

For and on behalf of
Welbeck Strategic Land IV LLP (“Welbeck”)
(ID: 16711)

Updated Schedule of Further Matters, Issues and Questions
Matter 21
North Hertfordshire Local Plan 2011 – 2031 Examination

Objectively Assessed Housing Need

Prepared by
Strategic Planning Research Unit
DLP Planning Ltd
Sheffield

September 2020



Strategic Planning & Research Unit

North Hertfordshire Local Plan Examination
Matter 21 Hearing Statement
On behalf of Welbeck Strategic Land ID 16711
September 2020

Prepared by:	Jon Goodall (Associate Director, SPRU)
Checked by:	Alex Roberts, Director
Approved by:	Roland G Bolton, Senior Director
Date:	September 2020

Strategic Planning Research Unit

**V1 Velocity Building
Ground Floor
Tenter Street
Sheffield
S1 4BY**

Tel: 01142 289190

**Broad Quay House (6th Floor)
Prince Street
Bristol
BS1 4DJ**

Tel: 01179 058850

**4 Abbey Court
Fraser Road
Priory Business Park
Bedford
MK44 3WH**

Tel: 01234 832740

DLP Consulting Group disclaims any responsibility to the client and others in respect of matters outside the scope of this report. This report has been prepared with reasonable skill, care, and diligence. This report is confidential to the client and DLP Planning Ltd accepts no responsibility of whatsoever nature to third parties to whom this report or any part thereof is made known. Any such party relies upon the report at their own risk.

CONTENTS	PAGE
1.0 Introduction.....	4
2.0 Matter 21 – the objective assessment of housing need ('the OAN') and the housing requirement	5
Q21.1) Has the revised OAN figure for North Hertfordshire been arrived at correctly/on a robust basis and are the key assumptions made reasonable?	5
Q21.2) In the light of this, has there been a 'meaningful change in the housing situation' in North Hertfordshire?.....	10
Q21.3) If there has been a 'meaningful change in the housing situation' in North Hertfordshire, should the Local Plan's housing requirement be modified to reflect it?	12
Q21.4) Has the indicative OAN figure for Luton been arrived at correctly/on a robust basis and are the key assumptions made reasonable?	13
Q21.5) In the light of this, has there been a 'meaningful change in the housing situation' in Luton?	14
Q21.6) If there has been a 'meaningful change in the housing situation' in Luton, should the East of Luton sites be modified or deleted from the Local Plan?	14
Appendix 1: Demand and Supply Data.....	15
Appendix 2: Comparison of annual rates of Household growth 2016-2031 using 2016-based Variant population projections, 2018-based Variant Household Projections and 2014-based household projections alongside 2014-based and 2016-based baseline positions	17
Appendix 3: Impact of the 2018-based Household Projections.....	18

1.0 INTRODUCTION

- 1.1 This response to the Inspector's Updated Schedule of Further Matters, Issues and Questions (August 2020) in respect of the North Hertfordshire Local Plan 2011 – 2031 Examination has been prepared by the Strategic Planning Research Unit ('SPRU') of DLP Planning Ltd.
- 1.2 This Statement addresses the calculation of objectively assessed housing needs in the context of the NPPF2012 and relevant soundness tests.
- 1.3 SPRU has been instructed to appear at the Rearranged Additional Hearings for the North Hertfordshire Local Plan Examination on behalf of Welbeck Strategic Land IV LLP ("Welbeck") (ID: 16711).
- 1.4 Our client's specific interests comprise proposed site allocation WY1 Little Wymondley as identified in the Council's submission version Local Plan
- 1.5 The Council has proposed to alter the boundary of the Green Belt at Little Wymondley in order to permit development in a sustainable location, of an appropriate scale, and necessary to provide housing delivery early in the plan period.
- 1.6 Since the commencement of the Examination, Welbeck has acquired the rights to promote the site. Welbeck has retained the previous promoter's consultant team and has commissioned further work to determine a suitable form of site development that will secure the provision of the allocated dwellings. This builds on earlier work carried out by the previous promoter which was subject to two pre-application submissions to the Council. Welbeck has engaged further with the Council and on their advice has since submitted its own request for pre-application advice.
- 1.7 The Council's evidence base on relevant strategic priorities including housing need and release of land from the Green Belt provides support for the opportunities identified in order to provide for sustainable development at Little Wymondley.
- 1.8 DLP/SPRU have previously made submissions to previous rounds of consultation as part of the Local Plan process as well as participating in the 2017 Hearing Sessions. This statement should be read in conjunction with all previous contributions.

2.0 MATTER 21 – THE OBJECTIVE ASSESSMENT OF HOUSING NEED ('THE OAN') AND THE HOUSING REQUIREMENT

Q21.1) Has the revised OAN figure for North Hertfordshire been arrived at correctly/on a robust basis and are the key assumptions made reasonable?

2.1 No.

2.2 In simple terms the recent projections for North Hertfordshire are the product of past levels of under provision and should not be taken forward as a sound basis for the future planning of the area. The reasons for this are as follows:

- a. The additions to stock in North Hertfordshire 2009 to 2019 totalled 5.4% - this is below the average net additions to stock in England of 6.5% (appendix 1 table 2)
- b. The rate of net additions to stock fell from an average of 523 dpa (2001-2009) to 321 dpa (2010-2019) this is a reduction of almost 40%. This reduction was in spite of rising house prices (appendix 1 chart 2) and affordability indicating continued unmet demand in the District (appendix 1 Chart 2).
- c. Appendix 1 charts 2 and 3 suggest a negative correlation between reduced levels of housing and increased house prices and worsening affordability.
- d. Appendix 1 Chart 4 further illustrates that affordability has worsened more in the district than for England as a whole.
- e. Revising the housing requirement of the plan downwards on the basis of the 2018 based projections is effectively rewarding the district for past under performance.

2.3 In light of the above a revision of the housing requirement downwards at this stage of the plan process would be unsound as it would be counter to the government's stated objective of significantly boosting the supply of housing and as discussed further below continue to exclude sectors of the population from entering the housing market (2012 Framework paragraph 59)

2.4 This has become an issue to be re-examined due to the length of time that the Plan has been at Examination. Figure 2 of the Appendix 2 to the Council's ED191A sets out a summary of the projections of demographic and household change that might have been considered to comprise the starting point for the objective assessment of housing need during this period.

2.5 The 2018-based subnational population and household projections are the second set of official statistics published since the submission of the plan which have the potential of superseding the Council's evidence base.

2.6 Both the Government and the ONS have issued statements outlining the limitations of using this more recent data of the purposes of planning. The government's concerns have resulted in their complete rejection of the 2016 (and the 2018) based projections in favour of the 2014 projections as the input to the now extant Standard method.

2.7 While the outcomes of the Standard Method may only be considered a direction of travel in the context of this 2012 Framework examination the rejection of the 2016 and 2018 projections by the government and their reasons for doing so are material considerations as to the soundness of this plan.

2.8 The Council has also previously stated that it does not regard the preceding 2016-based subnational population and household projections as representing a meaningful change to its assessment of objectively assessed housing need. This is significant because prior to its most recent response the Council's position remained that the evidence supporting

the submission version Local Plan remained sound.

- 2.9 In terms of the evidence in Figure 2 of ED191A this scenario (as a starting point for OAHN in the submission Local Plan) comprises household growth of 12,114 (605 per annum) for the period 2011 to 2031. It is important to note that in its response ED171 (Paper A) the Council undertook a full update of the SHMA projections in the context of the 2016-based projections. An equivalent household projection of 11,348 (567 per annum) was not considered to represent a meaningful change. As part of this assessment consultants ORS, acting on behalf of the Council, stated that *“given that an OAN based on household projections derived using the ONS method would need a proportionately higher adjustment in response to market signals to be considered sound, it is more appropriate to maintain the original CLG method together with the 10% uplift that the SHMA proposed.”*
- 2.10 The equivalent output from Figure 2 of ED191A supporting the Council’s subsequent conclusions on a meaningful change to the assessment of housing need relates to a total growth of 8,638 households (432 per annum) for the period 2011 to 2031. This is a reduction of around 40% against the projected household growth for the scenario in HOU3 used to inform the Council’s objectively assessed housing need.
- 2.11 Instead of considering the impact of the most recent projections in the context of producing revised SHMA projections this scenario instead utilises a 10-year migration variant published as part of the official statistics for the 2018-based subnational population projections. The relevant scenario, in contrast to the Council’s previous response, also adopts the more recent ONS-based methodology to assess trends in household formation.
- 2.12 It is important to note that the relevant Planning Practice Guidance states that the latest information will not necessarily mean that housing assessments are rendered out-of-date. Given the extent of time over which the Council’s evidence has been available and essentially utilised to inform its view that the submission Local Plan is sound its most recent conclusion must be considered in the context of the overarching guidance for the assessment of housing needs. This is particularly important to consider in situations whereby the substantial reduction in supply will have impacted upon both migration and household formation.
- 2.13 Specifically, the approach to assessing need involves identifying future quantity of housing needed, including a breakdown by type, tenure, and size. This should take account of potential gaps in land supply towards identified needs. The assessment should be considered in the context of delivery towards the planned requirement, including taking account of the likelihood of under-delivery. Furthermore, an increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes (PPG ID: 2a-029-20140306).
- 2.14 In terms of the robustness of the Council’s approach it is apparent that in its latest response it has neither maintained consistency with the previous approach nor updated all elements of the assessment. Specifically, paragraph 42 to Appendix A of the Council’s response in ED191A specifically states:

*“Whilst we have not undertaken any further analysis of the required housing mix, it is unlikely that the number of affordable homes needed will have changed very much – for typically the need for affordable housing tends to be driven by local need more than by migration. Therefore, **a reduction in overall housing need is likely to have increased the percentage of affordable housing need** and it will be important for the Council to continue to maximise the number of affordable homes that are delivered*

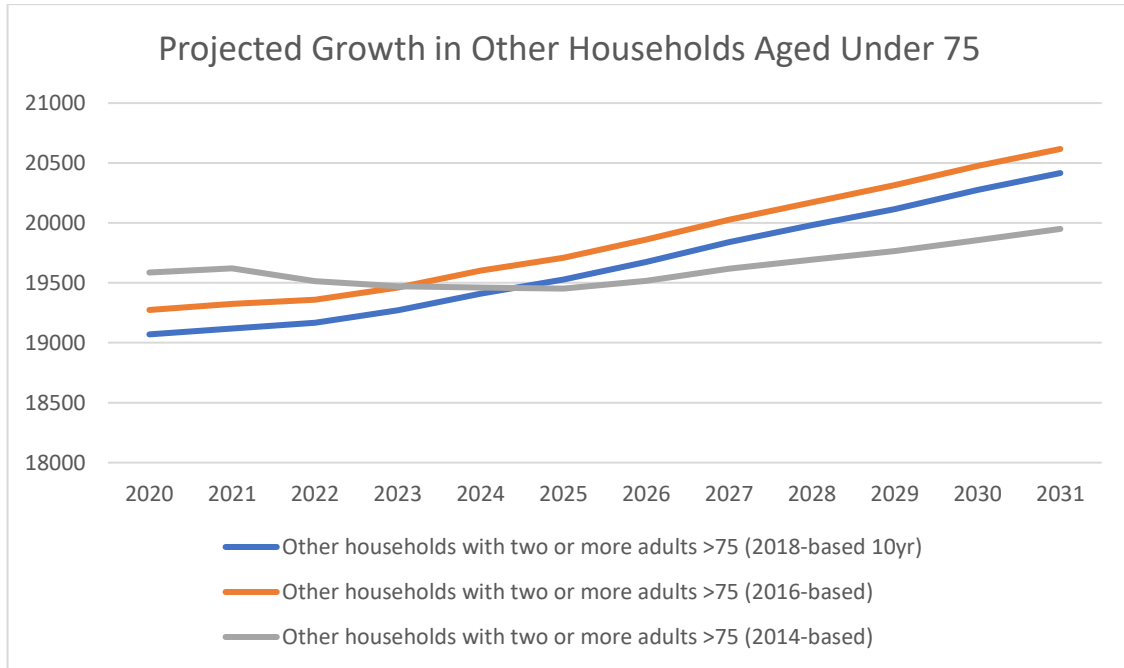
over the 20-year Local Plan period. “ [SPRU emphasis]

- 2.15 Increasing the level of affordable housing will require the policies and allocations to be retested as part of the whole plan viability.
- 2.16 There is no assessment of the implications of this outcome of adopting the 2018-based population and household projections as the relevant starting point in terms of the soundness of the plan. This is surprising given, for example, the Council’s recent track record in the delivery of affordable housing. The Council’s Authority Monitoring Report indicates a shortfall of around 1,250 units against the proposed policy requirement for affordable housing since the start of the plan period.
- 2.17 While the Council’s AMR rightly states that this is partly due to delays to the adoption of the Plan and bringing forward of allocations expected to provide up to 40% affordable housing it has provided no evidence of the current committed pipeline of supply. Nor has the Council taken account of the proposed stepped approach to the trajectory in terms of the specific response to addressing the overall affordable housing shortfall at each step in the requirement.
- 2.18 We do not consider that a robust approach to determining a meaningful change in the housing situation can be considered outside of this context. We would as a minimum expect the Council to fully reconsider the basis for adjustment to the uplift for market signals, rather than simply relying on its previous analysis (which evidently, for example, substantially pre-dates the recent substantial increase in unmet affordable housing need).
- 2.19 The PPG relevant to undertaking the Examination states that rather than considering the precise impact of increasing supply the amount should be based on reasonable assumptions and consistent with the objectives of sustainable development, in order to provide for the prospect of improved affordability (ID: 2a-020-20140306).
- 2.20 Concluding that there has been a meaningful change in the assessment of need has potentially negative effects on these aspects of national policy and guidance, contrary to observations on the increased impact of constraints to affordability and household formation. This is reflected in the proposed reduction in the housing requirement and potential implications for the delivery of sites (both in terms of phasing and potential challenges to the principle of exceptional circumstances having been demonstrated). This is despite that fact that, as set out in the submission version Local Plan and considered at length previously in the Examination, the approach to the spatial strategy and site allocations is consistent with the principles of sustainable development.
- 2.21 **Appendix 2** to these representations has been prepared to summarise different scenarios produced as part of the official projections released for the 2016-based and 2018-based series of household projections. The main observation is that using the same assumptions for household formation as the 10-year trend from the 2018-based projections results on annual household growth around 19% lower than the 2016-based 10-year trend. This shows the recent and significant impact of constraints to demographic change and household formation.
- 2.22 **Appendix 3** provides an analysis of the impact of these changes in terms of outputs from the 2018-based household projections relevant to the assessment of housing need and consideration of an appropriate adjustment for market signals. This also considers the government’s consultation proposals on proposed revisions to the standard method which, though proposing use of the 2018-based projections, produce a higher assessment of annualised need than the Council’s latest response (**625dpa** vs **575dpa**).
- 2.23 The 2018-based population and household projections address none of the substantial

issues identified in the preceding 2016-based projections. Application of the 2018-based projections in the assessment of housing need remains unsupported in the most recent policy and guidance.

- 2.24 It is our opinion that as SPRU has argued consistently on behalf of clients through the Examination the 2014-based population and household projections represent the most appropriate basis to assess housing need. This is because these were the last 2012 Framework compliant projections as discussed above. We also maintain that the longer-term constraints to population and household growth resulting from pressure in the wider housing market justify a market signals adjustment of 25%. This approach remains closely in accordance with the calculation of local housing need of **973dpa** using the current approach to the standard method.
- 2.25 However, if the more recent 2016-based and 2018-based series are to be considered it is necessary for the Council to accept the structural differences in these projections as part of the overall assessment of need. The characteristics of current and future demographic change under the current ONS methodology for household projections, together with projected changes in the age structure of the population, reveal impacts that extend beyond household formation rates of younger age groups.
- 2.26 Within **Appendix 3** a key conclusion relates to the increased rate of projected growth in '**Other households**' comprising 2 or more adults in both the 2016-based and 2018-based household projections, together with an increasing proportion of total change amongst households aged 75+.
- 2.27 This is a clear reflection of the combined impact of constraints to migration (affecting the age-sex structure of the population) and constraints to household formation as being extremely relevant to reconsidering the assessment of need in the context of the most recent projections.
- 2.28 The most recent 2018-based projections indicate that over 77% of the average annual increase in households will comprise those aged over 75. Change in the household characteristics within this age group will not typically be reflected in relocation to a more appropriately sized property. Change in the total number of older households, many of whom benefit from substantial existing equity, is likely to further suppress levels of housing market activity relative to the total projected change in persons and households.
- 2.29 As Figure 1 below illustrates **the 2018-based household projections would result in a further 500 younger 'other households' in 2031** compared to the 2014-based projected trend. This ignores the impact of younger adults living with elderly parents in 'older' 'other households' (aged 75+) and takes no account of the substantial constraints to household formation reflected in all of the 2014-based, 2016-based and 2018-based projections based on changes since 2001 and by implication from the start of the plan period (2011).

Figure 1. Impact of the Most Recent Projections on ‘Other Households’ Total



- 2.30 This indicates a significant proportion of growth will be multi-adult households rather than couples with no dependent children. In-line with the 2014-based projections this particularly affects the household characteristics amongst younger age groups and thus offsets overall decline in household formation rates.
- 2.31 Notwithstanding the recent reduction in trends for projected population growth the associated constraints upon household formation also contribute to estimates of need based on the official projections. It is suggested by the ONS that this may reflect an increase in young working adults sharing accommodation and multigenerational households. These factors indicate barriers to home ownership and growth in the proportion of the population in private rented tenure. Planning for levels of future housing provision that would maintain and ‘lock-in’ these trends is not a sound approach to policy-making.

Q21.2) In the light of this, has there been a 'meaningful change in the housing situation' in North Hertfordshire?

- 3.1 Yes, the changes are as follows:
- a. Affordability has got worse since the base date of original SHMA (2012) when it was 8.16 it has now increased to 10.83.
 - b. The affordability ratio was 20% higher than that for England in 2012 it is now 35% higher.
 - c. In 2012 the district had been delivering at some 465 dpa (2001/2012) - from 2012 until 2019 the average rate of delivery fell by 35% to just 302 dpa (2013 /2019)
 - d. House prices were 26% above the Average for England in 2019 they are now 40% above the average for England.
- 3.2 The meaningful change is that by the above metrics the housing market in the district has got substantially worse in terms of affordability and the delivery of dwellings. This will have substantially impacted migration and household formation. As explained in response to the previous question this worsening situation should not be modelled forward as to do so would be contrary to the governments stated objectives.
- 3.3 Appendix A to the Council's response in ED191A effectively accepts that it is the demographic inputs to the 2018-based population and household projections that mean that the principal scenario produced as part of the official series does not provide an appropriate starting point to assess housing need. This principally reflects the use of a two-year migration trend. However, the analysis also accepts that rates of housebuilding have been substantially lower in the last decade than during the intercensal period. The analysis fails to reflect that the most recent three-year period (2017-2020) has a lower average still (273dpa vs 339dpa).
- 3.4 While the Council accepts that the 2-year trend should be discounted it goes on to state that either a five-year or ten-year trend greatly smooths out fluctuations in migration rates. This, however, fails to fully recognise the entirely anomalous nature of the most recent components of population change (including negative net change in 2017/18) compared to the longer-term series. Even as part of a longer-term trend these most recent data have a substantial impact on assumptions for net population growth both in terms of the overall total and age structure of projected change (e.g. see Figure 10 of ED191A). This provides a strong basis to argue that the most recent data should in-fact be excluded altogether as a reasonable basis upon which to project forward current and expected demographic change.
- 3.5 The Council has instead, as part of its most recent response, indicated that it considers the 10-year migration variant of the official 2018-based subnational population projections to be appropriate as a starting point, together with use of the more recent ONS methodology for household formation. In the view of the Council's consultants this change in the basis for assessing need requires no further adjustment to market signals but means it is separately necessary to take account of adjustments to increase rates of household formation amongst household representative persons aged 16-39. This means that the Council effectively considers household growth of 505 households per annum (10,108 for the period 2011 to 2031) to be an appropriate starting point, including adjustments for suppressed household formation.
- 3.6 To illustrate the issues with this approach (in terms of constraints to demographic change and household formation in the most recent data) it is relevant to consider the 2016-based household projections, which the Council previously rejected as not constituting

a meaningful change. A range of scenarios considering these projections are reproduced at **Appendix 2**. It should be noted that the 10-year trend using the 2016-based projections with no adjustment to CLG formation rates produces average household growth of 613dpa.

- 3.7 This illustrates that impact of recent changes to the components of population change. Likewise, scenarios released with the 2016-based projections (not repeated in the 2018-release) provide sensitivity tests using the 2014-based headship rates. Using the principal 2016-based projection (i.e. lower demographic growth) with these assumptions for household formation again produces a higher rate of household growth (539dpa). The Council rejected these scenarios, agreeing that need remained higher still in accordance with the SHMA supporting the submission Local Plan. In its most recent response it has, however, suggested the starting point for need falls below either figure (i.e. at 505dpa).
- 3.8 It is evident from this that allowing for increased household formation within certain age groups is insufficient to reflect impacts in the most recent projections.
- 3.9 This has been acknowledged in other Examination where the 2016-based projections were adopted as the starting point. In this case a minimum 26% uplift for market signals was considered appropriate, albeit acknowledging this would not address affordability constraints in full. Further uplift was also factored on the basis of ensuring a sufficient supply of labour to meet forecast economic growth.
- 3.10 Based on this comparison (using the 10-year trend from the 2016-based subnational projections) an alternative objectively assessed housing need may be identified as follows (using a 25% uplift for market signals):
- 3.11 This is calculated from the 2016-based SNPP 10-year variant shown in our **Appendix 2** as follows:

Table 1. Objectively Assessed Needs Using 2016-based SNPPs

	Annual Pop Change 2016-31	2016 HHs	2031 HHs	Annual Rate HH Change	Annual Change (Dwellings) (3% Vacancy)	Market Signals Adjustment (+25%)	20-Year Total (OAN)
2016-based SNPP 10 year variant	1,087	56,182	65,373	+613	631	789	15,777

- 3.12 This would result in a plan requirement of 15,777 dwellings plus any unmet need from Luton.

Q21.3) If there has been a 'meaningful change in the housing situation' in North Hertfordshire, should the Local Plan's housing requirement be modified to reflect it?

- 4.1 The real meaningful change in the housing situation is the worsening of the affordability ratio and the significant undersupply of housing against any meaningful projection of housing need.
- 4.2 The publication of the 2016 projections by ONS and the rejection of these for the purposes of plan-making do not in themselves represent a meaningful change for the purpose of plan making under the 2012 Framework. The same circumstances apply in the context of the 2018-based population and household projections in North Hertfordshire.
- 4.3 While we do not accept that there is reason to reduce the Local Plan's overall housing requirement the principal issue remains how this is to be managed over the plan period. Even accepting a lower assessment of need the Council's only solution is to propose an approach that will further compound constraints to meeting housing need. This is on the basis of a proposed 'stepped' requirement from 2020/21 to 2024/25 that is 13% below the lower level of annualised need. Any reduction in the housing requirement should be considered in that context. Logically, the Council should seek to meet the revised annualised assessment of needs from the base-date of the relevant projection i.e. 2018. Failure to do so will simply further 'lock-in' constraints to household formation and population change through migration as reflected in the most recent official data.
- 4.4 The proposed reduction in the housing requirement, and by implication the notion of a perceived buffer of identified supply, is in principle backloaded and of no practical effect in the early years of the plan period. The buffer is only extant once a principal reliance on large strategic sites later in the plan period has been confirmed as deliverable in accordance with the Council's forecasts. Similarly, the relationship of supply against future requirements will fall to be reconsidered as part of the early review of the Local Plan and assessment of need in accordance with the standard method.
- 4.5 As explained the 2012 Framework treated the then projections as a basis for plan making and scenario testing. Neither the 2016-based nor 2018-based projections come with the same authority and therefore cannot be imported into the 2012 Framework policy environment unencumbered by the narrative that surrounds them. Considering that narrative particularly as it relates to suppressed household formation and levels of net migration our analysis would continue to support the use of the 2014-based projections for the reasons set out above.
- 4.6 For these reasons there has not been a 'meaningful change' that would justify a downward adjustment to the housing requirement in the plan as submitted. Our analysis further demonstrates the methodology adopted by the Council fails to provide for a full objective assessment of housing needs, particularly in relation to the adjustment for market signals, which therefore remain acute and unaddressed.

Q21.4) Has the indicative OAN figure for Luton been arrived at correctly/on a robust basis and are the key assumptions made reasonable?

- 5.1 The issues of utilising the more recent projections for Luton are the same as the utilising them for this district. Effectively, the government are no longer utilising these for the purposes of setting housing need for the very good reason that they are modelling in assumptions which are inconsistent with the government's stated long-term aims with regard to the provision of housing and affordability.
- 5.2 It is apparent that the additional work undertaken to reassess objectively assessed housing need for Luton in the context of the 2018-based household projections effectively rejects this most recent evidence. This is inconsistent with the Council's most recent conclusions for the assessment of need in North Hertfordshire.
- 5.3 Appendix 3 of the Council's ED191A (Figure 4) illustrates that in reaching this conclusion the demographic impact of reduced growth in the 2018-based projections has been accepted. However, the cumulative impact of pre-existing conclusions in the evidence base related to rates of household formation and (importantly) a greater 20% uplift for market signals arrives at a dwelling requirement (16,700) that is not substantially different to the assessment of need in the adopted Luton Local Plan.
- 5.4 This comparability essentially arises as a result of the relative similarity in the demographic projections in the 2015 SHMA (+30,756 persons) compared to the 2018-based projections (+26,815 persons). However, Figure 1 illustrates that the 2015 SHMA 10-year trend demographic projection (2001-2011) is actually substantially lower than all official series pre-dating the most recent 2018-based projections. The 2017 SHMA adjusted household formation rates were actually derived under a scenario of higher projected population growth (+43,813 persons).
- 5.5 The Council's conclusions effectively rely on ignoring higher rates of projected growth in the intervening period. For example, the 2016-based 10-year trend scenario was based on a demographic baseline of population growth of +35,341 persons. Application of the 2016-based ONS household formation rates and a 20% uplift to this scenario would also equate to a requirement of around 16,700 dwellings and the same conclusions regarding no meaningful change in the assessment of need would apply.
- 5.6 It is important to recognise these previous trends in higher projected rates of growth correspond with low levels of housing delivery in Luton. This is likely to be a significant contributory factor in terms of worsening market signals and affordability, increasing housing market pressure in surrounding areas. While it is only the two-year trend in the Principal 2018-based projections that represents significantly lower net population change (likely to be impacted by the same aforementioned constraints) the longer-term impact of failure to provide for projected levels of growth should not be ignored.
- 5.7 Insofar as the Council's consultant has recognised this with a more stable rates of household formation rates and uplifts for market signals in Luton this is supported. However, we consider that the Council's conclusions provide further support for the view that the minimum 20% uplift for market signals in Luton should be applied on a consistent basis in North Hertfordshire. This is necessary in order to provide a consistent basis to assess the impact of constraints to growth across the wider Luton Housing Market Area.
- 5.8 Acknowledging these impacts, as shown in the analysis in Luton, limits conclusions on the degree of difference between 2018-based and 2016-based projections. On that basis it should be reiterated that in North Hertfordshire the Council itself has previously stated that the 2016-based projections did not constitute a meaningful change for the purpose of assessing housing need.

Q21.5) In the light of this, has there been a 'meaningful change in the housing situation' in Luton?

- 6.1 No. For the reasons outlined we agree that there has not been a meaningful change compared to the evidence base for the assessment of need outlined in the adopted Luton Local Plan 2011 to 2031. It should, however, be acknowledged that any recent reduction in the starting point provided by official projections is likely to be a result of a long-term failure to address housing need arising in Luton, including affordable housing and a wide choice in terms of housing type and size (e.g. family housing). These pressures are likely to have impacted on the wider housing market area. The real meaningful change, as accepted by the North Hertfordshire Council and apparent in the delays to the Examination in neighbouring Central Bedfordshire is that agreed contributions towards Luton's unmet needs cannot be met in full in the period 2011 to 2031.

Q21.6) If there has been a 'meaningful change in the housing situation' in Luton, should the East of Luton sites be modified or deleted from the Local Plan?

- 7.1 We have no comment on this specific question.

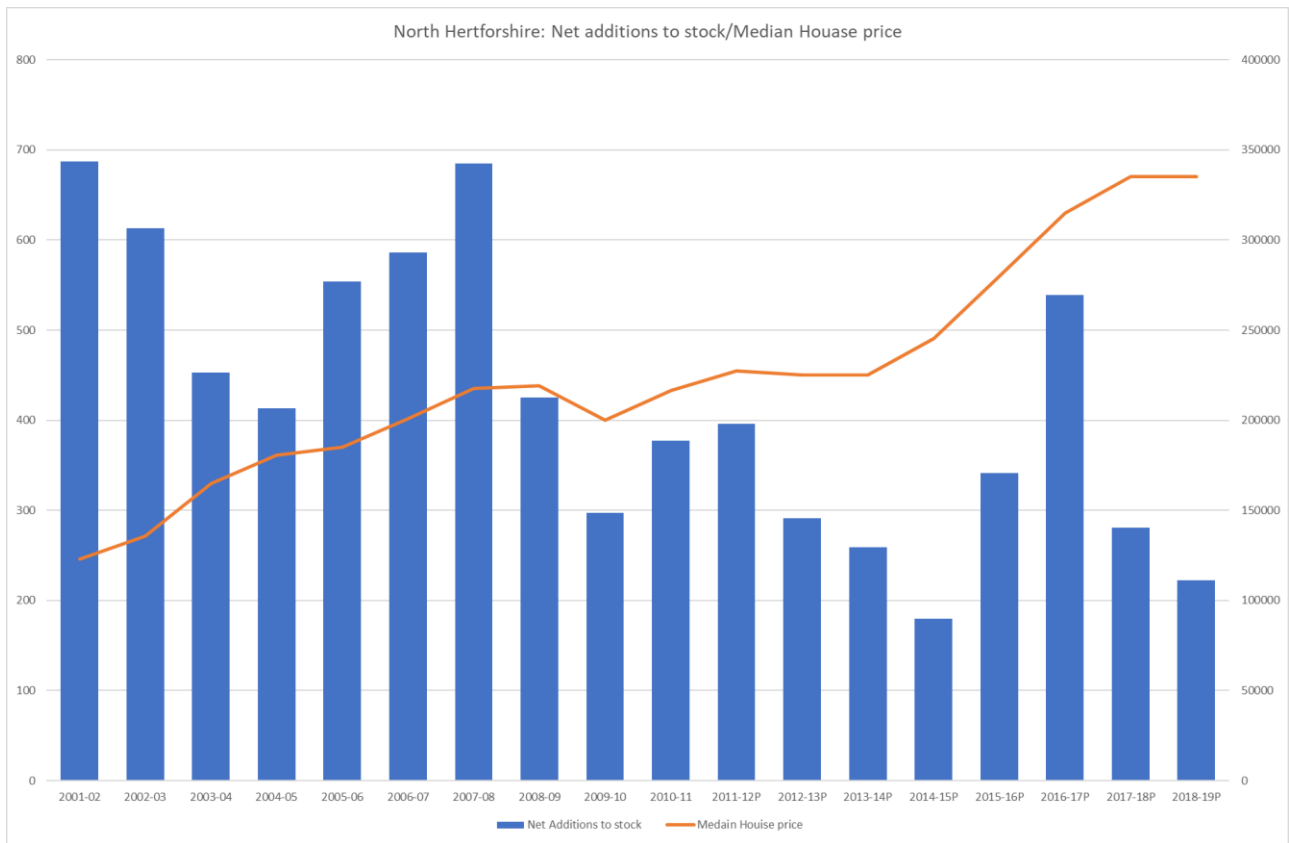
APPENDIX 1: DEMAND AND SUPPLY DATA

Table 1. Changes to total stock

	2009-10	2010-11	2011-12P	2012-13P	2013-14P	2014-15P	2015-16P	2016-17P	2017-18P	2018-19P
England Total Stock	54287.6	54584.8	54962	55358	55649	55908	56088	56429	56968	57249
		0.547%	0.691%	0.720%	0.526%	0.465%	0.322%	0.608%	0.955%	0.493%
North Hertfordshire Total Stock	22693802	22838672	22976066	23110962	23235684	23372289	23542982	23732627	23949972	24172166
		0.638%	0.602%	0.587%	0.540%	0.588%	0.730%	0.806%	0.916%	0.928%

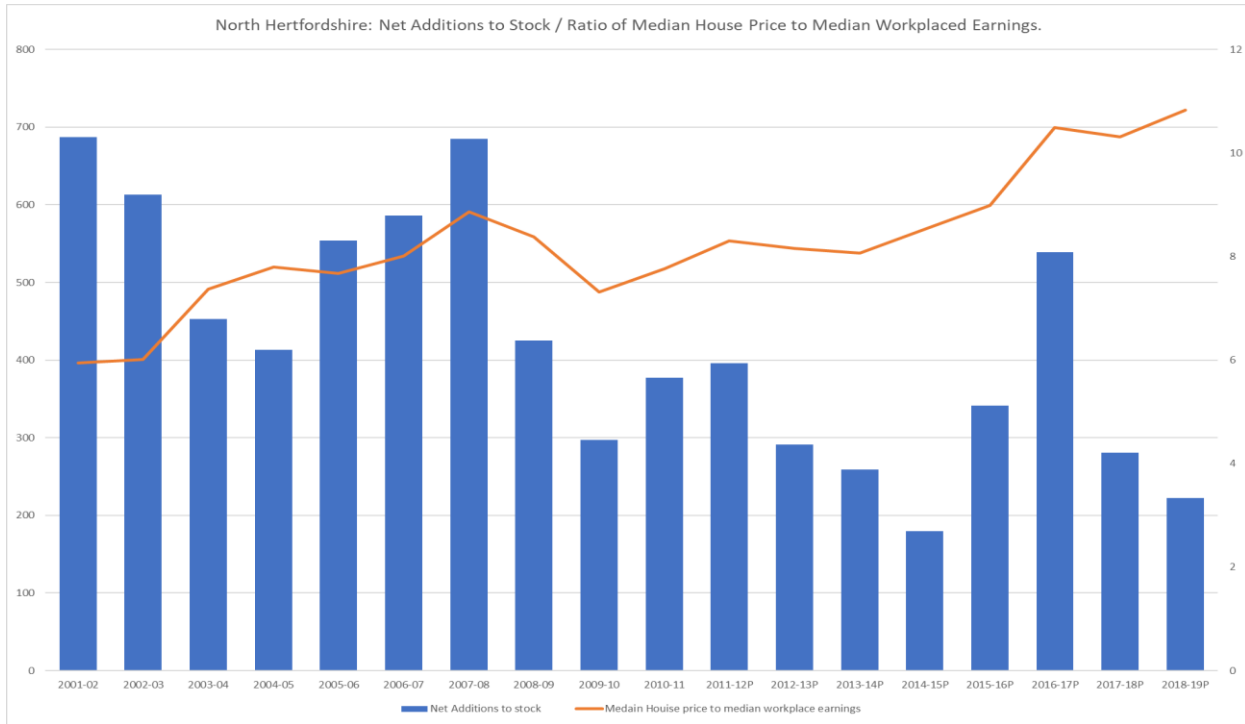
Live tables

Chart 1: North Herts; Net additions to stock compared to house prices



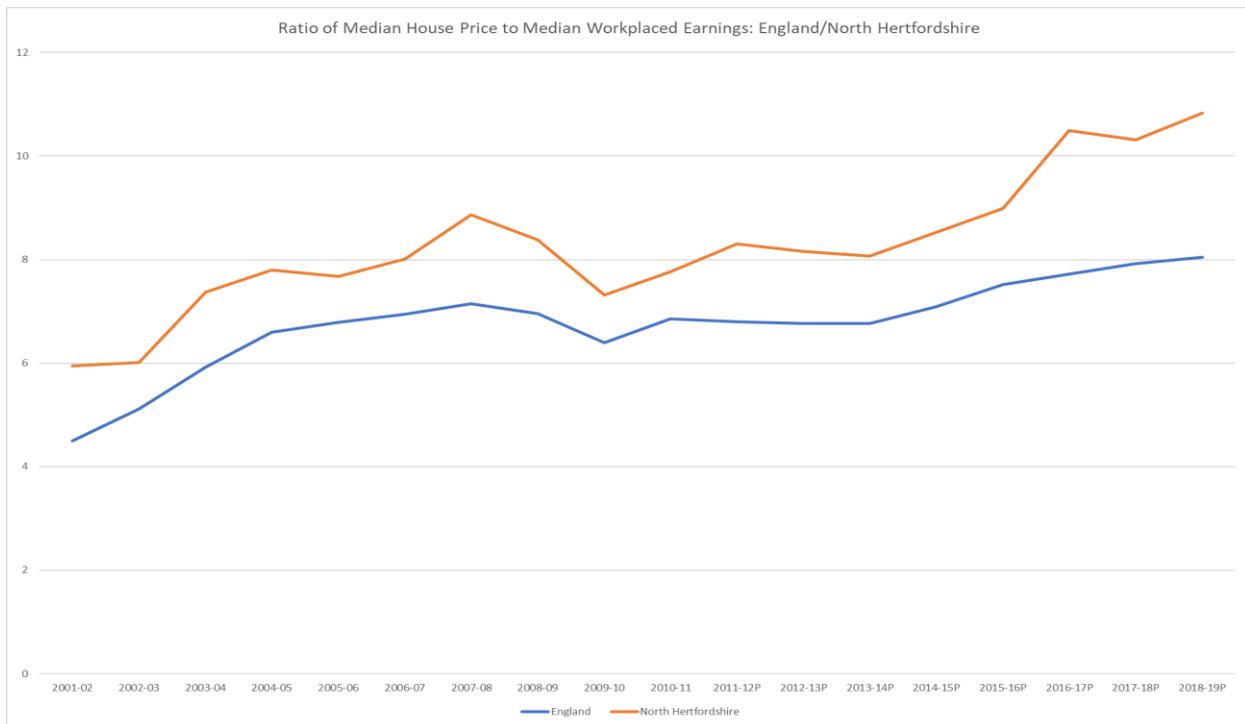
Source ONS

Chart 2: North Herts; Net additions to stock compared to Affordability Ratio



Source ONS

Chart 3: Affordability Ratio North Herts compared to England



Source ONS

APPENDIX 2: COMPARISON OF ANNUAL RATES OF HOUSHOLD GROWTH 2016-2031 USING 2016-BASED VARIANT POPULATION PROJECTIONS, 2018-BASED VARIANT HOUSEHOLD PROJECTIONS AND 2014-BASED HOUSEHOLD PROJECTIONS ALONGSIDE 2014-BASED AND 2016-BASED BASELINE POSITIONS

		North Hertfordshire	2016			2031			Change		Annual change		Average Household Size_2016	Average Household Size_2031	Estimated HH in 2016^	Estimated HH in 2031^	Estimated HH Change	Annual rate
			Base	HH Pop	Communal	Base	HH Pop	Communal	Base	HH Pop	Base	HH Pop						
2014-based Subnational population projections (2014 HHR)	North Herts	All ages	133.60	132.18	1.37	154.30	152.31	2.03	20.700	20.128	1.380	1.342	2.33	2.26	56.77	67.397	10.627	0.708
2014-based Pop Sensitivity Test 1# (2016 HHR)	North Herts	All ages	133.60	132.18	1.37	154.30	152.31	2.03	20.700	20.128	1.380	1.342	2.35	2.30	56.23	66.25	10.016	0.668
2016-based subnational population projections (2016 HHR)	North Herts	All ages	132.70	131.33	1.37	146.50	144.65	1.85	13.800	13.326	0.920	0.888	2.37	2.30	55.457	63.008	7.551	0.503
2016-based: Projected HRR 2001 to 2041 variant	North Herts	All ages	132.66	131.28	1.37	146.48	144.64	1.85	13.830	13.356	0.922	0.890	2.37	2.33	55.457	62.067	6.610	0.441
2016-based Pop Sensitivity Test 2* (2014 HHR)	North Herts	All ages	132.66	131.28	1.37	146.48	144.64	1.85	13.830	13.356	0.922	0.890	2.34	2.25	56.163	64.255	8.092	0.539
2016-based 10 year variant	North Herts	All ages	132.70	131.33	1.37	149.00	147.15	1.85	16.300	15.826	1.087	1.055	2.34	2.25	56.182	65.373	9.190	0.613
2016-based High Migration Variant	North Herts	All ages	132.70	131.33	1.37	148.60	146.75	1.85	15.900	15.426	1.060	1.028	2.34	2.25	56.182	65.195	9.013	0.601
2016-based Low Migration Variant	North Herts	All ages	132.70	131.33	1.37	144.30	142.45	1.85	11.600	11.126	0.773	0.742	2.34	2.25	56.182	63.285	7.103	0.474
2018-based ONS Principal	North Herts	All ages	132.655	131.28	1.375	137.085	135.347	1.738	4.430	4.067	0.295	0.271	2.37	2.27	55.456	59.653	4.197	0.280
2018-based ONS 10-year Variant	North Herts	All ages	132.655	131.28	1.375	143.009	141.229	1.78	10.354	9.949	0.690	0.663	2.41	2.28	54.456	61.898	7.442	0.496
			2011			2031									2011	2031		
GLA 2018-based Central Projction - ONS Method	North Herts	All ages	127.494	126.197	1.297	144.547	142.882	1.665	17.053	16.685	1.137	1.112	2.35	2.31	53.612874	61.83917	8.226	0.411
NHDC 'Alternative OAN' - CLG Method **			127494			147386			19892		995				53600	64948	11348	567
NHDC 'Alternative OAN' - ONS Method ***			127494			147386			19892		995				53260	63336	10076	504

*Table 429b : Sensitivity analysis of the 2016-based household projections using 2016-based population and 2014-based household formation by local authority, England, mid-2014 and mid-2039
 #Table 429a : Sensitivity analysis of the 2016-based household projections using 2014-based population and 2016-based household formation by local authority, England, mid-2014 and mid-2039
 ^For Sensitivity Tests 1and 2, 2011-2041 variant and 2016-based projection and 2014-based projection the Household Number is the total reported in the Published Scenario Result (Detailed Modelling) (top 5 rows of table)
 All scenarios use 2014-based household formation rates except shaded rows
 ** - SOURCE: NHDC Paper A Appendix 3 paragraph 15
 *** - SOURCE: NHDC Paper A Appendix 3 paragraph 15

APPENDIX 3: IMPACT OF THE 2018-BASED HOUSEHOLD PROJECTIONS

a) Background to the 2018-based Projections

- A3.1 The 2018-based population and household projections address none of the substantial issues identified in the preceding 2016-based projections. Application of the 2018-based projections in the assessment of housing need remains unsupported in the most recent policy and guidance.
- A3.2 The government has reiterated its view that the household projections cannot be used to forecast housing need in isolation, given that they in principle reflect the continuation of past trends. This supports a rejection of arguments that a reduction in more recent projections should result in fewer homes being built, particularly where the resulting assumptions are artificially lowered by the suppression in household formation primarily reflected by increased rates of overcrowding or concealed households. The government cites statements from the Office for National Statistics (ONS) to the same effect that provide a 'health-warning' against drawing conclusions of reductions in housing need based solely on the most recent household projections.
- A3.3 For the purposes of the demographic (population) projections these project changes over a 25-year period based on the assumption that demographic trends (births, deaths, and in/out migration (internal and international)) will continue into the future. Specifically, in relation to the most recent 2018-based projections, the principal scenario utilises a new estimation methodology¹ to determine trends in internal migration based on the two most recent years' data, whereas previous series based projected trends on a five-year series of estimated trends.
- A3.4 The 2018-based subnational household projections are the second release produced by the Office for National Statistics and also cover a 25-year period. The ONS' revised methodology for the production of household projections, which was first reflected in the 2016-based household projections, incorporates an assessment of trends in household formation over a shorter 2001 to 2011 time period. Adoption of the new methodology instigates a more pronounced short-term decline in rates of household formation. Whereas the 2014-based household projections already reflect to a lesser degree evidence of suppressed rates of household formation occurring between the 2001 and 2011 Censuses (and thus a departure from the longer-term trend) the new ONS methodology 'locks in' these impacts as a principal component of the trend-based evidence.
- A3.5 Nationally, the overarching context for the continued use of the 2014-based population and household projections reflects a closer alignment with the government's objective to deliver at least 300,000 homes annually.

b) Relationship with Market Signals and Trends in Affordability and Net Migration

- A3.6 The analysis of indicators for market signals at p.4 of Appendix 2 to Paper A (ED171) does not provide a reliable comparison with neighbouring areas or justification for an uplift of only 10%. The acute housing need pressure in North Hertfordshire is demonstrated by the application of the 40% cap to the uplift for affordability under the government's standard method.
- A3.7 A key factor differentiating North Hertfordshire from comparator areas is that it has the joint-lowest (0.6% - shared with Luton) annual average increase in dwelling stock from 2011 to 2018. Only one other comparator (South Cambs) has seen a reduction in the

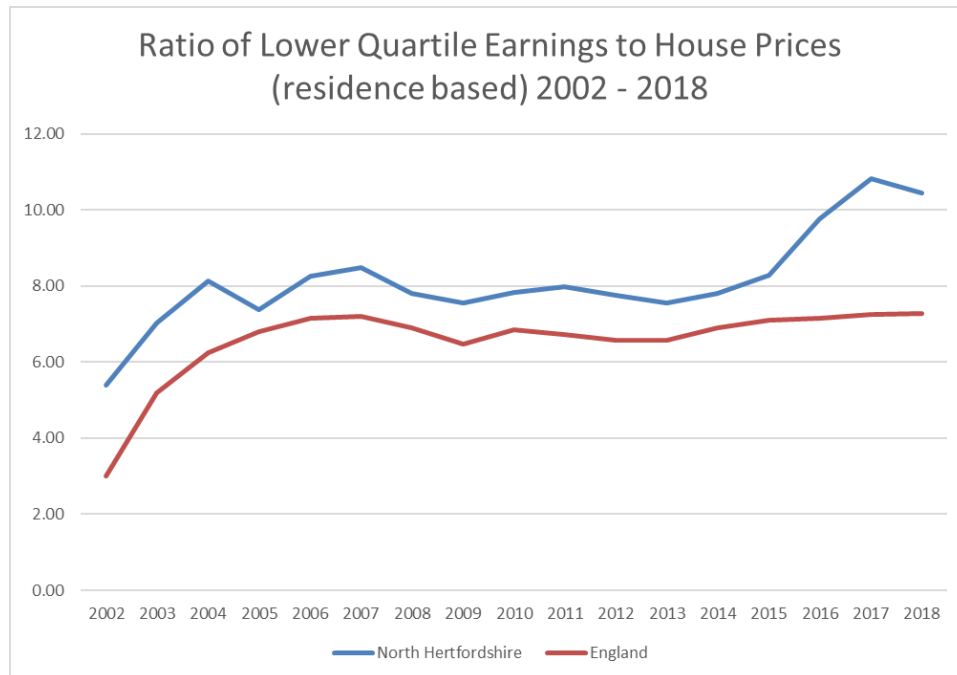
¹ <https://content.govdelivery.com/accounts/UKONS/bulletins/26c3a1e>

rate of increase in dwelling stock compared to 2001-2011. This clearly highlights the acute constraints to growth in the absence of an up-to-date plan providing for full needs.

A3.8 The important finding here is that where either the 2016-based projections or 2018-based are assessed all elements of the OAN calculation, including adjustment to market signals and household formation rates, must be addressed. This is not reflected in the analysis for North Hertfordshire.

A3.9 In effect NHDC has benefited from its long term under provision of housing as this continued restriction of supply below projected needs has impacted on past migration. This has increased competition for the limited housing stock and has resulted in increasing affordability pressures relative to the national average. Figure 1 below shows the change in the lower quartile residence-based house price to earnings ratio. The workplace-based ratio for North Hertfordshire has increased from 6.21 to 12.28 over the same period.

Figure 2. Change in Affordability Ratio 2002 to 2018 – England and North Herts



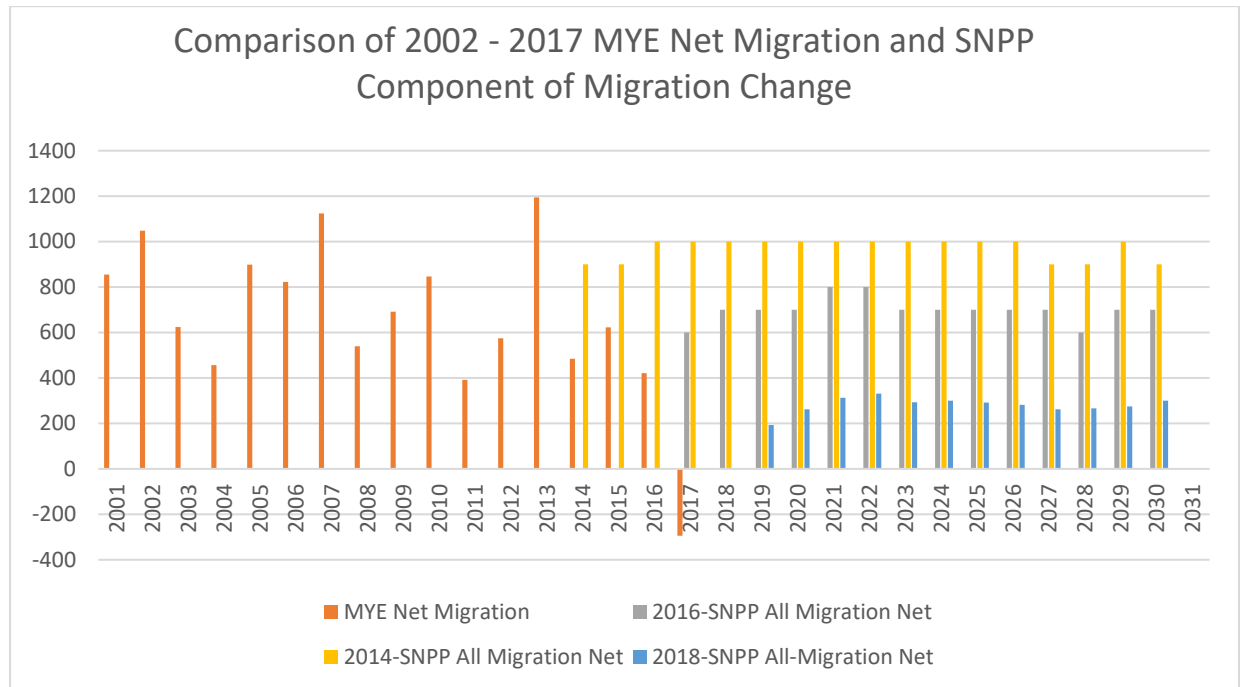
A3.10 The under provision of housing compared to projected needs impacts on present and future affordability as in-migration becomes limited to the wealthy households better able to compete for housing in this market. This forces the displacement of less well-off households out of NHDC. The impact of this is a gradual reduction in the net migration figure, which is then reflected in the future projections - notably the most recent 2018-based projections.

A3.11 This process has a positive feedback loop in that the more constrained the housing market the less in-migration occurs. Lower future projected trends in population and household growth, if these result in less housing being planned, would lead to a greater mismatch of supply and demand. It is this feedback which the Government is seeking to address in terms of adjusting for Market Signals both in terms of the discretionary approach in the 2012 framework and the Standard Method in the 2019 Framework.

A3.12 Figure 2 below shows the migration assumptions in the 2014, 2016 and 2018-based

projections compared with annual net change through migration record in Mid-Year Estimates for the period 2001/2 to 2017/18. This shows that net migration flows in recent years have been directly constrained by housing delivery, and subsequently reflected in the most recent SNPPs. Net migration was typically above +800 people per annum from 2001 to 2010.

Figure 3. Comparison of Net Migration Components of Change – 2001 to 2031



A3.13 In effect NHDC has benefited from its long term under provision of housing as this Adjustments to take account of increased migration pressure

c) Consultation on Proposed Changes to the Standard Method including a 'Revised' Standard Method (August 2020)

A3.14 The government is undertaking consultation on proposed changes to the standard method, which generate a figure of **625dpa** for North Hertfordshire². It is important to note that this result is substantially different to local housing need for the district calculated in accordance with the current version of the standard method prescribed in Guidance (**973dpa**). However, the result under the consultation proposals is a substantial increase on the calculation of local housing need at 411dpa if the 2018-based household projections are incorporated directly into the current standard method (an approach not supported by national policy or guidance).

A3.15 The result of the revised standard method under the consultation proposals exceeds the alternative assessment of housing need presented by the Council of 575dpa (being around 10% greater).

A3.16 While consultation proposals only at this stage the context for considering revisions to the standard method calculation is considered relevant to the Council's response regarding use of the 2018-based projections as the starting point to assess need.

²

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/907215/200805_Changes_to_the_current_planning_system_FINAL_version.pdf

A3.17 The proposed revised approach is predicated on the view that incorporation of the most recent data (i.e. 2018-based subnational household projections) comprises a more ‘agile’ position against which to demonstrate the overall position on housing need across England. The wider rationale for the approach seeks to provide greater stability in terms of outputs as well as a response that more fully responds to longer-term trends in affordability.

A3.18 Table 1 below sets out the assessment of local housing need in North Hertfordshire derived from the consultation proposals. It is clear that the effect of broader revisions to inputs as scoped through the consultation proposals is significant for North Hertfordshire. This goes a substantial way to offsetting the lower demographic baseline provided by the 2018-based projections.

Table 1. Illustration of Proposed Revisions to the Standard Method Calculation

	Stage	North Hertfordshire – Revised LHN Methodology Consultation	
		(i)	(ii)
	Step 1 - Baseline		
		0.5% Dwelling Stock Growth	10-year (HHPs) (2018-based)
1a	10-year total	2877.05	2959
	Period	2020-2030	2020-2030
1b	Average annual increase	287.705	295.941
1c	Higher of 1b(i) or 1b(ii)	295.941	
1d	Rounded (to nearest whole figure)	296	
	Step 2 – Affordability Uplift	(i)	(ii)
2a	Affordability Ratio Year	2009	2019
		(published 12/03/20)	(published 12/03/20)
2b	Affordability Ratios	7.32	10.21
2c	Adjustment Factor - Current Year (Part 1)		
	(%)		0.388125
2d	Affordability - 10-Year Trend (ii)		
	(2a(ii) - 2a(i))	2.89	
2e	Adjustment Factor - 10-Year Trend (Part 2)		
	(2d * 0.25) (%)	0.7225	
2e	Market Signals Adjustment (Part 1 + Part 2)		
	(1 + 2c + 2e)	2.110625	
	Calculation of Revised LHN		
	Local Housing Need		
3a	(1d x 2e)	624.745	
4d	Figure to use for LHN	625	

A3.19 In terms of explaining the steps associated with the proposed revisions to the standard method it is relevant to note as follows:

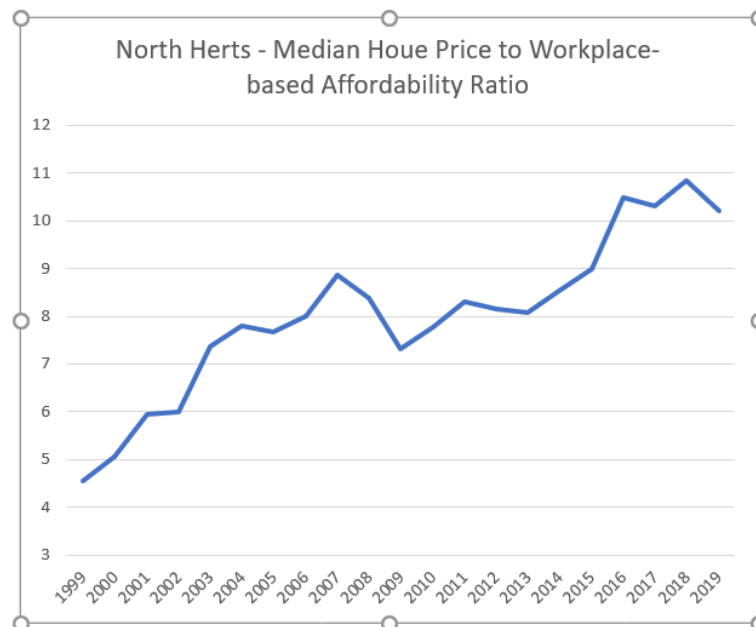
- The 2018-based household projections are adopted at Step 1, which comprises the same demographic baseline if the most recent projections were adopted for

- the current approach to the standard method
- Part 1 of the adjustment factor for affordability is calculated with the same result as *step 2* under the current standard method calculation
- Part 2 of the adjustment for affordability is calculated as follows and reflects a quarter percentage point adjustment for each 0.01 increment of increasing or decreasing affordability of median house prices relative to residence-based earnings: $10.21 - 7.32 = 2.89$; $2.89 * 0.25 = 0.7225$
- The 40% 'cap' on the affordability uplift is proposed to be deleted, which has a significant impact in North Hertfordshire given that Part 1 and Part 2 of the affordability adjustment are cumulative.
- The proposed deletion of the 40% cap based on the adopted Local Plan has no effect in North Hertfordshire.

A3.20 Incorporation of the Part 2 affordability adjustment generates a 52% increase in the calculation of local housing need compared to the current standard method (and if using the 2018-based household projections). On this basis there is a strong reason to argue that for North Hertfordshire the affordability adjustments provide the stability sought by inputs to the calculation and furthers the contribution towards the government's overall objective of delivering 300,000 homes annually.

A3.21 In relation to the 10-year trend in affordability considered under the proposed Part 2 adjustment the substantial difference in the affordability of housing between these two points (2009 and 2019) can be considered as part of the overall series recorded by official statistics. This is shown in Figure 3 below:

Figure 4. Trend in Affordability Ratio Inputs to the Standard Method Calculation



A3.22 One principal observation from this longer term series reflects that the sharpest increase in affordability constraints within North Hertfordshire occurred substantially before 2009. This corresponds to the period between the 2001 and 2011 Census and can therefore be considered in the context of falling rates of household formation and increases in other contextual indicators for housing need. However, the 10-year trend does reflect

some improvement in affordability as part of the 2008-2010. Trends in affordability have since worsened substantially, considering the very low levels of housebuilding and constraints to household formation.

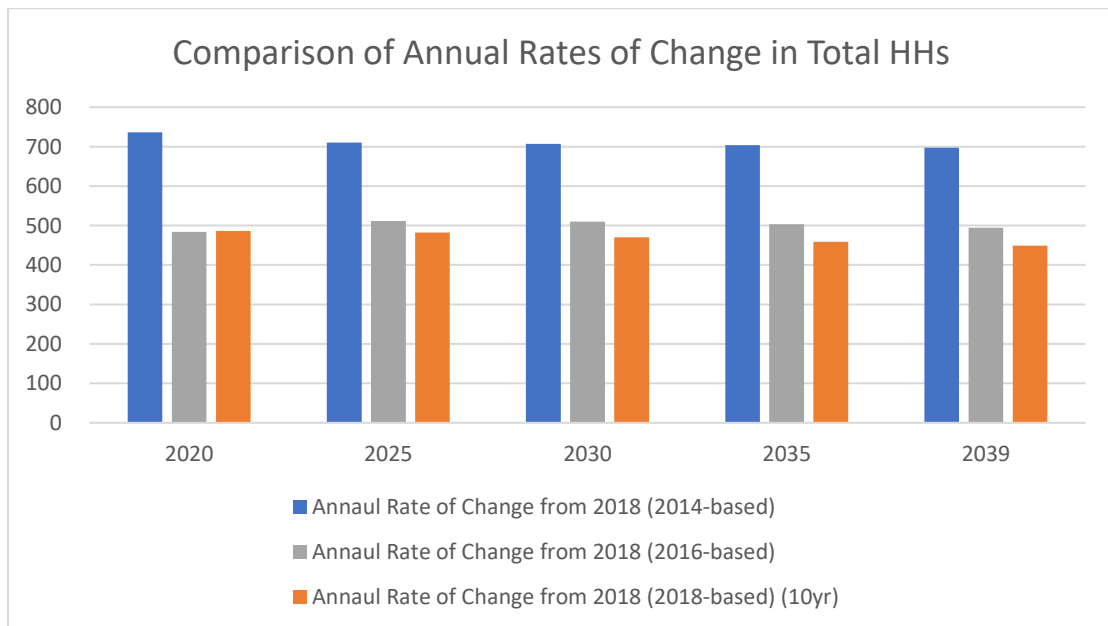
d) Comparison of 2018-based Household Projection Outputs – Older Households and Other Households

A3.23 It is our opinion that as SPRU has argued consistently on behalf of clients through the Examination that the 2014-based population and household projections represent the most appropriate basis to assess housing need. This is because these were the last 2012 Framework compliant projections as discussed above. However, if the more recent 2016-based and 2018-based series are to be considered it is necessary for the Council to accept the structural differences in these projections as part of the overall assessment of need. The characteristics of current and future demographic change under the current ONS methodology for household projections, together with projected changes in the age structure of the population, reveal impacts that extend beyond household formation rates of younger age groups.

A3.24 To illustrate this, we have compared the difference between the 2014-based, 2016-based and 2018-based household projections in terms of annual growth in households together with the characteristics of household type by age. For the purpose of comparison, we have used the official 2014-based and 2016-based projections (as previously rejected by the Council) together with the 10-year variant of the 2018-based projections that the Council has now adopted.

A3.25 Figure 4 below shows the similarity between the 2016-based and 2018-based (10yr) scenario, albeit there is an increased impact of constraints to population growth over time in the most recent 2018-based series.

Figure 5. Comparison of Annual Household Growth in Official Projections



A3.26 In terms of the detailed projection of change by household type Figures 5 and 6 below respectively show the breakdown using the 2014-based and 2018-based (10yr) projections. Even using the 10-yr trend in the most recent series it can be shown that net change in the total number of households with children is virtually zero (with the change actually negative in the principal projection).

Figure 6. Annual Change in Total Households by 5-Year Period (2018-based)

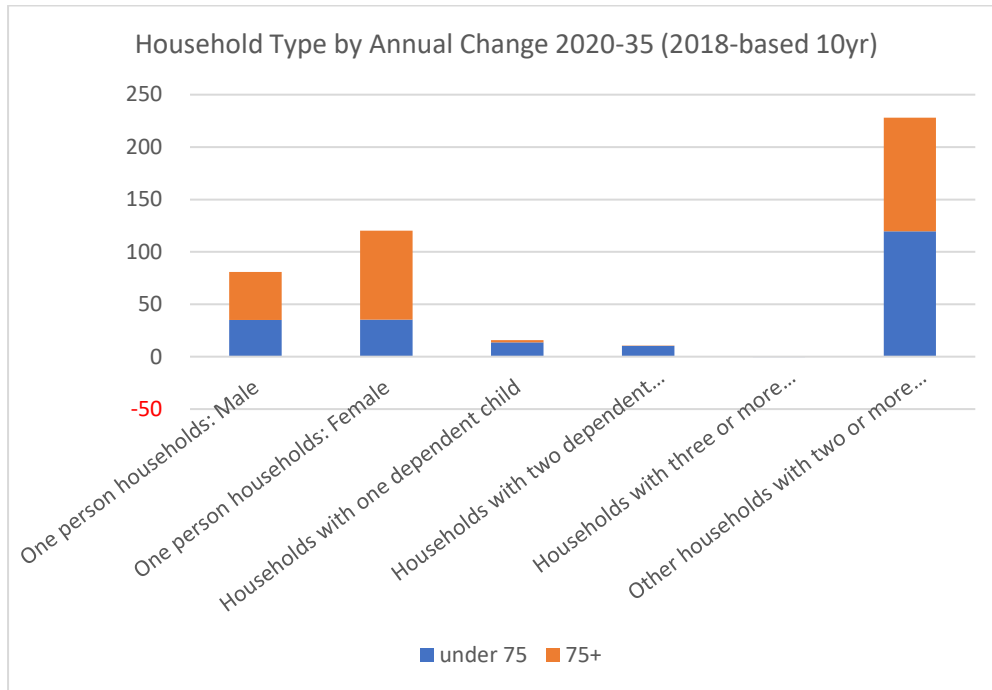
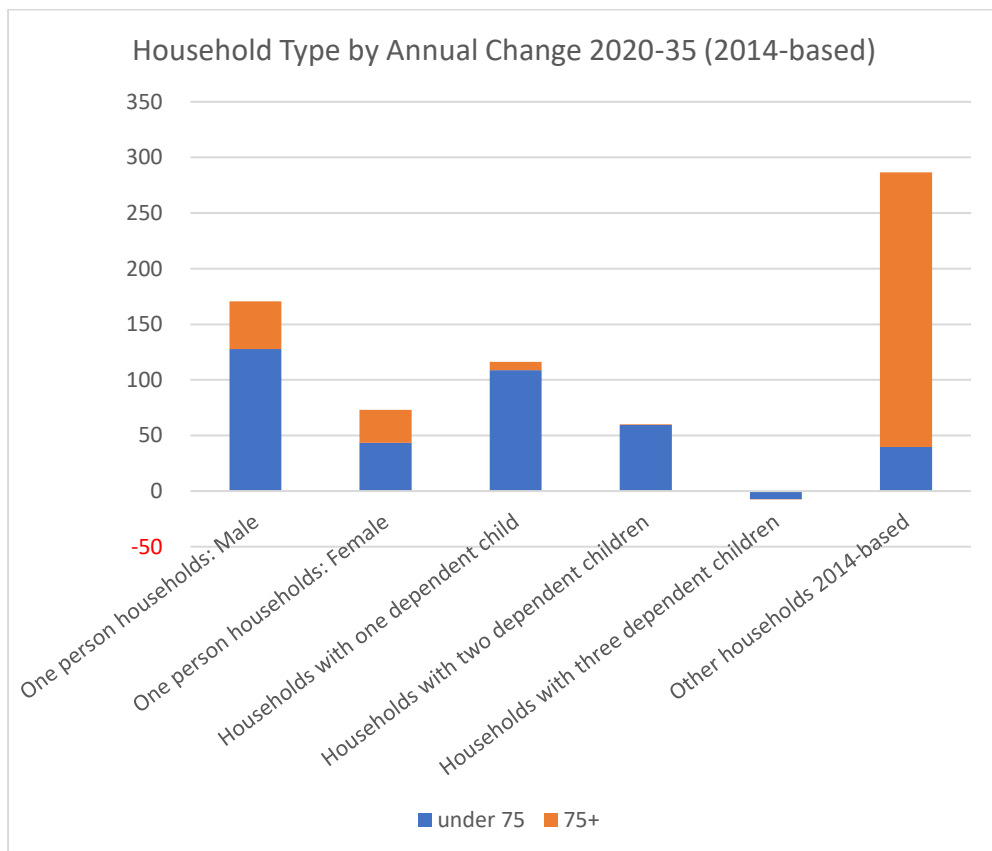


Figure 7. Annual Change in Total Households by 5-Year Period (2014-based)

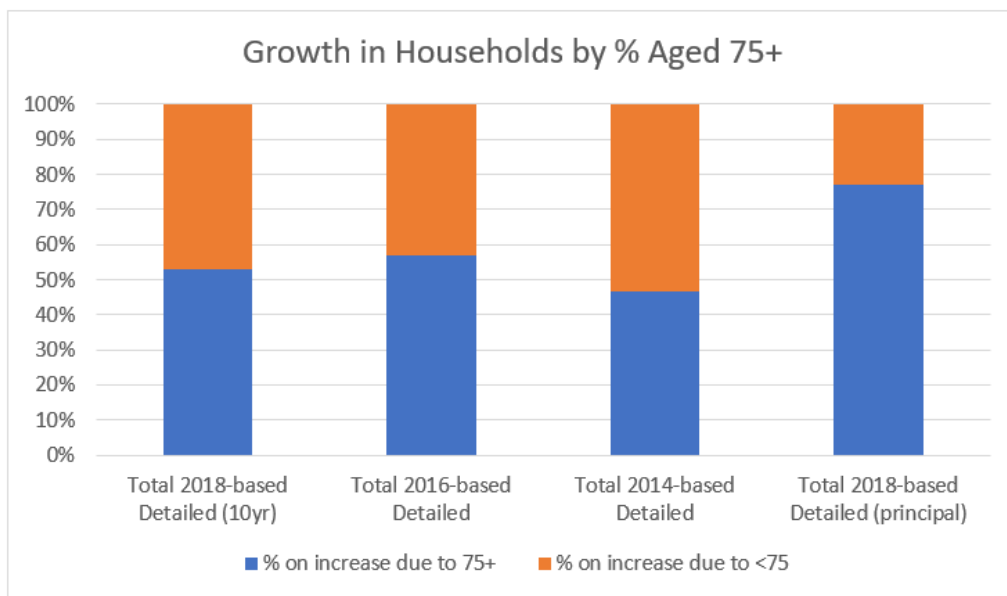


A3.27 The 2018-based projections also reflect the growth of substantially fewer one person households particularly amongst those aged under 75. However, due to an increasingly

ageing population one-person households aged 75+ are expected to comprise around 30% of annual household growth. Other households containing two or more adults (which includes older couples but also multi-adult households and children living with parents) with a headship person aged 75+ comprise 24% of the average annual household growth.

A3.28 The 2018-based (10-year trend) projection comprises over 53% of annual household change amongst households aged 75+. This has increased from 47% in the 2014-based principal projection. It should be noted, however, that the official 2018-based household projections indicate **77%** of average annual household growth amongst those aged 75+. Figure 7 below illustrates this comparison.

Figure 8. Comparison of Growth in Older Person Households



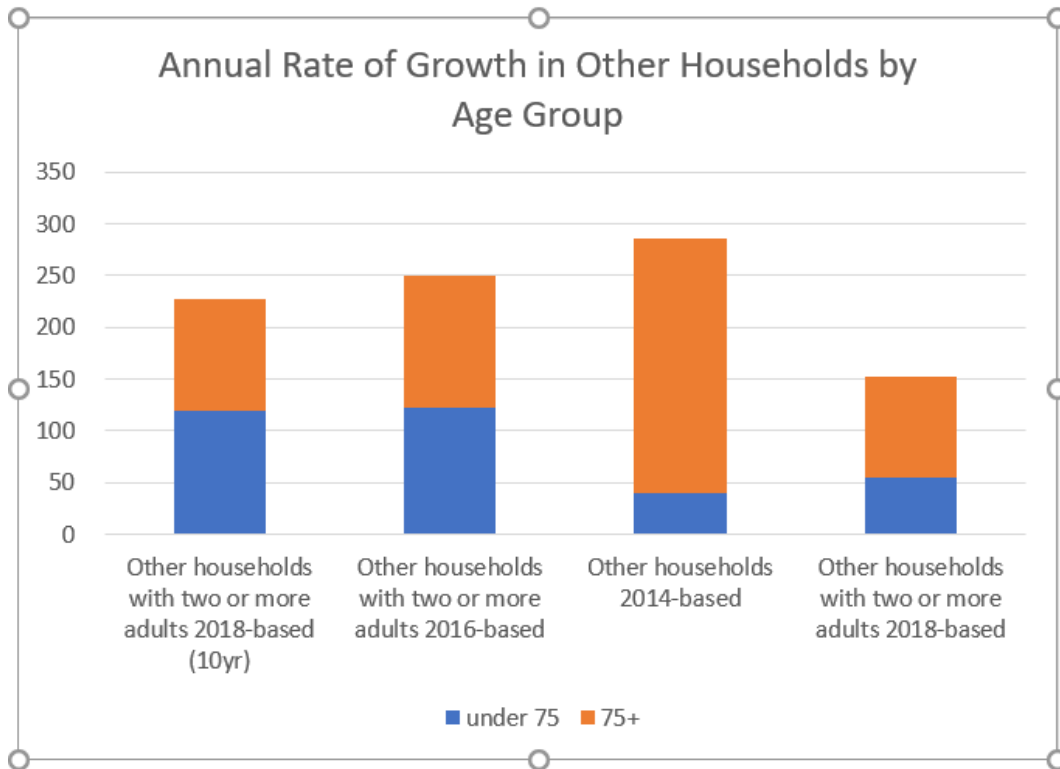
A3.29 The degree of projected change in annual household formation associated with an ageing population and more limited levels of activity in the market (due to lower rates of development and migration) has specific impacts on meeting housing need. Specifically, this means that while a significant proportion of household formation is expected to represent smaller households comprising older people it will not necessarily be the case that owner occupiers with substantial equity will downsize to a more appropriately sized property.

A3.30 This is likely to require specific and substantial intervention within the market, for example through the provision of specialist accommodation for older people. In contrast, lower overall rates of household change and reduced activity in the market correlate with worsening trends in affordability. In terms of trends within the household projections these constraints to household formation translate into a substantially increased proportion of 'other households' comprising two or more adults amongst those aged under 75.

A3.31 Within the 2014-based household projections growth in **Other Households** aged under 75 comprised only 5.7% of total projected annual change. In the 2016-based projections this increased to 24% of total projected change (noting the annual growth remained substantially above the 2018-based principal projection). The equivalent 2018-based proportion of other households aged under 75 are 26% (10-year trend) and 34% (principal). Figure 8 below shows total annual growth in 'other households' by broad age

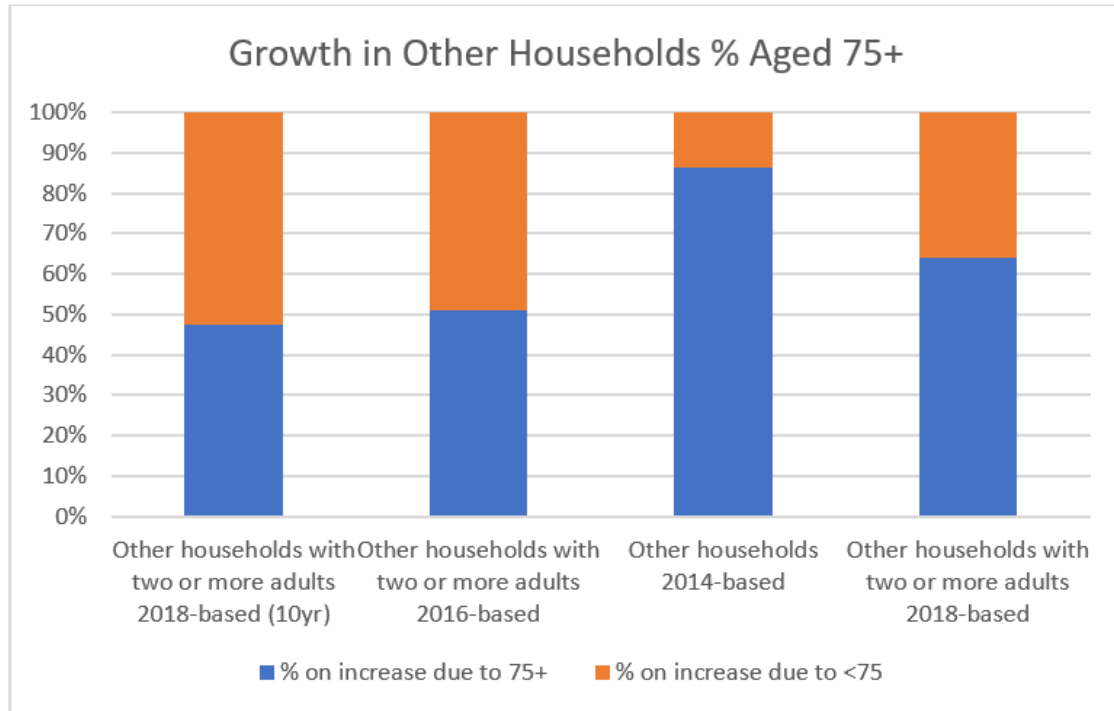
group:

Figure 9. Comparison of Projected Annual Growth of ‘Other Households’



A3.32 Figure 9 compares the proportion of growth amongst other households aged under 75/75+. This confirms a substantially higher rate of growth for younger ‘other’ households in the most recent 2018-based projections, whether or not the recent impact of demographic trends is ameliorated through use of the 10-year scenario.

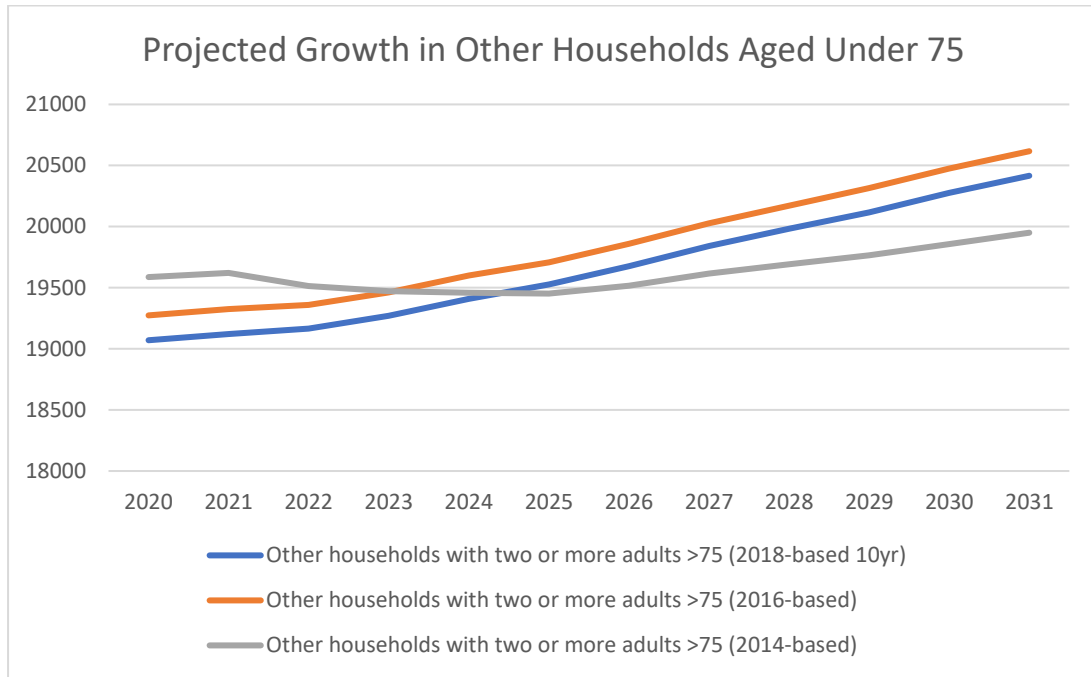
Figure 10. Comparison of Projected Growth of ‘Other Households’ by Age Group



A3.33 This is a clear reflection of the combined impact of constraints to migration (affecting the age-sex structure of the population) and constraints to household formation as being extremely relevant to reconsidering the assessment of need in the context of the most recent projections. The impact of these trends can be shown by the relative total of ‘other’ households at the end of the plan period based on the different projected scenarios. This is shown in Figure 10 below, indicating that **the 2018-based household projections would result in a further 500 younger ‘other households’ in 2031** compared to the 2014-based projected trend.

A3.34 This ignores the impact of younger adults living with elderly parents in ‘older’ ‘other households’ (aged 75+) and takes no account of the substantial constraints to household formation reflected in all of the 2014-based, 2016-based and 2018-based projections based on changes since 2001 and by implication from the start of the plan period (2011).

Figure 11. Comparison of Rate of Increase in Other Households



A3.35 This indicates a significant proportion of growth will be multi-adult households rather than couples with no dependent children. In-line with the 2014-based projections this particularly affects the household characteristics amongst younger age groups and thus offsets overall decline in household formation rates.

A3.36 Notwithstanding the recent reduction in trends for projected population growth the associated constraints upon household formation also contribute to estimates of need based on the official projections. It is suggested by the ONS that this may reflect an increase in young working adults sharing accommodation and multigenerational households. These factors indicate barriers to home ownership and growth in the proportion of the population in private rented tenure. Planning for levels of future housing provision that would maintain and 'lock-in' these trends is not a sound approach to policy-making.

BEDFORD / SDD / SPRU

4 Abbey Court, Fraser Road
Priory Business Park, Bedford. MK44 3WH
bedford@dlpconsultants.co.uk
01234 832 740

BRISTOL / SDD / SPRU

Broad Quay House (6th Floor)
Prince Street, Bristol. BS1 4DJ
bristol@dlpconsultants.co.uk
01179 058 850

EAST MIDLANDS

1 East Circus Street, Nottingham
NG1 5AF
nottingham@dlpconsultants.co.uk
01158 966 622

LEEDS

Princes Exchange
Princes Square, Leeds. LS1 4HY
leeds@dlpconsultants.co.uk
01132 805 808

LONDON

The Green House, 41-42 Clerkenwell Green
London. EC1R 0DU
london@dlpconsultants.co.uk
020 3761 5390

MILTON KEYNES

Midsummer Court, 314 Midsummer Boulevard
Milton Keynes. MK9 2UB
miltonkeynes@dlpconsultants.co.uk
01908 440 015

SHEFFIELD / SDD / SPRU

Ground Floor, V1 Velocity Village
Tenter Street, Sheffield. S1 4BY
sheffield@dlpconsultants.co.uk
0114 228 9190

RUGBY

18 Regent Place, Rugby, Warwickshire
CV21 2PN
rugby.enquiries@dlpconsultants.co.uk
01788 562 233

**RTPI**

Chartered Town Planner

