

Report to: Place, Regeneration and Housing Committee

Date: 01 June 2023

Subject: **Monitoring Indicators**

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

1. Purpose of this Report

- 1.1. To provide an update on the relevant monitoring indicators and report on their performance to support the work of the Committee.

2. Information

State of the Region Indicators

- 2.1. This paper provides the Committee with an ongoing update of the most relevant indicators used within the Combined Authority's State of the Region report. The full report covers more than 40 indicators mapped across seven key priorities formulated by the Combined Authority and its partners.
- 2.2. Of these indicators, seven have been identified as relevant to the work of this Committee. Figure 2.1 below outlines the relevant indicators and their timetables for updates.

Figure 2.1 – Place, Regeneration and Housing Committee - Key Indicators

Indicator	Description	Update Frequency	Next Update
Net additional dwellings	Data from the Department for Levelling Up, Housing and Communities on the supply of housing by local authority.	Annually	November 2023
Private sector rents	Data from the Valuation Office Agency and the Office for National Statistics on the median monthly rental price by local authority.	Six-monthly	June 2023
Household energy efficiency	Data from the Department for Levelling Up, Housing and Communities on the Energy Performance Certificate rating of dwellings by local authority.	Six-monthly	July 2023
Households in fuel poverty	Projections from the End Fuel Poverty Coalition on the number of households spending >10% of income on household energy costs.	Periodically	TBC
Healthy life expectancy, and life expectancy	Data from the Office for National Statistics on healthy life expectancy and life expectancy by local authority.	Annually	TBC (expected May-June 2023)
Housing affordability	Data from the Office for National Statistics comparing median incomes with median house prices by local authority.	Annually	March 2024
Gigabit capable internet coverage	Real-time data from Thinkbroadband, showing access to gigabit-capable connectivity by local authority.	Real time	Real time
Take-up of superfast (or above) broadband services	Evidence from OfCom's Connected Nations report, showing the number of households in each local authority connected to superfast broadband.	Annually	February 2024
Mobile coverage (4G)	Evidence from OfCom's Connected Nations report, showing mobile data coverage by local authority.	Annually	February 2024

- 2.3. Since the last meeting of the Committee on 2 March 2023, new data has become available on housing affordability.

Housing Affordability

- 2.4. Data on housing affordability is published annually by the Office for National Statistics (ONS). The data is constructed as a ratio of house prices to earnings within each district, and is provided at the median and lower quartile levels for existing dwellings, newly built dwellings and all dwellings. This allows for disaggregation by the age of the dwelling, and across the income spectrum.
- 2.5. The way that the affordability ratios are calculated means that the data allows us to comment on how median or lower quartile house prices are changing alongside median or lower quartile earnings. The data does not reflect the relationship between the income of homeowners and the housing costs they face, it is merely a comparison of means (or lower quartiles).
- 2.6. Housing affordability ratios can therefore improve for one of two reasons: either earnings can increase faster than the rate of house price rises, or house prices may fall at a faster rate than wages. A falling affordability ratio means that housing is becoming more affordable relative to annual earnings, and an increasing affordability ratio means that housing is becoming less affordable relative to annual earnings.
- 2.7. Distinction should also be drawn between the definitions of affordability used when measuring housing affordability data discussed here and the definition of affordable housing as set out in the National Planning Policy Framework (NPPF) and used to monitor the Mayor's pledge to delivery 5000 affordable and sustainable homes. The NPPF defines affordable housing as 'housing for sale or rent, for those whose needs are not met by the market'. This definition refers to the tenure of housing when defining affordability. For the purposes of this report, affordability is defined by the ratio of house price to income. This does not necessarily mean that housing is "affordable" but it simply reflects house-prices in relation to average annual earnings, the higher the ratio, the less affordable the homes.

All Dwellings

- 2.8. Considering the total housing stock, the housing affordability ratio has improved in all districts of West Yorkshire between 2021 and 2022. Leeds remains the most expensive West Yorkshire district to live in, relative to residents' earnings at the median, with house prices being 6.8 times annual earnings. In this instance, the change is due to both median wages rising and house prices stagnating, leading to a lower ratio of house prices to earnings. The largest change came in Kirklees, where median wages rose by 12% and median house prices fell by 3%, meaning that the median housing affordability ratio fell from 6.47 to 5.60. Median housing affordability ratios in the region range from 5.13 in Bradford to 6.79 in Leeds.

- 2.9. At the lower quartile, similar levels and trends are observed. Lower quartile housing affordability ratios range from 4.83 in Bradford to 6.64 in Leeds, and all districts saw an improvement in the affordability ratio. However, within this banding, the improvement is due to wage rise. House prices have remained the same across the region, with only modest increases observed in Kirklees (+0.4%) and Wakefield (+1.5%). This is against a backdrop of wage rises of between 5.2% in Bradford and 10.2% in Calderdale, which has improved lower quartile housing affordability across the region. However, whilst this may seem positive on the surface, the wage increases are likely to represent cost of living support to help with rising costs in other sectors, such as utilities and food.

Newly Built Dwellings

- 2.10. The data for newly built dwellings is more volatile due to changes in the numbers of newly built dwellings year-on-year. Data is also not provided by the ONS in this release for Calderdale.
- 2.11. The first thing to acknowledge is that earnings at the median and lower quartile remain unchanged from the analysis conducted on all properties. The difference in the affordability ratio relative to all dwellings is therefore solely due to differences in newly built house prices.
- 2.12. At the median, newly built dwellings are considerably less affordable than the average dwelling within the region. The median newly built dwelling is between £69,000 (Wakefield) and £115,000 (Kirklees) more expensive than the average dwelling in their respective district within the region, demonstrating that the newly built housing stock within the region is significantly less affordable than the existing housing stock. Median new build house prices in the region range between 8.1 (Bradford) and 9.3 times (Kirklees) median earnings in West Yorkshire.
- 2.13. At the lower quartile level, affordability of newly built dwellings is worse still. The lower quartile newly built dwelling is between £80,000 (Leeds) and £113,000 (Kirklees) more expensive than the lower quartile property in their respective districts. As a result, newly built house prices range from 8.6 (Bradford) to 10.2 (Kirklees) times the lower quartile salary, making them significantly less affordable than the average dwelling at this level.

National Comparisons

- 2.14. At the median level, the affordability ratio for all houses at the West Yorkshire level has fallen between 2021 and 2022 by about the same percentage as at the national level (9%). However, West Yorkshire houses remain significantly more affordable than the national average, relative to earnings. The affordability ratio for the median property in England is 8.3 times median income, whilst the highest ratio in West Yorkshire is 6.8 times median earnings (Leeds).

- 2.15. Lower quartile properties also tell a similar story. The annual change in the affordability ratio at the West Yorkshire level is broadly in line with the national average, but lower quartile houses remain significantly more affordable in West Yorkshire than in the rest of the country. The national lower quartile affordability ratio for all properties is 7.4 times annual earnings, whilst the highest ratio in West Yorkshire is 6.6 times annual earnings.

Combined Authority Actions

- 2.16. This report highlights the challenges in using the housing affordability ratio alone as a measure of affordability as it does not take into account wider pressures on household incomes, as described in section 2.9. The Mayor has pledged to support the delivery of 5,000 affordable and sustainable homes in the region which recognises this challenge.
- 2.17. The Combined Authority is working with Local Authorities, the West Yorkshire Housing Partnership, Homes England and private developers to support the delivery of affordable housing in the region and has set this as a key objective of the Strategic Place Partnership with Homes England that was launched at UKREiiF on 16 May. Agenda item 6 provides a more detailed update on the workstreams being led by the Combined Authority, working with our partners to address issues of housing affordability and increase the supply of good quality and affordable homes in the region.

3. Tackling the Climate Emergency Implications

- 3.1. One of the reasons for the higher cost of newly built dwellings relative to the average property is due to the new housing stock being typically better insulated and more energy efficient. This enables people living in newly built dwellings to save money by using less energy to heat and power their homes.

4. Inclusive Growth Implications

- 4.1. The improvement in the affordability of dwellings within the region is driven largely by increased earnings compared with last year. However, these increases in earnings are below the rate of inflation, which means that in real terms, people are still worse off, and that is likely to make home ownership more difficult relative to last year.
- 4.2. The improvement in housing affordability does not consider the rental sector, where we have evidence of rents rising by more than 10% in the region.
- 4.3. In considering the price of houses, the data also does not consider the impact of rising interest rates on the ability of people to make mortgage payments. Evidence from the Bank of England indicates that, by 2025, around 75% of mortgagors will have experienced a monthly mortgage cost increase of £100 or more compared with 2021.

5. Equality and Diversity Implications

- 5.1. Whilst the data shows improvements in affordability for those in the lower quartile of earnings, it is important to consider this evidence within the context of the wider economy. Prices for essential items such as household energy and food prices have increased dramatically since March 2022, and the data shows that 'budget' food items have risen by more than the average food price. The real rise in the cost of living is therefore higher for households towards the bottom of the income distribution.

6. Financial Implications

- 6.1. There are no financial implications directly arising from this report.

7. Legal Implications

- 7.1. There are no legal implications directly arising from this report.

8. Staffing Implications

- 8.1. There are no staffing implications directly arising from this report.

9. External Consultees

- 9.1. No external consultations have been undertaken.

10. Recommendations

- 10.1. That the Committee notes the latest evidence on the region's performance regarding housing affordability, and considers it as part of the decision making process.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

None.