

East Herts Council Answers to the Inspector's Note 2 (ED114)

11th August, 2017

East Herts Council has prepared answers to the Inspector's questions raised in Note 2 (ED114). For ease of reference, the Inspector's note is reproduced below (in *italics*) with the Council's answer (in **bold**) to each question set out below the Inspector's question. Document references cited relate to the Evidence Library which is available on the Council's website (www.eastherts.gov.uk/districtplanexamination).

Inspector's Note 2 – Housing

This note follows the receipt of the new documents relating to the objectively assessed need for housing. These are:

West Essex and East Hertfordshire Strategic Market Housing Assessment – Establishing the Full Objectively Assessed Need, July 2017 (ED112).

West Essex and East Hertfordshire Strategic Market Housing Assessment – Affordable housing update, July 2017 (ED111).

Background

The Plan submitted for examination (East Herts District Plan, pre-submission consultation 2016) identifies, at Section 3.2, that the level of growth would be some 16,390 new homes by 2033. Paragraph 3.2.7 goes on to say that new household projections released by the Department of Communities and Local Government (DCLG) in July 2016 show that by 2033, the population of East Herts is likely to be greater than originally expected. An updated SHMA for the whole market area shows an increase to around 19,500 new homes for East Herts by 2033. However, the Plan could only identify land to provide some 18,040 homes and sought to retain the lower level of growth with a future review dealing with any increase in OAN and supply.

My previous note (Inspector's Note 1) (ED102) indicated that the OAN had to take into account the most recent household projections and look to update the OAN and the final housing requirement accordingly. At the same time the Council was carrying out further work on figures for the housing market area as a whole which has resulted in the publication of new evidence contained in documents ED112 and ED111.

The new evidence

Document ED112 published in July 2017 relates to the housing market area. This indicates that the most recent household projections published in July 2016 have been taken into account. In addition, the document considers the Office of National Statistics (ONS) estimates up to mid-2016 published in June 2017 and the Greater London Authority (GLA) 2016 based, household projections published in July 2017. The overall conclusion of the document is to reduce the previous estimate contained in document HOP/011 from 54,608 to 51,700 for the whole market area, the

consequence of which for East Herts is a reduction from 19,500 homes to 18,396 homes.

In order to understand how the new evidence compares with previous documents and determine whether the OAN would meet housing needs in East Herts I have the following requests/questions:

Q1. The GLA 2016 household projections have not been examined; therefore, what is their status? Can you provide more information about this document and about what parts are relied upon? Are there projections for West Essex and East Hertfordshire Housing Market Area, if so, can I see them. Similarly, can I see any separate projections for East Hertfordshire?

1. The GLA 2016-based household projections have been produced by the Greater London Authority (GLA) following discussions with the local authorities across the Wider South East (WSE) to help ensure consistency between the London Plan and the local plans for the areas surrounding Greater London.
2. The GLA projections have not been examined; however, they are produced using a methodology that is directly comparable with the approach used by the Office for National Statistics (ONS) to produce the sub-national population projections (SNPP) which form the basis of the CLG household projections. Both the GLA and ONS projections are based on the same ONS mid-year population estimate data, and the same CLG 2014-based household formation rates are used in both projections to convert from population to household projections.
3. Whilst the ONS SNPP is based only on 5-year migration trends, the GLA projections include scenarios based on 5-year, 10-year and 15-year migration trends. There is a now widespread acceptance that, in terms of planning for the long-term provision of housing, it is appropriate to use longer-term migration trends rather than the 5-year trends upon which the SNPP is based. On this basis, the GLA projection is useful insofar as it provides nationally consistent data based on longer-term migration trends. The data also provides a basis to ensure consistency between migration assumptions for Greater London and the WSE.
4. The GLA has published an explanatory note to accompany the national outputs from their projections: *“GLA 2016-based population projections: Explanatory note and results for the Wider South East, July 2017”*. This provides a brief overview of the rationale for the expansion of the GLA model beyond the London boundary, and a comparison of some model results for the South East and East of England. A copy of this document is included at Appendix 1.
5. In September 2016, the Centre for Population Change at the University of Southampton was commissioned to undertake an independent review of the GLA model. Their report is included at Appendix 2.

6. The model outputs which provide detailed local authority-level data are available on the London Datastore: <https://data.london.gov.uk/dataset/2016-based-projections-national-outputs>
7. Figure 1 summarises the key outputs for the West Essex and East Hertfordshire HMA and East Hertfordshire local authority area.

Figure 1: Summary of key outputs from the GLA 2016-based household projections for West Essex and East Hertfordshire HMA

	Total Households		Household growth 2011-2033	Housing need 2011-2033	Annual net migration	Average household size in 2033
	2011	2033				
West Essex & East Herts HMA						
Short-term trend (5-year)	175,164	223,402	48,238	50,144	2,965	2.316
Central trend (10-year)	175,164	222,412	47,248	49,116	2,809	2.315
Long-term trend (15-year)	175,164	219,496	44,332	46,092	2,444	2.310
East Herts LA area						
Short-term trend (5-year)	56,811	74,856	18,045	18,612	1,039	2.268
Central trend (10-year)	56,811	74,317	17,506	18,056	952	2.264
Long-term trend (15-year)	56,811	73,164	16,353	16,867	821	2.265

8. In establishing the Full Objectively Assessed Need (FOAN) for West Essex and East Hertfordshire, the analysis takes account of the projections based on the central trend scenario. This is the scenario that the GLA use when establishing housing need for Greater London. The analysis considers the annual net migration projected by the GLA model such that the FOAN will provide for sufficient housing to ensure consistency between the outward migration from Greater London and the inward migration to West Essex and East Herts HMA.
9. The FOAN allows for net migration to the HMA to average a net gain of 2,809 persons annually over the period 2011-2033. This is consistent with the migration outputs from the GLA 2016-based central scenario, and higher than the migration rates projected by the SHMA interim demographic update (August 2016, HOP/011) which projected a net gain of 2,036 persons annually over the same period.
10. This difference is due to the way in which domestic inward migration is calculated, as explained at para 2.29 of the OAN Report (July 2017, ED112). The SHMA projection is based on historic inward migration trends to the HMA. The GLA projection is based on historic outward migration trends

from other areas that have a functional relationship with the HMA: the outward migrants from these areas are counted as inward migrants to the HMA. The GLA model projects that there will be more migrants to the HMA in the future than there have been in the past, so the FOAN is adjusted upwards to take account of this.

Q2. Please provide a summary of the differences between the calculations underpinning the OAN for the whole market area from 54,608 to 51,700 (upon which the East Herts figure is derived) explaining why a lower number has been arrived at as set out in document ED112.

- 1. The SHMA interim demographic update (August 2016, HOP/011) identified a household projection-based estimate of housing need of 45,507 dwellings. This report subsequently concluded that if this figure was increased by 20%, the overall OAN would be 54,608 dwellings.**
- 2. The OAN Report (July 2017, ED112) is based on the same household projection-based estimate of housing need, but considers the justification for specific increases to the housing number. The analysis in the OAN Report identifies that a higher number than the demographic projection is justified to enable further increases in net migration to the HMA and a higher number is also justified to respond to possible suppression in the CLG 2014-based household formation rates.**
- 3. The OAN Report concludes that an increase of 3,600 dwellings on the SHMA interim update's household projection-based estimate of housing need will ensure that there is alignment with the higher rates of migration that are projected by the GLA model (ED112 para 3.17). The OAN Report also concludes that a total increase of 6,200 dwellings would both align migration and also ensure that household formation rates for those aged under 35 are no lower than the equivalent rates recorded in 2001 (ED112 para 3.20).**
- 4. On the basis of the evidence, the OAN Report concludes that it probably isn't reasonable to apply an uplift to the household projection-based estimates of housing need that was any more than the 6,200 dwellings proposed. An increase of 6,200 dwellings already assumes migration rates that are considerably higher than past trends (and consistent with the GLA's projection) and also allows for household formation rates to return to the rates actually recorded in 2001 (ED112 para 3.26-3.29).**

Q3. Please provide a new summary table for the figures in ED112, as shown in figure 8 of Document HOP/011 'Updating the Overall Housing Need based on 2014 based projections for West Essex and East Herts', as this clearly shows the components of the baseline housing need and the further adjustments. Please can you clearly set out what the percentage is of the uplift comprising the further adjustment - is it 14%?

1. Figure 2 below updates the summary table presented at Figure 8 of the SHMA interim demographic update (August 2016, HOP/011) to include an additional column based on the OAN Report (July 2017, ED112).
2. Both the interim demographic update and the OAN Report use the same demographic projection, so all figures in the upper section of the table are the same. The assessments only differ in terms of the further adjustments needed, though both conclude that there is no uplift needed in response to balancing jobs and workers. The only difference relates to the response to market signals:
 - The SHMA interim demographic update identifies that applying a market signals uplift of 20% would yield an overall increase of 9,101 dwellings. This represents 8,434 dwellings in addition to the specific adjustment of 667 dwellings already included as an allowance for concealed families and homeless households;
 - The analysis for the OAN Report identified a specific increase of 3,609 dwellings to align net migration with the GLA model and a further 2,594 dwellings to ensure that household formation rates for those aged under 35 remain above the actual rates recorded in 2001 (though this overlaps with the previous adjustment for suppressed household formation). This represents a total of 6,203 dwellings, which is an increase of 5,536 dwellings in addition to the 667 dwellings already included for concealed families and homeless households.
3. The OAN Report confirms that the proposed response to market signals represents an uplift of 14% on the housing need number suggested by household projections (ED112 para 4.3).
4. However, this report also recognises that the FOAN represents a 69% increase in the rate of housing supply delivered over the previous decade 2001-2011 – and as the market signals are determined by actual housing supply (and not the household projection-based estimate of housing need), it is this percentage that is more relevant when considering the scale of the uplift.

Figure 2: Full Objectively Assessed Need for Housing across West Essex and East Hertfordshire HMA 2011-33

Stage		Original SHMA Assessment	Interim SHMA Update	OAN Report
HOUSEHOLDS				
Demographic starting point: CLG 2014-based household projections 2011-2033		49,638	50,697	50697
Adjustment for local demographic factors and migration trends 10-year migration trend		-12,739	-6,938	-6,938
Baseline household projections taking account of local circumstances		36,899	43,759	43,759
DWELLINGS				
Housing need based on household projections taking account of local circumstances		38,832	45,507	45,507
Adjustment for suppressed household formation rates Concealed families and homeless households with allowance for vacancies		641+26 =667	641+26 =667	641+26 =667
Baseline housing need based on demographic projections		39,049	46,174	46,174
Further adjustments needed...	In response to balancing jobs and workers Projected growth in workers exceeds forecast jobs growth and planned jobs growth therefore no further adjustment needed	5,600	-	-
	In response to market signals Dwellings needed (in addition to the adjustment for concealed families and homeless households) to deliver the overall percentage uplift proposed	20% x 38,382 = 7,676 7,676 – 667 = 7,009	20% x 45,507 = 9,101 9,101 – 667 = 8,434	3,609 + (2,594 – 667) = 5,536
Combined impact of the identified amendments		+7,009	+8,434	+5,536
Full Objectively Assessed Need for Housing 2011-33		46,058	54,608	51,710

Q4. Section 3 of document ED112 indicates that an uplift of 20% might still be justified as a response to market signals, to align with future jobs and to be consistent with the approach taken in similar areas. The figures supporting these issues do not seem to have changed; however, a lower uplift is now proposed. Where is the evidence to show that this would be sufficient to address these matters including the worsening affordability index? What would the effect be on the component of affordable housing within the OAN?

- 1. The Original SHMA (September 2015) identified a household projection-based estimate of housing need of 38,382 dwellings, but concluded that the Objectively Assessed Need should be higher than suggested by household projections in isolation and proposed a 20% uplift (7,676 dwellings) as an overall response to market signals and to align future jobs and workers.**
- 2. The increase of 5,600 dwellings to align jobs and workers represented a 14.6% uplift, and this was proposed to enable higher rates of net migration to provide the extra workers that the area needed. The remaining increase of 2,076 dwellings within the overall uplift (5.4%) was not needed to further increase the population, but was to provide additional housing to enable extra households to form; thereby responding to possible suppression in the CLG household formation rates beyond the specific adjustment for concealed families and homeless households.**
- 3. The SHMA interim demographic update (August 2016, HOP/011) did not undertake any further analysis to establish the extent of any market signals uplift, but concluded that if the household projection-based estimate of housing need was increased by 20% then the overall OAN would be 54,608 dwellings. Nevertheless, the interim update did conclude that there was no longer any need for an uplift to align jobs and workers, as the updated household projections already assumed much higher rates of net migration to the HMA than were assumed by the Original SHMA. On this basis, the 14.6% uplift that the Original SHMA applied to enable higher rates of migration was no longer justified.**
- 4. The OAN Report was prepared to consider the evidence and establish the most appropriate response to market signals in order to ensure that the adjustment is set at a level that is reasonable.**
- 5. In summary:**
 - The Original SHMA proposed an uplift of 20% which increased a household projection-based estimate of housing need of 38,382 dwellings to a FOAN of 46,100 dwellings;**
 - The SHMA interim demographic update identified that the household projection-based estimate of housing need had increased to 45,507 dwellings, but this was only an interim report to update the household projections and it did not include any analysis to establish an appropriate response for any uplift;**

- The OAN Report concluded that the household projection-based estimate of housing need identified by the interim update of 45,507 dwellings should be increased to a FOAN of 51,700 dwellings. This FOAN aligns with the increased rates of migration identified by the GLA model and responds fully to possible suppression in the CLG household formation rates.
6. Whilst the percentage uplift of 14% proposed by the OAN Report is lower than the percentage uplift of 20% that was proposed by the Original SHMA, the FOAN is 5,600 dwellings higher than was originally identified. The FOAN of 46,100 dwellings identified by the Original SHMA already represented a 50% increase in the rate of housing supply delivered over the previous decade 2001-2011, whereas the 51,700 dwellings proposed by the OAN report represents a 69% increase.
 7. Such an increase in housing supply will require a step change in the rate of housing delivery and, on reasonable assumptions, should improve affordability.
 8. The affordable housing component within the OAN is based on the household projections, though it also includes the specific adjustment for concealed families and homeless households. The further adjustments for market signals will provide additional market housing which should help improve affordability in terms of home ownership, but should not add to the affordable housing need.
 9. The affordable housing need assessment is based on those households who are unable to afford to buy or rent market housing; and as a lower household income is needed to rent market housing than is needed for home ownership, a reduction in house prices will only impact on the need for affordable housing if market rents also reduce. If market rents reduce, then the need for affordable housing would also reduce to some extent. However, reduction in house prices will still enable some households who are only able to afford market rent to access home ownership. This is consistent with the aims of the NPPF, which encourages local planning authorities to “*widen opportunities for home ownership*” (paragraph 50).

Q5. I am not clear about how the precise numbers of dwellings (6,200) constituting the further adjustment have been reached as set out in Section 3 paragraph 3.25 of document ED112 and why it constitutes a reasonable level. Please can I have more information on how the uplift of was arrived at (this may become clearer in the summary table provided to answer Q3 above).

1. The overall increase of 6,200 dwellings that is proposed by the OAN Report (July 2017, ED112) is based on two specific adjustments. The analysis identifies that a higher number is justified to enable further increases in net migration to the HMA and a higher number is also justified to respond to possible suppression in the CLG 2014-based household formation rates.

2. The OAN Report concludes that an increase of 3,600 dwellings on the SHMA interim update's household projection-based estimate of housing need will ensure that there is alignment with the higher rates of migration that are projected by the GLA model (ED112 para 3.17). This adjustment is based on the difference between the household projections from the SHMA interim demographic update (August 2016, HOP/011) and the GLA 2016-based household projection central trend scenario.
3. The SHMA interim demographic update identified a household projection-based estimate of housing need of 45,507 dwellings (Figure 2). The GLA 2016-based central trend projection identifies a growth of 47,248 households, which represents a housing need of 49,116 dwellings (Figure 1). The difference between these figures is 3,609 dwellings, and this provides the basis for the first adjustment.
4. The second adjustment considers the CLG 2014-based household formation rates. The CLG household projections publish household representative rates within each age-gender-relationship status group in each local authority area. For each group, the rate gives the probability that a person will be a household representative – this is essentially the proportion of the population in each age-gender-relationship status group who are a “head of household”. The proposed adjustment identifies all groups aged under 35 where the household representative rate for 2033 is lower than was recorded for the same group in 2001. For each of these groups, the higher rate recorded for 2001 is applied in place of the lower rate that the CLG 2014-based rates project for 2033 – thereby increasing the proportion of the population within the group that are counted as household representatives, which increases the household growth.
5. This analysis is a variant of an approach suggested by Professor Ludi Simson and Dr Neil MacDonald in their article *“Making sense of the new English household projections”* (Town and Country Planning, April 2016) which is included at Appendix 3. The analysis is based on the *“household formation increasing”* scenario (page 181); however, rather than preventing any rates from falling from their current levels (which would only prevent any further deterioration in household formation rates) the household representative rates are assumed to be no lower than the equivalent rates actually recorded in 2001. Therefore, the analysis seeks to respond to any possible historic suppression in the rates over the period since 2001 as well as preventing further deterioration.
6. The OAN Report identifies that an increase of 1,100 dwellings would be needed to the SHMA interim update's household projection-based estimate of housing need to prevent the household representative rates for all younger age groups (aged under 35) from falling over the period 2011-2033 (ED112, para 3.11). However, the higher rates of migration identified by the GLA 2016-based projection yields a larger population aged under 35, so the

adjustments to the household representative rates affect more people. This yields a larger uplift of 2,594 dwellings, and this provides the basis for the second adjustment.

7. The cumulative impact of these two adjustments is 6,203 dwellings, which provides the basis for the increase of 6,200 dwellings proposed (ED112, para 3.20).

Q6. The new documents conclude with a revised OAN. Please can the Council provide an updated topic paper indicating their final housing requirement. Where has the Council considered (based on the new evidence) whether any further uplift is required for the requirement, for example, to increase the provision of affordable housing?

1. A Housing Topic Paper Update (August 2017) has been produced and will be added to the Examination Documents page. This Update replaces the March 2017 version of the Topic Paper (TPA/004).
2. The Housing Topic Paper Update sets out that the OAN for East Herts is for 18,396 dwellings over the period 2011-2033 (836 dwellings per annum). The District Plan will need to be updated to reflect this latest position.
3. The Council does not consider that any further uplift is required, for example, to increase the provision of affordable housing. As set out above the OAN already incorporates an uplift on the baseline household projections, which will contribute to increasing the supply of affordable homes through market led housing developments.
4. The full OAN across the HMA represents a 69% increase in housing supply delivered over the period 2001-2011. Delivering the OAN will require a step change in the rate of housing delivery in the HMA. Such an increase in housing supply should, on reasonable assumptions, improve affordability.
5. Acknowledging, however, affordability pressures in the HMA, District Plan Policy HOU3 (Affordable Housing) sets a requirement for up to 35% or 40% affordable housing provision depending on the size of the site being developed. This requirement is in excess of the need identified in the Affordable Housing Update (ED111) which identifies that the proportion of overall need for affordable housing in East Herts is 32%.