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Dear Inspector

### **Response by the Home Builders Federation to the consultation on the potential implications of the 2018-based household projections**

The HBF is the principal representative body of the housebuilding industry in England and Wales and our representations reflect the views of discussions with our membership of national and multinational corporations through to regional developers and small local housebuilders. Our members account for over 80% of all new housing built in England and Wales in any one year.

In answering the question posed as to whether there has been a meaningful change in the housing situation, it is necessary to consider not only the latest household projections and market signals as set out in the Council's paper (EX203a). We also consider it important to examine the evidence on the unmet needs in London following the examination of the London Plan and the context within which these plans are being examined – namely under the transitional arrangements as set out in the 2019 National Planning Policy Framework, and the Government's continued objective of delivering 300,000 homes per annum.

#### **2018-based household projections**

The 2018-household projections see a reduction in the expected number of new households expected to form in future across the country. The scale of this reduction in relation Welwyn Hatfield is set out in EX203A. However, as is outlined in the Council's evidence, there are a number of concerns with regard to the robustness of the principal projections within the 2018-based HHP and the use of just two years' worth of data relating to internal migration on which this projection is based. This is especially pertinent for Welwyn Hatfield given that, as is noted in paragraph 4.6 of EX203A, during this period there were unusually high net outflows from the Borough not seen in the previous 15 years. For this reason alone, the principal projection should be treated with caution and alternative projections produced by ONS should be considered.

We also consider that the 2018-based projections for Welwyn Hatfield are, in part, a self-fulfilling prophecy. Unless the homes are built to support expected levels of growth then future projections will, inevitably, show lower levels of growth. Household growth



is ultimately constrained by the number of additional homes in an area in order to meet any growth. Instead household formation will be delayed with more individuals living multi-generational households or new households will form elsewhere where their needs can be met. Given that delivery between 2013 and 2018 fell short of the baseline 2014-based projections by some 1,274 homes we would suggest that a significant proportion of the decline in household growth in the 2018-based projections is a result of past needs not being met.

As such we would agree with the assessment in EXE203A that in considering the impact of the 2018-based projections the alternative projection should be used and that a further adjustment to the baseline projections is required to take account suppressed household formation are also required. Table 5.2 of EX203A shows that applying the headship rates from the 2014-based household projections to the 2018-based figures provides a baseline growth of 650 households per annum. Whilst lower than the adjusted projections for both the 2014-based (721 households) and 2016-based projections (712 households) it indicates that the degree of difference is not as significant as is first suggested by the 2018-based principal projection.

### **Market signals**

The Council's evidence considers whether there has been any change in the evidence that would support a higher market signals adjustment to the 10% that was applied in the initial SHMA supporting the local plan on submission. However, since the publication of SHMA update in 2017 a much stronger approach has been taken by both Local Planning Authorities and Inspectors with regard to market signals and the adjustment that is applied. Some of these are set out below:

- Canterbury - 20% uplift based on a median affordability ratio of 10.6;
- Mid Sussex - 20% uplift based on a median affordability ratio of 12.6;
- Waverley - 25% uplift based on a median affordability ratio of 15.45;
- Reading - 10% uplift based on a median affordability ratio of 6.58;
- Runnymede - a 20% uplift based on a median affordability ratio of 11.93;

What is notable is that the application of a 20% uplift has been considered a sound approach in areas facing similar trends in their markets as seen in Welwyn Hatfield. The table below compares Runnymede with Welwyn Hatfield and it can be seen that both authorities face very similar signals, yet the adjustment made is quite different.

<b>Market Signal</b>	<b>Welwyn Hatfield</b>	<b>Runnymede</b>
Lower quartile (LQ) house price 2015	223,000	256,000
LQ house price 2019	295,000	312,000
Change in LQ house price 2001 to 2015	128%	104%
Change in LQ house price 2015 to 2019	32%	22%
LQ Affordability Ratio 2015	9.88	10.16
Change in LQ affordability ratio 2013 to 2015	16%	16%
LQ Affordability Ratio 2019	11.54	11.63

Change 2015 to 2019	17%	14%
LQ rent - 2 bed 2015/16	850	1050
LQ rent - 2 bed 2018/19	900	1050
Change 2015 to 2019	6%	0%

As such a 23% uplift, which would provide an OAN of 800 dpa, should not be seen as relatively high in the context of the market signals seen in Welwyn Hatfield. Whilst the latest data published earlier this year<sup>1</sup>, as set out in figure 6.2 of EX203A, shows that there has been some improvement in these market signals it must be remembered that even lower quartile house prices and rental values remain high and beyond the reach of many working and living within Welwyn Hatfield. It is also evident that an evolving understanding as to the degree of uplift required to improve affordability indicates much higher adjustments are warranted. Indeed, the introduction of the standard method is a clear indication that the Government considered the adjustments being made for market signals in Council's assessments of need were insufficient.

### **London's unmet housing needs**

For some time now the HBF has been raising concerns regarding the ability of London to meet its own housing needs and the capital has consistently failed to meet its targets with regard to housing supply. As such we have asked LPAs across the East and the South East to either adjust their housing needs assessments to take account of likely increase in migration or include an increase in their housing requirements to take account of unmet needs in the capital. Whilst a few authorities, such as Ashford in Kent, have adjusted their OAN following consideration of the shortfalls in housing delivery in the capital the additional delivery remains woefully short of the growing number of additional homes required to address London's growing backlog of unmet housing needs.

The reason why the unmet needs of London has not been addressed by local plans in those areas with strong links to London was the consideration that London would consume its own smoke. It was expected that the new London Plan would address future needs and the back log of unmet needs by delivering over 60,000 homes per annum. However, following the examination of the London Plan it is now clear that this level of housing supply was not considered deliverable.

The examination report on new London Plan was published in October 2019 and outlines in paragraph 174 that the overestimation of the contribution of small sites reduces the supply of new homes from 65,000 to 52,000 homes per annum. This means that there is a shortfall of some 140,000 homes between 2018 and 2028 in the capital against its own assessment that the capital needs to deliver 66,000 homes each year across the plan period to meet future need and address the current backlog. However, there must also be a concern that the capital will struggle to meet the 52,000 homes identified in the examination report as being deliverable. London has consistently delivered fewer homes than it required with average delivery over the last

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<sup>1</sup> House price to workplace-based earnings ratio (ONS, March 2020)

five years of just under 33,000 additional dwellings<sup>2</sup> with the first year of the new London Plan delivering 36,000 new dwellings. Without a significant increase in delivery it is almost inevitable that the identified shortfalls will drive increased levels of out-migration from the capital to surrounding areas adding pressure in housing markets where affordability is already poor.

One such area is Welwyn Hatfield which has had significant levels of positive net migration from the capital in recent years. Net migration to the capital from London has averaged over 1,100 people per annum since 2012<sup>3</sup> and, as can be seen in the table below, in 2019 the ONS estimated that the two highest contributing areas to net in migration into Welwyn Hatfield were Barnet and Enfield with 5 of the top six being London Boroughs.

Table 2: Net migration to Welwyn Hatfield in 2019

Name	Out-migration	In-migration	Net migration
Barnet	208	597	389
Enfield	196	484	288
Hertsmere	278	427	149
Brent	117	211	94
Harrow	106	182	76
Camden	72	129	58

Source ONS Internal migration: detailed estimates by origin and destination local authorities. HBF Analysis.

As such a lack of supply in the capital will place greater pressure on Welwyn Hatfield and similar areas that form part of the wider regional housing market focussed on the capital, as households seek to meet their accommodation needs outside of London. It is therefore essential that any consideration as to current housing situation facing Welwyn Hatfield takes account of the shortfalls in supply in London given the Borough's strong migratory links with the capital. As a minimum we would suggest that this evidence gives weight to the argument that the Council should not be seeking to reduce its housing requirement on the basis of the 2018-based household projections.

### Transitional period and national objectives

It is important to recognise that the context within which this plan is being examined – namely under the transitional arrangements as set out in paragraph 214 of the 2019 NPPF. This transitional period was included in the NPPF to allow LPAs that had submitted plans, or were close to submission, to continue with their existing evidence base. The transitional period reflects the Government's desire for a plan led system and the drive to ensure all LPAs had local plans, and not require new evidence to be prepared which would inevitably slow the process for those caught by the changes to

<sup>2</sup> Table 118 Annual net additional dwellings and components, England, and the regions (MHCLG)

<sup>3</sup> Internal migration: detailed estimates by origin and destination local authorities (ONS) <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/migrationwithinthek/datasets>

the NPPF. What the transitional period was not meant to lead to was a continued updating of the evidence of supporting local plans submitted prior to January 2019. It was meant to do the exact opposite – to ensure plans could come forward and be examined on the evidence as submitted. In particular it should not see submitted plans being amended were this would be inconsistent with the Government’s restated ambition to boost housing supply in order to deliver a minimum of 300,000 homes per year<sup>4</sup>.

Indeed the continued reliance on the submitted evidence for transitional plans is supported in the November 2018 letter to Chief Planning Officers which states in its update on the use of the 2016-based household projections in the standard method that plans submitted on or before the 24 January 2019 can be based on existing assessments of housing need at the time of submission. This would suggest that the Government were not endorsing the use of the later household projections within transitional plans in the same way that they did not endorse their use in the current standard method. The Councils have, as required by PPG, considered the latest data but even where there has been some change it would be both justified and consistent with national policy to continue with the housing requirement in the submitted local plan.

## **Conclusions**

PPG states that local housing needs assessments should be informed by the latest available information and that meaningful change should be considered in this context. The household projections, whilst a principal element of such a consideration, are therefore not the only information that must be considered when assessing whether there has been a change in the housing situation. Consideration must also be given to the housing situation in other areas and the national context of boosting housing supply.

Firstly, it is clear that London’s unmet housing needs are now more significant than was the case when this plan was submitted and at the hearings when housing needs were considered. This changing situation must be a key factor when contemplating whether there has been a change in the housing situation. We would argue that the scale of the unmet needs in the capital clearly support, at the very least, the housing requirement being maintained at the level in the submitted local plan. Secondly, the Government’s ambitions for housing supply have not been amended on the basis of the latest projections. The Government remains committed to its long-standing aim to deliver 300,000 homes per annum and again does not support a downward adjustment of Welwyn Hatfield’s housing requirement.

Finally, the evidence presented by the Council with regard to the 2018-based household projections indicates that the principal projection cannot be relied on given the short period from which the projection is taken. Further adjustments to take account

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<sup>4</sup>Paragraph 6 ‘Changes to the current planning system’ (MHCLG, 2020)  
<https://www.gov.uk/government/consultations/changes-to-the-current-planning-system>

of suppressed household formation and a higher market signals adjustment results in a similar OAN as to that set out in the submitted local plan. As such and given that this is a plan that is being examined under the transitional arrangements, taking into account advice provided by MHCLG, and the Government's continued goal of delivering 300,000 homes per year from the mid-2020s we do not consider that it is necessary to modify the housing requirement on the basis of the latest demographic projections.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Behrendt'.

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