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# Implications of 2018 Household Projections

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North Hertfordshire Local Plan



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## 1. Introduction

- 1.1.1. The North Hertfordshire ('North Herts') Local Plan was submitted to the Secretary of State for examination on 9<sup>th</sup> June 2017 and is being examined under the transitional arrangements and therefore under the 2012 National Planning Policy Framework ('NPPF' / 'the Framework') and corresponding Planning Practice Guidance ('PPG'). The PPG states, on 'Housing and Economic Development Needs Assessment', (ID: 2a-016-20150227):

*"Wherever possible, local needs assessments should be informed by the latest available information. The National Planning Policy Framework is clear that Local Plans should be kept up-to-date. A **meaningful change** in the housing situation should be considered in this context, but this does not automatically mean that housing assessments are rendered outdated every time new projections are issued."*

- 1.1.2. As the North Herts Local Plan has been undergoing examination for some time, new statistical data has been considered several times by the Inspector, North Herts District Council ('NHDC') and interested parties. When the 2016-based Household Projections were published in September 2018, NHDC's position was that (ED191A, para. 34):

*"The District Council does not wish to propose any changes to the housing requirement for North Hertfordshire's own needs and, by extension, the spatial strategy in the Plan at this time."*

- 1.1.3. Earlier this year, the Office for National Statistics ('ONS') published the biennial population and household projections (2018-based). The Council's position (ED101A, para. 14) is now that the 2018-based Household Projections do represent a meaningful change and it has proposed to modify its local plan housing requirement to take them into account (ED101A, para. 4).

- 1.1.4. This matter will be considered more widely through the examination in public and therefore this report has been prepared to explore the relevant demographic and housing need issues. The report will:

- Summarise the strategic policies of the areas, including the Inspector Report of the Luton Local Plan
- Draw out and discuss the methodological issues with the latest projections.
- Review, analyse and comment on the updated analysis published by the Council (ED191A) to include; an assessment of recent market signals information such as house prices, rents and affordability; and an assessment housing supply data in the HMAs focussing on the implications that supply may have on the projections and the OAN.
- Draw conclusions about the OAN in North Herts and Luton.

## 2. Local Plan Context

### 2.1. North Hertfordshire Housing Need

2.1.1. The emerging North Herts Local Plan states that (para. 4.86):

*“Our evidence identifies a requirement for 13,800 to be built between 2011 and 2031 to meet the needs of North Hertfordshire. A modest uplift has been added. This predominantly reflects the fact that, as people live for longer and live in their own homes for longer, it may be more appropriate to assume that more of their needs will be met in the normal housing stock...”*

2.1.2. Policy SP8 in the emerging Local Plan therefore contains (sub-section ‘a’) a requirement to deliver 14,000 dwellings between 2011 and 2031, comprising 13,800 within parts of the district that fall in the Stevenage Housing Market Area (‘HMA’) and 200 dwellings within the part of the district that falls in the Luton HMA.

2.1.3. The need for 13,800 dwellings is derived from the publication ‘Updating the Overall Housing Need: Based on 2014-based projections for Stevenage & North Herts’ (ORS, August 2016; Examination Reference HOU3).

2.1.4. The figure of 13,800 dwellings is the product of a demographic projection and an uplift for ‘market signals’.

2.1.5. In terms of the demographic projection, ORS did not use the population projections contained within the 2014-based household projections, instead concluding that a longer term migration period should be preferred (HOU3, para. 7). The demographic projection created by ORS utilised 10-year migration trends for the period 2005 to 2015. This resulted in a demographic baseline figure of 12,470 dwellings (HOU3, Figure 1).

2.1.6. ORS then added a market signals uplift of 10%, which increased the demographic baseline to 13,717 dwellings (HOU3, paras. 12 and 17). This figure was then ‘rounded-up’ to a requirement for 13,800 dwellings over the 20-year plan period, and further rounded up to 14,000 dwellings within Policy SP8.

### 2.2. Luton’s Unmet Housing Need

2.2.1. In addition to North Herts’ own housing needs, the emerging Local Plan explains that (para. 4.87):

*“It is also necessary to consider the wider needs of housing market areas which affect North Hertfordshire. In particular, the Luton housing market area covers parts of North Hertfordshire, and the need for development in this area is significant. A contribution towards unmet needs is made by this Plan.”*

2.2.2. The administrative area of Luton is ‘drawn’ closely around the built-up area of the city and therefore its urban capacity is insufficient to meet its own needs. In August 2017, following the examination of the Luton Local Plan, Inspector Jeremy Youle concluded that the plan was sound and that:

- There was an objectively assessed housing need for 17,800 dwellings in Luton;
- There was an identified urban capacity of 8,500 dwellings in Luton; and

- There was therefore an unmet need of 9,300 dwellings in Luton.

2.2.3. The Inspector concluded that in respect of the Luton Local Plan (ED4, para. 103) (our emphasis):

*“... there are compelling reasons that justify adopted the Plan without delay. In particular, **it is important that Luton’s unmet housing needs are quantified now**. This is so neighbouring authorities can make informed judgements about the contribution they might offer towards meeting those needs. A substantial delay at this point would be likely to lead to a more difficult overlap with the preparation of neighbouring plans, particularly in Central Bedfordshire, and further unhelpful uncertainty. Following the difficult history between Luton and Central Bedfordshire on this matter, relationships now seem to have improved. In this context, it is important that the momentum and progress on plan-making in Luton and in neighbouring authorities is maintained so that much-needed housing can be planned for and provided.”*

2.2.4. It is clear that Inspector Youle saw a good deal of importance in quantifying and agreeing the unmet need for Luton so that plans elsewhere in the sub-region could progress without delay.

2.2.5. It is important to clarify the basis for the 17,800 dwellings figure to be able to properly compare it to the latest household projections. The objectively assessed need in Luton was based on the Strategic Housing Market Assessment Update (2015) prepared by ORS (the same authors as HOU3). In the 2015 SHMA, ORS took the same approach as in HOU3 paper which was to reject the use of the household projections and produce an alternative demographic projection based on migration trends over a ten year period (in that case, for the period 2001 to 2011) (para. 2.30). ORS actually went further in the 2015 SHMA by making adjustments to the migration data in Luton to take account of what it considered to be “*under-enumeration*” in Luton’s 2001 Census (para. 2.30).

2.2.6. In terms of the demographic baseline, the 2015 SHMA projected an a need for 14,762 dwellings in Luton between 2011 and 2031. As with the figure for North Hertfordshire, this was rounded up, to 14,800 dwellings (para. 4.101). The 2015 SHMA then concluded that this should be subject to a 20% uplift to address housing market signals and particularly “*overcrowding and significantly higher homelessness presentations and households living in temporary accommodation*” (para. 4.101). This increased the need from 14,800 dwellings to 17,740 dwellings, which was again rounded up, to the figure of 17,800 dwellings that was subsequently found sound by Inspector Youle.

2.2.7. The approach taken by ORS clearly demonstrates that the objectively assessed housing need in both the Luton Local Plan and the North Herts Local Plan has never been reliant on numbers derived from the household projections.

2.2.8. Of Luton’s unmet need identified by Inspector Youle of 9,300 dwellings, all of this is provided for by the emerging local plans in North Herts (1,950 dwellings) and Central Bedfordshire (7,350 dwellings).

2.2.9. Policy SP8 in the emerging North Herts Local Plan therefore contains a requirement (sub-section ‘b’) to provide additional land within the Luton HMA for a further 1,950 homes as a contribution towards the unmet needs for housing arising from Luton.

### 3. 2018 Household Projections

#### 3.1. Context

- 3.1.1. Household projections ('HHPs') are compound statistics, combining projected population growth with assumptions about household formation.
- 3.1.2. HHPs are usually published every two years with the latest iteration being the 2018-based Household Projections ('2018-based HHPs'), published in June 2020.
- 3.1.3. The population data used for the 2018-based HHPs comes from the Sub-national Population Projections ('SNPPs') which in turn use data from the Mid-year Estimates ('MYEs') of population. The household formation data used comes principally from the latest Census but also from the Annual Population Survey.
- 3.1.4. It is notable that the ONS has previously stated (our emphasis):

*"No one knows with certainty what the future holds, and there are a variety of reasons why recent trends may not continue and the assumptions are not realised. Therefore, **it is important that projections are not viewed as predictions or forecasts, but as an indication of the future if recent trends continue**. For this reason, new sets of projections are published every two years when the underlying assumptions are reviewed in light of more recent evidence."*<sup>1</sup>

#### 3.2. Population Projections

- 3.2.1. The SNPPs which support the HHPs are similarly published every two years and provide 25-year projections of population growth by local planning authority area. The SNPPs take data on births, deaths and migration from the MYEs and uses this data to project forward growth for the next 25 years. Adjustments are also made to ensure that local totals add up to figures in the national population projections. Whilst the main principles of the methodology have remained consistent, the details have varied considerably over recent iterations of the MYEs and SNPPs causing large variations in the data outputs.
- 3.2.2. By way of illustration:
- 2014 SNPPs – project forward births, deaths and migration using the reference period 2009/2010 to 2013/2014, i.e. a five year period.
  - 2016 SNPPs – use the reference period 2011/2012 to 2015/2016, again a five year period, but also draw upon revised MYE figures for the period 2012 to 2016 and so are based on completely different growth assumptions.
  - 2018 SNPPs – use the reference period 2013/2014 to 2017/2018, again a five year period, for birth and deaths, but crucially uses the reference period 2016/2017 to 2017/2018, a two year period, for internal migration, which also utilises a revised MYE methodology.

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<sup>1</sup> [What our household projections really show](#) (ONS, 19 October 2018)

3.2.3. What the above demonstrates is that over the last three iterations of the population projections the underlying data and methodology has been revised on each occasion. This lack of consistency in methodology means that comparing the data outputs is highly problematic, and liable to lead to incorrect conclusions being drawn. It has also caused problems for local planning authorities in the calculation of their housing needs because the HHPs, which are based on the SNPPs, have varied considerably as a result. In terms of the 2018 SNPPs, the issues are magnified because the 25-year projections are based, in part, on only two years of data, which is an insufficient time-frame over which to establish a reliable trend.

3.2.4. The ONS state in its methodology paper on the 2018 SNPPs that (our emphasis):

*“The decision to use two-year averages for internal migration in the 2018-based population projections was because analysis conducted by the ONS showed the new methods used for the years ending mid-2017 and mid-2018 were more accurate and robust at picking up moves. **There is a chance that using only two years of data will create unusual averages for local authorities experiencing abnormal migration patterns over this short period.** However, we decided that although there may be risks associated with this change, the general increase in accuracy outweighs any impacts on individual local authorities.”<sup>2</sup>*

3.2.5. Whilst the ONS settled on utilising a short period to establish a trend, the decision to adopt this methodology was taken in a national context, with it being recognised that the changes to the methodology could cause problems for some local authorities in terms of their long-term projections.

### 3.3. Household Formation

3.3.1. Household formation rates are calculated by assessing Census data to understand the relationship between age and sex the propensity to form households. This data is then looked at over time to project forward trends into the future. As with the SNPPs, the methodology around calculating and projecting household formation rates has changed over recent years:

- 2014-based HHPs – use household formation trends through the available Census points (1971, 1981, 1991, 2001 and 2011) to take a long-term (25-year) view on how household formation rates have changed over time.
- 2016-based HHPs – use household formation trends from the latest Census points (2001 and 2011), which are projected up to 2021 and then held constant.
- 2018-based HHPs – use household formation trends from the latest Census points (2001 and 2011), which are projected up to 2021 and then held constant.

3.3.2. The change that occurred between 2014 and 2016-based HHPs was significant. This is because household formation between 2001 and 2011 was extremely subdued, partly because of the ‘credit crunch’ and recession that emerged at the end of the decade (which reduced both the supply of and demand for housing), but also for a number of socio-economic and cultural reasons (migration, students, welfare changes). The change from a longer-term view (1971-2011) to a shorter-term view (2001-2011) is significant because it assumes that the rather extreme circumstances of the ‘naughties’ are going to

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<sup>2</sup> Page 7, ‘Methodology used to produce the 2018-based subnational population projections for England’ ONS March 2020

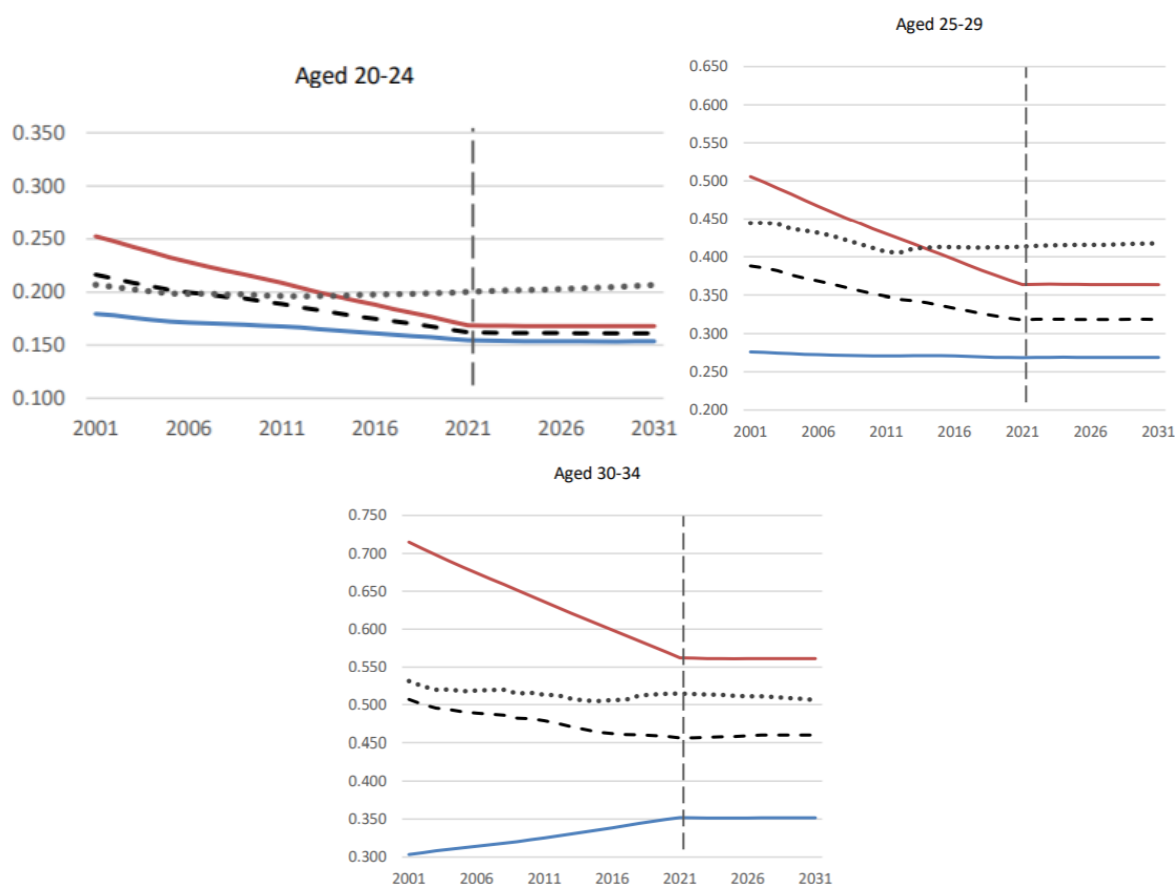
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continue. The overall effect of this change has been further reductions to projected household formation rates in the 2016 and 2018-based HHPs.

3.3.3. **Figure 3.1** below shows the difference between the 2014-based and the 2018-based HHPs in terms of household representative rates (the rate at which a population group forms households). The age groups 20 to 34 were chosen as these are the ages when most adults obtain independence and seek their own living arrangements away from their parents or shared accommodation with friends. Comparing the dotted line (the 2014 rates for males and females) with the dashed line (the 2018 rates for males and females) it shows that rates of household formation are projected to be much lower in the 2018 projections.

**Figure 3.1: 2018 Household Representative Rates in North Herts (male in red; female in blue; persons dashed; 2014 Household Projections dotted line; Y=Household Representative Rate, X=time) (Source: ED191A)**



3.3.4. The Government commented specifically on this matter in its response to the publication of the 2016-based HHPs (our emphasis):

*“... the annual change in household projections comprises two aspects: a reduction of 29,000 arising from the lower population projections, and a reduction of 23,000 arising from changes in the method for converting population change into estimates of household formation – **reducing the historic period of household formation on which the projections are based from five census points to***



***two, which focuses it more acutely on a period of low household formation where the English housing market was not supplying enough additional homes**). Methodological changes are not a reason why the Government should change its aspirations. ...”<sup>3</sup>*

The supplementary points to this commentary add further commentary regarding the inappropriateness of over-reliance on the HHPs to establish housing needs in a plan-making context.

3.3.5. The Government’s response was to prevent assessments of housing need using the newly-introduced Standard Method for calculating Local Housing Need from using the 2016-based HHPs because of the change to the methodology. Clearly, therefore, the Government has concerns about the effect that this methodological change has on the calculation of housing need to the extent that it moved to change the Standard Method calculation to avoid it. Given this, it is important to note that this same methodological change applies to the 2018-based HHPs and so the same concerns about those can reasonably be inferred.

### **3.4. Summary**

3.4.1. HHPs are compound statistics that combine assumptions about population growth taken from the SNPPs with household formation taken from the Census.

3.4.2. Over the last three iterations of the HHPs there have been significant changes to both the population and household formation inputs. Most notably, the change from five years of migration data to two, and from five census points to two, has caused the Government and local planning authorities to have significant concerns about the appropriateness of the HHPs as a basis for calculating housing needs in a plan-making context.

3.4.3. The 2018-based HHPs use the shorter-term population projections and the shorter-term household formation projections. As we have discussed above, the use of shorter term assumptions to understand long term trends is potentially problematic and the next section of this report will assess the extent to which the Council has understood and addressed these issues in its response.

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<sup>3</sup> [Technical consultation on updates to national planning policy and guidance](#) (MHCLG, October 2018)

## 4. The Inspectors' July 2020 Letters

### 4.1. Context

- 4.1.1. In July 2020 the Inspectors examining the emerging North Herts and Central Bedfordshire Local Plans wrote to the Councils to pose a number of questions regarding the 2018-based HHPs. Specifically they wanted clarity on the implications of the HHPs for the proposed Local Plan housing requirements and whether any change in Luton's requirement and unmet needs could change the Councils' position on the need for land to be released from the Green Belt.

### 4.2. NHDC's Response

- 4.2.1. North Herts Local Plan Examination Document ED191A provides NHDC's response to the Inspector. On the first page of ED191A the Council respond to the question of what the 2018-based HHPs do to the numeric calculation of housing needs in North Herts. The calculation provided by the Council under paragraph 10 states that utilising the 2018-based 10-year migration trend plus adjustments for suppressed household formation and market signals results in an updated OAN of 11,445 dwellings (a reduction of 2,300 dwellings from the OAN previously identified). This calculation relies on analysis from ORS which is provided at Appendix 1 of ED191A.

- 4.2.2. We have reviewed Appendix 1 of ED191A ('the ORS Review') in light of the issues and concerns outlined in Section 3; in particular the reliance on the 2018 HPPs of short term migration trends and issues of constrained household formation rates.

- 4.2.3. In terms of population growth the ORS review concludes (ED101A, Appendix 1, para. 38):

*"Considering the 2018-based projections, we would not consider either the principal scenario (where internal migration is based on 2-year trends) or the "alternative internal migration variant" (based on 5-year trends) to provide an appropriate basis for establishing the OAN as both are based on short-term trends in migration. Furthermore, it is unlikely that either of these scenarios would provide sufficient workers to align with the planned jobs growth. Of those scenarios available, we would only consider the 10-year migration variant providing a suitable starting point for the OAN figure – a growth of 8,638 households which yields a household projection-based housing need of 8,892 dwellings."*

- 4.2.4. The use here by ORS of the 10-year trend variant does mitigate some of the criticisms that we have of the 2018-based HHPs and their reliance on two year domestic migration trends instead of longer-term alternatives.

- 4.2.5. Furthermore, the ORS Review goes further and makes adjustments to account for potential suppression of household formation caused by the change in household representatives rate assumptions in the 2018 HHPs.

*“As this projection is based on the new ONS household formation method, it is necessary to make a specific adjustment for suppressed household formation – a total of 1,470 households, comprised of 797 households at the start of the plan period and a further and 673 households that would have formed between 2011-31 but who have not been captured due to the suppressed trends within the projection.”*

4.2.6. This adjustment is to address the impact of declining household representative rates between 2001 and 11, both in terms of the number of households that would have formed between 2001 and 2011, had rates not fallen, and the number of households that would form between 2011 and 2031 if these rates remained the same. Again, this addresses the concern outlined in Section 3 regarding the change to household formation rate projections in the 2018 HHPs.

4.2.7. Finally, the ORS Review discusses its market signals adjustment:

*“It would still be necessary to make an appropriate adjustment in response to market signals, which would also help to offset the reduced levels of net migration within the household projections. The 2015 SHMA, the 2016 OAN Update and the response to the ONS 2016-based projections consistently applied a 10% uplift to the household projection-based housing need using the previous CLG household formation method. Applying a 10% uplift to the household growth identified by the ONS 2018-based projections together with the adjustment for suppressed household formation would yield an uplift of 1,041 dwellings with an overall housing need of 11,445 dwellings.”*

4.2.8. The ORS review therefore maintains that a 10% adjustment should be applied to the adjusted demographic projection to account for housing market signals.

4.2.9. The ORS Review therefore concludes that the revised OAN consists of (ED191A, Appendix 1, paras. 38, 38 and 40 respectively):

- Demographic starting point: 2018-based projections 10 year migration variant: **8,892 dwellings**
- Specific adjustment for suppressed household formation: **+1,470 dwellings**
- Adjustment in response to market signals: 10% uplift or **+1,041 dwellings**
- **Total Need: 11,445 dwellings rounded to 11,500 dwellings.**

4.2.10. The conclusion of the ORS Review is (ED191A, Appendix 1, para. 41):

*“On this basis, taking account of the latest demographic trends from the ONS 2018-based projections, a **Full Objectively Assessed Need for housing in North Hertfordshire would be 11,500 dwellings over the 20-year period 2011-2031.**”*

4.2.11. Whilst the demographic adjustments address the key issues we've identified with the 2018-based projections we disagree with the conclusion of the ORS Review in respect of its 'Full Objectively Assessed Need' calculation as we do not consider that one should simply carry forward the 10% market signals adjustment from historic assessments without first reappraising the market signals evidence.

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4.2.12. There have been significant changes in the housing market signals since the 2015 SHMA first put forward the proposition that a 10% adjustment was an appropriate response to market signals in North Hertfordshire (HOU3, para. 3.75).

4.2.13. Figure 39 of the SHMA (HOU3) set out the housing market signals on which the 10% adjustment was based. It looked at the following indicators and dates:

- Lower quartile house prices in **2012/13**, the **5-year change up to 2012/13** and the **2012/13 price relative to England**
- Average monthly rents in **2013/14**, the **5-year change up to 2013/14** and the **2013/14 rental price relative to England**
- Lower quartile house price to earnings in **2013**, the **5-year change up to 2013** and the **2013 ratio relative to England**
- Overcrowded households (taken from Census) **2011** proportion and **10 year change up to 2011**.
- Increase in stock (taken from Census) **2001 to 2011**.

4.2.14. We have assessed up to date market signals in Stevenage and North Hertfordshire and compared them to England. We have looked at the dates referenced in the 2015 SHMA and have looked at the most recently published figures. This therefore provides a comparative and up to date analysis of the market signals analysis in North Hertfordshire. We have not been able to replicate the SHMA's summary of the housing market signals in what it considers to be similar areas (West Essex and East Herts, South West Essex, Crawley and Greater London). There is no explanation of how the SHMA has accurately amalgamated house prices across a number of different local authorities using data which is published at the local authority level. Furthermore, there is no explanation of how these comparator areas have been selected other than that ORS have "*analysed data from the ONS*" (HOU4, para. 3.41). Finally, we have not updated the quantity related indicators as these relate to the Census and there won't be an update in this regard until after 2021.

**Figure 4.1. Market Signals at the time of the 2015 SHMA (HOU4)**

(Source: Small Area House Prices (All Sold Properties), VOA Rental Statistics, ONS Affordability data)

Indicators relating to price		North Hertfordshire	Stevenage	England
LQ House Prices	2012/13 value	171,000	148,000	126,000
	Relative to England	35.71%	17.46%	-
	2007/8 value	173,000	155,000	128,000
	5-year change	-1.16%	-4.52%	-1%
Average Monthly Rent	2013/14 value	769	730	720
	Relative to England	6.81%	1.39%	-
	2009 Value	551	530	501
	5-year change	39.56%	37.74%	44%
LQ House Price to Earnings	2013 ratio	8.86	7.31	6.5
	Relative to England	36.31%	12.46%	-
	2009 ratio	9.18	6.99	7
	5-year change	-3.49%	4.58%	1.39%

**Figure 4.2. Updated Market Signals Data**

(Source: Small Area House Prices (All Sold Properties), VOA Rental Statistics, ONS Affordability data)

Indicators relating to price		North Hertfordshire	Stevenage	England
LQ House Prices	2019 value	266,250	230,000	160,000
	Relative to England	66.41%	43.75%	-
	2014 value	184,500	170,000	135,000
	5-year change	44.31%	35.29%	18.52%
Average Monthly Rent	2018/19 value	937	882	858
	Relative to England	9.21%	2.80%	-
	2013/14 Value	769	730	720
	5-year change	21.85%	20.82%	19.17%
LQ House Price to Earnings	2019 ratio	11.09	9.09	7.27
	Relative to England	52.54%	25.03%	-
	2014 ratio	8.98	7.60	6.91
	5-year change	23.50%	19.61%	5.21%

4.2.15. **Figures 4.1 and 4.2** show that in North Hertfordshire the lower quartile affordability ratio<sup>4</sup> has increased from 8.86 in 2013 (the date of the data used in the 2015 SHMA) to 11.09 in 2019. The affordability ratio 5-year increase in North Hertfordshire is significantly higher (-3.49% compared to 23.5%) and the figure relative to England has increased (in 2013 the ratio in North Hertfordshire was 36.31% higher whereas in 2019 the ratio is 52.54% higher). The data shows the same trend for house prices. In fact all<sup>5</sup> the more up to date data in Figure 4.2 shows worse market signals than Figure 4.1 (SHMA data) both absolutely and relatively to England.

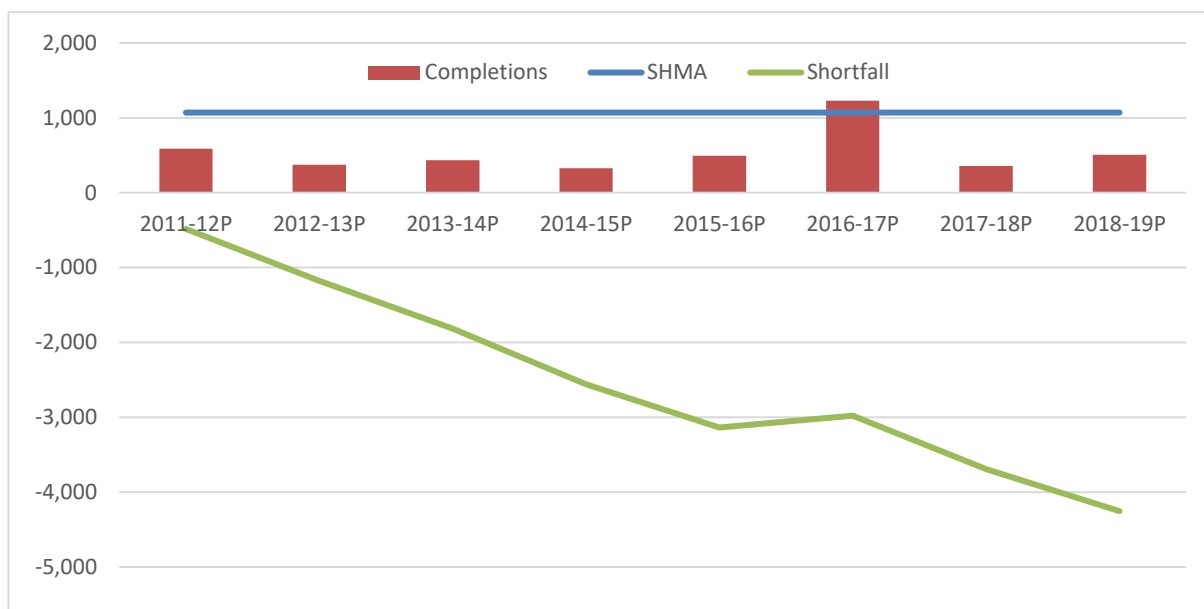
4.2.16. Additional to market signals around price and affordability is historic supply. Whilst the ORS Review makes adjustments for the suppressed household formation between 2001 and 2011, caused by the change in household representative rate methodology (see Paragraph 31 of Appendix 1 to ED191A), this adjustment takes no account of undersupply over the period feeding into recent population trends.

Continued .../

<sup>4</sup> For the purposes of this comparison we have used Lower Quartile because the 2015 SHMA uses this metric too.

<sup>5</sup> With the exception of the 5-year rental increase (which still shows rental prices increasing but not as fast as they were increasing in the SHMA (HOU4))

**Figure 4.3 Net New Additions to Housing Stock vs SHMA-based OAN – Best Fit (Stevenage and North Herts) (Source: Live Table 122 and HOU3) (y=dwellings; x=time)**



4.2.17. It is clearly evident from **Figure 4.3** that since 2011 net new completions (i.e. housing supply) have, in most years and cumulatively, fallen well short of the housing needs identified by the Council (2016 Update HOU3). In the best fit Stevenage HMA (including all Stevenage and North Hertfordshire) housing supply has in all but one year (2016/17) failed to meet the level of need identified by the Council’s own evidence base and where, cumulatively since 2011, around 4,000 fewer dwellings than required have been built. It is not possible to calculate the exact influence that this significant shortfall in housing has had on demographic trends, other than to note as discussed that there is an established relationship between the undersupply of housing and reduced population and household growth. Given the significant undersupply across since 2011 (and also prior to that<sup>6</sup>), it is very likely that the latest household projections including the 10-year variant adopted by the ORS Review will have been significantly affected and be projecting a lower level of growth than would have been projected had identified needs been met over the past few decades. This projection therefore fails to reflect the reality that the large fall in the demographic starting point (observed since HOU3 was published) is likely to be due to the chronic under-provision of housing across the best-fit housing market areas of Stevenage (see **figure 4.3**).

4.2.18. In summary, there is clear evidence that market signals are worsening, both absolutely and relatively to England. Affordability in particular has become demonstrably worse and has increased (as a ratio) by 25% since the SHMA was published. Furthermore, supply has fallen significantly below needs which is likely to affected the demographic data feeding into the latest migration data used by the ORS Review.

<sup>6</sup> Between 2001 and 2011 the East of England Plan required the delivery of 11,100 homes in Stevenage and North Herts but of that only 7,435 dwellings were built.

4.2.19. ED191A concludes by saying that the change from 13,800 dwellings to 11,445 dwellings represents a 'meaningful change' (Para. 14) and that the housing requirement for North Herts should be reduced (Para. 18). Our position is that because the Council's updated figure of 11,445 dwellings does not reflect up to date market signals, the true needs are likely to be greater.

### 4.3. NHDC's Response – Luton HMA

4.3.1. ED191A also discusses the unmet needs of Luton. It concludes, rightly in our view, that (Para. 21):

*“... it is outside of the remit of the Examinations into the plans of CBC or NHDC to formally re-examine Luton's objectively assessed need ...”*

4.3.2. ED191A also concludes that in any event the updated figures provided by ORS do not represent a meaningful change from those contained in the Luton Plan (ED191A, Para. 29).

4.3.3. As set out in Section 2 of this report, the Luton Local Plan Inspector specifically addressed and defined the unmet needs of Luton to provide certainty for the emerging local plans of North Herts and Central Bedfordshire. It would be entirely perverse if, despite the detailed examination hearings that took place in relation to the Luton Local Plan, a new and contentious statistical release were to further delay the local plan process across the wider sub-region by forcing further local plan modifications, consultations and hearings.

4.3.4. Overall, we support the Council's position that the 2018-based HHPs should not affect the assessment of unmet needs in Luton and we note the signed statement of common ground (Appendix 2 to ED191A) which sets out the joint position of North Herts, Luton and Central Bedfordshire Councils on this matter.

4.3.5. As with North Hertfordshire, ORS have prepared a review of the latest household projections in Luton (Appendix 3 to ED191A) which concludes a full Objectively Assessed Need would be 16,700 dwellings in Luton compared to the 17,800 dwellings figures that formed the basis of the housing numbers in the Luton Local Plan (Para 25, Appendix 3, ED191A). As with North Hertfordshire, the analysis in Luton by ORS has not considered up to date market signals, applying the same market signals adjustment that was put forward by the 2015 Luton and Central Bedfordshire SHMA and agreed by the Inspector (20%). As above, we have explored up to date market signals which once again show a significant worsening since the 2015 SHMA:

- Affordability has worsened significantly in Luton from a ratio of 6.9 when the 2015 SHMA was produced to 8.6 in the latest data (using lower quartile affordability as per the SHMA).
- Affordability has worsened relative to the national picture; when the SHMA was published the ratio of 6.9 was 8% higher than the national average whereas its over 18% higher today.
- All other indicators are showing worsening market signals<sup>7</sup>; house prices (absolute and relative to England), house price change, rental prices (absolute and relative to England)

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<sup>7</sup> With the exception of the 5-year rental increase (which still shows rental prices increasing but not as fast as they were increasing the SHMA)

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**Figure 4.4. Market Signals at the time of the 2015 SHMA (Luton and Central Bedfordshire)**

(Source: Small Area House Prices (All Sold Properties), VOA Rental Statistics, ONS Affordability data)

Indicators relating to price		Luton	Central Beds	England
LQ House Prices	2012/13 value	123,700	152,700	126,000
	Relative to England	-2%	+21%	-
	2007/8 value	134,000	159,700	128,000
	5-year change	-8%	-4%	-1%
Average Monthly Rent	2013 value	663	701	720
	Relative to England	-8%	-3%	-
	2008 Value	495	519	501
	5-year change	34%	35%	44%
LQ House Price to Earnings	2013 ratio	6.9	8.3	6.5
	Relative to England	8%	29%	-
	2008 ratio	7.8	8.2	7
	5-year change	-3.49%	4.58%	1.39%

**Figure 4.5. Updated Market Signals Data**

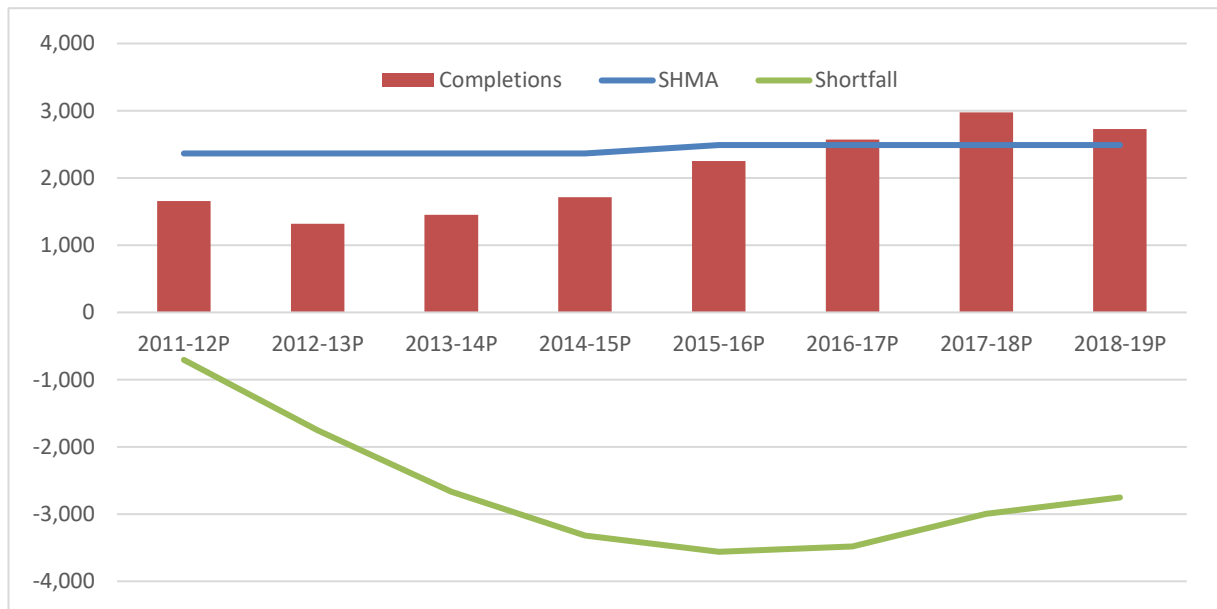
(Source: Small Area House Prices (All Sold Properties), VOA Rental Statistics, ONS Affordability data)

Indicators relating to price		Luton	Central Beds	England
LQ House Prices	2019 value	200,000	247,000	160,000
	Relative to England	25.00%	54.38%	-
	2014 value	137,000	172,000	135,000
	5-year change	45.99%	43.60%	18.52%
Average Monthly Rent	2018/19 value	816	889	858
	Relative to England	-4.90%	3.61%	-
	2013/14 Value	663	701	720
	5-year change	23.08%	26.82%	19.17%
LQ House Price to Earnings	2019 ratio	8.60	12.23	7.27
	Relative to England	18.29%	68.23%	-
	2014 ratio	7.52	9.23	6.91
	5-year change	14.36%	32.50%	5.21%

4.3.6. Again, we've looked at housing supply across the best fit housing market area for Luton (which includes the authorities of Luton and Central Bedfordshire. Within the best fit Luton HMA (Figure 4.6) cumulatively there has been a significant undersupply of housing and whilst housing supply has exceeded the identified need in recent years this has failed to make up for earlier annual shortfalls in delivery resulting in a cumulative shortfall to date of around -2,700 dwellings. Furthermore, separating the figures out, since 2011 the City of Luton has delivered -4,600 fewer dwellings than the SHMA suggested it should have.



**Figure 4.6: Net New Additions to Housing Stock vs SHMA-based OAN – Best Fit Luton HMA (Luton and Central Beds) (Source: Live Table 122 and Luton SHMAs 2015 and 2017) (y=dwellings; x=time)**



4.3.7. In summary, there is clear evidence that market signals are worsening, both absolutely and relatively to England in Luton. As with North Hertfordshire, affordability in particular has become demonstrably worse and has increased by 25% since the SHMA was published (a ratio of 6.9 to 8.6). Furthermore, supply across the HMA has fallen significantly below needs (particularly in the City of Luton) which is likely to affected the demographic data feeding into the latest migration data used by the ORS Review into the 2018 HHPs in Luton.

## 5. Summary & Conclusion

### 5.1. Summary

- 5.1.1. The North Herts emerging Local Plan is undergoing examination under the transitional arrangements set out in national planning policy and this requires housing need assessments to be informed by the latest available information. Notwithstanding this, as set out in the PPG, a new publication of demographic data does not necessarily render an assessment of housing need out-of-date.
- 5.1.2. This report has been prepared to assess the latest HHPs and to understand the extent to which they should be taken into account when calculating the housing requirement that is to be provided for by the North Herts Local Plan. The additional complication in North Herts is that the housing requirement is explicitly linked to the housing needs across two HMAs on account of the contribution that the North Herts Local Plan is proposing makes to meeting unmet housing needs from Luton. Luton's unmet needs are of particular relevance because of the reduction in Luton's household growth projected by the 2018-based HHPs.
- 5.1.3. In Section 2 of this report we set out the Local Plan context and the basis for the North Herts housing need figure, which departs from the contemporaneous HHPs. We also highlight the importance that the Luton Local Plan Inspector placed on quantifying the unmet needs of Luton so other Local Plans in the sub-region could be progressed with confidence. It would therefore be contrary to this position if the debate around Luton's unmet need were to be reopened now because of one set of statistics on which neither the Luton nor North Herts Local Plan relies.
- 5.1.4. In Section 3 of this report we discuss the latest HHPs and the wider statistical context in which they have been prepared. We conclude that over the last three iterations of household projections there have been significant changes to both the population and household formation inputs to the HHPs. Most notably the change from five census points to two in respect to the calculation of household formation, and from five years of migration data to two in respect to the calculation of net migration change, have caused significant concerns for Government and local planning authorities. This raises valid concerns about the use of the 2018-based HHPs for long-term strategic planning purposes.
- 5.1.5. In Section 4 of this report looks at the response of North Hertfordshire Council to the 2018 HHPs in respect of its Objectively Assessed Housing Need and Luton's. We conclude that the analysis within ED191A in respect of population growth and household formation addresses the demographic concerns we identify with the 2018 HHPs. However we identify that there has been chronic and significant under delivery of housing relative to identified needs in the two HMAs of Luton (including Central Bedfordshire) and Stevenage (including North Herts). Furthermore over this period affordability has worsened as a result of rising house prices and rental growth has significantly exceeded national increases. We conclude that additional market signals adjustments should be made to the figures identified by the Council in ED191A.

### 5.2. Conclusion

- 5.2.1. **In conclusion, whilst we recognise the additional demographic modelling work undertaken in ED191A addresses some of the issues associated with the 2018 HHPs, to conclude on an updated Objectively Assessed Need requires the market signals to be re-assessed. There has been a significant worsening of market signals both absolutely and relatively in North Herts and Luton and therefore the 'revised' and 'indicative' OAN figures identified in ED191A should be higher.**

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