

Examination of the Welwyn Hatfield Local Plan

Council's Hearing Statement for Matter 2

Overarching Strategy: Q2 Full Objectively Assessed Housing Need

9 October 2017

(For Hearing Session 24-26 October 2017)



2) Full Objectively Assessed Housing Need.

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

Welwyn Hatfield response

- 2.1 The 2014 SHMA, the subsequent partial updates and the most recent 2017 SHMA Update (HOU-21) have consistently followed the methodological steps for calculating the OAN as set out within the PPG.
- 2.2 Each successive OAN has sought to take account of the latest published datasets and interpretation of the NPPF and PPG as demonstrated through legal judgements and Local Plan Inspectors' conclusions. This highlights that the PPG requires a level of interpretation and judgement in applying the methodology and in the final conclusion of an OAN.
- 2.3 The assessment of housing need has consistently been informed by independent demographic evidence and analysis prepared by Edge Analytics. This evidence has highlighted a complex demographic picture which is influenced by the borough's proximity to London, as well as the borough's student population.
- 2.4 The SHMAs have also been updated as necessary to ensure consistency and alignment with other parts of the Council's evidence base, most notably its economic evidence.
- 2.5 **Representations:** A range of views were expressed advancing a position that the OAN was either too high or too low – but a number of representors endorsed the methodology and its recommended range. Only one 'alternative' OAN was quantified and submitted. This assessment concluded a higher OAN for Welwyn Hatfield (1,080dpa) with reference to the LPEG methodology – which was not taken forward by DCLG. This alternative OAN resulted from a demographic projection which assumed a notably higher level of net migration than the scenarios prepared by Edge Analytics.
- 2.6 **Why the plan is sound:** Recognising the historical circumstances, which have influenced demographic data in Welwyn Hatfield (considered further below) the approach taken within the SHMAs which involved testing the robustness of official population projections through sensitivities, and applying subsequent adjustments to take account of household suppression, market signals and employment growth – is considered robust.

Is its methodology for calculating FOAHN sound?

Welwyn Hatfield response

i) Demographic forecast of households

Is it unduly influenced by untypical historic circumstances?

- 2.7 The PPG confirms that the latest official projections published by the DCLG form the 'starting point' for assessing local housing needs.
- 2.8 The SHMA evidence has consistently concluded that the most up-to-date ONS population projections represent an appropriate 'baseline' level of housing need in Welwyn Hatfield¹.
- 2.9 These projections have consistently indicated that the population of Welwyn Hatfield will continue to see a strong level of growth, driven in large part by a projected high level of net migration into the borough. Over the plan period, the most up-to-date 2014-based projections suggest that the population will grow by almost a quarter (23.5%), equating to an annual population growth rate of 1.2%. This exceeds the growth rate for England (0.7%) by some way.
- 2.10 In Welwyn Hatfield, the projection assumes a continuation of the strong trend in population growth evidenced in the borough since 2001/02². This projected strong population growth is also seen in authorities within the wider HMA³, as is the role of migration in driving this assumed growth in population.
- 2.11 Edge Analytics has been commissioned by the Council at each stage of preparation of the SHMA to consider the demographic elements of the OAN. This has included a detailed consideration of the identified complex historic demographic characteristics of the borough and the historic factors which may have shaped them.
- 2.12 Proximity to London is identified as an important influencing factor. The 2015 SHMA Partial Update (HOU/15) included a positive adjustment to take into account the impact of the historic migratory relationship with London and the GLA's published variant projections of population growth. The GLA variant projections assumed a return to a migratory relationship which was less influenced by the recession
- 2.13 The impact of this relationship with London was reconsidered by Edge Analytics to inform the 2017 SHMA Update (HOU/21). It was concluded in the 2017 SHMA Update that it would be premature to make an adjustment to the 2014 SNPP in advance of the GLA releasing its projections.

¹ The 2014 SHMA (HOU/14) and the 2015 SHMA Partial Update (HOU/15) used the official 2012-based projections and the 2017 SHMA (HOU/21) uses the 2014-based projections.

² EX11 Figure 1. Paragraph 3.15 of HOU/15 also confirms that the authority saw an annual rate of growth of 1.3% between the Census years 2001 and 2011.

³ EX11 Table 2

- 2.14 The GLA released its updated projections in July 2017 (post the SHMA), with its preferred Central scenario based on a ten year historic trend (2006 – 2016). This projected the formation of 712 additional households per annum in Welwyn Hatfield over its plan period. Applying a vacancy rate to this level of household growth⁴ suggests a need for circa 13,526 dwellings in Welwyn Hatfield over the plan period, or 734 dwellings per annum. Whilst this is higher than the demographic need (721dpa) concluded in the 2017 SHMA Update⁵, it falls some 66 dwellings per annum below the concluded OAN of 800 dwellings per annum. This provides reassurance that the concluded OAN is more than sufficient to account for atypical recent historic demographic factors arising from the housing market relationships with London.
- 2.15 In addition to the demographic influence of London, the SHMA evidence has consistently recognised other factors, which have contributed to the complex demographic profile of Welwyn Hatfield. This has included unattributable population change (UPC), which is the result of the ONS overestimating the population of Welwyn Hatfield by some 8,390 persons⁶ between the latest Census years. Edge Analytics confirmed in their analysis of demographic evidence⁷ that the discrepancy would be most likely to be associated with a mis-recording of international migration but highlight continued uncertainty around the definitive reasons for the over-estimation in Welwyn Hatfield. Whilst the implications of UPC were considered by Edge Analytics (Appendix 2, HOU/14), and scenarios modelling the impact of including UPC were presented, they were not preferred to the official projection⁸. This recognised the fact that the ONS had chosen to not include UPC at a national level in its migration assumptions in the sub-national population projections. It also recognised the complex interplay of migration flows in the borough and the historic level of population growth seen between the Census years.
- 2.16 The 2017 SHMA arrived at a similar conclusion⁹. A number of alternative trend scenarios were developed using up to date population estimates to explore the impact of assuming a projected growth in population based upon different historic periods (6, 10 and 14 years) including and excluding UPC¹⁰. These provided a range of population and household growth, which spanned that suggested by the official projections. In the context of the complexity of factors influencing the projected change in the borough's population, these were not however considered to provide a more robust demographic 'baseline' projection of need for Welwyn Hatfield¹¹.

⁴ To be consistent with the modelling presented within the SHMA evidence a vacancy rate of 3% is assumed

⁵ HOU/21 Table 6.1

⁶ HOU/21, Appendix 1, Paragraph 2.5

⁷ HOU/14 Appendix 2

⁸ HOU/14 Paragraphs 9.30 and 10.32 & HOU/14 Appendix 2 Paragraph 5.10

⁹ HOU/21, Paragraph 6.8 – 6.9

¹⁰ HOU/21 Appendix 1

¹¹ HOU/21 Paragraph 4.53 and 6.9; with this reaffirming conclusions reached in HOU/15 Paragraph 3.41 and HOU/14 Paragraph 10.32

- 2.17 The SHMAs have also considered the implications of the supply of housing on population and household change. The 2014 SHMA recognised the potential impact of the comparatively high rate of housing development at the start of the decade in Welwyn Hatfield¹², when completions exceeded 600 dwellings per annum (2003 – 2008) and were notably above long-term trends¹³. This is primarily understood to be associated with the delivery of a single large site (Hatfield Aerodrome). In response to representations to the Local Plan consultation in 2015, this was reconsidered in the 2015 SHMA Partial Update, where it was concluded that its completion prior to 2008 would have a limited impact upon the projections, particularly when considered in the context of other complexities associated with migration flows, linked to the borough’s universities and the relationship with London¹⁴.
- 2.18 Whilst the historically higher levels of development prior to 2008 were possible to attribute to higher levels of migration and population growth, the same relationship does not appear to be evident in more recent estimates of population growth. The latest Edge Analytics report (part of the WH 2017 SHMA Update) highlights that the population is estimated to have grown by some 11,269 persons between 2011 and 2016, or 2,254 persons per annum.
- 2.19 However, the borough has seen on average only 300 completions per annum over the same period, indicating that the population data upon which projections have been based show no signs of being constrained by levels of development¹⁵. Indeed, the Council believes that the marked short-term rapid growth in the population since 2015 should be viewed with some caution. Edge Analytics identified the risk of a continued overestimation of population growth by the ONS¹⁶. The retention of the 2014 SNPP in the OAN ensured that any issue in this regard was not given undue weight in projecting future need.
- 2.20 Whilst the SHMA evidence has consistently used the official population projections published by the ONS, it has taken a different view in relation to the application of household formation rates. Each SHMA has identified worsening household formation rates, in particular for younger households, which can be attributed in part at least to worsening housing affordability. The OAN makes a positive adjustment which allows formation rates of younger households to recover to levels that were seen prior to the full impact of the worsening of affordability locally. This positive adjustment increases the level of household growth above that indicated by each of the DCLG sub-national household projections (the ‘starting point’). It is considered that this is an appropriate and justified adjustment to the demographic scenarios. This is considered further below.

¹² HOU/14 Paragraph 9.23 and Figure 9.1

¹³ HOU/15 Figure 3.3

¹⁴ HOU/15, Paragraph 3.22 – 3.23. This was re-referenced at Paragraph 4.34 in HOU/21.

¹⁵ HOU/21 Paragraph 4.35

¹⁶ HOU/21 Paragraph 4.49

- 2.21 **Representations:** Considered that the OAN was over-estimated (suggesting it should be lower) due to the influence of one-off historic events or Green Belt policy. Other representations sought an OAN based on the 2014-based SNPP/SNHPs, which would increase the starting point for the assessment.
- 2.22 **Why the plan is sound:** The Council's response to the question above describes how historical events have been considered, how sensitivity scenarios were developed and tested in the SHMA evidence base and why the official projections, now the 2014 SNHP, continue to be considered appropriate. The OAN is policy-off and should not as a matter of principle be influenced by Green Belt policy.

ii) Economic adjustment

- 2.23 In accordance with the PPG, the SHMA evidence has taken into account the assessment of the likely change in job numbers in Welwyn Hatfield as concluded within the Council's 2014 Economy Study (ECO/5) and subsequent update (ECO/7).
- 2.24 In the 2014 SHMA (HOU/14), 2015 Partial Update (HOU/15) and 2016 SHMA Addendum (HOU/18) it was concluded that the supply of working age economically active residents (the labour-force) was less than the projected job growth concluded in the latest iteration of the Economy Study. A positive adjustment was applied on this basis to provide the housing needed to support the anticipated growth in jobs. In the 2014 SHMA, it was identified that a modest upward adjustment of 3% was required from the demographic scenario¹⁷. In the subsequent update (HOU/15) a more pronounced uplift of between 9% and 23% was required¹⁸. The range reflected the application of alternative labour-force behaviour assumptions.
- 2.25 The 2017 SHMA Update drew upon the Edge Analytics analysis of the 2014-based SNPP, which confirmed that the assessed likely job growth of 16,900 jobs concluded within the 2015 Economy Study Update (ECO/7) could be supported through the projected growth in the population. On this basis, the 2017 SHMA Update concluded that no separate upward adjustment was required from the demographic baseline to respond to employment trends. This reflected the stronger level of population growth in the latest official projection.
- 2.26 **Representations:** Considered that the OAN was over-estimated (suggesting it should be lower) due to the influence of over-optimistic economic scenarios.
- 2.27 **Why the plan is sound:** The OAN for housing has been aligned with the conclusions in the Council's economic evidence base which are considered robust in their assessment of future likely job growth. Where the evidence has suggested it is appropriate and justified, an upward adjustment has been applied.

¹⁷ In HOU/14 the base demographic scenario suggested a need for 580 dpa with 600 dpa indicated as being required to support the scale of job growth in the 2014 Economy Study.

¹⁸ HOU/18 Figure 3.1

iii) Market signals

- 2.28 In arriving at the OAN, the SHMA evidence has consistently recognised the demand pressures for housing in Welwyn Hatfield.
- 2.29 The SHMA evidence has assessed and updated the analysis of each of the market signals listed in the PPG. The latest assessment is included in the 2017 SHMA (HOU/21)¹⁹.
- 2.30 Looking specifically at price/ rent indicators, the latest analysis of market signals confirms that entry-level house prices (lower quartile) in the borough are higher than seen nationally. A similar position is also apparent with regards to entry-level rents. These signals are recognised in the SHMA evidence base as being reflective of the borough's location and wider market context within the higher value market areas surrounding London. Looking at the change in lower quartile house prices since 2001 has however, suggested that other areas – both within the wider HMA and for other similar authorities elsewhere in the country – have seen a greater worsening in the cost of entry-level housing. The proportionate change in rents in the borough has outpaced the national average but has been exceeded by all other authorities in the HMA.
- 2.31 In absolute terms, the 2017 SHMA evidenced that Welwyn Hatfield records a high affordability ratio (10.7) when compared against the national average (7.0)²⁰. However, the majority of the other authorities in the HMA were shown to record higher affordability ratios and have seen a greater worsening over recent years. The borough was ranked 8th (out of 17 comparator areas) against both of the affordability indicators in the benchmarking analysis presented at Table 4.12 in HOU/21.
- 2.32 It is acknowledged within the SHMA that the borough does rank notably poorly when considering change in the number of concealed families and overcrowded households. These two market signals in particular would be expected to be addressed through an allowance for improved levels of household formation, which as referenced above has been applied to the adjusted demographic projection.
- 2.33 The SHMA evidence has considered the justification for, and level of, an additional positive and reasonable upward adjustment to respond to the market signals evidence. This evidently requires a degree of judgement and the SHMA evidence has sought to take account of the conclusions reached in other Local Plan Examinations²¹.
- 2.34 Each of the SHMAs has justified a positive adjustment. The most recent 2017 SHMA Update recommends a cumulative adjustment of 19% to the demographic 'starting point'. This includes separate adjustments derived from positively recovering

¹⁹ HOU/21 Table 4.12

²⁰ HOU/21 Appendix 2

²¹ Paragraphs 6.20 – 6.22 of the 2017 SHMA Update (HOU/21) reference Inspectors' views that market signals in Eastleigh, Canterbury and Mid Sussex justified a proportionate supply-led uplift of 10 – 20% from the demographic projection of housing need

household formation rates of younger households (8%) and a separate supply-led adjustment (10%).

- 2.35 **Representations:** Have queried the approach taken to market signals and the consequent uplift to the demographic scenario in order to reach the OAN (implying the OAN is too high).
- 2.36 **Why the plan is sound:** The Council's responses to Matter 2, issues i) and iii) above explain why appropriate adjustments were made to the demographic starting point consistent with the advice in PPG. The approach taken is justified.

Are the FOAHNs being met within the relevant HMAs?

Welwyn Hatfield response

- 2.37 In the context of the complex set of housing market geographies around Welwyn Hatfield, it was appropriate for Welwyn Hatfield to assess the need for housing for Welwyn Hatfield and for other authorities (or groups of authorities) to assess the need for housing for their respective authority area and within their respective HMAs. The following table reflects this approach and the position on meeting respective OANs within each authority area and hence within the wider WH HMA.

Table 1 – Meeting the OAN within the wider HMA

Authorities within WH HMA	HMA	Meeting the OAN
Welwyn Hatfield	Wider HMA includes Welwyn Hatfield, Broxbourne, East Herts, Hertsmere, North Herts, St Albans, Stevenage and London Boroughs of Barnet and Enfield.	Housing target of 12,000 in submitted Plan is below the OAN of 12,616 to 13,433 (at Reg. 19 stage). A more pronounced shortfall exists against the recent 2017 OAN of 15,200. This is not proposed to be met currently within WH or elsewhere within the wider HMA.
Broxbourne	Broxbourne's SHMA identifies strongest market relationships with parts of Enfield and Easts Herts but these areas have stronger market relationships elsewhere. Evidence concludes it is reasonable for Broxbourne to progress its own evidence base (engaging with other areas through the DtC).	Based on its Reg. 18 consultation, no shortfall arises against its OAN ²² . On this basis, Broxbourne would meet its OAN within its borough boundaries, which is also within the wider Welwyn Hatfield HMA

²² Broxbourne is considering a more recent review of its OAN and the implications for land availability before proceeding to Reg. 19 consultation

Authorities within WH HMA	HMA	Meeting the OAN
East Herts	East Herts shares a HMA with authorities in West Essex (Epping Forest, Harlow and Uttlesford)	The submitted East Herts Plan proposed a housing target of 745dpa with supply equivalent to 820dpa. On this basis, a shortfall did not arise against the then OAN (745dpa). A revised OAN (July 2017) of 836dpa and an updated housing supply position - EH Housing Topic Paper (TPA/004) indicates a small shortfall of 11dpa within East Herts district which is also within WH wider HMA.
Hertsmere	Hertsmere shares a (SW Herts) HMA with Dacorum, Hertsmere, Three Rivers, (St Albans ²³) and Watford	Hertsmere's Core Strategy housing target was adopted in 2013 in the context of the EoEP and in advance of its OAN (SW Herts SHMA 2016). The OAN will be reviewed in light of the DCLG common methodology. HBC is at an early stage of plan review. It has not reached any conclusions as to how it will meet its own OAN, or whether it may need to approach neighbouring authorities to meet any unmet need.
North Herts	<i>Identifying Housing Market Areas in Bedfordshire and the surrounding areas</i> ²⁴ concludes that the combined area of Stevenage borough and North Herts district provides an appropriate "best fit" for the Stevenage functional HMA. Market linkages were identified with the northern part of WH, but the evidence concluded that it was not essential for WH to be included within the "best fit" Stevenage functional HMA.	No shortfall arises between the North Herts OAN and the North Herts housing target in the submitted North Herts Plan. (Additionally, North Herts are making provision for some of Luton's need). On this basis, there would be no shortfall in North Herts, which is also within the wider Welwyn Hatfield HMA.
St Albans	Its current SHMA evidence indicates that St Albans has a Core HMA, which approximates to the district's boundaries but immediately connects to a wider and a peripheral HMA (Welwyn Hatfield is included within the wider St Albans HMA). In contrast, the SW Herts SHMA indicates that St Albans is located within the SW Herts HMA.	St Albans failed the DtC and its submitted Strategic Local Plan cannot proceed to a soundness hearing. SADC will be formulating a new single Local Plan with a start date of 2018 ²⁵ and in light of the new CLG OAN methodology. It is too early to conclude if there will be a shortfall between any future OAN and plan targets.

²³ This output varies from the St Albans SHMA evidence

²⁴ <https://www.north-herts.gov.uk/sites/northherts-cms/files/HOU2%20Housing%20Market%20Areas%20in%20Bedfordshire%20and%20surrounding%20areas.pdf>

²⁵ Draft minutes of St Albans Planning Policy Committee held on 12/09/2017:

<http://stalbans.moderngov.co.uk/ieListDocuments.aspx?Cid=459&Mid=8245&Ver=4>

Authorities within WH HMA	HMA	Meeting the OAN
Stevenage	Shares an evidence base with North Herts.	Following its Local Plan hearing earlier in 2017, Stevenage has consulted on proposed Main Modifications. These do not affect the housing target. Stevenage is meeting its own OAN and on this basis, there would be no shortfall in Stevenage, which is also within the wider Welwyn Hatfield HMA.
London Boroughs of Barnet and Enfield	Barnet was originally part of North London SHMA partnership but is currently considering undertaking a new SHMA with a West London partnership. Enfield's most recent SHMA evidence acknowledges limited links with Broxbourne and Welwyn Hatfield but concludes that it could be considered as a single local market area.	Both London boroughs are at early stages of plan reviews. Until they update their evidence base and make progress with their Local Plan reviews, it is not possible to conclude currently if there will be a shortfall between any future targets and any up-to-date OANs for their areas, which are also within the wider WH HMA.

- 2.38 **Representations:** Identified a concern that the plan fails to address the OAN within the borough and that there was not a clear and consistent picture of needs across the HMA.
- 2.39 **Why the plan is sound:** The SHMA evidence base has consistently presented an up-to-date position of needs across the HMA area, which has informed DtC discussions. The Council considers that the housing target for the borough reflects the appropriate strategy, performing an economic, social and environmental role with the aim of achieving sustainable development.

Is the assessment and provision for affordable housing sound?

Welwyn Hatfield response

- 2.40 **The assessment:** The 2014 SHMA and subsequent updates have applied the methodology set out in the PPG to identify the scale of affordable housing need in Welwyn Hatfield.
- 2.41 The most recent assessment is presented in the 2017 SHMA Update (HOU/21), with this superseding the calculation in the 2015 Partial Update (HOU/15).
- 2.42 In accordance with the methodology, this has taken account of the existing backlog of households in need and those expected to form and require affordable housing in the future. The calculations integrate data directly sourced by the Council from the Welwyn Hatfield Community Housing Trust as well as other datasets referenced in the PPG.
- 2.43 The SHMA evidence has assessed the potential implications of emerging policy reform over recent years, and in 2015 considered the potential role of intermediate

products in meeting the calculated need for affordable housing. The evidence has also highlighted the role of the private rented sector in meeting households' needs, although this is not formally recognised as affordable housing²⁶.

- 2.42 The importance of considering affordable housing needs in determining the OAN has been recognised by the High Court, but there is acknowledgement that neither the NPPF nor the PPG require affordable housing need to be met in full²⁷.
- 2.43 **Provision for affordable housing:** Paragraph 9.19 of the Draft Local Plan indicates the Council's estimate that affordable housing will account for around 20% of all new homes built in the borough over the plan period. This reflects the fact that not all sites will attract an affordable housing requirement. The estimate also reflects the Council's viability evidence, which demonstrates that not all parts of the borough are as viable as others, hence on-site affordable housing targets vary in Policy SP 7 (Type and Mix of Housing) from 25% to 35% depending upon location. In numerical terms, 20% of the overall total of new dwellings would deliver an additional 2,400 affordable homes over the plan period. This would approximately double the level of affordable housing delivered annually over the past five years (Figure 2.3, HOU/22).
- 2.44 **Representations:** A number of representations considered provision for affordable housing provision (within both the OAN and in Policy) was inadequate. Others considered that the targets may not be sustainable and consideration should be given to reducing the on-site delivery targets.
- 2.45 **Why the plan is sound:** The OAN within the SHMA evidence base has consistently considered the implications of high affordable housing need in the context of the adjustments applied²⁸. On-site delivery targets within policy would not prevent higher levels of affordable housing from coming forward subject to wider policy objectives and viability. Viability evidence has been taken into account when setting on-site delivery targets, which when considered in the context of the housing trajectory, will result in a boosting of supply. The varying proposals to either increase or decrease affordable housing targets would not make the plan more or less sound – the plan is sound.

²⁶ HOU/14 Paragraphs 7.84 – 7.94

²⁷ [2015] WHC 2464 (Admin): Borough Council of Kings Lynn and West Norfolk v Secretary of State for Communities and Local Government; ELM Park Holdings Ltd

²⁸ EX11 Q11 Paragraph h. The Reg. 22 Statement of Consultation (SUB/1) also responds to this matter relative to the OAN