

APPENDIX 8

Observations on the Proposed St Albans Local Plan Housing Target

Neil McDonald

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NMSS

Author

Neil McDonald

This report has been prepared for Dacorum Borough Council, Hertsmere Borough Council, Three Rivers District Council and Watford Borough Council.

Neil McDonald is an independent adviser and commentator on housing demographics. He works with local authorities and others on the estimation of housing need and related issues.

He was a civil servant and policy adviser to Ministers for over 30 years, the last 10 advising on housing and planning issues within the Department of Communities and Local Government. His 7 years as a Director at DCLG included a posting as Director, Planning Policy and a period as Chief Executive of the National Housing and Planning Advice Unit until its closure in 2010. He left the Department in March 2011 and has since worked with the Cambridge Centre for Housing and Planning Research (CCHPR) as a Visiting Fellow (2012-15), collaborating in particular with its founder director, Professor Christine Williams.

NMSS take considerable care to ensure that the analysis presented is accurate but errors can slip in and even official data sources are not infallible, so absolute guarantees cannot be given. Statistics, official or otherwise, should not be used uncritically: if they appear strange they should be thoroughly investigated before being used

Observations on the Proposed St Albans Local Plan Housing Target

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Observations on the Proposed St Albans Local Plan Housing Target

Executive Summary

Aim

- The publication version of the St Albans Local Plan proposes a housing target of 436 homes a year over the plan period (2011-2031). This contrasts starkly with the latest official projections, the DCLG's 2012-based household projections, which imply a need for 656 homes a year. This brief report seeks to understand the reasons for this discrepancy.

Summary

- This report has a focussed on the two central elements of the estimation of the objectively assessed housing needs (OAN) of St Albans: the number of people who should be planned for and how those people are likely to group themselves into households. It has not attempted to undertake a comprehensive analysis.
- The proposed housing target of 436 homes a year over the plan period 2011-2031 is based on a 10-year migration scenario developed by Edge Analytics in their October 2013 report. This is not consistent with the PPG which stipulates that the starting point for estimation of housing need should be the latest official household projections.
- The housing target also does not take into account the evidence from the latest mid-year population estimates (the 2014 Mid-Year Estimates) or the latest statistics on net migration to the UK. It therefore needs significant updating.
- The projections for flows to and the rest of the UK that are contained within the official population projections are based on trends in the 5-year period immediately prior to the base date. It is fairly standard practice to adjust these to reflect average flows over a 10 year period on the basis that the trend period for the latest official population projections (2007-12) included a severe economic downturn which affected flows to and from many areas. However, in the case of St Albans the net flow in from the rest of the UK does not appear to have been significantly affected by the economic downturn and extending the trend period back to 2002 brings in years which appear to have had atypically low net flows. There is therefore no need to adjust the trend period for St Albans. Moreover, using the period 2002-12 is inappropriate as it is likely to be less representative of future flows.
- The adjustment of the ONS projections for flows from other parts of the UK involves complex technical issues. The method used by Edge Analytics appears to be the standard Popgroup method which uses the population of the 'Rest of the UK' as a proxy for the areas from which people move to St Albans. This method may work

well for many authorities but it produces a revised projection for St Albans that is implausibly low. This is probably due to the fact that some 70% of those who move to St Albans come from the rest of the East Region and London, both of which are projected to grow significantly faster than the rest of the UK.

- The 2012 SNPP is based on a national projection for net migration to the UK that now appears to underestimate substantially the likely net inflows. In their 10-year migration scenario Edge Analytics have not used the 2012 SNPP migration flows but made their own estimates based on flows in the period 2002-12. It is not possible to determine from the data published in the Edge Analytics Report whether this makes an adequate allowance for the likely net international flow. However, as data for the period 2004-14 is now available this should now be used. The effect of this change is likely to be to increase the projected population of St Albans.
- There is a significant discrepancy between the ONS's estimates for births, deaths and migration flows between 2001 and 2011 and the population change suggested by the 2001 and 2011 censuses. This is known as the "Unattributable Population Change (UPC)". Edge Analytics have taken this into account in their projection of international migration but their report does not contain sufficient detail to enable an opinion to be expressed on how this has been done.
- There are strong reasons for believing that net migration out of London will be larger than suggested by the 2012 SNPP. This is a further reason for believing that the population increase in St Albans will be larger than envisaged by the 2012 SNPP, not smaller. However, no attempt appears to have been made to estimate the potential size of the 'London effect'.
- The July 2015 SHMA Update Report discusses the 2012-based household formation rates and indicates (correctly in the view of NMSS) that they provide a better basis for assessing housing need than either the 2008 or 2011-based projections used by Edge Analytics. It also reports that the 2012-based projections envisage an increase of 12,700 households between 2011 and 2031 – which is consistent with an annual housing need of 656 homes year. However, this evidence does not appear to have been taken into account in estimating the OAN or setting the proposed housing target of 436 homes a year.
- Moreover, there does not appear to be a justification for selecting the lowest figure produced by the Edge Analytics scenario analysis. This would need to be particularly cogent given that the figure adopted is so much lower than the majority of the other scenarios evaluated.

Conclusion

- **The overall conclusion is that the 2013 Edge Analytics analysis on which the proposed housing target of 436 homes a year is based:**
 - **is out of date as it uses statistics and projections which have been superseded;**

- makes an adjustment to ONS's projections for flows to and from the rest of the UK which is unnecessary and appears to use a methodology which underestimates the likely net flow into St Albans by a large margin;
 - does not make an allowance for the likelihood that net migration out of London to the rest of the UK has been underestimated in the ONS projections and may result in higher flows to St Albans.
- The latest DCLG projections suggest an annual housing need of 656 homes a year 2011-31. This is likely to be an underestimate as the 2012-based ONS projections on which they are based assume net international migration to the UK at a rate which now appears to be too; and make no allowance for unattributable population change or the likelihood that net outflows from London will be higher than projected. This suggests that the OAN for St Albans probably lies in the range 650-700 homes a year – excluding any adjustment for market signals, affordable housing, past undersupply and supporting economic growth. These other factors would need to be taken into account to make the estimate of the OAN compliant with the Planning Practice Guidance and they could only increase the OAN further.

Observations on the Proposed St Albans Local Plan Housing Target

Introduction

1. The publication version of the St Albans Local Plan proposes a housing target of 436 homes a year over the plan period (2011-2031). This is based on a 10-year migration scenario developed by Edge Analytics in their October 2013 report, *“Housing growth forecasts; Demographic analysis and forecasts”*, which contrasts starkly with the latest official projections, the DCLG’s 2012-based household projections¹, which imply a need for 656 homes a year. This brief report seeks to understand the reasons for this discrepancy.

How the objectively assessed housing needs (OAN) of an area should be estimated

2. The National Planning Policy Framework² (NPPF) and the Planning Practice Guidance³ (PPG) together provide the framework within which the housing needs of an area should be estimated. The PPG stipulates that the starting point should be the latest official population and household projections. It is, however, acknowledged that those projections “may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends”. It is therefore perfectly acceptable to adjust the official projections, but such adjustments should be justified by “factors affecting local demography and household formation rates which are not captured in past trends”. Indeed, a key part of the estimation of an OAN is to ask at each stage whether the official projections need adjustment to provide a prudent basis for planning.
3. To assess the housing requirement of any area it is necessary to:
 - Estimate the size and age structure of the population that will need to be housed. In line with the PPG, the starting point for this step should be the latest official projections produced by the ONS.
 - Take a view on how that population will group itself into households. This, combined with the population estimate, enables the number of extra

¹ The 2012-based household projections in England, 2012 to 2037 were published on 27 February 2015 and are available at <https://www.gov.uk/government/statistics/2012-based-household-projections-in-england-2012-to-2037>

² The *National Planning Policy Framework* was published on 27 March 2012 and sets out the Government’s planning policies for England and how these are expected to be applied. See <http://www.communities.gov.uk/publications/planningandbuilding/nppf>

³ The *Planning Practice Guidance* was launched by the Department for Communities and Local Government (DCLG) on 6 March 2014 as a web-based resource and has been periodically updated since then. It is available at <http://planningguidance.planningportal.gov.uk/>

households which will need to be housed to be estimated. Again, in line with the PPG, the starting point for this step should be the latest DCLG projections.

- An allowance needs then to be added for properties which will be empty or second homes to produce a preliminary estimate of the housing requirement.
 - Finally, consideration needs to be given to whether there are any factors which will not have been reflected in this approach. These might include:
 - market signals which suggest that the local housing market has been under particular stress;
 - unmet housing needs or past undersupply which will have affected the trend-based assessment of future housing needs produced by a demographic approach;
 - how the assessment of the overall housing requirements relates to the need for affordable housing (i.e. social and intermediate housing); and,
 - whether additional housing is needed to ensure that the area can accommodate sufficient workers to support the projected level of economic growth.
4. This brief report concentrates exclusively on the first two of these steps as these appear to be where the cause of the discrepancy between the proposed housing target and the latest official projections is to be found. It would be necessary to complete all four steps in order to estimate the full OAN (FOAN). It should be noted that adjustments for market signals, affordable housing, past undersupply and supporting economic growth could only increase the OAN.

How many people should be planned for?

(a) Data sources

5. The latest official population projections for local authorities are the ONS's 2012-based Subnational Population Projections for England⁴ (2012 SNPP) and these should be the starting point for an up to date estimate of an OAN. They were, however, published in May 2014 and so were not available when the Edge Analytics report was produced in October 2013. A SHMA Update was produced by Housing Vision in July 2015 which reports on the DCLG 2012-based household projections which were published in February 2015⁵ and were based on the 2012 SNPP. However, no account seems to have been taken of this further work in setting the proposed housing target and the reasons for this are not explained. **This unexplained failure**

⁴ The 2012-based Subnational Population Projections for England were published on 29 May 2014 and are available at <http://www.ons.gov.uk/ons/rel/snpp/sub-national-population-projections/2012-based-projections/stb-2012-based-snpp.html>

⁵ The 2012-based household projections in England, 2012 to 2037 were published on 27 February 2015 and are available at <https://www.gov.uk/government/statistics/2012-based-household-projections-in-england-2012-to-2037>

to take account of the latest official projections is a significant departure from the Planning Practice Guidance.

6. The other significant new dataset which has become available since the Edge Analytics report was published is the 2014 Mid-Year Population Estimates⁶ (2014 MYE). These were published in June 2014 and provide population estimates and data for births, deaths and migration flows up to the end of June 2014. They therefore enable trend data to be calculated for more recent periods. For example, 10-year trends can now be calculated for the period 2004-14.

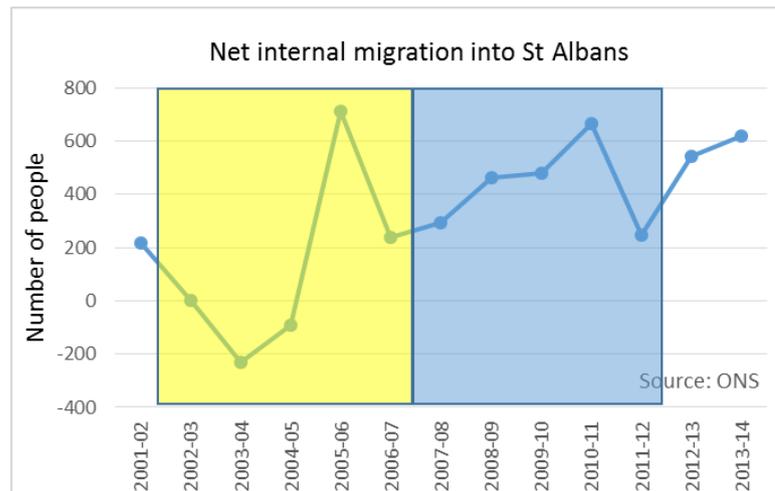
(b) Approach to determining the population that should be planned for

7. The future population of any area is equal to the population now plus births, less death, plus those who move into the area, less those who move out. The ONS population projections are based on trend-based projections for each of these elements (which are known as the 'components of change'). Flows to and from the rest of the UK are dealt with separately from flows to and from other countries.
8. As already noted, the PPG allows the trends used in the official projections to be adjusted where this is necessary to reflect "factors affecting local demography and household formation rates which are not captured in past trends". It is standard practice to consider alternative approaches to projecting flows to and from the rest of the UK (internal migration). There is also a case for adjusting international flows and making an allowance for what is termed "unattributable population change". The next sections consider each of these areas in turn.

(c) Adjusting the projected flows to and from the rest of the UK

9. There are two questions that should be asked here:
- Is there are case for adjusting the ONS internal migration projections for St Albans?
 - If so, how should that adjustment be made?
10. An adjustment to reflect 10-year internal migration trends is commonly made in estimating an OAN. That adjustment is justified by the use in the latest official projections of migration flow rates taken from the period 2007-12, a period which encompassed the economic downturn during which flows to and from many areas were significant affected. However, in the case of St Albans there is little evidence that the net internal migration inflow was significantly affected by the economic downturn.
11. The chart below shows the data for net internal migration in St Albans since 2001-02. The period shaded blue is the period used by the ONS as the trend period for the 2012 SNPP (i.e. 2007-12). Although there were fluctuations up and down from year to year during this period there was not a significant departure from recent trends. In contrast during the preceding 5 year period – 2002-07 (shaded yellow) – the net flows appear to have been atypically low in the first three years.

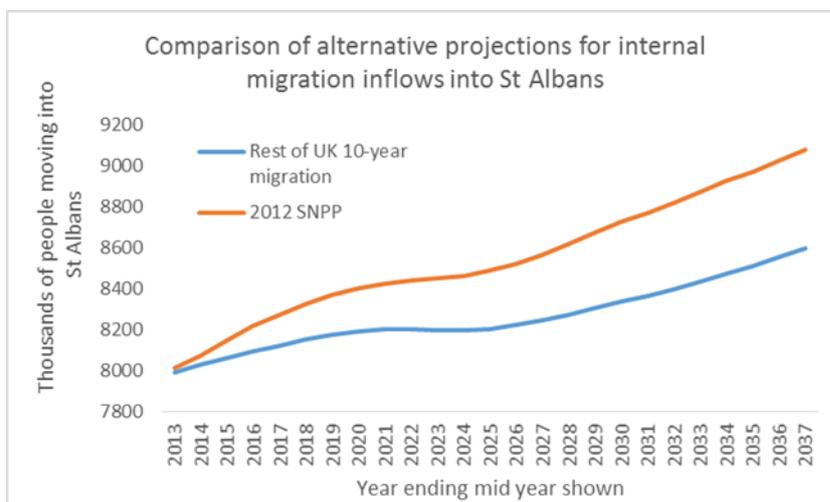
⁶ The *Annual Mid-year Population Estimates, 2014* were published on 25 June 2015 and are available at http://www.ons.gov.uk/ons/dcp171778_406922.pdf



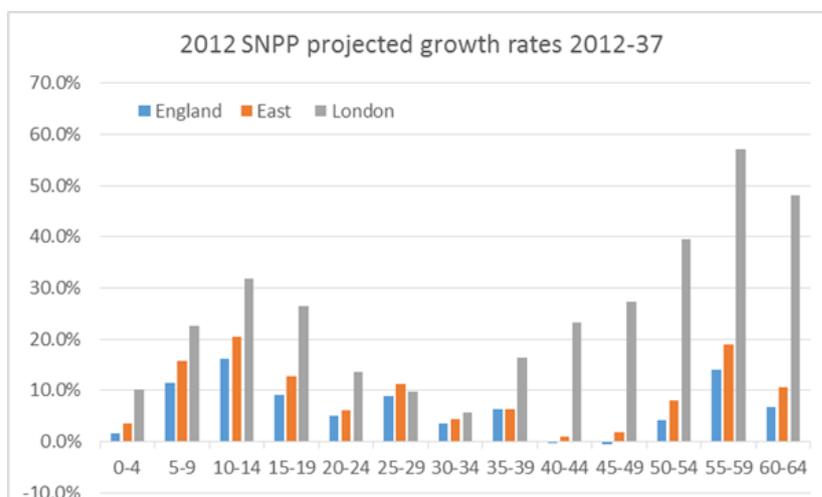
12. This leads to the conclusion that it is **unnecessary** in the case of St Albans to adjust to the ONS's 5-year trend period as there is no evidence to suggest that the net flows were significantly distorted during that period and **inappropriate** to adjust to the period 2002-12 as that brings into the trend period a period that appears to be atypical.
13. It might also be noted that if, instead of using the 10-year period 2002-12, 2004-14 were used the projected net inflow would be larger as the effect of shifting the trend period two years later would be to remove two low flow years from the beginning of the period and to add in two high flow years at the end.
14. The question of how the projected internal migration flows should be adjusted to reflect a 10-year trend period (if it is thought that that is appropriate) involves some complex technical issues. It is relatively straightforward to adjust the projected outflows as these are calculated by applying average outflow rates from the chosen trend period to the projected future population (after adjustments for births and deaths in the year in question). The projection of inflows is an altogether more complicated exercise. ONS does not, in fact, project inflows as such but instead projects the outflows from all local authorities in the country and allocates these to destination authorities in line with the historical pattern of flows. The projected inflow into St Albans is therefore the sum of the proportions of the projected outflows from all 325 other local authorities plus Scotland, Wales and Northern Ireland that are expected to have St Albans as their destination. It is therefore impractical to replicate exactly what the consequences would have been of the ONS using the period 2002-12 as their trend period rather than 2007-12: an approximation needs to be made.
15. The standard Popgroup approach (which it is believed has been used by Edge Analytics) uses the following method:
 - The starting point is the ONS's estimates for flows into a given authority by single year of age and sex in each of the years 2002-3 to 2011-12.
 - These are each divided by the population in the rest of the UK for that year, year of age and sex to produce flow rates.

- Average flow rates for each year of age and sex are then calculated for the period 2002-12.
 - The future inflows into authority in question are then assumed to be the sum of the average flow rates for each year of age and sex multiplied by the ONS's 2012-based projection for the population of the rest of the UK for each year of age and sex.
16. This approach in effect assumes that those who move to the authority in question come uniformly from each of the local authorities in the UK. This is an approximation to the real position which is likely to be that those who move to the authority will largely come from nearby authorities. How well the approximation works depends on how similar the mix of authorities from which people actually come (weighted to reflect the proportions that come from each authority) is to the population of the UK as a whole. The method may work well for many authorities but there is clear evidence that it works particularly poorly for St Albans.
 17. The first indicator that the method does not work well for St Albans is the scale of the reduction in the projected population increase. The Edge Analytics report suggests in Figure 16 that the population change in 2011-31 would fall in the 10-year migration scenario from 27,329 in the 2010 SNPP scenario to 18,093, a fall of over 9000 or a third. It should be acknowledged that there are other factors in play here beside a change in internal migration projection methods. Recognising this the NMSS model has been used to produce a projection in which the only difference from the ONS 2012 SNPP is a change to a 10-year internal migration projection based on the Popgroup method. This reduces the projected population increase from 27,000 in 2012 SNPP to 17,700. This is also a fall of over 9000 people or around a third.
 18. Some reduction in the projected population increase is to be expected as the average net migration inflow over the period 2002-12 is 278 people a year compared with the 430 a year for the 5-year period (2007-12) used by the 2012 SNPP. The difference is 156 a year. If that differential were to be maintained over the 20 year plan period this would produce a difference of 3,060 people. There are various reasons why you would not expect the difference in average annual net inflows to be reflected at all exactly in the projections but a discrepancy of the scale of the difference between 3,000 and 9,000 is not to be expected.
 19. A second indicator that there is something amiss is the difference in the rate at which the two projections increase. Both the 2012 SNPP and the Popgroup methods use flow rates for each age and sex group that are held constant throughout the projection period. This means that the rate of increase in the projected inflow depends on the rate of increase in the population of the authorities from which people are assumed to come to St Albans. A difference in the growth rates would indicate that those source populations are growing at different rates i.e. that the Rest of the UK is not a good proxy for the areas from which people actual move to St Albans. The chart below compares the 2012 SNPP projection with a projection based on 10-year Rest of UK flow rates. As can be seen, the 2012 SNPP projection

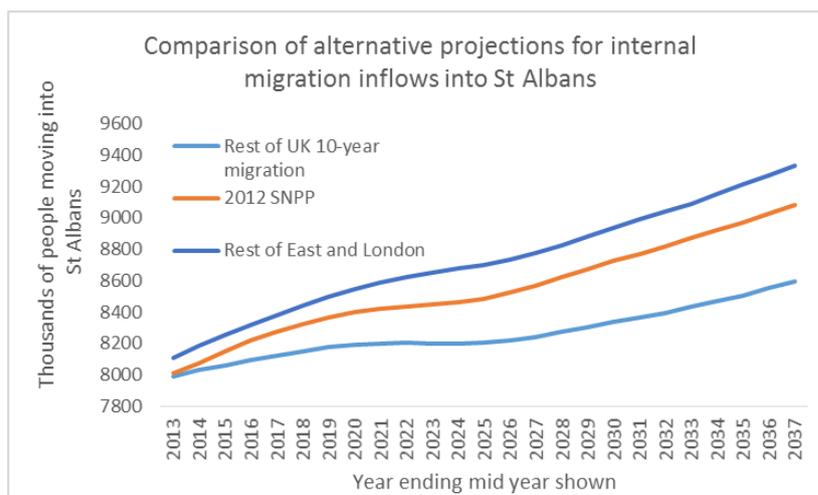
grows significantly faster than the Rest of UK projection indicating that the source populations are behaving very differently.



20. This difference is not at all surprising when it is recognised that around 70% of those who move to St Albans come from London and the rest of East Region. Those areas are not typical of the rest of the UK. In particular, they have grown and are projected to grow much faster than the average for the UK as a whole – as illustrated by the following chart which compares the 2012-based ONS projections for England with those for East Region and London.



21. As can be seen the projected growth rates for East Region and London are both faster than for England as whole. Taking the UK as a whole as a proxy for the area from which people migrate to St Albans is therefore bound to underestimate the likely flows into the area.
22. If, instead of assuming that those who move to St Albans come equally for all other parts of the UK, it is assumed that they come equally from all other parts of East Region and London a very different picture emerges. The chart below adds the projected inflows to St Albans on that assumption to the earlier chart. As can be seen, the 'Rest of the East and London' assumption produces an inflow that grows at a similar rate to the 2012 SNPP, albeit starting from a higher starting point.

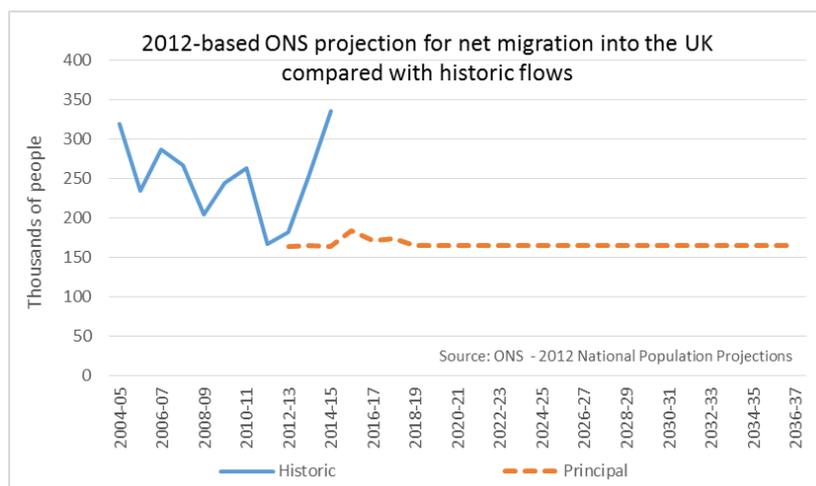


23. A 10-year migration projection based on the Rest of East and London produces a population increase over the period 2011-31 of 24,400. This is lower than the 27,000 envisaged by the 2012 SNPP because the 10-year projected outflows are larger than in the 2012 SNPP. However, the difference of 2,600 (i.e. 27,000 – 24,400) is closer to what would be expected. This suggests that the Rest of the East and London is a better proxy for the actual origins of those who move to St Albans than the Rest of the UK – as is to be expected when 70% of those who move to St Albans come from the East and London.
24. **The above analysis indicates conclusively that the ‘Rest of the UK’ is a very poor proxy for the origins of those who move to St Albans – so much so that the results that that assumption produces are highly misleading.**

(d) Adjusting the projected international flows

25. The ONS’s projections for international flows to and from individual authorities are based on allocating the international flows in the National Population Projections⁷ between all of the authorities in England. This means that the projected flows to and from each authority depend on the national projections and how they are envisaged to change over the plan period. The chart below compares the latest data for net international migration to the UK with the 2012-based projection on which the 2012 SNPP is based. As can be seen, the latest figures (for the year to June 2015) are about twice the ONS’s principal projection.

⁷ See *National Population Projections, 2012-based Statistical Bulletin* published on 6 November 2013 and available at <http://www.ons.gov.uk/ons/rel/npp/national-population-projections/2012-based-projections/stb-2012-based-npp-principal-and-key-variants.html#tab-Introduction>



26. Given the growing discrepancy between the projection and what has happened recently it is has become increasingly difficult to justify continuing to use the ONS’s international migration assumptions in the 2012 SNPP. Indeed, the case for making some adjustment became unanswerable when the ONS itself adjusted its net migration assumption upwards in the 2014 National Population Projections⁸. The 2014-based projections increase the long-term annual international net in-migration assumption for the UK from 165,000 to 185,000. The equivalent figures for England are 150,000 and 170,500.

27. The 10-year international migration projections used by Edge Analytics are based on the flows in the 10-years 2002-03 to 2011-12. They are not therefore based on the ONS’s (low) national population projections. However, the average net outflow over the period 2002-12 (163 people a year) was larger than the average over the latest 10-year period for which data is now available (i.e. 2004-14 for which the average outflow was 90 people). **Updating to reflect the latest data would therefore result in a larger projected population increase as there would be a smaller projected international outflow.**

(e) Unattributable population change

28. As already noted, the projected population at a future date is equal to the population in the base year plus births, less deaths, plus flows into the district less flows out of the district. The same should also apply historically. In particular, the population counted in any district in the 2011 census should equal the population counted in the 2001 census plus births, less deaths plus flows in, less flows out in the interim. This, however, is not the case – or at least not when the cumulative effects of the ONS’s estimates for births, deaths and flows in and out are added to the 2001 census population count and compared with the 2011 census. There is always a discrepancy known as the ‘Unattributable Population Change’ (UPC). This implies that there are errors in some or all of the census counts and the ONS’s estimates for births, deaths and flows in and out.

⁸ See the Migration Assumptions section of, *National Population Projections, 2014-based projections*, ONS, 29 October 2015 available at <http://www.ons.gov.uk/ons/rel/npp/national-population-projections/2014-based-projections/rpt-5-migration-assumptions.html#tab-International-migration-assumptions>

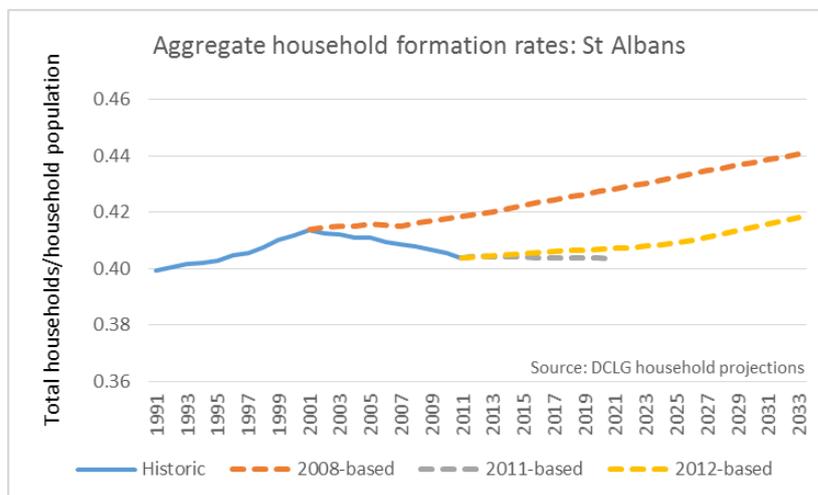
29. This is relevant to the population projections as, insofar as the projections are based on inaccurate historical data for births, deaths and flows in and out, the projections themselves are likely to be inaccurate. The ONS recognises this but has concluded that it is unnecessary to adjust their projections to reflect UPC. However, for some authorities UPC is highly significant: for 83 authorities UPC is more than 50% of the population change recorded between the 2001 and 2011 censuses. For St Albans UPC was 228 people a year between 2001 and 2011 – by no means an insignificant number.
30. Edge Analytics have included an allowance for UPC in their projection for international flows. In the absence detailed modelling assumptions and outputs it is not possible to comment meaningfully on the way in which this adjustment has been made.

How are people likely to group themselves into households?

31. The second major stage in estimating an OAN is to take a view on how the projected population will group itself into households.
32. It may help to use a simple example to illustrate the issue here. Consider a town with a population of 10,000 people. If they were all to live on their own 10,000 homes would be needed. Alternatively, if they were all to live in families of four only 2,500 homes would be needed. In the real world average household sizes tend to be somewhere in between: the average for England in 2014 was 2.38. (Source ONS, Families and Households 2014⁹.)
33. For the last century or longer average household sizes have tended to fall. However, between the 2001 and 2011 censuses the average household size in many authorities including St Albans grew. A number of reasons have been suggested for this including the high levels of international migration seen in the first decade of the century; the way in which house prices and rents have risen relative to earnings; and the credit crunch and recession.
34. Another way of describing what has happened is to say that there has been a tendency for people to set up separate households less frequently than had been anticipated i.e. household formation rates were lower than expected. The available data suggests, for example, that more young adults were living with their parents in 2011 than ten years earlier. There was also a greater tendency for young adults to live in shared houses and flats rather than to set up home on their own or with a partner.
35. The chart below shows the historic data for household formation rates (blue line), together with DCLG's 2008, 2011 and 2012-based projections for household formation rates. Note that the blue line for the historic rates has fallen since 2001, indicating that the tendency to form separate household has reduced, implying that average household size has increased. Note also that the 2012-based projection

⁹ See: <http://www.ons.gov.uk/ons/rel/family-demography/families-and-households/2014/rft-1--families-and-households--2014.xls>

envisages slightly higher household formation rates than the 2011-based interim projections and suggests that there will be a return to a rising trend in household formation rates. This will, however, be at a slower rate than envisaged in the 2008-based projections, the last set of projections based on data (which pre-dated the economic downturn).



36. There has been much debate over the extent to which the 2012-based household projections have been influenced by the economic downturn and other events since 2001 and whether, in planning for housing, it is appropriate to allow for some move towards the rates projected in the 2008-based projections.
37. The NMSS view is that this is not appropriate. This is based on the observation that at the departure from earlier trends in household formation rates started well before the economic downturn (see chart for St Albans above) and a growing body of analysis that a reversion to trends seen at the end of the last century is most unlikely. Indeed, there are grounds to query whether DCLG's 2012-based projections suggest too optimistic a view of the likely growth in household formation rates.
38. The July 2015 SHMA Update appears to share this view arguing that the 2012-based projections "are more up-to-date than their predecessors" and that, "As well as using more recent data, the new projections rest on a sounder base of historical evidence than their predecessors". It goes on to suggest that projections based on the 2011-based household projections understate household growth trends whilst those based on the 2008-based projections overstate them¹⁰.
39. The July 2015 SHMA Update also includes a useful table (reproduced below) which compares the different household formation rate projections by applying them to the 2012-based population projections.

¹⁰ References to the July 2012 SHMA Update are drawn from paragraphs 1.43 to 1.47.

Table 7: ONS 2012-based population projections for St Albans: effect of different household formation assumptions on household growth

CLG household assumptions	Households			Change		
	2011	2021	2031	2011-21	2021-31	2011-31
2008*	57.5	64.0	70.9	+6.5	+6.9	+13.4
2011*	56.0	61.7	n/a	+5.7	n/a	n/a
2012	56.4	62.5	69.1	+6.2	+6.6	+12.7

(Calculated from: CLG Household Projections for England, CLG <https://www.gov.uk/government/collections/household-projections>)

Note: All figures rounded independently rounded to nearest 100; sums and differences calculated from exact figures and then rounded

* using 2012-based data on relationship status (single, previously married, married)

40. As the table indicates, direct comparison between all three household formation rate projections is only possible between 2011 and 2021. Over this period the table suggests that 2012-based projections imply an increase of 6,200 households, compared with 5,700 for the 2011-based projections and the 6,500 for the 2008-based projections.
41. Note that for the period 2011-31 the table suggests that the 2012-based projection imply an increase of 12,700 households compared to the 2008-based projection figure of 13,400. Adding an allowance for 3% empty and second homes these figures imply a need for 655 and 691 homes a year respectively. This evidence of the need for housing seems to have been overlooked in setting the proposed housing requirement for St Albans.
42. Indeed, as far as NMSS are aware, no justification has been set out for the selection of the particular scenario which has been used to estimate the OAN and set the housing requirement. Figure 16 of the Edge Analytics October 2013 report gives the results obtained for 9 scenarios. Apart from a dwelling-led scenario (which is clearly not PPG compliant), the selected scenario (Mig-led10yrs_A) gives the lowest housing need figure and one that is considerably lower than most of the other scenarios. This selection of the 'bottom of the range' figure requires full justification.

Likelihood of increased out-migration from London

43. The London Plan is based on population projections which assume higher net migration out of London than suggested by the 2012 SNPP. It also plans ambitious levels of house building but even these would not meet the full need for housing. It is therefore probable that there will be higher rates of migration out of London than envisaged in the Plan. Given that most of those who leave London for other parts of the UK move to the East and South East regions, it seems probable that districts in those regions will face pressure to accommodate more households than suggested by the latest DCLG projections (which are based on the 2012 SNPP, not the higher net out migration flows on which the London Plan is based).
44. Producing plausible scenarios for increased net out migration from London requires some fairly complex analysis and that is not attempted here. There is some

discussion of the impact of London on St Albans in the 2015 SHMA Update, but no attempt to estimate the potential consequences for housing need in St Albans. This is a major omission.

Next Steps

45. Some of the issues raised in this report are highly technical. They would benefit from sharing of the detailed model outputs (including the full assumptions used and the projections made in each scenario for the components of population change) followed by a discussion between the respective technical experts. This should enable a full understanding to be reached of why the different scenarios prepared by Edge Analytics produce such disparate results and, hopefully, agreement on a revised population and household projection that would provide a sound basis for planning for housing.

Summary and Conclusions

46. This report has a focussed on the two central elements of the estimation of the objectively assessed housing needs (OAN) of St Albans: the number of people who should be planned for and how those people are likely to group themselves into households. It has not attempted to undertake a comprehensive analysis.
47. The proposed housing target of 436 homes a year over the plan period 2011-2031 is based on a 10-year migration scenario developed by Edge Analytics in their October 2013 report. This is not consistent with the PPG which stipulates that the starting point for estimation of housing need should be the latest official household projections.
48. The housing target also does not take into account the evidence from the latest mid-year population estimates (the 2014 Mid-Year Estimates) or the latest statistics on net migration to the UK. It therefore needs significant updating.
49. The projections for flows to and the rest of the UK that are contained within the official population projections are based on trends in the 5-year period immediately prior to the base date. It is fairly standard practice to adjust these to reflect average flows over a 10 year period on the basis that the trend period for the latest official population projections (2007-12) included a severe economic downturn which affected flows to and from many areas. However, in the case of St Albans the net flow in from the rest of the UK does not appear to have been significantly affected by the economic downturn and extending the trend period back to 2002 brings in years which appear to have had atypically low net flows. There is therefore no need to adjust the trend period for St Albans. Moreover, using the period 2002-12 is inappropriate as it is likely to be less representative of future flows.
50. The adjustment of the ONS projections for flows from other parts of the UK involves complex technical issues. The method used by Edge Analytics appears to be the standard Popgroup method which uses the population of the 'Rest of the UK' as a proxy for the areas from which people move to St Albans. This method may work

well for many authorities but it produces a revised projection for St Albans that is implausibly low. This is probably due to the fact that some 70% of those who move to St Albans come from the rest of the East Region and London, both of which are projected to grow significantly faster than the rest of the UK.

51. The 2012 SNPP is based on a national projection for net migration to the UK that now appears to underestimate substantially the likely net inflows. In their 10-year migration scenario Edge Analytics have not used the 2012 SNPP migration flows but made their own estimates based on flows in the period 2002-12. It is not possible to determine from the data published in the Edge Analytics Report whether this makes an adequate allowance for the likely net international flow. However, as data for the period 2004-14 is now available this should now be used. The effect of this change is likely to be to increase the projected population of St Albans.
52. There is a significant discrepancy between the ONS's estimates for births, deaths and migration flows between 2001 and 2011 and the population change suggested by the 2001 and 2011 censuses. This is known as the "Unattributable Population Change (UPC)". Edge Analytics have taken this into account in their projection of international migration but their report does not contain sufficient detail to enable an opinion to be expressed on how this has been done.
53. There are strong reasons for believing that net migration out of London will be larger than suggested by the 2012 SNPP. This is a further reason for believing that the population increase in St Albans will be larger than envisaged by the 2012 SNPP, not smaller. However, no attempt appears to have been made to estimate the potential size of the 'London effect'.
54. The July 2015 SHMA Update Report discusses the 2012-based household formation rates and indicates (correctly in the view of NMSS) that they provide a better basis for assessing housing need than either the 2008 or 2011-based projections used by Edge Analytics. It also reports that the 2012-based projections envisage an increase of 12,700 households between 2011 and 2031 – which is consistent with an annual housing need of 656 homes year. However, this evidence does not appear to have been taken into account in estimating the OAN or setting the proposed housing target of 436 homes a year.
55. Moreover, there does not appear to be a justification for selecting the lowest figure produced by the Edge Analytics scenario analysis. This would need to be particularly cogent given that the figure adopted is so much lower than the majority of the other scenarios evaluated.
56. **The overall conclusion is that the 2013 Edge Analytics analysis on which the proposed housing target of 436 homes a year is based:**
 - **is out of date as it uses statistics and projections which have been superseded and does not start from the latest DCLG (2012-based) household projections;**
 - **makes an adjustment to ONS's projections for flows to and from the rest of the UK which is unnecessary and appears to use a methodology which underestimates the likely net flow into St Albans by a large margin;**

- does not make an allowance for the likelihood that net migration out of London to the rest of the UK has been underestimated in the ONS projections and may result in higher flows to St Albans.

The latest DCLG projections suggest an annual housing need of 656 homes a year 2011-31. This is likely to be an underestimate as the 2012-based ONS projections on which they are based assume net international migration to the UK at a rate which now appears to be too; and make no allowance for unattributable population change or the likelihood that net outflows from London will be higher than projected. This suggests that the OAN for St Albans probably lies in the range 650-700 homes a year excluding any adjustment for market signals, affordable housing, past undersupply and supporting economic growth. These other factors would need to be taken into account to make the estimate of the OAN compliant with the Planning Practice Guidance and they could only increase the OAN.