

Response to consultation on EX215 Welwyn Hatfield BC's letter of 18 November 2020 and EX218 Turley Technical Note Clarifying the OAN Position, November 2020

by SAVE SYMONDSHYDE

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Introduction

1. WHBC was in essence asked by the Inspector to specify the implications of the 2018-based household projections for the submitted Local Plan. The primary expectation was that this could lead to a revised assessment of Objectively Assessed Need (OAN) for housing. The Council has now done this, preparing two new OAN figures: one each for the periods 2013-2032 (the period of the submitted Plan) and 2011-2036 (on which we comment below).

2. The Inspector's letter of 30 November 2020 to WHBC (EX216) is critical of the Council's apparent provision of two different statements on OAN to the Examination (the Turley report on the 2018-based household projections (EX203A) accompanying a letter on 24 August, and the Council's recommendation for an OAN of 690dpa in its letter of 18 November (EX215)). Our understanding of the 24 August letter from WHBC to the Inspector had been that WHBC were providing a background document for early consideration by the Inspector. Those of us 'on the ground' in the Borough had always expected the Council to consider the advice it was receiving before endorsing it or making a different recommendation on OAN to the Inspector. However, we do sympathise with the Inspector because the status of the Turley document was not made clear in the letter of 24 August, nor the Council's next steps set out. The Inspector will have seen our most serious critique of the Turley document, and we urge that their document not be viewed as the Council's statement on OAN.

Plan period

3. This Local Plan has been so long in preparation that there is an overwhelming case for revising the Plan period from the originally submitted 19 year period 2013-2032 (see paragraph 4.4 of the submitted Plan) to a more realistic period with a later end-date. The Inspector and Council have agreed that this should be 2016-36 (Inspector's Interim Report, EX212, paragraph 38) and we support that. There is merit in having clarity about the changes to the Plan consequent upon the change in Plan period.

4. We struggle to understand why assessments are being made for a revised Plan period different from 2016-36. The original Plan period was for 2013-2032, and we appreciate the need to address any unmet need between 2013 and 2016. However, the original Plan took 2013 as its base, and we see no point in extending the period for assessment as far back as 2011. Use of a start date of 2011 is unhelpful and confusing.

Choice of assumptions in estimating OAN*General*

5. Save Symondshyde has demonstrated in its submissions at the end of October 2020 in response to the September consultations that the assumptions made by Turley in their advice to the Borough Council all caused the estimated housing need to rise vastly above the starting point of demographic need. These increments were so excessive that in combination they resulted in an OAN staggeringly 124% higher than the demographic starting point. We viewed this as bizarre and in part misleading. We consider the findings wholly unacceptable. Unfortunately, the Borough Council seems to us to have shown itself not capable of understanding fully the extreme advice it is being given or of responding to it robustly (or both). It had our analysis available well before the relevant Committee meeting on 17th November, but ignored it. The Council is proposing only a very limited reduction from the Turley figure(s) for OAN, and we do not support the Council's recommendation(s) on OAN. The table below summarises the different assumptions made by Turley, by WHBC and by Save Symondshyde in applying the 2018-based household projections in the calculation of Objectively Assessed Need for housing. The details follow after that.

Calculation of annual dwelling requirements using 2018-based household projections for the Plan period 2016-2036	Turley		WHBC		Save Symondshyde	
Demographic starting point		319		319		319
+ alternative migration period variants	162		139		0	
+ using 2014-based headship rate	44		44		0	
+ allowance for younger households	68		68		0	
+ Allowance for market signals	122		122		0	
+ Allowance for unmet need 2013-16 (incl. by Turley & WHBC in above uplifts)	[59*]		[59*]		68	
= Objectively Assessed Need		715		690		387
Cumulative uplift from starting point		224%		216%		21%

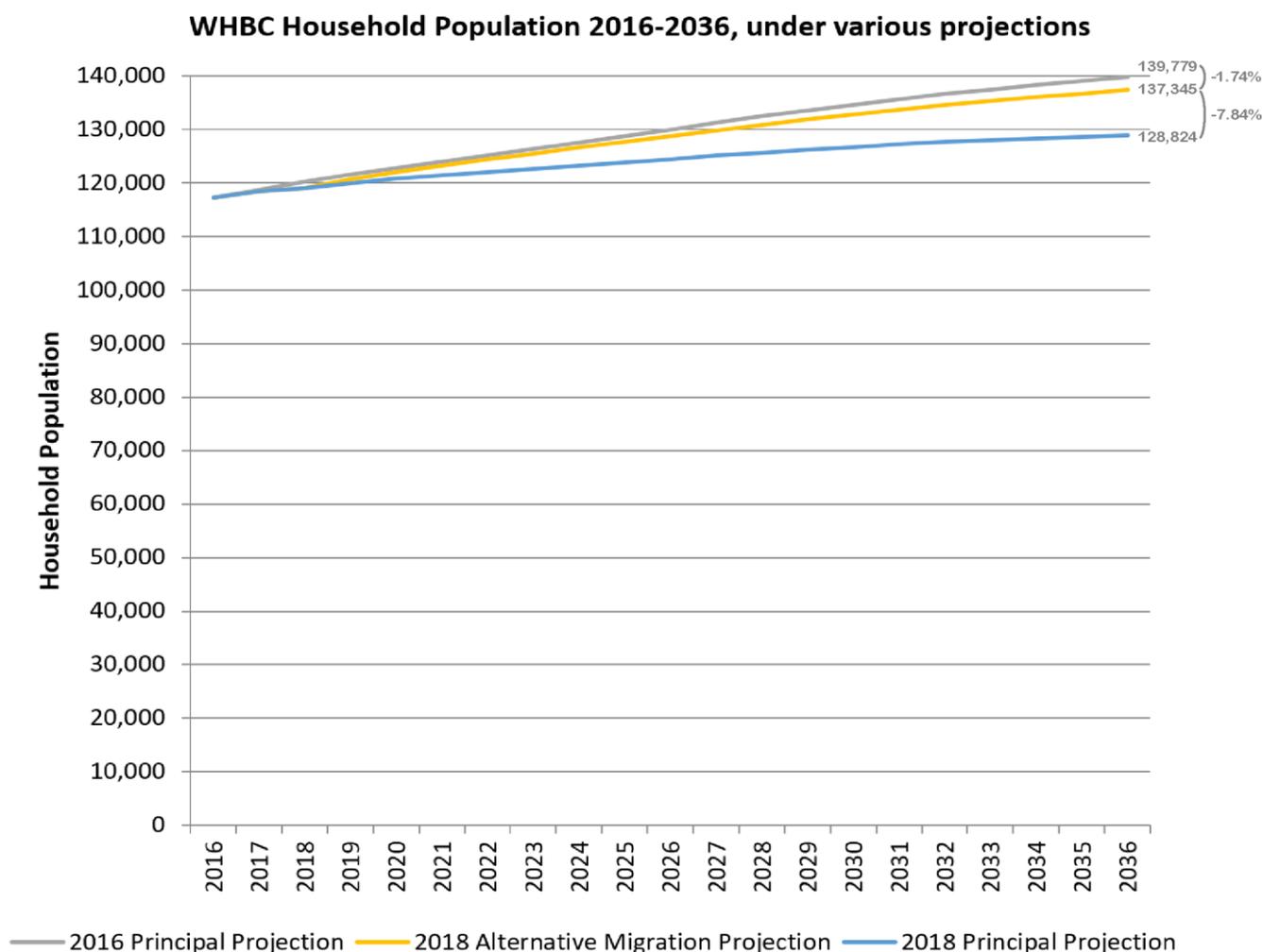
* The data for this are in Turley's EX218 Table 1, page 6.

Advice from the Office for National Statistics

6. ONS produces its household projections for each local authority in England for each year ahead (to 2043 in the latest projections). The demographic requirements can easily be calculated mechanically from these data. ONS also prepares variants on its principal projection (the one it recommends) to show the effect of different assumptions. ONS is happy for its projections to be subject to local assessment, but does not view those variants as pick-and-mix alternatives from which parties should choose the one which suits them best. Nonetheless, Turley selected the variant based on five years' migration data (the 'alternative migration variant'), rather than that based on the last two years' migration data recommended by ONS as its principal projection. This had the effect, by itself, of raising the demographic requirement in Welwyn Hatfield from 319 dwellings per annum to 481dpa, an increase of 51% (2016-36). WHBC now argues for the variant based on ten years' migration data. From the relevant ONS table, the effect of the 10-year migration variant proposed by

WHBC is to raise the demographic requirement from 319 dwellings per annum to 458dpa, an increase of 44% (2016-36). The data for this calculation are in the Appendix below, paragraph A1. This is a different but still huge increase in the demographic starting point above the principal projection recommended by ONS. Save Symondshyde sees no reason to depart from the ONS principal projection, for the reasons we have previously given. We therefore do not accept use of the variants chosen either by Turley or by WHBC.

7. Turley’s Technical Note of November 2020 (EX218) again makes misleading use of statistics. They try to give the impression that there has been a very substantial reduction in population growth (in households) 2016-36 indicated by ONS between the 2016-based and 2018-based household projections. They say that even the ‘alternative migration variant’ 2018-based projection (which they advocate) as *“a matter of fact.... downgrades the level of population growth suggested in Welwyn Hatfield over this period by circa 11%”* (paragraph 6). Their Figure 1 in EX218 purports to illustrate this. This is misleading. Household population continues to grow under all scenarios, but slightly less under the 2018-based projections. The correct method of presentation is to compare projected actual populations 2016-2036, not the percentage difference in the projected population changes 2016 to 2036, as Turley do. The figure below, which should replace Turley’s Figure 1, shows that household population in the 2018-based ‘alternative migration variant’ is properly projected to grow by 1.74% less than the 2016-based principal projection, not by 11% less. The Turley approach is assessed in more detail in our Appendix, paragraphs A2-A4.



8. It is also important to appreciate that ONS 'controls' the household projections for each district so that they are consistent with the projections for each region and, in turn, for the whole country. District figures are not allowed to sum to more, or less, than the regional and national totals. If, therefore, the Local Plan for Welwyn Hatfield assumes a scale of net migration into or out of the Borough which differs from the assumptions in the ONS projections, then one or more other authorities will need to make changes to their own net migration assumptions in order to ensure that households are not gained or lost across wider areas.

9. Both Turley and WHBC assume that there will be substantially greater net inward migration into the Borough in the period 2016-36 than does the ONS principal 2018-based household projections. Paragraph 6 above shows that Turley assumed migration would necessitate an extra 162 dwellings per annum (rising from 319dpa in the demographic starting point to 481dpa), while WHBC assumed it would necessitate an extra 139dpa (rising from 319dpa in the demographic starting point to 458dpa). Over 20 years these amount to 3,240 or 2,780 extra dwellings. So far as we are aware, there has been no commensurate reduction in housing need in other neighbouring or more distant authority areas. The integrity of the demographic approach to establishing OAN depends on this being done. We have in any event previously questioned whether substantial net inward migration, and the housing to facilitate it, should be promoted given the extent of Green Belt in Welwyn Hatfield. The substantial growth proposed in the Borough risks causing overheating in the local economy, probably with an increase in inward migration rather than a reduction.

Choice of household representative rate

10. This is essentially the propensity of people to form households, formerly called the headship rate. The ONS 2018-based household projections understandably use the 2018-based household representative rates. However, Turley decided that they wanted to continue using the ONS 2014-based household representative rates. For the period 2016-36 Turley have now been specific in EX218 that this has the effect of raising the household projection by 9%. That is, in the context of using the 'alternative internal migration variant' favoured by Turley (not ONS), the higher household representative rate would raise housing requirements from the demographic starting point of 481 to 525. This is an increase of 44 dwellings per annum to which Save Symondshyde continues to object. WHBC has now explicitly agreed with Turley's use of the ONS 2014-based household representative rates (EX215 page 2), even though our analysis showed that their use was quite unjustified.

Uplifts for market signals

11. After assumptions for migration and for household formation rates, most of the rest of the increase in housing land allocations above the demographic starting point derive from assumptions about wholly new households being formed, additional to those anticipated by ONS. The assumptions are these:

- if more land is allocated, it will all be used to build more houses, mainly for sale;
- if more houses are built for sale, house prices across the market will come down;
- if houses are cheaper, some people previously priced out will be able to buy them;
- some of the people now priced-in will form wholly new households;

- the only households not previously identified by ONS are these last wholly new households: in effect the extra land allocations are specifically for them.

We have explained previously in written and oral statements to this Examination that the housing market does not work this way, with the first two assumptions above being particularly unrealistic. House prices are fixed primarily by willingness and ability to pay, not by land supply. (For example, the Chancellor's stimulus to the housing market during Covid has been to provide a holiday from stamp duty, a 'demand side' measure which significantly reduces the cost of buying and selling homes. He did not, for example, decree that more land should be made available for building as a 'supply side' measure.)

12. The primary and explicit uplift for market signals in the Turley report on the impact of the 2018-based household projections (EX203A) was to add a 21% increment to land supply on top of everything else. Their paragraph 6.13 states "*An uplift as large as 35% would now be implied through such an approach at the upper end of the range (800dpa), reducing to 21% when an OAN of 715 dwellings per annum was applied over this alternative period (2016-36).*" Without this adjustment, the dwellings per annum in the OAN would have been 593pa rather than 715pa (see paragraph 6.12) over the 20 years 2016-36. Turley therefore assume that 2,440 households not identified by ONS will form and they will buy the extra, cheaper houses built on the extra land over the Plan period (an average 122 per annum for 20 years). WHBC specifically agrees with Turley that this "21% market signal uplift" should be applied (page 2 of their letter of 18 November, EX215). It is important to note that this uplift of 122 dwellings annually is, by itself, a 38% increase on the demographic starting point, though Turley present this as "21%" in EX218 paragraph 16. However the extra is presented, Save Symondshyde rejects this approach as fantasy logic.

13. The provision for households who do not exist continues in another way in the WHBC proposal. This too uses the same assumptions as in the land allocations for uplifts for market signals, but makes an additional one too. The claim arises from the alleged suppression of household formation rates by young adults. In EX203A, Turley, on the advice of Edge Analytics, pick out younger people as especially in need of extra dwellings (if these are cheaper), and assumes that additional land releases will bring this about (as Turley have previously assumed in earlier iterations of its OAN assessment). The extra assumption is that young people will, magically, gain differentially from the reduced house prices on offer (rather than older people). In EX218 Turley confirm that they are proposing a 13% increase above the demographic starting point for this purpose, or 68 dwellings per annum for 2016-36. Once again WHBC specifically supports this: page 2 of their letter of 18 November, EX215, states that "*uplifts are applied for... younger households as set out in the Edge Analytics modelling (EX203)....*". Save Symondshyde has previously argued strongly and in detail against this adjustment.

14. For 2016-36, taking together the direct 'uplift for market signals' and the provision to tackle the 'suppression of household formation rates by young adults' would add 190 dwellings per annum to the demographic starting point, or 60% more than under the ONS principal projection. This extraordinary idea, that there will be an extra 60% increase in numbers of households forming as a result of allocating more land, is pure fantasy. This is just for households not projected to exist by ONS but who are assumed by Turley and WHBC to appear when house prices fall in the mythical housing market they assume. Furthermore,

as CPRE Hertfordshire has pointed out, there is almost certainly some double-counting between the direct ‘uplift for market signals’ and the ‘suppression of household formation rates by young adults’.

15. Turley present their breakdown of OAN for the period 2016-36 in bar chart form in Figure 4 (page 6 of EX218). However, this too is misleading. The bulk of the OAN appears to reside in the 9,620 homes called ‘Unadjusted 2018-based projection’. However, this itself is very much ‘adjusted’. The ONS principal projection (incl. a 3% vacancy rate) requires the supply of just 6,380 houses (20 years of 319dpa). The difference between 6,380 and Turley’s 9,620 derives from Turley choosing to base their calculations on the ONS ‘alternative internal migration variant’ in the 2018-based projections. Figure 4 should ideally distinguish 3,240 homes consequent upon that assumption (not favoured by ONS): that is, the band in the bar chart described as ‘Unadjusted 2018-based projection’ should be divided between an element called ‘ONS principal projection’ (6,380) and another called ‘Use of alternative internal migration variant’ (3,240).

Impact of carrying forward the Inspector’s additions to OAN using 2018-based projections

16. It is important to reiterate that Save Symondshyde stands by its previous criticisms of the Council’s (and Turley’s) recommended figures for OAN for a Plan period 2016-36. We are also keen that the Inspector should revisit his approach to OAN in the light of the latest recommendations by Turley in EX203A and our response to that at the end of October 2020. Nonetheless, the Inspector may find it helpful to identify the effect of taking into account only the impact of the ONS 2018-based household projections, when set against his Round-up Note of 6 January 2020 (EX178) and reiterated in his Interim Report (EX212). The table below shows the components of OAN previously used by Turley/ WHBC (using variously an earlier Plan period and earlier household projections) and carries the most recent of these forward (in bold), making changes only to the demographic starting point from the 2018-based household projections. Household growth in the 2018-based projections is less than in the 2016-based projections and those in turn less than in the 2014-based projections. WHBC/Turley have barely responded to the halving of projected demographic growth.

Annual dwelling requirements using 2018-based household projections, plus continuation of previous extra components	2013-32		2016-36*			
	Initial OAN		2014-based Household Projections	2016-based Household Projections		2016-36 2018-based Household Projections
Demographic starting point		670	650	**548		319
+ using 2014-based headship rate	0		0	***45		45
+ allowance for younger households	51		65	73		73
= Adjusted demographic projection		721	715	666		437
+ Allowance for market signals	79		85	134		134
+ Allowance for unmet need 2013-16	0		0			
= Objectively Assessed Need		800	800	800		571
Cumulative uplift from starting point		19%	23%	43%		79%

* Largely taken from WHBC’s Statement for the Stage 6 Hearing on 17th December 2019 Table 1 page 9.

** The household figures from which this was derived are given in paragraph A4 of the Appendix below.

*** This figure, added to the ‘starting point’, gives 593dpa, which WHBC states as the cumulative effect of using the 2014-based headship rates.

17. The table shows that the Inspector's position from EX178 and EX212 follows previous advice from Turley to the Council that an OAN of 800 dwellings per annum is justified based on the 2014-based ONS household projections, and that this was unchanged by the ONS 2016-based household projections (EX178 2nd paragraph and EX212 paragraph 34)¹. This annual provision was unchanged by the adjustment of the Plan period to 2016-36 (EX212 paragraph 130).

18. The final pair of columns in the table above shows that, if the Inspector were to use the demographic starting point from the 2018-based household projections, but in all other respects continued to make the same adjustments (additions) as he had previously assumed in his EX178 and EX212, then the OAN would be 571 dwellings per annum. This compares with the figure of 387dpa which Save Symondshyde recommends based on a more realistic consideration of the additional components, and the figure of 690dpa recommended by WHBC. The effect of using the 2018-based household projections, by itself, is to reduce OAN in Welwyn Hatfield by 229 dwellings per annum using Turley's figures.

Conclusion

19. All parties agree that unmet need arising from the change to the start date of the Plan period from 2013 to 2016 should be reflected in an increase to the OAN in the period 2016-36. Save Symondshyde used the shortfall between housing completions and the growth in household numbers over that period. The other parties used different methods but these produced broadly similar results.

20. We conclude that the most reasonably justifiable figure for OAN is our recommended 387dpa. If the Inspector continued with the assumptions he had previously made, but updated the OAN to take into account the 2018-based household projections, the figure would be 571dpa, equivalent to 11,420 over the Plan period (see paragraph 18 above). Save Symondshyde rejects the figures proposed by WHBC of 690dpa and by Turley of 715dpa as wholly excessive.

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¹ However, the OAN of 800 was maintained by Turley in the context of a Plan period only until 2034, not 2036.

Appendix Calculations of housing requirements using ONS data for WHBC

Demographic starting points 2016-2036 under the 2018-based household projections

A1. For the 2018-based household projections in Welwyn Hatfield, ONS provides spreadsheets which give the following figures for numbers of households in each year (to 2043) for each of the household projections under consideration at this Examination. The figures for 2016 and 2036, the assumed ends of the Plan period, have been used below. From these can be calculated the demographic starting points, once an allowance has been made for 3% vacancy in the housing stock to allow for turnover.

Projection	2016 households	2036 households	Difference	Annual average	+3% vacancy
Principal	46,991	53,178	6,187	309	319
Alternative 5 year migration assumption	46,991	56,319	9,328	466	480 ¹
10 year migration assumption	46,991	55,884	8,893	445	458

1. Turley use the figure of 481, so we have kept with that for our analysis.

Growth in the household population 2016-2036 under different projections

A2. The figure following our paragraph 7 above shows that the household population in Welwyn Hatfield is projected to increase under all scenarios. The growth rate would indeed be smaller in the 2018-based data than in the 2016-based data, but much less pronounced than Turley imply. The appearance given by Turley of massive reductions in household population growth in Welwyn Hatfield by 2036 is misleading. The original key data for creating the figure, and percentage changes between 2016 and 2036, are given in the table below.

ONS Projected household populations	2016	2036	Change 2016-36	Change in 2036 population (from 2016-based projections)
2016-based principal household projection	117,216	139,779	22,563	0%
2018-based alternative migration projection	117,215	137,345	20,130	-1.74%
2018-based principal household projection	117,215	128,824	11,609	-7.84%

A3. The table shows that the projected Welwyn Hatfield household population in 2036 would be just 1.7% less by using the 2018-based alternative migration model rather than the 2016-based principal projection, not the substantial change of c11% which Turley seek to show. The reduction in projected population in 2036 between ONS’s principal projections based on 2016 data and on 2018 data would be greater at 7.8%, but even this ‘real’ projected change is less than the percentage reduction which Turley are trying to claim in their paragraph 6.

A4. Turley make the same misleading “11%” claim in their paragraph 10, which refers to “the lowering of the level of population growth projected over the new plan period, by circa 11%”. However, their next two sentences state: “It is notable that the reduced OAN proposed over this period (715dpa) is coincidentally also 11% lower than the previous OAN of 800 dwellings per annum, that was justified for this period in the context of the higher 2016-based projections. Such a reduction in the OAN is therefore entirely proportionate to the lower population growth now anticipated over this period in the most up-to-date official projections.” This is nonsense. The 800dpa figure derived from a Plan period 2013-32, not 2016-36, for which the 2018-based demographic starting point was 408dpa rather than the 319dpa it is now. Using the earlier 2016-based household projections, the demographic starting point would have been 548dpa on ONS’s principal projection for 2016-36 (see the table below). As the demographic starting point under the 2018-based projections is 319dpa, Turley’s OAN now should have been reduced by 229dpa (548 - 319 = 229). Subtracting 229dpa from the 2016-based 800dpa should have delivered an OAN now of 571dpa (including the add-ons to which Save Symondshyde objects), far less than the 715dpa they are now proposing.

Demographic starting point based on 2016-based household projections for WHBC:

2016 households	2036 households	Difference	Annual average	+3% vacancy
46,993	57,632	10,639	532	548