

Technical Note

Clarifying the OAN position for Welwyn Hatfield

November 2020

1. Turley was recently instructed by Welwyn Hatfield Borough Council ('the Council') to consider the implications of the official 2018-based population and household projections for the objectively assessed need (OAN) for housing in the borough¹. This technical evidence was submitted as EX203A.
2. On the basis of the evidence prepared, it was concluded that the OAN for Welwyn Hatfield could now reasonably be identified as falling within a range of between 715 and 800 dwellings per annum, when considered over the original plan period (2013-32). It was, though, suggested that the lower end of this range was more likely to be reflective of housing needs over a plan period which extended to 2036, from an advanced base date of 2016, following a comparable approach to that presented previously in EX103B.
3. The Inspector has since reaffirmed that '*due to the passage of time, it would be appropriate to move the plan period forward to the period 2016 to 2036*'². He has also expressed a firm preference for '*a precise figure*' that accounts for '*the factors influencing estimated population and household numbers and growth*', including '*under delivery of housing in recent years*'³.
4. Where the latest report did indeed imply a precise figure – as opposed to a range – over this plan period, this note aims to provide additional explanation to that presented in EX203A to support the concluded **OAN of 715 dwellings per annum between 2016 and 2036**. This includes a separate presentation of the associated forecast of required dwellings per annum for the period from 2011 to 2036, accounting for the rebased OAN, as requested by the Inspector in EX204A.

Acknowledging up-to-date evidence of changing demographics

5. It is acknowledged that an OAN of 800 dwellings per annum has previously been justified – including through hearings in late 2019 – and accepted⁴ over the new plan period, running from 2016 to 2036, in the context of the 2016 and 2014-based projections.
6. It is a matter of fact, however, that the most comparable variant of the official 2018-based projections⁵ downgrades the level of population growth suggested in Welwyn Hatfield over this period by circa 11%, when compared firstly to the 2016-based official dataset. This is shown at Figure 1. It is notable in this context that the 2016-based projections themselves anticipated 10% less population growth than the preceding 2014-based projections over this same period, showing a sustained downward trend.

¹ Turley (August 2020) The implications of the 2018-based SNPP and SNHP on the Welwyn Hatfield OAN [EX203A]

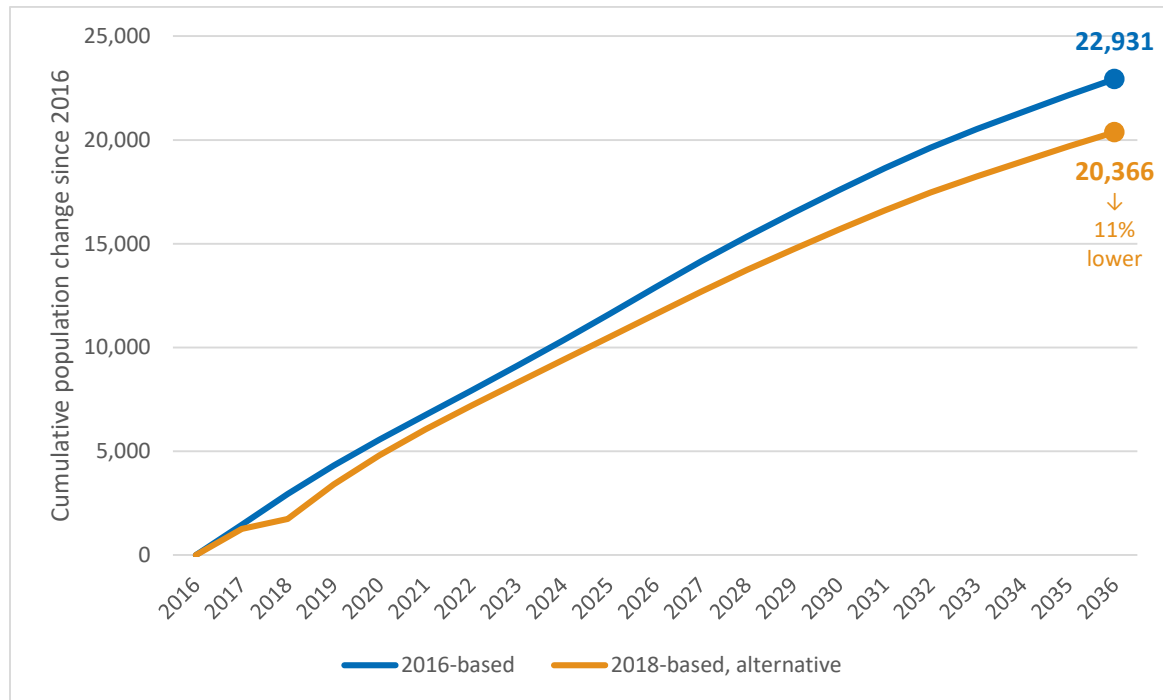
² Inspector's preliminary conclusions and advice, 22 October 2020, paragraph 36 [EX212]

³ Amended Inspector's reply to EX203 on Household Projections, 16 October 2020 [EX204A]

⁴ Stage 6 Hearing Sessions round-up note, 7 January 2020 [EX178]

⁵ The "alternative migration variant", consistently based on migration trends over the preceding five years

Figure 1: Comparing Projected Population Change (2016-36)

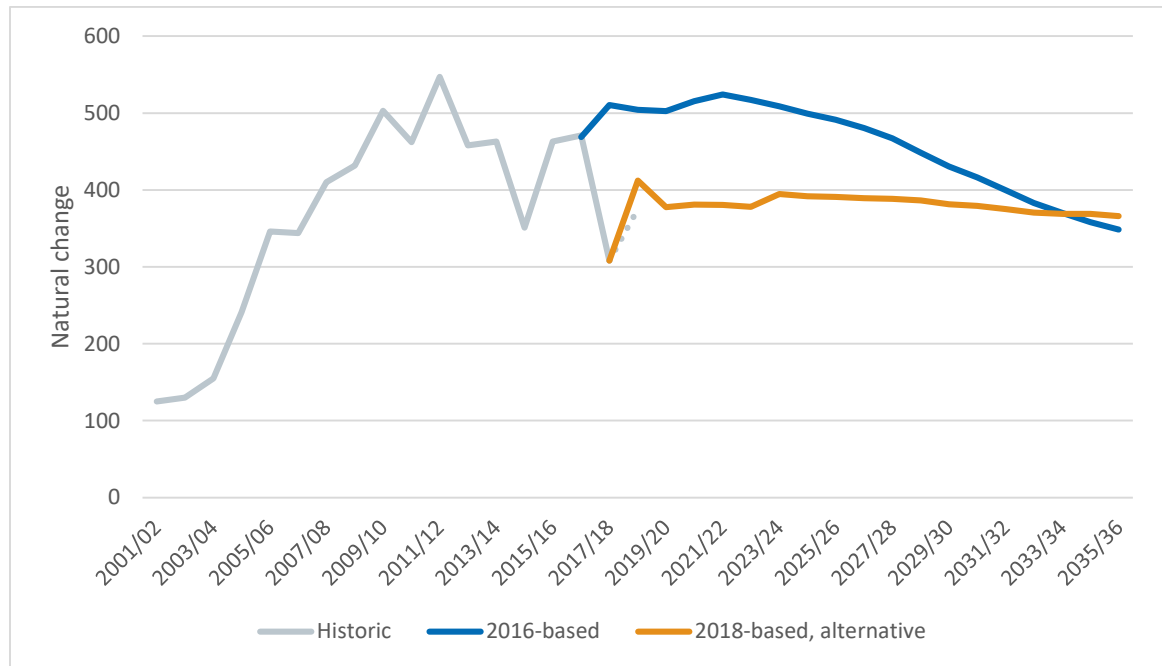


Source: ONS; Turley analysis

7. Importantly, when considering the impact on housing need – and as previously noted in EX203A⁶ – the key factor driving this lower 2018-based projection is the assumption that “natural change” (the net surplus of births over deaths) will grow the population of Welwyn Hatfield by 16% *less* than previously anticipated. The previously projected net inflow of migrants has been reduced by only half as much (8%).
8. Figure 2 compares the natural change assumed by each projection in each year of the new plan period, in the context of the historic trend for Welwyn Hatfield. The 2016-based projection can be seen to have assumed that natural change would have a relatively significant impact on the population over the short-term, which would gradually diminish. Subsequently published population estimates suggest that natural change has actually had a more modest effect on the population of Welwyn Hatfield since a peak in 2011/12, which is likely a factor in the 2018-based projection revising its assumption and suggesting that natural change will broadly remain at this recent rate throughout the new plan period.

⁶ This point is made at paragraph 4.4 of EX203A with reference to Figure 4.1 albeit it is noted that the analysis is presented for the period 2013 – 2032 as opposed to 2016 – 2036 as is considered here.

Figure 2: Historic and Projected Natural Change in Welwyn Hatfield



Source: ONS; Turley analysis

9. With natural change driven by a combination of births and deaths, it can be further observed that the 2018-based projection assumes 3% more deaths in Welwyn Hatfield than the 2016-based projection over the new plan period, and 3% fewer births. These assumptions are influenced by the latest trends observed in the borough, as well as nationally, and are unlikely to be directly attributable to housing supply⁷.
10. This prospect of reduced natural change, which factors in the Office for National Statistics' (ONS) updated assumptions with regards future fertility and mortality rates specifically, therefore represents a key contributing factor to the lowering of the level of population growth projected over the new plan period, by circa 11%. It is notable that the reduced OAN proposed over this period (715dpa) is coincidentally also 11% lower than the previous OAN of 800 dwellings per annum, that was justified for this period in the context of the higher 2016-based projections. Such a reduction in the OAN is therefore entirely proportionate to the lower population growth now anticipated over this period in the most up-to-date official projections.

Accounting for past undersupply

11. It has been repeatedly recognised in the evidence base that Welwyn Hatfield has failed to deliver the homes that have been found to be needed in recent years⁸.
12. It is reasonable to consider the extent to which this undersupply could have constrained population growth during the period drawn upon by the preferred variant of the 2018-based projections (2013-18) in the context of the above. However, a consideration of the rate of

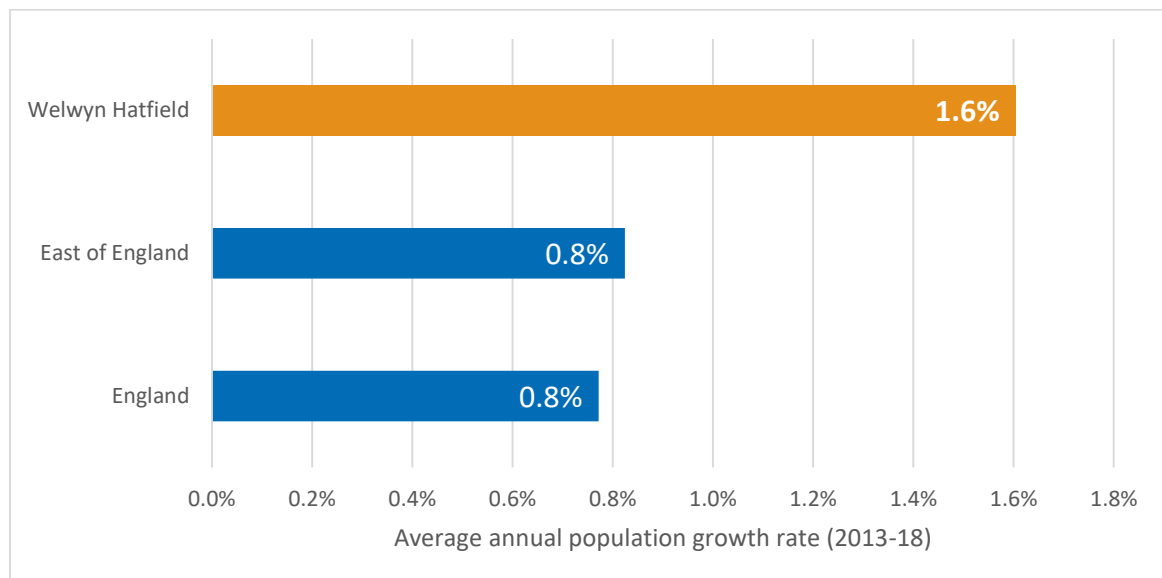
⁷ EX203A, paragraph 6.9

⁸ This was shown visually, for example, at Figure 3.1 of EX103B and referenced for the most recent two years to 2019 at paragraph 4.11 of EX203A

population growth over this period – as estimated by the ONS – suggests that this has not been the case in Welwyn Hatfield.

13. Had growth been constrained in this way, the borough would be expected to have seen a disproportionately low or suppressed rate of population growth in this period. The estimates suggest, however, that the population has grown by 1.6% per annum in this time, which is comparable to and indeed slightly higher than the average seen over the preceding ten years back to 2003 (1.3%). Similarly it is observed, and shown at Figure 3, that the population of Welwyn Hatfield grew at double the rate seen nationally or regionally over the period from 2013 to 2018. This is important as it is this historic period from which the selected variant of the 2018-based projections draws from in extrapolating forward trends in, for example, net migration into the borough.

Figure 3: Population Growth in Trend Period of 2018-based Projections (2013-18)



Source: ONS; Turley analysis

14. Where the official estimates of population change post 2011 have been previously discussed through the hearings, the implied evidence of strong population growth having occurred over this period provides sufficient assurance that undersupply is not having a material or apparent negative influence on the *population* in the preferred variant of the 2018-based projections where trends are based on this five year period⁹. It therefore continues to be reasonable, for reasons previously presented in the evidence base, to use this variant of the official population projections as the basis of the OAN over the new plan period¹⁰.

⁹ In contrast, as set out in EX203A, the shorter two-year trend period used in the principal variant of the 2018-based projections as a result of their narrow time horizon and the increased potential of their not providing a representative picture is an important consideration in retaining the use of the variant which draws on a five year historic period (Figure 4.2 of EX203A illustrates)

¹⁰ It is noted that the same is not necessarily the case for the 2018-based principal projection where its use of only a two year trend period appears to raise the possibility that this is having a more direct impact as referenced at paragraph of 4.11 of EX203A.

15. Undersupply has, though, been found to have an effect on the rate at which households form in Welwyn Hatfield¹¹. The SHMA evidence has consistently acknowledged this in its selection of headship rates and the application of appropriate adjustments. Where, in accordance with PPG, the evidence following the 2017 SHMA Update has recognised the latest official population datasets, it has consistently retained the 2014-based household formation rates in preference to the more problematic 2016-based rates¹² and subsequently the 2018-based rates¹³ which share the same methodology and associated limitations. The decision to retain these household formation rates increases the official household projection by 9% to suggest that 525 dwellings per annum are needed over the new plan period, as opposed to 481 dwellings per annum.
16. Recognising the scale of the historic undersupply and its consequences, evidenced by worsening market signals, an OAN of **715 dwellings per annum** justifiably incorporates further upward adjustments to the demographic projection, namely:
- An allowance for a gradual return to the higher rate at which younger people in Welwyn Hatfield formed households in 2001, which elevates the base demographic projection¹⁴ by 13% or 68 dwellings per annum; and
 - An implicit further uplift of 21% in response to market signals¹⁵ that naturally show the effect of any undersupply, which adds an extra 122 dwellings per annum to the above projection.
17. The approach of separately applying these two adjustments has been consistently applied in the 2017 SHMA and subsequent technical updates and by implication has been seen as appropriate in the Inspector's conclusions to date as to the soundness of this evidence. Combined, the above adjustments elevate the base demographic projection by some 36% or 190 dwellings per annum, equivalent to **circa 3,800 extra dwellings** over the new plan period¹⁶. This is shown at Figure 4 overleaf.

¹¹ A situation acknowledged by the relevant PPG (2a-015-20140306)

¹² As described in section 5 of **EX103A**

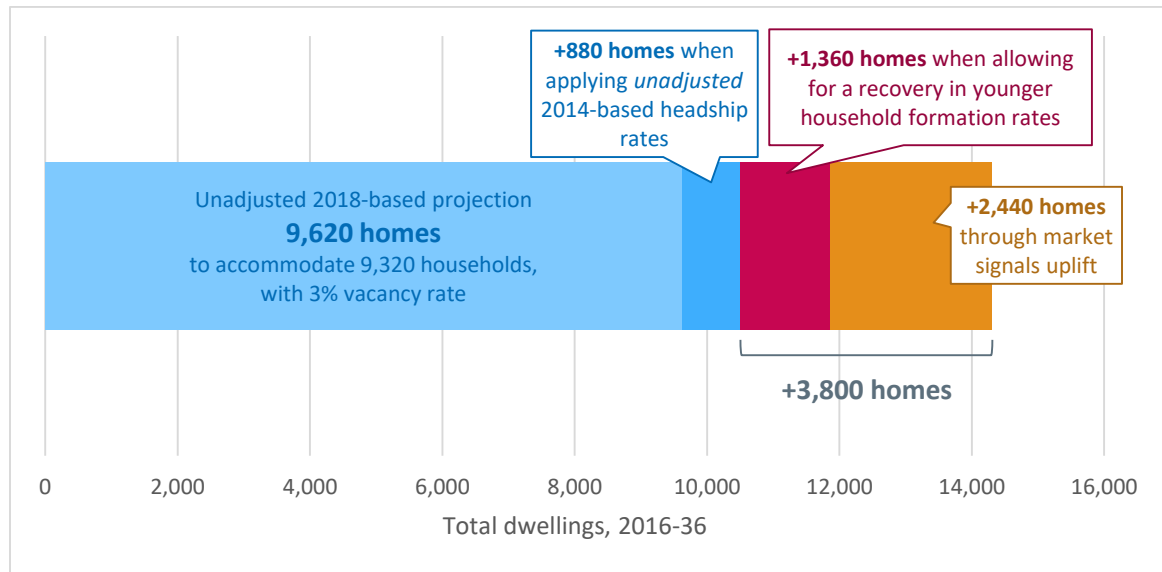
¹³ As described in section 5 of **EX203A**

¹⁴ The alternative 2018-based population projection, with unadjusted 2014-based household formation rates

¹⁵ It is noted that this is over double the market signals adjustment originally applied in the 2017 SHMA Update (10%) and is broadly aligned with the upper end of the range considered reasonable when calculating the OAN using the 2016-based SNPP (19%) as referenced at paragraph 6.14 of **EX203A**.

¹⁶ The precise figure is 3,794 extra dwellings over the plan period, but given the rounding applied in calculating annual dwelling figures this rounded figure has been presented to align with the annual figures.

Figure 4: Impact of Adjustments on Total Need for Dwellings (2016-36)



Source: Edge Analytics; Turley analysis

18. Where the PPG makes a direct link between historic under-supply and household formation rates it is appropriate to compare the uplift with the actual estimated scale of undersupply against need in the years immediately prior to the new plan period (2011-16). Table 1 estimates a shortfall of **1,900 homes** over this period when completions – as recorded by the Council – are respectively benchmarked against the previously assessed need for 800 dwellings per annum from 2013, and the earlier assessment of a need for 625 dwellings per annum that was calculated from 2011 onwards¹⁷. It is clear that this shortfall is accommodated within the uplift from the base demographic projection, leaving additional flexibility to more generally respond to worsening market signals and address the less perceptible demographic effects of undersupply.

Table 1: Estimating Recent Undersupply Relative to Assessed Need (2011-16)

	2011/12	2012/13	2013/14	2014/15	2015/16
Annual need	625	625	800	800	800
Net completions	358	178	316	391	507
Shortfall	-267	-447	-484	-409	-293
Cumulative shortfall	-267	-714	-1,198	-1,607	-1,900

Source: Welwyn Hatfield Borough Council; Turley analysis

19. When averaging the annual completions shown above, it can also be observed that an OAN of 715 dwellings per annum from 2016 onwards would equate to more than double the average rate of provision over the preceding five years (350dpa). Meeting this need in full would, as a

¹⁷ Turley (2014) Welwyn Hatfield Strategic Housing Market Assessment [HOU/14]

result, ‘*boost significantly the supply of housing*’ in Welwyn Hatfield, in line with the aims of the relevant National Planning Policy Framework¹⁸ (NPPF).

20. In this context, and recognising the methodology required to be followed under the relevant PPG and as applied in the 2017 SHMA Update, it is important to confirm that in addition to meeting the demographic need and applying an appropriate market signals adjustment the resultant OAN of 715 dwellings per annum would:
- Grow the resident labour force and support around **17,300 additional jobs** in Welwyn Hatfield over the new plan period, as previously reported¹⁹. Taking account of up-to-date labour force assumptions and the implied age profile of the 2018-based alternative variant scenario used to generate the OAN this figure is slightly higher than the equivalent figure using the 2016-based projection (16,497 jobs), albeit with the latter only projected to 2034 in EX103B. For the reasons explained in that report, it remains the case that there is no evidence to suggest, on the basis of the Council’s continued reference to a level of job growth which is lower than 17,300²⁰, that the implied level of population or household growth will fail to support the anticipated levels of job growth underpinning the Council’s emerging economic policies; and
 - Support the boosting of the provision of affordable housing in response to a previously evidenced need²¹.

A forecast for 2011 to 2036

21. While a plan period of 2016 to 2036 has been accepted by the Inspector, he has also requested ‘*a forecast of required dwellings per annum for a plan period from 2011 to 2036*’, in order to ‘*assist [his] appraisal of the revised forecasts*’²².
22. Table 1 identifies the applicable calculated need figures over the period from 2011 to 2016 preceding the latest OAN. Where one approach could be to add these need figures to the re-based OAN to create a forecast for the full period requested by the Inspector, such an approach would present a risk of double counting the shortfall of 1,900 homes that, as explained above, has been taken into consideration in establishing an OAN of 715 dwellings per annum from 2016 onwards in accordance with the PPG. However, for reference such an approach would suggest that 17,950 dwellings were forecast to be required between 2011 and 2036.
23. Where it is accepted that the market signals adjustment accounts for this shortfall with some further flexibility – as noted above – an alternative and reasonable approach would involve simply incorporating the 1,750 dwellings shown by Table 1 to have been actually completed

¹⁸ DCLG (2012) National Planning Policy Framework, paragraph 47

¹⁹ See Appendix 3 of EX203A

²⁰ As noted in EX103B (paragraph 2.19) it is understood that the Council continues to reference its evidence base which allows for the creation of 16,600 jobs over the submitted plan period of 2013 to 2032. The Council has not provided an alternative jobs figure to inform this technical note.

²¹ The 2017 SHMA Update [HOU/21] applied the 20% introduced in the proposed affordable housing policy to an OAN of 800 dwellings per annum to indicate that this would support the delivery of 160 affordable homes per annum. A comparable approach, applied to an OAN of 715 dwellings per annum, would suggest it would support 143 affordable homes per annum. This continues to exceed the historic annual average of 128 affordable homes (gross) referenced at Figure 6.1 of the 2017 SHMA Update.

²² Amended Inspector’s reply to EX203 on Household Projections, 16 October 2020 [EX204A]

during the early years of this period (2011-16) and the OAN of 715 dwellings per annum thereafter, in the knowledge that the latter figure already addresses the consequences of any prior shortfall on future need. This would suggest a forecast that **16,050 dwellings** are required over the period specified by the Inspector (2011-36). Where this figure includes a projection of need from a base date of 2016, which aligns with the chosen plan period, it should not be used to generate an alternative annual average level of future need from the earlier base date of this period (i.e. 2011).

Summary

24. Following the Inspector's request for the presentation of a precise OAN, and his acceptance of a plan period that runs from 2016 to 2036, this note confirms that it would be reasonable and justified to take forward an OAN of **715 dwellings per annum** for this period, in the context of the 2018-based projections. This is because:
- The population of Welwyn Hatfield is no longer expected to *naturally* grow, through an excess of births over deaths, to the extent previously envisaged in recommending an OAN of 800 dwellings per annum over this same period. This is a key and purely demographic factor behind the 11% reduction in projected population growth over this period, with the proposal to similarly reduce the OAN by 11% from 800 to 715 dwellings per annum coincidentally proportionate in this context;
 - There is no evidence to suggest that population growth in Welwyn Hatfield has been directly constrained by undersupply during the five year period (2013- 18) drawn upon by the preferred variant of the 2018-based projections;
 - An OAN of 715 dwellings per annum builds in a series of adjustments aimed at addressing the historic effect of undersupply on household formation in the context of a long-term worsening of market signals, which collectively elevate the base demographic projection by over a third (36%) and add around 3,800 extra dwellings to the OAN for the new plan period. This is double the shortfall estimated to have accrued over the prior five years. This suggests that the scale of adjustment in the OAN can be judged as more than accommodating for the identified under-supply and in turn can be expected to improve affordability where it would represent a marked elevation on recent levels of delivery;
 - It would continue to support the level of job growth previously considered likely in the Council's evidence supporting the employment policies of the Plan, therefore requiring no further employment-led adjustment taking into account information provided by the Council with regards future anticipated job growth; and
 - Meeting a need for 715 dwellings per annum from 2016 onwards would continue to significantly boost the supply of housing in Welwyn Hatfield, more than doubling the 350 homes completed annually on average over the previous five years and likely enabling a similar boost in affordable housing provision.
25. This suggests an OAN for **14,300 dwellings** in total between 2016 and 2036. While the Inspector has also requested a forecast covering an extended period back to 2011, this note highlights a risk of double counting the shortfall in these additional years, which – as noted above – can reasonably be viewed as being accounted for in the OAN established for 2016 onwards. Where

such an approach is deemed reasonable and in compliance with the PPG, the addition of the 1,750 dwellings completed to 2016 to the re-based OAN from 2016 would suggest a total forecast of 16,050 dwellings over the period specified by the Inspector (2011-36). For the reference of the Inspector, an alternative method which takes the relevant calculated need for each of the years preceding the re-based OAN (2011-16) would suggest a forecast requirement of 17,950 homes over the full period from 2011 to 2036.

26. As set out in EX203A the above continues to represent a technical interpretation of the evidence and the application of the appropriate PPG. The passage of time and the introduction of new and evolving guidance makes it more challenging to directly apply such guidance to new datasets, which themselves have evolved in their methodology. This recognises the PPG's acknowledgement that the release of new projections does not necessarily outdate earlier assessments of housing need, with the implication being that the option remains open to the Council to justifiably retain the previously evidenced OAN (800dpa), as set out in the conclusion to EX203A. However, it is apparent from the evidence prepared in EX103A, EX103B and EX203A that the extension of the plan period and shifting demographics do suggest a downward trend with regards the need for new housing to which the Council can reasonably reference in arriving at their judgement. It is noted, however, that this should continue to be considered by the Council in the context of wider benefits associated with the scale of affordable housing which could be delivered by a higher housing requirement, and the implications of the evolving picture as to the balance between planned provision and need in adjacent areas which share housing market relationships (as recognised by the identified HMA).
27. It is therefore inevitable that a degree of judgement is required in translating the evidence into policy. This should take into account the length of time since the submission of the draft Plan, as well as the implications for other aspects of the Local Plan and its evidence base.

9 November 2020

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