

Examination of the Welwyn Hatfield Local Plan 2013-2032

Inspector: Melvyn Middleton BA(Econ) DipTP DipMgmt MRTPI

Programme Officer: Louise St John Howe

louise@poservices.co.uk Mobile: 07789 486419

Reconsideration of the Plan's Full Objectively Assessed Housing Need in the context of the 2018-based household projections

Introduction

1. By virtue of the transitional arrangement set out in paragraph 214 of the 2019 National Planning Policy Framework (Framework), the guidance on determining housing need in that document does not apply to this Plan. Instead the relevant guidance is contained in the 2012 Framework and the corresponding National Planning Policy Guidance (NPPG) on Housing and Economic Needs Assessment applies.
2. When the Welwyn-Hatfield Local Plan was submitted for Examination, in May 2017, its housing requirement had been calculated using, among other considerations, data from the 2012-based household projections, published by the Department of Communities and Local Government in February 2015. The accompanying Strategic Housing Market Assessment (SHMA) update of October 2015 (HOU/15) identified a need for between 664 and 707 dwellings per annum (d.p.a.), which was extrapolated to a housing requirement of around 12,000 dwellings (ds.) between 2013 and 2032 in the submitted plan at Policy SP 2.
3. Before the Examination commenced in 2017, the 2014-based household projections had been published and the Council arranged for the Full Objectively Assessed Housing Need (FOAHN) to be reassessed by its consultants, Turley¹. The 2014-based projections provided a new starting point for this assessment. The analysis suggested that 650 households (hh(s.)) would form each year. This translated into 670 d.p.a. over the plan period 2013-32, after allowing for vacancy rates. A separate demographic adjustment to allow for higher household formation rates amongst younger people (8%) resulted in a need for 721 d.p.a. A further uplift was made in response to evidence that indicated worsening market signals in the

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Borough (10%). This led to an overall need of 793 d.p.a., which was rounded to 800¹.

4. This assessment supported and accompanied the revised housing submissions that were submitted to the Examination by the Council in May 2017². The reassessment resulted in an increase in the plan's housing requirement from 12,000 to 15,200 for the then 19-year plan period (2013-32). Following a Hearing session in October 2017, I concluded that this revised housing requirement was soundly based.
5. The Office for National Statistics (ONS), having taken over responsibility for preparing the household projections, published the 2016-based projections in September 2018. The Council again arranged for Turley to update the housing need assessment. In its 2019 update to the FOAHN³, and despite a reduction in the household forecast, Turley argued that for affordability and other reasons, including government pronouncements on the housing need for younger people, as reflected in the ONS 2016 forecast, there had not been a meaningful change.
6. Revised housing need forecasts based on a revised plan period 2016-2036 were also submitted by the Council. Whilst the annual requirement of 800 d.p.a. remained the same, the extension of the plan period to twenty years meant that the plan's housing requirement increased to 16,000. I held a further hearing session into housing need in December 2019 at which, among other things, the implications of the 2016-based projections for the plan's housing requirements were discussed. I subsequently concluded that there had not been a meaningful change from the position, based on the 2014-based household forecasts, reached in October 2017. In my note of 6 January 2020 (EX178), I concluded that in the context of the housing situation in Welwyn/Hatfield, a FOAHN of 800 dwellings per annum was still consistent with national policy and soundly based.

2018-based Projections

7. The ONS published its 2018-based household projections on 29 June 2020. Relevant guidance in the NPPG on Housing and Economic Needs Assessment advises that:

¹ SHMA update of April 2017 (HOU/21)

² Understanding the implications of the Housing Target 2017 (HOU/22)

³ The implications of the 2016-based SNPP and SNHP on the Welwyn Hatfield OAN (EX103A)

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*"The government's official population and household projections are generally updated every 2 years to take account of the latest demographic trends. Wherever possible, local needs assessments should be informed by the latest available information". "The National Planning Policy Framework (Framework) is clear that Local Plans should be kept up to date. A meaningful change in the housing situation should be considered in this context, but this does not automatically mean that housing assessments are rendered outdated every time new projections are issued"*⁴.

8. I wrote to the Council on 13 July 2020 (EX190), inviting it to submit a statement to the Examination that indicated, with evidence-based reasons, whether or not it considered the publication of the 2018-based household projections represents a meaningful change in the housing situation from the situation that existed when I wrote my note of 6 January 2020.
9. A revised assessment was prepared by Turley and submitted to the Examination by the Council on 1 September 2020. This concluded that a revised housing need figure in the range of 715 to 800 d.p.a. would be appropriate for the original and revised plan periods, with a figure towards the lower limit most appropriate for the revised plan period. This document was subsequently the subject of a full consultation. Representations were invited on whether or not the ONS 2018-based forecasts represented a meaningful change in the housing situation from that which existed when I wrote EX178. Representors were asked to explain what they considered the implications would be for the soundness of the housing requirement figures in the submitted Plan. Many individuals and organisations submitted representations in response.
10. On the 18 November 2020 the Council informed the Examination that it had resolved not to support the Turley assessment, had done its own assessment and that in its view the FOAHN should be reduced to 690 d.p.a. Persons who had made representations on the Turley assessment were consulted about the Council's revised assessment and I held a virtual hearing, into all of the matters that had been raised, on 23 February 2021. My observations and conclusions on the matter of a meaningful change are set out below. They are based on my overall considerations, having read all of the varying but relevant

⁴ NPPG Reference ID: 2a-016-20150227

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representations and listened to the opinions expressed at the hearing debates. I have taken them all into account.

11. In the paragraphs below, I consider whether or not the housing requirement figures, discussed in October 2017 and subsequently agreed by me, remain sound in the light of the 2018-based household projections. Paragraph 015 of the relevant PPG⁵ advises that official household projections "*should provide the starting-point estimate of overall housing need*". Accordingly, the latest official projections then available, the 2014-based projections, were used as the starting-point for the housing needs assessment which underpinned the revised housing requirement of 15,200 for submitted Policy SP 2. This was subsequently amended to 16,000 for the revised plan period 2016-36 (see para.6 above). The 2014-based household growth forecast was 12,345 additional hhs. The corresponding household growth figures in the 2018-based Principal projection are 7,521. This represents a fall of around 40% between the two sets of projections.
12. In EX203A Turley investigated the factors that caused this change. They found that lower household formation rates, mainly among younger households, which has been a recurrent theme, lower inward migration rates (that is, reduced net in-migration) from the use of an atypical two year period (2016-18) and lower life expectancy, leading to higher mortality rates, used in the 2018-based projections, were the primary causes. Other factors have only a marginal influence on the difference between the 2014-based and 2018-based household projections.

Household formation rates

13. Other than in the context of changes in hh formation assumptions, due to methodological changes between the 2014- and 2016- based projections, which were carried forward into the ONS 2018- based projections, changes in hh formation rates do not appear to be responsible for the significantly reduced number of households.
14. However, the new trend based methodology, introduced when ONS took over responsibility, for the production of the statistics in 2016, from the Government and the consequent different assumptions that it made on household formation rates, resulted in a 10% reduction in forecasted household growth between the 2014- and

⁵ NPPG Reference ID: 2a-015-20140306

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2016-based forecasts and that has been carried forward into the 2018 forecasts.

15. Turley considered the matter at length in EX103A. The Government expressed concerns about the ramifications of the methodological changes for the 2016-based projections and ONS itself subsequently highlighted the limitations of its assumptions and their impact on the rate of younger household formation. In my January 2020 conclusions I endorsed the Turley approach of continuing to rely on the 2014-based household forecasts and adding an 8% uplift to enable a reversion of younger household formation rates, to those experienced prior to the recession, before the end of the plan period. There is no evidence to suggest that this approach is unsound or that for the same reasons, the 2014-based household forecasts should not continue to take precedence over the new ONS 2018-based forecasts.

Migration rates

16. In assessing the significance of the changes in internal migration rates, account needs to be taken of the base periods used to calculate them. In the 2014-based projections, a five-year base period was used (2009-2014). The same approach was taken in the 2016-based projections (2011-2016). However, in the 2018-based projections, the base period was only two years (2016-2018). The ONS has explicitly warned of the *'chance that using only two years of data will create unusual averages for local authorities experiencing abnormal migration patterns over this short period'* ⁶. In those two years there was a net outflow of 314 persons per year to other parts of the UK from Welwyn-Hatfield. Such a large outflow had not occurred in any of the previous years since 2001. Figure 4.2 in EX203A also shows that net internal migration to Welwyn Hatfield has been subject to substantial fluctuation from one year to the next, such that a two-year base period is not necessarily going to give an accurate picture of longer-term migration trends.
17. Additionally, Figure 4.2 also shows that whilst the average annual net internal migration figures for 2017-19 were negative, between 2001 and 2017, negative net internal migration only occurred twice

⁶ ONS (24 March 2020) Methodology used to produce the 2018-based subnational population projections for England; "Data used" in section 6 ("Migration")

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and on both of those occasions the numbers were very small. Furthermore, with two exceptions, between 2007 and 2019, in-migration numbers, although positive, were consistently and substantially lower than those in the preceding six years (2001 to 2007). A very similar pattern is reflected in the figures for new housebuilding in Welwyn-Hatfield, set out in Figure 2.1 of NEA/018a. Indeed, in the first seven years of the submitted Plan period (2013 to 2020), on average only 476 new dwellings were built each year. That is only 60% of the submitted Plan's revised requirement figure of 800 dwellings a year.

18. Turley concluded that a considerably lower rate of migrational growth 2016-18, than that recorded historically, was at least partially influenced by the provision of less than half of the homes previously evidenced to be needed⁷. Household growth in Welwyn-Hatfield between the 2014 and the 2018 based projections has been constrained. Since the base date of the submitted Plan (2013), housing need has not been met to a significant extent. Not enough new homes have been built to meet the housing requirement, with the result that fewer people have been able to move into the district. Consequently, in-migration trend figures have reduced, creating an unusual average and this has fed through into lower population and household counts and projections.
19. The fundamental reason for that poor performance was the unavailability of land allocated for development in a local plan. Given continued growth in the local economy, the significant under provision of housing will very likely have suppressed net migration rates. In my view it would be both contrary to the evidence, and inconsistent with the Framework's guidance that assessed housing needs should be met in full, to accept that the under-supply of housing in Welwyn-Hatfield in recent years should lead to a significant reduction in the Borough's future housing requirements. A more cautious approach is required.
20. For all of the above reasons, therefore, I consider that the migrational components of the 2018-based principal household projection do not provide a reliable basis for assessing Welwyn-Hatfield's housing requirements going forward.

⁷ The Council's monitoring suggests that an average of 389 ds. per annum were completed over this two-year period (2017-19), which is less than half the then objectively assessed need for 800 d.p.a.

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21. Turley's have suggested that the use of ONS's alternative 5-year internal migration variant 2018 based population projection, which overlooks the ONS's methodological changes, would offer a more appropriate solution. Such a trend-based projection would lead to a level of population growth over the plan period that was within the broad range previously found by Edge Analytics' modelling of numerous demographic trend-based projections⁸. However, that projection still includes the two untypical years of net out-migration (2016-18).
22. The Council now prefers a forecast underpinned by the ten-year migration trend. In normal times this could be an appropriate way forward but the ten years prior to 2018 were anything but normal in the context of housebuilding and population changes in the Borough.
23. Since 2007 a combination of economic recession and low housing delivery, other than in 2014-16, has resulted in significantly lower levels of house building and inward migration than occurred before 2007. The evidence from the ONS comparisons of the numbers of resident workers and jobs 2011 to 2019⁹, after allowances are made for the abrupt growth in both during the period 2015-17, indicates that the growth in the labour force was probably at a level lower than was required to sustain the growth in jobs within the economy, without leading to even further net inward commuting since 2011. Had there been a higher level of housing completions then there would have been a higher level of inward migration and a reduction in the likely need for more persons working in the Borough to live elsewhere.
24. Whilst the Turley forecast is based on recent migration trends and uses a more stable five-year trend period (2013-18) than the two years used in the official projections, the migration rate over that five-year period is nevertheless also influenced by the low levels of house building and the consequent impact on net migration. That will have resulted in a lower overall rate, which in turn will have fed through into the population estimates and the household forecast.

⁸ Page 8 of the Technical OAN Paper (EX82) summarises the demographic scenarios developed by Edge Analytics

⁹ Considering the relationship between OAN, job growth and future inward commuting, Table 1.1, Turley February 2021 (EX242C)

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25. I therefore conclude that the five- and ten-year migration variant projections do not represent a reliable alternative to the principal projection, which itself is unreliable and that from a migrational perspective the 2016 projection is to be preferred as a basis for the housing requirement.

Mortality rates

26. Turning to higher mortality rates, there has undoubtedly been a reduction in the forecast population growth at Welwyn Hatfield due to this factor, as there has been in many other areas. This will contribute to lower hh formation rates and housing requirements than would otherwise have been the case. The Edge Analysis work¹⁰ suggests that there is an expectation of a significant reduction in natural population increase between the 2014-based forecasts and the 2018-based ones. However, the natural change forecasts in Table 1 include the births and deaths of migrants as well as those from the already resident population and these numbers vary significantly according to the migration variant used. The hhs formed and the ds required also include varying numbers of net migrants.
27. Nevertheless, when discounting the dwelling requirement likely to have resulted from the reduced net in-migration, on a proportional basis, the expected reduction in natural increase between the 2016-based and 2018-based forecasts, when applied to the resident population in 2016, appears likely to result in a reduced dwelling requirement of about 40 d.p.a. during the 2016-36 plan period. Demographic projecting is far from an exact science but this likely reduction in natural increase is not insignificant over a twenty-year period and in my view, it is consequently a meaningful change.

Market signals

28. The Turley calculations include a market signals uplift. When rebasing its forecasts to the period 2016-34¹¹, a dwelling requirement of 800 d.p.a. represented a cumulative uplift of about 32% from the demographic starting-point in the 2016-based

¹⁰ Population change over the plan Period, (EX262)

¹¹ Paras. 4.3 & 4.4 of Implications of a new plan period for calculating housing need, Turley June 2019, EX103B

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household projection¹², as compared to 23% in the 2014-based one. Turley pointed out that this could be justified by the comparatively high affordability ratios experienced at Welwyn-Hatfield during recent years. The consequent omission of a period (2013-16), which was a part of the submitted plan period and in which affordability and inward migration had potentially been adversely affected by an undersupply of housing, was also a factor in that consideration¹³.

29. Whilst, unlike previous years, affordability ratios have not significantly risen since 2016, they have plateaued rather than fallen. At 12.59 in 2020 the lower quartile ratio between house prices and earnings is at its second highest since 2001 and a clear demonstration of the housing affordability crisis that the Borough is facing¹⁴. This does not suggest to me that the overall uplift should be reduced. In its 2018-based alternative migration (5-year) forecast, Turley has applied an overall uplift of 36%¹⁵. This is similar to the 2016-based uplift referred to in paragraph 28.
30. However, the fact that recent under provision of dwellings will very likely have contributed to the lower in-migration projections, used in the 2018-based Turley forecast, and a consequent lower 2018 base population, suggests to me that a higher market signals uplift than that used by Turley in 2018 would not be inappropriate.
31. As in the 2016 assessment, the ramifications of the historic housing under delivery, during the early years of the original plan period, are a relevant consideration now, as are the ramifications of that and the more recent (post 2016) under delivery, on current population levels and household change. Furthermore, if the plan's housing requirement had had to be recalculated using the 2019 NPPF's standard method, for assessing housing need, then the requirement would be 875d.p.a. All of these considerations point to the need for a cautious approach in the context of affordability and an increase in the uplift beyond that latterly used by Turley.

¹² Table 4.1 Implications of a new plan period for the calculated housing need, (EX103B). NB This cumulative uplift includes an uplift in headship rates (approx. 11%) to allow for increased younger household formation.

¹³ Para 6.10 to 6.17 The implications of the 2018-based SNPP and SNHP on the Welwyn Hatfield OAN, Turley, August 2020 (EX203A)

¹⁴ Ratio of house price to workplace-based earnings (lower quartile and median), 1997 to 2020, Office for National statistics 2020

¹⁵ Fig 6.3, Illustrating size of Market Signals uplift over Alternative Pan Period, (EX203A). NB This cumulative uplift also includes an uplift in headship rates (approx. 13%)

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Implications for job growth and commuting

32. I have expressed my concerns about the already unusually high levels of net commuting into the Borough and my doubts about the soundness of allowing further growth of this to continue¹⁶, particularly in the context of the plan's proposed green belt release to provide land for further economic activity and new jobs and the growing congestion on the strategic road network.
33. A comparison of the job growth and working population estimates produced over the past decade¹⁷ suggests, that even when full account is taken of the abnormal changes in the published data mid-decade, job growth 2011-19 could have outstripped the rise in the working age population. Such a change would inevitably have led to yet a further increase in the unsustainable levels of net in-commuting for work into the Borough and compounds the need for caution when reviewing the FOAHN.
34. Turley consider that about 16,800 jobs could be supported by their preferred forecast (2016-36)¹⁸. The Council's hybrid employment forecast, 16,600¹⁹ is below this but not meaningfully. Additionally, as Turley point out²⁰, the latter forecast is for the period 2013-32 and there is no comparable figure for the revised longer plan period (2016-36). Turley also point out that the BRES¹⁶ data saw a significant growth in jobs in the three years now omitted from the start of the new plan period and that these would be netted off the "Hybrid" job growth scenario.
35. I note that Turley chose not to disregard the under provision of housing 2013-16 when recommending that the 2016-based FOAHN be retained at 800 d.p.a. Similarly I do not consider it appropriate to disregard a growth in jobs during that period, when they are likely to have been accompanied by a lower level of growth in the economically active population and resulted in consequent increases

¹⁶ My letter to the Council of 24 October 2018 (EX191B)

¹⁷ Business Register and Employment Survey (BRES) data, Table 1.1 of Appendix 1 to Considering the relationship between the OAN job growth and future inward commuting, Turley, February 2021, (EX242C)

¹⁸ Table 1 Considering the relationship between the OAN, job growth and future inward commuting, Turley February 2021, (EX242C)

¹⁹ Welwyn-Hatfield Economy Study - Updated economy analysis note, February 2017 (ECO/9)

²⁰ Appendix 3, EX203A

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in the amount of net in-commuting beyond that identified in the 2011 census.

36. Taken in the round, the evidence suggests to me that there is a real risk that a reduction in dwelling provision to 715 d.p.a. would lead to job creation within the Borough outstripping the growth in the economically active population. The outcome of such a scenario would lead to continued increases in net commuting. This is further evidence that a cautious approach needs to be taken when reducing the dwelling requirement from 800 d.p.a.

Conclusions

37. In summary, whilst the fall, in the rate of demographic growth, points to a meaningful downward change in the evidence that led to the 2018-based forecast, my concerns about the inappropriateness of any of the possible migration inputs into the 2018-based forecasts and the inability of the forecasts supported by Turley and the Council to conclusively demonstrate that employment growth would not outstrip job growth, suggests that a number higher than 715 d.p.a. is appropriate. The evidence on the relationship between the under provision of housing, lower inward migration rates and a consequent lower population base also points to a requirement for a market signals uplift greater than that latterly used by Turley.
38. For the foregoing reasons, therefore, I conclude that the 2018-based household projections represent a meaningful change. I consider that the housing requirement figures for a plan period 2016-36, set out in Plan Policy SP 2, should be amended to 15,200 dwellings (an average of 760 dwellings per annum). Such a revision would be consistent with national policy and soundly based.

M Middleton

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Inspector

June 2021

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Abbreviations

BRES	Business Register and Employment Survey
d(s)	dwelling(s)
d.p.a.	dwelling(s) per annum
EX	Examination Document
FOAHN	Full Objectively Assessed Housing Need
Framework	National Planning Policy Framework 2012
hh(s)	household(s)
NPPG	National Planning Policy Guidance
ONS	Office for National Statistics
SHMA	Strategic Housing Market Assessment