

Review of 'Objectively Assessed Needs' (OAN) for housing in the Welwyn/Hatfield Local Plan

Final Report to North Mymms District Green Belt Society

Alan Wenban Smith
Urban & Regional Policy
alanwenbansmith@pobox.com

23 October 2020

Relevant qualifications and experience

MA, MSc, DipTP, MRTPI, MTPS, FAcSS. Responsible for planning and transport policy at Newcastle, Tyne & Wear and Birmingham Councils, 1973-1996, former Director SQW Ltd, Associate MVA/Systra, Proprietor of Urban & Regional Policy (housing, transport and economic planning consultancy, 1996-date).

Former Visiting Professor of Planning (Newcastle and Birmingham City Universities), member of RTPI General Assembly and Policy Committee, holder of RTPI Outstanding Service Award 2018.

Directly relevant to the present report, he was a Special Adviser to the ODPM Select Committee Inquiry on Growth Areas in the South East (2002) and has carried out 15 reviews of housing provision in Local Plans across England since 2014.

Review of 'Objectively Assessed Needs' (OAN) for housing in the Welwyn Hatfield Local Plan (WHLP)

Report to North Mymms District Green Belt Society (NMDGBS)

Note: In this report two very similar numbers relate to each description of the future. Household projections (such as those by the Office of National Statistics (ONS)) deal in future numbers of households, while the WHLP, the Turley consultancy reports and government housing policies deal in numbers of dwellings.

The difference in WHLP is an allowance of 3% for vacant property, on the basis that this is the average vacancy rate across the Borough. In this report growth numbers are labelled as households ('hpa') or dwellings ('dpa') as appropriate and comparisons only made within these categories. Key numbers are:

- the 2014-based household projection for 2013-32 used in the original WHLP: 615 hpa, equating to 634 dpa ('uplifted' on Turley advice to 800 dpa in the Plan (see Table 2));
- the 2018-based household projection for 2016-36 for the WHLP plan period now proposed: 309 hpa, equating to 319 dpa (which Turley recommend should be uplifted to 715-800 dpa).

Executive Summary

The Inspector for the Local Plan has sought views on whether the 2018-based household projection represents a 'meaningful change', and whether the Plan's housing requirements (based on the higher 2014-based projection) are still soundly based.

The Borough Council commissioned a report from Turley's on this matter which concludes that the housing need (OAN) they recommended at the time of the Plan's preparation (800 dpa) should essentially be retained. I have been asked by NMDGBS to carry out a professional review of this report. My conclusions are below, with references to the text of this report in brackets.

1. Lower growth in household numbers in successive household projections is treated by Turley as a temporary 'blip'. However, the duration of the blip is now some 20 years and there is as yet no evidence of a 'return to normal' (paras 2.2-2.3).
2. The main 2018-based projection would give a starting point for estimating needs of 319 dpa for the period 2016-36 (Table 2, last column). Turley's preferred 2018 variant is the highest available, and would give 519 dpa, but their recommendation is 715-800 dpa. The report seeks to justify this uplift of 38-54% by:
 - making unexplained and inflationary adjustments (Table 2, and paras 2.6-9);
 - arguing that the higher resulting 'uplift' will result in more affordable housing.

3. National policy seeks to increase housing supply sufficiently to reduce house prices generally, and to secure more developer contributions for subsidised provision. However, this has not happened in Welwyn Hatfield in the past under similar policies, nor is evidence offered by Turley for a different future result (paras 3.1-3).
4. Because new build in Welwyn Hatfield is only about 10% of the market, the effect of its volume on local prices is negligible. In addition (as nationally) builders have been able to negotiate down direct provision on grounds of viability.
5. The 2018-based 2016-36 net increase of 309 hpa (319 dpa, ONS main projection, Table 2) comprises a flow of about 840 hpa new households under 25 at 2016 balanced by dissolution of about 460 hpa existing older households. The flow of additional need in Welwyn Hatfield is thus all from younger age groups (paras 3.5-8, Figure 2).
6. Help to Buy for new homes benefits only about 11% of newly-forming households nationally, and Turley offers no evidence that it is any better in Welwyn Hatfield (paras 4.1-4).
7. The chance of a decent home thus depends for most new young households on the quality of the cheaper end of existing stock, and the neighbourhoods in which they are found (section 4).
8. Excessive provision of new housing land represents a pre-emptive strike on limited resources for infrastructure and services, seldom fully met by planning gain or CIL. This will compromise the ability of the Council to regenerate the areas and homes most relevant to meeting the growth in housing needs (paras 5.1-3).
9. Meeting local future needs will depend on getting the balance right between land for new housebuilding and regeneration of existing stock. The soundness of the Local Plan as whole depends on this. The Council need to show how provision beyond 319 dpa would achieve this, but neither they nor Turley have done so (Section 5).

1 Introduction

The brief

- 1.1 The draft Local Plan for Welwyn Hatfield is the subject of an Examination that opened in September 2017, and continues. The draft Plan makes provision for 'Objectively Assessed Needs' (OAN) of 800 dwellings per annum between 2013 and 2032. This figure derives ultimately from the official 2014-based projection of households published by DCLG in 2016.
- 1.2 This projection has been superseded twice since then, by 2016- and 2018- based projections produced by ONS. These later projections successively reduced the estimated future growth in the number of households, nationally and in the district. Welwyn Hatfield Borough Council (WHBC) have been asked by the Examination Inspector whether the 2018-based projection (published in June 2020) represents a 'meaningful change', and whether or not the Plan's housing requirements are still soundly based.
- 1.3 WHBC have sought the advice of the same consultants (Turley) who recommended the draft Local Plan provision, to take account also of an intended change to the plan period from 2013-32 (19 years), to either 2016-34 (18 years) or 2016-36 (20 years). Turley's have reported (EX203A), proposing a range of 715-800 dpa (EX203A Exec Summary para 9), but justifying 800 dpa on the grounds that the additional 'uplift' (from 10% to 23% over 2013-32, or 35% over 2016-36) would permit enhanced response to worsening market signals (EX203A Exec Summary para 10).
- 1.4 I have been asked by the North Mymms District Green Belt Society (NMDGBS) to carry out a professional review of the methodology and conclusions of the Turley report, relative to the 2018-based projection.

Context

- 1.5 Household formation and the growth of local housing needs have a national economic and social context, and local policy responses are strongly affected by national policy. From 2007 the principal aim of national planning policy for housing changed from 'decent housing' (a whole stock, qualitative and place-based concept) to 'new housing' (a quantitative, development-based concept). More new homes have been seen since by successive Governments as the main way of meeting housing needs and improving affordability.
- 1.6 Governments have recognised the usefulness of a national system of estimating future household needs to manage this process, and since 2018 targets have been centrally proposed, based on projected national trends cascaded to each Local Plan area. An array of inducements and penalties has been put in place to secure compliance, and the Government is currently consulting on further reinforcements to this system.
- 1.7 The global financial crisis of 2008 led to a slow-down in net increase in homes (including conversions), from 224,000 in 2007/8 to an average around 140,000pa 2009-2014, only exceeding 200,000 again in 2018/19. However, continuing economic uncertainties and changes in the structure of employment are also reflected in reduced rates of household formation. Table 1 shows that while targets for housing

provision have risen by 117,000 dpa, household projections have fallen by some 70,000 hpa. This reduction is particularly marked in younger age groups, with implications discussed later in this report (Sections 3 and 4). Output has increased by about 100,000 from the depths of the recession, including some 20,000 more from conversions and changes of use enabled by relaxed permitted development limits, but still falling short of rising targets.

Table 1: National household projections, housing targets and output

Projection baseline (publication year)	Projected annual growth over next 10 years (hpa)	National housing targets for next 10 years (dpa)	Output of additional homes in projection publication year (dpa) ¹
2012 (2014)	220,000	220,000	124,720
2014 (2016)	211,000	211,000	170,690
2016 (2018)	159,000	300,000	217,350
2018 (2020)	148,000	337,000 ²	241,340

Note 1: The numbers of conversions and changes of use of existing buildings increased by about 20,000 2012-19. Future such provision does not, by definition, require additional land.
Note 2: the provision that would result from 'Planning for the Future' (para 1.8 below).

- 1.8 Official planning policy guidance has, from the outset, placed great emphasis on projected trends in household formation as the starting point for estimating housing needs. 'Planning for the Future' is designed to deliver the local contribution to achievement of national targets by adding measures of local housing stock and affordability changes over the last 10 years to the latest household projections. Applied nationally this method gives total provision of 337,000 dpa. The consultation period ends 29 October, so it is not yet Government policy.
- 1.9 It is not the function of this report to comment on the merits of the new method, or to propose an alternative OAN. However, it is relevant to the Inspector's question about use of the 2018-based projection to note that the new method endorses its use, and that it would produce a significantly lower figure. Turley's higher numbers are derived from the obsolescent MHCLG 2014-based household projection model¹.

Structure

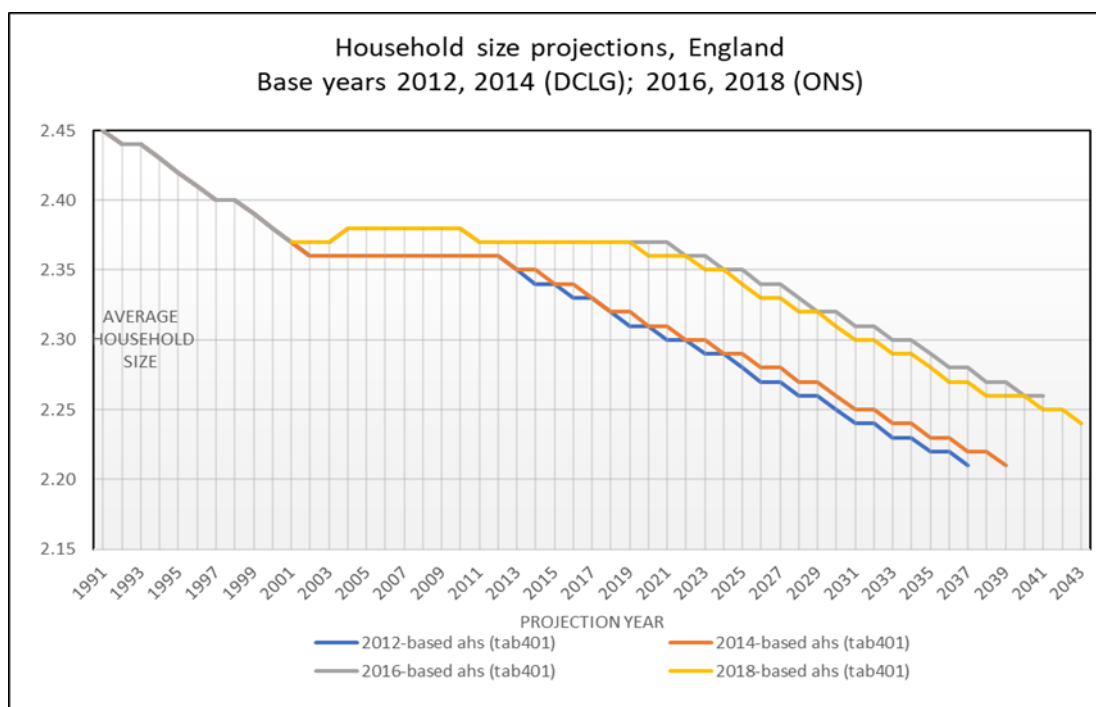
- 1.10 In this context, the structure of the rest of this report is as follows:
- 2. Trend projections:** reconciliation of numbers used in the Turley report, and implication of changes to projection baselines and plan periods.
 - 3. Newly-forming households:** how they drive overall growth of housing need.
 - 4. The whole stock:** the role of existing and new homes in meeting housing needs.
 - 5. Implications for soundness**

¹ The cover page of EX203B states "Under all scenarios, households and dwellings growth is estimated using the assumptions from the MHCLG's 2014-base household projections model (HH-14)".

2 Trend projections

Reconciliation of numbers

- 2.1 The ONS projections deal in numbers of households, but the Turley report deals in numbers of dwellings. The difference is an allowance of 3% for vacant property, on the basis that this is the average vacancy rate across the Borough (EX203A, Table 3.1, footnote). In this report growth numbers are labelled as households ('hpa') or dwellings ('dpa') as appropriate and comparisons only made within these categories.
- 2.2 The household projections are of trends: the continuation into the future of a past trajectory of change over a base period, without changes in policy. The differences between projections from different base years depend on a range of factors, including:
- The base period: how many years before the base date are used to establish the trend being projected. The ONS main projection uses the superior data available for younger age groups in the most recent 2 years, and on the evidence discussed below (paras 2.5 and 3.6-9) is much to be preferred;
 - Additional data points: changes that have already happened between the base years;
 - The range of component trends considered: current ONS projections combine trends in factors such as age, gender, relationships and dependent children;
 - Projections in the 1980s and 1990s also considered other possible causative factors, such as GDP/head, interest rates and unemployment. These do not feature in the trend projections, but may be used to indicate sensitivity to the result of other policies.
- 2.3 These factors, especially the last two, may be matters of opinion and therefore controversy. A crucial example of this is the weight attached to long term trends in average household size ('ahs' – the average number of people per household, a useful way of encapsulating trends in household structure). Since the 2008 global financial crisis, the trend in ahs has departed from its long-term trajectory, but all the recent projections have treated this as a 'blip', and assumed there will be a 'return to trend'.
- 2.4 Figure 1 below shows the trends in ahs in the past four published projections: the 'return to trend' was put off by about 10 years in the 2012- and 2014-based projections, but by nearer 20 years in the 2016- and 2018-based editions. This make it look more like the 'new normal' than a 'blip', which is supported by the analysis of the dynamics of household formation in the next section of this paper. This is relevant to the Inspector's question about the significance of the 2018 projection.

Figure 1: Average household size trends 2012-2018: 'blip' or 'new normal'?

- 2.5 Alongside its 2018-based main projection, ONS has published a range of variants, listed in Table 2 below. The main projection differs from previous years in using enhanced information about new young households, mainly about destinations of students leaving higher education, which is particularly important for larger cities and towns. This has only been available for the last two years of the base period (from 2016), while in the past the base period has been 5 years. Statements about the future are inherently difficult to prove, and Turley does not offer compelling evidence for favouring any particular variant over ONS's main projection. In the light of the analysis in this report, its emphasis on younger age groups seems appropriate.
- 2.6 The Turley report prefers the variant described as 'Alternative Internal Migration' (EX203A, Chapter 3): this differs from the main projection in that it uses five years of internal migration trend data: two years on the new method and three years on the old method. Nationally the effect has been to increase projected household numbers for larger places and reduce them elsewhere. Welwyn Hatfield is among a ring of London satellites showing reductions (-4.2% its case)². There is no particular reason why the main projection should be less valid on that ground (clearly ONS do not think so, and the evidence below supports their judgement).
- 2.7 For the period 2013-32, Turley's preferred variant is the highest of those reported by ONS, and closest to the 2014-based projection used for the draft Local Plan. However, the numbers used in the Turley report do not appear to correspond to the projections they rely on, either then or now. Table 2 below compares Turley's dwellings per annum (dpa) numbers with the corresponding ONS projections of households (hpa), after allowing 3% vacancy.

² ONS (March 2020) 'Impact of different migration trend length'

Table 2: Households and dwellings: Welwyn Hatfield Local Plan (ONS and Turley report)

ONS projections	ONS change 2013-32	ONS hpa 2013-32 (19 yrs)	ONS dpa 2013-32 (19 yrs)	Turley, start point, dpa 2013-32	Turley, inc uplift dpa 2013-32	ONS dpa 2016-36 (20yrs)
2018-based	Households (hpa)		Dwellings (dpa), inc 3% vacancy			
ONS main projection	7,197	379	390	408	N/A	319
Variant: 10 yr mign	9,131	481	495			458
Variant: High mign	8,331	438	452			410
Variant: Low mign	6,063	319	329			227
Variant: Alt internal (Turley preferred)	9,574	504	519	597	715-800	480
ONS previous projections (for comparison)						
2012-based, main	9,996	526	542			581
2014-based, main	11,690	615	634	670	800	650
2016-based, main	10,532	554	571			548

2.8 There are significant differences between Turley and ONS/DCLG at both 2014 and 2018:

- The 2014-based DCLG projection gives a starting point of 634 dpa, while the recommended OAN was 800 dpa. This an uplift of 26%, but Turley's stated market signal allowance was 10% (EX203A Table 2.1).
- Turley's preferred 2018 variant suggests a need for 519dpa (ONS, Table 2 above), but their recommendation is 715-800dpa – an uplift of 38-54%.

2.9 These levels of uplift far exceed anything accepted in evidence to date³. Turley do not deal directly with the issues, but put forward two broad justifications for accepting these higher numbers (EX203A, Executive Summary, paras 6 and 10):

- The 2018-based projection shows a 'narrowing of the surplus of births over deaths', which is stated to 'reduce the need to occupy a home as long as previously thought' Even if the premise is correct, new-borns do not generally form households, so this would make no difference to household numbers.
- Maintaining the higher numbers would increase the headroom for responding to any later increase in needs. However, there is no obvious or urgent need for such additional headroom since 2016-36 growth is lower than 2013-32 on all projections (Table 2, cols 3 and 6), as acknowledged by Turley (Exec. Summary, para 10).

2.10 The remaining housing need issue is whether maintaining the higher OAN, in spite of decreasing household projections, will result in housing that is more affordable to less well-off people (an aim described by the Secretary of State in a recent speech as 'a burning moral issue').

³ The higher levels of uplift in MHCLG's 2020 revised method are on a different basis, and not comparable (see footnote to para 1.9 above)

3 Meeting the needs of new households

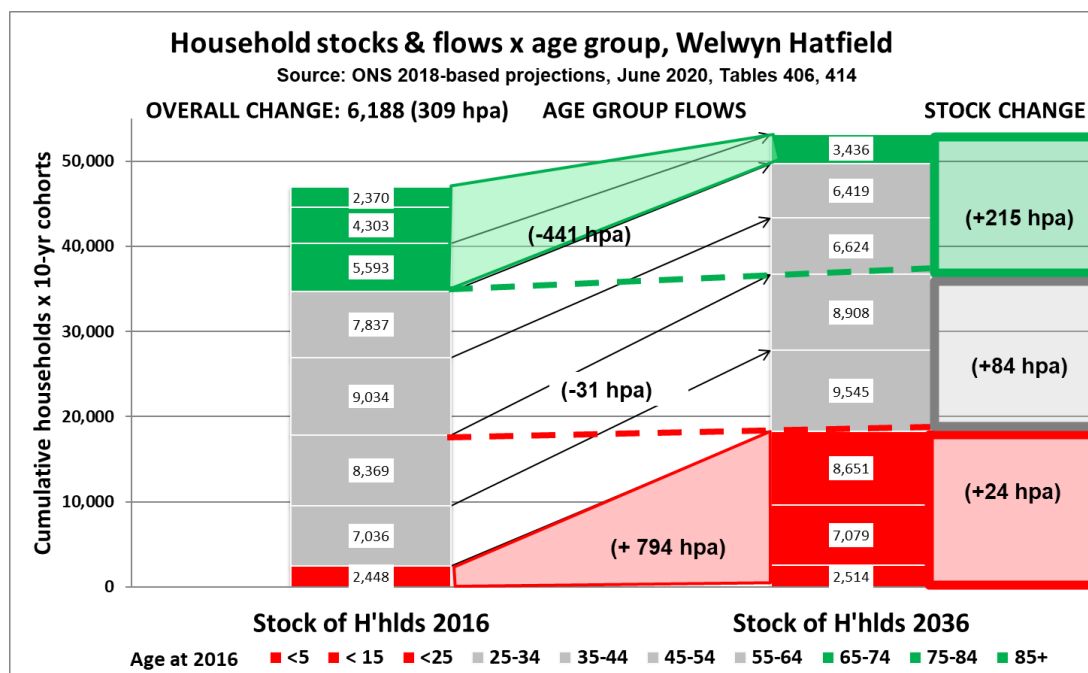
Current policy

- 3.1 Fundamentally the same national policies have been in place since 2007:
- to increase housing stock by at least as many as the projected net increase in household numbers,
 - to rely on building for sale as the source of almost all new housing, and
 - to increase the supply of housing land through the planning system to accommodate this.
- 3.2 The aim has been to reduce house price inflation:
- Indirectly, through the ‘trickle down’ of additional supply above trend to depress prices generally (new build and existing);
 - Directly, by cross-subsidising an increased ‘affordable housing’ component;
 - Financial supports enabling first-time buyers to take on more debt (eg ‘Help to Buy’).
- 3.3 However, the intended benefits of this strategy have not transpired: additional supply (whether through new build or conversion) has remained well below targets, prices have not been depressed, and the supply of housing affordable to newly-forming households remains inadequate.

New household formation

- 3.4 It is not the function of this paper to critique these national policies, but to adduce evidence relevant to their practical operation in the context of Welwyn Hatfield. This requires an understanding of the characteristics of the additional households to be planned for.
- 3.5 Household projections and housing needs (OAN) are conventionally expressed as increases in the stock of households or dwellings respectively – essentially, the difference between ‘snapshots’ at the beginning and end of the plan period. But the process of household formation is a flow – a movie, not a snapshot. Figure 2 overleaf uses ONS information about the ages of household members to examine the stock/flow relationship by following household cohorts as they age. It should be noted that the flow representation uses exactly the same ONS household growth x age cohort numbers as the standard stock change analysis. Both include continuing trends in migration – local, national and international.
- 3.6 The period covered by Figure 2 is the alternative plan original plan period (2016-36). The figures for the original plan period (2013-32) are slightly different, but the picture they paint is essentially the same.

Figure 2: Household stocks and flows, Welwyn Hatfield, 2016-36 (ONS 2018-based)



3.7 In this graphic the red shading denotes those under 25 at 2013, the green those over 65 and grey those in-between (25-65). These colours follow each cohort as it ages, as these are mostly the same people, just growing older. Over the plan period, by 2032, everyone ages nearly 20 years: the under 25s (red) become under 45s, the over 65s (green) become over 85 and the 45-65 age group (grey) becomes 65-85.

3.8 The flow of newly-forming households consists of those under 25 at the start (840hpa – more than double the overall net increase of 380), while households over 65 at the start dissolve over the period (die or enter institutions) at the rate of 446hpa. By contrast, about half of the increase in the stock of households (the last column) is concentrated in the over-65 age group, while the under 25s increase far less.

3.9 It should come as no great surprise that housing need growth is almost entirely a problem for the young: but the focus of policy on changes in the net stock of households gives a highly misleading picture of how additional housing needs arise. The stock change formulation make it appear that need is concentrated in the oldest age group, while the reverse is actually the case.

4 Meeting needs of newly-forming households – the whole stock

4.1 Around 90% of the housing market is turnover of existing stock ('churn') rather than new build. Existing homes and neighbourhoods meet a wider range of needs and demands than the kind of greenfield developments favoured by current policies. New build is a limited niche, with any contribution to meeting wider needs and demands depending on 'trickle down'. Thus meeting housing needs is not simply a matter of new build equalling the growth in the number of households.

- 4.2 'Help to Buy' has been targeted on first time buyers of new homes, but while subsidies for home buying have exceeded £15bn since 2013, they have benefited only a minority of the flow of new households (about 11% nationally)⁴. Some of them may have taken on unsustainable levels of debt and could be at serious risk of negative equity if (as seems likely) values are depressed by the economic fall-out of Covid, Brexit and climate change. This would be particularly disastrous for newly-forming households, but as new market entrants are choked off the effects will be felt across the whole housing market, and beyond.
- 4.3 Trends in levels and security of income in this age group makes them increasingly dependent on lower-priced areas for affordable homes for purchase or rent. For most new young households the chance of a decent home depends on the quality of the cheaper end of existing stock, and of the neighbourhoods where they are found.
- 4.4 Levelling-up of the quality of homes in lower-priced areas through regeneration thus helps newly-forming households much more quickly and directly than new build, even with Help to Buy. Meeting housing needs thus requires the Local Plan to take a 'whole stock' approach to housing policy combined with joined-up place-making at town and neighbourhood levels. This is essential, moreover, for the 'trickle down' assumption of present affordable housing policies to work (see 1.24-25 above).

5 Soundness

- 5.1 The level of new housebuilding needs to be balanced with regeneration of existing stock, and the soundness of the Local Plan as a whole depends on getting this balance right. Excessive provision of land for new building is not a free good but will seriously compromise the supply of decent housing for newly-forming households from the existing stock. This arises in two ways:
- First, dispersed greenfield development is more demanding of resources for infrastructure and services, and as these resources are limited (and seldom fully met by planning gain or CIL), existing lower-priced areas are starved of investment and become more run-down.
 - Second, as a result, such areas become less attractive to both households and builders, limiting choices, driving further migration, and increasing travel demand in a vicious circle.
- 5.2 The Local Plan therefore needs to embrace the whole place-making agenda: jobs, services, physical and social environment. The reality is that if new building were achieved beyond what is needed to meet local demand and need (whether in terms of numbers or market segment) this would drive additional inward migration, rather than responding to past migration trends (already a component of the projections). This may be a justifiable policy in wider regional or subregional terms, but if so it cannot be argued on local demographic trends (as attempted by Turley), but needs explicit justification in its own right⁵.

⁴ Nationally the flow of new households (2018-based) is about 405,000 pa over the next 20 years, 360,000 of which were under 25 at the base date. Since 2016 about 40,000 pa first time buyers have been supported, which would be about 11% of the youngest group.

⁵ The Turley report specifically excludes additional needs based on local jobs growth, so any excess would attract more out-commuting, with transport and sustainability implications.

- 5.3 The Turley report expects that additional provision of housing land will not only increase output for sale, but also a dividend in the form of more ‘affordable housing’ through Planning Obligations. This is not matched by reality, as builders have been increasingly successful in reducing such obligations on viability grounds and few are for social renting. Though many volume builders have been able to dispose of much of their output to first time buyers, prices and qualifying income for Help to Buy are out of reach of all but a minority of new households⁶.
- 5.4 A parallel consideration affects commuting, and is an unintended side effect of the use of the ratio of house prices to workplace incomes for the purpose of adding housing provision for ‘market signals’. Dormitory suburbs typically have expensive houses and poorly paid jobs, so these would have the highest ratios and be the places required to add most housing. Unless this is social housing, these homes will remain unaffordable to local workers and will tend to increase commuting in a vicious circle. This is already happening around London, and could compromise the future sustainability of Welwyn Hatfield.
- 5.5 The flat rate Infrastructure Levy proposed in ‘Planning for the Future’ is combined with a commitment not to consider individual site viability. A flat rate that captures enough money to meet off-site infrastructure costs (let alone additional costs of population-related public services) would prevent much necessary development from proceeding in less profitable locations. Even with assessments Government has shown a sympathetic attitude to developers pleading non-viability, suggesting that without individual assessments the flat rate will be low. New young households, who might benefit from area regeneration and genuinely affordable housing financed by these means, will be particularly disadvantaged.

Conclusion

- 5.6 Provision of land much higher than can be justified by evidence of effective housing needs (ie funded, whether publicly or privately) represents a pre-emptive strike on limited resources for genuine place-making. That would undermine the Secretary of State’s ‘burning moral aim’ of securing decent affordable housing for all who need it.
- 5.7 Meeting future needs in Welwyn Hatfield depends on getting the balance right between land for new housebuilding and regeneration of existing stock. The soundness of the Local Plan as whole depends on this. The Council need to show how provision beyond 319 dpa would achieve this, but neither they nor Turley have offered evidence that this is the case.

⁶ This conclusion is illuminated by flow analysis (Figure 2): the parallel national analysis projects an annual flow of newly-forming households of about 405,000 pa (89% of whom were under 25 at the start date)