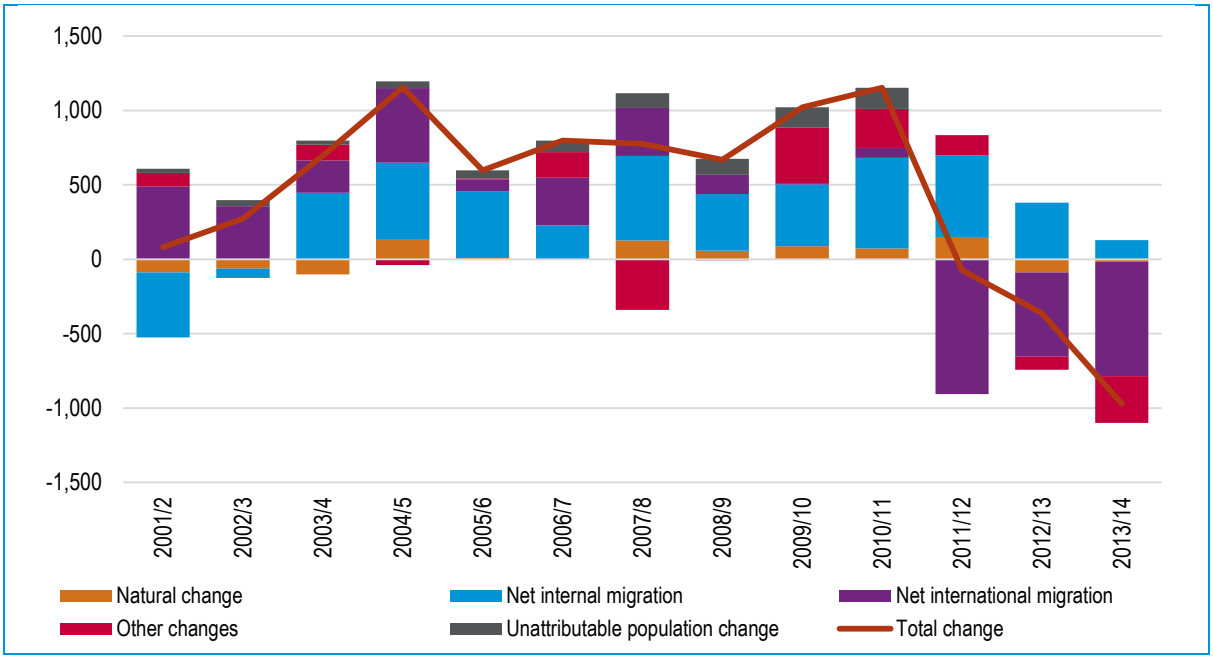
Components of past population change

2.13 The figure and table below consider the drivers of population change in the Harrogate area from 2001 to 2014 (2001 being the base date from which detailed figures are available). Population change is largely driven by net migration and natural change (births minus deaths). Within ONS data there is also a small other changes category (mainly related to armed forces and prison populations) and an unattributable population change (UPC) – this is an adjustment made by ONS to mid-year population estimates where Census data has suggested that population growth had either been over- or under-estimated in the inter-Census years. Because UPC links back to Census data a figure is only provided for 2001 to 2011.

2.14 The figure shows that net migration has been the key driver of population change (and in particular internal migration (i.e. moves from one part of the country to another)) – over the 2001-14 period net migration averaged 340 people per annum out of an average population growth of 447. About 94% of this migration was internal net migration and the remaining 6% a net movement of people from abroad. The average level of natural change over this period was 21 per annum (i.e. 21 more births than deaths); other changes averaged 27 people per annum.

2.15 The data also shows a small (but not insignificant) level of UPC. The UPC (for 2001-11) is an average of 58 per annum (positive and when averaged for the whole 2001-14 period) and would suggest that ONS may have previously under-estimated migration and population growth in the Harrogate area – which could potentially have some impact on forward projections – or indicate inaccuracies in the Census recording of population in either 2001 or 2011.

Figure 2: Components of population change, mid-2001 to mid-2014 – Harrogate



Source: ONS

Table 2: Components of population change, mid-2001 to mid-2014 – Harrogate

Year	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	-89	-436	489	91	27	82
2002/3	-63	-59	357	-4	41	272
2003/4	-101	447	216	106	29	697
2004/5	131	517	502	-39	44	1,155
2005/6	9	448	80	6	54	597
2006/7	0	227	320	172	79	798
2007/8	127	566	323	-341	100	775
2008/9	57	381	129	-7	108	668
2009/10	87	415	10	372	136	1,020
2010/11	72	610	66	262	142	1,152
2011/12	150	548	-906	135	0	-73
2012/13	-89	381	-565	-88	0	-361
2013/14	-17	129	-769	-313	0	-970

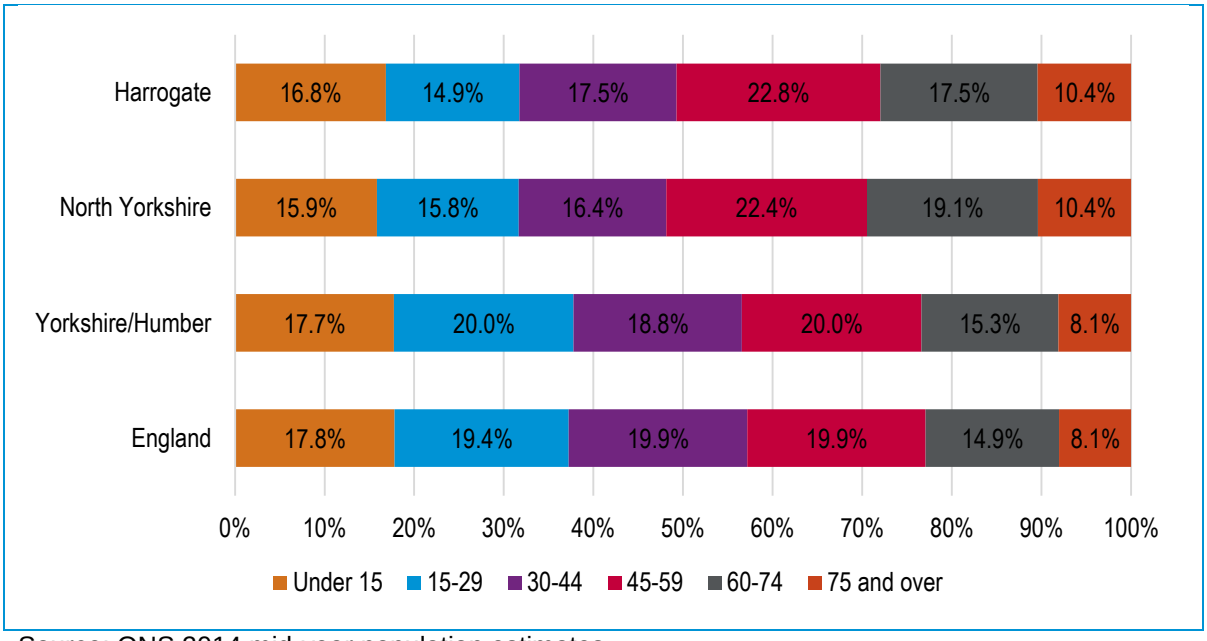
Source: ONS

2.16 The other changes column in Table 2 reflects movements to or from institutional accommodation. This includes changes in the military personnel being moved from or stationed in the District as well as other factors such as prison releases. On review of MOD data on the location of military personnel it would seem there has since 2012 been a general reduction in service personnel stationed in the District. This would explain some of the recent "other changes" seen in Table 2.

Age Profile and Past Changes

2.17 When compared with most other areas, Harrogate has a relatively old population structure with 28% of the population aged 60 and over (compared with 29% across the County and 23% for both the region and nationally). The proportion of people aged under 30 is relatively low (32% in Harrogate, compared with 32% in the County, 38% regionally and 37% nationally).

Figure 3: Population Age Profile (2014)



Source: ONS 2014 mid-year population estimates

2.18 The table below shows how the age structure of the population has changed over the 2001 to 2014 period. The data shows the most significant growth to have been in the 60-74 age group, with this group also showing the highest proportionate increase. Increases have also been seen in the 45-59 and 75 and over age groups. The analysis also indicates a decline in the population aged 30-44 and a modest decrease in the population aged under 30.

Table 3: Change in Age Structure (2001-2014) – Harrogate

Age group	2001	2014	Change	% change
Under 15	27,293	26,478	-815	-3.0%
15-29	24,708	23,443	-1,265	-5.1%
30-44	34,435	27,546	-6,889	-20.0%
45-59	30,503	35,794	5,291	17.3%
60-74	21,561	27,586	6,025	27.9%
75 and over	12,967	16,420	3,453	26.6%
Total	151,467	157,267	5,800	3.8%

Source: ONS 2014 mid-year population estimates

2.19 The same analysis has been carried out for a range of comparator areas (in the table below). The data identifies that population profile changes in Harrogate are broadly similar to that seen in other areas – the main differences look to be the loss of population aged 15-29 (whereas all other areas show some increase) and a stronger growth in the population aged 75 and over (particularly when compared with the regional and national position).

Table 4: Change in Age Structure (2001-2014)

Age group	Harrogate	North Yorkshire	Yorkshire/ Humber	England
Under 15	-3.0%	-6.7%	0.2%	4.2%
15-29	-5.1%	7.2%	14.7%	12.9%
30-44	-20.0%	-19.8%	-8.3%	-4.0%
45-59	17.3%	12.5%	13.8%	16.0%
60-74	27.9%	33.3%	21.8%	24.1%
75 and over	26.6%	25.6%	15.8%	17.5%
Total	3.8%	5.5%	7.7%	9.8%

Source: Mid-Year Population Estimates

Demographic Evidence of Housing Need – Start Point

2.20 The PPG [2a-015] states that 'household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need. The household projections are produced by applying projected household representative rates to the population projections published by the Office for National Statistics. Projected household representative rates are based on trends observed in Census and Labour Force Survey data'.

2.21 The most up-to-date projections are the 2012-based CLG household projections published in February 2015. These projections were underpinned by ONS (2012-based) subnational population projections (SNPP) – published in May 2014. In December 2015, CLG published a new set of 'Stage 2' projections which looked at household types – these projections did not alter estimates of

household growth although some age specific estimates were changed; this is discussed later in this section.

2.22 The table below sets out levels of household growth expected by the CLG household projections in the 2014-35 period. Data is also provided for the County, the Yorkshire/Humber region and England for comparative purposes. Across Harrogate Borough, the CLG Household Projections show household growth of about 7,700 – this is an 11% increase; below equivalent figures for both the region (15%) and England (20%). The level of growth is however virtually identical to that projected across the County.

Table 5: Household change 2014 to 2035 (2012-based CLG household projections

Area	Households 2014	Households 2035	Change in households	% change
Harrogate	68,483	76,183	7,700	11.2%
North Yorkshire	262,429	291,048	28,619	10.9%
Yorkshire/Humber	2,271,680	2,604,195	332,515	14.6%
England	22,718,084	27,176,194	4,458,110	19.6%

Source: CLG household projections (2012-based)

2.23 Whilst the 2012-based data is the latest 'official' population projection and therefore forms the start point for analysis in line with the PPG, it is worth testing the assumptions underpinning the projection to see if it is broadly reasonable in the local context – this involves considering both the population projections (the SNPP from ONS) and also the way CLG have converted this data into households. The analysis below initially considers the validity of the population projections and their consistency with past trends, before moving on to consider past trend data in more detail, and also data released since the population projections were published (in particular, ONS has subsequently published new mid-year population estimates for 2013 and 2014).

2012-based Subnational Population Projections (SNPP)

2.24 The latest SNPP were published by ONS on the 29th May 2014. They replace the 2010- and 2011-based projections. Subnational population projections provide estimates of the future population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration which are constrained to the assumptions made for the 2012-based national population projections. The new SNPP are largely based on trends in the 2007-12 period (2006-12 for international migration trends). The SNPP are only population projections and do not contain headship rates (which are needed to convert into household estimates).

2.25 The SNPP are not forecasts and do not attempt to predict the impact that future government or local policies, changing economic circumstances or other factors might have on demographic

behaviour. The primary purpose of the subnational projections is to provide an estimate of the future size and age structure of the population of local authorities in England. These are used as a common framework for informing local-level policy and planning in a number of different fields as they are produced in a consistent way.

Overall Population Growth

2.26 The table below shows projected population growth from 2014 to 2035 in each of Harrogate and a range of comparator areas. The figures for different areas are all taken from the most recent projections; in the case of data for England, this uses information from the 2014-based national population projections, whereas for other areas the data is taken from the 2012-based SNPP. The data shows that the population of the Harrogate area is projected to grow by around 9,100 people; this is a 6% increase – the same as projected across the County but below equivalent figures for the Yorkshire/Humber region (9%) and also below the figure for England as a whole (14%).

2.27 Since the 2012-based SNPP was published there have been two releases of mid-year population estimates (MYE) from ONS (for mid-2013 and mid-2014) – it is the case in Harrogate that both of the MYE show weaker levels of population growth than was projected in the SNPP. It is possible in the demographic modelling to overwrite the projected figures for 2013 and 2014 for those in the MYE and then project forward from 2014. In doing this the analysis assumes the same birth and death rates as in the 2012-based SNPP and the same levels of migration (in absolute number terms). Once updated the projection shows a lower level of population growth (8,400 people – 5%).

Table 6: Projected population growth (2014-2035) – 2012-based SNPP (and 2014-based national population projections)

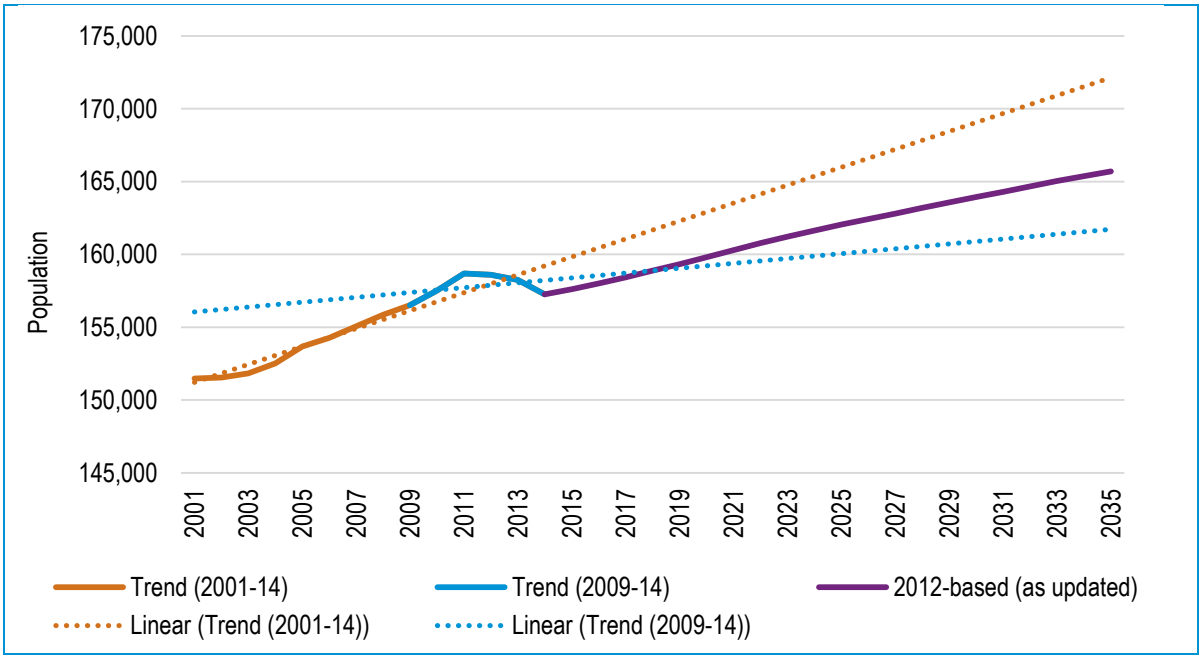
Area	Population 2014	Population 2035	Change in population	% change
Harrogate (2012-based)	159,386	168,459	9,073	5.7%
Harrogate (2012-based (as updated))	157,267	165,706	8,439	5.4%
North Yorkshire	605,200	640,100	34,900	5.8%
Yorkshire/Humber	5,368,800	5,874,800	506,000	9.4%
England	54,316,618	62,104,338	7,787,720	14.3%

Source: ONS and demographic projections

2.28 Figure 4 shows past and projected population growth in the period 2001 to 2035. The data also plots a linear trend line for the last five years for which data is available (2009-14) and also a longer-term period from 2001 to 2014 – this being the longest period for which reasonable data about the components of population change (e.g. migration) is available. The projection is based on the SNPP but takes account of more up-to-date MYE figures.

2.29 The data shows that the population is expected to grow at a rate which is below long-term trends but above short-term figures. This is an important finding given that ONS typically consider short-term trends when developing the SNPP (looking at the last 5-years for internal migration and the last 6-years for international migration). The dynamic nature of the SNPP projections means that they take account of age structure changes within the population in the Borough and areas from which people move to the Borough. These factors influence births, deaths and migration flows.

Figure 4: Past and projected population growth – 2012-based SNPP (as updated) – Harrogate

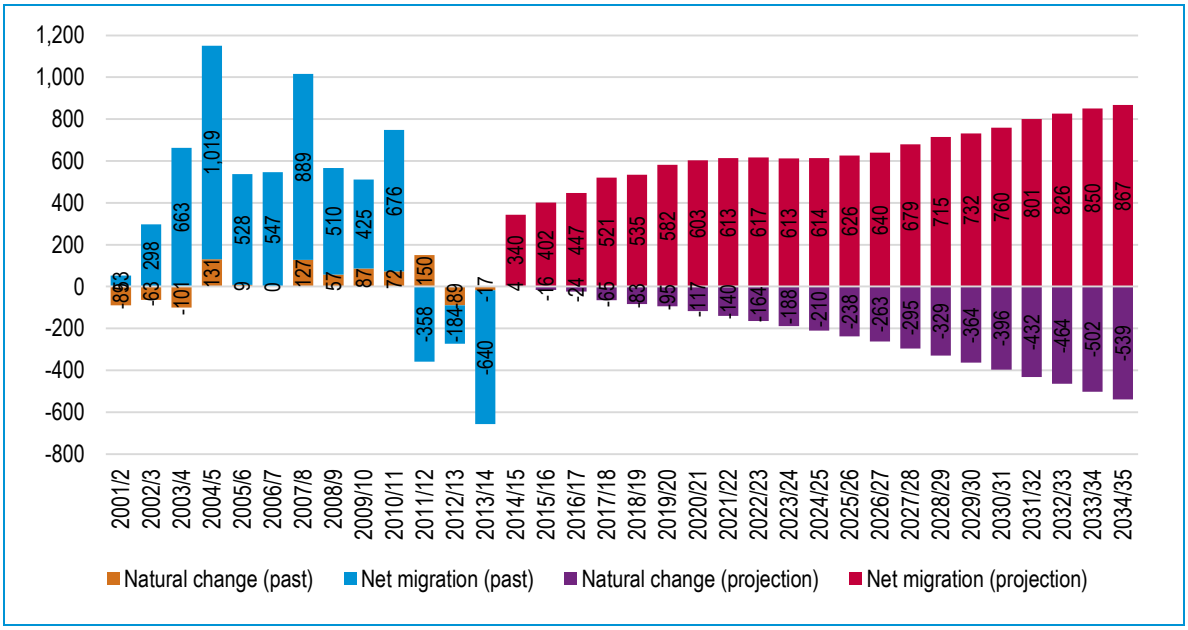


Source: ONS and demographic projections

Components of population change

2.30 Figure 5 brings together data about migration (both past trends and the future projection) along with information about natural change. This shows that natural change is expected to decrease over time (an increase in the excess of deaths over births). Expected levels of migration show the opposite pattern – generally increasing over time. When compared with the past trends in migration, the projected figures are arguably on the high side. For the whole of the projection period (2014-35) the average level of migration is expected to be around 637 people (net) per annum – this figure is higher than the level seen in short-term past trends (-16 per annum (i.e. net out-migration) over the past 5-years) and an average figure of 340 if the longer-term (2001 to 2014) figures are used.

Figure 5: Components of population change, mid-2001 to mid-2035 (summary chart) – Harrogate



Source: ONS and demographic projections

Alternative Demographic Scenarios

2.31 As noted above, the SNPP looks to be a sound projection from a technical perspective with regard to population growth in Harrogate, with net migration being above the level observed in the past (regardless of whether or not long- or short-term trends are considered). However, it is noted across the District that levels of migration and population growth have been variable over time. On this basis it would be reasonable to consider alternative (sensitivity) scenarios – such an approach is set out in para 2a-017 of the PPG which states *'plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections…'.*

2.32 There are a number of issues and alternatives which can be investigated. Firstly, it should be noted that the SNPP are 2012-based; with publication of new population data for 2013 and 2014 it is now possible to see if there have been any notable shifts in short-term migration patterns and hence use the more recent data to establish if the next SNPP (a 2014-based version expected to be published in Spring 2016) will differ substantially from that in the 2012-based version. Secondly, account can be taken of longer-term migration trends and also pre-recession trends (noting that (at least at a national level) there has been some change in patterns when comparing pre-2008 with post-2008). Finally, earlier analysis did highlight some concerns in relation to the 'unattributable' component of population change within ONS population data for the 2001-11 period and it is possible to test alternative scenarios taking account of this component of change.

2.33 The analysis below therefore considers a number of potential sensitivities to the figures. The key sensitivities considered can be summarised as:

- Implications of 2013 and 2014 mid-year population data;
- Long-term migration trends;
- Pre-recession migration trends; and
- Adjustments for Unattributable Population Change (UPC)

2.34 The scenarios are further complicated by the fact that population projections are quite complex. The SNPP (which is considered to follow a robust methodology from a technical perspective) is not a simple roll forward of past migration numbers but also takes account of the age structure and how this will change over time – this has an impact on estimated future migration (which can go up as well as down). Additionally, international migration is linked back to the ONS national projections which use a longer-term time series for analysis (believed to date back to 1994). It also needs to be noted that when looking at past trends at a local level, ONS conventionally uses data from the past five years for internal/domestic migration and a period of six years when considering international migration trends.

2.35 For the purposes of the sensitivity projections developed in this report it is the fact that migration can vary over time which is most important, and we would observe in Harrogate that the 2012-based SNPP (as with previous releases) projects for there to be an increase in net migration moving forward; driven by a strong increase in in-migration and only a moderate increase in out-migration. On this basis it may not be appropriate to 'fix' past trend levels of migration but to consider that these may change over time. In reaction to this, each of the projections developed has two scenarios; the first where the level of migration is fixed at the actual level seen in the trend period studied and the second (called a 'rates' approach) where migration is variable over time. The variation in migration is set to be consistent with that shown in the 2012-based SNPP (which for example shows an increase in net in-migration from 340 in 2014/15 to 867 by 2034/35).

2.36 Table 7 shows the full range of scenario projections developed. Within the names given to the sensitivities the letter 'F' means that migration levels are fixed throughout the projection, whereas 'R' means that migration changes over time; UPC is shown where further adjustments are made for Unattributable Population Change (taken to be in those years for which ONS has recorded it). It should be noted that the first sensitivity (2014_Based) does not contain a UPC adjustment; this is because it is known that ONS would not consider UPC in developing its own projections. These scenarios are produced in advance of the issue of the 2014-based SNPP by ONS.

2.37 The various projections show a range of net migration (average over the 2014-35 period) from 77 to 767 per annum. It is noteworthy that only two of the scenarios show a level of net migration that is above the level in the 2012-based SNPP (637 per annum); both of those scenarios are the ones

based on pre-recession migration trends where a rates based approach is used. It should be noted that where there are increases, this is driven by higher assumptions of international migration; none of the scenarios suggests a higher level of internal migration than shown in the 2012-based SNPP – this is because the 2007-12 period used in the SNPP to look at internal migration was one in which this was relatively high.

Table 7: Description of sensitivity scenarios tested

Projection	Description	Average net migration
2014_Based_F	Updating the 2012-based SNPP to look at migration trends in the period to mid-2014 (2009-14 trends for internal migration and 2008-14 trends for international migration). Levels of migration are fixed at the actual levels observed over this period	77
2014_BasedP_R	Updating the 2012-based SNPP to look at migration trends in the period to mid-2014 (2009-14 trends for internal migration and 2008-14 trends for international migration). Levels of migration are variable at the actual levels observed over this period	220
LTmig_F	Uses the level of migration observed over the 2001-14 period (the longest time for which reasonable quality data is available). Levels of migration are fixed at the actual levels observed over this period	340
LTmig_R	Uses the level of migration observed over the 2001-14 period (the longest time for which reasonable quality data is available). Levels of migration are variable at the actual levels observed over this period	483
LTmig_F(UPC)	Uses the level of migration observed over the 2001-14 period (along with an adjustment for UPC). Levels of migration are fixed at the actual levels observed over this period	399
LTmig_R(UPC)	Uses the level of migration observed over the 2001-14 period (along with an adjustment for UPC). Levels of migration are variable at the actual levels observed over this period	542
Pre-recession_F	Uses the level of migration observed over the 2001-8 period. Levels of migration are fixed at the actual levels observed over this period	571
Pre-recession_R	Uses the level of migration observed over the 2001-9 period. Levels of migration are variable at the actual levels observed over this period	714
Pre-recession_F(UPC)	Uses the level of migration observed over the 2001-8 period. Levels of migration are fixed at the actual levels observed over this period	624
Pre-recession_R(UPC)	Uses the level of migration observed over the 2001-8 period. Levels of migration are variable at the actual levels observed over this period	767

2.38 For information, the table below presents the migration data series used to develop the various projections. For the purposes of analysis, it has been assumed that UPC is equally split between international and internal migration – this assumption is considered to be reasonable given that generally it is thought that UPC is more closely associated with international migration, but, in Harrogate international migration is a relatively small component of population change (in gross flow terms). In reality this assumption will not substantially impact on the figures given that the overall level of migration is the same regardless of which group it is placed in – there would however be some differences due to differing age/sex profiles of migrants in each of the international and internal migrant groups. Figures post-2011 are the same due to there being no element of UPC in the ONS figures beyond this date.

Table 8: Past trends in internal and international migration (2001-14)

	Internal net migration	International net migration	Internal net migration (with UPC)	International net migration (with UPC)
2001/2	-436	489	-423	503
2002/3	-59	357	-39	378
2003/4	447	216	462	231
2004/5	517	502	539	524
2005/6	448	80	475	107
2006/7	227	320	267	360
2007/8	566	323	616	373
2008/9	381	129	435	183
2009/10	415	10	483	78
2010/11	610	66	681	137
2011/12	548	-906	548	-906
2012/13	381	-565	381	-565
2013/14	129	-769	129	-769

Source: ONS

Outputs from different demographic projections

2.39 Table 9 shows the estimated level of population growth in the SNPP and the alternative projections developed. Across the whole Harrogate area, the SNPP (as updated) shows population growth (2014-35) of 5.4% - the adjustment made to take account of 2013 and 2014 MYE data both show negative population growth whilst the highest figures are when considering pre-recession (2001-8) trends – which has population growth of up to 7.5% (an increase in population of 11,900 people compared with 8,400 in the SNPP (as updated).

Table 9: Projected population growth (2014-2035) – alternative scenarios – Harrogate

Scenario	Population 2014	Population 2035	Change in population	% change
2012-based SNPP	159,386	168,459	9,073	5.7%
2012-based SNPP (as updated)	157,267	165,706	8,439	5.4%
2014_Based_F	157,267	151,983	-5,284	-3.4%
2014_Based_R	157,267	155,111	-2,156	-1.4%
LTmig_F	157,267	158,733	1,466	0.9%
LTmig_R	157,267	161,861	4,594	2.9%
LTmig_F(UPC)	157,267	160,211	2,944	1.9%
LTmig_R(UPC)	157,267	163,339	6,072	3.9%
Pre-recession_F	157,267	164,646	7,379	4.7%
Pre-recession_R	157,267	167,774	10,507	6.7%
Pre-recession_F(UPC)	157,267	165,997	8,730	5.6%
Pre-recession_R(UPC)	157,267	169,125	11,858	7.5%

Source: Demographic projections

2.40 Overall, whilst there is merit in looking at alternative scenarios for demographic change, it is not considered that any of these is definitively better or more robust than another. It is however noted that most of the alternative scenarios are lower than is suggested by the SNPP and therefore the evidence of a need for an upward adjustment is limited when compared with the most recent official projections.

2.41 In Harrogate it is considered that the scenarios based on a rates approach are probably the most robust, this is because historically projections in the area have expected net migration to increase (although it will be observed that the reality it quite different). Whether there is merit in returning to pre-recession trends is arguable, given that the data is now quite historic, however as the alternatives go, at least some consideration could be given to this and we have run a number of scenarios reflecting these levels. Again, with UPC, it is arguable whether or not this should reasonably be included within the figures (particularly as it is unclear if this relates to migration or other errors in the data (such as Census population recording)).

2.42 Overall, it is considered on the basis of the analysis above that the 2012-based SNPP (as updated) is probably the soundest projection to use to look at future trend-based demographic change whilst recognising some potential variance. However account needs to be taken of the potential for higher in-migration as the economy moves away from recession as shown in the pre-recession trend projections.

Age Structure Changes

2.43 With growth in the population will also come age structure changes. The tables below summarise the findings for key (15-year) age groups under the 2012-based SNPP (as updated) and also with pre-recession trends (rates based plus UPC) - which shows the highest level of population growth of the projections developed).

2.44 Focussing on the SNPP (as updated), the data shows that largest growth will be in people aged 60 and over; it is estimated that there will be 64,300 people aged 60 and over in 2035 – this is an increase of 20,300 from 2014, representing growth of 46%. The population aged 75 and over is projected to increase by an even greater proportion, 90%. Looking at the other end of the age spectrum the data shows that there is projected to be reductions in most age groups Under 60.

2.45 With a higher level of population growth (as with the scenario linked to pre-recession migration) there is still a notable ageing of the population (albeit this is consistent with expectations regionally and nationally). However, it is notable that younger age groups see somewhat higher growth (or lower decreases) than when linked to the SNPP (as updated).

Table 10: Population change 2014 to 2035 by fifteen-year age bands (2012-based SNPP (as updated)) – Harrogate

Age group	Population 2014	Population 2035	Change in population	% change from 2014
Under 15	26,478	25,263	-1,215	-4.6%
15-29	23,443	23,855	412	1.8%
30-44	27,546	24,715	-2,831	-10.3%
45-59	35,794	27,562	-8,232	-23.0%
60-74	27,586	34,546	6,960	25.2%
75+	16,420	29,766	13,346	81.3%
Total	157,267	165,706	8,439	5.4%

Source: ONS and demographic projections

Table 11: Population change 2014 to 2035 by fifteen-year age bands (Pre-recession_R(UPC)) – Harrogate

Age group	Population 2014	Population 2035	Change in population	% change from 2014
Under 15	26,478	25,804	-674	-2.5%
15-29	23,443	24,312	869	3.7%
30-44	27,546	26,177	-1,369	-5.0%
45-59	35,794	28,472	-7,322	-20.5%
60-74	27,586	34,649	7,063	25.6%
75+	16,420	29,710	13,290	80.9%
Total	157,267	169,125	11,858	7.5%

Source: ONS and demographic projections

Household Growth

2.46 Having examined the anticipated growth in the population of the Harrogate Borough and the age/sex profile of the population, the next step in the process of determining housing requirements is to convert this information into estimates of the number of households in the area. To do this the concept of headship rates is used. Headship rates can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP).

2.47 A new set of headship rates is now available following publication of 2012-based CLG Household Projections. The headship rates in the 2012-based CLG Household Projections are more positive than the previous set (2011-based) and typically suggest higher rates of household growth for a given population. At a national level (in the 2012-21 period considered by CLG) the new projections show 10% higher growth in households, for Harrogate Borough the figure is slightly higher (at 15%). The difference between the 2011- and (Stage 1) 2012-based Household Projections reflects fuller analysis of 2011 Census data and consideration of the weight attached to short vs. longer-term trends, with greater weight given in the methodology for the 2012-based Household Projections to longer-term trends using data looking back to 1971.

2.48 The CLG (2012-based) Household Projections were published in two stages; Stage 1 in February 2015 and Stage 2 in December 2015. The Stage 1 Household Projections projected household formation based on data from the 1971, 1981, 1991, 2001 and 2011 Censuses. For younger age groups greater weight was given in the CLG Projections methodology to the dampened logistical trend than the simple logistics trend; the effect of which is to give greater weight to the shorter-term trends.

2.49 Stage 2 Household Projections were published by CLG in December 2015 and consider household types. The Methodology Report accompanying the projections is clear that these projections are based on just two points – the 2001 and 2011 Censuses. Overall outputs on total household growth are constrained to the totals from the Stage 1 Projections. This means that both sets of projections show the same level of overall household growth but some of the age specific assumptions differ. Differences can however occur between the Stage 1 and 2 headship rates when modelled against different population projections (due to differences in the age structure) or where adjustments are made to particular age groups.

2.50 Overall, it is considered that the Stage 1 projections should be favoured over the Stage 2 figures for the purposes of considering overall household growth; this is for two key reasons: a) the Stage 1 figures are based on a long-term time series (dating back to 1971 and using 5 Census data points) whereas the Stage 2 figures only look at two data points (2001 and 2011) and b) the Stage 2

figures are constrained back to Stage 1 values, essentially meaning that it is the Stage 1 figures that drive overall estimates of household growth in the CLG Household Projections themselves. Stage 1 household projection figures have therefore been used in the modelling which follows.

2.51 It is useful to interrogate how different CLG projection releases impact on assumptions for different age groups (i.e. to compare the 2012-based projections with those released as 2008- and 2011-based versions).

2.52 Figure 6 shows the headship rates used in each of the projections. Overall the 2012-based projections look fairly sound with most age groups seeing fairly constant headship levels in the past and moving forward. There are however some exceptions which are discussed below.

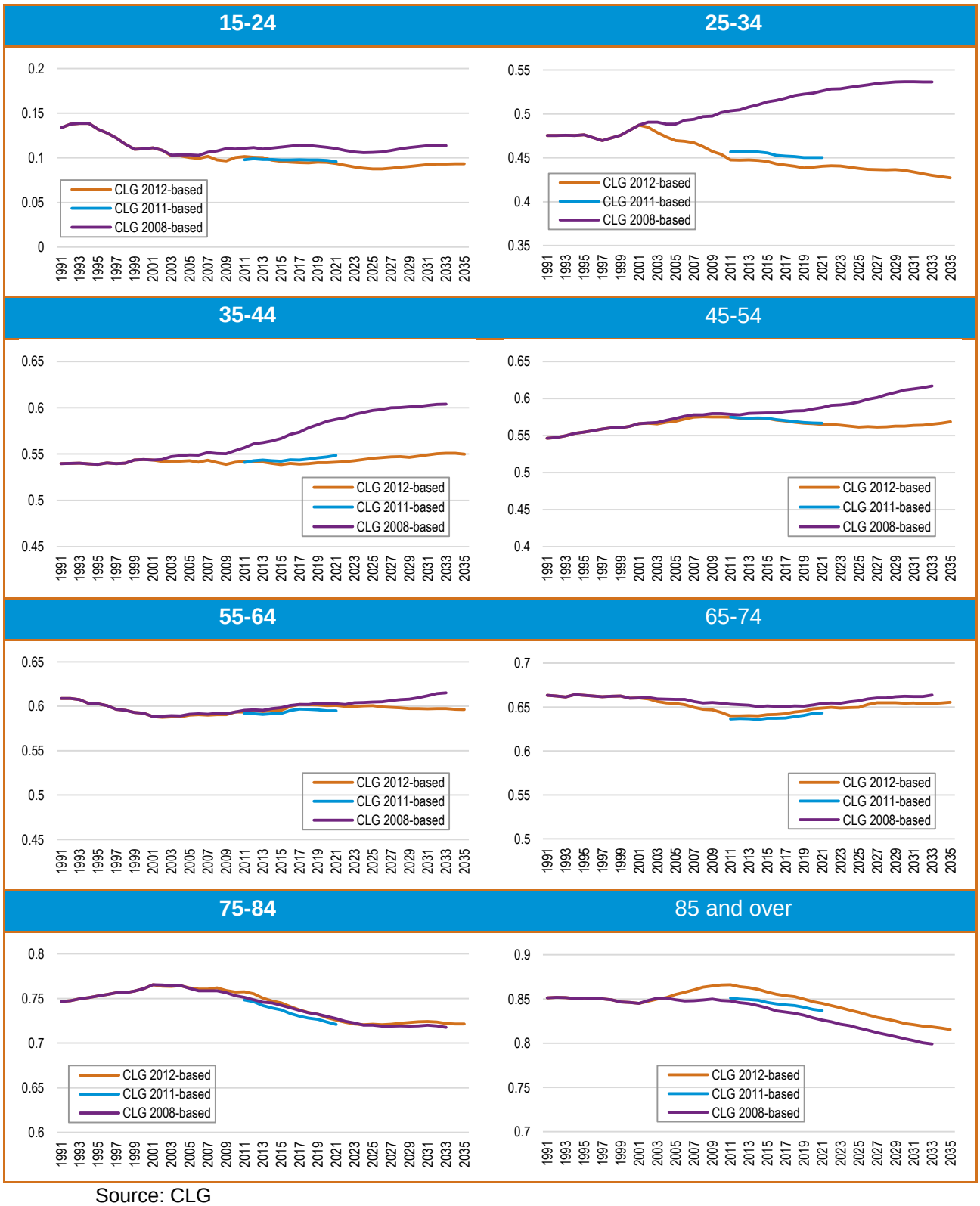
2.53 It is evident from the analysis that household formation amongst households in their late 20s and early 30s fell over the 2001-11 decade. Whilst the projections show some slowing down of this falling rate, it is the case that household formation amongst this age group is projected to continue to fall.

2.54 The 2012-based Household Projections expect household formation rates amongst older age groups particularly those in the 85+ age group to fall over time. Given improving life expectancy this 'trend' looks to be reasonable (as it would be expected that more people would remain living as couples).

2.55 There are also potential age cohort effects for younger age groups, for instance the possibility that a lower headship rate amongst those 25-34 could feed through into the 35-44 age group in time. This is not reflected in the 2012-based Projections modelling where the 35-44 age groups sees a (modest) increase in rates moving through to 2035. This is specifically highlighted in CLG's 2012-based Household Projections: Methodological Report which outlines on Page 25 that:

> *"There could also be cohort effects that are ignored by the current methodology. Recent falls in household representative rates for younger age groups may carry forward through a cohort process into older age groups in future years. It is unlikely that analysis of the commissioned tables from the 2011 Census will identify whether such cohort effects are occurring at the present time. However, it may be important to fully consider and explore the impact on future household numbers if falling household representative rates for the younger age groups continue as these younger age groups move into older age groups through time. If there is evidence in the future from the Census 2011 and the LFS of cohort effects, then it would be necessary to consider whether introducing cohort effects into the model would improve the household projections – especially given the additional complexity and data requirements that this approach would entail."*

Figure 6: Projected Household Formation Rates by Age of Head of Household – Harrogate



Source: CLG

Housing Need (linked to 2012-based headship rates)

2.56 The table below brings together outputs in terms of household growth and housing need using the 2012-based headship rates and the full range of population growth scenarios developed. To relate households to dwellings, the data includes an uplift to take account of vacant and second homes. Analysis of 2015 Council Tax data identifies 1,855 vacant and 676 second/holiday homes in the District out of a total dwelling stock of 70,835 – this implies an uplift of about 3.7% to the household figures when converting household growth into housing need (i.e. dwellings).

2.57 The analysis shows an overall housing need for 380 dwellings per annum across the Harrogate area when using the 2012-based SNPP as the underlying population projection. This figure also represents the 'start point' as defined in the PPG (although this can arguably be reduced to 345 once account is taken of more up-to-date MYE data).

2.58 This demographic figures either decreases or increases from the 'start point' for all of the alternative scenarios and with pre-recession migration and a UPC adjustment/rates based approach (the highest of the population projections developed) there is a need for 429 dwellings per annum to be provided.

Table 12: Projected housing need – range of demographic based scenarios and 2012-based headship rates – Harrogate

	Households 2014	Households 2035	Change in households	Per annum	Dwellings (per annum)
2012-based SNPP	68,483	76,187	7,704	367	380
2012-based SNPP (as updated)	67,865	74,853	6,987	333	345
2014_SNPP_F	67,865	69,964	2,098	100	104
2014_SNPP_R	67,865	70,679	2,813	134	139
LTmig_F	67,865	72,827	4,962	236	245
LTmig_R	67,865	73,542	5,677	270	280
LTmig_F(UPC)	67,865	73,386	5,521	263	273
LTmig_R(UPC)	67,865	74,101	6,236	297	308
Pre-recession_F	67,865	75,326	7,461	355	368
Pre-recession_R	67,865	76,041	8,176	389	404
Pre-recession_F(UPC)	67,865	75,837	7,972	380	394
Pre-recession_R(UPC)	67,865	76,552	8,687	414	429

Source: Demographic projections

2.59 Given that the latest official projections sit at the top end of the range provided, it is reasonable to consider the relevant figure (of 380 dwellings per annum) as the demographic-based housing need. Whilst the outputs from other scenarios are of interest, there is no precedent for taking pre-recession trends as a measure of housing need (additionally, there are doubts about whether UPC

should be considered in the projections; ONS do not include any adjustment for UPC in their projections).

2.60 In the interests of positive planning we will continue to refer to the "start point" as 380 dwellings per annum, despite there being some justification to reduce this figure to 345 dwellings per annum if the most recent data is taken into account.

Headship Rate Sensitivity Analysis

2.61 National research undertaken for the RTPI by the Neil McDonald and Peter Williams at Cambridge University indicates a particular effect of the decline in affordability between 2001 and 2011 and the economic recession has been young adults living within a parental home for longer or living in shared accommodation rather than separate accommodation. The impact of this, their research shows, has been most significant for the 25-34 age group.

2.62 As previous data has illustrated, the projections show a reduction in household formation rates within younger age groups (25-34) over the period 2001-2011. Other age groups typically show flat or increasing household formation rates (the main exception being some older age groups although this will be more strongly influenced by improving life expectancy rather than any housing market factors). There is no evidence of supressed household formation for the 35-44 age group, in that the household formation rate for this age group has remained relatively consistent since 1991.

2.63 A fall in the headship rate for the 25-34 age group could relate to either housing market factors or international migration and household structures within migrant communities. A number of academic studies have considered recent trends in household formation. A 2013 Study by the late Alan Holmans[3] noted that part of the shift away from household formation rates in the 2008-based Household Projections (as revealed by the 2011 Census) was expected to relate to international migration, and different household structured within new migrant communities; with part relating to housing market and affordability issues. His report drew conclusions that:

> *"The working assumption in this study is that a considerable part but not all of the 375,000 shortfall of households relative to trend was due to the state of the economy and the housing market. 200,000 is attributed to over-projection of households due to the much larger proportion of recent immigrants in the population, whose household formation rates are lower than for the population as a whole. This effect will not be reversed. The other 175,000 is attributed to the economy and the state of the housing market and is assumed to gradually reverse."*

2.64 We have however sought to run a sensitivity analysis which models the potential implications on housing need of adjusting the household formation rates for the 25-34 age group. For this age group, the 2012-based Household Projections expect household formation rates to continue to

[3] *Holmans, A. (2013) New estimates of housing demand and need in England, TCPA.*

decrease, from a position where 45% of households in this age group are a head of a household in 2011 to 43% at the end of the projection period.

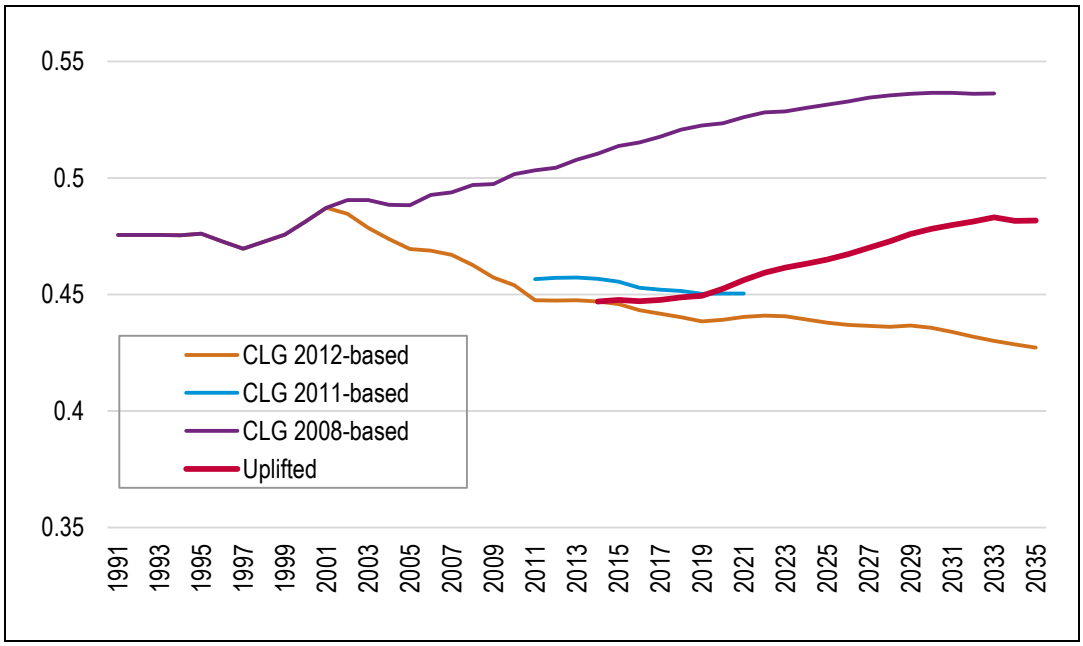
2.65 Recent academic research by demographer Ludi Simpson and Neil McDonald has considered issues around projecting household formation rates. Their report is clear that it is not appropriate to revert to the 2008-based household representative rates, setting out:

> *"it is no longer sensible to appeal to previous household projections including the 2008-based set as if they were evidence of an underlying trend in household formation. They were produced at a time when household formation had already changed, starting before the economic downturn of the mid-to-late 2000s, and are in themselves only evidence of the optimism of that period."*

2.66 The PAS Technical Advice Note also supports this position, noting that "*The CLG 2008 HRRs are no longer helpful because they are based on very old evidence, and anyway may not reflect the true long-term trend*" (Para 6.42).

2.67 Some studies have considered a sensitivity analysis which adjusts household formation rates for younger age groups, returning rates to equivalent to half of the difference (in HFR) between the 2012-based and 2008-based projections by 2033 (the date of 2033 being used as this is the end point of this projection release). We have modelled this as a sensitivity analysis for the 25-34 age group. As shown in Figure 7, the impact of this is principally to assume higher household formation amongst this age group. An upward adjustment to headship rates for these younger age groups effectively assumes that the ability of households in their 20s and 30s to form households improves. It thus implicitly assumes that housing affordability improves over time. Because the 2008-based projections only run to 2033, the figures post 2033 track the changes in the 2012-based projections.

Figure 7: Household Formation Rates Projected Household Formation Rates for those aged 25-34 – Harrogate – based on CLG Stage 1 projections and part-return to trend methodology



Source: Derived from CLG data

2.68 This sensitivity analysis results in an increase in the assessed housing need of 27-34 dwellings per annum (an 8%-26% increase) depending on the projection used, as the Table 13 indicates.

2.69 The PPG (2a-015) indicates 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. It sets out that this might include (amongst other factors) formation rates that have been supressed by under-supply and worsening affordability. Set against this, GL Hearn considers that it would represent a positive approach to take account of the sensitivity analysis in drawing conclusions on demographically-based need, whilst recognising that the adjustments are effectively driven by seeking to support improvements in housing affordability. There is an evident overlap between adjustments to improve affordability and headship rates; and it is important to recognise that any upward adjustment to housing need will support affordable housing delivery.

Table 13: Projected housing need – range of demographic based scenarios and 2012-based headship rates (with uplift for 25-34 age group) – Harrogate

	Households 2014	Households 2035	Change in households	Per annum	Dwellings (per annum)
2012-based SNPP	68,483	76,846	8,362	398	413
2012-based SNPP (as updated)	67,865	75,513	7,648	364	378
2014_SNPP_F	67,865	70,512	2,646	126	131
2014_SNPP_R	67,865	71,249	3,384	161	167
LTmig_F	67,865	73,437	5,572	265	275
LTmig_R	67,865	74,175	6,309	300	312
LTmig_F(UPC)	67,865	74,009	6,144	293	303
LTmig_R(UPC)	67,865	74,746	6,881	328	340
Pre-recession_F	67,865	75,991	8,126	387	401
Pre-recession_R	67,865	76,728	8,863	422	438
Pre-recession_F(UPC)	67,865	76,513	8,648	412	427
Pre-recession_R(UPC)	67,865	77,251	9,385	447	463

Source: Demographic projections

2.70 For the 'start point' 2012-based SNPP (unadjusted) scenario, the uplift in household formation rates within 25-34 year olds would result in an additional 31 households forming. The resultant housing need also increases to 413 dwellings per annum (from 380 dpa), an additional 33 dwellings once vacant and second homes are taken into account.

Summary – Trend based Demographic Projections

The starting point for assessing housing need in line with the PPG is the most recent official household projections; these are the 2012-based CLG projections which suggest a need for around 380 dwellings per annum to be provided (2014-35). These projections were underpinned by the most recent ONS subnational population projections (SNPP – also 2012-based).

Analysis of past trends in migration indicate that the reference period used in the 2012-based projections (largely the 2007-12 period) was one which saw low levels of migration in comparison with some other periods (notably the levels of migration seen pre-recession (i.e. from 2001 to 2008)) although migration was relatively high in comparison with more recent data (2012-14). It can therefore be concluded that the SNPP might be projecting a relatively low or high level of population growth and alternative scenarios were developed based on long-term, pre-recession and more recent migration trends.

Whilst none of the alternative scenarios could definitively be described as the most robust it is notable that the 2012-based projections sit towards the top end of the range developed (the full range being 104 to 429).

When looking at the data about headship rates underpinning the 2012-based CLG household projections it was observed that the 25-34 age group looked to have seen some suppression of household formation in the past (and that this trend was projected to continue into the future). Given the falling household formation amongst this age group, modelling was carried out to return the headship rates amongst the 25-34 population back to the midpoint between 2008- and 2012-based figures by 2033 (and tracking 2012-based figures thereafter). This typically increased the need by between 8% and 26% depending on the scenario chosen. There was no evidence of suppression amongst other age groups.

Linking to the most recent official projections (the 2012-based SNPP) would give a need for about 413 dwellings per annum and on the basis of analysis carried out would represent a reasonable upper level of demographically-based need for Harrogate.

3 ECONOMIC-LED HOUSING NEED

Introduction

3.1 The PPG sets out that consideration should be given to future economic performance in drawing conclusions on the overall need for housing. Where the evidence suggests that a different level of migration might be needed than seen in past trends in order to support economic growth, consideration should be given to adjusting the spatial distribution of housing. Specifically, the Guidance [2a-018] outlines that:

> *'Plan makers should make an assessment of the likely change 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.'*

And that:

> *'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.'*

3.2 It is clear that understanding the link between potential growth in jobs and population/ housing is an important part of looking at the OAN, however the PPG is clear that this issue is one in relation to the location of housing rather than necessarily overall housing need *per se*. Indeed, the wording of the PPG shows a notable departure from the wording in the draft PPG (of August 2013) where it was stated that *'in such circumstances [a shortfall in labour supply], plan makers will need to consider increasing their housing numbers to address these problems'*. This is a clear, conscious and logical change to the PPG between draft and final version. Clearly it would be illogical for an area to increase population growth above the levels shown in trend-based projections (and hence increase housing need) through increased in-migration without consideration of the impact this would have on other locations (where an increase in out-migration might be expected). Economic evidence therefore needs to be treated with a degree of caution, and a recognition that ultimately economic factors are a potential influence on the distribution of development in particular.

3.3 There are however some circumstances where an individual authority might consider a higher OAN to support employment growth, such as:

a) In an area with low future population growth and potentially a minimal change in the economically active population (due to an ageing population). In such circumstances it may be

sensible to suggest an above trend level of housing delivery to encourage a slightly younger age structure and to support economic growth.

b) In an area with a known 'shock' to the employment base such as a major new employment site which will generate many more jobs above a baseline forecast position. In such a case it may be reasonable to consider that more homes will be needed to accommodate the growing workforce (although recognising commuting patterns and the 'draw' of workers will also be important along with an understanding of the displacement impacts of sizeable development).

3.4 The interaction between housing and employment is invariably complex. Forecasting economic performance is inherently an uncertain exercise and subject to a margin of error. There are potential issues associated with the robustness of economic information at a local authority level, noting that there is no 'census of employment.' Linking employment growth and demographic factors is also inherently complex, and requires assumptions to be made regarding:

- The relationship between jobs and people, as some people have more than one job;
- Commuting patterns, which relate to differences between where people live and work;
- Employment rates, in terms of the proportion of people in work.

3.5 Each of the above factors is dynamic and can (and indeed is likely) to change over time. Any modelling exercise needs to make assumptions about these factors, and should be considered as indicative rather than definitive. In interpreting any modelling work a level of caution must thus be applied, which includes consideration of whether the outputs can realistically be expected to occur. This includes through comparison of modelled outputs with trend-based demographic projections.

Economic Forecasts

3.6 A range of economic forecasts have been accessed which look at the number of additional jobs that might be created in the District based on a 'business as usual' approach. The forecasts all work slightly differently but essentially consider how the national and regional economy might perform before considering the local situation. At the local level consideration is given to past job growth as well as an understanding of how different sectors have performed; this is used to predict what might happen in the future. Past employment trends are inputs to the forecasts.

3.7 Economic forecasts need to be treated with some degree of caution; they often show widely different outputs depending on the time of the forecast and the forecasting house. Additionally, they can be influenced by past trend 'shocks' (e.g. where an area has seen strong growth in the past, it is generally assumed that this will continue in the future; in reality it may be that high past trends are influenced by individual schemes that are not likely to be repeated).

Examining Economic Forecasts

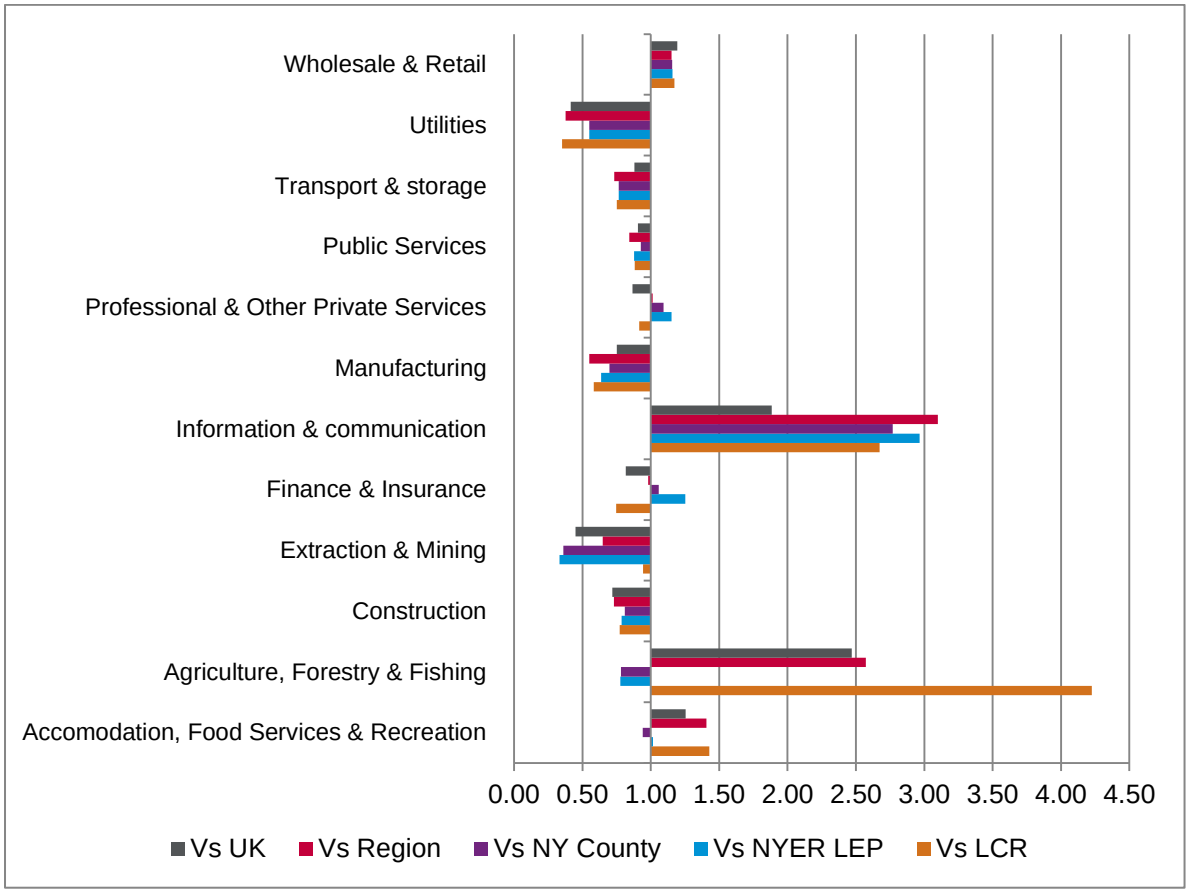
3.8 Two up-to-date forecasts have been accessed for analysis: the first is an Experian forecast from December 2015 (provided as part of the Regional Economic Model (REM) for Yorkshire and Humber; the second is a forecast produced by Oxford Economics (OE) – a Spring 2015 forecast. The OE forecast covers the full period to 2035, whereas the REM figures are only to 2031; in this case the average annual change in jobs (2014-31) has been used to extend the projection for the full period covered in this report.

3.9 The forecasts show a range of job growth in Harrogate from 260 to 346 per annum (5,500 to 7,300 for the whole projection period) – this represents a 6% to 8% increase in jobs. Against purely trend based projections, the forecasts (across all main forecasting houses) tend to show a lower level of forecast employment growth. This reflects expected economic performance nationally, more limited spending and slower expected global growth (including declining Chinese growth rates). However against a five-year projection, using OE data, the forecasts show a significantly higher level.

3.10 We must however be mindful that the forecasts are only a tool in projecting future economic growth and assume that existing relationships with regional and national performance within each sector hold true. These therefore must only be a factor in determining an appropriate level of employment need within the Borough.

3.11 We have examined the drivers of growth in each of the core forecasts as well as the current sectors of strength against wide comparators. As shown in Figure 8 the Borough has particular strength in the Information and Communications and Agriculture, Forestry and Fishing Sectors and to a lesser extent Wholesale and Retail and Accommodation, Food Services and Recreation.

Figure 8: Location Quotient of Sectors in Harrogate (2014)



Source: Experian, Oxford Economics

3.12 We have considered the forecast performance alongside wider evidence, including local growth opportunities and committed investments. Although the Leeds City Region LEP covers Harrogate it does not specifically identify the Borough as a location for growth. In contrast the North Yorkshire and East Riding LEP highlights the area as a growth location and sets out a focus of growth across the LEP area in the following sectors:

- Food manufacturing, - Including Agri-Tech;
- Energy resource efficiency - Bio Renewables; and
- Tourism and leisure including tourism

3.13 The NY&ER LEP also highlights a focus on delivering improved transport infrastructure around Harrogate Town including improved rail links to York and Leeds and improvements to the A59 and the Allerton Park Junction of the A1(M). Improved connectivity provides some potential to support economic growth and investment.

3.14 A number of specific sites have also been identified as being able to deliver growth in the priority sectors including Melmerby Food and Logistics Site and Harrogate Town Centre where further office, retail and leisure uses could be brought forward.

3.15 To take account of these local demand factors and drivers, we have made modest adjustments the OE baseline forecasts (as these were the most positive) to provide an Adjusted Economic Growth Scenario. The adjustments in this scenario are based on expecting more positive performance of the key identified growth sectors. Where appropriate we have improved growth in these sectors to a level akin to the expected nationally or regionally (whichever is more positive). In the case of manufacturing, where all the forecasts are all negative, we have taken a 10% improvement to the OE baseline forecast.

3.16 The table below shows the estimated number of jobs forecast for each of the official forecasts and those adjusted to take account of the wider factors to be provided on average each year in the 2014-35 period.

Table 14: Job growth per annum (2014-35) – a range of economic forecasts

Scenario	Jobs (2014)	Jobs (2035)	Change (2014-35)	% change from 2014	Per Annum Change
Oxford Economics	89,695	96,971	7,276	8.1%	346
Experian (REM)	88,717	94,183	5,466	6.2%	260
OE (Adjusted)	89,695	97,716	8,021	8.9%	382

Source: Experian, Oxford Economics

3.17 The PPG outlines that consideration should be given to trends and/or forecasts in assessing the interaction between housing need and the economy. For Harrogate Borough the trend data from the different sources varies substantially both between the different data sources and over different time periods.

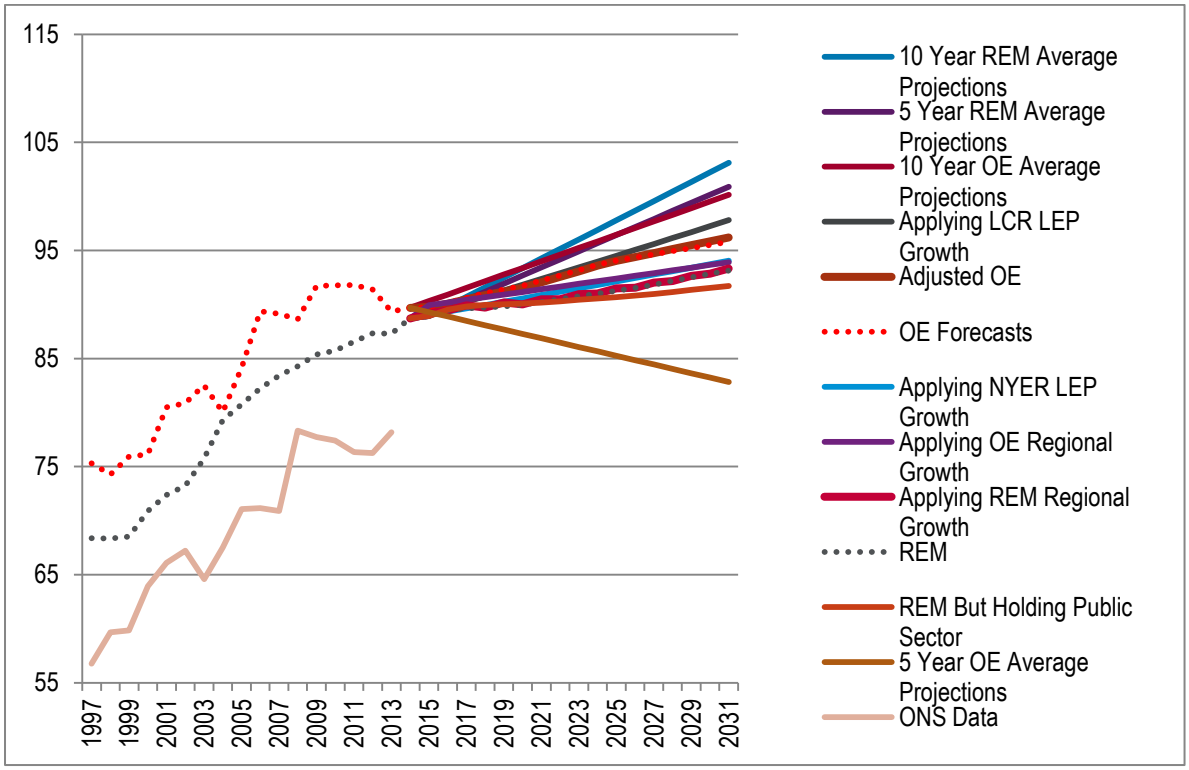
3.18 Figure 9 shows the forecast change in jobs along with a time-series estimate going back to 1997. Overlaid on this is ONS[4] estimates of total employment. It should be noted from Table 14 and Figure 9 that the historic and current estimates of the number of jobs vary significantly. For example, in 2014 the forecasts show a difference of almost 1,000. The differences with the ONS data is even more stark (up to 10,000), although it should be noted that this does not include employment within farm based agriculture.

3.19 We have run a large number of sensitivities around trend based forecasts. Because the data feeding into the trend based forecast varies greatly there is also a considerable range in the trend

[4] Taken from BRES and ABI data

based forecast. For example, the 5-year average from the REM forecasts shows a significant growth whereas the same forecasts using OE date show a significant decline.

Figure 9: Past and Project Number of Jobs (1997-2031)



Source: ONS, Oxford Economics and Experian

3.20 It is therefore difficult to fully rely on trend based forecasts and the differences in the published forecasts also suggest these should be treated with a degree of caution. We can however take some comfort that the adjusted forecasts sit just above the average of this range.

Linking Job Growth and Changes to Resident Labour Force

3.21 The analysis above has set out a range of potential scenarios for changes in the number of jobs in the District. However, for the purposes of analysis linked to demographic data it is necessary to convert this into estimates of the required change to the economically active population. The number of jobs and resident workers required to support these jobs will differ depending on two main factors:

- Commuting patterns – where an area sees more people out-commute for work than in-commute it may be the case that a higher level of increase in the economically active population would be required to provide a sufficient workforce for a given number of jobs (and vice versa where there is net in-commuting); and
- Double jobbing – some people hold down more than one job and therefore the number of workers required will be slightly lower than the number of jobs.

Commuting Patterns

3.22 The table below shows summary data about commuting to and from the District from the 2011 Census. Overall the data shows that Harrogate sees a small level of net in-commuting for work with the number of people resident in the District who are working being about 99% of the total number who work in the area. This number is shown as the commuting ratio in the final row of the table and is calculated as the number of people living in an area (and working) divided by the number of people working in the area (regardless of where they live).

Table 15: Commuting patterns in Harrogate (2011)

	Harrogate
Live and work in LA	45,408
Home workers	12,446
No fixed workplace	5,566
Out-commute	18,668
In-commute	19,528
Total working in LA	82,948
Total living in LA (and working)	82,088
Commuting ratio	0.99

Source: 2011 Census

3.23 In translating the commuting pattern data into growth in the labour-force for the District it is assumed that the commuting ratio remains at the same level as shown by the 2011 Census (i.e. assumes that the growth in the number of residents who are economically active will need to be 1% lower than the increase in the number of jobs).

Double Jobbing

3.24 As well as commuting patterns the analysis also considers that a number of people may have more than one job (double jobbing). This can be calculated as the number of people working in the local authority divided by the number of jobs. Data from the Annual Population Survey (available on the NOMIS website) suggests that around 5% of workers have a second job (data averaged from data for the 2004-14 period to recognise relatively high error margins associated with data for individual years). This gives a double jobbing ratio of 0.95 (i.e. the number of jobs can be discounted by 5% to estimate the required change in the workforce).

Labour-Force Growth

3.25 To work out the change in the resident workforce required to match the forecast number of jobs, the commuting ratio is multiplied by the amount of double jobbing (to give an adjustment factor) and in turn multiplied by the number of jobs – this is shown in the table below. Overall, the range of

forecasts expect an increase of between 260 and 382 jobs per annum across the District; if commuting patterns and levels of double jobbing remain the same then this would require a slightly lower level of growth in the resident workforce (of about 245-359 people per annum) – a total change of between 5,137 and 7,540 over the full 2014-35 period.

Table 16: Job growth and change in resident workforce

Scenario	Additional jobs (pa)	Change in resident workforce (pa)	Change in resident workforce (2014-35)
Oxford Economics	346	326	6,839
Experian (REM)	260	245	5,137
OE (Adjusted)	382	359	7,540

Source: Range of economic forecasts, NOMIS and 2011 Census

Linking Resident Workforce Change to Demographic Projections

3.26 Having estimated the likely required change to the workforce under a range of scenarios the next stage is to estimate how much growth is implied by demographic projections (and hence if levels of population growth would need to change so that a sufficient workforce is available). This is a complex issue and there is a level of uncertainty about how economic participation will change moving forwards.

3.27 For example, all of the main forecasting houses (Experian, Oxford Economics and Cambridge Econometrics) use population data as an input to their forecasts and each will estimate different levels of job growth. Inherently, each of the forecasting houses are therefore suggesting that whatever level of job growth they expect, this will be met by the population (and the population as it is projected to change). Each of the forecasting houses thus either implicitly or explicitly considers how employment rates are likely to change. There could also be changes such as double jobbing within the modelling (of which some are more clear than others on assumptions).

3.28 Whilst it is possible to estimate what the implied employment rates are, this is difficult to do with any confidence at a smaller area level (such as a local authority) and attempts to estimate these have at times been criticised by planning inspectors (particularly where modelling attempts to look at individual age and sex groups).

3.29 Some consultancies (both for public and private sector clients) have looked for other sources of employment or economic activity rate data; the most commonly used being a set of figures published by the Office for Budget Responsibility (OBR). These however are at a national level and are not robustly applicable to smaller areas. Perhaps more significantly, the level of job growth (growth in residents in employment) estimated by OBR is significantly lower than from any of the main forecasting houses (a growth in residents in employment of about 2,500,000 from 2014-35

compared with a figure in excess of 4,000,000 in the most recent Experian forecast for the United Kingdom based on their assumptions on changes to economic participation). This means that the OBR employment/activity rate figures cannot realistically be used when testing job growth levels from forecasts, as they relate to a completely different set of national assumptions.

3.30 One final set of rate data that is utilised is that published by Kent County Council (KCC) in November 2014. This is specific to Kent and so not applicable in other areas, however, more importantly many of the rates used in the model draw from a 2006 ONS publication (about projecting economic activity rates); this publication can (by 2014) be seen to have been substantially wrong for all age groups where a reasonable comparison can be made with more up-to-date information.

3.31 Hence, there is no clear and agreed set of figures which can be used to estimate how economic activity rates might change in the future. At best, any rates will be informed guesswork and at worse they can simply be unrealistic when set against the forecasts being used (either being too positive or too negative).

3.32 For these reasons this report has sought to look at changes to economic activity rates using as much data as possible for which there is relative certainty, whilst some level of assumption is required, the method used is designed to limit the amount of speculation and therefore provide some certainly that the outputs properly reflect what might be expected to happen. The method used considers two key groups of the population:

- The population of working age who are economically active; and
- The population who have reached retirement age who are economically active.

3.33 Below is a discussion of these two groups and how the number of economically active people is projected to change. When modelling data against job-growth forecasts it is assumed that the increase in the number of residents in employment would need to be matched by the increase in the number of people who are economically active.

Working-age population

3.34 The first part of the analysis looks at the working-age population. Such an analysis is uncontentious, with working age being fixed by Central Government through the setting of pensionable age (most recently in the Pensions Act of 2014). The use of working-age is also consistent with wording in the PPG [2a-018] which states that:

> *'plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to growth of the working age population in the housing market area'* [emphasis added]

3.35 Estimating the working age population and how this will change over time is not as straightforward as it has been in the past where conventionally the working age population has been defined as the population aged 16-64 (and previously 16-64 for males and 16-59 for females). The situation currently is one where there are incremental changes to pensionable age for both sexes which means that gradually people will be able to draw a state pension later in life.

3.36 The tables below are taken from supporting information from the 2014-based national population projections from ONS and show for both males and females the proportion of an age group who are considered to be of pensionable age. For example, the first table shows in 2019 that an estimated 60% of males aged 65 will be of pensionable age and in 2020 about 10% will have reached that threshold. The data is cut off from 2027 and age 66 as there are currently no future proposals for changes to pensionable age until 2044 (which is some way beyond the date of projections developed in this report).

Table 17: Proportion of males of pensionable age by age and date

	Age group						
	60	61	62	63	64	65	66
2011	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
2012	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
2013	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
2014	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
2015	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
2016	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
2017	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
2018	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
2019	0.0%	0.0%	0.0%	0.0%	0.0%	60.3%	100.0%
2020	0.0%	0.0%	0.0%	0.0%	0.0%	9.9%	100.0%
2021	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
2022	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	84.7%
2027	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	35.1%

Source: (ONS – table: pensioncalcsfor2014npps_tcm77-421363.xls)

Table 18: Proportion of females of pensionable age by age and date

	Age group						
	60	61	62	63	64	65	66
2011	35.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
2012	0.0%	84.7%	100.0%	100.0%	100.0%	100.0%	100.0%
2013	0.0%	35.0%	100.0%	100.0%	100.0%	100.0%	100.0%
2014	0.0%	0.0%	84.7%	100.0%	100.0%	100.0%	100.0%
2015	0.0%	0.0%	35.1%	100.0%	100.0%	100.0%	100.0%
2016	0.0%	0.0%	0.0%	76.4%	100.0%	100.0%	100.0%
2017	0.0%	0.0%	0.0%	1.4%	100.0%	100.0%	100.0%
2018	0.0%	0.0%	0.0%	0.0%	26.6%	100.0%	100.0%
2019	0.0%	0.0%	0.0%	0.0%	0.0%	60.3%	100.0%
2020	0.0%	0.0%	0.0%	0.0%	0.0%	9.9%	100.0%
2021	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
2022	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	84.7%
2027	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	35.1%

Source: (ONS – table: pensioncalcsfor2014npps_tcm77-421363.xls)

3.37 Using the various demographic projections developed it is possible to apply the rates above to see how the working-age population might change and this is shown in Table 19. Over the 2014-35 period the working-age population is projected to decrease – by 2,000 people when linking to the 2012-based SNPP (as updated) and increase by 900 people with the highest of the demographic scenarios (pre-recession trends with UPC adjustment and a rates based approach). These findings are not surprising given the demographic profile of the Borough.

Table 19: Projected change in working-age population

	Working-age population (2014)	Working-age population (2035)	Change in working-age population	% change
2012-based SNPP	93,502	91,993	-1,509	-1.6%
2012-based SNPP (as updated)	91,581	89,602	-1,979	-2.2%
2014_SNPP_F	91,581	80,506	-11,075	-12.1%
2014_SNPP_R	91,581	82,106	-9,475	-10.3%
LTmig_F	91,581	85,570	-6,011	-6.6%
LTmig_R	91,581	87,169	-4,411	-4.8%
LTmig_F(UPC)	91,581	86,583	-4,997	-5.5%
LTmig_R(UPC)	91,581	88,183	-3,398	-3.7%
Pre-recession_F	91,581	89,993	-1,588	-1.7%
Pre-recession_R	91,581	91,592	12	0.0%
Pre-recession_F(UPC)	91,581	90,919	-661	-0.7%
Pre-recession_R(UPC)	91,581	92,519	938	1.0%

Source: Derived from demographic projections

3.38 However, looking at the working-age population does not directly indicate how many are economically active; some people of working age will not be in work or actively seeking employment. To look at the proportion who are economically active, Census data (from 2011) has been analysed. This looks at the population aged 16-64 for males and 16-59 for females – the different age band for females reflects the fact that at the time of the Census changes to pensionable age were only just starting and so the vast majority of females in the 60-64 age band would have reached pensionable age. The table below shows the proportion of the working age population who are economically active – across the Borough this is a figure of 85%.

Table 20: Proportion of working-age population who are economically active

	Working-age population (2011)	Economically active working-age population (2011)	% economically active
Harrogate	92,708	78,952	85.2%

Source: Census 2011

3.39 This proportion (85%) can be applied to the change in the working age population to estimate how the number of economically active residents would change. It is however worth briefly assessing if this figure is likely to increase (or decrease) over time.

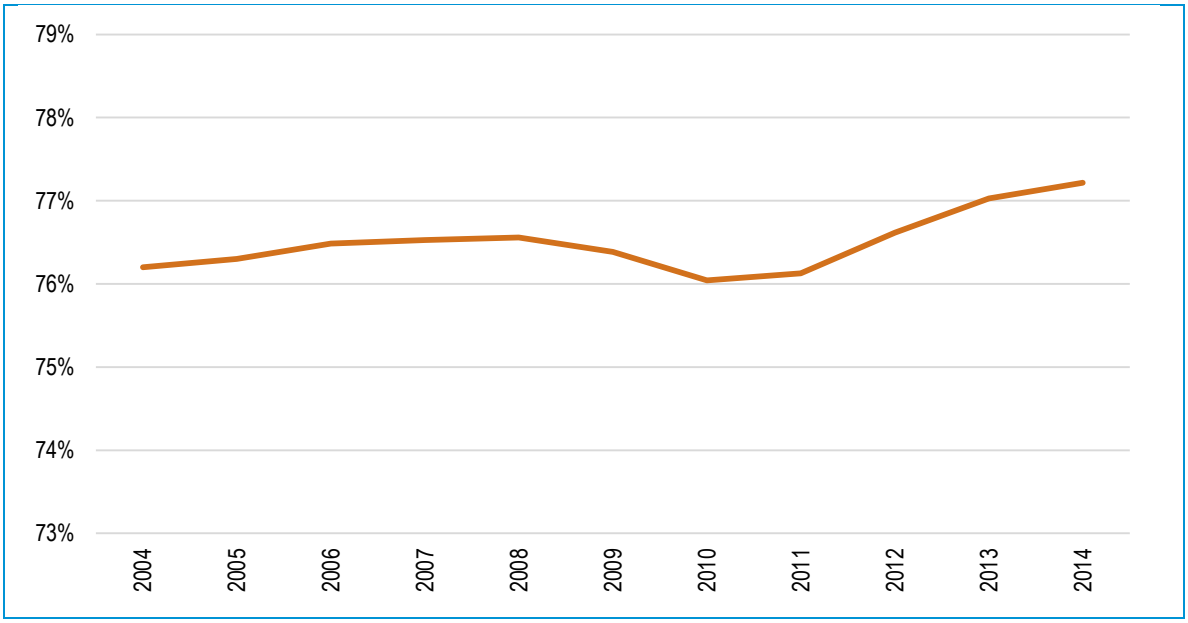
3.40 To study this a time series analysis has been carried out using Annual Population Survey data looking at the 16-64 age group. This age group does not exactly match 'working-age' due to changes to pensionable age but is the closest match available to the age groups which need to be studied. The core analysis looks at how rates have changed across the whole United Kingdom – this is due to there being relatively high error margins associated with the data at a smaller area

level. The time period covered is from 2004 to 2014 which is the longest consistent time series available from this source.

3.41 The analysis shows that if anything the proportion of the working-age population who are economically active has increased slightly over the past decade – however, it should be stressed that the changes are pretty modest and only start from about 2010 (which does coincide with the start of pension reforms).

3.42 On this basis it is considered that there is no evidence to suggest that economic activity rates of the working-age population will increase in the future (and likewise no evidence of a decline). Hence for the purposes of modelling, the percent of people economically active (as shown by the Census) is applied to the growth in the working age population to derive an estimate of the change in the economically active population.

Figure 10: Change in economic activity rate (United Kingdom) – population aged 16-64



Source: Annual Population Survey (from nomis)

Economically active population of pensionable age

3.43 The analysis above has looked at the working age population and the likely proportion who will be economically active. To complete the analysis of how the economically active population might change it is also necessary to consider people who have reached pensionable age who are still working (or possibly seeking work).

3.44 A similar process has been undertaken and this begins by considering the pensionable age population and how this will change in the future; the table below shows that the number of people

of pensionable age is projected to increase by about 10,300-11,600 (depending on the projection being run). There is less variation than when looking at the working-age population, this is because the demographic scenarios consider increases to migration, and migration tends to be more strongly concentrated amongst working-age people (and their children).

Table 21: Projected change in pensionable-age population

	Pensionable-age population (2014)	Pensionable-age population (2035)	Change in pensionable-age population	% change
2012-based SNPP	37,327	48,921	11,594	31.1%
2012-based SNPP (as updated)	37,358	48,976	11,618	31.1%
2014_SNPP_F	37,358	47,648	10,289	27.5%
2014_SNPP_R	37,358	48,270	10,912	29.2%
LTmig_F	37,358	47,935	10,577	28.3%
LTmig_R	37,358	48,558	11,200	30.0%
LTmig_F(UPC)	37,358	48,052	10,694	28.6%
LTmig_R(UPC)	37,358	48,675	11,316	30.3%
Pre-recession_F	37,358	48,195	10,837	29.0%
Pre-recession_R	37,358	48,818	11,459	30.7%
Pre-recession_F(UPC)	37,358	48,302	10,943	29.3%
Pre-recession_R(UPC)	37,358	48,924	11,566	31.0%

Source: Derived from demographic projections

3.45 Again, the change in the number of people of pensionable age does not directly show how many are economically active. To look at the proportion who are economically active, Census data (from 2011) has again been utilised. This looks at the population aged 65+ for males and 60+ for females – consistent with the analysis undertaken for the working-age population. The table below shows the proportion of the pensionable age population who are economically active – across the District this is a figure of 18%.

Table 22: Proportion of pensionable-age population who are economically active

	Pensionable-age population (2011)	Economically active pensionable-age population (2011)	% economically active
Harrogate	36,328	6,399	17.6%

Source: Census 2011

3.46 Again, this proportion could be applied to the change in the pensionable age population to estimate how the number of economically active residents would change. It is however again worth assessing if this figure is likely to increase (or decrease) over time.

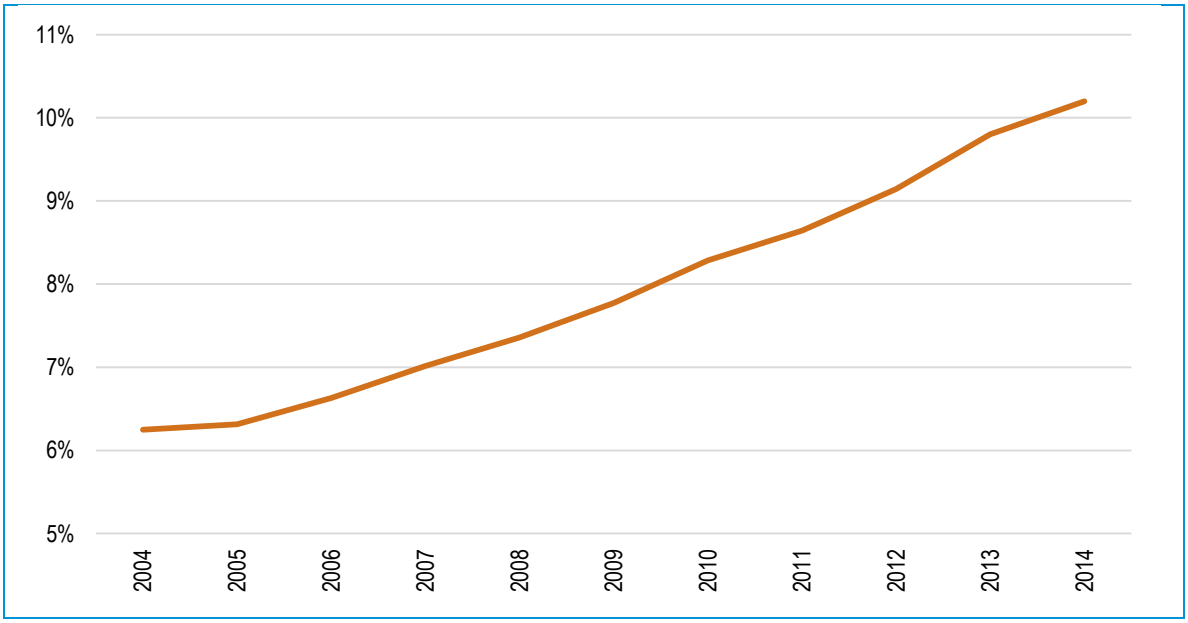
3.47 To study this a time series analysis has again been carried out using Annual Population Survey data looking at the 65+ age group. This age group does not exactly match 'pensionable-age' but is

the closest match available from this source. The core analysis looks at how rates have changed across the whole United Kingdom – this again is due to there being relatively high error margins associated with the data at a smaller area level. The time period covered is from 2004 to 2014 which is the longest consistent time series available from this source.

3.48 The analysis shows that the proportion of the pensionable-age population who are economically active has increased notably over the past decade (increasing from about 6% in 2004 to 10% in 2014) – this would suggest that further potential increase in activity rates of the older population might reasonably be expected. It is difficult to know by how much the economic activity rate of this cohort of the population might change in the future and the analysis takes the pragmatic view that further increases will be at half of the rate seen in the 2004-14 decade (this is a 0.2% increase per annum).

3.49 Whilst there is no precedent in the use of a 'half' increase, it is arguably a reasonable assumption for modelling given that the data clearly shows an upward trend with no evidence of this slowing down. However, it is noted that such a trend could not continue indefinitely on a linear pattern (to do so would mean that eventually everyone aged 65+ would be assumed to be economically active (which is not realistic)). Additionally, the use of a 'half' recognises that much of the ageing of the population is in older age groups (e.g. those aged 85+) where activity rates are likely to be very low; that said an ageing of the population will also be underpinning the APS analysis. It can also be noted that the Data Guide accompanying the REM states that *'many more people aged 65 and over will be working over the next 20 years'*.

Figure 11: Change in economic activity rate (United Kingdom) – population aged 65+



Source: Annual Population Survey (from nomis)

3.50 Hence, based on the analysis and discussion above the following economic activity rates have been applied to the pensionable age population in each of 2014 and 2035.

Table 23: Estimated economic activity rates 2014 and 2035 – population on pensionable age

	% economically active (2014)	% economically active (2035)
Harrogate	18.2%	22.4%

Source: Derived from Census 2011 and APS

What is the change to the economically-active population?

3.51 Having run through an analysis of the two groups from which economically active people will arise (those of working age and those who have reached pensionable age) it is possible to estimate the overall change in the number of economically active people in the Borough. This is set out in the table below and uses the proportions of each group who are economically active (and changes as appropriate) applied to the relevant population.

3.52 The analysis shows that linked to the 2012-based SNPP (as updated) there would be an increase in the economically active population of about 2,500 people; this figure increases to 5,000 in the highest of the projections. These figures are lower than the growth in the resident workforce suggested as being required by even the lowest of the economic forecasts (5,100).

Table 24: Estimated change to the economically active population (2014-35)

	Change in working-age economically active	Change in pensionable age economically active	Total change in economically active	Per annum change
2012-based SNPP	-1,285	4,166	2,882	137
2012-based SNPP (as updated)	-1,685	4,173	2,488	118
2014_SNPP_F	-9,431	3,875	-5,556	-265
2014_SNPP_R	-8,069	4,015	-4,054	-193
LTmig_F	-5,119	3,940	-1,179	-56
LTmig_R	-3,757	4,079	323	15
LTmig_F(UPC)	-4,256	3,966	-290	-14
LTmig_R(UPC)	-2,894	4,106	1,212	58
Pre-recession_F	-1,352	3,998	2,646	126
Pre-recession_R	10	4,138	4,148	198
Pre-recession_F(UPC)	-563	4,022	3,459	165
Pre-recession_R(UPC)	799	4,161	4,960	236

Source: Derived from demographic projections

Housing Need linked to job-growth forecasts

3.53 Given that the level of growth in the economically active population is lower than required to meet job growth forecasts it is necessary to consider an uplift to the population such that the economically active population also increases. Within the modelling, migration assumptions have been changed so that across the Borough the increase in the economically active population matches the increase in the resident workforce required.

3.54 The changes to migration have been applied on a proportionate basis; the methodology assumes that the age/sex profile of both in- and out-migrants is the same as underpins the SNPP with adjustments being consistently applied to both internal (domestic) and international migration. Adjustments are made to both in- and out-migration (e.g. if in-migration is increased by 1% then out-migration is reduced by 1%).

3.55 Once the level of economically active population matches the job growth forecast the population (and its age structure) is modelled against CLG headship rates (both with and without an uplift for the 25-34 age group) to see what level of housing provision that might imply.

3.56 The tables below show estimates of housing need set against each of the job growth scenarios. The analysis shows a range of housing need between 426 dwellings per annum (linked to the lowest (REM) forecast and 499 when consideration is given to the highest forecast (OE (Adjusted)). These figures increase to 460 and 535 respectively when an uplift for supressed household formation is included in the analysis. This analysis would suggest housing need in the range of 460 and 535 dwellings per annum based on economic forecasts, compared with a figure of 378 to 413 from demographic trend analysis (linked to 2012-based SNPP). This is an uplift (when taken in the round) of about 30% from the demographic-based scenarios. Whilst this uplift is significant it is considered to just about be a future scenario that could reasonably be expected to occur (as suggested in 2a-003 of the PPG).

Table 25: Projected housing need – range of job-led scenarios and 2012-based headship rates – Harrogate

	Households 2014	Households 2035	Change in households	Per annum	Dwellings (per annum)
Oxford Economics	67,865	77,539	9,673	461	478
Experian (REM)	67,865	76,488	8,623	411	426
OE (Adjusted)	67,865	77,972	10,106	481	499

Source: Demographic projections

Table 26: Projected housing need – range of job-led scenarios and 2012-based headship rates (with uplift for population aged 25-34) – Harrogate

Scenario	Households 2014	Households 2035	Change in households	Per annum	Dwellings (per annum)
Oxford Economics	67,865	78,257	10,392	495	513
Experian (REM)	67,865	77,184	9,319	444	460
OE (Adjusted)	67,865	78,700	10,834	516	535

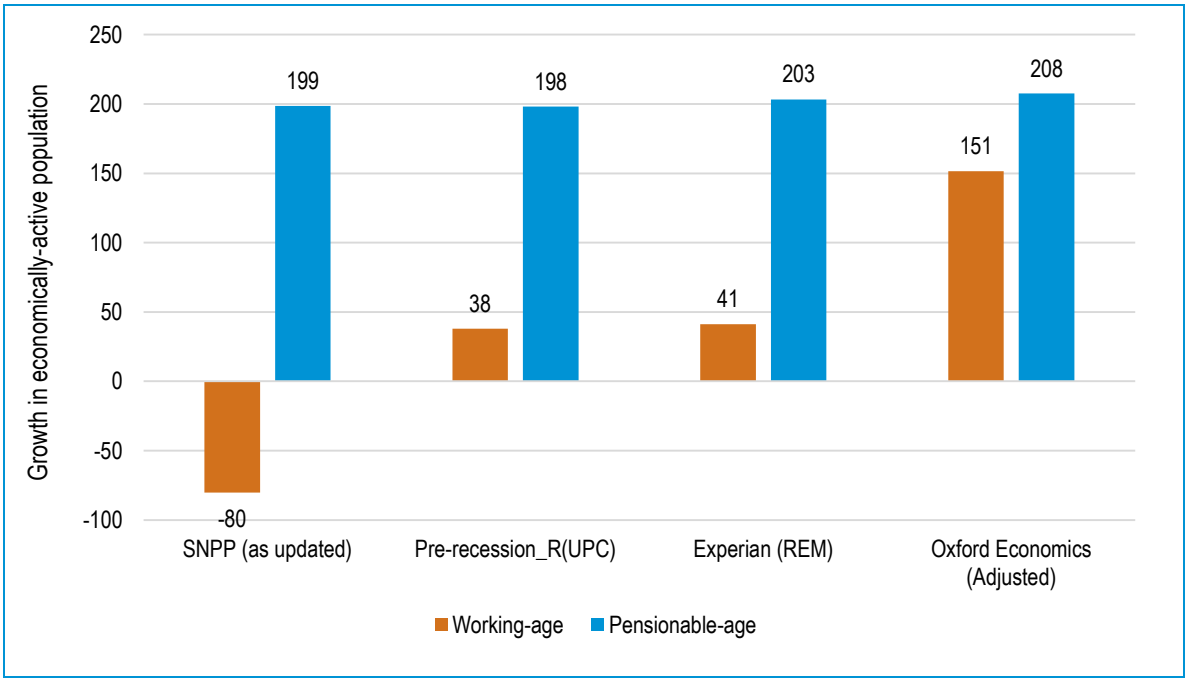
Source: Demographic projections

Understanding Categories of the Economically Active Population

3.57 It will be noted from earlier that a notable amount of the growth in the economically active population was projected to be from people who had reached retirement age (although this varied depending on the demographic scenario being studied). This is reasonable given that the evidence shows that there are a significant number of such people in Harrogate and that this is likely to increase in the future (partly as a result of population increases and also due to the trend being for higher proportions to be active). However, it is also noteworthy that as the estimate of population growth increases, so does the proportion of the total economically active who are of working age (this is due to additional migration expected to be more strongly within younger (working-age) age groups).

3.58 Figure 12 shows the growth in the economically active population split by those of working age and those of pensionable age for a range of scenarios. The data shows that all scenarios are projecting a similar level of growth in the pensionable age workforce and that growth in the working-age population (who are economically active) is negative under the SNPP based demographic scenario. However, when moving through to the higher demographic and economic-based scenarios it is clear that the projections are expecting to see some increase in the working-age population, with the OE (Adjusted) based figures showing an increase in the economically active working age population of 151 people per annum.

Figure 12: Projected change to economically active population by broad population cohort and scenario (per annum average)



Source: Demographic projections

3.59 Generally, the higher level of population growth therefore leads to a younger age structure. However, when considering the higher growth scenarios, it should be borne in mind that these are implying an increase in migration – this migration would be expected to come from other areas which in turn would see lower population growth. Hence there are clearly cross boundary issues related to the higher (jobs-led) scenarios which will need to be considered as part of duty-to-cooperate discussions.

Sense Checking the Outputs

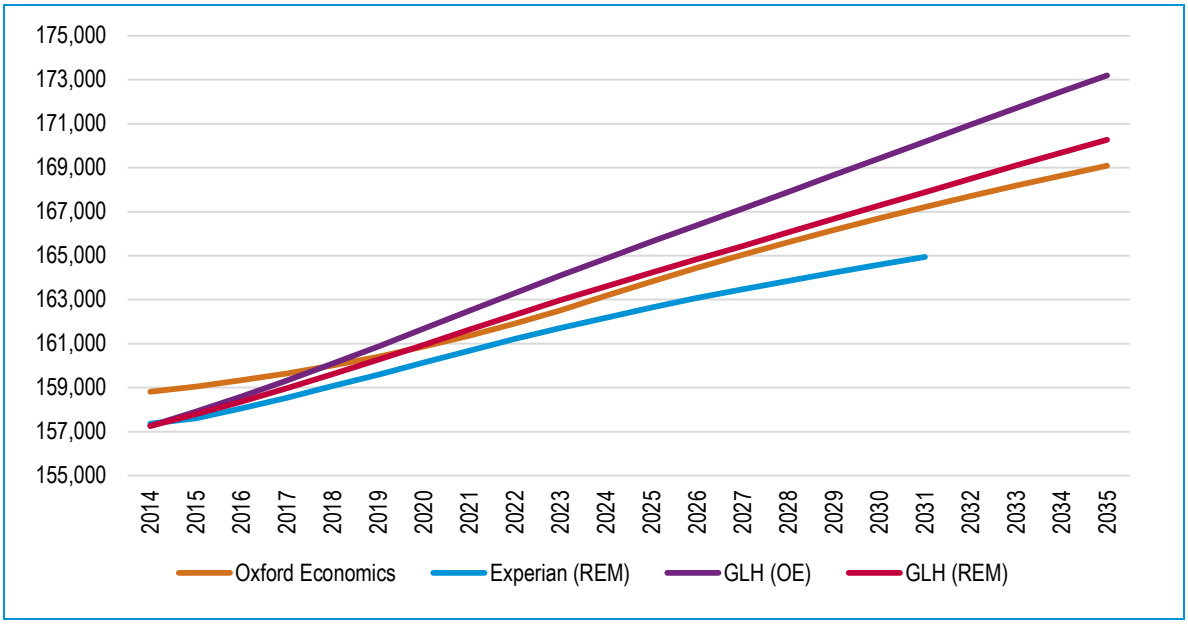
3.60 The analysis above is based on taking levels of job growth from two different forecasts and then applying a series of assumptions about commuting, double jobbing and economic activity to give an overlay with population change and hence housing need.

3.61 Both of the forecasts accessed also provide figures for a range of variables (including population growth and economic participation rates) which can be compared with the projections developed in this report. In making these comparisons it can be tested whether or not the assumptions and outputs are reasonable, and whether these will over- or under-estimate needs compared with the views from each of the economic forecasts.

3.62 The first analysis (below) looks at projected levels of population change in each of the forecasts. This clearly shows that the assumptions made by GL Hearn are for much stronger population

growth than the figures embedded in the economic forecasts; this means that GL Hearn will be projecting a higher level of housing need than is implied were the population figures to be taken directly from the forecasts.

Figure 13: Population growth under a range of scenarios



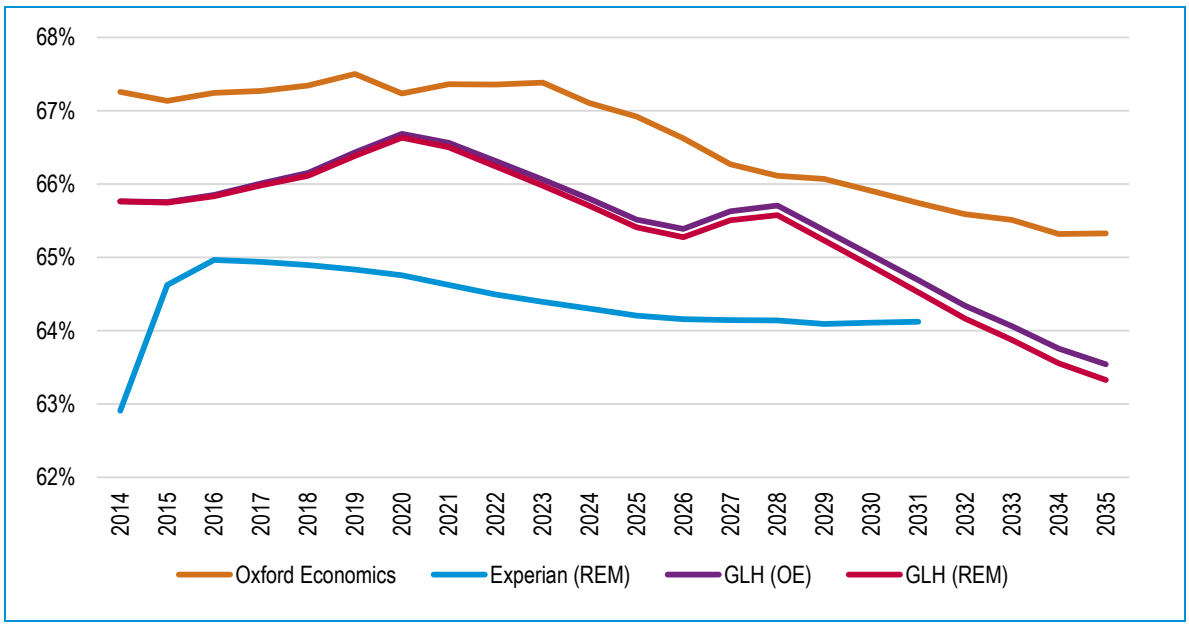
Source: Annual Population Survey (from nomis)

3.63 A second analysis looks at how economic activity rates are projected to change. This analysis is less perfect than that linked to population as the different forecasting houses use different measures. The OE forecasts use an employment rate calculation (i.e. excluding people who are unemployed) as a proportion of the population aged 16 and over, whereas the REM uses a participation rate (similar to an economic activity rate) based on the population aged 15 and over. The GL Hearn analysis has been used to look at economic-activity rates, and these are based on the economically active population divided by the total population aged 16 and over.

3.64 Despite the differences between the figures, it is still possible to look at general trends. OE is expecting the employment rate to be fairly steady until about 2023 and then decline thereafter. The REM shows a sharp increase from 2014 to 2016 and a modest decline thereafter (the rate in 2031 is still some way above that shown for 2014). The GL Hearn rates show some increase to about 2020 (linked to pensionable age changes) followed by a period of strong decline (with a 'blip' from about 2026 to reflect further changes to pensionable age). Overall, the GL Hearn rates fall more strongly over the period from 2014 than either OE or the REM.

3.65 This analysis would confirm (as with the population data from the forecasts) that the assumptions made by GL Hearn are more 'pessimistic' than by the forecasting houses and will therefore show a higher level of need when set against demographic projections.

Figure 14: Employment, economic activity and participation rates



Source: Annual Population Survey (from nomis)

3.66 Finally, the analysis can reflect on the levels of migration assumed in each of the job-led scenarios and contrast these with past trends. The OE (Adjusted) based projection shows an average level of net in-migration of 984 people per annum (average) over the 2014-35 period, this is a very high level of net migration when compared with historical data. Indeed, this per annum average figure is higher than the level of net migration seen in any year back to 2001 other than 2004/5 where net migration was recorded at 1,019 people. The REM based projection has an annual net migration of 819 per annum; this figure is higher than seen in all bar two of the individual years going back to 2001.

3.67 On this basis it is clear that the levels of migration modelled are very strong and arguably unprecedented (certainly when it is noted that the figures quoted are per annum). There has never in the past 13-years been any sustained net migration of the levels suggested by these projections, suggesting that the job-led figures can be considered to be very much at the top end of any reasonable range of population growth (and hence housing need) that could reasonably be expected to happen.

Summary – Economic-led Housing Need

Analysis has sought to estimate the likely level of housing needed to be delivered if the resident workforce is to increase sufficiently to meet a range of job-growth forecasts. Job growth forecasts range from 260 to 382 additional jobs per annum (across the District) – taking account of commuting patterns and double jobbing, the resident workforce would need to increase by 5,100 to 7,500 people over the 2014-35 period.

A key difficulty in matching job-growth to population growth (and ultimately housing need) is what assumptions to make about how employment or economic activity rates might change in the future. A range of potential sources are available to undertake this step, but none can be considered as robust given the wide range of assumptions (either implicit or explicit assumptions).

The approach in this report is to draw on known data about changes to the working-age population (and the proportion who will be economically active) along with changes to the pensionable age population (again who are economically active). Such an approach reduces the number of assumptions needing to be made.

In running the modelling, it is estimated that to meet the job growth forecasts there will need to be provision of between 460 and 535 dwellings per annum across the District. These figures also incorporate the uplift to household formation amongst the 25-34 age group which was introduced in the demographic projections.

Cross-checking the outputs from the modelling with other outputs in the economic forecasts (around population growth and employment, economic activity, participation rates) suggested that the figures in the report are fairly pessimistic and will generate a higher level of housing need than might be suggested by the forecasts themselves.

Overall therefore, the housing need when set against the economic forecasts is for between 460 and 535 dwellings per annum.

4 AFFORDABLE HOUSING NEED

Introduction

4.1 This section provides an update to the affordable needs assessment contained in the February 2015 SHMA. The methodology has not been substantially changed and the update is simply to reflect additional data that has become available. A summary of the methodology can be found in the original SHMA report. For clarity, the key additional data analysed includes:

- Updated information about housing costs (predominantly in relation to the Private Rented Sector with data in the year to the end of September 2015 now available
- Updated information about local incomes (from ONS)
- Updated information about the supply of affordable housing (through relets) from CoRe with data up to 2014/15 now available
- Updating of estimates of the number of newly forming households (drawn directly from the demographic projections in this report)

4.2 Additionally, this section takes to opportunity to discuss recent guidance and High Court decisions in relation to affordable housing and the link with Objectively Assessed Need. Where an affordability test is applied, this is based on assuming a household pays no more than 30% of their gross income on housing – this assumption is consistent with that in the 2015 SHMA and also consistent with a range of work carried out by GL Hearn across North Yorkshire. The assessment continues to consider needs (on an annual basis) for the 2014-35 period.

Housing Costs and Incomes

4.3 The table below shows lower quartile rents across the whole Borough and a comparison with the figures in the SHMA. Generally, over the 18-month period there has been little change in rent levels, although the overall lower quartile figure has increase by £20 per month to £595 (a 3% increase).

Table 27: Lower quartile private rents by size

Dwelling size	Monthly rent (SHMA) – year to March 2014	Monthly rent – year to September 2015
Room only	£325	£325
Studio	£350	£375
1 bedroom	£475	£475
2 bedrooms	£595	£600
3 bedrooms	£695	£700
4+ bedrooms	£975	£995
All dwellings	£575	£595

Source: Valuation Office Agency

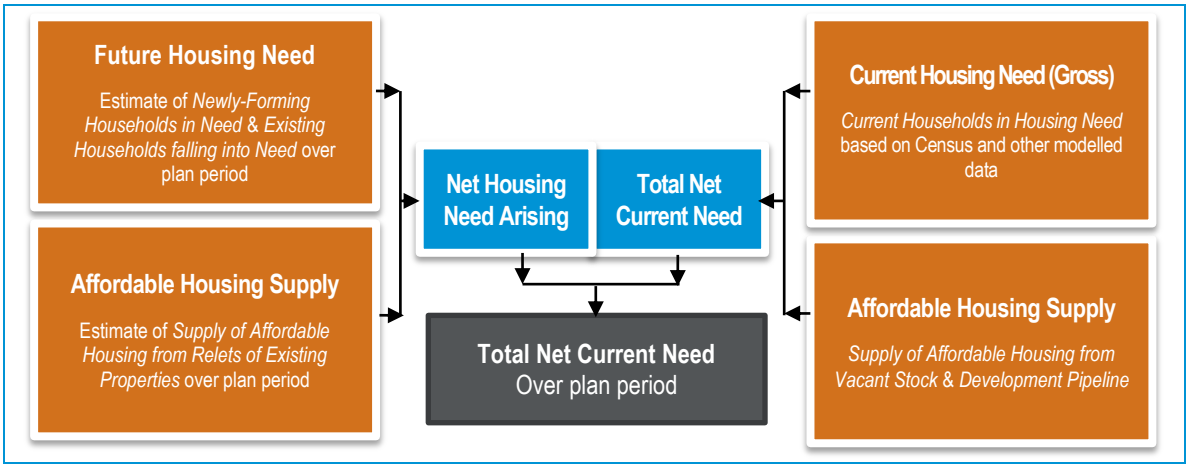
4.4 The average (mean) income (for 2015) has been estimated to be £45,400 (with a median of £34,600); this is some way higher than the figure (for 2014) assumed in the SHMA (mean of

£39,600). This is an increase of 15% and is due to the more recent ONS income data showing a higher level of income than was estimated in previous releases. To be clear the income measure used in this report is total (before tax) household income (from all sources) and is based on an estimate from households resident in the District.

Affordable Housing Needs Assessment

4.5 Affordable housing need has been assessed using the Affordable Needs Assessment Model as set out in the PPG (2a-023 to 2a-029) which is virtually identical to models set out in previous guidance (such as the 2007 CLG SHMA guide). This model is summarised in the chart below.

Figure 15: Overview of Basic Needs Assessment Model



4.6 The figures presented in this report for affordable housing needs have been based on secondary data sources including analysis of 2011 Census data. The modelling undertaken provides an assessment of affordable housing need for a 21-year period (which is then annualised). Each of the stages of the affordable housing needs model calculation are discussed in more detail below.

Methodological Issues

4.7 As the analysis being based on secondary data sources only, there are a number of assumptions that need to be made to ensure that the analysis is as robust as possible. Key assumptions include considering the number of households who have a need due to issues such as insecure tenancies or housing costs – such households form part of the affordable need as set out in guidance (see paragraph 023 of the PPG for example) but are not readily captured from secondary data sources. Assumptions also need to be made about the likely income levels of different groups of the population (such as newly forming households), recognising that such households' incomes may differ from those in the general population.

4.8 To overcome the limitations of a secondary-data-only assessment, additional data has been taken from a range of survey-based affordable needs assessments carried out by GL Hearn over the past five years or so. These surveys (which cover a range of areas and time periods) allow the assessment to consider issues such as needs which are not picked up in published sources and different income levels for different household groups. This data is then applied to actual data for Harrogate (e.g. from the Census) as appropriate. It is the case that outputs from surveys in other areas show remarkably similar outputs to each other for a range of core variables (for example the income levels of newly forming households when compared with existing households) and are therefore likely to be fairly reflective of the situation locally in Harrogate. Where possible, data has also been drawn from national surveys (notably the English Housing Survey).

4.9 It should also be stressed that the secondary data approach is consistent with the PPG. Specifically, guidance states that:

> *'Plan makers should avoid expending significant resources on primary research (information that is collected through surveys, focus groups or interviews etc. and analysed to produce a new set of findings) as this will in many cases be a disproportionate way of establishing an evidence base. They should instead look to rely predominantly on secondary data (e.g. Census, national surveys) to inform their assessment which are identified within the guidance'.*

4.10 The analysis that follows is therefore consistent with the requirements of the Planning Practice Guidance.

4.11 The PPG also suggests that the housing register can be used to estimate levels of affordable housing need. Experience working across the country is that housing registers can be highly variable in the way allocation policies and pointing systems work. This means that in many areas it is difficult to have confidence that the register is able to define an underlying need. Many housing registers include households who might not have a need whilst there will be households in need who do not register (possibly due to being aware that they have little chance of being housed). For these reasons, the method linked to a range of secondary data sources is preferred.

Current Affordable Housing Need

4.12 In line with PPG, the current need for affordable housing need has been based on considering the likely number of households with one or more housing problem. A list is initially set out in paragraph 023 of the PPG and provides the following.

What types of households are considered in affordable housing need?

The types of households to be considered in housing need are:

- homeless households or insecure tenure (e.g. housing that is too expensive compared to disposable income);
- households where there is a mismatch between the housing needed and the actual dwelling (e.g. overcrowded households);
- households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ
- households that lack basic facilities (e.g. a bathroom or kitchen) and those subject to major disrepair or that are unfit for habitation;
- households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move.

Source: PPG [ID 2a-023-20140306]

4.13 Table 28 sets out the data used in each part of the assessment. All efforts have been made to avoid double counting; this includes excluding households living in non-hostel and B&B properties from the number of 'other' households in need (such households will be included in the homeless in temporary accommodation). However, there may be some issues with looking at both concealed households and overcrowding – it is likely that providing housing for some concealed households would remove an overcrowding issue – no account has been taken of this and therefore arguably the figures presented could be slightly too high. On the other hand, the analysis of concealed households only includes those with children and it is possible that some 'childless' concealed households also have a need (which would make the figures too low). On balance it is considered that the analysis and outputs (whilst noting some potential deficiencies of using a secondary data approach) will be as accurate and plausible as is reasonably possible.

4.14 Additionally, it should be noted that there will be other people living in households seeking to form an independent household (typically grown-up children living with parents). This cohort of the population is not considered in the current affordable need but are picked up as newly forming households as part of the projection of future need.

Table 28: Main sources for assessing the current unmet need for affordable housing

	Source	Notes
Homeless households	CLG Live Table 784	Total where a duty is owed but no accommodation has been secured PLUS the total in temporary accommodation
Households in overcrowded housing	Census table LC4108EW	Analysis undertaken by tenure
Concealed households	Census table LC1110EW	Number of concealed families (with dependent or non-dependent children)
Existing affordable housing tenants in need	Modelled data linking to past survey analysis	Will include households with many of the issues in the first box above (e.g. insecure tenure). Figures exclude those living in LA/HA or private sector/Other temporary accommodation)
Households from other tenures in need	Modelled data linking to past survey analysis	

Source: PPG [ID 2a-024-20140306]

4.16 The table below therefore shows the initial estimate of the number of households who potentially have a current housing need. These figures are before any consideration of affordability has been made and has been termed 'the number of households in unsuitable housing'. Overall, the analysis suggests that there are currently some 3,637 households living in unsuitable housing (or without housing) – this is 5.4% of the estimated total number of households living in the District (in 2014).

Table 29: Estimated number of households living in unsuitable housing

Category of 'need'	Households
Homeless households	53
Households in overcrowded housing	1,592
Concealed households	216
Exiting affordable housing tenants in need	128
Households from other tenures in need	1,648
Total	3,637

Source: CLG Live Tables, Census (2011) and data modelling

4.17 In taking this estimate forward, the data modelling estimates housing unsuitability by tenure. From the overall number in unsuitable housing, households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). This discounting is based on overall need across all types and sizes of homes and it needs to be recognised that provision of the right housing is needed to enable households to move.

4.18 The analysis also excludes 90% of owner-occupiers under the assumption (which is supported by analysis of survey data) that the vast majority will be able to afford housing once savings and equity are taken into account. Additionally, the 'temporary accommodation' group are split depending on

whether or not they are currently housed (with those temporarily housed in LA/HA accommodation then being excluded as per the analysis for affordable housing (i.e. they would be a transfer)).

4.19 A final adjustment is to slightly reduce the unsuitability figures in the Private Rented Sector to take account of student-only households – such households could technically be overcrowded/living in unsuitable housing but would be unlikely to be considered as being in affordable housing need. Once these households are removed from the analysis, the remainder are taken forward for affordability testing.

4.20 The table below shows that as of mid-2014 it is estimated that there were 2,324 households living in unsuitable housing (excluding current social tenants and the majority (90%) of owner-occupiers) – this represents 3.4% of all households in the District in 2014.

Table 30: Unsuitable housing by tenure and numbers to take forward into affordability modelling

	In unsuitable housing	Number to take forward for affordability testing
Owner-occupied	1,037	104
Social rented	379	0
Private rented	1,952	1,951
No housing (homeless/concealed)	269	269
Total	3,637	2,324

Source: CLG Live Tales, Census (2011) and data modelling

4.21 Having established the figure of 2,324, it needs to be considered that a number of these households might be able to afford market housing without the need for subsidy, because they could afford a suitable market housing solution.

4.22 For an affordability test the income data has been used, with the distribution adjusted to reflect a lower average income amongst households living in unsuitable housing – for the purposes of the modelling an income distribution that reduces the level of income to 69% of the figure for all households has been used to identify the proportion of households whose needs could not be met within the market (for households currently living in housing other than in temporary accommodation). A lower figure (of 42%) has been used to apply an affordability test for the concealed/homeless households who do not currently occupy housing and those in temporary accommodation.

4.23 These two percentage figures have been based on a consideration of typical income levels of households who are in unsuitable housing (and excluding social tenants and the majority of owners) along with typical income levels of households accessing social rented housing (for those without accommodation). These figures are considered to be best estimates, and likely to approximately

reflect the differing income levels of different groups with a current housing problem. These adjustments to the income profiles would show an average (median) income of £23,900 for households currently living in unsuitable housing and a figure of around £14,500 for those without housing (mainly comprised of concealed households).

4.24 Overall, around half of households with a current need are estimated to be likely to have insufficient income to afford market housing and so the estimate of the total current need is reduced to 1,224 households in Harrogate. The table below also shows the current need split by broad category of current housing. The analysis shows that 199 of the households do not have housing – this is an important number within this analysis as it is this group who will need additional accommodation to be provided. The remaining households (1,025) have a need but if they were to move to alternative accommodation would free-up a home for use by another household (and hence no need for additional accommodation overall is required).

Table 31: Estimated Current Need

	In unsuitable housing (taken forward for affordability test)	% Unable to Afford	Revised Gross Need (including Affordability)
Households in housing	2,055	49.9%	1,025
No housing (homeless/concealed)	269	73.9%	199
Total	2,324	52.7%	1,224

Source: CLG Live Tales, Census (2011), data modelling and affordability analysis

Newly-Arising Need

4.25 To estimate newly-arising (projected future) need we have looked at two key groups of households based on the CLGs SHMA Guidance. These are:

- Newly forming households; and
- Existing households falling into need.

Newly-Forming Households

4.26 The number of newly-forming households has been estimated through the demographic modelling. This has been undertaken by considering the changes in households in specific 10-year age bands relative to numbers in the age band below 10-years previously to provide an estimate of *gross* household formation. This differs from numbers presented in the demographic projections which are for *net* household growth. The numbers of newly-forming households are limited to households forming who are aged under 45 – this is consistent with CLG 2007 SHMA Guidance which notes after age 45 that headship (household formation) rates 'plateau'. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households.

4.27 The estimates of gross new household formation have been based on outputs from the demographic projection linked to the SNPP (as updated) although the use of a different projection would not significantly change estimates of the number of new households as the majority of these come from the existing population. The figures do not include the adjustment to household formation of the 25-34 population; this is because the adjustment is designed to improve access to housing (and affordability) and to include this within the figures would introduce an element of double counting.

4.28 In looking at the likely affordability of newly-forming households the analysis draws on data from previous surveys. This establishes that the average income of newly-forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level). This analysis suggests that the average (median) income of newly forming households will be about £27,600.

4.29 We have therefore adjusted the overall household income data to reflect the lower average income for newly-forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average. In doing this we are able to calculate the proportion of households unable to afford market housing without any form of subsidy (such as LHA/HB). Our assessment suggests that overall around two-fifths of newly-forming households will be unable to afford market housing and that a total of 373 new households will have a need on average in each year to 2035 in Harrogate.

Table 32: Estimated Level of Affordable Housing Need from Newly Forming Households (per annum)

Area	Number of new households	% unable to afford	Total in need
Harrogate	922	40.4%	373

Source: Projection Modelling/Income analysis

Existing Households falling into Affordable Housing Need

4.30 The second element of newly arising need is existing households falling into need. To assess this, we have used information from CoRe. We have looked at households who have been housed over the past three years (2012-15) – this group will represent the flow of households onto the Housing Register over this period. From this we have discounted any newly forming households (e.g. those currently living with family) as well as households who have transferred from another social rented property. An affordability test has also been applied, although relatively few households are estimated to have sufficient income to afford market housing.

4.31 This method for assessing existing households falling into need is consistent with the 2007 SHMA guide which says on page 46 that *'Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless household applicants)'*. Households who have not been housed will be counted as having a current affordable housing need.

4.32 The method used to estimate the number of existing households falling into need is imperfect as it will exclude a number of households with a need who do not present themselves to the local authority. The estimates are therefore likely to under-estimate the need (although it is not possible to quantify by how much). That said, the analysis used in this report has become an 'industry standard' methodology, adopted by most consultants and local authorities when undertaking such assessments.

4.33 Following the analysis through suggests a need arising from 209 existing households each year – this is about 0.3% of all households living in the District (in 2014).

Supply of Affordable Housing

4.34 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social/affordable rent relets and the annual supply of relets/sales within the intermediate sector.

4.35 The Planning Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. Data from CoRe has been used to establish past patterns of social housing turnover; this has been supplemented by data from the Council about the number of new affordable housing completions over the same period. The figures include general needs and supported lettings but exclude lettings of new properties plus an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.

4.36 On the basis of past trend data is has been estimated that 370 units of social/affordable rented housing are likely to become available each year moving forward.

Table 33: Analysis of past social/affordable rented housing supply (per annum – past 3 years – 2012-15)

	Number/%
Total lettings	597
% as non-new build	93.8%
Lettings in existing stock	560
% non-transfers	66.0%
Total lettings to new tenants	370

Source: CoRe

4.37 The supply figure is for social/affordable rented housing only and whilst the stock of intermediate housing in Harrogate is not significant compared to the social/affordable rented stock it is likely that some housing does become available each year (e.g. resales of shared ownership). For the purposes of this assessment we have again utilised CoRe data about the number of sales of homes that were not new build. From this it is estimated that around 13 additional properties might become available per annum. The total supply of affordable housing is therefore estimated to be 383 per annum.

Table 34: Supply of Affordable Housing

Area	Social/affordable rented relets	Intermediate housing 'relets'	Total supply (per annum)
Harrogate	370	13	383

Source: CoRe

Net Affordable Housing Need

4.38 Table 35 shows the overall calculation of affordable housing need. This excludes supply arising from sites with planning consent (the 'development pipeline'). The analysis shows an estimated need for 256 affordable homes per annum to be provided – this is 5,383 dwellings over the 2014-35 period. The net need is calculated as follows:

Net Need = Current Need + Need from Newly-Forming Households + Existing Households falling into Need – Supply of Affordable Housing

Table 35: Estimated annual level of Affordable Housing Need

	Per annum	Total (2014-35)
Current need	58	1,224
Newly forming households	373	7,823
Existing households falling into need	209	4,380
Total Gross Need	639	13,427
Supply	383	8,044
Net Need	256	5,383

Source: Census (2011)/CoRe/Projection Modelling and affordability analysis

Comparison of Affordable Need with Previous Assessment

4.39 The analysis in this report can be compared with the figures in the 2015 SHMA – shown in the table below. This analysis identifies that this assessment shows a lower level of net need than was previously calculated (a need of 256 per annum compared with 339). Most of the stages show similar figures with the only notable difference being in the newly forming households' category where this assessment is somewhat lower. This difference is due to a combination of a lower estimate of new household formation (922 households per annum compared with 992 in the previous SHMA) and also an improved view about affordability (which is due to more recent income data being somewhat higher). Overall, whilst there are differences in the figures, both analyses support there being a notable need for affordable housing in the District.

Table 36: Estimated level of Affordable Housing Need (comparing this assessment with the 2014 SHMA)

	GLH (2016)	GLH (2015)
Current need	58	50
Newly forming households	373	449
Existing households falling into need	209	222
Total Gross Need	639	720
Supply	383	382
Net Need	256	339

Source: 2015 SHMA and this assessment

Relating Affordable Need and OAN – Legal Judgements and Guidance

4.40 The analysis above clearly indicates a need for affordable housing in the Borough. However, the link between affordable need and the OAN is complex and has been subject to a number of recent High Court decisions. The Planning Advisory Service's Technical Advice Note on *Objectively-Assessed Need and Housing Targets* (2nd Edition, July 2015) also deals with this issue. Below we have summarised some of the key judgements and guidance in Chronological Order.

Satnam Millennium Limited v Warrington Borough Council (February 2015)

4.41 In this case, a challenge to the adoption of the Warrington Local Plan Core Strategy succeeded, resulting in the quashing of the Plan's housing provision policies. With regard to affordable housing the judge found that the assessment of full, objectively assessed needs for housing had not taken account of the (substantial) need for affordable housing.

4.42 In paragraph 43 of the judgement it is concluded that *'the Local Plan should then meet the OAN for affordable housing, subject only to the constraints referred to in the NPPF, paragraphs 14 and 47'*. This quote has been taken by some parties to imply that the need for affordable housing (as shown in modelling such as within the section) needs to be met in full – for example, if the affordable need is 200 per annum and delivery is likely to be 20% then an OAN for 1,000 homes would be appropriate.

4.43 It is not clear if this is exactly what the judge in this case had in mind. What is clear is that such an approach in many areas would be impractical as it would require huge increases to have any significant impact.

Oadby and Wigston v Bloor Homes (July 2015)

4.44 In this case, a challenge by Oadby & Wigston Borough Council to the granting of planning permission through a Section 78 inquiry was dismissed.

4.45 The key issue in front of the Judge was whether or not the original inspector's adoption of a figure of 147 dwellings per annum as the full objectively assessed need for housing (FOAN) was sound. In essence the Council's position was that the need was in the range of 80-100 dwellings per annum and that this was a policy-off figure based on the most up-to-date population and household projections. The appellant suggested a need in the range of 147-161 based on long-term migration trends and the needs of the local economy (in terms of matching job growth and housing need).

4.46 The Judge's initial conclusion was that he considered the SHMA position (of 80-100 dwellings per annum) to be policy-on. He based this on a recognition that other analysis in the SHMA had indicated a need for 173 dpa to meet economic growth and a slightly lower figure (of 160 per annum) as the affordable housing need.

4.47 The uncertainty in this decision is whether or not the FOAN must include all of the affordable housing need. Some of the wording of the judgment would suggest that this was the case with Judge Hickinbottom stating that the assessment of need *'becomes policy on as soon as the Council takes a course of not providing sufficient affordable housing to satisfy the FOAN'*. This however is

inconsistent with the more recent judgement in Kings Lynn (below) and also contrasts with the approach recommended in the PAS Technical Advice Note.

Planning Advisory Service – Technical Advice note (July 2015)

4.48 At about the same time as the Oadby & Wigston judgement, the Planning Advisory Service (PAS) published the second edition of their technical advice note on Objectively Assessed Need and Housing Targets – this replaced/updated a version from June 2014.

4.49 The consideration of affordable housing need and its relationship to overall housing need is covered in some detail within Section 9 of the document. PAS set out a suggested approach for looking at the relationship between OAN and affordable housing (which is broadly in line with the approach in this report) before going on to consider their own view about the relationship.

4.50 They initially suggest that affordable housing is "a policy consideration" that bears on housing targets rather than OAN and note that they are not comparable because they relate to different meanings of the term "need." They also highlight that the OAN relates to new dwellings whereas much of the affordable need relates to existing households, who, when moving, would free up dwellings to be occupied by other households.

4.51 PAS conclude that there is no arithmetical way of combining the OAN (calculated through demographic projections) and the affordable need before concluding that the affordable need cannot be a component part of the OAN. PAS do however note that their views 'may be' contradicted by the Satnam judgement referred to above.

Kings Lynn v Elm Park Holdings (July 2015)

4.52 The final case of reference is Kings Lynn and West Norfolk Council vs. SSCLG and Elm Park Holdings. The case involved the Council's challenge to an inspector's granting of permission for 40 dwellings in a village. Although much of the case was about the approach to take with regards to vacant and second homes, the issue of affordable housing was also a key part of the final judgment.

4.53 Focussing on affordable housing, Justice Dove considered the "ingredients" involved in making a FOAN and noted that the FOAN is the product of the Strategic Housing Market Assessment (SHMA) required by paragraph 159 of the NPPF. It is noted that the SHMA must identify the scale and mix of housing to meet household and population projections, taking account of migration and demographic change, and then address the need for all housing types, including affordable homes.

4.54 He continued by noting that the scale and mix of housing is *'a statistical exercise involving a range of relevant data for which there is no one set methodology, but which will involve elements of*

judgement'. Crucially, in paragraph 35 of the judgment he says that the *'Framework makes clear that these needs [affordable housing needs] should be addressed in determining the FOAN, but neither the Framework nor the PPG suggest that they have to be met in full when determining that FOAN. This is no doubt because in practice very often the calculation of unmet affordable housing need will produce a figure which the planning authority has little or no prospect of delivering in practice'*. This is an important point, given the previous judgements in Satnam and Oadby & Wigston. And indeed in relation to Oadby and Wigston he notes that *'Insofar as Hickinbottom J in the case of Oadby and Wigston Borough Council v Secretary of State [2015] EWHC 1879 might be taken in paragraph 34(ii) of his judgment to be suggesting that in determining the FOAN, the total need for affordable housing must be met in full by its inclusion in the FOAN I would respectfully disagree. Such a suggestion is not warranted by the Framework or the PPG'*.

4.55 Therefore, this most recent judgement is clear that an assessment of affordable housing need should be carried out, but that the level of affordable need shown by analysis does not have to be met in full within the assessment of the FOAN.

4.56 The approach in Kings Lynn is also similar to that taken by the inspector (Simon Emerson) to the Cornwall Local Plan. His preliminary findings in June 2015 noted in paragraph 3.20 that *'National guidance requires consideration of an uplift; it does not automatically require a mechanistic increase in the overall housing requirement to achieve all affordable housing needs based on the proportions required from market sites.'* A number of similar conclusions have been drawn at other local plan examinations.

Relating Affordable Housing Need and OAN

4.57 The analysis above indicates a clear need for affordable housing in the Borough. Using a baseline demographic need (for all tenures) linked to the 2012-based SNPP and household projections (a need for 380 dwellings per annum) the analysis is suggesting that some 67% of the need is for affordable housing (based on a 30% affordability threshold). This percentage drops to 48% if the highest of the projections is used (linked to the Oxford Economics (Adjusted) forecast with an uplift to the household formation rate of the 25-34 population – a need for 535 dwellings per annum). These figures are however calculated in different ways and are not strictly comparable.

4.58 The Planning Practice Guidance sets out how it expects the affordable housing need to be considered as part of the plan-making process. It outlines in Paragraph 029 that:

> *"The total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes."*

4.59 The likely delivery of affordable housing on mixed market housing-led developments will be influenced both by affordable housing policies (themselves influenced by development viability evidence), the mix of homes which are delivered and the viability of individual development schemes. Some schemes will not be able to viably deliver policy-compliant levels of affordable housing.

4.60 GL Hearn has not considered residential development viability in detail, but existing studies that do so conclude that up to 40% affordable housing is potentially achievable. Not all sites however are able to viably deliver policy compliant levels of affordable housing, and more typically delivery of affordable housing is around 21%[5] (which we have rounded up to 25% to allow for some flexibility). This is a working assumption but takes account of the fact that some sites will not be able to provide the full amount of affordable housing sought (e.g. due to size or viability issues), but at the same time, it is possible that some affordable housing is provided through non-106 sites (discussed further below).

4.61 Based on 40% housing delivery in line with policy, 640 homes a year would notionally need to be delivered to meet the affordable housing need in full. At 25% provision, 1024 dwellings would be needed. The ability to deliver such levels of housing provision is highly questionable set against delivery of an average of 320 homes per annum over the last decade. Even based on 40% housing provision it would require a doubling of housing delivery. GL Hearn considers that this level of overall housing provision is also not necessarily needed.

4.62 It should be borne in mind that besides delivery of affordable housing on mixed-tenure development schemes, there are a number of other mechanisms which deliver affordable housing. These include:

- National Affordable Housing Programme – this (administered by the HCA) provides funding to support Registered Providers in delivering new housing including on sites owned by RPs;
- Building Council Homes – following reform of the HRA funding system, Councils can bring forward affordable housing themselves;
- Empty Homes Programmes – where local authorities can bring properties back into use as affordable housing. These are existing properties, and thus represent a change in tenure within the current housing stock; and
- Rural Exception Site Development – where the emphasis is on delivering affordable housing to meet local needs.

4.63 Funding for specialist forms of affordable housing, such as extra care provision, may also be available from other sources; whilst other niche agents, such as Community Land Trusts, may deliver new affordable housing. Net changes in affordable housing stock may also be influenced by estate regeneration schemes, as well as potentially by factors such as the planned extension of the

[5] Taken from the 2014 AMR calculated as the % of affordable housing completions to overall net completions for the period 2010/11 and 2013/14

Right to Buy to housing association properties. Affordable housing can be met by changes in the ownership of existing housing stock, not just by new-build development.

4.64 In interpreting the relationship between affordable need and total housing provision, it is important to understand the basis of the affordable housing needs model. As the Planning Practice Guidance sets out, the calculation of affordable need involves *"adding together the current unmet housing need and the projected future housing need and then subtracting this from the current supply of affordable stock."* The affordable housing need does therefore not represent an assessment of what proportion of additional households might require affordable housing. Instead the model considers:

- What need can be expected to arise from both existing and newly-forming household who require financial support to access suitable housing;
- This is then compared with the projected supply of affordable housing expected to arise from the turnover of existing stock, and affordable housing in the development pipeline.

4.65 The affordable housing model thus includes supply-side factors. The net need figures derived are influenced by the current stock of affordable housing and turnover of this. This has been influenced by past policies and investment decisions (at both the national and local levels). Funding mechanisms for affordable housing have influenced past delivery, which in turn influence the need today.

4.66 In the case of Harrogate District, the stock of affordable housing (social rented) represents about 9% of the total number of households – this is notably below the equivalent figure for the Yorkshire and The Humber region (18%) and England (18%). This has affected the level of affordable housing need and the Private Rented Sector has in effect taken on an increasing role in providing housing for households who require financial support in meeting their housing needs, supported by Local Housing Allowance.

4.67 Whilst the Private Rented Sector (PRS) does not fall within the definition of "affordable housing," it has evidently been playing a role in meeting the needs of households who require financial support in meeting their housing need. Government recognises this, and indeed legislated through the 2011 Localism Act to allow Councils to discharge their "homelessness duty" through providing an offer of a suitable property in the PRS.

4.68 It is also worth reflecting on the NPPF (Annex 2) definition of affordable housing. This says: *'Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose <u>needs are not met by the market</u>'* [emphasis added]. Clearly where a household is able to access suitable housing in the private rented sector (with or without Housing Benefit) it is the case that these needs are being met by the market (as within the NPPF definition). This does not mean that such households do not have a 'need' but it reflects the solutions potentially available.

As such the role played by the private rented sector should be recognised – it is evidently part of the functioning of housing markets.

4.69 Data from the Department of Work and Pensions (DWP) has been used to look at the number of LHA supported private rented homes. As of August 2015 it is estimated that there were around 2,850 benefit claimants in the Private Rented Sector.

4.70 From English Housing Survey we estimate that the proportion of households within the private sector who are "new lettings" each year (i.e. stripping out the effect of households moving from one private rented property to another) is around 13%. Applying this to the number of LHA claimants in the Private Rented Sector gives an estimate of around 370 private sector lettings per annum to new LHA claimants in the District. This serves to illustrate that there is some flexibility within the wider housing market.

4.71 However, national planning policy does not seek to meet the needs identified through the Basic Needs Assessment Model through the Private Rented Sector. Government's benefit caps may reduce the contribution which this sector plays in providing a housing supply which meets the needs of households identified in the affordable housing needs model herein. In particular future growth in households living within the PRS and claiming LHA cannot be guaranteed.

4.72 Secondly, and perhaps more critically, it is important to recognise that the model includes needs arising from both new households and existing households. Part of the needs included are from households who might require an additional home, such as:

- Newly-forming households;
- Those in temporary accommodation;
- Concealed households; and
- Homeless households.

4.73 But the figures also include needs arising from households who will require a different form of home, but who – by moving to another property – would release an existing property for another household. These households do not necessarily generate a need for more dwellings overall (subject to there being housing within the existing dwelling stock that is sufficient to meet their housing requirements). They include households who need to move as they are:

- Overcrowded;
- Coming to the end of a tenancy;
- Living in unsuitable housing; and
- Cannot afford to remain in their current home.

4.74 Such households do not necessarily generate a net need for additional homes, as by moving they would release a home for other households. On this basis, these elements of the affordable housing

need are not directly relevant to considering overall housing need and housing targets (which are typically measured in terms of net dwellings). In considering the overall need for housing, only those who are concealed or homeless (256 in number) would be likely to result in an additional need for housing. Numbers of newly-forming households in the modelling are established specifically from the demographic projections. Meeting the needs of these households would be manifest in higher household formation rates.

Affordable Housing Need: Implications

An assessment of affordable housing need has been undertaken which is compliant with Government guidance to identify whether there is a shortfall or surplus of affordable housing in Harrogate – this is an update to work undertaken as part of the 2015 SHMA.

Overall, in the period from 2014 to 2035 a net deficit of 256 affordable homes per annum is identified (based on a 30% affordability threshold). There is thus a requirement for new affordable housing in the District and the Council is justified in seeking to secure additional affordable housing.

The identified affordable housing need represents 48%-67% of the need arising through the demographic and economic based projections. However, in considering this relationship, it is important to bear in mind that the affordable housing needs model includes existing households who require a different size or tenure of accommodation rather than new accommodation per se. Furthermore, many households secure suitable housing within the Private Rented Sector, supported by housing benefit.

Consideration of higher housing provision relative to the demographic-based projections is warranted in order to boost affordable housing delivery. However, once account is taken of the range of outputs with the modelling (for different affordability thresholds) and the fact that many of the households in need are already living in accommodation (existing households), the analysis does not suggest that there is any strong evidence of a need to consider additional housing over and above that suggested by the demographic and economic based calculations of need to help meet the affordable need.

5 MARKET SIGNALS

5.1 As set out in the Full SHMA document, there has been a fundamental shift in housing market conditions nationally since 2007, particularly in relation to confidence and credit availability. Housing market conditions have been relatively stable over the past few years but sales market activity has been low. House prices have remained fairly constant during this period. Sales volumes have begun to improve over the last 18 months as confidence starts to return to the market.

5.2 Housing costs in Harrogate Borough, for both purchasing and renting, are generally higher than the wider comparators. This to a large extent reflects the dwelling stock in the Borough but also reflects a relative high demand for these properties and dwindling completions.

5.3 Affordability pressures across the District are significant. The affordability of median and lower quartile market housing is around nine times the equivalent earnings. Coupled with constraints on access to mortgage finance, such a ratio is likely to preclude many from entering the property market without a significant deposit.

5.4 As a part-result Harrogate Borough has seen a large shift in the tenure profile - with a notable reduction in the number of homeowners with a mortgage or loan and a similarly significant growth in the Private Rented Sector. We have also seen increased levels of people living in shared and overcrowded households. There is also a low percentage of rental properties in the Borough which is potentially driven by a low number of social rental properties rather than low demand.

5.5 To consider this issue further we have sought to use 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.

Conclusions on Market Signals

5.6 Overall the analysis of market signals points towards some affordability pressures although the analysis suggests this is not dissimilar to that seen in other locations. The PPG sets out [2a-020] that:

> *"In areas where an upward adjustment [to the assessment of housing need] is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be."*

5.7 The Guidance does not however set out how such an adjustment should be quantified. It simply sets out that it should be 'reasonable.' Indeed, inspectors at various Local Plan Inquiries have taken a range of different views, even when faced with similar evidence.

5.8 Probably the most cited inspectors reports where market signals have been considered are in Eastleigh and Uttlesford, where different inspectors suggested that the local authorities should consider increasing housing need by 10% as a result of the evidence. Key quotes from these reports are provided below.

Eastleigh (February 2015) – *'It is very difficult to judge the appropriate scale of such an uplift. I consider a cautious approach is reasonable bearing in mind that any practical benefit is likely to be very limited because Eastleigh is only part of a much larger HMA. Exploration of an uplift of, say, 10% would be compatible with the "modest" pressure of market signals recognised in the SHMA itself'*

Uttlesford (December 2014) – *'I conclude that it would be reasonable and proportionate, in Uttlesford's circumstances, to make an upward adjustment to the OAN, thereby increasing provision with a view to relieving some of the pressures. In my view it would be appropriate to examine an overall increase of around 10%...'*

5.9 To be balanced it should however be noted that there are a number of inspectors who have not suggested any need for an uplift due to market signals and these would include:

Mendip (October 2014 – Appendix 7) – *'these findings indicate that trends in Mendip sit fairly comfortably alongside county, regional and national trends and do not, therefore, justify an upward adjustment of the housing numbers that came out of the housing projection'*

Crawley (May 2015 – Appendix 8) – *'I am not convinced that the market signals uplift is justified by the evidence, for the various indicators reveal a situation in Crawley which is not as severe as in other North West Sussex authorities, and one that has not worsened in recent years'* (this is an interesting case given that the Council themselves had suggested an uplift for market signals)

Stratford-on-Avon (March 2015 – Appendix 9) – *'On balance I conclude, despite the SHMA's finding that there is a case for an uplift, that an upward adjustment in housing numbers has not been justified in terms of market signals in the District'.*

Cornwall (June 2015) – *'National guidance is that a worsening trend in any relevant market signal should result in an uplift. But for the reasons given below I do not consider that I should require such an uplift to be made for Cornwall at this time'* (this one is also interesting given that it was the same inspector as Eastleigh)

Response to Market Signals and the Affordable Housing Need

5.10 In responding to market signals there are two important points to note. Firstly, any adjustment to housing numbers should be influencing household formation and not population growth (this is simply on the basis that if any uplift were to increase population growth then this would not be

improving access to housing and affordability). Secondly, it needs to be remembered that the demographic projections developed include an uplift to the household formation rates of the 25-34 age group (the only one which looked to have any degree of suppression) – this uplift was also brought through in the economic based figures.

5.11 The question for this Study is therefore whether any additional uplifts could be applied which will specifically support improvements to affordability and deliver additional affordable housing. Fundamentally in increasing the OAN, there must be households to occupy the additional homes.

5.12 The impact of affordability pressures is particularly on younger households, and a lack of housing or poor affordability results in households living with parents for longer as concealed households or in shared housing. An improvement in affordability and delivery of affordable housing can be expected, in demographic terms, to support increased household formation amongst younger households. This can be modelled.

5.13 Whilst analysis earlier in the report showed that a part-return to the mid-point between 2008-based and 2012-based trends would broadly take the headship rate of the 25-34 population back to 2001 levels (the time at which the decrease started) it is the case that formation rates still fell short of historic levels. Hence it is considered reasonable to model a further uplift to return the formation rates of this age group back to 2001 levels (by 2035).

5.14 The table below shows the outputs for this further adjustment to formation rates. Generally, the figures increase by around 20 dwellings per annum from the already uplifted figures linked to a part return to trend. This additional uplift is considered to be reasonable and realistic without having an additional impact on population growth.

Table 37: Projected housing need – range of demographic based scenarios and 2012-based headship rates (with additional uplift for 25-34 age group) – Harrogate

	Households 2014	Households 2035	Change in households	Per annum	Dwellings (per annum)
2012-based SNPP	68,483	77,247	8,763	417	433
2012-based SNPP (as updated)	67,865	75,923	8,058	384	398
2014_SNPP_F	67,865	70,874	3,008	143	149
2014_SNPP_R	67,865	71,612	3,747	178	185
LTmig_F	67,865	73,835	5,970	284	295
LTmig_R	67,865	74,574	6,708	319	331
LTmig_F(UPC)	67,865	74,412	6,547	312	323
LTmig_R(UPC)	67,865	75,151	7,286	347	360
Pre-recession_F	67,865	76,420	8,554	407	422
Pre-recession_R	67,865	77,158	9,293	443	459
Pre-recession_F(UPC)	67,865	76,947	9,082	432	448
Pre-recession_R(UPC)	67,865	77,686	9,821	468	485
Oxford Economics	67,865	78,692	10,827	516	535
Experian (REM)	67,865	77,609	9,744	464	481
OE (Adjusted)	67,865	79,138	11,273	537	557

Source: Demographic projections

5.15 The 'start point' demographic scenario (2012-based SNPP (unadjusted)) calculated a need for 380 dwellings per annum. The initial uplift (+33 dpa) saw that need increase to 413 dwellings per annum with this further adjustment (+20dpa) taking it to 433 dwellings per annum. These uplifts are on the basis of consistent population growth but differing household formation rates.

5.16 We have also noted earlier in this report that the economic growth in the district results in a housing need of 535 dwellings per annum, including an initial improvement to household formation rates. Responding to market signals and applying a further uplift to this figure would see a housing need increase 557 dwellings per annum, an increase of 22 dwellings per annum.

5.17 It is also worthwhile returning to the requirements of the PPG. Para 2a-019 states that the 'housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals' [emphasis added]. It is clear from this that any uplift should be considered in relationship to the 'starting point' estimate of housing need. In Harrogate the start point (as informed by CLG household projections) is for 380 dwellings per annum (or a lower figure of 345 once more up-to-date MYE data is considered).

5.18 If the Council planned for 433 dwellings per annum (the adjusted 'start point) the uplift is 14%. However, if the Council were to set the need at a level consistent with the upper end of the economic projections (557 dwellings per annum) then the uplift would be 47% higher than the 'start

point'. This is considered to be significant uplifts and therefore it is difficult to suggest on the basis of the market signals evidence than any additional uplift is required (over and above the two uplifts for apparent suppression in the 25-34 population age group).

5.19 This approach differs from that set out in the full SHMA (2015) where household formation rates were adjusted solely on the basis of market signals, whereas in this update they are additionally considered as part of the demographic adjustment with further adjustments also made to the economic led need.

Market Signals - Implications

As set out in the September 2015 SHMA document, there has been a fundamental shift in housing market conditions nationally since 2007.

Within Harrogate district, we have witnessed significant increases in house prices between 2001 and 2007 although they have been relatively stable since. This has resulted in improvements to housing affordability, although affordability is still more acute in Harrogate than elsewhere in the Region or Nationally.

Rental values have increased modestly since 2011 and we have also seen a notable shift away from home ownership towards the private rental sector. We have also seen increases in shared households and overcrowding coupled with falling housing delivery.

The impact of affordability pressures is particularly on younger households. An improvement in affordability and delivery of affordable housing can be expected, in demographic terms, to support increased household formation amongst younger households.
We have therefore sought to model the impact of returning household formation rates within these age groups back to 2001 levels (by 2035).

On the demographic 'start point' these improvements would result in a need for an additional 20 dwellings per annum. On the upper end economic based assessments of housing need these improvements would result in a need for an additional 21 dwellings per annum.

6 CONCLUSIONS AND SUMMARY

6.1 This final section brings together the findings of the update SHMA Report. It is structured to set out our conclusions in turn regarding the demographic housing need, economic-led housing need and then findings relating to affordable housing needs and market signals.

Overall Housing Need

6.2 The NPPF sets out that plans should be prepared based on meeting full needs for market and affordable housing. The 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 of evidence from market signals and of the need for affordable housing.

6.3 In effect, the PPG approach recognises that demographic projections are influenced by what has happened in the past; and these further factors allow consideration of 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 needed to be increased.

6.4 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 i.e. a housing target.

The Demographic "Starting Point"

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

6.6 The latest official household projections are the 2012-based Household Projections published by Government in February 2015. These projections when translated into dwellings show a need for 380 dwellings per annum for the period 2014-35. Although when adjusted to take account of more

recent population data this falls to 345 dpa across the District. We have tested these assumptions against a range of sensitivities including:

- Implications of 2013 and 2014 mid-year population data;
- Long-term migration trends;
- Pre-recession migration trends; and
- Adjustments for Unattributable Population Change (UPC).

6.7 The majority of the sensitivity projections showed a lower level of need than in the 2012-based projections and confirmed the official projections as being a reasonable level of demographic based need.

6.8 Further analysis was carried out to model the partial returning of headship rates amongst the 25-34 population back to the levels projected in the 2008-based CLG Household Projections. This increased the need in the 'start point' assessment of need by 33 dwellings per annum and on the basis of analysis carried out would represent a reasonable level of demographically-based need for Harrogate – at 413 dwellings per annum.

Considering Potential Economic Performance

6.9 Following the approach in the PPG, the demographic-based assessment set out above provides a baseline for housing need. The Guidance recommends that consideration is given to whether economic growth could result in a need for additional housing (or alternatively a different spatial distribution of housing amongst areas).

6.10 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[6]. The SHMA has considered the economic prospects of the District. This shows an increase in jobs in the district of up to 382 per annum.

Table 38: Scenarios for Economic Growth

Scenario	Additional jobs (pa)	Change in resident workforce (pa)
Oxford Economics	346	326
Experian (REM)	260	245
OE (Adjusted)	382	359

6.11 The SHMA seeks to model the relationship between jobs and homes. It models increasing employment rates, linked to an expectation that people will retire later and more women will work. It assumes that commuting patterns will remain stable in proportional terms. It also takes account of evidence that people may hold down more than one job. The modelling indicates that to support the forecast growth in employment, the following levels of housing provision would be needed:

[6] CLG (2012) *National Planning Policy Framework, Paragraph 158*

Table 39: Housing Provision to Support Economic Growth

Scenario	Dwellings (per annum)
Oxford Economics	513
Experian (REM)	460
OE (Adjusted)	535

6.12 Across the District, the level of housing provision necessary to support economic growth could be potentially over 50% higher than indicated in the baseline demographic trend-based projections.

6.13 Historically there has been an historic misalignment of housing and employment growth in Harrogate District, which has resulted in increased commuting into the District. However, we have modelled our figures on an assumption that, moving forwards growth in housing and the workforce within the District increase in line with one another. This is considered a sustainable approach.

6.14 This is as opposed to a trend based change to commuting patterns which would further widen the gap between jobs and housing. On this basis we have therefore applied a 'policy-off' basis to our calculation for economic-driven housing need.

6.15 Taking a positive view of employment growth, the higher end scenario (OE Adjusted) results in a housing need of 535 dwellings per annum. This is some 122 dwellings per annum higher than the demographic need (413) when adjusted to improve household formation rates.

Considering Affordable Housing Need

6.16 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.

6.17 The SHMA analysis indicates that 256 additional households per year will require support in meeting their housing needs (using a 30% income threshold). This provides some evidence of the need to increase the supply of affordable housing. However, it is not appropriate to directly compare the need identified in the analysis with the demographic projections – they are calculated in different ways.

6.18 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 that is spent on housing costs. 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.

6.19 Thereby there is not specifically a requirement to uplift the OAN to provide additional homes for all of the identified affordable housing need, recognising that there are in effect no additional households over the demographic projections to occupy the homes. 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 and these are captured in the demographic modelling. However adjustments upwards from the demographic need are potentially warranted to support the delivery of affordable housing. Adjustments already applied for economic growth and to improve affordability will support this.

Considering Market Signals

6.20 The update report does not consider market signals as these have not materially changed in the period since the full SHMA was published. The full SHMA identified significant affordability pressures in Harrogate District including:

- House prices that are substantially above the Yorkshire and Humber average;.
- Entry level house prices are around 9 times the typical earnings of younger households
- Falling household formation and home ownership;
- Increasing number of households in rented accommodation, shared homes or with parents.

6.21 In circumstances such as these, where indicators point towards a supply-demand imbalance and worsening affordability, an uplift to the level of housing need should be investigated.

6.22 The demographic and economic projections already included an uplift to take account of supressed households formation (in the 25-34 age group) although analysis identified that an additional uplift could realistically be applied such that household formation rates were more in-line with historical data (taken to be the situation in 2001 when formation rates started to decline). This additional uplift on the 'start point' demographic scenario would be 20 dwellings per annum, taking the total to 433 dwellings per annum. The uplift on the economic-led scenario (OE Adjusted) would be 22 dwellings per annum taking the total to 557 dpa

6.23 It is also worthwhile returning to the requirements of the PPG. Para 2a-019 states that the *'housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals'* [emphasis added]. It is clear from this that any uplift should be considered in relationship to the 'starting point' estimate of housing need. In Harrogate the start point (as informed by CLG household projections) is for 380 dwellings per annum (or a lower figure of 345 once more up-to-date MYE data is considered).

6.24 If the Council were to set the need at a level consistent with the upper end of the economic projections (557 dwellings per annum) then the uplift would be at least 47%; if the Council planned

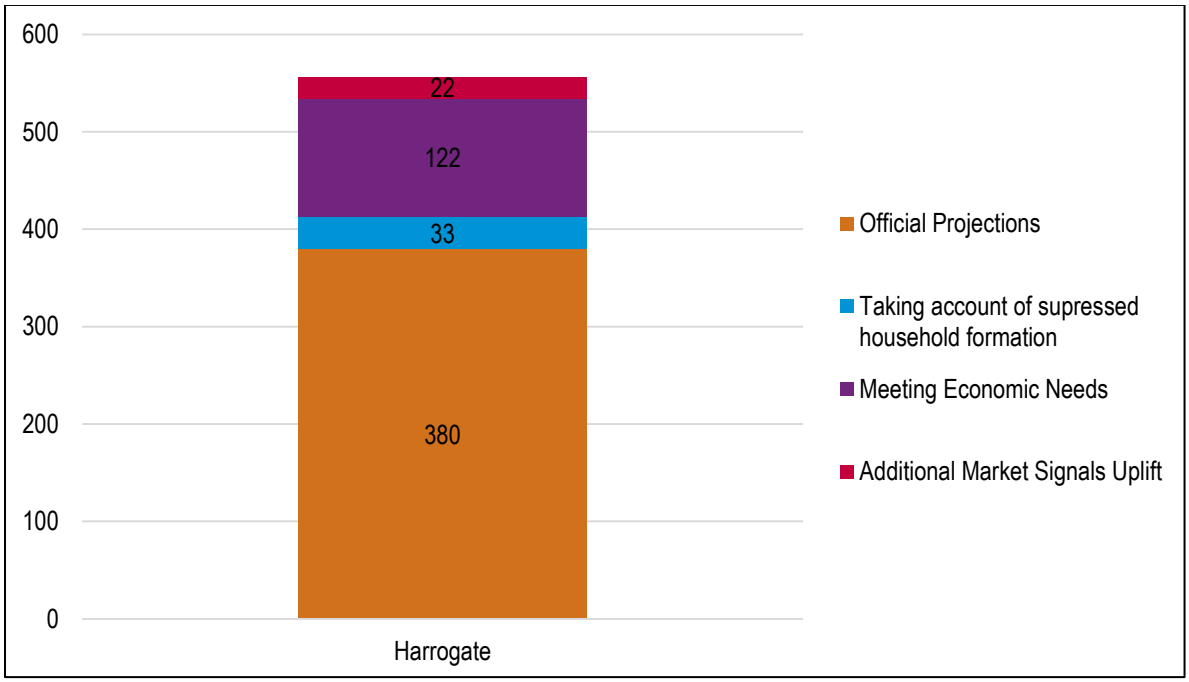
for 433 dwellings per annum (the highest of the demographic based figures linked to official projections) the uplift is still at least 14%.

6.25 These are considered to be significant uplifts (particularly in relation to the economic based projections) and therefore it is difficult to suggest on the basis of the market signals evidence that any additional uplift is required (over and above the adjustments made for apparent suppression in the 25-34 population age group).

Conclusions on Overall Housing Need

6.26 Taking account of the adjusted household formation rates for younger households and an adjustment for economic need and further adjustments for market signals, **the SHMA concludes on the overall need for housing over the 2014-35 period of 557 homes per annum.** This is taking a positive position across a range of assumptions including in order to ensure that housing does not constrain economic growth. The derivation of the conclusions on housing need is shown below, in Figure 16.

Figure 16: Conclusions on Full Objectively-Assessed Housing Need for Harrogate District, 2014-35 Per Annum



6.27 In the absence of development constraints, the figure of 557 homes per year is considered to represent the full 'objectively assessed need' (OAN) for housing across the District.. In accordance with the PPG, this takes account of the level of housing provision which is expected to be needed to support economic growth and improve affordability.

6.28 Where development constraints influence the ability to meet housing need in full, we would recommend that any shortfall in housing provision is measured against the demographically-assessed need of 413 as in these circumstances it would be unlikely that affordability would improve; and housing provision could constrain economic growth.

6.29 This SHMA report considers housing need from 2014-35. Any shortfall in housing delivery prior to the 2014 starting point has been considered and taken into account in the adjustments made to derive the SHMA conclusions regarding the Objectively Assessed Need (OAN) for housing.

6.30 For clarity, the table below shows the per annum housing need figures from all of the scenarios developed in this report. As set out the highest figure is that set out as the OAN.

Table 40: Projected housing need – range of scenarios developed in the SHMA update report (all figures dwellings per annum)

	2012-based (Stage 1) headship rates	Part-return to trend headship (25-34 age group)	Return to 2001 headship rates (25-34 age group)
2012-based SNPP	380	413	433
2012-based SNPP (as updated)	345	378	398
2014_SNPP_F	104	131	149
2014_SNPP_R	139	167	185
LTmig_F	245	275	295
LTmig_R	280	312	331
LTmig_F(UPC)	273	303	323
LTmig_R(UPC)	308	340	360
Pre-recession_F	368	401	422
Pre-recession_R	404	438	459
Pre-recession_F(UPC)	394	427	448
Pre-recession_R(UPC)	429	463	485
Oxford Economics	478	513	535
Experian (REM)	426	460	481
OE (Adjusted)	499	535	557

Source: Demographic projections