

Matter 21 – the objective assessment of housing need (‘the OAN’) and the housing requirement

Inspector Statement: “As I understand it, the Council intends that the housing requirement should be modified in the light of the revised OAN calculations, and that an overall requirement of 13,000 dwellings is proposed, comprising of 11,600 to meet North Hertfordshire’s needs and 1,400 to help address unmet needs in Luton.”

TTL Response to 21.1 - Has the revised OAN figure for North Hertfordshire been arrived at correctly/on a robust basis and are the key assumptions made reasonable?

Transition Town Letchworth do not consider that the revised OAN calculation for North Hertfordshire is robust.

The Opinion Research Services Update in 2016 calculation to determine housing need can be summarised as:

	Housing Need
The CLG household projections based on 2014 data using a 10 year migration trend	12,114
Increase by 2.9% to adjust for second homes / empty homes	12,466
Apply a 10% increase to allow for market uplift (which they identified to address the suppressed / homeless households at the start of the plan period which were assumed to total 309 dwellings in Stevenage HMA (which covers Stevenage and NHDC)).	13,711

Opinion Research Services Update in 2020 calculation to determine housing need can be summarised as:

	Housing Need
The ONS household projections based on 2018 data using a 10 year migration trend	8,638
Increase for 1,470 suppressed households in NHDC (797 that modelling identified as existing in 2011 and 673 additions that would occur before 2031)	10108
Increase by 2.9% to adjust for second homes / empty homes	10402
Apply a 10% increase to allow for market uplift	11442

The calculated housing need was rounded up to 11500 and 100 homes in the Luton HMA were added to give the 11600 dwellings required to meet North Hertfordshire needs.

Choice of ONS 10 year variant instead of the ONS principal projection for population

The ONS paper “Impact of different migration trend lengths, March 2020” states that a new improved method for estimating internal migration within England was introduced to the ONS population estimates in the year ending mid-2017, which “better accounts for moves of graduates after they finish their studies and uses a replacement data source to account for those who moved more than once, or were born, died, immigrated or emigrated during the year”.

The ONS also state that: “The 10-year migration variant uses 10 years of data for all aspects of migration (internal, cross-border and international). The logic of using a 10-year trend is that it may even out a potentially atypical five-year period. However, it also risks dampening the effect of more systemic changes that occurred over the 10 years. Moreover, the data over this period have multiple methodological changes. For example, internal migration estimates have had three different methods over that time period, which will necessarily impact on the quality of the figures.”

The ONS choice for the population principal projection is based on a 5 year trend in international and cross border migration and the 2 year trend for internal migration. Given the methodological changes in the population predictions TTL consider that it is not robust to be using the 10-year data variant and North Hertfordshires' housing need should be based on the ONS population principal projection.

Suppressed Households

Between 2001 and 2011 there was a reduction in the household formation rate for younger age groups. The ONS has assumed this trend will continue to 2021 when the rate will level off. Opinion Research Services suggest that this trend relates to a shortfall in housing supply (evidenced by relatively high house prices) and have added a local adjustment to counteract this trend. In effect they have assumed that all of the change in household formation rates for younger age groups from 2001 to 2011 consists of suppressed demand. However, TTL consider that there have been fundamental changes in society that may account for some of the changes in household formation rates, for example, increasing numbers of higher education students, changes in women's aspirations and changes in job security, that should not be counteracted when deriving housing need.

For the 2016 housing need calculation, CLG data was used that took into account the trend from 1971 onwards to predict household representative rates (dampening the changes that occurred from 2001 to 2011) and North Herts and Stevenage were identified as having a total of 309 suppressed households in 2011. The 2020 housing need calculation concludes that North Herts, alone, had 797 suppressed households in 2011. Given that the data for 2011 is a historic year, not a projection, the 2016 Opinion Research Services study is also indicative of the 2020 update over-predicting suppressed households.

Double Counting for Suppressed Households

Introduction of a market uplift factor is expected to result in house prices falling and additional housing demand being met (suppressed households). In 2016 a check was made that the 10% market uplift resulted in enough additional dwellings to provide for suppressed households. In 2020, an estimate of suppressed households has been added to the base household projection and then a further 10% market uplift has been added; thus implicitly double counting the suppressed households. This is an unexplained change in methodology which inflates the housing need.

Alternative Scenarios

Applying the 2016 methodology to the ONS 2018 principal projection would result in 7237 new dwellings required in the plan period.

	Housing Need
The ONS household projections based on 2018 data principal projection	6393
Increase by 2.9% to adjust for second homes / empty homes	6579
Market uplift of 10%	7237

Clearly, the choice of ONS population projection and the methodology for calculating and addressing suppressed households can lead to a widely divergent OAN for North Hertfordshire, with the methodology chosen by NHDC delivering a high end housing need.

The 2019 paper "Housing and economic needs assessment, February 2019, Ministry of Housing, Communities & Local Government" describes a new methodology for assessing housing need which uses household predictions and an affordability factor based on the ratio of median house

price and median wage for a district. Applying this methodology to the latest ONS forecasts suggests a housing need in North Hertfordshire of 8874 dwellings over the plan period.

	Housing Need
The ONS household projections based on 2018 data principle projection	6393
North Herts affordability factor ¹ = $((10.21-4) / 4 \times 0.25) + 1$	1.388
Housing Need	8874

There seems to be increasing difficulties in updating NHDCs' original housing need calculations with the latest data. We would therefore recommend that North Herts switch to using the latest methodology to calculate their housing need (which suggests a need of 8874 dwellings). This value has a better evidence base and transparency and results in a housing need which:

- Lies within the range of estimates that can be produced using the original methodology for determining housing need.
- Recognises that house prices are relatively high in North Herts and this factor likely to be causing suppressed households.
- Would require an average of 444 dwelling per year (8874/20), which is more in line with the housebuilding that has been delivered in the first nine years of the plan period.
- Reduces the homes built prior to the building regulations being updated to deliver zero carbon homes (minimising the additions made to the already considerable stock of homes requiring retrofitting to address climate change).
- Should be achievable even if COVID continues to reduce the rate of housebuilding through 2020 and 2021, as seems likely.

TTL Response to 21.2 - In the light of this, has there been a 'meaningful change in the housing situation' in North Hertfordshire?

Yes. The latest population projections, based on 2018 data, are significantly lower than when the plan was first published. Events which have occurred since 2018 are likely to reduce rather than increase housing need, thus reenforcing the downward trend:

- Brexit – which is expected to reduce immigration.
- Covid19 and the expected recession which will impact housing demand because of higher unemployment, reduced mortgage availability and the threat of higher interest rates.

It seems highly inappropriate to opt for the high end housing need scenario that NHDC propose in ED191A. TTL suggest that the OAN should be reduced to 8874 as calculated above.

TTL Response to 21.3 - 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?

Yes. Building houses, especially on green field sites has an environmental cost. The government has signed the UK to the Paris Agreement (Accord de Paris) to reduce carbon emissions and NHDC has declared a climate emergency since the Local Plan was drafted and the housing need and site selections in the local plan now need to be reviewed with the aim of minimising the lifetime carbon emissions associated with new homes developed in the District.

¹ Table 5c: Ratio of median house price to median gross annual (where available) workplace-based earnings by local authority district, England and Wales, 1997 to 2019, shows a 2019 value for North Hertfordshire of 10.21. From the Dataset Ratio of house price to workplace-based earnings (lower quartile and median), 1997 to 2019, Housing Analysis Team, ONS.