DECEMBER 2019 | PA | P18-0109

ST ALBANS CITY & DISTRICT LOCAL PLAN EXAMINATION

HEARING STATEMENT

MATTER 5:
OBJECTIVELY ASSESSED NEEDS FOR HOUSING AND EMPLOYMENT LAND (POLICIES S4 AND S5)

LAND WEST OF REDBOURN

ON BEHALF OF PENNARD & ULVIR LIMITED

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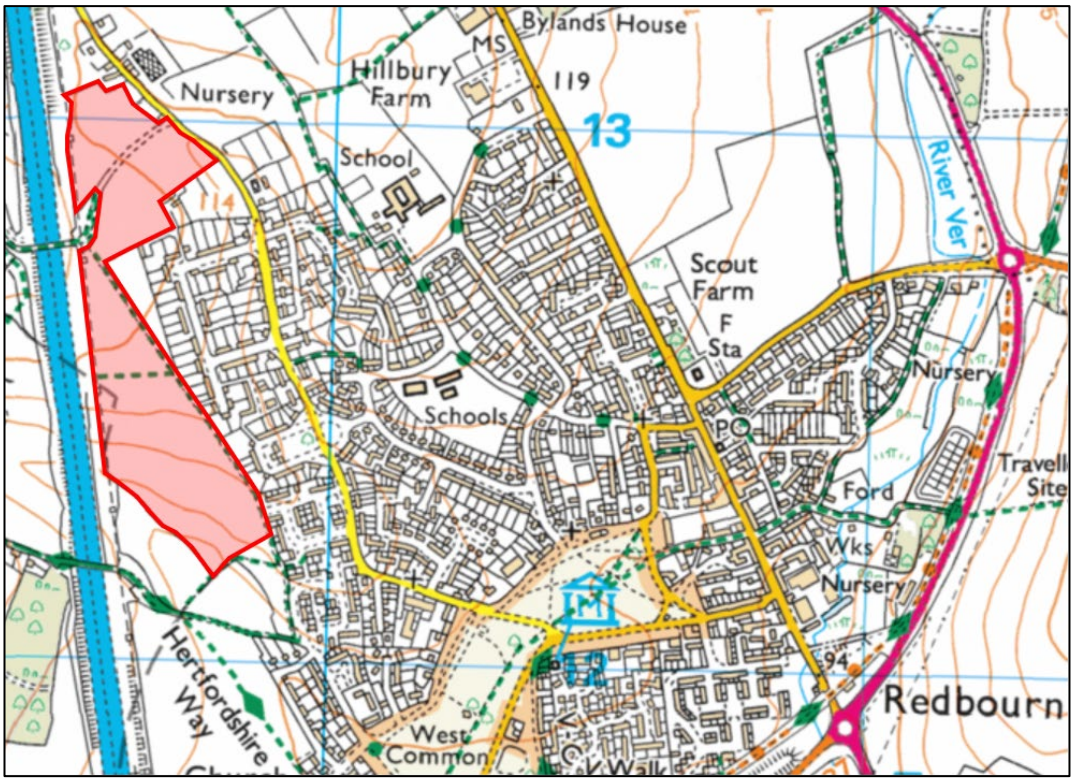
APPENDIX 1: ST ALBANS HOUSING NEED ANALYSIS (DECEMBER 2019)

1. INTRODUCTION

1.1 This Hearing Statement has been prepared by Pegasus Group on behalf of Pennard Bare Trustees (Pennard) and Ulvir Limited, the Freehold owners of Land West of Redbourn, as shown in Figure 1 below.

Figure 1: Land West of Redbourn



1.2 This Matter Statement is prepared pursuant to the Matter 5 and the associated Issues and Questions raised by the St Albans City & District Council (SADC) Examination Inspectors.

1.3 This Statement is also to be considered alongside submissions made in respect of the following Matters:

- Matter 1: Legal / Procedural Requirements;
- Matter 2: Duty to Cooperate;
- Matter 3: The Spatial Strategy, Settlement Hierarchy and Development Strategy Policies S1 & S2);
- Matter 4: The Metropolitan Green Belt (Policy S3);
- Matter 6: The Broad Locations for Development (Policy S6) – General Matters (Policy S6) and Strategic Infrastructure (Policies L17 & L18); and

- Matter 8: The Supply and Delivery of Housing Land

1.4 Our Matter Statements should be read alongside our Representations to the SADC Regulation 18 (Issues & Options) consultation and 'Call for Sites' submission (February 2018) and our Representations to the Regulation 19 (Publication Plan) consultation (October 2018).

2. MATTER 5 – OBJECTIVELY ASSESSED NEEDS FOR HOUSING AND EMPLOYMENT LAND (POLICIES S4 AND S5)

Main issue: Whether the Plan has been positively prepared and whether it is justified, effective and consistent with national planning policy in relation to the overall provision for housing and employment land.

Housing

2.1 Question 1: The identified housing need is based on the standard methodology in the National Planning Policy Framework. Is the Council's application of this in accordance with the methodology in the PPG (as updated)?

2.1.1 Our Regulation 19 Representations[1] have dealt with this matter in detail.

2.1.2 Paragraph 60 of the NPPF (2019) requires the minimum number of homes needed to be calculated using the Standard Methodology in the national planning guidance – unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals [our emphasis].

2.1.3 The Plan applies the Standard Methodology's 'capped' housing need figure of 913 homes per annum, however as set below and as expanded upon within Appendix 1, it is considered that 'exceptional circumstances' exist in the context of paragraph 60 of the NPPF to warrant the use of SADC's 'uncapped' housing need figure of 1,152 homes per annum in order to meet actual housing needs and begin to address the chronic housing affordability issues in the District.

2.1.4 Moreover, the relevant sections of the NPPG which set out the methodology for calculating the minimum annual local housing need figure were revised in February 2019 – before the Plan was submitted for examination. The NPPG states that the first step in setting the baseline is to use the 2014 household projections and calculate the projected annual household growth over a 10 year period (this should be 10 consecutive years, with the current year being used as the starting point from which to calculate growth over that period)[2].

[1] Pegasus Regulation 19 Representations (October 2018) – paragraphs 5.9-5.40
[2] Paragraph 2a-004-20190220

2.1.5 The NPPG continues that[3]:

> **"Strategic policy making authorities will need to calculate their local housing need figure <u>at the start of the plan-making process</u>. This number should be kept under review and revised where appropriate."** [our emphasis]

2.1.6 Policy S4 of the Plan proposes a requirement of 14,608 homes over a Plan period 2020-2036 (i.e. 913 homes per annum). However, it is clear that this approach is not consistent with the NPPF or NPPG, firstly in that the application of the 'standard methodology' should represent the 'starting point' for determining the "*<u>minimum</u> number of homes needed*" [our emphasis].

2.1.7 Moreover, as set out in the NPPG[4]:

> **"The Government is committed to ensuring that more homes are built and supports ambitious authorities who want to plan for growth. The standard method for assessing local housing needs provides a minimum starting point in determining the number of homes needed in an area. It does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Therefore, there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates."**

2.1.8 Therefore, in the context of the NPPF and NPPG, the reference to 'exceptional circumstances' in respect of determining housing needs is considered to relate to justifiable alternative approaches which may result in decreases or <u>increases</u> in housing need, depending on the specific circumstances.

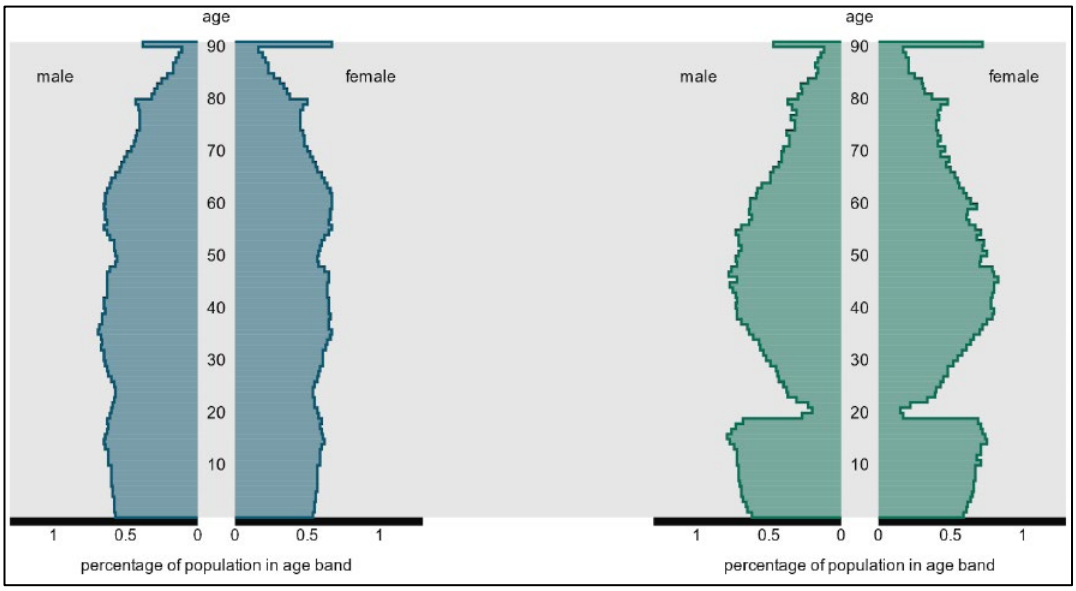
2.1.9 SADC have not produced any evidence to consider whether there is a need for a higher level of growth. However, the Inspectors are referred to our submitted Regulation 19 Representations and the enclosed updated 'Housing and Economic Need Paper' (Appendix 1) which illustrates the 'actual' housing need in SADC.

2.1.10 SADC experiences some of the most acute affordability pressures in the country with median house price to median earnings of 16.81 compared with just 8.0 for England and 9.72 for East of England and even 15.8 for Greater London.

[3] Paragraph 2a -008-20190220
[4] Paragraph 010 Reference ID: 2a-010-20190220

2.1.11 This picture has been driven by the success of the local economy and the inability of housebuilding to keep up and the resulting population projections for SADC look stark where by 2026 its young adult age groups are predicted to almost entirely disappear, as highlighted in Figure 2 below), being driven away by ever increasing and extreme house prices.

Figure 2: Office for National Statistic 2016 Based Sub National Population Projections: England vs St Albans 2026 Population



2.1.12 SADC should recognise the significant social, economic and environmental costs associated with historic under-delivery of housing in the District, which has perpetuated an increasing affordability crisis for all sections of the community; had a destabilising effect on the local economy by restricting local labour supply; and resulted in increased in-commuting as more and more workers are forced to commute in from outside the District. Indeed, 50% of SADC's own work-force now commute in from outside the District[5].

2.1.13 It is our view that SADC's chronic housing affordability pressures and resulting unbalancing effect on the local economy and environmental pressures from ever increasing in-commuting at a time of increasing urgency to address Climate Change, necessitate the 'exceptional circumstances' required by the NPPF

[5] Freedom of Information Request dated 19th August 2019

(paragraph 60) for SADC to meet its 'uncapped' housing need of 1,152 homes per annum (see Appendix 1).

2.1.14 The Inspector's will no doubt wish to explore this further with the Council given SADC's history of failure to prepare a Plan that has no doubt only exacerbated the situation now faced in the District.

2.1.15 Secondly, SADC's application of the Standard Methodology is not consistent with national policy and guidance as it proposes a base date of 2020. This effectively removes two years of assessed housing needs from the point at which needs are set and also ignores any under-delivery in that time. Whilst the Plan may not be adopted in 2020, and indeed as we have highlighted in our other Matter Statements that this is highly unlikely if the experience in Welwyn & Hatfield is anything to go by (due to the fundamental flaws of the Green Belt Review), the housing requirement must start from the point at which the needs are calculated.

2.1.16 Therefore, in line with national guidance, it is considered that the Plan period should be from 2018–2036 and therefore the housing requirement should be at least 16,434 homes (i.e. if using the minimum 'capped' housing need figure) and up to 20,736 homes (i.e. using the 'uncapped' housing need figure) over the Plan period; in which case SADC will need to introduce additional allocations into the Plan in order to address the housing requirement for the correct Plan period, as expanded upon further within our Matter 8 Statement where we give due consideration to the Housing Trajectory at Appendix 2 of the Plan.

2.2 Question 2: Are any starting point LHN adjustments necessary?

2.2.1 No comment.

2.3 Question 3: Is the housing target in the Plan appropriately aligned with forecasts for jobs growth?

2.3.1 Please refer to our response to Question 1 and the enclosed 'Housing and Economic Need Paper (Appendix 1).

2.3.2 Evidence Base document EMP001 (September 2019) highlights at paragraph 5.61 that:

> **"There is evidence of an undersupply of housing in all districts in South West Herts, leading to growing affordability challenges. There is a risk that this could affect employers' ability to recruit, although this should be alleviated by the significant uplift in housing identified in the LHNA [Local Housing Need Assessment]"**

2.3.3 It is unclear however how this evidence of undersupply of housing is being addressed in the Plan and this certainly adds weight to our opinion that 'exceptional circumstances' required by the NPPF (paragraph 60) apply for SADC to meet its 'uncapped' housing need of 1,200 homes per annum in order to address historic under-delivery of housing, not helped by the Council's own history of failure to adopt a Plan.

2.4 Question 4: Is the stepped trajectory in Policy S3 and Appendix 2 of the Plan appropriate and justified?

2.4.1 Please refer to our Regulation 19 Representations[6] and our response to Matter 8 for further details.

2.4.2 Policy S4 proposes the following stepped approach to housing delivery in the District, based on the proposed housing target/requirement:

- From 2020-2025 the requirement/target is 565 per annum;
- From 2025-2030 the requirement/target is 1,075 per annum; and
- From 2030-2036 the requirement/target is 1,075 per annum

2.4.3 The proposed approach reflects SADC's reliance on large strategic sites in achieving its housing targets and in light of the significant lead-in time to deliver the proposed Broad Locations, the subsequent housing delivery rates are considerably lower for the early years of the Plan (not withstanding that the Plan should in fact start from 2018 in order to comply with the NPPF). We highlight in detail within our Matter 8 Statement the overly optimistic assumptions SADC applies to the Housing Trajectory in Appendix 2 of the Plan.

2.4.4 Whilst the NPPG advises that a stepped approach may be appropriate where there is a significant change in the level of housing requirement between emerging and previous policies and/or where strategic sites will have a phased delivery or are likely to be delivered later in the Plan period. It continues that[7]:

> **"Strategic policy-makers will need to set out evidence to support using stepped requirement figures, and not seek to unnecessarily delay meeting identified development needs. In reviewing and revising policies, strategic policy-making authorities should ensure there is not continued delay in meeting identified development needs."**

2.4.5 Guidance expresses a clear preference that LPAs should seek to deal with any undersupply in a timely manner and by aspiring to deliver new homes towards the end of the Plan period as proposed, the strategy is inherently risky as, if delivery is delayed, housing targets/requirements will continue to be missed and the acute levels of housing need exacerbated.

[6] Pegasus Regulation 19 Representations (October 2018) – paragraphs 5.22-5.26
[7] NPPG: 034 Reference ID: 3-034-20180913

2.4.6 Moreover, a genuine concern arises whereby in reviewing the Plan in 5-years time as required by the Regulations and proposed in the Plan itself (CD002 - paragraph 2.7), as housing needs are based on trends in the household projections, that by using the stepped approach, this will only have the effect of suppressing housing need in a much needed area. In other words, the Plan as proposed becomes a self-fulfilling prophecy whereby lower housing delivery generates lower future housing targets/requirements and all the while the District's chronic housing needs and affordability pressures are only exacerbated.

2.4.7 It is acknowledged that the difference between what the Standard Methodology requires (i.e. a minimum of 913 homes per annum) and what has been delivered in the past is significant, however the inability of SADC's to prepare a sound Plan has no doubt led in some part to the increases in housing needs now experienced. It is considered that SADC should not be rewarded for past failures and the Plan should seek to meet identified housing needs from the outset through the allocation of additional smaller and medium sites and which will allow a more balanced approach to housing delivery as envisaged by the NPPF.

2.4.8 Indeed, concerns relating to the stepped approach to housing delivery are not new and the Inspectors are referred to the Guildford Borough Council Local Plan Inspectors conclusions (11th June 2018) whereby they found:

> **"The submitted plan's level of delivery in the early years, based on a stepped trajectory combined with the 'Liverpool' methodology, is not acceptable. It would negate the purpose of the 20% buffer (which the Council accept), frustrate attempts to address key factors affecting worsening affordability, and would be contrary to Government policy which is seeking to boost the supply of housing…In these circumstances the Council should not adopt a stepped trajectory but should identify additional sources of housing delivery in the early years of the Plan."**

2.4.9 These conclusions are equally applicable to SADC.

2.4.10 Having regard to the above and our conclusions in respect of the assessment of 'reasonable alternatives' within which to deliver a positive strategy that meets identified housing needs from the outset in line with the provisions of the NPPF, it is concluded that the proposed stepped approach to housing delivery is neither appropriate or justified.

2.5 Question 5: How much housing is anticipated after the plan period as a result of the proposals in the Local Plan?

2.5.1 There is a discrepancy in the Plan whereby Policy S6 Broad Locations indicates that 1,800 homes will be delivered beyond the Plan period, however, the Housing Trajectory in Appendix 2 of the Plan indicates up to 3,670 homes are to be delivered beyond 2036.

2.5.2 It is therefore necessary for SADC to clarify this position.

2.6 Question 6: Have the Council set out a housing requirement for designated neighbourhood areas which reflects the overall strategy for the pattern and scale of development and any relevant allocations, as set out in paragraph 65 of the NPPF?

2.6.1 It is evident that the Council has not set out a housing requirement for designated neighbourhood areas, indicative or otherwise as required by the NPPF.

2.7 Pegasus has no comment on the following Questions which are more directed at the Council to explain their position.

2.8 Question 7: Have the Council carried out an assessment, as required by S.8 of the housing act 1985, of the needs of people in the district residing in caravans or houseboats?

<u>Gypsies and Travellers</u>

2.9 Question 8: Does Policy L7 accord with the guidance in Planning Policy for Traveller Sites (PPTS) and is it justified and effective?

2.10 Question 9: The GTAA update 2019 identifies a need for 72 additional pitches for households that meet the definition in the PPTS. It also identifies a need for up to 5 additional pitches from undetermined households, and a need for 41 additional pitches for households that do not meet the planning definition. How are these to be provided for?

2.11 Question 10: What site allocations are to be made for those who meet the definition (72 pitches)? Policy L7 refers to four 15 pitch sites in 3 of the Broad Locations only (total of 60). What about the shortfall of 12 pitches?

2.12 Question 11: How are the needs of those 'undetermined households' that may meet the definition to be provided for?

2.13 Question 12: How are the needs of those not meeting the definition to be provided for? Paragraph 1.12 of the GTAA suggests that the need for those households who did not meet the definition (41 pitches) will be addressed as part of general housing needs and though separate local plan policies (as required by paragraph 60 of the Framework). Where is this evident?

2.14 Question 13: Bearing in mind the Council's stepped approach, is the plan consistent with the requirement of national policy to identify a supply of specific deliverable sites sufficient to provide at least five years' worth of supply against the local requirement and identify broad locations for growth for years 6 -10?

2.15 **Question 14: How were the 3 Broad Locations identified as being suitable for gypsy and traveller sites chosen? Why are they preferred to the other Broad Locations?**

2.16 **Question 15: Do the proposed sites reflect the needs of travellers?**

2.17 **Question 16: The East of Hemel Hempstead (Central) Broad Location is a proposed employment site. As such is GT provision here appropriate? What is the nature of the work that is underway to support the delivery of 30 pitches here?**

2.18 **Question 17: How will the sites in the Broad Locations be achieved? (the policy suggests that locations will be identified, allocated and safeguarded through collaborative master planning under Policy S6). Is this approach costed and deliverable?**

2.19 **Question 18: Are any other allocations intended? What consideration has been given to the expansion or intensification of existing sites referred to in the GTAA? Has the suitability of extending existing sites or those with temporary permissions been considered (criteria 3 and 4 of Policy L7)?**

<u>Employment Land</u>

2.20 **Question 19: How has the Functional Economic Market Area (FEMA) been defined and is it appropriate?**

2.21 **Question 20: What is the overall need for employment land that has been identified? What is the evidence for this? What is the situation regarding existing commitments and the residual need for additional land allocations? What is the past trend in take up rates for employment land?**

2.22 **Question 21: Overall does the evidence base provide adequate justification for the jobs target set out in policy S5?**

2.23 **Question 22: Does the jobs target align with those associated with the Hertfordshire Enviro-Tech Enterprise Zone?**

2.24 Question 23: Are the employment land requirements consistent with the housing requirement figure?

2.25 Question 24: Does the plan allocate sufficient land to meet the identified minimum need in policy S5?

2.26 Question 25: Does the land allocated provide sufficient choice and flexibility?

2.27 Question 26: What are the inter-relationships with other authorities in terms of employment land provision and how have these been taken into account?

(MATTER 5 STATEMENT WORD COUNT = 1,975 WORDS)

APPENDIX 1

ST ALBANS HOUSING NEED ANALYSIS (DECEMBER 2019)

REPRESENTATIONS TO ST ALBANS LOCAL PLAN

ANALYSIS OF DISTRICT HOUSING NEED

IN ST ALBANS CITY & DISTRICT COUNCIL

DECEMBER 2019 UPDATE

Date: December 2019

Pegasus Group

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1. Overview

1.1 In October 2018, Pegasus Group prepared an Analysis of Housing Need report to support representations to the Submission Draft Local Plan for St Albans City and District Council. This was prepared at the time when the Standard Method was to be based upon the most up to date Subnational Household Projections as the starting point, which was the 2016 Based Subnational Household Projections.

1.2 Government has since determined however, that LPAs should seek to deliver the standard method dwelling requirement based on the 2014 Based Subnational Household Projections (913 dwellings per annum), as opposed to the more recent data, for the reasons outlined within the report that include: no adopted Development Plan to enable growth in previous years; and lack of house building in previous years; which has resulted in a self-fulfilling prophecy of low demand as seen in the most recent projections. This is in the context of very high indicators of demand as identified by the affordability ratio.

1.3 Given the severity if the affordability issue in St Albans, as the latest affordability ratio data has further confirmed a worsening position with the 2018 data showing 16.81 compared with 16.65 from the 2017 vintage, it was suggested that the uncapped figure of 1,172 (as calculated based at the time of writing) or rounded to 1,200 dwellings per annum should be delivered to help address such disparities. Putting this into context St Alban's has the 12th highest affordability ratio out of 324 local planning authorities in England. This is clearly shows that there is a severe need for homes, which should be addressed as a priority within the Local Plan.

2. 2014 Based Subnational Household Projections

2.1 Since the above report was prepared on 26 October 2018, the Government published a Technical Consultation on updates to National Planning Policy and Guidance, which suggested that in order to meet the 300,000 homes per annum target the 2014 Subnational Household Projections should be used as the baseline for the Standard Method until a time when an alternative methodology that will provide less variable outcomes can be identified and implemented (anticipated September 2020). This decision by the Government further supports the conclusions identified within the original Pegasus Group report suggesting that the previous 2014 Based projections be used.

3. The Cap

3.1 More recently in February 2019, Planning Practice Guidance has been revised in order to take on board the key conclusions from the above consultation. It is important to understand from this, the reasoning for capping the increase, which is set out below (Paragraph: 007 Reference ID: 2a-007-20190220):

3.2 "The standard method may identify a minimum local housing need figure that is significantly higher than the number of homes currently being planned for. The cap is applied to help ensure that the minimum local housing need figure calculated using the standard method is as deliverable as possible.

3.3 The cap reduces the minimum number generated by the standard method, but does not reduce housing need itself. Therefore, strategic policies adopted with a cap applied may require an early review and updating to ensure that any housing need above the capped level is planned for as soon as is reasonably possible.

3.4 Where the minimum annual local housing need figure is subject to a cap, consideration can still be given to whether a higher level of need could realistically be delivered. This may help prevent authorities from having to undertake an early review of the relevant policies".

3.5 This guidance importantly explains that the cap is simply to ensure the figure is deliverable. The threshold for the cap, at 40%, is arbitrary. It is, therefore, important that the Local Plan attempts to deliver the full figure as soon as possible.

3.6 It is unclear whether the LPA has explored whether the larger figure is deliverable. There are no supporting reports and or commentary suggesting that it has been a consideration in the preparation of the Local Plan. Given the severity of the affordability problem, it is extremely important that it is taken account of. If such a figure is not deliverable in the short term, the Local Plan should at least seek to phase higher numbers in the longer term and/ or include an early review policy, as suggested by the guidance, to ensure that the uncapped figure is delivered as soon as possible. It is understood that the LPA has not sought to do this and, therefore, there is concern that the Plan has not been positively prepared nor is effective and does not meet the test of soundness.

3.7 It is acknowledged at paragraph 2.7 of the Local Plan that it will be reviewed within five years from adoption. This is simply repeating policy set out within the NPPF

and does not refer to a perhaps more wholehearted review, which will be necessary in order to increase dwelling requirements.

3.8 It is suggested that appropriate revisions are made to include a specific policy to require a review is commenced by a specific date within five years, a two-year timeframe is considered to be more appropriate in order to seek ways in which the uncapped figure can be met. This can either be via transferring unmet needs to neighbouring districts or by meeting the needs within St Alban's itself. Either way, it is important that it is addressed in some way.

3.9 A further important factor in this instance is that St Albans is highly constrained by Green Belt. Policy relating to Green Belt release, as set out in the NPPF, is clear that when defining Green Belt boundaries, plans should (paragraph 139 point e), where necessary, be able to demonstrate that Green Belt boundaries will not need to be altered at the end of the plan period. As identified above, the greater uncapped figure should eventually be delivered through the Local Plan, however, this cannot be achieved if Green Belt policy is preventing sites from coming forward.

3.10 It is considered that the Local Plan is rather short sited in not allowing for additional land to come forward for what is an immediate need that should be addressed now. Given that insufficient land has been removed from the Green Belt, there is concern that the Local Plan is not consistent with national policy and does not enable the delivery of sustainable development in accordance with the policies of the Framework.

4. Standard Method Calculation

4.1 Planning Practice Guidance relating to Housing and Economic Needs recognises that the standard method may change as the inputs are variable and this should be taken into consideration by strategic policy making authorities. It goes on to state that local housing need calculated using the standard method may be relied upon for a period of 2 years from the time that a plan is submitted to the Planning Inspectorate for examination.

4.2 It is understood that the Local Plan was submitted in March 2019. At that date, the relevant standard method calculation includes 640 dwelling per annum from the 2014 Based Subnational Household Projections between 2019 to 2029. As expressed above, the affordability ratio has increased further to 16.81, which demonstrates worsening affordability in a district that is already the least affordable in the region.

4.3 When the affordability adjustment factor is applied, this totals 1,152 uncapped dwellings. With the 40% cap, it is 896 dwelling per annum. It is understood that this is consistent with the Council's calculations in response to the Inspector's Questions.

4.4 For the reasons outlined above, and whilst the uncapped figure is proposed to be met, there is concern that there remains unmet need not addressed and there is no strategy proposed to address it. Until this can be agreed and committed to, there remains uncertainty as to how housing need will be met and there is concern that it will not be provided for.

5. Economic Factors and Assessment of Additional Need

5.1 It is clear that the LPA has not sought to consider implications of housing on the economy nor vice versa. Among the Inspector's questions posed to the council in respect of its local plan submission[1], the council was asked whether it has assessed any need for higher housing growth in the district. It has justified the *lack* of any such assessment on the basis that the criteria as set out in the PPG do not apply to St Albans.

5.2 The PPG guidance cited by the inspector is clear however, that the basis for such an assessment is NOT limited to only the criteria listed. As set out in the accompanying report, there is no general consideration of the population, labour force, economy, as part of the committing to the figures set out in the standard method.

5.3 As presented, these are critical issues affecting the future development of St Albans that the LPA has made no assessment or consideration of. In the year since the original report, there is no evidence of any significant change in the position. Key among these issues which merit repeating, are:

- shrinking Labour Supply
- continued labour market growth
- continuing affordability crisis

5.4 Considering more recent data where available, we see that there continues to be a lack of labour supply growth due to the limited supply of new homes and excessive losses of potential new additions to resident labour supply. St Albans requires additional population and housing growth to overcome the "demographic deficit" and policies that deliver significant housing growth, including the provision of affordable and key worker homes to help balance the population.

5.5 The latest ONS 2018 population estimates for the 16-64 working age population of the district shows a *reduction* in the cohort, from 90,000 in 2016, to 89,600 in 2017, to 89,200 in 2018.

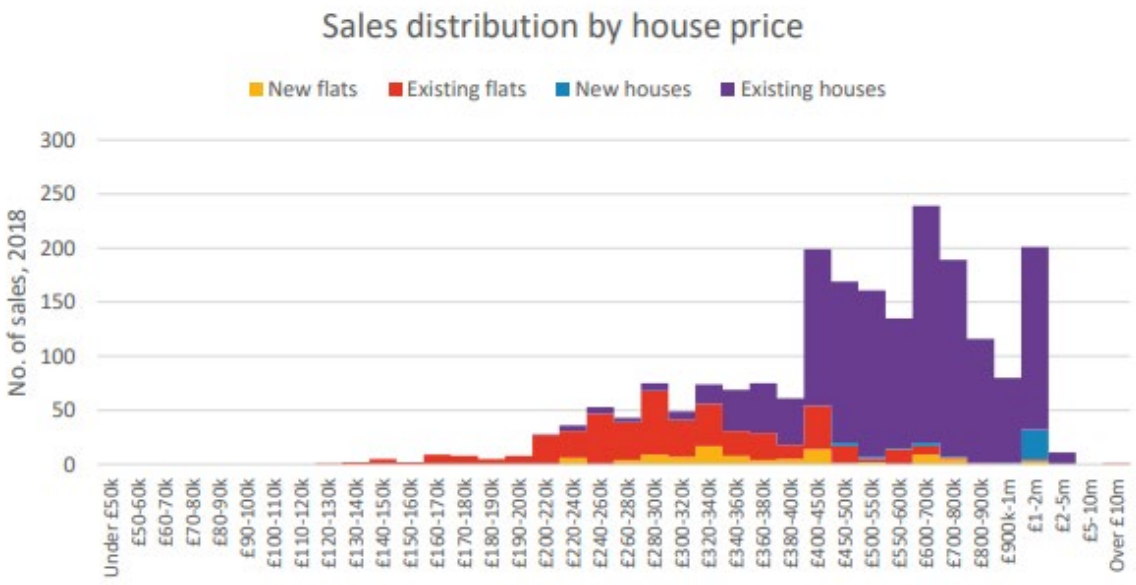
[1] ED10 24.5.19 Council's Response to Question 8 – SADC1

5.6 Meanwhile, the 2018 Business Register and Employment Survey shows that a further 2,000 employee jobs were added in St Albans in that year. This continued combination of a growing workforce and a shrinking labour supply has serious implications for both sustainability and house prices.

5.7 It is somewhat inevitable to find therefore, that the latest published affordability ratio shows further deterioration in affordability since 2017, when St Albans was in the top 10 of least affordable LPAs in the country. In 2018, St Albans remained the least affordable of all the districts in the Eastern Region, with the ratio having risen from 16.6 to 16.8.

5.8 The chart at Figure 1 below shows total house price sales volume categorised by new and existing homes and flats. It is very clear in the chart, the extremely limited number of new home sales in light blue, the large majority of which are shown in the £1m to £2m bracket. Some low levels of new flat sales in yellow are also shown. Otherwise, it is very clear the extent to which by far the most sales in the year were of existing homes. This shows the extreme lack of growth in new supply in the market in 2018.

Figure 1: St Albans Sales Showing Lack of New Supply



Source: HM Land Registry Price Paid Data

5.9 It is vital that the Local Planning Authority properly investigates these influencing factors in its local housing market and the failure to carry out such an assessment

as suggested by the inspector, is a clear abdication of its duty to objectively assess housing need. Such an assessment is key to understanding the demographic and economic profile and trends occurring within its boundaries. Only then can the issues be properly planned for and rectified through effective land use planning measures, as opposed to simply following a formula with no regard for the consequences.

6. Plan Period

6.1 It is unclear why the plan period commences in 2020. It is important that the number of homes delivered can be reconciled against the number of homes required. The Standard Method cannot be calculated at 2020 as the affordability ratio data has not yet been made available and will not be available until March 2020. Given the point at which the 913 dwellings standard method figure was calculated (in 2018), it is important that the Local Plan period should commence in 2018 for auditing and monitoring purposes.

6.2 It is understood that the LPA is concerned that it is going to be penalised in respect of five year land supply and housing delivery test purposes, however, in order to prevent Paragraph 11(d) and Footnote 7 from being engaged the Local Plan should identify an abundance of additional small sites that can come forward to boost the supply in the early years, which will make up for under delivery in recent years. In addition, the implementation of the Housing Delivery Test includes transitional arrangements, which soften the impact of this test until 2020. Hence, the LPA should simply concentrate on delivering as much housing as soon as practically possible, as opposed to delaying such responsibilities, which will further worsen affordability issues in the District.

7. Conclusion

7.1 As identified in the initial report, the standard method cannot simply be taken as read. It is important to consider the facts and context behind the figures. What has been demonstrated is that there is a significant and worsening affordability issue and as a consequence of that the population is increasingly becoming unbalanced with much of the younger population being unable to live in St Albans. It is extremely important, therefore, that the Local Plan seeks to deliver the right amount of homes, which is considered to be the uncapped figure of 1,152 dwellings per annum. This should be secured as part of adopting this Local Plan, either by including it within the dwelling requirement or by including an early review policy that commits the LPA to actions by specified dates to ensure the housing need is incorporated at the earliest convenience. Without doing so, there are concerns that the Local Plan is unsound for the reasons outlined above.

APPENDIX 1

HOUSING & ECONOMIC NEED ANALYSIS

(OCTOBER 2018)

OCTOBER 2018 | AP/HS | LON.0649

ANALYSIS OF HOUSING NEED

ST ALBANS CITY & DISTRICT COUNCIL

ON BEHALF OF LONGBOURN ESTATES LTD

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1. INTRODUCTION

1.1 This report is prepared on behalf of Longbourn Estates Ltd in relation to the site known as 'Land North of Sandridge' in St Albans District. The purpose of the report is to consider all aspects of the housing need position for the administrative area of St Albans City and District Council (referred to as St Albans) to fully understand future housing needs. This is done firstly by assessing the newly published Standard Methodology, with reference to the recently revised population projections and by considering the data used within it to further validate the number arrived at.

1.2 Secondly the report carries out in-depth socio-economic analysis of St Albans and Hertfordshire, using detailed local data analysis and graphical visualisations. In doing this it offers a clear interpretation of the drivers of population and economic growth in St Albans in the last decade and the relationships between them. It is these drivers, when combined with rates of house building, that provide an insight in to the dynamics of local housing demand, accessibility and affordability. With this insight, actions needed become clearer and provide authorities with an informed view on which to base key decisions.

1.3 The analysis in the report will draw evidence from known data sources as follows:

- ONS Dwelling stock estimates
- ONS Annual Population Survey
- ONS Survey of Hours and Earnings
- ONS Business Register & Employment Survey
- Land Registry House Price Sales Data

2. REVIEW OF STANDARD METHODOLOGY

'Planning for the Right Homes in the Right Places'

2.1 This consultation document was published on the back of commitments set out within the White Paper 'Fixing our Broken Housing Market', which included proposals to tackle the housing challenge, specifically to build more houses of the type people want to live in, in the places they want to live in. The consultation paper considered that the previous system for determining dwelling requirements was too complex and that it led to a costly and time-consuming process that lacked transparency. In response to this a standard approach was identified, based on three key principles, to be simple, based on publicly available data and realistic.

2.2 The approach taken, as part of the original Standard Methodology, is essentially a top down method to achieving a total number of homes nationally per annum. The targeted figure was initially 266,000 homes per annum, which was an average of three different sources of evidence. More recently, however, a greater figure of 300,000 homes per annum has been targeted by the Government. As referred to later in this report, however, the total number of homes achieved by the standard methodology using the most recent household projections is significantly short of 266,000 and 300,000 and nearer 225,000 homes per annum.

2.3 The methodology, in essence, takes the latest household projections (the average between the first ten year period from the current year (now 2018 to 2028, although notably the original methodology based on a timeframe of 2016 and 2026)) as a starting point or Local Plan requirement (if it was adopted within the last five years) and on top of that applies an uplift based on affordability, which is an arbitrary calculation to generate figures that are capped at 40% of the household projections or the Local Plan (depending on its status and age).

2.4 More recently, the Revised NPPF has been published following a consultation exercise, which provides the policy framework that the Standard Methodology fits within. The Standard Methodology has remained unchanged, except for clarity over the starting point etc.

2.5 In light of this, it is pertinent to consider the implications arising from the Standard Methodology for St Alban's. When the Standard Methodology was originally published the Local Plan/ Core Strategy was more than five years old and, therefore, the household projections are to be used as the baseline figure upon which an affordability uplift is applied. The original indicative assessment of housing need arising from the Planning for the Right Homes in the Right Places position using the 2016 based affordability ratio data is 913

dwellings per annum. This is calculated by using the 2014 household projection of 652 households per annum. When the affordability ratio for St Alban's is 16.76, using the calculation from the Standard Methodology a percentage uplift of 80% would be appropriate (resulting in 1,172 dwellings per annum). The uplift, however, is capped to 40% of the household projections, which gives the figure of 913 dwelling per annum.

3. NEW POPULATION AND AFFORDABILITY DATA

3.1 More recently, the 2017 affordability ratio data as well as the 2016 Based Subnational Household Projections have been published, both of which are considered in further detail below.

3.2 This more recent data identifies a ratio of 16.5, indicating that St Albans remains over 16 times the average *workplace* salary, making it the most un-affordable district in the region. The next least affordable locations are Epping Forest (14.5) and Hertsmere (14.2), with the average across the region being 10.2.

3.3 When comparing the East to other regions, the North East average is 5.3 and London is 15.8. This is evidence that St Albans is one of the least affordable locations to in the country when compared to average local wages. This is likely to be as a result of low housing supply against high housing demand.

3.4 As such the average price of a home makes it extremely unaffordable and out of reach for the average local employee.

3.5 In addition, of particular note in St Albans is the variance between workplace earnings and resident earnings. That is, the difference in earnings between all those working in the district, and those of the working people who live in the district. By some measures, working residents earn as much as 63% more than the St Albans workforce. This is particularly instructive as regards the economic dynamics of the district and this is explored in more detail later in this report.

2016 Based Subnational Household Projections

3.6 The 2016 Based Subnational Household Projections were published in September 2018. This data is a key component to the Standard Methodology. When comparing the level of projected growth with the earlier data set (2014 Based Subnational Household Projections), which was 652 dwellings per annum between the period of 2016 and 2026, the more recent projection suggests that growth will be slower at 420 dwellings per annum for the same period. When looking at the period of 2018 to 2028, which is the most up to date period that the Standard Methodology should be calculated from (as set out in accompanying guidance to the Revised NPPF), the households per annum figure is slightly higher at 428.

3.7 It should be noted that household projections are based on short term past trends of natural change and net migration (five years for internal migration and six years for international migration). Further, it is acknowledged that there are additional methodological changes,

which may have impacted this reduction in households. Relevant factors are considered further below.

2016 Subnational Population Projections

3.8 In order to understand the differences between the different household projection time series, it is necessary to consider the population projections, which are a key component.

3.9 The following two tables show the population change in the 2016 and 2014 Based Subnational Household Projections. It shows that a much slower rate of growth is projected in the more recent projections compared to the earlier data set.

Table 1: 2016 Based Subnational Population Projections Change in Five Year Age Groups (Figures in 1,000s)

AGE GROUP	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2026-2016	2027	2028	2028-2018
0-4	10.1	9.9	9.9	9.9	9.9	9.9	9.9	10	10	10	10	-0.1	10	10	0.1
5-9	11.1	11.3	11.2	11.2	11.1	10.9	10.8	10.7	10.7	10.7	10.7	-0.4	10.8	10.8	-0.4
10-14	9.6	10	10.5	10.8	11.1	11.4	11.6	11.6	11.5	11.4	11.3	1.7	11.1	11.1	0.6
15-19	8.1	7.6	7.6	7.8	8	8.3	8.6	9	9.3	9.5	9.8	1.7	9.9	9.9	2.3
20-24	5.9	5.9	5.7	5.4	5.1	4.8	4.6	4.6	4.6	4.6	4.7	-1.2	4.8	5	-0.7
25-29	8	8	7.9	7.9	8	8	7.9	7.8	7.6	7.3	7.1	-0.9	6.9	6.9	-1
30-34	9	9	9.1	9.2	9.3	9.3	9.3	9.2	9.2	9.2	9.1	0.1	9	8.9	-0.2
35-39	11.1	11.2	11.3	11.1	11	11	11	11.1	11.2	11.2	11.2	0.1	11.2	11.1	-0.2
40-44	11.9	11.7	11.6	11.7	11.8	11.9	12	12.1	12.1	11.9	11.9	0	11.9	12	0.4
45-49	11.3	11.4	11.4	11.6	11.7	11.7	11.5	11.5	11.5	11.7	11.8	0.5	11.9	12.1	0.7
50-54	10.6	11	11	11	10.9	10.9	10.9	10.9	11.1	11.1	11.1	0.5	11	10.9	-0.1
55-59	8.6	8.9	9.1	9.4	9.6	9.9	10.1	10.2	10.1	10.1	10.1	1.5	10.1	10.1	1
60-64	7.2	7.3	7.4	7.5	7.7	7.9	8.1	8.3	8.6	8.8	9	1.8	9.3	9.3	1.9
65-69	7.1	6.7	6.6	6.6	6.5	6.6	6.7	6.8	6.8	7.1	7.2	0.1	7.4	7.6	1
70-74	5.7	6.3	6.5	6.5	6.6	6.6	6.2	6.1	6.1	6	6.1	0.4	6.2	6.3	-0.2
75-79	4.4	4.4	4.5	4.7	4.8	5.1	5.7	5.9	5.9	6.1	6	1.6	5.7	5.6	1.1
80-84	3.5	3.6	3.6	3.7	3.8	3.7	3.7	3.8	3.9	4.1	4.4	0.9	4.8	5	1.4
85-89	2.3	2.3	2.4	2.4	2.4	2.5	2.6	2.6	2.7	2.8	2.7	0.4	2.7	2.8	0.4
90+	1.4	1.5	1.5	1.5	1.6	1.6	1.7	1.7	1.8	1.8	1.9	0.5	1.9	2	0.5
All ages	147	147.8	148.8	149.9	150.9	152	153	153.9	154.7	155.5	156.2	9.2	156.8	157.4	8.6

Table 2: 2014 Based Subnational Population Projections Change in Five Year Age Groups (Figures in 1,000s)

AGE GROUP	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2026-2016	2027	2028	2028-2018
0-4	10.4	10.4	10.5	10.6	10.8	10.9	11.0	11.1	11.2	11.3	11.3	0.9	11.4	11.4	0.9
5-9	11.1	11.4	11.3	11.3	11.3	11.2	11.2	11.3	11.5	11.6	11.7	0.6	11.8	12.0	0.7
10-14	9.5	9.8	10.4	10.7	11.0	11.3	11.6	11.6	11.5	11.5	11.5	2.0	11.5	11.5	1.1
15-19	7.8	7.7	7.7	7.8	7.9	8.2	8.5	9.0	9.3	9.5	9.8	2.0	9.9	9.9	2.2
20-24	5.9	5.8	5.6	5.4	5.2	5.2	5.1	5.0	5.0	5.0	5.1	-0.8	5.3	5.5	-0.1
25-29	8.3	8.4	8.5	8.6	8.6	8.5	8.4	8.2	8.1	7.9	7.8	-0.5	7.7	7.6	-0.9
30-34	9.4	9.4	9.6	9.7	9.9	10.0	10.1	10.2	10.2	10.2	10.1	0.7	10.0	9.8	0.2
35-39	11.3	11.4	11.6	11.5	11.5	11.5	11.5	11.7	11.9	12.0	12.1	0.8	12.2	12.2	0.6
40-44	11.7	11.6	11.5	11.6	11.8	12.0	12.2	12.4	12.3	12.3	12.3	0.6	12.4	12.5	1.0
45-49	11.3	11.3	11.3	11.5	11.5	11.5	11.4	11.3	11.4	11.7	11.8	0.5	12.0	12.2	0.9
50-54	10.6	10.9	11.0	10.9	10.8	10.8	10.8	10.8	11.0	11.0	10.9	0.3	10.8	10.8	-0.2
55-59	8.7	8.9	9.1	9.5	9.7	9.9	10.2	10.3	10.2	10.2	10.1	1.4	10.2	10.2	1.1
60-64	7.3	7.3	7.4	7.5	7.8	8.0	8.2	8.4	8.7	8.9	9.1	1.8	9.4	9.4	2.0
65-69	7.1	6.8	6.7	6.7	6.6	6.7	6.7	6.8	6.9	7.2	7.4	0.3	7.6	7.8	1.1
70-74	5.7	6.3	6.5	6.5	6.6	6.6	6.3	6.2	6.2	6.1	6.2	0.5	6.3	6.4	-0.1
75-79	4.4	4.3	4.5	4.6	4.8	5.1	5.7	5.9	5.9	6.0	6.0	1.6	5.7	5.6	1.1
80-84	3.5	3.6	3.7	3.7	3.8	3.7	3.7	3.8	4.0	4.1	4.4	0.9	4.9	5.1	1.4
85-89	2.4	2.4	2.5	2.6	2.6	2.6	2.7	2.8	2.9	2.9	2.9	0.5	2.9	3.0	0.5
90+	1.4	1.5	1.6	1.6	1.7	1.8	1.8	1.9	2.0	2.1	2.2	0.8	2.3	2.4	0.8
All ages	147.6	149.2	150.7	152.4	154.0	155.6	157.2	158.7	160.1	161.5	162.9	15.3	164.1	165.4	14.7

3.10 When comparing population growth, between 2016 and 2026, there is a difference of 6,100 less people and, between 2018 and 2028, there is 7,100 less people in the 2016 Based Subnational Population Projections compared to the earlier data series.

3.11 It is next appropriate to consider the projected components of change, to understand where the differences are occurring (i.e. due to differences in natural change and/ or migration).

Table 3: 2016 Based Subnational Population Projections Components of Change (Figures in 1,000s)

COMPONENT	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Population	147	147.8	148.8	149.9	150.9	152	153	153.9	154.7	155.5	156.2	156.8	157.4
Natural Change		0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Births		1.8	1.8	1.8	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.8
Deaths		1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2
All Migration Net		0.1	0.2	0.3	0.3	0.3	0.3	0.2	0.1	0	0	-0.1	0
Internal Migration In		8.3	8.3	8.3	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4
Internal Migration Out		8.2	8.1	8	8.1	8	8.1	8.2	8.2	8.3	8.4	8.5	8.5
International Migration In		0.7	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6
International Migration Out		0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Cross-border Migration In		0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Cross-border Migration Out		0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.3	0.3	0.3	0.3

Source: ONS

Table 4: 2014 Based Subnational Population Projections Components of Change (Figures in 1,000s)

COMPONENT	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Population	147.6	149.2	150.7	152.4	154	155.6	157.2	158.7	160.1	161.5	162.9	164.1	165.4
Natural Change	0.9	0.9	0.9	1	1	1	1	1	1	1	1	1	1
Births	1.9	1.9	2	2	2	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Deaths	1	1	1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
All Migration Net	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.4	0.4	0.3	0.2	0.3
Internal Migration In	8.3	8.3	8.4	8.5	8.5	8.6	8.6	8.6	8.6	8.7	8.7	8.7	8.8
Internal Migration Out	7.7	7.7	7.8	7.8	7.9	7.9	7.9	8.1	8.1	8.2	8.3	8.4	8.5
International Migration In	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
International Migration Out	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Cross-border Migration In	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Cross-border Migration Out	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2

3.12 When comparing the data, it can be seen that natural change is projected to be less as a result of a lower birth and a slightly higher death rate. The lower birth rate is possibly attributed to the lack of families living in the locality due to high house prices. This is

supported by Tables 3 and 4, which shows that the population of young adults of child bearing age in St Alban's shows little growth and for some age categories the population even contracts over the period.

3.13 It is also apparent that levels of net migration are projected to reduce, which will evidently have implications on population growth. This is mainly due to less internal migration coming in and more internal migrants leaving St Alban's. Again, the lack of homes that are affordable may well be an important factor contributing to a slower growth in population.

3.14 As highlighted above, the projections are based on short term trends, it is appropriate to consider the components of change that informed the different time series of projections. Table 5 below sets out the estimated components of change since 2002. The final two rows (highlighted in bold) summarises the data that was used as an input to the projections. As anticipated, the data used as an input to the 2014 Based Sub National Population Projections shows a greater amount of population growth due to a higher level of births and deaths, as well as higher levels of net migration when compared to the data input for the 2016 Based Subnational Projections, which is consistent with the direction of travel for the projections, as explained above.

Table 5a: Mid-Year Estimates Components of Change

	Pop Start	Births	Deaths	Natural Change	Internal Net	International Net	Other Change	Pop End
Mid 2002	129168	1689	1112	577	217	191	254	130407
Mid 2003	130407	1733	1057	676	0	-143	240	131180
Mid 2004	131180	1767	1170	597	-232	-510	249	131284
Mid 2005	131284	1750	1078	672	-93	-143	231	131951
Mid 2006	131951	1850	1046	804	711	-402	229	133293
Mid 2007	133293	1821	1016	805	240	-230	230	134338
Mid 2008	134338	2027	1015	1012	295	240	203	136088
Mid 2009	136088	1979	1028	951	464	141	214	137858
Mid 2010	137858	1923	1046	877	479	114	183	139511
Mid 2011	139511	1971	1001	970	666	-125	226	141248
Mid 2012	141248	1976	1006	970	248	-341	12	142137
Mid 2013	142137	1854	1047	807	543	-44	15	143458
Mid 2014	143458	1870	987	883	618	251	-2	145208
Mid 2015	145208	1853	1184	669	-69	369	11	146188
Mid 2016	146188	1845	1065	780	-446	495	8	147025
Mid 2017	147025	1748	1119	629	-858	309	-10	147095
2016	6677	9524	5225	4299	2006	224	262	5777
2014	7370	9703	5128	4575	2400	-15	650	4958

Source: ONS

3.15 The next factor to consider is whether there is any correlation between dwelling completions and population growth. It is known that St Alban's has not had an up to date Development Plan for some time (since 1994) and, consequently, the lack of a plan led system to proactively encourage the development of housing is not conducive to meeting arising housing needs.

Table 5b: St Alban's Gross Dwelling Completions

Year	*Previously Developed Land*	*Greenfield*	*Gross Dwelling Completions*
2001-2002	371	21	392
2002-2003	295	54	349
2003-2004	267	25	292
2004-2005	612	34	646
2005-2006	368	11	379
2006-2007	437	3	440
2007-2008	317	22	339
2008-2009	457	9	466
2009-2010	327	3	330
2010-2011	433	61	494
2011-2012	413	55	468
2012-2013	217	183	400
2013-2014	342	162	504
2014-2015	321	77	398
2015-2016	408	49	457
2016-2017	358	46	404

Source: St Alban's Annual Monitoring Report December 2017

3.16 Unfortunately, St Albans do not publish their own net dwelling completions, rather only gross dwelling completions, which will include a number of demolitions to existing housing stock which reduce the quantum of homes in St Albans overall. The number of net completions for 2016 and 2017 are available, however, which were 396 and 340 respectively. When comparing the net figures with the gross figures, it can be seen that there are a reasonable amount of demolitions included, which goes hand in hand with the significant proportion of homes that have been built on previously developed land. Many of these are likely to be replacement and/ or intensification of sites that have come forward as windfall. Indeed, given the significant Green Belt constraint in much of St Albans, without a Development Plan to bring land out of the Green Belt, few homes on greenfield land will be delivered and housing delivery is likely to be slower than it could otherwise be.

3.17 Looking at the rate of delivery across the period, fluctuations in delivery can usually be expected to align with economic cycles of rapid growth and slow growth or recession. However, this is only really in evidence in St Albans in 2004/05 and 2013/14 – the only years when more than 500 homes were delivered during years of economic buoyancy and strong labour market performance. Otherwise, it appears that the market is so highly pressured that no such fluctuations are present, with completions consistently around 300-400 despite the 2009-10 recession and despite other periods of strong labour market and wage growth. This is an indicator that there are insufficient homes to provide for arising needs in St Albans – the indications and implications of this are explored in more detail in section 5.

3.18 A further indicator of housing market pressure is whether there is a sufficient proportion of vacant housing stock in the market to provide flexibility for renovations, transactions etc. A rate of 3% has previously been identified as an appropriate level of vacancies to maintain. The Government maintains a statistical data set of live tables recording such data. The number of vacancies at October 2017 was 1,331, which represents 2.22% of the total housing stock (60,040).

Self-Fulfilling Prophecy

3.19 Based on the data and commentary above, the reduction in household growth as set out in the most recent 2016 Based Subnational Population Projections, is likely to have arisen partly due to insufficient housing delivery in previous years to meet demand, which has exacerbated affordability and consequently, resulted in a slower rate of population growth in St Albans than had previously been the case. As can be seen in the market indicators, housing affordability is at unprecedented and unsustainable levels. Further signs of stress are evident in numbers of home sales in the area. Numbers of sales are at record lows, lower even than at the time of the 2008-09 financial crisis. This shows an absence of slack or turnover in the housing market in order for it to function properly and remain accessible to new market entrants.

3.20 Indeed, there is concern that the population profile is substantially affected as a result of there being few opportunities for first time buyers to enter the housing market, evidenced by a notable contraction in the young adult population. This has the effect of stagnating the local population as potential new labour market and housing market entrants are forced out of the district. This has wider demographic, economic and social implications, in terms of separating households and families and restricting the area to only the wealthiest people. These factors and their effects are explored in more detail in section 4.

Bringing the Evidence Together

3.21 As highlighted above the Revised NPPF was published in July 2018, which formally introduced the use of the Standard Methodology in plan making. Subsequently, additional Planning Practice Guidance has been published to provide the framework for calculating dwelling requirements for each Local Planning Authority. Based on the most up to date data and using the starting point of 2018, the baseline household projection for St Alban's is 428 household per annum. When the affordability ratio for St Alban's is 16.59, using the calculation from the Standard Methodology a percentage uplift of 79% would be appropriate (resulting in 764 dwellings per annum). The uplift, however, is capped to 40% of the household projections, which gives the figure of 639 dwelling per annum.

3.22 For the reasons outlined above, it is likely that past under provision of housing has influenced population change in St Albans and, therefore, the latest household projections are not a true reflection of arising need in St Albans. As outlined above, the household projections when inputted into the Standard Methodology, arrive at a total of circa 225,000, which shows that this self-fulfilling prophecy, where under provision is perpetuated, is happening across the country. Further modifications to the Standard Methodology are, therefore, required and indeed have been promised by the government in order ensure its 300,000 target is achieved.

3.23 The Office for National Statistics has confirmed that they will be producing variant projections, which are due to be published in early December 2018. These variant projections will include higher formation rates for younger adults (those aged 25 to 44 years), as evidence suggests that such households were unable to form as freely as previous generations (due to high house prices, less access to finance etc.). It is anticipated that this will boost overall numbers of households, although it remains to be seen as to whether the national target of 300,000 will be reached.

3.24 In addition, on publication of the Revised NPPF and accompanying guidance, the Government issued an accompanying statement noting that the numbers generated by the Standard Methodology using the new household projections would result in a significant reduction and, in response to this, the Government will consider adjusting the method. It is understood that Ministers are currently considering changes to the Standard Methodology, to ensure that the starting point is consistent with ensuring 300,000 homes are built by the mid 2020s, and a consultation on such changes is likely to commence at the end of the year.

3.25 Further, as the Standard Methodology purely considers demographics and affordability without any testing of economic growth implications, there is concern that additional population growth (over and above the Standard Methodology) may be necessary to meet

emerging economic growth requirements that will either happen organically or that are targeted by Local Economic Partnerships (as referred to later in this report). It is important that land use planning and other aspirations are planned for in association. It is recommended that economic growth, and related implications, is examined in the context of the most up to date data and the dwelling requirements. This element is unknown and should be tested (as further explained later in this report).

3.26 As set out in the accompanying Planning Practice Guidance supporting the Standard Methodology, dwelling requirements in excess of the indicative assessment of housing need are appropriate for circumstances, for example, where there are growth strategies in place. The LPA should ensure that the Development Plan facilitates, in land use terms, the delivery of all other local initiatives. Without considering such impacts, the Development Plan is not considered to be fit for purpose.

Conclusion

3.27 In terms of how the Council should plan for this going forward, more recent evidence suggests that the dwelling requirement should decrease to 639 dwelling per annum when compared to the original Standard Methodology figure of 931 dwellings per annum. When reviewing the underlying data, however, it appears that the population is potentially reducing as a result of a lack of homes and/ or homes that local people can afford. In light of this, St Albans must aim to address the affordability issue by building more homes and should plan for a range of homes using the minimum 931 dwellings per annum as originally identified. In addition, further capacity to achieve a target of 1,200 homes should also be considered, given the extremely high affordability ratio identified in St Alban's. This figure would be cognisant of the 1,172 *uncapped* original Standard Methodology dwellings per annum figure. Further, work should also be undertaken to ensure that the economic needs of the area are planned for, so that such aspirations are not compromised or result in further pressure on an already highly overheated housing market.

4. ST ALBANS AND HERTFORDSHIRE SOCIO-ECONOMIC PROFILE AND ANALYSIS

Population Profile

4.1 St Albans has a particular population profile that it is important to understand when assessing the development characteristics of the district. As a general trend it is widely understood that the national population is aging as the number of older people grows faster than the number of younger people. In St Albans the recent SNPP show the number of under 60s increasing by around 3,280 between 2016 and 2036, while the number of over 60s is projected to grow by 12,654 over the same period. Under these projections therefore, the number of over 60s in St Albans will grow at a rate 14 times faster than the number of under 60s.

4.2 Looking closer at the age groupings reveals some striking variations, albeit the national theme of an ageing population remains very much in evidence. However, the birth rate in St Albans is high. There has been 24% growth in the 0-15 age group between 2000 and 2017 - nearly five times the UK average[1]. This compares locally to growth of 9% in Broxbourne and North and East Herts, 7% in Dacorum and a decline of 1% in Stevenage.

4.3 This high birth rate should give St Albans an advantage in terms of retaining a population of young people to support labour and housing markets. Unfortunately, this advantage is is lost in transition to early adulthood, with 24% growth turning to a 6% *decline* in the 18-24 cohort in the 2000-2017 period. While a trend of young adults leaving home county districts like St Albans to work – often in London – is not unusual, the absolute reduction in numbers remains surprising set against overall growth of the cohort of 16% in Hertfordshire as a whole, and of total population growth of 14%. This is consistent with the national average of 17% for the 18-24 group.

4.4 The diminishing young adult cohort is demonstrated in the narrow 'waist' of the population pyramid at Figures 1 and 2 below. Figure 2 shows the result of the new population projections set to 2026. Based on the more recent trends used in the projections, there is in even more dramatic effect on the young adult cohort by 2026. The wider effects and implications of the district's demographics are analysed in more detail in the following paragraphs in this section.

[1] ONS Mid Year Population Estimates 2000-2017: 0-15 age group, St Albans 24%; United Kingdom 5%

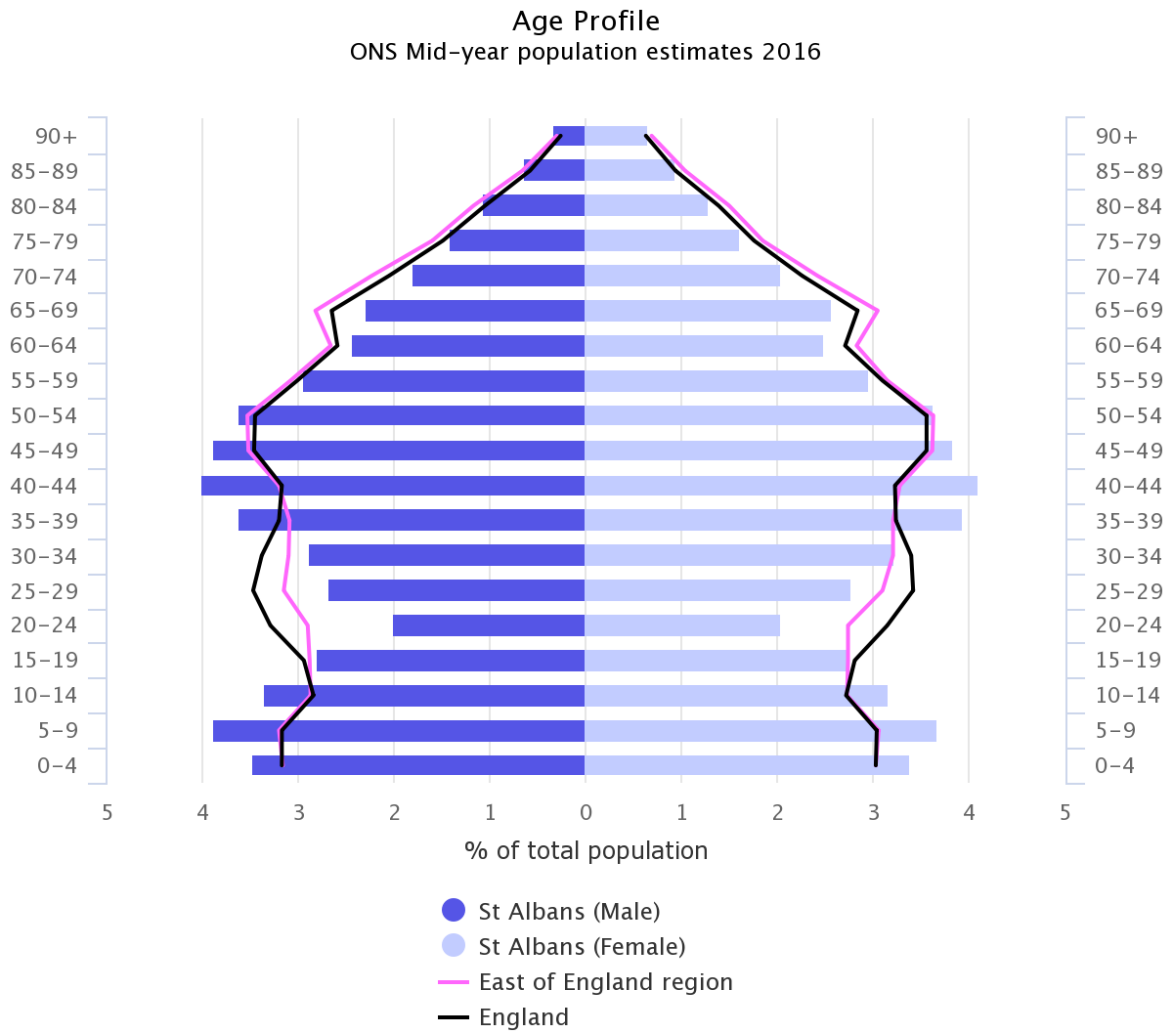

Figure 1: St Albans - 2016 Population Pyramid

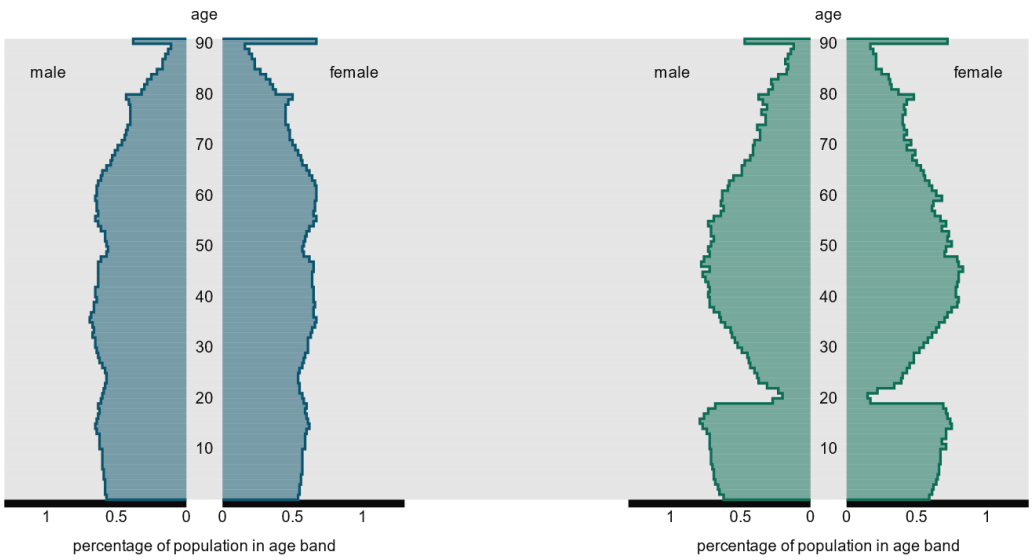

Figure 2: 2016 Based Sub National Population Projections: England vs St Albans 2026 Population Pyramids

Labour Supply

4.5 One area where the impact of these demographics can be first seen, is in the *resident* labour market. It is crucial to differentiate between the district's workforce and its resident workers – especially because these two groups have become unusually separated in St Albans. To understand this, this analysis will largely focus on the period following the financial crisis of 2008, when the labour market nationally and regionally experienced notable growth and had the most impact on housing and employment demand in local areas. This period resulted in substantial workplace growth in nearly every large and medium sized settlement, generating employment and drawing in workers. As has been much highlighted in media and political circles during this period, it has been a time of repeated records for numbers of jobs in the economy nationally. As an area of economic strength therefore, one might expect St Albans' workplace *and* resident workforce to grow during this record breaking period.

4.6 It is helpful then to think of jobs as generating *labour market demand*, and of economically active people as forming *labour market supply*. In St Albans, the trends observed in the demographic data are reflected in the local labour supply. The numbers of economically active working age residents – a proxy for both employed and unemployed labour supply – has been notably constrained. This is almost certainly an effect of the lack of new entrants to the labour market due the falling 18-24 cohort.

4.7 What must also play a role in the lack of labour supply is a simple lack of sufficient population growth to make up for these demographics, which would be addressed by more substantial housing growth.

4.8 Indeed, not only has labour supply failed to reflect local job growth, it has at times moved in the opposite direction. The total number of jobs in the St Albans workplace meanwhile, has grown by 8,000 between 2009 and 2016. In Hertfordshire as a whole, the figure was an extraordinary 93,000[2].

4.9 Table 6 shows how most Hertfordshire districts have delivered labour supply growth to meet this extremely rapid growth in labour demand, with increases between about 2,500 and 11,000 economically active people in districts such as North Hertfordshire, Welwyn Hatfield, Watford and Dacorum[8]. Yet in St Albans, the resident labour supply shrunk by over 1,000 people in the period 2009-2016. The most recent data suggests some recovery, but the overall trend remains flat since 2009 against a rapid expansion to meet labour demand nationally and regionally.

4.10 This reduction in labour supply might seem unusual given that around 2,500 new homes have been built in the district between 2009-2016[3] supporting total population growth of 9,100. However, as the demographic analysis has shown, much of this growth has come in the 0-15 and over 60 age groups, which goes some way to explaining how the economically active labour supply, that largely comes from the 18-64 age groups, has been comparatively so constrained. This suggests the level of housing growth has not been sufficient to overcome these demographic barriers that have exacerbated the limited labour supply growth. This will be considered in more detail in section 6.

4.11 Given the constrained labour supply, it is clear that to meet labour demand generated in the St Albans workplace, there has had to be a reliance on imported labour. Normally one could expect a level of local labour supply growth to meet local labour demand as it grows. This is crucial to sustainable growth and development in local areas. For example, as table 6 shows, in Hertfordshire as a whole, 31 new resident workers joined the labour market for every 100 new jobs generated during the period. This still represents a substantial labour market pressure, with two thirds of the county's labour market growth effectively supported with imported labour. Yet in St Albans, rather than there being *some* level of labour supply growth to meet rising demand, the opposite has happened; for every 100 new jobs arriving in the district, 14 working-age people *left* the district.

[2] ONS Total Jobs, Business Register and Employment Survey, HM forces, Self-employed, Apprentices, 2009-2016
[3] DCLG Dwelling Stock Estimates 2009-2016

Change: 2009 - 2016	*Economically active 16-64 population*	*Workplace Jobs*	*New resident workers per 100 new jobs*
Hertfordshire	28,600	93,000	**31**
Broxbourne	- 600	1,000	-60
Dacorum	10,900	12,000	91
East Hertfordshire	600	8,000	8
Hertsmere	2,300	4,000	58
North Hertfordshire	3,500	9,000	39
St. Albans	- 1,100	8,000	-14
Stevenage	- 100	2,000	-5
Three Rivers	2,500	11,000	23
Watford	6,300	27,000	23
Welwyn Hatfield	4,300	11,000	39
Outer London	302,400	368,000	**82**

Table 6: Job Growth Vs Labour Supply Growth
(Source: ONS Annual Population Survey, Total Jobs data)

4.12 This trend is also evident in Broxbourne and Stevenage, although the pressure on both sides of the labour demand and supply equation is far less than in St Albans. Broxbourne has experienced 8 times less job growth and Stevenage 4 times less. It is interesting to note however, that in both these districts there has been extremely low housing growth in the period; less than 1,500 homes in 7 years. This makes it clear what is at the root of the lack of labour supply in these districts. Similarly, while St Albans has delivered slightly more housing growth – 2,580 homes – it has also experienced substantially more labour market pressure. In all the other Herts districts meanwhile there has been positive labour supply growth.

4.13 We also know from the 2011 Census that high numbers of St Albans *residents* have tended to leave the district to work. At the time of the census, around 12,000 residents were leaving the district to work in just 5 London Boroughs[4]. This indicates a large degree of turnover where resident workers leave the district as outside labour enters it. This raises important considerations in regard to sustainability. Given the stagnation in numbers of resident workers, there is little reason to think these outward commuting patterns have changed. What is certain to have changed is the number of in-commuters, given the rapid growth in workplace jobs.

Wages and Occupations

4.14 Data from the Annual Survey of Hours and Earnings provides further evidence of this distinct split between the growing *workplace* labour force and the constrained *resident* labour force. Nowhere is this distinction more evident than in the earnings differential between these two

[4] 2011 Census Workflow Data; top 5 London Borough commuting destinations: Westminster, Camden, Barnet, Islington, Tower Hamlets.

groups. St Albans residents can earn 63% more on average than their workplace colleagues residing outside the district[5]. This is the highest such differential in the region, possibly in the country, outside central London. An in-depth investigation of national wages data would be needed to determine if this ranks as the highest such differential in the country, but we can say that the next largest earnings differential in Hertfordshire is 28%, some way less than the 63% for St Albans.

4.15 St Albans residents themselves are also the highest earners in the region by some distance and in Hertfordshire by an even greater margin. Average (mean) weekly earnings for full time workers in 2016 were £1,002. This is over 25% higher than the next highest earning Hertfordshire district. It should also be noted that when taking mean average earnings (a more accurate representation of the higher end of the earnings scale), the housing affordability ratio for residents, while still high, falls from nearly 17 to under 10. This puts the shrinking pool of resident workers, who most likely already own a home in the district, at a substantial advantage to non-resident, workplace employees, who are effectively locked out of the local housing market.

4.16 Occupational analysis of the resident workforce is also revealing. More St Albans residents are employed in top level occupational roles[6] – over 68% of working residents – than in any other district in the Eastern Region that includes Cambridge, and more than in Oxford. It ranks 8th in the country for the proportion of workers employed in these senior and high-level roles.

4.17 The inevitable flip side of this is a lack of lower skilled, entry level jobs filled by local workers. St Albans residents are the third least likely to work in these roles in the country. These roles include retail, leisure and care professions[7]. This is further evidence of the separation between the working residents in senior, high earning positions, and the workplace workforce which reflects a more typical economy made up of a range of sectors, jobs roles and workers, with earnings at an expected level for the region.

House Prices

4.18 These will be further assessed in the next section, but it is inevitable that where there are some of the highest resident wages in the country, there are some of the highest house prices. Between 2009 and 2017, average prices rose by over 70% in St Albans itself to

[5] ONS ASHE Survey; 2016 data, full-time resident mean weekly earnings: £1002.4; workplace full-time mean weekly earnings: £615
[6] ONS Standard Occupational Classifications, highest level 1-3: Senior Executives, Directors, Professional and Technical Staff.
[7] ONS SOC levels 6-7: St Albans 8.5%

£483,000 while the average price in Harpenden reached £645,000 in 2017.

Labour Market Overview

4.19 This section has highlighted how St Albans' population profile since 2009 is characterised by a substantially higher than average birth rate but a notable subsequent flight of young adults from the district. This is clearly reflected in the local labour market. With the resident labour force shorn of younger new entrants as older workers retire, labour supply has stagnated as the workplace has grown substantially.

4.20 Resident workers and St Albans workplace workers have become distinct groups, one growing, the other static. This helps explain the huge divide in St Albans' workplace and resident earnings. The lack of labour supply growth has helped create a resident workforce that exists on a separate plain to its workplace workers, earning some of the highest wages in the country and living in some of the most expensive homes in the country. The average workplace wage needs to be multiplied around 17 times before the average workplace worker can become a resident who may live where they work[8].

4.21 What is also evident from the data outlined is that these issues have become self-fulfilling. As residents have got older, they have moved in to more senior job roles, earned more and supported more and more house price growth. This in itself, might be said to be a highly positive outcome – for existing residents of St Albans.

4.22 However, with **young people unable to afford and access housing, many have left the district, choking off local labour supply and further concentrating the mature, higher earning resident cohort. This has driven the extremes of house prices, wages and workplace/workforce inequality that we see in St Albans.**

[8] DCLG 2016 House price affordability ratio

5. ASSESSING & ADDRESSING THE PROBLEMS

- **Housing Market Accessibility & Affordability**
- **Constrained Labour Supply**

5.1 In so far as this paper deals with housing and employment, it is appropriate to identify the main problems for which policy responses would be appropriate. For the purposes of this report, the key problems to be addressed are identified as housing market affordability and labour market supply.

5.2 It will not be a surprise to anyone who knows the area of St Albans that house prices are an issue there; one that is common to many parts of the country. What is much more important for addressing it, is to understand what is driving the problem in a given area. It is clear from the data outlined in this report, that a constrained local labour supply in St Albans has exacerbated the housing affordability problem.

5.3 Firstly, where assessing house prices, it is helpful to consider supply and demand side factors. The principle determinants of local housing demand are local wages and jobs. The key supply determinant is the supply of homes. In this section, visual charts and waterfall graphs are used to assess inter-relationships between the supply and demand factors, and to see how these have affected house prices in the period 2004-2016. Given the key relevance of local labour supply in St Albans, this is also included in the graphs.

5.4 An approach that is especially instructive is to consider a district where housing supply, labour supply and jobs have been balanced and or have grown in balance during the period. Peterborough and to some extent Stevenage provide such an example.

5.5 The combined charts beginning with Figure 3 for Peterborough show total housing stock and growth in blue over 12 years to 2016. Workplace job growth and labour supply are shown together in the yellow and green bars, while house prices are shown by the red line plotted on the right-hand axis.

5.6 In Peterborough, despite a challenging economic period after 2007 when job numbers fell, there was still substantial house building taking place. Indeed, in the 12-year period to 2016, Peterborough managed to build well over 900 net new dwellings per year, adding 11,260 homes in total. The effects of this level of house building during a period of minimal labour market pressure up to 2013, are notable, even if the results are very much in line with basic economic principles of demand and supply.

5.7 Firstly, as the supply of homes rose, new workplace jobs fell by 3,000 between 2007 and 2013. With supply increasing (homes) and demand falling (jobs) the impact on house prices

is clear, falling from an average £135,000 in 2007 to £117,000 6 years later. Secondly, and subsequently, the sensitivity of house prices to labour market growth is all too clear as dramatic growth of 18,000 jobs in just 3 years to 2016, more than reversed the house price fall that had taken place in the 6 years to 2013.[9]

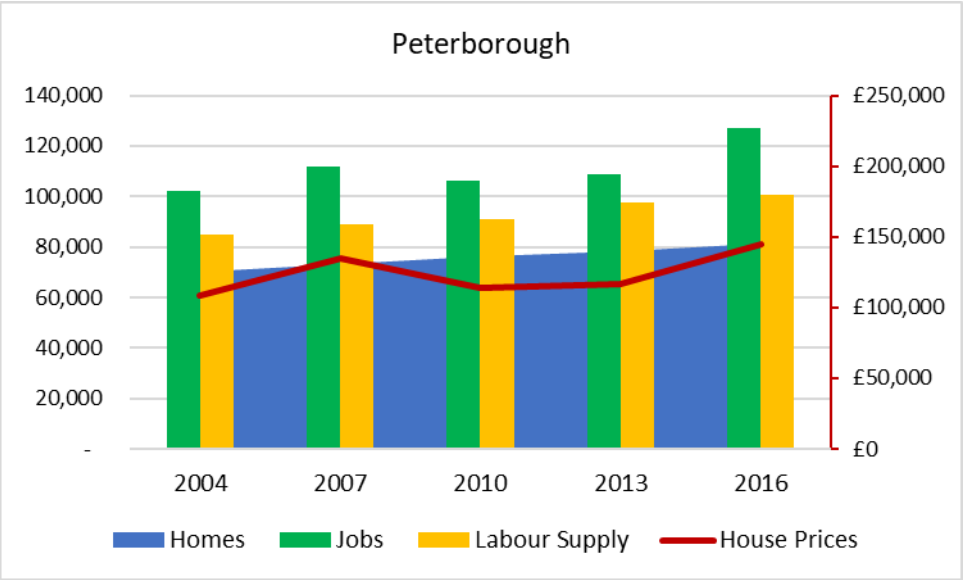

Figure 3: Peterborough - Housing and Labour Market Interdependencies

5.8 What the Peterborough example clearly shows is that maintaining a steady supply of new housing is crucial to keeping house price inflation in check. Also that housing demand is stimulated by job growth. Looking at Stevenage, similar characteristics are in evidence, in so far as falling job numbers after 2007 resulted in subdued house prices. A key difference of note here however is that while demand from jobs was low, supply from a lack of house building in the period was also low. Just 2,740 homes were built in Stevenage where Peterborough supplied over 11,000. This explains the much lesser house price fall from around £189,000 to £184,000, a result of demand deficiency alone, rather than an excess of housing supply. As soon as demand returns as job numbers rise, prices are seen responding. Five thousand new jobs in Stevenage in the three years to 2016 coincide with a 25% increase in house prices to £231,000.

5.9 The overall pictures for Peterborough and Stevenage then are of reduced demand for housing from employment, alongside substantial increasing housing supply in Peterborough, but very limited additional housing supply in Stevenage. The reduced demand from jobs is the common factor, subduing house prices as result, while the rapid growth in jobs is the common demand factor that drives a rapid acceleration of house prices after 2013.

[9] All price information via Land Registry house price data, available online

5.10 In St Albans, the amount of house building has been ahead of Stevenage but less than half that of Peterborough, at an average 405 net new dwellings per year from 2004-2016. However, labour market growth has been on a par with Peterborough, while the labour supply gap – evident in the large gap opening between green and yellow bars – has helped to push wages up. This produces a triple stimulus to house prices in St Albans from limited housing supply, substantial job growth and substantial wage growth. The effect on house prices is clearly evident in Figure 4 for St Albans.

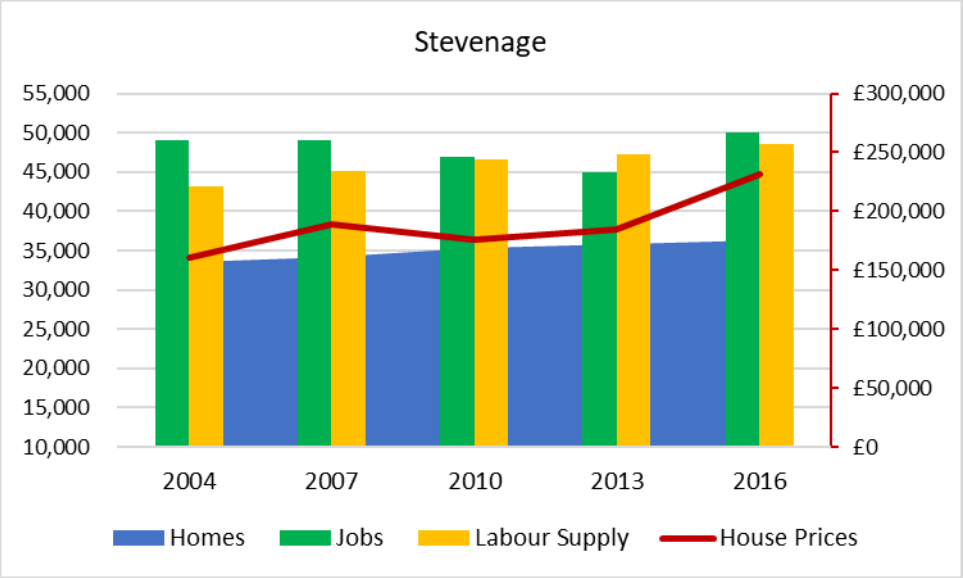

Figure 4: Stevenage - Housing and Labour Market Interdependencies

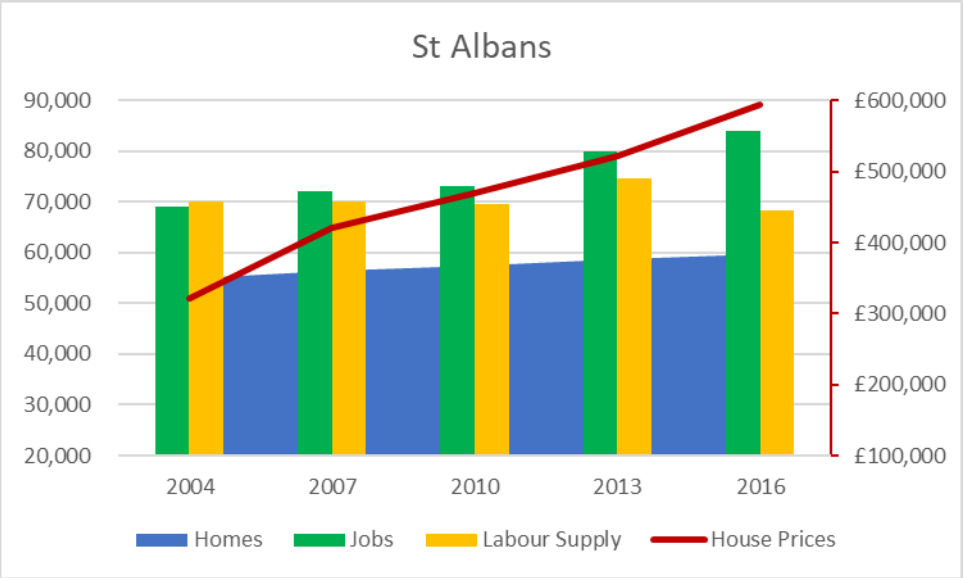

Figure 5: St Albans - Labour and Housing Market Interdependencies

5.11 The St Albans chart also shows job growth remaining buoyant throughout the period of the financial crisis, when job numbers fell in many areas including Stevenage and Peterborough.

Despite this, numbers of new homes supplied remained at a constant low level relative to demand, not aligned with the clearly growing demand generated by the labour market. As has been previously observed in section 3, the numbers of new homes built in St Albans does not appear to have responded to the economic circumstances in the district. The effect on house prices has been an increase of more than 85% between 2004 and 2016.[10]

5.12 Using the waterfall graphs below of percentage change over the 2004-2016 period, we can see how maintaining a balance of growth in each supply and demand factor helps maintain an overall balance across housing and labour markets. This balance ensures there is no extreme demand factor or supply factor to drive house prices to unsustainable levels. The result for Peterborough is that house price growth has not run away from wage growth to the extent it has in many areas, while still enjoying substantial job growth.

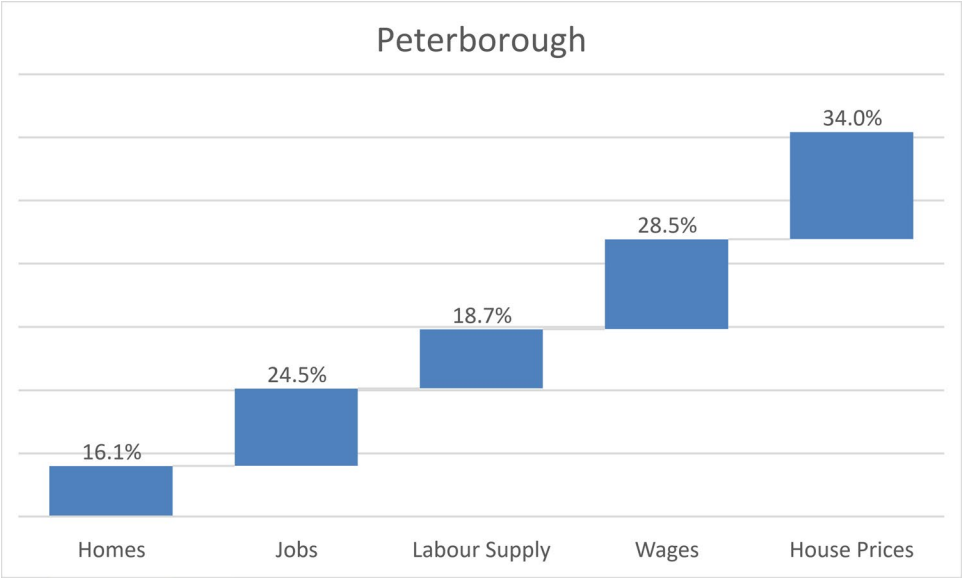

Figure 6: Percentage Growth in Labour and Housing Market Inputs 2004-2016

5.13 Conversely, one can see in the St Albans chart at Figure 7, how unbalanced the input factors have been. The rate of house building, and the consequent constrained labour supply, stand out by showing much the least amount of growth relative to jobs and wages. With supply factors limited and demand factors elevated the effect on house prices is all too clear.

[10] Land Registry House Price Data, average prices for St Albans taken using postcodes AL1, AL2, AL4 and AL5

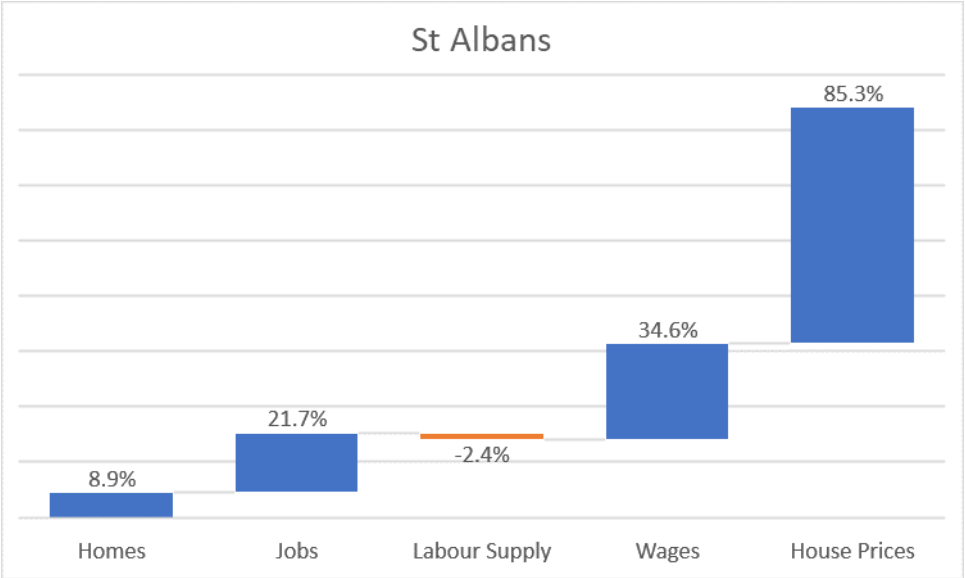

Figure 7: Percentage Growth in Labour and Housing Market Inputs 2004-2016

6. OVERALL CONCLUSIONS

6.1 One of the first things to acknowledge in concluding this analysis is the complexity of local housing and job markets, and in particular, the challenge of deciphering and describing the dynamics and factors at work within them. This does not though detract from the importance of seeking to understand these factors, nor of contributing the understanding we have in support of appropriate policy responses in regard to local planning for jobs and homes.

6.2 This report has determined that extremes of house prices and lack of local labour supply are the principle problems that need to be addressed if St Albans is to create a suitably balanced Local Plan for housing and employment, that promotes and attains sustainable development. While the first problem will be familiar to many, the second may be less so. Nevertheless, this report has shown how it is no less destabilising and disruptive in terms of achieving balanced development and communities in St Albans. A lack of labour supply growth is also *not* normally consistent with an area that is experiencing rapid economic growth. Indeed, it is usually associated with areas that are struggling economically.

6.3 The cause of the labour supply problem can be traced to two key factors:

1. Limited supply of new homes for new working age people, relative to growing labour demand;

2. Excessive losses of potential new additions to resident labour supply – young adults – as evidenced in demographic data

6.4 The balance of housing and labour supply growth with job growth has become the critical issue in St Albans. St Albans has not built the very least number of homes in Hertfordshire, but it has built far too few relative to its rapidly growing labour market.

6.5 To reiterate the observation made in paragraph 4.11, working age people have been *leaving* the district as new jobs have entered the district. In most circumstances, labour market growth will drive resident labour supply growth. This shows how not only is St Albans housing supply growth not aligned with employment demand, but also how St Albans requires additional population and housing growth to overcome the "demographic deficit" that it suffers from in terms of young adults leaving the district and choking resident labour supply.

6.6 As such, St Albans might consider policy responses to address this demographic deficit. Alongside significant new housing growth, such policies might include particular affordable housing schemes and incentives to help young people and key workers to live in the district.

The district also lacks significant further and higher education provision which might otherwise help to keep young people in the district.

6.7 The most potentially damaging aspect of this unusual set of socio-economic circumstances in St Albans is the potential to mis-diagnose the labour supply problem as one of *reducing* housing need or population pressure. Indeed, the Sub National Population Projections (SNPP) analysed in section 2 and 3 of this report are already indicating just this; that population growth is slowing and that demand for housing is falling as a result.

6.8 In St Albans, this could not be further from the truth. The reality can be clearly seen in the data outlined in this paper where certain population cohorts have been reducing in size, but only due to being unable to access housing, rather than not needing housing. A reduction in housing targets based on a misdiagnosis of diminishing housing need would be the worst possible basis to start St Albans's new Local Plan.

6.9 Clearly therefore, to interpret these signals as reducing demand for housing, as the new SNPP threatens to do, could not be more wrong. The extreme house price inflation described in 4.18 and Section 5 are also clear evidence of housing demand, while the most recent data showing a lack of sales is evidence of a highly stressed market, borne not from a lack of demand or need, but from a lack of accessibility. This may drive a short-term reduction in house price inflation and prices, but fails to address the basic supply problem that has built up over time.

6.10 While the new SNPP raises the potential for mis-diagnosis of housing need, it does offer a useful window on a possible future if demographic trends continue. Indeed, the 2026 Population Pyramids in Figure 2 offer a stark picture of St Albans future population profile where some young adult age groups appear to have almost disappeared.

6.11 This does however illustrate the extent to which the SNPPs are extrapolations in to the future, of recent trends. This means there is the opportunity to change these trends and St Albans has just such an opportunity if it can take steps to improve housing supply and accessibility.

6.12 This report has shown how St Albans' housebuilding has not kept pace with job growth, pushing house prices to extremes, and to this extent it is clear that a considerable degree of catch up is required in terms of housing supply. The conclusion of the SNPP section at paragraph 3.27 is fully justified therefore in terms of the need for an 'uncapped' housing target that begins to address St Albans' true housing need, but also in order to take the opportunity to change the SNPP trajectory as it currently stands. Not doing so will see St

Albans continue on its current path to becoming a virtual gated community where only the wealthiest people in the country are housed and provided for in the district.