



Strategic Planning & Research Unit

For and on behalf of
Linden Homes Strategic Land (Eastern)
New Road (Ashbrook) Ltd and the Taylor family

The Housing Strategy and Objectively Assessed Housing Need
Examination of the Local Plan for North Hertfordshire Borough Council
Matter 3

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MATTER 3

Matter 3 – The housing strategy: the objectively assessed need for housing and the housing requirement (Policy SP8) Issues

The objectively assessed need for housing

- 3.1 DLP Planning Ltd have been instructed by New Road (Ashbrook) Ltd and the Taylor family (our Clients) to submit a representation on the pre-submission draft of the North Herts Local Plan 2011-2031. Since submitting Reg19 objections Linden Homes have taken a formal interest in the development of the land. Linden Homes are a part of the Galliford Try PLC, a FTSE 250 business and an experienced developer of large scale residential and infrastructure projects.
- 3.2 Our Clients, over a considerable period stretching back to before the commencement of work on the new Local Plan, have promoted land to the south west of Hitchin as a possible residential-led allocation which, along with meeting the ongoing housing needs of North Hertfordshire, could bring significant benefits to Hitchin and North Hertfordshire as a whole.
- 3.3 SPRU have undertaken a wide ranging assessment of the demographic, economic and market signals in their Reg19 Report on the OAN and have concluded that, based upon the DCLG based projection of 746 dpa plus a suitable response to market signals of 25%, the OAN should be **932 dwellings per annum**.

3.1 Figure 3 of the Plan identifies most of the District as being within the Stevenage Housing Market Area (HMA) and part of it as being within the Luton HMA. This is based on the conclusions of Housing Market Areas in Bedfordshire and Surrounding Areas – Report of Findings (December 2015) by Opinion Research Services [HOU2]. Is this a robust evidential basis?

- 3.4 The definition of the Housing Market Area (HMA) is less important than the understanding of the gross and net flows into and out of the area. Even in those HMA's which are considered self-contained there can be important gross and net flows outside of these boundaries that are required to be considered.
- 3.5 The Housing Market Areas in Bedfordshire and Surrounding Areas Report of Findings (December 2015) highlights the complexity of housing market areas and describes at paragraph 5.38 Stevenage and North Hertfordshire as a "best fit" housing market area (HMA)
- 3.6 In paragraph 5.49, the SHMA advises that regardless of these final "best fit" groupings, where these functional areas cross administrative boundaries, it will be important for the local planning authorities to maintain dialogue with neighbouring areas under the Duty to Cooperate. It also states that all seven districts will also need to maintain dialogue with each other, as well as with the Mayor of London through the Greater London Authority. It is noted that the DCLG consultation "Planning for the right homes in the right places" is also considering extending the Statement of Common Ground to cover Mayors with Strategic Plan making powers (Q7).
- 3.7 The SHMA 2015 undertakes an assessment of OAN without modelling the needs of the wider area and in particular ignores the implications of known under provision in London.

3.8 In other authorities like Welwyn Hatfield, consultants have suggested that specific provisions to accommodate unmet need for London (in their case an additional 56 dwellings a year SHMA Figure 3.9: London Sensitivity Scenario and SNHP 2012 Scenario 2013 – 2032). In particular, (paragraph 11) highlights the need to engage with the Greater London Authority given the evident links between London and the south of that Borough.

3.9 In Maldon “Assessing Maldon’s Housing Requirements (August 2014) [EB098a]” the report considered the increasing trend for out migration from London as noted by the Inspector in paragraph 42 of his final report in which he recorded that:

“The report considers out-migration from London. It concludes that this is likely to increase over the plan period. On this basis, it recommends that the top of the identified range should be selected for plan-making purposes”.

3.10 Table 1 in Appendix 1 illustrates selected flows between the neighbouring authorities and North Hertfordshire, this demonstrates the strong relationship between the district and London with an inflow of over 1,000 persons and the highest level of net in commuting (371 persons) compared to Stevenage, which has a net flow of 195 persons. In light of this and other evidence in SPRU’s Reg19 Report it is considered an important failing of the SHMA that it has not addressed London’s unmet need.

3.2 Paragraph 2.39 of the Plan says that the objectively assessed need for housing (‘the OAN’) in the District over the plan period (2011 to 2031) is 13,800 homes.

a) I understand that this stems from the conclusions of Updating the Overall Housing Need Based on 2014-based Projections for Stevenage and North Herts (August 2016) by Opinion Research Services [HOU3]. Is that correct?

3.11 Figure 1 of the Update has the need for North Hertfordshire at 12,470 not 13,800 dwellings.

3.12 While the total for the HMA is calculated in Figure 2 which takes into account a 10 year average migration projection, an increase for concealed and homeless and a further uplift applied to respond to market signals results in a FOAN for the HMA of 21,281 dwellings, however there is no breakdown of this figure for North Hertfordshire.

3.13 Paragraph 12 (HOU3) provides the totals for both authorities but does not illustrate the building blocks of the approach.

b) Does the 13,800 figure include housing need arising in the part of the District that falls within the Luton HMA?

3.14 HOU3 makes no reference to the Luton HMA.

3.15 We understand that the modelling has been undertaken using inputs at the district level and therefore the projections will include the demand arising from the population that falls within the Luton HMA but does not include the unmet demand arising from Luton Borough.

c) Does Stevenage accept that its OAN is 7,600 homes, as HOU3 indicates, and has its Local Plan been based on that OAN figure?

3.16 Yes. The Reg19 Submission Local Plan Policy SP7 provides for at least 7,600 homes.

3.3 What methodological approach has been used to establish the OAN, and does it follow the advice set out in the Planning Practice Guidance (under the heading 'Methodology: assessing housing need')? In particular:

a) I understand that the OAN is based on applying a 10 year migration trend (2005 to 2015) to the ONS 2014-based sub-national population projections and the Government's 2014-based household projections. Is that correct? If so, why?

- 3.17 The approach has been developed by ORS and uses an internal model that does not allow for others to test the assumptions. Unlike those consultants who use commercially available models such as POPGROUP or Chelmer which have a long history of development and can allow for independent testing, the approach taken by ORS excludes peer group testing on the same model.
- 3.18 A number of sources suggest the use of a longer-term migration period, such as ten years. PAS suggest 10 to 15 years (paragraph 6.14) on the grounds that the then latest projections covered the period 2007 to 2012 which were likely to underestimate future migration into the more prosperous parts of the country with a history of net in migration and overestimate migration population in areas with a history of out migration.
- 3.19 By using the 10 year migration average, ORS are seeking to include the impact of the whole of the recession and its impact on migration patterns into this prosperous area with a history of in migration (PAS para 6.23). This would appear to be trying to achieve the exact opposite of what the PAS were suggesting in terms of the reasoning for using a longer period. i.e. ORS are using the longer-term migration average to lower migration levels into a prosperous area with a history of in migration.
- 3.20 While the LPEG recommendation have been superseded it should be noted that these too considered the use of a longer term migration period for the same reason as the PAS advice i.e. to check to see if the more recent DCLG projections had underestimated migration. LPEG stage 1 recommended the use of the higher of the two projections of either DCLG or 10 year average migration.
- 3.21 The current consultation from the DCLG (para 46) also reasserts the Government's position that the DCLG projections are a starting point against which there should be increases to reflect market signals or if desired by the local authority, increases to reflect economic strategy. The consultation (para 47) again states that there should be very limited grounds for adopting an alternative method which results in a lower need than our proposed approach.
- 3.22 The PPG (2a-015) describes factors that may be taken into account but only in a way that would suggest that the DCLG projections have underestimated need, for example suppressed household formation, though past under delivery of housing. Para 2a-017 likewise refers to sensitivity testing but emphasises reliance on the ONS population estimates and the need for robust evidence such as investment in employment and housing impact upon migration. It does not suggest the level of investigation that ORS make to discredit the ONS and other data sources in order to secure lower demographic projections. Instead it suggests an approach, when read in the context of the PPG and the NPPF, of sense checking the DCLG figures to make sure they are not perpetuating the undersupply of housing.
- 3.23 Lastly when comparing projections between not only our own as set in the SPRU Reg19 submission but also with other sources such as the DCLG and the more recent GLA projections based on different migration assumptions (Short term 5 years, Central 10

years and long term 15 years), the ORS work is at the lowest end, as illustrated by the table below.

- 3.24 These differences even between the 10-year migration projections (GLA short and central and ORS) are substantive across both HMA's that impact on the District. The difference between the GLA 10 year migration projection and the ORS projection is some 61 households per year - a total of 1200 over the twenty year plan period.

Table 1 Comparison of Household Projections

	DCLG 2014	GLA short	GLA Central	GLA long	ORS
North Hertfordshire	704	647	677	687	606
Stevenage	374	334	317	284	337
HMA	1078	981	994	971	943
Luton	1132	1091	1060	816	833
Central Bedfordshire	1704	1807	1617	1508	1387
HMA	2836	2898	2677	2324	2220

e) Does the OAN provide enough new homes to cater for those taking up the new jobs expected over the plan period?

- 3.25 No.
- 3.26 It is noted from the employment background paper (E5) that relying solely on a single employment projection has been found unsound by recent examinations, and that the Council are mindful of these results in forming a view about potential employment growth. It appears that the Council have relied on a single projection for determining that there was no uplift required in terms of housing.
- 3.27 In para 17 (E5), the Council state that they do not use the forecast level of employment land from the EEFM 2016 baseline approach of just 0.45 - 3.63 hectares of employment land, but instead use an average of 9 forecasts (E5 table 1) and plan for some 10.10 hectares of employment land. This means that the evidence base for the housing and employment policies are inconsistent.
- 3.28 If a growth of 10,285 jobs can be accommodated with the release of under 4 hectares of land the additional 6 hectares allocated for release may generate up to 2,500 additional jobs to the baseline forecast (E5 pages 17 and for the multipliers $6 \times 0.5 \times 10,000 / 12$). This suggests that the plan is planning for up to 24% more employment growth than the baseline projection.
- 3.29 The Reg19 SPRU OAN Report has modelled the impact of the average rate of projected job increase using three different projections. This suggested an average increase of jobs at 1.3%, which is twice that considered by the SHMA. Taking the following into account this results in a dwelling requirement of **872 dpa**.
- 3.30 Assumptions in the SPRU job lead dwelling projections:
- Projected Jobs - This approach has used an average of a projection from Cambridge Econometrics Oxford economics and the recent EEFM projections (2016). These average a growth 792 jobs per year.
 - Double jobbing – an allowance of 4% for double jobbing.

- c. Unemployment - a reduction of unemployment from the 2011 levels of unemployment back to pre-recession levels.
 - d. Changes to the pattern of commuting - evidence of unmet need in the wider area would suggest that increased in commuting is less likely that increased out commuting. The SPRU projections make no alteration to the pattern of commuting in line with the approach adopted by previous inspectors.
 - e. Economic Activity Rates - in line with the LPEG recommendations and what SPRU consider to be best practice this report has used the published evidence of Participant Rates for England as a whole from the Office for Budget Responsibility (OBR) and applied these national rates of change to local activity rates for each age/sex group.
- 3.31 This analysis suggests that there should be an uplift to the demographic projections to support local economic growth.

Why is this more appropriate than the 'starting point' estimate provided by the Government's household projections?

- 3.32 It is not.
- 3.33 There is nothing in the NPPF or the PPG which encourages Councils to undertake a forensic search of the underlying data in order to argue for lower levels of provision. Such an approach runs counter to the basic thrust of the NPPF of increasing the supply of housing.
- 3.34 Using a longer migration period to encapsulate the whole of the impact of the recession is actually counter to the advice from PAS and the recommendations of LPEG. The present consultation again reasserts the appropriateness of the use of the DCLG projections as a starting point upon which to make upwards adjustments for market factors and (if selected) economic growth.

b) An uplift has been added to the OAN to take account of concealed families and homeless households. Precisely what level of uplift is used? How has this figure been arrived at and is it justified?

- 3.35 Actually no uplift has been applied as the increase added in the line on concealed families in figure 2 (+317) is removed in line "other adjustments" -317. So in the end only an uplift of 10% is applied for market factors.

c) An uplift of 10% has been added to reflect market signals. I understand that this relates to house prices – in short, that it is to improve affordability. Is that correct? How has this 10% figure been arrived at and is it justified?

- 3.36 The Reg19 SPRU Report highlights that the lower quartile house price to lower quartile earnings ratio is over 10 (Appendix 1 Chart 1) while the median ratio is over 9 (Appendix 1 Chart 2). The rent Affordability Ratio is also extremely high (Appendix 1 Tables 2 and 3). These are all signs of housing market stress.
- 3.37 Other approaches to address affordability are the NHPAU, which required a 38% rise in this region to stabilise affordability, the LPEG recommendations which suggest a 25% uplift, while the most recent DCLG projections suggest an increase from 704 (Table 1 above) to 996 dpa (Table 2 below). This an uplift limited to 40% suggesting that again the area requires to make a significant contribution to the NPPF in terms of significantly increasing the supply of housing.

Table 2 Comparison of OAN including market uplift - DCLG consultation and ORS.

	DCLG SOAN	ORS OAN
North Hertfordshire	996	690
Stevenage	443	380
HMA	1439	1070
Luton	1417	890
Central Bedfordshire	2553	1600
HMA	3970	2490

3.38 A suitable response to market signals would be an uplift of 25% on the DCLG assessment of 746 dwellings a year which would result in a requirement of **932 dwellings a year.**

d) Have employment trends been taken into account? If so, how, and what conclusions are drawn in this regard?

3.39 According to the SHMA 2015 (E3 para 3.31) a single 2014 employment projection has been used insofar as the increased population in the model of 34,200 is lower than that produced by the ORS 10 year migration model (paragraph 3.32).

3.40 Para 3.35 states that only 7,600 workers would be needed to fill the projected job growth of 11,400 (fig 27).

3.41 It is suggested that the ORS 10 yr migration projection will provide for 10,000 workers, some 2,700 workers above their estimation of need.

e) Does the OAN provide enough new homes to cater for those taking up the new jobs expected over the plan period?

3.42 It is unclear from the evidence base what level of employment growth is being planned for as the level of employment land allocated exceeds that required to meet the most recent projections.

3.43 The Hertfordshire LEP seeks to “accelerate business-led economic growth in Hertfordshire” and for Hertfordshire to become “a world-leading economy; one of the top three in the country outside London.”

3.44 The LEP publication “Perfectly Placed for Business: The refreshed Strategic Economic Plan: 2017–2030 July 2017” highlights that job growth over the last decade was 14% (page 6) and that recovery from the crash was “reasonably strong”.

3.45 The plan states that Hertfordshire is significantly affected by London but that London is struggling to accommodate its own growth with most commentators considering that there is a shortfall in planned housing provision within the current London Plan (with consequences for all adjacent areas) (Pages 12 and 13).

3.46 In terms of employment the plan states that:

“significant growth is planned, both around Luton (some in North Hertfordshire) and Milton Keynes, and it is crucial that west Hertfordshire responds appropriately and proactively.”

f) Overall, has the OAN figure been arrived at on the basis of a robust

methodology? The housing requirement set out in Policy SP8

- 3.47 No for the reasons set out above it is considered that there is no justification for the demographic starting point of the OAN to be reduced downwards.
- 3.48 The market uplift of 10% is considered to be an inadequate response to severe market indicators and would not result in even the stabilising of the current unacceptable affordability ratios.

3.4 Policy SP8 says that between 2011 and 2031 the Council will release sufficient land to deliver at least 14,000 new homes for North Hertfordshire's own needs, and will provide additional land within the Luton HMA for a further 1,950 homes as a contribution towards the unmet needs for housing arising in Luton. This amounts to a housing requirement of 15,950.

a) Are these intended to be net figures?

- 3.49 These should be net figures as they relate to the creation of new households.
- 3.50 The housing needs for the Luton and North Hertfordshire have been modelled at the district level, therefore the final housing requirement for the district as a whole is, according to the update (H3), 13,800 (690 a year). It is clear therefore that the additional 1,950 is to address unmet needs in Luton.
- 3.51 If, however, we are correct in our approach that the OAN for North Hertfordshire should be increased, then the 1,950 will need to be added to any increased OAN. Policy SP8 has been redrafted to reflect what SPRU consider to be the correct OAN.

b) Will the housing requirement ensure that the need for affordable housing will be met?

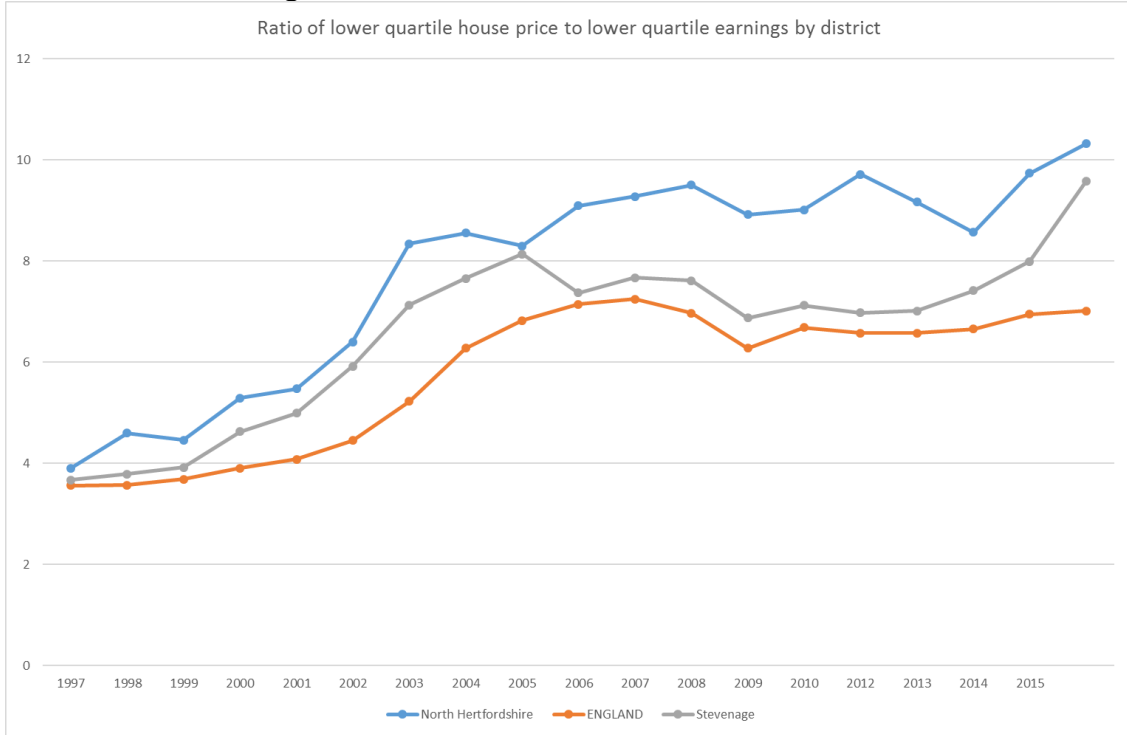
- 3.52 The SHMA 2016 suggests that there is need for 220 affordable dwellings a year.
- 3.53 The affordable housing need represents some 31% of the total proposed allocations in the Local Plan (220/700 x 100).
- 3.54 Policy SP8 requires 33% or up to 40% affordable housing to be provided. As such it is possible that delivery near to the required levels might be achieved although not all development will deliver if these levels make sites unviable.

APPENDIX 1

Table 3 Migration flows between neighbouring authorities

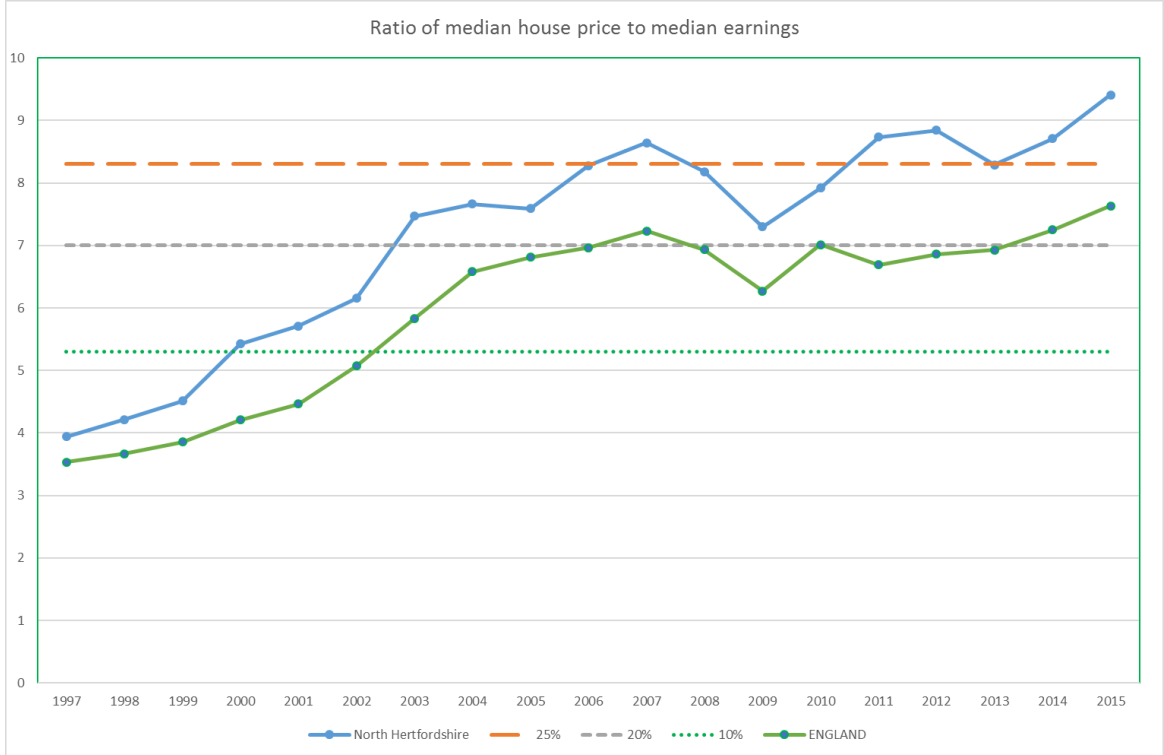
Usual Residence	East	London	South East	Broxbourne	East Hertfordshire	Hertsmere	North Hertfordshire	St Albans	Stevenage	Welwyn Hatfield	Net flows into North Hertfordshire
Broxbourne	4,786	2,107	170	3,467	437	47	30	16	15	166	54
East Hertfordshire	10,030	1,665	476	793	6,425	62	214	114	185	347	94
Hertsmere	4,994	3,051	304	30	42	3,569	23	180	19	230	44
North Hertfordshire	9,643	1,058	414	84	308	67	5,903	240	809	418	
St Albans	10,294	2,329	633	37	105	423	157	7,574	53	437	83
Stevenage	6,644	608	220	99	274	68	737	101	4,384	384	72
Welwyn Hatfield	10,734	2,545	870	167	275	386	223	501	216	7,719	195
East	470,106	54,714	22,801	5,681	10,234	5,937	9,454	10,811	6,468	10,937	-1,294
London	35,519	853,477	62,955	881	1,040	1,620	687	1,271	341	1,213	371
South East	27,401	90,792	763,151	319	766	602	580	924	305	734	-166

Chart 1: Ratio of lower quartile house prices compared to lower quartile earnings



Source: DCLG Live table 576

Chart 2: Ratio of median house prices to median earnings



Source: DCLG live tables 577

Table 4 Private rents

Area	Count of rents	Mean	Lower quartile	Median	Upper quartile
Welwyn Hatfield	458	1096	775	975	1300
Broxbourne	356	877	695	825	975
Dacorum	377	911	625	825	1050
East Hertfordshire	960	925	695	850	1000
Hertsmere	353	1095	802	997	1200
North Hertfordshire	570	780	595	725	875
St Albans	1013	1156	825	995	1350
Hertfordshire	4758	977	700	875	1100
EAST	45362	705	525	625	800
LONDON	52774	1530	1000	1300	1733
Outer London	24485	1276	875	1150	1450

Table 2.1: Summary of 'Room' monthly rents recorded between 1 October 2013 and 30 September 2014 by administrative area for England.

"Room: non self-contained single room with shared facilities. Includes bedsits, single rooms in a house or flat shared with other tenants, and single rooms rented from a resident landlord."

Table 5 Rental Affordability Ratio

Annual Average (3 years)	Rent (Valuation Office Agency)		Gross pay 2016 (ASHE)		Ratio
	Lower quartile	Median	Lower quartile	Median	
Hertfordshire	8,980	10,940	15,174	26,927	59%
North Hertfordshire	7,380	9,000	15137.5	27,716	49%
Stevenage	7,120	9,000	14766.67	23,869	48%

Sources: Table 2.1: Summary of 'Room' monthly rents recorded between 1 October 2013 and 30 September 2014 by administrative area for England & ASHE Table 8.7a Annual pay - Gross (£) - For all employee jobs: United Kingdom, 2015

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