

STAGE 2 HEARINGS: OVERARCHING STRATEGY

FULL OBJECTIVELY ASSESSED HOUSING NEED

(a) Are the Council's successive forecasts of housing need robust and reliable?

1. No. For example, all the forecasts, in the SHMA versions in 2014, 2015 and 2017, increased assessed housing needs to include an assumed reversion of headship rates amongst younger age groups to what they were in 2001. We consider this element unjustified (see below). However, we are content for the Examination to review only the statement of Objectively Assessed Need to emerge in the final version of the SHMA, in the Update 2017 in May 2017, as this supersedes the others. We do not consider that to be robust and reliable for the reasons given in (b) below.

(b) Is its methodology for calculating FOAHN sound?

i) Demographic forecast of households.

Is it unduly influenced by untypical historic circumstances?

2. There are two points on which we consider the submitted Plan not justified under this pair of sub-headings, and one point on which we offer a cautionary note.

International migration

3. The demographic forecast of households is based on the 2014-based DCLG household projections and the 2014-based ONS Sub-National Population Projections (SNPP), in line with guidance in the NPPG. However, in respect of Welwyn-Hatfield, those projections contain a significant error in respect of net international migration. This is explained in more detail in section 5 of the report in Appendix 1 and is summarised here.

4. In essence, the SNPP continues to use a methodology which, in Welwyn-Hatfield, overstates net inward international migration, thereby raising the overall population projections and the household projections which follow. The SHMA identifies that "*It was recognised that between the Census years the ONS overestimated the scale of population growth in Welwyn Hatfield by a considerable amount, with this unattributable population change (UPC) likely to be largely due to international migration estimates*" (SHMA Update 2017, paragraph 4.6). Over-estimation of net inward international migration/UPC averaged 839 people annually 2001 to 2011 (see SHMA Update 2017, Appendix 1 paragraph 2.5). The likelihood is that this over-estimation continued after 2011, as confirmed by Edge Analytics in their Appendix 1 to the SHMA Update 2017 at paragraphs 5.10-11.

5. The concerns of Edge Analytics are reinforced by the data on dwelling completions since 2011 when set against estimated population growth (itself driven by international migration), which the SHMA describes as "*population growth significantly outpacing completion rates*" (paragraph 4.35). In reality, the population figures were too high.

6. In response to this problem, Edge Analytics reviewed the changes needed to projected population change (and then to household change and dwellings needed) first by

correcting for UPC in the 2001-2011 period (SHMA Update 2017 Table 4.4) and then by correcting for it in the period since 2011 too (Table 4.6). Paragraph 4.48 reports the Edge Analytics conclusion that “*Given the potential mis-estimation of historical international migration (specifically emigration) that has occurred in Welwyn-Hatfield, the UPC scenario variants would appear to provide a more appropriate range of growth outcomes*”.

Paragraph 4.49 then reports their further conclusion that:

“Analysis of HESA data, National Insurance Number registrations and the ONS Statistical Population Dataset (SPD) for Welwyn Hatfield suggests that the mis-estimation of international migration (specifically immigration) may have continued in the post-2011 Census Mid-Year Estimates. This is emphasised by the different population growth rates over these time periods. Between 2001 and 2011, population growth averaged 1.35% per year. Post-Census (2011-2015), population growth averaged 1.87% per year, with the data for the twelve month period prior to the 2015 MYE suggesting a considerably higher level of growth, at 2.6%.”

7. The SNPP’s excessively high projection of international net inward migration produces one complication that should be noted. An effect of the statistics is to suggest that internal migration will change so that Welwyn-Hatfield becomes a net exporter of migrants to other authorities, instead of being a net recipient from elsewhere as it was some years previously. This is shown by Edge Analytics in Figure 13 of their report in the SHMA Update 2017 Appendix 1. There is an explanation for this statistical oddity in paragraph 4.43 of the SHMA Update 2017. Table 4.6 of the SHMA revises the overall population change in Welwyn-Hatfield downwards by 287 people annually compared with the 2014-based SHMA. This is much less than the annual UPC downward adjustment of 839 people annually needed between the Census years 2001 and 2011, suggesting that the revised projections have accommodated any counterbalancing effect of internal migration within the Edge Analytics calculations.

8. In summary, the SNPP assumptions on population change lack credibility in Welwyn-Hatfield:

- The 2014-based projections have been unreliable in the short term, with a particularly high Mid-Year Estimate of population in 2015 (probably 2,500 too high – see Edge Analytics paragraph 2.19, SHMA Update 2017 Appendix 1), and are set to remain unduly high by virtue of still over-estimating international migration.
- The SNPP methodology applied to the period 2011-2015 has projected population change significantly higher than would have matched actual dwelling supply over the period: the population figures were too high and by common consent that was due to over-estimated net inward international migration.
- The migration projections are in any event counter-intuitive: the assumption that more residents of Welwyn-Hatfield will move out if more international migrants move in is, to say the least, conjectural.

9. The implication of the evidence is that the international migration rate has been so over-estimated in the past that its forward projection is massively over-estimating its contribution in future. We conclude that the Edge Analytics option for correcting for SNPP’s over-estimation of net migration into Welwyn-Hatfield is reasonable, erring on the side of

generous (by basing a revised projection on both internal migration and UPC-adjusted international migration over the full period 2001-2015). The SHMA Update 2017 Table 4.6 shows that this generates a demographic starting point for calculating Objectively Assessed Need for housing of 562dpa instead of the SNPP projection of 670dpa. This is a reduction of around 2,000 dwellings over the Plan period.

10. Surprisingly, the assessment of OAN in the SHMA has not been adjusted to compensate for the over-estimation of net international inward migration into Welwyn-Hatfield. It is vital that this is corrected in order to give a more realistic assessment of housing need in the Borough. At present the demographic forecast of households is not justified and the Plan unsound.

11. Furthermore, the population and household projections are, as they state, projections, not forecasts. They do not take into account recent political decisions that are likely to have an effect in future. This means that the decision in 2016 of the UK to leave the European Union has not been factored into the projections. While the exact consequences of Brexit for population migration are clearly unknown at present, the general expectation is for a reduction in net migration into the UK from the EU. Edge Analytics shows in Figure 7 in the SHMA Update 2017 Appendix 1 that EU migrants accounted for three quarters of the international migration into Welwyn-Hatfield in 2015, so the effect of Brexit on the Borough is likely to be significant. Carrying on as if the Brexit decision had not happened, which is what the 2014-based SNPP population projections do, is not a credible option. We do not consider that it is enough to say that the 2014-based SNPP migration figures should be treated as a maximum. The Plan at present is not justified and a policy-based lower assumption should reasonably be made.

Household formation by young people

12. The second error in the calculation of Objectively Assessed Need for housing is in the uplift proposed in the SHMA Update 2017 in response to the changing headship rate amongst the younger age groups in Welwyn-Hatfield. The SHMA observes that headship rates in these groups have fallen since 2001 and are assumed not to recover. The claim is that some potential households simply did not form because they were priced out by the absence of homes they could afford. The SHMA calculates the number of dwellings that would be needed to allow the 2001 rate of household formation to be reinstated (by 2024) and proposes that land be allocated for this additional number of dwellings as a demographic adjustment to the Plan. The annual supply of dwellings would rise by 51pa from 2013 to 2032. We have identified a series of flaws in this argument which demonstrate that this uplift to the OAN is unjustified.

13. First, the SHMA's evidence to support the claimed problem of unaffordability is poor. Figure 5.11 in the SHMA Partial Update 2015 shows that affordability in 2013 was actually slightly better than it was in the period before the 2008-2009 recession, hardly suggesting that there is a significant new problem nearly a decade later. The SHMA in 2014 proposed a return to the headship rate in 2008, not 2001, on which basis there would be no need to adjust OAN. In any event, Figure 22 in Appendix 1 of the SHMA Update 2017 by Edge Analytics shows that headship rates in the 15-24 age group have been broadly constant

since 2001: the decline is limited to the 25-34 age group, not both. Also, the headship rate in the 25-34 age group in Welwyn-Hatfield is projected to be significantly higher than that for England, so the alleged problem is of relatively limited significance in this Borough.

14. Second, the scale of the problem of potential younger households being 'priced out' of the market by lack of land and house building has not been demonstrated when there are significant other reasons why younger households in Welwyn-Hatfield may have not formed. The SHMA in 2014 paragraph 3.56 and elsewhere identified:

- the impact of new international migrant households to the area, which often constitute larger household sizes;
- the wider economic conditions and tightened mortgage lending criteria; and
- with the expansion of University education in the Borough and the rising cost of attending, an increase in the number of young adults living with relatives while studying.

No allowance has been made for any of these: each should be identified separately rather than the headship rate being entirely attributed to insufficient land supply.

15. Third, affordability is not as important an issue affecting household formation as the SHMA suggests. There are clearly forces stronger than affordability affecting actual headship rates. During the recession, affordability improved drastically (from a house price to income ratio of 5.4 to one of 4.1 according to Figure 5.11 in the SHMA Partial Update 2015). However, Edge Analytics in Figure 9 of Appendix 1 to the SHMA Partial Update 2015 shows that headship rates became worse as the recession took hold and affordability improved, yet, when recovery began and affordability was deteriorating again, the headship rate (and its forward projection) actually rose. Furthermore, modelling by Edge Analytics shows that, once its proposed restoration of 2001 headship rates has been achieved in 2024, headship rates would resume their downward path (Figure 22 in Appendix 1 of the SHMA Update 2017).

16. Fourth, the remedy suggested by the SHMA to the alleged problem could not possibly work:

- the assumption that an additional dwelling will be built on every plot of a large scale land release is unreliable;
- the assumption that all the extra homes built would be of the types which younger people currently unable to access the market would wish to occupy is most unlikely;
- the assumption that the price of the extra dwellings built will fall to a point where the anticipated extra younger households will form to occupy them is fantasy;
- the proposed extra 969 dwellings would be a great help if they were social housing units but there is no policy commitment to provide the funding for anything like sufficient additional dwellings to give effect to this option; furthermore, providing a social home notably for young people living at home with their parents but who cannot yet afford one is hardly likely to be a policy priority.
- the assumption that the targeted group of younger households will occupy the extra dwellings provided is wholly unrealistic.

It is plain that the headship rate in the 25-34 age group would not revert to the 2001 rate by releasing more land. A 'new normal' for headship rate in this group should be accepted.

Migration from London into Welwyn-Hatfield

17. Future trends in the net migration of people and households from London into Welwyn-Hatfield are unclear. We agree with the conclusion in the SHMA Update 2017 paragraph 4.93 that *“It is not considered appropriate at this time to apply any distinct adjustment to the 2014-based SNPP to allow for the demographic implications of London”*.

18. We consider the SHMA to be unwise to undermine this conclusion by suggesting that *“in considering the cumulative impact of subsequent adjustments this potential demographic pressure is taken into consideration alongside other factors”* (paragraph 6.10). We caution against this, noting how unreliable is the evidence for it. If the stated reasons for finding that the OAN is substantially higher than the demographic requirement are shown to be without foundation, as we argue, then no reliance should be placed instead on the assumption of extra net migration from London.

ii) Economic adjustment.

No comment

iii) Market signals.

19. The SHMA identified only one ‘market signal’ which required attention: overcrowding including concealment of households in the younger age groups. We agree with the SHMA that there are no other market signals which justify intervention in the assessment of Objectively Assessed Need for housing. However, we consider first that the data on overcrowding and concealment have been misinterpreted and second that the land supply uplift to address it is bound to fail and is devoid of merit.

20. There is little evidence to suggest that overcrowding problems are especially great in Welwyn-Hatfield. None of the Hertfordshire authorities has anything like as severe problems with concealed households and overcrowding as the two London Boroughs of Enfield and Barnet (SHMA Partial Update 2015 Table 5.7) also partly within the Housing Market Area. The percentage growth in concealed households in Welwyn-Hatfield between the 2001 and 2011 Censuses was the largest in the Housing Market Area only because the actual level of concealment was so low in 2001, not because there was a special problem. There is a greater problem with overcrowding: Welwyn-Hatfield’s number in 2001 was fairly typical amongst the Hertfordshire authorities but rose by 2011 to be the largest at 3,957 (SHMA Partial Update 2015 Table 5.8). The trend similarly picked out Welwyn-Hatfield as having the worst problem, even though the absolute number of overcrowded households grew by around five times as much in both Enfield and Barnet. Barnet had over six times as many overcrowded households in 2011 as did Welwyn-Hatfield.

21. An expectation in areas with substantial overcrowding, large numbers of concealed households and growth in those numbers (i.e. evidence of many households that might want a place of their own but cannot obtain one) would be that lower quartile rents there would be relatively high. The pressure of unfulfilled demand would tend to drive up rents. There is some evidence of this in the HMA in that the London Boroughs of Barnet and

Enfield, with by far the highest numbers of households affected, had easily the highest rents. However, in Welwyn-Hatfield, the reverse is the case: the increase in rents 2010/11-2015/16 was the lowest of any of the HMA authorities, even though the proportionate changes in both overcrowding and concealed households 2001-2011 was the highest here.

22. We demonstrated in paragraphs 12-16 above that releasing more land cannot by itself possibly have the effect of returning headship rates amongst younger age groups to the rates which prevailed in 2001, and strongly challenged whether that was a realistic objective in any event. Remarkably, paragraph 6.22 of the SHMA Update 2017 appears to accept that its own proposal for an 8% uplift in land release for demographic reasons will not have the desired effect of raising headship rates amongst younger age groups. Without any justification the SHMA arbitrarily proposes a further 10% increase in the Borough's OAN, as if the extra houses would achieve what 8% did not. There is no review of cause and effect. Neither an 8% nor an 18% uplift in OAN will make any discernible difference to the affordability of market housing for purchase or rent amongst younger age groups in overcrowded or concealed households in Welwyn-Hatfield. The market does not work in the way the SHMA appears to believe, and the proposal is without merit and wholly unjustified.

(c) Are the FOAHNs being met within the relevant HMAs?

No comment

(d) Is the assessment and provision for affordable housing sound?

No comment

APPENDIX

DWELLING REQUIREMENTS IN THE WELWYN-HATFIELD LOCAL PLAN

A report to Save Symondshyde

By *Green Balance*

DWELLING REQUIREMENTS IN THE WELWYN-HATFIELD LOCAL PLAN



Green Balance
for
Save Symondshyde

October 2017

The cover image shows part of the land proposed to be developed in a freestanding new settlement at Symondshyde, looking west from Footpath 50.

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SUMMARY OF FINDINGS

A partial review has been undertaken of the Strategic Housing Market Assessment (SHMA) for Welwyn-Hatfield. This SHMA was first issued in 2014 and has been subject to a series of updates, most recently in May 2017. Four substantive topics have been considered.

(1) Population movement between London and Welwyn-Hatfield. The SHMA considered the possibility of greater net outflows of population in future from London into Welwyn-Hatfield. The SHMA Update 2017 concluded *“It is not considered appropriate at this time to apply any distinct adjustment to the 2014-based SNPP to allow for the demographic implications of London, given the ongoing work by the GLA to review the London Plan and update its evidence base”* (paragraph 4.93). We agree with that conclusion and present four additional reasons why it is the appropriate one.

(2) International migration. The 2014-based Sub-National Population Projections (SNPP) indicate remarkably high estimates of future net international migration into Welwyn-Hatfield. Due to the statistical method used, there is partial compensation for this in assumed increases in net outmigration from Welwyn-Hatfield to other areas. Nonetheless, the error is re-emphasised by figures for recent years showing that dwelling completions have lagged behind the numbers which would have been expected from estimated population growth in the Borough. The latter are too high, substantially due to international migration. This is set to continue. The problems with over-estimating international migration arose between the 2001 and 2011 Censuses, so the SHMA recalculates population growth taking this error into account back to 2001 (Table 4.6). On that basis the future need for dwellings would reduce from 670pa to 562pa, but this finding is not reflected in the SHMA’s conclusions. The Plan’s housing need should be reduced by about 2,000.

(3) Household formation by young people. The SHMA argues that household formation rates in the youngest age groups have fallen since 2001 and are assumed to not recover. It aims to get back to the rate 16 years ago by increasing the assessed need for housing by 51 dwellings pa (above the 670dpa from demographic data used in the SNPP). The alleged problem is assumed largely to reflect affordability, though the supporting evidence for this is very weak and the issue is in any event much less significant in Welwyn-Hatfield than in England as a whole. The SHMA accepts that other reasons could well explain household formation rates, notably some new international migrants living in extended families, tightened mortgage criteria, and more young adults living with relatives while studying. The calculation of suppressed household formation did not take any of these into account. There is no demonstration that a shortage of land is a problem or that allocating an extra 51dpa could possibly resolve it. This uplift should be dropped.

(4) Response to ‘market signals’. The SHMA data suggest that Welwyn-Hatfield performs poorly only in terms of numbers of overcrowded homes (incl. concealed households). An entirely arbitrary 10% uplift in land supply (72dpa) is proposed to tackle this. Cause and effect are not explained. Land supply alone is bound to fail to achieve the result desired. The uplift is devoid of merit and should be deleted. The poor performance alleged is in any event a statistical quirk, with related indicators that might be expected not arising. Results claimed from other Local Plan Examinations are selective and misleading.

1 BACKGROUND AND PURPOSE

1.1 This report has been commissioned by the local organisation Save Symondshyde, which is most concerned by the proposal in the submitted Welwyn-Hatfield Local Plan for a freestanding new settlement of about 1,130 houses at Symondshyde, north-west of Hatfield (Policy SP24).

1.2 The Symondshyde allocation is part of the local authority's response to calculated dwelling needs in the Borough and then political decisions about the actual dwelling supply for which the Plan will provide land over period 2013-2032. The dwelling supply figure has changed repeatedly during the preparation of the Local Plan:

- (i) The Emerging Core Strategy, October 2012 consulted on proposals based on a supply of 7,200 dwellings over the 18 years 2011-2029 (400pa).
- (ii) The Local Plan Consultation Document, January 2015 consulted on proposals based on a need for and supply of 12,500 dwellings over the 20 years 2011-2031 (625pa).
- (iii) The Proposed Submission Local Plan, August 2016 consulted on proposals based on a need for 12,500 dwellings over the 20 years 2011-2031 (625pa) and a supply target of 12,000 dwellings over the 19 year period 2013-2032 (631pa).
- (iv) The Borough Council commissioned an updated Strategic Housing Market Assessment, which in May 2017 identified an Objectively Assessed Need for housing at 793 dwellings annually (rounded up to 800pa).

1.3 The dwelling need or supply figure has therefore doubled during the course of the preparation of the Local Plan. Furthermore, the demographic projections underpinning the overall dwelling needs have also changed. Claimed total dwelling needs have departed increasingly from the demographic projections. Demographic needs were stated as:

- 580 dwellings annually in the 2015 consultation (proposed need was 7.8% higher);
- 574 dwellings annually in the 2016 consultation (proposed need was 8.9% higher);
- 670 dwellings annually in the May 2017 SHMA (proposed need was 19.4% higher).

The submitted Local Plan proposes to supply land for 631 dwellings annually.

1.4 Symondshyde was only put forward formally as a development location in the Proposed Submission Local Plan (Regulation 19 consultation). Had that Plan followed the demographic projections (rather than a dwelling 'need' inflated by Welwyn-Hatfield Borough Council's determination to achieve extra economic growth), the dwelling supply figure would have been less by nearly 1,100. In short, there is a close equivalence between the extra growth aspiration in the Borough stated in the submitted Local Plan and the number of dwellings proposed at Symondshyde. Then, in just one year (2016-2017), the claimed need for housing rose by 17% demographically and by 27% in dwelling numbers.

1.5 Save Symondshyde asked Green Balance to carry out a limited review of the evidence influencing the Local Plan to see if this continuous and rapid increase in claimed housing need was justified.

1.6 Following the commission, DCLG issued consultation proposals on 14 September 2017 including a more standardised method for deciding local dwelling provision: this provided an indicative housing need for Welwyn-Hatfield of 877 dwellings annually. We comment on that.

1.7 This report examines certain issues which are critical to identifying the Objectively Assessed Need for housing in Welwyn-Hatfield, based on an assessment of the Strategic Housing Market Assessment Update 2017, May 2017, prepared by Turley, together with its earlier versions from 2014 onwards. The following topics are reviewed:

- (i) Household formation by young people in Welwyn-Hatfield (section 2);
- (ii) 'Market signal' adjustment for affordability in Welwyn-Hatfield (section 3);
- (iii) Migration from London into Welwyn-Hatfield (section 4);
- (iv) International migration and its effects on Welwyn-Hatfield (section 5);
- (v) DCLG consultation on housing need assessment methodology (section 6).

2 HOUSEHOLD FORMATION BY YOUNG PEOPLE IN WELWYN-HATFIELD

The case made in the SHMA

2.1 Paragraph 6.11 of the SHMA Update 2017 concludes that:

“An adjustment to the level of housing growth needed to support the population growth projected by the 2014-based SNPP is, however, considered necessary, given that the household projections suggest that household formation amongst younger people in Welwyn Hatfield will continue to follow a falling trend, reflecting the sustained worsening in housing affordability and more recently housing undersupply in the context of recent projections of need. This trend is assumed to continue unless additional supply is made within the housing stock to support a short-term return to higher levels of household formation for younger age groups where this is not already projected. This demographic adjustment is therefore considered appropriate and important to allow for a recovery in the formation of additional younger households in the near future. The application of such an adjustment has previously been considered appropriate in the preceding housing need evidence [paragraph 7.26 of the 2015 SHMA Partial Update] and would result in a need for 721 dwellings per annum over the plan period.”

2.2 Further detail is given in the SHMA in a subsection on ‘Suppressed household formation rates’, paragraphs 4.72-87 (which also refers to a lengthier analysis in the SHMA Partial Update 2015). This argues that household formation rates in the youngest age groups had fallen since 2001 and are assumed to not recover. This period coincided with a worsening in market conditions in Welwyn-Hatfield, including worsening affordability, increased overcrowding, and growth in the number of concealed households. Associated with these lower household formation rates are young adults being more likely to share a home with their parents due to an inability to afford to move out. Fundamentally, the SHMA pitches the issue of household formation rates as a problem of affordability in the housing market: some potential households simply did not form because they were priced out by the absence of homes they could afford.

2.3 The proposed remedy for the claimed level of suppressed household formation is based primarily on an assessment by Edge Analytics. The firm gradually substituted household formation rates (called headship rates) in the 15-24 and 25-34 age groups as they were in 2001 for what they were shown to be in the DCLG 2014-based household projections. Headship rates in these age groups would return to 2001 levels by 2024, i.e. over a period of 10 years from the latest household projections. The return to previous headship rates, which were higher, had the effect when projected forward of increasing the number of households expected. Under various population projections assessed, the effect would be to raise dwelling needs by between 50 and 54 per year over the Plan period. Compared with the unadjusted 2014-based headship rates, the annual dwelling need 2013-32 would rise by 51 from 670 to 721 (8%). This contributes to the uplift in Objectively Assessed Need recommended by the SHMA (paragraphs 4.96, 6.12 and 6.29).

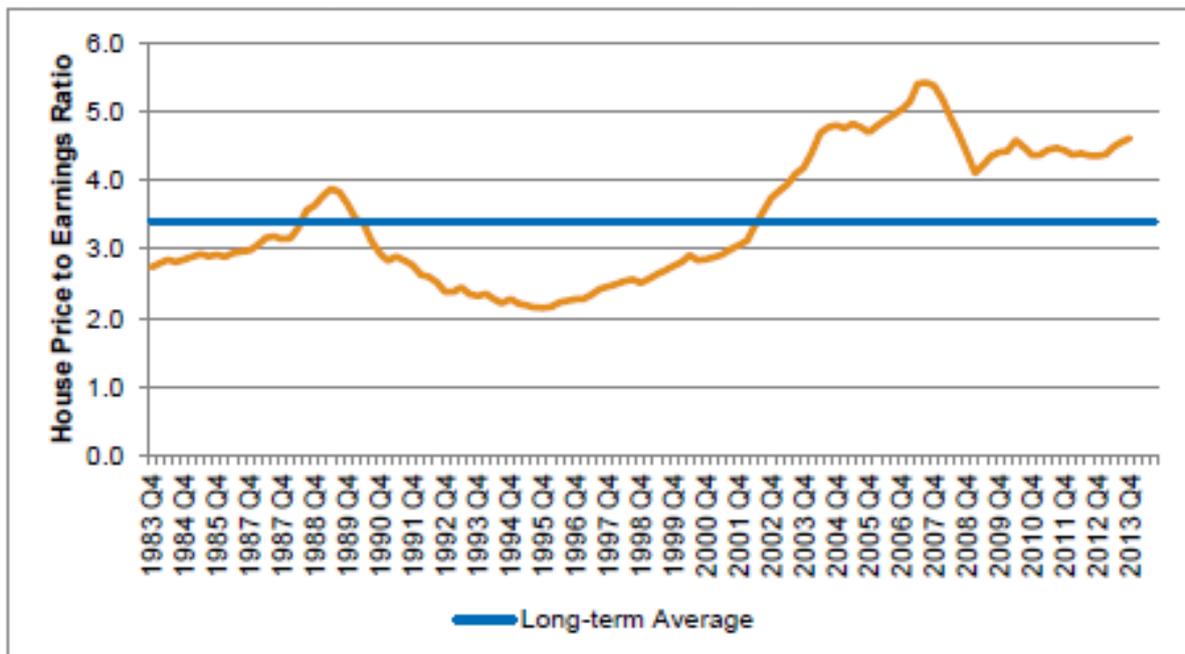
2.4 The commentary by Edge Analytics in the SHMA Appendix 1 is in our view much more measured and realistic than is the main body of the SHMA Update 2017. Edge Analytics rightly observed that *“It is the younger age groups that have been more adversely*

affected by housing undersupply and affordability issues, which in some areas may have led to ‘suppressed’ rates of household formation” (Appendix 1, paragraph 5.26, our emphasis). In contrast Turley seem to us to have substantially over-stated the arguments both about the scale of suppressed demand and the ability of housing land supply to address it. This is not to deny that young adults often struggle to gain entry to the housing market, whether to rent or to buy – this is widely experienced – but a far more rigorous assessment is required both of the scale of the problem and before attributing this to a shortage of land supply through the planning system.

Commentary on the SHMA

2.5 Poor housing affordability is presented by the SHMA as the fundamental reason why young people struggle to enter the housing market. This is supported by Figure 5.11 in the SHMA Partial Update 2015, reproduced below.

Figure 5.11: First-Time Buyer Gross House Price to Earnings Ratio – UK



Source: Nationwide; ONS

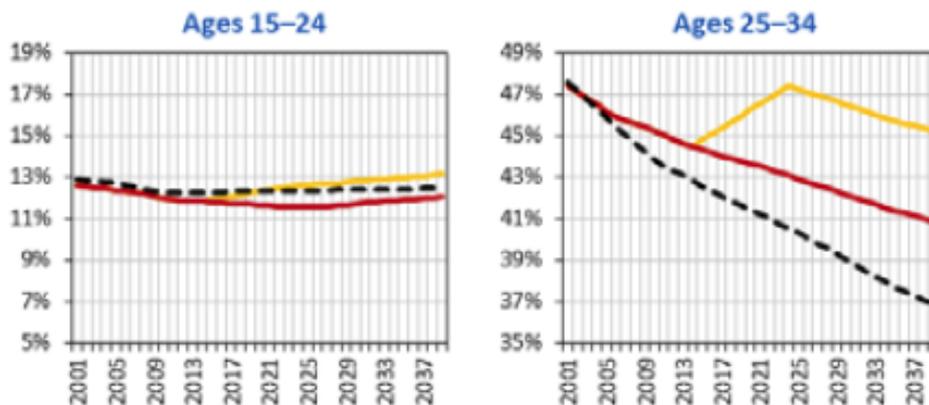
2.6 The SHMA Partial Update 2015 argued that “Based on this graph, 2001 was the last point at which the ratio between house prices and earnings was at the long-term average. A return to 2001 rates therefore could be viewed as exploring the impact of returning to a set of market conditions which suggested a healthier and more sustainable housing market” (paragraph 5.47). However, the graph does little to support the SHMA’s case. It shows that affordability in 2013 was actually slightly better than it was in the period before the 2008-2009 recession, hardly suggesting that there is a significant new problem nearly a decade later. Nor was there anything special about 2001 as a reference year (affordability had been deteriorating since the market bottomed-out in 1995 after the 1989 crash) and affordability problems are cyclical irrespective of planned land releases. The original SHMA in 2014 previously argued (paragraphs 6.18-19, 6.26, 6.35 and 9.68) for a return to 2008 headship rates, not the 2001 headship rates, as the SHMA Partial Update 2015 explains:

“5.43 As noted in the PPG, sensitivity testing can be undertaken where there is evidence that local factors have influenced the formation of new households. Given that there is evidence that formation rates amongst younger households in Welwyn Hatfield have fallen and may be suppressed by wider market factors, modelling has been undertaken to apply alternative household formation rates to younger age groups.

5.44 It is important to note that the 2014 SHMA sought to adjust assumptions regarding household formation by recommending a return to 2008 headship rates which represented a position which was not influenced by the recession”.

If 2008 had continued to be taken as the base year instead of 2001, there would now be no reason to adjust the OAN. (The proposal to use the 2008 headship rates was, however, dropped in the SHMA Partial Update 2015 when the 2012 headship rates were published.)

2.7 The SHMA concentrates on the problems of household formation faced by the age groups 15-24 and 25-34. Figure 22 in Appendix 1 of the SHMA Update 2017 by Edge Analytics (reproduced below in part) shows that the 2014-based headship rates project the 25-34 age group to experience a decline in headship rate (red line). This is the reason for the SHMA’s proposed intervention.



However, in other respects the evidence of Figure 22 argues against raising the headship rate for younger age groups to what it was in 2001:

- (i) the headship rate in the 15-24 age group in Welwyn Hatfield (red line) has been broadly constant since 2001 and close to the national average (black dotted line), and is projected to remain so: this age group should be removed from any intervention in headship rates (Edge Analytics do not distinguish this, though ages 20-24 and 25-29 are separated in the SHMA Partial Update 2015 Figure 5.13);
- (ii) the headship rate in the 25-34 age group would rise under the influence of the ‘return to 2001 rate’ scenario (yellow line), but from 2025 would then resume the same rate of decline thereafter as it is projected to do without the return to its 2001 headship rate: this suggests there are more profound factors controlling household formation amongst young people, and that artificially altering the headship rate would only be a short term palliative;
- (iii) the headship rate in the 25-34 age group in Welwyn-Hatfield is projected to be significantly higher than that for England, so the alleged problem is of discernibly less significance in Welwyn-Hatfield: on that basis there is a well below-average case for

intervening in this district, and the relevant Planning Practice Guidance¹ applies with much less weight.

2.8 The SHMA mentions many other reasons why young people in Welwyn-Hatfield may not have been setting up their own home recently (emphasis added in each case):

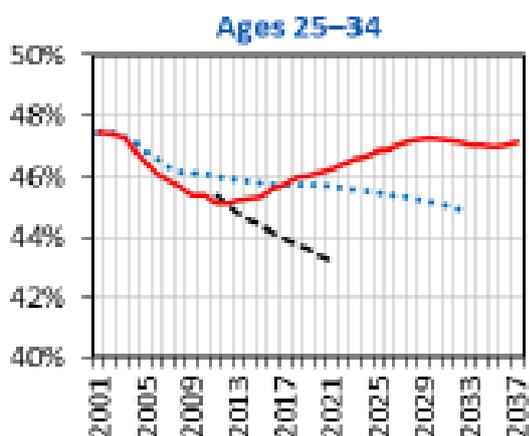
- (i) The SHMA reports on the very significant net contribution to dwelling needs from international migration (see section 5 below), at the same time as average household size in Welwyn-Hatfield rose from 2.39 to 2.45 between 2001 and 2011 (SHMA 2014 Figure 4.22). As that original SHMA noted: *“The contributing factors to this increase are likely to include the impact of new international migrant households to the area, which often constitute larger household sizes”* (paragraph 4.109 indent 6) and *“the growth in the international community within the borough – with some cultures having strong traditions whereby extended families live together in the same dwelling – is likely to have also played a role”* in the concealment of households (paragraph 3.56). Lower observed headship rates may be because more younger people do not wish to form their own separate household.
- (ii) The SHMA 2014 also rightly identified that concealment *“may be linked to wider economic conditions and tightened mortgage lending criteria, making it difficult for younger families to afford the cost of moving out of their family home”* (paragraph 3.56). The SHMA almost totally ignores the demand side of the housing market.
- (iii) The same paragraph of the 2014 SHMA noted too *“In addition, given the presence of universities in the borough and the increase in both student places and university costs over this period, it is likely that this is also influenced by an increase in the number of young adults living with relatives while studying”*.

We find it surprising that these observations have been ignored in the review of suppressed household formation, and that observed patterns of headship rates are entirely attributed to an insufficiency of land provided through the planning system. The impact of each of these identified influences, and any others which may be relevant, should be specified before making any residual claim on an allegedly insufficient housing land supply. The SHMA fails to demonstrate that it is specifically a shortage of land supply which is holding back headship rates: that is just an assumption.

¹ The PPG on Housing and Economic Development Needs Assessment states at paragraph Reference ID: 2a-015-20140306: “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. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing. The assessment will therefore need to reflect the consequences of past under delivery of housing. As household projections do not reflect unmet housing need, local planning authorities should take a view based on available evidence of the extent to which household formation rates are or have been constrained by supply.”

2.9 The SHMA has also glossed over the implications of headship rates during the recent recession. The key claim being made is that entry to the housing market is particularly unaffordable for young people at present (paragraph 2.1 above). If that is so, then the headship rate should have risen in the relevant age groups during the recession, because affordability improved drastically (from a house price to income ratio of 5.4 to one of 4.1 – see the graph above following paragraph 2.5). Headship rates clearly cannot respond as rapidly as affordability rates can change, but any response should be picked up in the headship data and to some extent should endure. In reality the opposite happened.

2.10 The report by Edge Analytics as Appendix 1 to the original SHMA 2014 notes: “*The 2011-based headship rates were calibrated after a period of unprecedented economic change and stagnation in the housing market and thus suggest a lower rate of household formation than the previous 2008-based rates, calibrated from data collected in a time period with very different market characteristics*” (paragraph 3.13). The projected and actual effects of the recession on the headship rate for the 25-34 age group in Welwyn-Hatfield are presented by Edge Analytics in Figure 9 of Appendix 1 to the SHMA Partial Update 2015, by which time the 2012-based headship rates were available. This is reproduced below.



2.11 The graph presents:

- the 2008-based headship rate (blue dots) projecting a gradual decline after 2008;
- the 2011-based headship rate (black dashes) showing a steeper decline from 2011;
- the 2012-based headship rate (red line) bottoming out in the recession and rising gradually from 2012.

Each of these demonstrates the reverse of the hypothesis of the SHMA: headship rates became worse as the recession took hold and affordability improved, yet, when recovery began and affordability was deteriorating again, the headship rate (and its forward projection) actually rose.

2.12 The evidence suggests that the model on which Turley have based their belief that improved affordability will result in higher headship rates is wrong. During the recession, the effect of falling house prices was primarily to depress pre-recession rates of household formation – probably due to the economic and other uncertainties created – and this was more important than facilitating household formation due to much improved affordability. Significantly improved affordability (i.e. lower house prices) is associated with economic

downturns. The clear message is therefore that just because affordability has deteriorated since 2001 and headship rates have fallen since 2001 does not mean that the two trends are closely related. Headship rates are more likely to be influenced by the kinds of stimuli noted in paragraph 2.8 above. There is also the possibility that headship rates do respond to affordability but only if rates of change in affordability are very gradual (so that confidence in the market is not shaken), rather than sharp into and out of a recession. However, only significant changes in affordability could be expected to price into the market the large number of households currently said to be priced out in Welwyn-Hatfield (969 households – see next subsection).

2.13 The SHMA has at no point assessed what appears to us to be the superior interpretation of the data on headship rates: there is a ‘new normal’ in the 2014-based headship rates. Attempting to turn the clock back to a notionally preferable age, a remarkable 16 years ago, seems to us unjustified in principle. The package of circumstances which existed in 2001 should not be cherry-picked for variables whose values then might look attractive now.

Will raising the housing land supply by 51pa return headship rates to 2001 rates?

2.14 There is a sequence of steps in the logic of the SHMA whereby a return to 2001 headship rates in the 15-24 and 25-34 age groups will be achieved by allocating land for 51 additional dwellings in Welwyn-Hatfield every year of the Local Plan period. All of the steps must be achieved in full. We explore the likelihood of this happening.

(i) *An additional dwelling will be built on every plot.* This is unreliable at the scale of a large land release above demographic projections, for reasons given in section 3 below.

(ii) *The dwellings built will be the types which young people wish to occupy.* If there was a serious market available in this sector at present, then the house building industry would be targeting it and the demand would be cleared. That this has not happened and is not expected suggests that there is both an affordability problem and that builders’ priorities are elsewhere. It is not clear why the house building industry would in future prioritise building for this sector of the market, or how this could be achieved without other kinds of intervention in the market.

(iii) *The price of dwellings will come down so that younger households can access them.* This could be tackled in principle either by making homes more affordable to buy or rent in the market sector or by providing more homes for occupation at sub-market rents in the social, supported sector.

(iii)(a) Will building 51 extra homes a year for sale or rent in the Borough flood the market sufficiently for house prices to drop to a point where younger households kept out of the market will now be able to enter it? The answer to this question is obviously that it is highly unlikely, except possibly on a tiny scale for a few households at the economic margin. Research by Kate Barker for the Government (Review of housing supply, March 2004) demonstrated that building houses was an extraordinarily inefficient means of reducing house prices: she calculated that to reduce annual house price growth from the 2.7%pa at

the time to 1.1% (i.e. not actually reduce prices) would require the construction of an extra 120,000 dwellings annually in England over many years. The SHMA Update 2017 quotes in different circumstances (paragraph 6.21) the finding on this point of the Inspector who examined the Mid-Sussex Local Plan (report 20 February 2017). This referred to *“the Inspector’s view that there was no evidence that the suggested uplift associated solely with an adjustment to household formation rates of younger households, which represented an uplift of approximately 3% would ‘improve affordability either generally, or for the 20-34 age group on which the uplift was targeted’.”* We doubt that the 8% increase in land supply suggested in Welwyn-Hatfield would make much more difference than a 3% increase.

(iii)(b) Will building 51 extra homes a year for occupation at sub-market rents enable younger households to set up on their own? The answer to this question is broadly ‘yes’, provided the sub-market rents are affordable by the target group (or the difference between rents and what they can afford is subsidised). The SHMA does not identify what proportion of the 969 dwellings which it wishes to see built over the Plan period (19 years x 51 dwellings) would be occupied in the market or social sectors. Nonetheless, there is such a substantial backlog in the social sector that the likelihood is that occupants could be found for all 969 dwellings. However, there is no policy commitment to provide the funding for anything like sufficient additional dwellings in the social sector to give effect to this option. We therefore pursue the social housing option no further.

(iv) *The dwellings built will be occupied by the younger households currently unable to enter the market, but who in similar circumstances would have been able to do so in 2001.* How this would be achieved is difficult to understand. There will always be competition from a range of households to acquire available houses, especially if they are for sale or rent at significantly reduced prices. Furthermore, the target group is difficult to identify in practice, so reserving properties for them specifically would likewise be difficult. A sector such as ‘individuals or couples who have left full time education and have been living as a concealed household with friends or relatives for at least three years’ would be difficult to enforce, even if there was an intention to do so – which there is not. Also, the intention is not to provide a home for every younger household not already in the housing market, but to target just a sufficient fraction of them to raise the headship rate to 2001 levels. This means that the target group would have to be identified in a way which did not provide a home for those households who in 2001 would not have been expected to enter the market. That is an extremely difficult dividing line to identify, let alone apply. This is all wholly impractical. The achievement of the SHMA model is therefore more likely to depend upon houses also being available at the same time for every other household type which might want one, as part of the Government’s drive to raise housing supply. As that would depend on private house builders constructing sufficient houses to ensure that their prices dropped significantly, it obviously won’t happen.

(v) *The headship rates of younger age groups will revert to 2001 levels.* If the problems identified with all the previous steps noted above could be overcome, then the theory of the SHMA could be put into practice. The number of additional dwellings supplied that is nominally necessary to raise headship rates would be occupied by precisely the households who, in 2001 in similar circumstances, would have been able to enter the market. This is a neat concept, but it is clear from the commentary above that it is entirely unrealistic. The

far greater likelihood is that adding 51 dwellings annually to the land supply obligation would immediately be lost into the wider land market. It would result first in land-banking, second in market housing supply to those most able to pay, and third in a modest proportion of 'affordable' homes where considered viable. Only by chance would people in younger age groups wanting a first place of their own to buy or rent be the beneficiaries. The idea of supporting a particular sector would be lost from the outset. The idea of providing a separate home notably for young people living at home with their parents but who cannot yet afford one is hardly likely to be a priority. It will therefore not happen in the social sector even if more social homes are supplied. It will not happen in the market sector because house prices will fail to come down discernibly to enable it.

Conclusion

2.15 The idea of returning to the higher headship rates in 2001 amongst younger households cannot possibly be achieved by allocating sites for an additional 51 dwellings annually over the Local Plan period in Welwyn-Hatfield. A proposal presented as a simple numerical resolution of a problem – the number of extra dwellings needed to enable the same proportion of 15-34 year olds to obtain their first home now as they did in 2001 – depends for its implementation on either a massive additional social house building programme (which is not planned) or on a substantial reduction in house prices (for which no mechanism has been identified). The beneficiaries of such a proposed land release, which is additional to demographic need, would in all probability not be young people in Welwyn-Hatfield but instead principally those extra migrants into the Borough taking advantage of the additional homes offered. **We conclude that the desired increase in headship rates cannot be achieved by the simple mechanism proposed, so the allocation of land for 51 additional dwellings each year should be deleted from the Local Plan.** The proposal to influence headship rates is a purely hypothetical scenario which cannot reasonably be expected to occur: this should not be considered by the local authority, and is therefore a type of intervention which the Planning Practice Guidance Housing and economic development needs assessment advises against at paragraph 003 (Reference ID: 2a-003-20140306).

3 'MARKET SIGNAL' ADJUSTMENT FOR AFFORDABILITY IN WELWYN-HATFIELD

The SHMA findings and proposals

3.1 The Strategic Market Housing Assessment for Welwyn-Hatfield has paid considerable attention to 'market signals' in line with the advice in the DCLG Planning Practice Guidance on Housing and economic development needs assessment, particularly paragraphs 19 ('How should market signals be taken into account?') and 20 ('How should plan makers respond to market signals?'). The original SHMA in August 2014 included substantial information on the state of the market in its chapter 5. Most of this was a snapshot rather than trend-based; extensive information was included on variation in the market across the Borough. Both the SHMA Partial Update 2015 and the SHMA Update 2017 focused more closely on the PPG's requirements and emphasised trends in the market indicators. In particular, a full study was provided in chapter 5 of the 2015 report followed by a shorter update in a section of chapter 4 in 2017. All three reports in 2014, 2015 and 2017 addressed the impact of market signals on Objectively Assessed Need in their concluding chapters.

3.2 In view of the greater attention to trends in market signals in the 2015 and 2017 reports, and because some key aspects of those two reports are comparable (the 2017 report updates the 2015 report with more recent data), it is convenient to rely more on these recent reports than on the original SHMA in 2014.

3.3 The 2015 report reviewed in turn the signals which the PPG recommended for attention: house prices, rents, affordability, rate of development, overcrowding (using both the room standard and also concealed households) and land prices. Current values and trends were reviewed in Welwyn-Hatfield, and then set against equivalent data in eight local authorities around Welwyn-Hatfield, and in England. The raw data were presented in convenient form by ranking each of the areas against each signal. This exercise was repeated, in less detail, in the 2017 report (not all the same detailed signals were reassessed). However, in the latter case the raw data were not ranked in the same way: our table on the next page therefore presents the 2015 ranking table (from Figure 5.9 of the SHMA) and calculates the ranks from the 2017 data where the same items were covered. This provides a simple means to demonstrate market performance in Welwyn-Hatfield.

3.4 The results from the ranking exercise show variability around the ten authorities, many of which performed well on some signals and poorly on others. The findings of the 2015 report in Welwyn-Hatfield were clear: within the context of its position physically and economically adjacent to London, where prices are higher than many other parts of the country, the Borough performed very well on most of the trend-based signals. However, on overcrowding (both room standard and concealed households), Welwyn-Hatfield was the worst-performing of the ten areas studied. Those data, taken from the 2001 and 2011 Censuses, were obviously unchanged by the 2017 report, though the other data from the later report reinforced the very good performance against other signals in the Borough.

3.5 In consequence, the SHMA Partial Update 2015 focused its attention on market signals exclusively on household formation rates, identifying that downward trends in headship rates were most pronounced in the 20-29 age group (neglecting the post-

WELWYN HATFIELD BOROUGH COUNCIL
Strategic Housing Market Assessment
Market Signals Summaries (2015 and 2017)

<u>Rank order¹ of authorities against those trend criteria used in both the 2015 and 2017 SHMAs</u>	Welwyn-Hatfield	Barnet	Broxbourne	East Hertfordshire	Enfield	Hertsmere	North Hertfordshire	St Albans	Stevenage	England
House prices										
Change (LQ) 2001-2014 (2015)	8	3	10	7	5	2	9	6	4	1
Change (LQ) 2001-2015 (2017)	8	1	10	9	3	4	6	7	5	2
Rents – 2-bed										
Change (LQ) 2011-2014 (2015)	5	2	9	3	4	1	6	7	8	10
Change (LQ) 2010/11-15/16 (2017)	9	4	8	7	3	1	5	6	2	10
Affordability										
Change (LQ) 2001-2013 (2015)	8	7	10	3	1	5	6	2	9	4
Change (LQ) 2013-2015 (2017)	7	1	3	9	4	8	6	5	2	10
Overcrowding										
Number in 2001	6	2	8	5	3	9	7	4	10	[1]
Number in 2011	4	2	6	7	3	8	9	5	10	[1]
Change 2001-2011	1	4	2	5	3	6	9	10	8	7
Concealed families										
Number in 2001	10	2	7	8	3	6	5	4	9	[1]
Number in 2011	6	2	8	9	3	5	7	4	10	[1]
Change 2001-2011	1	3	6	4	2	8	10	9	5	7

Source: SHMA Partial Update 2015 Figure 5.9 and SHMA Update 2017 Appendix 2 (Turley)

1. A rank of 1 indicates that an area has seen the greatest worsening in each indicator, relative to the other areas presented. A rank of 10 suggests more favourable performance against each signal.

retirement age groups where this was to be expected). This was essentially an affordability problem, and an uplift in dwelling supply of 5-6% was recommended to return household formation rates to those last seen in 2001 (as a market rather than demographic issue).

3.6 The SHMA Update 2017 went further than the 2015 report by including for comparison five other authorities around the country considered to have similar demographic and economic characteristics to Welwyn-Hatfield (Leeds, Preston, Coventry, Southampton and Colchester) and two authorities where Local Plan Examinations had addressed market signals issues. Paragraph 4.115 states: “*Comparison has also been made with Eastleigh and Canterbury, given that the Inspector examining each of these Local Plans arrived at a clear position on an appropriate response to market signals evidence in each authority.*” Little new analysis was offered, but strikingly different conclusions were drawn from the evidence. Paragraph 6.22 concludes: “*In the context of the 8% uplift from the assumed recovery of the household formation rates of younger households as part of the adjustment to the demographic projection, a further 10% uplift is recommended.*” This advice relied on what were held to be comparable scales of dwelling need uplift recommended by Inspectors in Eastleigh, Canterbury and Mid-Sussex.

Commentary on the SHMA

3.7 The SHMA plainly identified only one ‘market signal’ which required attention: overcrowding including concealment of households in the younger age groups. This prompted proposals to increase housing land supply to tackle the difficulty which some of the affected households were experiencing in gaining access to a home of their own. The uplifts if Objectively Assessed Need were proposed in the SHMA reports at 8% in 2014 (paragraph 9.68 final indent), 5-6% in 2015 (paragraph 5.58) and 18% in 2017 (paragraph 6.22). We agree with the SHMA that there are no other market signals which justify intervention in the assessment of Objectively Assessed Need for housing. Regarding the recommendations made we have three groups of comments.

(i) *Releasing more land will not improve headship rates in younger age groups*

3.8 Section 2 of this report has demonstrated that releasing more land cannot by itself possibly have the effect of returning headship rates amongst younger age groups to the rates which prevailed in 2001, and strongly challenged whether that was a realistic objective in any event. Will adding an additional 10% land release as a market signal response to what was described earlier in the SHMA Update 2017 as an 8% demographic addition make any difference to that? Without a shadow of doubt, the answer to that question is ‘No’.

3.9 The SHMA fails to explain its logic. Paragraph 6.22 of the 2017 report appears to accept that its own proposal for an 8% uplift in land release for demographic reasons recommended in paragraph 6.12 will not have the desired effect. That is a remarkable admission. Suddenly, after proposing similar uplifts in land release in 2014, 2015 and a few paragraphs earlier in 2017, the SHMA now realises that younger households unable to occupy a separate home will actually still not be able to do so even if there is an extra 8% land available on which to build the homes they would ideally like to occupy. That is right. This does, though, call into question the reliability of the three reports proposing that.

3.10 Most overcrowded households may simply need a larger dwelling. It is possible in some of them that, if additional dwellings were available to them, then some of the people would take the opportunity to form a new household and move out (the headship rate would then rise). Also identified are younger households identified as concealed households residing within another household (e.g. married couples living with one set of parents). In both categories actual or prospective households divide between:

- those who do not want a separate home at present (who may be numerous amongst international migrant cultures, indicating why the objective of returning to 2001 headship rates is misplaced);
- those who want a subsidised affordable home to rent; and
- those who want a home to rent or buy in the market.

Only the last of these would be addressed directly by additional house building (though there may be a modest provision of cross-subsidised affordable housing the greater the private building rate). The SHMA does not distinguish the scale of need for market and subsidised provision, though the indications are that most of the need is for affordable homes (see paragraphs 3.14-17 below). So far as the market element is concerned, the evidence comprehensively demonstrates that market prices will not be brought down sufficiently even by large scale land releases to make any real difference to affordability.

3.11 The SHMA makes no attempt whatsoever to explain cause and effect. The proposed additional 10% uplift in land release is wholly arbitrary. If 8% won't achieve the objective, what will, say, 15% or 18% or 20% or even 100% achieve? The correct answer, of course, is that none of these will make any difference at all because the housing market does not work like that. The reasons, in summary, are as follow.

(a) Predicted sale prices affect the amount which house builders can bid for land; any unexpected reduction in house prices therefore squeezes profits or, if on a significant scale, cause development not to proceed. This is what happens in a recession. The last thing the suppliers of houses want is for their prices to come down. It would be fanciful to think that developers want to drop their prices significantly so that they can price more buyers into the market.

(b) What is true at the local level is equally true at the wider market level: there is no supplier of a product, least of all house builders, who flood the market with their own products with the deliberate intention of depressing their own sale prices. Left to the housing market, house prices therefore cannot come down quickly: they can only come down very gradually over a lengthy period of time. Building houses is an exceptionally inefficient way of reducing house prices, (see paragraphs 2.14(iii)(a) above and 3.12 below).

(c) If the price of houses is not about to come down significantly (even discernibly) by house builders' actions, then the number of dwellings they can sell in a given market cannot expand a great deal either. The volume of sales largely reflects the state of the market. The number of people who can afford to buy is of course very different from the number of people who would like a home of their own.

(d) If the volume of sales is not about to rise greatly, then releasing more land for house building through the planning system will not make much difference overall. Developers will be able to cherry pick the most profitable sites from those on offer. This may well mean more building in places where it was previously constrained, and there will be marginal gains overall from a more lax regulatory system. (House prices will not come down: there will just be more houses built in certain places.) However, developers will defer or give up the idea of building on the more difficult sites (often the ones where planning authorities would most like to see development take place). Most 'extra' land released by the planning system will go into a builder's landbank: the length of time until it is developed will depend on the other sites competing with it and on the level of demand in relation to land supply. It will not suddenly be used to provide below market price homes for young households.

(e) House prices, and therefore affordability, are barely affected by land supply. They are affected by scarcity (builders have to balance keeping prices up with serving the market) and above all by 'demand side' influences over the ability and willingness of prospective buyers to pay. Interest rates, mortgage availability, wealth (including mum & dad's), income, employment prospects, tax rates, etc. all affect this. House prices respond on a much larger scale to these stimuli than they do to 'supply side' interventions such as land supply through the planning system.

3.12 Point (e) above is effectively what the Redfern Review is reported with approval in the SHMA Update 2017 as having concluded (paragraphs 4.130-131): *"Restrictions on new housing supply have not been the main culprit when it comes to price rises over the past 25 years, although they have constrained availability. But looking forward, if the number of households in the UK were to grow at around 200,000 per year, new supply of 300,000 dwellings per year over a decade would be expected to cut house price inflation by around 5% points (0.5 percentage points a year)."* If it would take an extra 100,000 houses a year to depress house prices by £1 in ever £200, then providing an extra 123 annually in Welwyn-Hatfield (51 + 72) will make no perceptible difference to house prices here (pro rata this would reduce prices by £1.41p per annum at the local lower quartile house price of £230,000). The Local Plan needs to be clear about that.

3.13 We conclude that there is simply no merit in allocating an additional 10% housing land, on top of the 8% proposed to be allocated. Neither of these will make any discernible difference to the affordability of market housing for purchase or rent amongst younger age groups in overcrowded or concealed households in Welwyn-Hatfield. Nor would general affordability of dwellings in the market, benefiting all buyers, be achieved discernibly.

(ii) *The need for any additional dwelling supply is not concentrated in the market sector*

3.14 In our view, the SHMA has drawn the wrong conclusions from the evidence it presented on overcrowding and concealment. There is little evidence to suggest that these problems are especially great or that they are likely to be solved in the market sector: additional land releases into the market would therefore have little impact. First, none of the Hertfordshire authorities has anything like as severe problems with concealed households and overcrowding as the two London Boroughs of Enfield and Barnet (SHMA Partial Update 2015 Table 5.7) also partly within the Housing Market Area. Likewise the

numerical problems in these two Boroughs grew between the two Censuses massively more than in the Hertfordshire authorities. In 2001 Welwyn-Hatfield had the lowest number of concealed households of all the nine authorities studied, and the growth of this to a number more typical of the other Hertfordshire authorities in 2011 caused its proportionate growth to be recorded as the largest in the sample. The statistic chosen, % change 2001-2011, therefore overstates the significance of the problem of concealed households in Welwyn-Hatfield. There is a greater problem with overcrowding: Welwyn-Hatfield's number in 2001 was fairly typical amongst the Hertfordshire authorities but rose by 2011 to be the largest at 3,957 (SHMA Partial Update 2015 Table 5.8). The trend similarly picked out Welwyn-Hatfield as having the worst problem, even though the absolute number of overcrowded households grew by around five times as much in both Enfield and Barnet. Barnet had over six times as many overcrowded households in 2011 as did Welwyn-Hatfield. Furthermore, the growth in numbers of concealed and overcrowded households should be put in the context of the sizeable growth of household numbers in the decade 2001-2011 (9.5%): the higher numbers who may be in need to some extent simply reflects that the Borough grew so much (SHMA Partial Update 2015 paragraph 5.33). The point here is not that Welwyn-Hatfield does not have issues of concealment and overcrowding to address – it does – but that the position in some other authorities partly inside the Housing Market Area is substantially worse.

3.15 An expectation in areas with substantial overcrowding, large numbers of concealed households and growth in those numbers (i.e. evidence of many households that might want a place of their own but cannot obtain one) would be that lower quartile rents there would be relatively high. The pressure of unfulfilled demand would tend to drive up rents. There is some evidence of this in the HMA in that the London Boroughs of Barnet and Enfield, with by far the highest numbers of households affected, had easily the highest rents. However, in Welwyn-Hatfield, the reverse is the case: the increase in rents 2010/11-2015/16 was the lowest of any of the HMA authorities, even though the proportionate changes in both overcrowding and concealed households 2001-2011 was the highest here. There is some implication therefore, that the pressure from apparently crowded dwellings to secure separate accommodation in the market is not as great as might be expected.

There are various possible reasons for this, such as:

- there was less real demand for separate housing because some international migrant households preferred living in extended families (SHMA Partial Update 2015 paragraph 5.29; note that international migration is reviewed in section 6 below);
- there was less real demand for separate accommodation because of the high proportion of students and younger people sharing (SHMA Partial Update 2015 paragraph 5.33);
- the real need was for subsidised affordable housing.

3.16 The position in Welwyn-Hatfield with rents is mirrored in other measures of access to the housing market. Of all the nine authorities within the HMA, the Borough has recently had one of the lowest increases in house prices and one of the lowest deteriorations in affordability (see Table above). The growth in house prices in the Borough has been slower than growth in England as a whole, and house prices had grown at a slower rate historically (SHMA Partial Update 2015, paragraph 5.6). The findings again suggest that efforts to intervene in the market sector in this Borough to promote further access to private housing

would be misplaced: other authorities need that more than Welwyn-Hatfield, and the Borough is already one of the better parts of the HMA within which to seek housing in the market (to buy or rent).

3.17 At the same time there is a substantial accumulated backlog of need for affordable housing in Welwyn-Hatfield, just as there is in many other local authorities. Here the SHMA Partial Update 2015 measured the backlog at 1,081 households. Together with the estimated newly arising need of 539 affordable dwellings annually there is a substantial total need. The need far exceeds the number of affordable dwellings likely to be built in association with new private dwelling supply, so the likelihood is the backlog will increase. Unless decisive action is taken this can only make worse the problems already faced by those in overcrowded or concealed households who are unable to access the market and who wish to occupy a separate home of their own. Their need is for additional affordable housing, not market housing. On this basis the ‘response to market signals’ of providing land release into the market for an additional 72 dwellings per year (on top of the 51pa previously proposed) would be largely irrelevant to their needs.

(iii) The findings from other Local Plan Examinations are selective and misrepresented

3.18 The comparison of Welwyn-Hatfield with five other distant authorities in the SHMA Update 2017 is irrelevant, in our view. Only Colchester is in the same region, and the housing economies of all five authorities are very different from that of Welwyn-Hatfield. They are all far from London (with the partial exception of Colchester) and most of them are much more urban. Other planning background features such as Green Belt vary from place to place. In any event, such very limited information as there is from those authorities is barely used in the drawing of conclusions in the SHMA. They should be disregarded.

3.19 The most ludicrous feature of the SHMA Update 2017 is its reliance on the Eastleigh, Canterbury and to some extent Mid-Sussex Local Plan Inspectors’ Reports to suggest advice to the Inspector of the Welwyn-Hatfield Local Plan. The choice of these authorities is highly selective: very few Plans have their housing needs raised by 20%.

3.20 Furthermore, in the case of Canterbury, the market signals uplift to the ‘starting point’ had no practical effect because other uplifts of 30% had been recommended in the Housing Needs Review (HNR – the SHMA equivalent) in any event and ran concurrently with the market uplift. The Inspector found a starting point of 620 dwellings pa and then explained the position as follows (with our emphasis added):

“63. The HNR has updated two of the economic-led scenarios that were part of the 2012 Development Requirements Study. The housing need number is increased to 717dpa to bring it in line with the unconstrained projections of employment growth used in the earlier study and to 803dpa to reflect the higher job growth associated with Scenario E.

66. ... Nathaniel Lichfield & Partners concluded that full OAN was likely to most reasonably fall with a range of between 744 and 853dpa. 803dpa is within the middle of the range and may be seen as an appropriate measure of full OAN. NLP indicated that

this may be seen as equivalent to the 780dpa scenario used to inform the requirement in the Plan.

67. Although the Council's preferred figure of 780dpa falls within the HNR range it does not flow from its results. The market signals uplift of 20% is a very significant one and there would be a degree of overlap between that and some of the other needs assumptions. In that context, figures in the upper end of the range would not be appropriate. The middle range figure of 803 dwellings identified by NLP would be almost 30% higher than the 620dpa starting point.

68. Taking these factors in the round it seemed to me that 803dpa would achieve an uplift that took reasonable account of market signals, economic factors, a return to higher rates of household formation and affordable housing needs. Accordingly, my preliminary finding was that this represented the full OAN for the LP area. It should be rounded to 800dpa for the purposes of the Plan – a further 400 dwellings over the Plan period (16,000 in total)."

3.21 The effect in Canterbury was therefore that the OAN was selected primarily for economic development reasons. The final OAN was set at 800dpa, just 20dpa above the supply figure proposed by the authority, and the Inspector added 400 dwellings to tie supply to need. The market uplift had no detectable impact of its own. The authority did not need to find land for a further 20% of dwellings above the starting point of 620dpa (i.e. which would have been an additional 124dpa). That was already covered by the increase in dwelling needs for other reasons. The Inspector was able to demonstrate compliance with the market signals advice in the PPG without actually increasing the number of dwellings needed. He also clearly indicated that a higher figure 'would not be appropriate'. The implication is that he would not have been so accommodating of a 20% market uplift if this had been additional to the total housing needs of 800dpa already identified.

3.22 Nor should the assumption be made that Inspectors necessarily accept that allocating more land through the market signals approach will bring down house prices. For example, the Inspector at the Maidstone Local Plan Examination has recently issued his Final Report (27 July 2017) where he rejected not only a proposed increase in housing needs to tackle affordability, but deleted the proposal in the submitted Plan for a 5% increase in response to market signals. His argument was as follows (with emphasis added):

"Market Signals

100. In the first 5 years of the Local Plan period from 1 April 2011 to 31 March 2016 there were 2,860 completions in Maidstone Borough – an average of 572 dwelling completions per annum. Subtracting those completions from the Objectively Assessed Housing Need of 17,660 dwellings (excluding any market signals uplift) would leave 14,800 dwellings to be delivered over a 15 year period or an average of 987 dwellings per annum (dpa).

101. If the rate of delivery is increased to address the shortfall in 10 years then the annual average rate of delivery in the first 5 years would need to rise to 1091 dwellings

(including a 5% buffer). That represents a near doubling of delivery compared to the previous 5 years.

102. The national PPG provides at paragraph ID 2a-020-20140306 that plan makers 'should increase planned supply by an amount that, on reasonable assumptions and consistent with the principles of sustainable development, could be expected to improve affordability.'

103. In the submitted Local Plan an approximate 5% uplift for market signals was added to the base OAHN figure of 17,660 dwellings That increased the total housing need figure by 900 to 18,560 dwellings. That equates to an extra 45 dwellings per annum (dpa) over the full plan period.

104. At the examination hearings it was acknowledged by participants that the 5% figure is arbitrary and lacks a scientific basis. The Home Builders Federation acknowledged that a 5% uplift would be too modest to make a difference to affordability. The HBF sought a higher uplift of 10% but that also lacks any scientific basis and has not been shown to be consistent with the principles of sustainable development in the Borough. This report has identified that there are challenging issues of housing delivery including flood risk, congestion and realistic delivery rates for the Broad Locations. A 10% uplift would require the identification of sites for a further 1,766 dwellings before the plan could be adopted and the associated delays would risk significant delays in the short term delivery of housing.

105. I acknowledge that higher market signals uplifts of 10% or more have been applied in some other local plan areas in the South East. However there is a lack of evidence before me as to what rate of uplift (assuming it could be delivered in practice) would have a significantly greater effect on the market in Maidstone when compared to the proposed near doubling of the building rate that would in any event be needed to meet the OAHN even without any market signals uplift.

106. I conclude that the 5% market signals uplift would not be effective and is not justified in this case. Moreover as I conclude elsewhere in this Report that some of the housing sites proposed in the submitted plan would not be deliverable, it would be necessary to delay the adoption of the plan in order to identify additional sources of supply in order to achieve either that 5% uplift or a higher uplift figure. That delay in itself would reduce the supply of housing in the short term with the opposite effect on affordability to that intended. The OAHN figure should accordingly be reduced by 900 dwellings. However consideration of any need for a market signals uplift for delivery later in the plan period would necessarily form part of the intended Local Plan review."

3.23 We conclude that there should be no uplift in the assessed housing need in Welwyn-Hatfield on the basis of market signals. This would not have the desired effect of enabling more younger people to gain access to market housing. The proposed additional increase of 10% is without any foundation in evidence. The Plan is already proposing a 79% increase in recent building rates, from 352dpa in 2013-2016 (WHBC Housing Topic Paper, May 2017, Table 2) to 631dpa in the submitted Plan.

4 MIGRATION FROM LONDON INTO WELWYN-HATFIELD

4.1 About every two years the Office for National Statistics publishes national population projections for England followed by sub-national population projections (SNPP). The latter provide the principal input into household projections, similarly published approximately every two years by DCLG. The population projections include the consequences of projected population movements, both international migration and within England. Ordinarily, therefore, the household projections for each local authority area have already taken into account projected population movements between any one authority and another. Projections can be rebased every 10 years using information from the decennial Census. The Government's Planning Practice Guidance is clear that "*Household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need*" (PPG Reference ID 2a-015-20140306), which at the present time means the 2014-based household projections.

4.2 Welwyn-Hatfield is positioned in London's commuter belt. The migration flows of people (and the households they form) between London Boroughs and Welwyn-Hatfield are substantial, and there is some suggestion from the Greater London Authority (GLA) that net outflows from London into Welwyn-Hatfield will increase in future. The matter is reviewed in the SHMA Update 2017 both by Edge Analytics (Appendix 1, chapter 4) and by Turley (principally at paragraphs 4.65-71). Turley conclude from the assessments that:

"4.93 It is not considered appropriate at this time to apply any distinct adjustment to the 2014-based SNPP to allow for the demographic implications of London, given the ongoing work by the GLA to review the London Plan and update its evidence base. Such an isolated adjustment risks misaligning with this updated position, and it is instead recommended that the Council partake and engage with the development of this evidence where required to consider the implications of London's assessed housing needs."

4.3 Despite this statement, the SHMA does respond to migration pressure from London in another way. Paragraph 6.10 states: "*A specific quantified uplift has not been recommended by Edge Analytics or applied within this update, although in considering the cumulative impact of subsequent adjustments this potential demographic pressure is taken into consideration alongside other factors*" (emphasis added). Edge Analytics uses the GLA Long Term projection 2015 round (compared with the GLA Central projection in its 2013 round) to report that internal movements between London and Welwyn-Hatfield have been revised upwards. On this basis the average flow from Welwyn-Hatfield into London would increase by 38 people annually on average over the period 2014-37, but the flow in the other direction would increase still more, by 88 people annually. This makes a forecast net increase in 50 people annually moving into Welwyn-Hatfield from London. That increase of 50pa would be within the extra dwelling need recommended by Turley for other reasons.

4.4 In our view, the accompanying commentary by Turley and the assessment of migration using updated data by Edge Analytics were unwise, for the following reasons:

(i) Fundamentally, the GLA uses a different demographic model from the ONS Sub-National Population Projections and DCLG household projections which are used in Welwyn-

Hatfield (and almost everywhere in England): Turley refers in paragraph 4.69 to the “*bespoke projections developed by the GLA*”. Having decided to apply the SNPP 2014-based population projections, the SHMA should stick with that. Mixing up information derived from the different models can easily lead to confusion and should generally be avoided unless the numerical differences can be clearly distinguished and resolved.

(ii) The GLA’s Long Term projection 2015 round, used as indicated above, is accepted by Edge Analytics as not distinguishing between migration flows within and outside London: the footnote to its Table 8 states that “*Edge Analytics has applied its own estimation to disaggregate these migration flows.*” We do not consider this appropriate, least of all when there is no imperative to carry out such an analysis.

(iii) Turley add to this in their paragraph 4.69 “*Similarly, while this distinct adjustment was previously considered appropriate to reflect the planned level of housing provision relative to needs in London, the 2015 round of projections inherently carry less weight at this point in time, given that they are yet to be tested and evaluated through the forthcoming production of a new London SHMA.*”

(iv) The suggestion that there will be a spike in migration from London into Welwyn-Hatfield is premature. The evidence of net movement into and out of London as a whole is one of only very gradual change with no volatility over the period between 2001/2 and 2014/15 (see Edge Analytics Figure 19 in SHMA Update 2017 Appendix 1), so there should be some caution in assuming sudden change in respect of movement to Welwyn-Hatfield. In any event the net migration figures differ significantly between the GLA model (Central Forecast) and the SNPP (see Edge Analytics Figure 20 in SHMA Update 2017 Appendix 1), so their questionable reliability should temper precise claims of their impacts. Furthermore, caution should be exercised in projecting forward net migration figures: net movements between London and Welwyn-Hatfield are only 6-7% of the gross movements in either direction, so proportionately small changes in the gross figures can cause large changes in forecast net migration.

4.5 We therefore consider that the additional claimed migration should not contribute in any ‘cumulative’ manner to the estimation of housing need. If other reasons for additional dwellings (above those directly generated by the household projections) were found to be unjustified, there should not be any reliance placed as a fall-back on the anticipated migration into Welwyn-Hatfield from London.

4.6 Furthermore, the consideration of migration between London and Welwyn-Hatfield is presented in the SHMA as a policy-neutral topic. It is not. The purpose of the Green Belt in which Welwyn-Hatfield sits is to prevent the outward sprawl of London, including the expansion of settlements within the Green Belt. The intention is that development should be focused on existing built-up areas and on locations beyond the outer edge of the Green Belt. There is no response in the SHMA to this policy preference and the consequent case for constraining inappropriate growth of London in Welwyn-Hatfield by means of migration. This should be considered in any event, and especially so if any growth in net outward migration from London into the Borough were to be proposed.

5 INTERNATIONAL MIGRATION AND ITS EFFECTS ON WELWYN-HATFIELD

5.1 The demographic estimate of housing need in Welwyn-Hatfield has a significant lack of credibility due to its remarkably high estimates of future net international migration into the Borough. Insufficient attention has been given in the SHMA to the evidence provided by Edge Analytics, and there has been no ‘common sense check’ on the numbers coming out of the 2014-based Sub-National Population Projections. The base estimate of population growth is too high, in turn generating excessive numbers of household and expectations for dwelling supply.

5.2 The components of the projected population growth in Welwyn-Hatfield are presented by Edge Analytics in Figure 13 of their report in the SHMA Update 2017, (below).

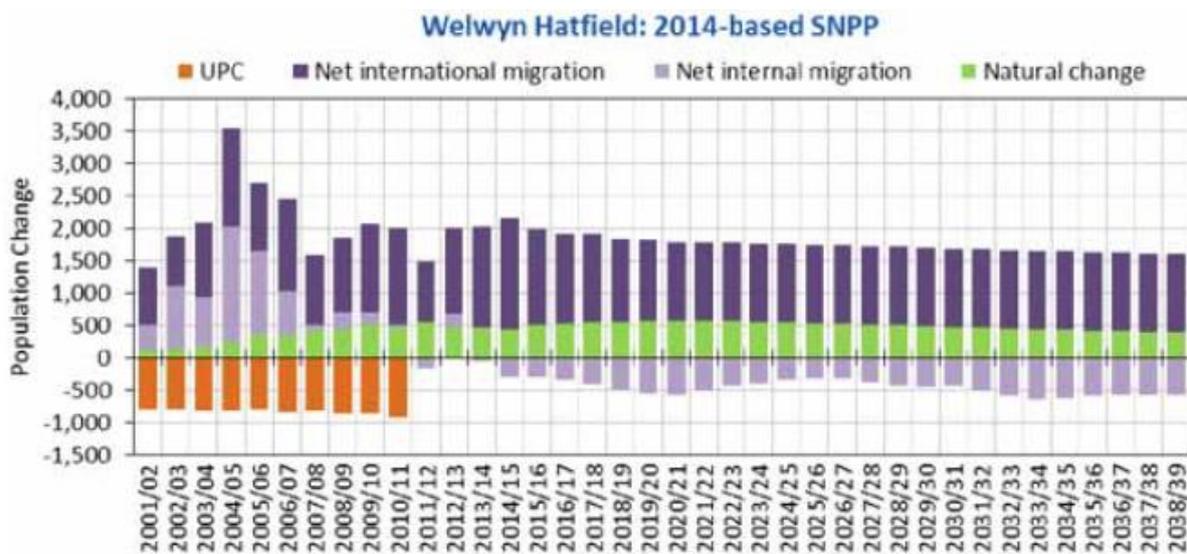


Figure 13: Historical and 2014-based SNPP components of change (Source: ONS)

5.3 This figure shows that up to three quarters of anticipated population growth in the Borough is attributed to net international migration. Figure 7 in the Edge Analytics report demonstrates that in recent years international migrants from the European Union have increasingly dominated the migrant population (based on National Insurance Number [NINo] registrations), reaching three quarters of the total in 2015, as shown below.

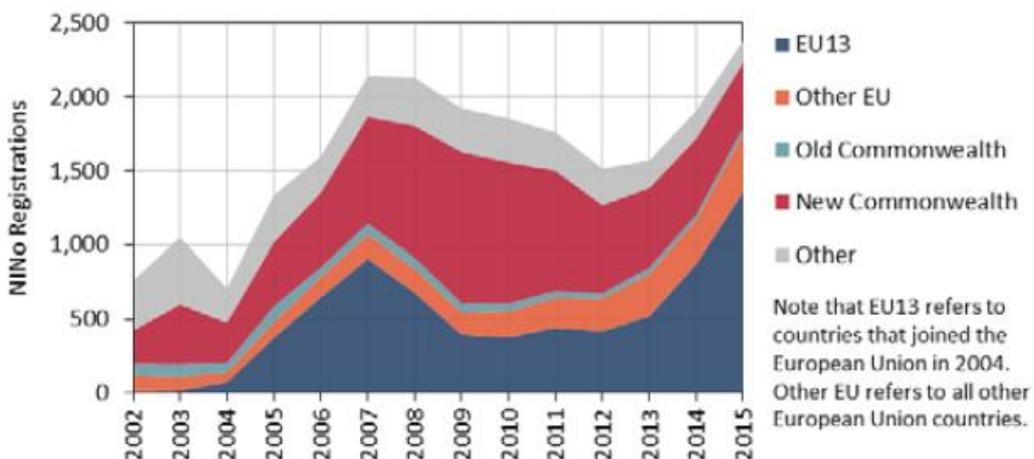


Figure 7: Welwyn Hatfield NINo registrations by country-of-origin (Source: DWP)

The statistical basis for international migration figures

5.4 Striking features of the Edge Analytics Figure 13 above are: (i) the large number of people in the years to 2011 identified in the 'Unattributable Population Change' (UPC) category (which then suddenly stops); and (ii) the projected change in Welwyn-Hatfield from accommodating additional internal migrants each year, especially prior to 2007 (i.e. from elsewhere within the UK) to a net outflow each year.

(i) Unattributable Population Change

5.5 The most accurate information on the number of people resident in an area (and, if recent migrants, where they came from) is provided every 10 years in the Census. In the intervening years estimates of population are made from other sources. It is recognised that in the years between the 2001 and 2011 Censuses the Office for National Statistics over-estimated the scale of population growth in Welwyn-Hatfield by a considerable amount, averaging 839 people annually 2001 to 2011 (see [SHMA Update 2017](#), Appendix 1 paragraph 2.5). This 'unattributable population change' (UPC) was likely to be largely due to over-estimating net international migration. The [SHMA Update 2017](#) states at paragraph 4.17: *"It is important to recognise that in the official SNPP datasets the ONS explicitly states that it has not included any allowance for UPC, with trends therefore based on historic estimates which have not been adjusted to account for any earlier over-estimate – or indeed any under-estimate – implied by the 2011 Census"*. The next paragraph explains that in response *"Edge Analytics have also considered the possibility that international migration as a future component of population change is being overestimated in a similar way to that which may have occurred prior to the 2011 Census."*

5.6 Net international migration continues to be over-estimated by the 2014-based Sub-National Population Projections, just as it was between 2001 and 2011.

- Historic 6-year average (2008/09-2013/14) = 1,312pa
- Historic 13-year average (2001/02-2013/14) = 1,215pa
- Projected 2014-based SNPP average (2014/15-2038/39) = 1,262pa

The net international migration figure remains similar to previous years because the methodology for estimating it has not been changed. Edge Analytics observes in paragraphs 5.10-11 of its report in the [SHMA Update 2017](#) Appendix 1:

"the high levels of international migration recorded in the historical Mid-Year Estimates appear to have been carried forward in the 2014-based SNPP, which may not be appropriate given the substantial UPC adjustment in the inter-Census historical data.... Examination of the latest post-Census Mid-Year Estimates (2011-2015) suggests that the relatively high international migration estimates produced by ONS pre-2011 (before any UPC adjustment is accounted for) continue and are carried forward in the latest 2014-based SNPP."

5.7 Edge Analytics reviewed six alternative demographic trend-based projections, three including an adjustment for the possibility of UPC and three excluding this. Unsurprisingly, where an adjustment was made for UPC the projections suggested lower population change, and in turn lower household change and a need for significantly fewer dwellings

(SHMA Update 2017 Tables 4.3 and 4.4). The longer the base period from which data was used to adjust for UPC, the lower the future population projected, again unsurprisingly (SHMA Update 2017 Figure 4.1). The Borough dwelling need was calculated as 675dpa based on a short term (6-year) data projection period, 639dpa based on a ten year data projection period, and 607dpa based on a fifteen year data projection period.

5.8 The alternative scenarios above considered by Edge Analytics only made allowance for UPC between 2001 and 2011, essentially an adjustment for over-estimated international migration. However, they did not factor in the likely over-estimation of international migration which had continued in 2011-2015. Doing so produced startling results, as the SHMA Update 2017 shows in Table 4.6 (below).

Table 4.6: Considering the Implications of Recent International Migration Estimates

	Change 2013 – 2032				Average per year	
	Population change	%	Hholds change	%	Net migration	Dwellings
SNPP 2014	26,790	23.5%	12,345	27.4%	895	670
PG Long-Term (UPC)	24,158	21.2%	11,185	24.8%	674	607
PG Long-Term Adjusted (UPC)	21,331	18.7%	10,366	23.0%	545	562

Source: ONS; Edge Analytics, 2017

5.9 Table 4.6 shows that proper allowance for international migration including the period 2011-2015 as well as 2001-2011 substantially depresses the projected population change still further, and the dwelling need in consequence drops to just 562dpa, far below the SNPP 2014 projection of 670dpa. Details are given in paragraph 4.47. Edge Analytics conclude as follows (Appendix 1 paragraph 7.6) reported in paragraph 4.49:

“Analysis of HESA data, NINo registrations and the ONS Statistical Population Dataset (SPD) for Welwyn Hatfield suggests that the mis-estimation of international migration (specifically immigration) may have continued in the post-2011 Census Mid-Year Estimates. This is emphasised by the different population growth rates over these time periods. Between 2001 and 2011, population growth averaged 1.35% per year. Post-Census (2011-2015), population growth averaged 1.87% per year, with the data for the twelve month period prior to the 2015 MYE suggesting a considerably higher level of growth, at 2.6%.”

5.10 The concerns of Edge Analytics are reinforced by the data on dwelling completions since 2011 when set against estimated population growth (itself driven by international migration), which the SHMA describes as “population growth significantly outpacing

completion rates” in the data (paragraph 4.35). The findings are indicated in Appendix 1 paragraph 2.21 and Figure 10 (below):

“Post-recession completion rates reduced to below 300 per year by 2013 but have risen thereafter, achieving 400 in 2015/16. Since 2011, the estimated rate of population growth has not aligned with the housing completions to the same degree as in previous years. This would suggest a rise in Welwyn-Hatfield’s average occupancy, but it might also reflect the potential mis-estimation of population growth since 2011.”



Figure 10: Welwyn Hatfield population change and housing completions

5.11 The implication, therefore, is that the international migration rate has been so over-estimated in the past that its forward projection is massively over-estimating its contribution in future, to the tune of a need for over 100 dwellings per annum (c. 2,000 over the Plan period). Insufficient attention has been paid by the SHMA to reflecting these findings.

(ii) *Internal migration*

5.12 We noted in paragraph 5.4 above that Figure 13 in the SHMA Update 2017 Appendix 1 indicated a clear change from net in-migration into Welwyn-Hatfield to net out-migration in future. This is purely the results of statistical assumptions built into the 2014-based SNPP model. It is explained in the SHMA Update 2017 as follows in paragraph 4.43:

“the future absolute flow of people to and from Welwyn Hatfield is assumed to vary to reflect the changing overall size of the population both within and outside the borough. The slower rate of growth in the population outside of Welwyn Hatfield influences the assumed inflow of migrants to the borough, while the stronger growth in the population of Welwyn Hatfield means that the outflow of residents to other parts of the UK is assumed to grow to a proportionately greater extent. This smaller inflow and larger

outflow results in a larger assumed net outflow of migrants from Welwyn Hatfield to the rest of the UK, relative to historically observed trends.”

5.13 Taking the SNPP assumptions at face value, the argument is that greater international net in-migration into Welwyn-Hatfield is to some degree offset by net outward movements to other authorities (internal out-migration). If, therefore, the projected annual net international migration was reduced to eliminate the effect of UPC, as we recommend, then the scale of net outward migration to other authorities would also be reduced somewhat. This would have the counterbalancing effect on the SNPP projections of pushing up the overall net population change somewhat, though not enough to offset the downward reduction with the UPC allowance.

5.14 Correcting for the SNPP’s over-estimation of net international migration could be done in various ways, but we consider the alternative assumptions made by Edge Analytics to be reasonable because they are closest to the ‘real world’ of known recent information ([SHMA Update 2017](#) paragraph 4.47). These rely on long term internal migration trends 2001-2015 and then a choice of assumptions about how to make adjustments for UPC in the international migration data in recent years. The option that seems most sensible to us is to adjust for UPC not only between the Censuses (2001-2011) but also between 2011 and 2015: we see no reason not to make a correction for the latter period too. If anything, the Edge Analytics methodology will tend to over-estimate population growth in Welwyn-Hatfield by relying on internal migration data as far back as 2001, when net migration into the Borough was higher than it has been recently. Actual net migration into Welwyn-Hatfield has been minimal since 2007, so a projection based on shorter-term data would have indicated lower net inward migration. This would have suggested lower population growth and a lower OAN.

5.15 The effects are reported in the [SHMA Update 2017](#) Table 4.6, as noted above. Using our preferred ‘PG Long-term Adjusted (UPC)’ assumptions, the population change over the Plan period 2013-2032 would be 5,459 less than projected by the SNPP, or 287 fewer people every year. This is well short of the 839 people fewer each year from applying the average UPC adjustment from the years 2001-2011. The adjusted figures from Edge Analytics do appear therefore to have accommodated amply any statistical counter-balancing effect of reduced net outward migration internally associated with reduced net inward international migration.

5.16 In summary, the SNPP assumptions on population change lack credibility in Welwyn-Hatfield:

- The 2014-based projections have been unreliable in the short term, with a particularly high Mid-Year Estimate of population in 2015 (probably 2,500 too high – see Edge Analytics paragraph 2.19, [SHMA Update 2017](#) Appendix 1), and are set to remain unduly high by virtue of still over-estimating international migration.
- The SNPP methodology applied to the period 2011-2015 has projected population change significantly higher than would have matched actual dwelling supply over the period: the population figures were too high and by common consent that was due to over-estimated net inward international migration.

- The migration projections are in any event counter-intuitive: the assumption that more residents of Welwyn-Hatfield will move out if more international migrants move in is, to say the least, conjectural.

5.17 We conclude that the Edge Analytics approach to correcting for SNPP's over-estimation of net migration into Welwyn-Hatfield over the full period 2001-2015 is reasonable, erring on the side of generous. This generates a demographic starting point for calculating Objectively Assessed Need for housing of 562dpa instead of the SNPP projection of 670dpa. This is a reduction of around 2,000 dwellings over the Plan period. The SHMA did not apply this, but should have done so.

Brexit

5.18 Population projections are policy neutral, making no assumptions about changes to the population which might be caused in future by political decisions. They are projections, not forecasts. This means that the decision in 2016 of the UK to leave the European Union has not been factored into the projections. This is explained in the SHMA Update 2017 in paragraphs 4.54-59. While the exact consequences of Brexit for population migration are clearly unknown at present, the general expectation is for a reduction in migration into the UK from the EU. Carrying on as if the Brexit decision had not happened, which is what the 2014-based SNPP population projections do (despite projecting somewhat fewer international migrants in future – see SHMA Update 2017 Figure 4.5), is not a credible option.

5.19 The Figure following paragraph 5.3 above (from Edge Analytics) indicates the rapid growth in migration from the EU. There are already signs that this is easing following the Brexit decision, and we would expect to see an updated analysis to reflect this and a reasonable assumption for smaller net inflow of migrants from the EU over the Plan period. We do not consider that it is enough to say that the 2014-based SNPP migration figures should be treated as a maximum. A policy-based lower assumption should reasonably be made.

6 DCLG CONSULTATION ON HOUSING NEED ASSESSMENT METHODOLOGY

6.1 On 14 September 2017 DCLG issued for consultation *Planning for the right homes in the right places* which included a section on 'Proposed approach to calculating the local housing need'. The consultation paper argued that "*The lack of a simple, standard approach to assessing local housing need has led to a costly and time-consuming process which lacks transparency*" and made proposals in response.

6.2 For Welwyn-Hatfield, the key considerations are at present not the proposals themselves but the transitional arrangements for the timing of their introduction. DCLG wishes to move to the new system as soon as practicable, but not in a way which undermines work already done by local authorities and progress already made. Plans already at the Examination stage, such as the Welwyn-Hatfield Local Plan, should proceed as they are at present. Any Plan submitted for Examination on or before 31 March 2018 should also continue with the current arrangements, but any Plan to be submitted after that, or at an earlier stage of preparation, should use the new standard method. In effect, therefore, the proposals are that Welwyn-Hatfield's current Local Plan should not be affected by the proposed new standard methodology for calculating housing need.

6.3 Were DCLG's proposals to be taken forward in Welwyn-Hatfield, then the data table accompanying the consultation identified the 'Indicative assessment of housing need based on proposed formula, 2016 to 2026' as 877 dwellings per annum. The 'current local assessment of housing need' is specified as 800dpa, though this is not the demographic need for Welwyn-Hatfield based on the household projections (currently 670dpa, not 800dpa). 877dpa represents a 31% increase over the demographic need.

6.4 Probably the main issue which the proposals wish to tackle is unaffordability. The standard method for calculating housing need is proposed to raise the dwelling supply obligation more in local authorities which are less affordable (measured as the ratio of median house price to median earnings of those working in the local authority area). The need figure would be capped at 40% above the household growth calculated in the area from a demographic baseline based on the household projections. In addition, DCLG wishes to ensure that a minimum number of homes is provided across England as a whole, which, using its standard method proposed, would provide 266,000 dwellings annually.

6.5 The proposals represented DCLG's thinking on its direction of travel on the housing need issue as at 14 September, but we caution strongly against any weight being given to this document in deliberations on the submitted Plan. There are two reasons for this. First, consultation documents carry no weight as Government policy and cannot be invoked for that reason: the eventual policy may be different from the one consulted upon (which is the point of the consultation). Second, the proposals are so unsupported by evidence and so extraordinary in their application that we anticipate that DCLG will need to make substantial revisions in their final proposals. We outline some key points below.

6.6 DCLG has proposed a purely statistical/mathematical formula for deciding on local housing supply obligations, based on existing affordability ratios and demographic household projections. The formula assumes there is a direct relationship between land

release and housing affordability (also making the unstated assumption that dwellings will be built on all land allocated). No allowance is made for any other issue which could affect local affordability. Affordability is worse when affected by issues such as proximity to London, presence of major roads, easy access to airports, access to good schools and high environmental quality. South Hertfordshire authorities will always be less affordable than, say, Hull or Barrow-in-Furness because they have much superior connectivity to other places and because the greater South East is wealthier. The consultation offers no indication on the extent to which affordability will be changed in any authority as a result of the incentive for house building provided by the proposed land allocations. There is no assessment of how feasible the proposals would be to implement, such as 72,000 dwellings annually in London. They are a triumph of top-down political aspiration over rigorous assessment.

6.7 Nor have the consequences of proceeding on the proposed basis been addressed effectively. The housing supply obligations which come out of the standard formula bear no relationship to local circumstances (e.g. local authorities heavily constrained by Green Belt, Areas of Outstanding Natural Beauty, SSSIs, ancient woodland). The consultation is clear that *“There should be very limited grounds for adopting an alternative method which results in a lower need than our proposed approach.”* This means that a statistical device could take precedence over long-established national policies of great importance for the environment, urban sprawl, quality of life and the wider social fabric. The new housing standard would raise land allocations required in some areas and depress them in others. The general consequence would be to concentrate additional housing development in the ‘greater South East’. This would encourage a worsening of the north-south divide. (This would still be the case even if, in Plans where the formula depressed the suggested level of housing supply, higher rates of housing supply were accepted in practice for other reasons).

6.8 The ‘affordability’ measure used, ‘workplace’ earnings, would make the divide between richer and poorer areas more pronounced. Workplace earnings reflect the buying power of local employees, but house prices reflect the buying power of residents; commuters generally earn more elsewhere – which is why they commute – so push up local house prices where they live. The new standard for housing need would encourage additional housing in areas where commuters live, notably in the London commuter belt. This would simply encourage more commuting, without thought for sustainability issues which Local Plans try to address.

9 October 2017
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