Eastleigh Borough Local Plan 2016-2036
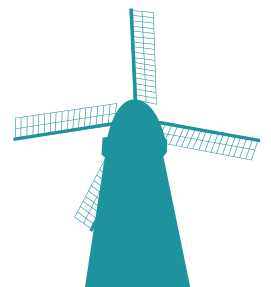
Objectively Assessed Needs background paper

June 2018

This background paper supports the Eastleigh Borough Local Plan and provides background information on the objectively assessed need for housing in the borough. This document is not on deposit for consultation and is background evidence.

Any queries regarding the document should be sent to:

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Contents:

Figures:

1. Introduction

1.1   What follows in this paper is an extract from a proof of evidence prepared on the council's behalf and submitted to a s78 planning appeal into the council's refusal of planning permission for up to 200 dwellings (and up to 140 dwellings) on land at Bubb Lane, West End (EBC planning application reference O/15/77112 and PINS appeal reference APP/W1715/W/16/3153928). The appeal was dismissed.

1.2   The purpose of extracting it from the proof of evidence is that it provides the technical evidence behind the council agreeing to increase its annual Objectively Assessed Housing Need figure from 580 dwellings (derived from the 2014 PUSH SHMA and subsequent 2016 update) to a figure of 630 dwellings per year. The evidence was prepared by GL Hearn consultancy who carried out both the original and updated SHMA work for PUSH.

1.3   The increase in the OAHN from 580 dwellings to 630 dwellings per year is relevant to the consideration of the level of housing to be provided for through the Eastleigh Borough Local Plan 2016 to 2036.

2. Extract from proof of evidence

Reviewing the OAN

2.1   The OAN for Eastleigh was independently tested by two inspectors last Spring/Summer (Bubb Lane and Hedge End North) and the 630dpa figure was also common ground in a third inquiry (Botley Road). Taking account of the Bubb Lane Inspector's decision, Eastleigh Borough Council's Cabinet resolved on 14th July 2016 to use a new interim target of 630 dwellings per annum for the Borough for the purposes of assessing land supply.

2.2   However, since this point, some new data has been released – particularly the 2014-based Household Projections. The Bubb Lane decision at Paragraph 42 is clear that this would warrant consideration.

2.3   Planning Practice Guidance outlines that:

> *"Wherever possible, local needs assessments should be informed by the latest available information. The National Planning Policy Framework is clear that Local Plans should be kept up-to-date. A meaningful change in the housing situation should be considered in this context, but this does not automatically mean that housing assessments are rendered outdated every time new projections are issued."[1]*

2.4   My approach in this section has not therefore been to 'start again' but to consider through appropriate updating what the latest evidence shows; and whether the OAN should be adjusted to take it into account.

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[1] ID 2a-016-20150227

2.5   In September 2015 ministers set up a panel of experts – the Local Plans Expert Group (LPEG) – to consider how the preparation of local plans can be made more efficient and effective. Ministers received a report from this group in March 2016, and it was then opened up to the public for representations until 27th April 2016. A CLG Select Committee then considered it last summer.

2.6   LPEG outlined that the PPG provided relatively high level guidance and left too many issues open to interpretation/ judgement. It set out that preparation and updating of SHMAs was time consuming and expensive, and that the methodology had given rise to lengthy debates such as on adjustments to household formation, alignment with economic forecasts, and how affordable housing need is expected to be taken into account. It recommended the adoption of a simplified, standard common methodology with a clear stipulation that this is the approach which (if taken forward) Government would expect to be followed. This was set out in Appendix 6 to the report as tracked changes to the PPG.

2.7   Government published a Housing White Paper in February 2017 (EBC 2.17). This has endorsed the LPEG's analysis that the current approach to identifying housing requirements is complex and lacks transparency, and had led to lengthy methodological debates at local plan examinations. It sets out the Government's belief that "*a more standardised approach would provide a more transparent and more consistent basis for plan production, one which is more realistic about the current and future housing pressures in each place and is consistent with our modern Industrial Strategy*" (Para 1.12). It sets out that Government will therefore consult on options for introducing a standardised approach to assessing housing requirements – with this consultation to be published "*at the earliest opportunity this year, with the outcome reflected in changes to the National Planning Policy Framework*" (Para 1.14).

2.8   It is notable that Government has not specifically endorsed the LPEG Appendix 6 methodology in the White Paper, and intends to consult in due course on options for a new methodology. I would note that there have been a number of technical criticisms levelled at the LPEG proposals for calculating OAN, particularly highlighting double counting arising from adjustments to household formation; for market signals and for affordable housing. For the purpose of this inquiry, in my view essentially no weight can therefore be afforded to the LPEG proposals as a package.

Demographic-led Projections

2.9   2014-based Household Projections were published by CLG on 12th July 2016. These are based on applying household formation rates to the ONS 2014-based Sub-National Population Projections which were published on 25th May 2016. In line with the PPG, these would be the appropriate 'starting point' for considering OAN.

2.10　Para 2a-017 in the PPG outlines that account should be taken of the most recent demographic evidence including ONS population estimates. Since the release of these projections, ONS has also issued 2015 Mid-Year Population Estimates. I have therefore developed a scenario (Rebased 2014) which shows the impact of using the known data on changes in 2014-15, and then applies assumptions from the 2014-based SNPP thereafter.

2.11　The 2014-based SNPP are based on internal migration trends over the preceding five years (2009-14). International migration is based on trends over the previous six years locally (2008-14) constrained to the assumptions within ONS' national projections. ONS (in their 2014-based Population Projections) are projecting net international migration to the UK of 329,000 in 2014/15 but expect this to fall to 185,000 by 2020/21 and maintain at this level thereafter. In contrast in their 2012-based Population Projections, ONS was assuming long-term average net international migration of 165,000 persons per year. This was lower than ONS assumed in its previous 2010-based SNPP (200,000 persons pa).

2.12　Given the triggering of Article 50 signalling the UK's intention to withdraw from the EU there is inevitably some uncertainty regarding future international migration trends. However, given that reductions to international migration from levels seen over the last few years are already built in to the SNPP, there is no clear evidence that a more substantive fall could be expected than is built into the ONS projections already. Equally very recent trends in international migration are high in a longer-term historical context.

2.13　Given that the 2014-based SNPP are based on trends over a 5-6 year period which included an economic recession, together with the impact of the housing market downturn and housing delivery within this period, there is some basis for considering longer-term demographic trend projections I have therefore sought to consider migration trends over the 2001-14 period, as the longest period for which good quality data is available; and over a 10 year period (2005-15), as this is an alternative longer time period which is often used in demographic modelling/ OAN calculations.

2.14　There is some basis for considering the impact of UPC when considering longer-term migration trends since 2011 (albeit not when looking at more recent data, for the reasons I explained in Section 4). On this basis, I have set out long-term migration scenarios (2001-14) both with and without adjustments to migration for UPC; and consider that the projections with and without UPC should be treated as a range.

2.15　One difficulty in developing projections using a different base period to the SNPP is that it is possible for the base period to have a different profile of migration (i.e. a different age structure of in- and out-migration). It is difficult to fully reflect any differences in age structure given that to do this would require understanding a full matrix of where population moves to- and from- (by age and sex) – such data is not readily available. Therefore, the analysis for different base periods assumes a migration profile that is the same as assumed in the SNPP, with adjustments made equally to all age and sex groups depending on the scale of moves shown in the SNPP.

2.16 Figure 2 below compares longer-term migration profiles with those which have informed the SNPP. It considers standardised migration rates by age over the last 14 years (2001-15) and the time period feeding into the SNPP (2008/9 – 2014). It highlights that regardless of the period studied, the migration profiles are virtually identical and indeed it is difficult to see the data for the SNPP base period (2008/9-14) as it is largely covered up by the equivalent data covering the 2001-15 period. This would suggest that alternative scenarios based on the SNPP migration profile will accurately reflect a reasonable view of how the population might be expected to develop.

Figure 1. Comparison of 14-year and SNPP Migration Profiles – Eastleigh
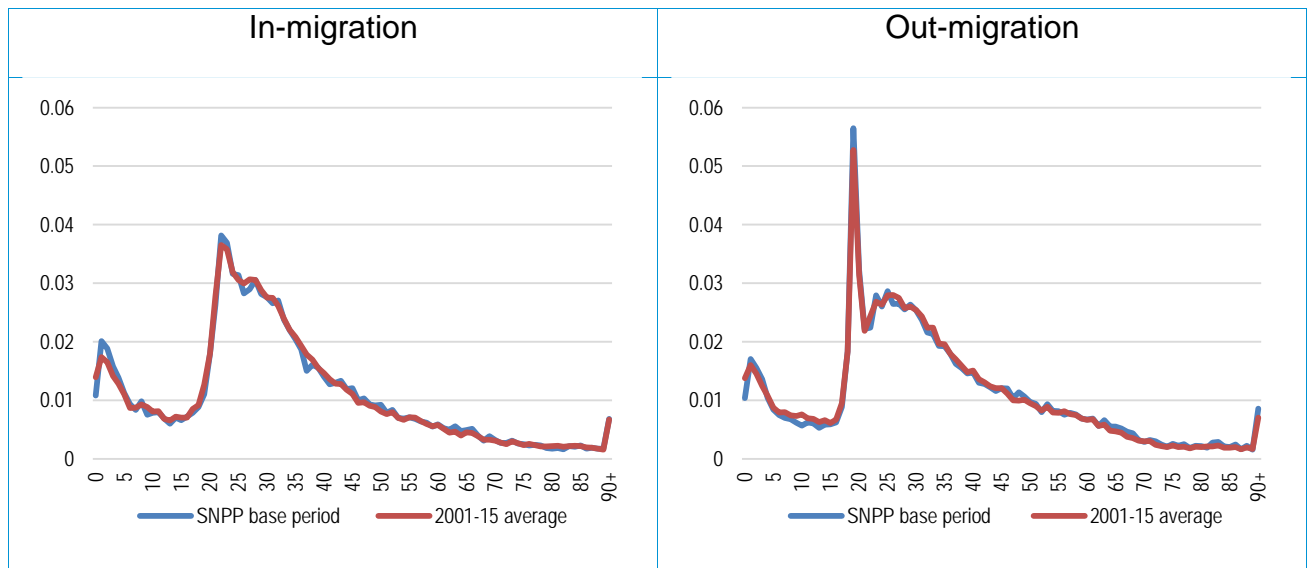
Source: ONS

2.17 In relating household growth to housing need, it is necessary to make an assumption on what proportion of the dwelling stock constitutes vacant and second homes. Council Tax data provides evidence that the numbers of such properties have been falling.[2] I have used the latest data, for 2016, which points to a 1.7% vacancy rate.

2.18 The results of the initial projections, based on the headship rates in the 2014-based household projections, are shown below.

Table 1. Initial Demographic-led Projections

	Population Growth 2011-36	Household Growth 2011-36	Total Dwellings 2011-36	DPA
2014-based Projections	27,915	12,562	12,778	511
Rebased 2014 Projections	26,260	12,052	12,260	490

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[2] Council tax data shows a 27% fall in vacant dwellings from 1307 in 2011 to 950 in 2016. CLG Live Table 615

	Population Growth 2011-36	Household Growth 2011-36	Total Dwellings 2011-36	DPA
10 Year Migration Trend (2005-15)	22,993	10,750	10,935	437
14-Year Migration Trend (2001-15)	20,665	9,866	10,036	401
14-Year Migration Trend adjusted for UPC	23,338	10,915	11,103	444

2.19   The initial projections show a need for 490-511 dpa arising from the latest official projections. This sits some way above those arising from the longer-term migration scenarios (401 – 444 dpa) negating any contention of a recessionary effect on the official projections. In my view, there is a strong basis for taking forward the official (2014-based) projection as this is recommended by the PPG as statistically robust and based on nationally-consistent assumptions.[3]

Household Formation Rates

2.20   CLG Household Projection outputs are produced in two stages. Stage 1 outputs deal with household numbers based on long-term demographic trends. Stage 2 outputs provide a breakdown of projections for different household types, with total household growth constrained to the Stage 1 outputs.

2.21   Having looked at the issue further over the last year, I consider that the Stage 1 Projections should be used for considering household growth and OAN. They are those used by CLG in their projections on overall household growth; and they are based on trends in household formation since 1971 (in contrast to the Stage 2 projections which take account of just two data points from the 2001 and 2011 Censuses). To my knowledge, this is now accepted standard practice.

2.22   I set out the age and specific household formation rates implied by the 2014-based Stage 1 projections in Figure 3.
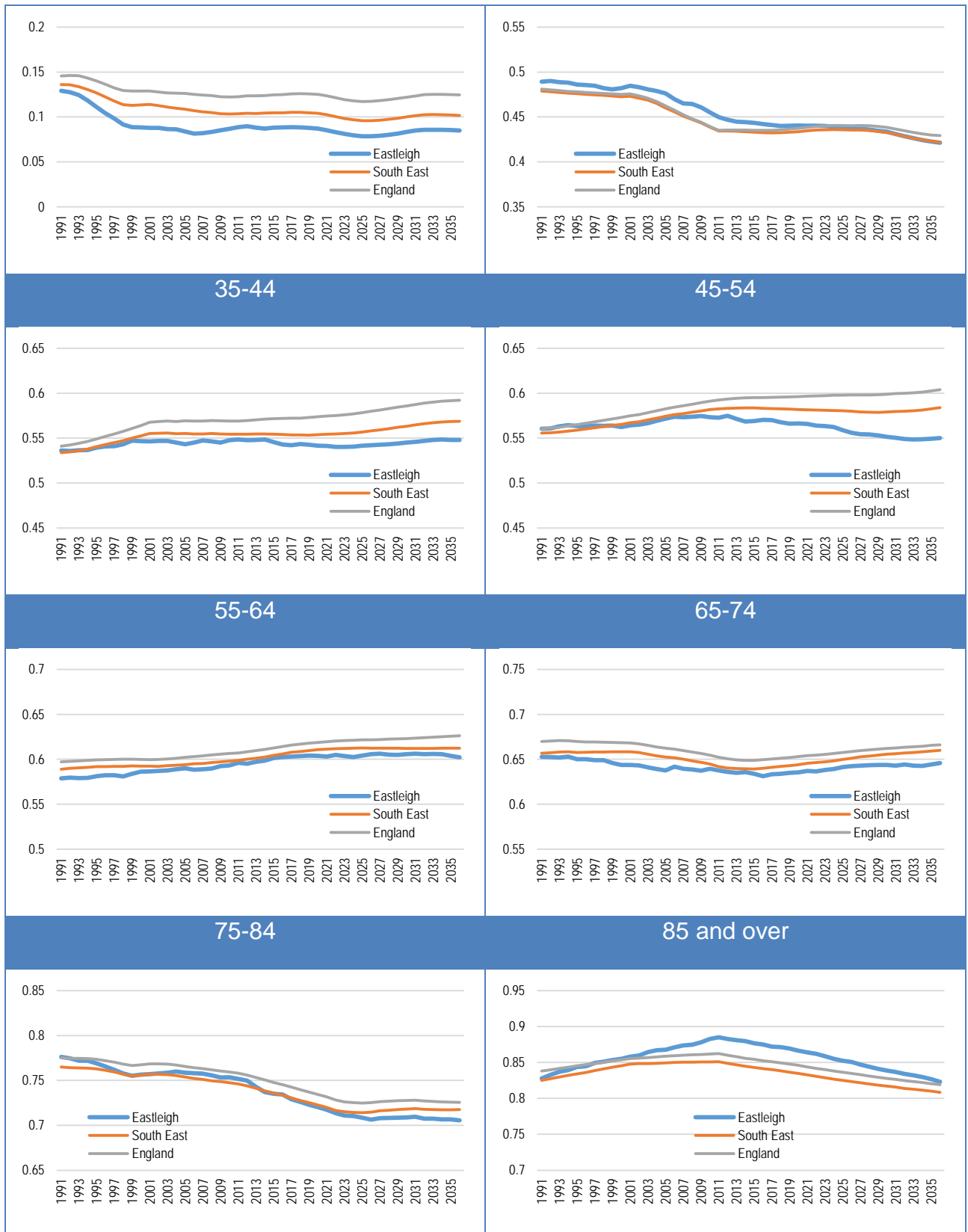
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[3] ID 2a-017-20140306

Figure 2. Age Specific Household Formation in 2014-based CLG Projections

15-24

25-34

35-44

45-54

55-64

65-74

75-84

85 and over

Source: Derived from CLG data

2.23   The PPG sets out that "*the household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing. The assessment will therefore need to reflect the consequences of past under delivery of housing.*"[4]

2.24   The headship rates for a number of age groups over 65 is expected to fall. Rather than reflecting affordability issues, this is likely to reflect increasing longevity resulting in more older households in these age groups living as couples as opposed to single persons. Of younger age groups where affordability could have affected household formation, it is only for the 25-34 age group where household formation rates have fallen. In line with the PPG there is thus some merit in considering whether this should be adjusted. For the 15-24 and 25-34 age group, household formation rates have remained relatively constant; albeit that for those aged 25-34 historic (2008-based) demographic projections have projected increased household formation rates amongst this age group. This is also the case for those 35-44.

2.25   Taking account of the potential suppression of household formation, I have modelled a "part return to trend" for the 25-34 and 35-44 age groups, whereby the household formation rates are assumed to return to the midpoint of the 2014- and 2008-based rates by 2033, and then track the 2014-based rates of change from 2033 onwards (2033 is used as this is the last date for which information is available in the 2008-based projections). The methodology employed is essentially the same as is suggested by LPEG and is a commonly applied sensitivity. That said there are some doubts about the validity of using 2008-based data, given that the information is now somewhat dated (around 16-years old in terms of local data as the last data point at the time of publication was the 2001 Census). Nonetheless, this is an optimistic adjustment which is commonly modelled and would improve affordability.

2.26   Other sensitivities could arguably be run, such as a full-return to the trends in the 2008-based projections. However, I do not consider that to be appropriate given the age of the data in the 2008-based projections, the fact that they may not reflect a true long-term trend and impact of international migration and different households structures within migrant households. This point has been noted in some academic documents and is referenced in the PAS Technical Advice Note (Para 6.41 bullet 2 for example).

2.27   The headship rate for those aged 15-24 has been relatively stable since the early 2000s. Given the extension of full-time education or training to 18, increases to university tuition fees seen this decade, and changes to housing benefit, I do not consider that there is any credible basis for adjusting household formation rates for this age group.

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[4] PPG ID: 2a-015-20140306

2.28   Table 5 shows the results of the headship rate adjustments for selected demographic-led scenarios.

Table 2. Selected Demographic Projections with Part Return to Trend Headship Adjustment

	2014-based Headship Rates	With 25-34 and 35-44 Part Return to Trend Adjustment
2014-based Projections	511	548
Rebased 2014 Projections	490	527
10 Year Migration Trend (2005-15)	437	473

2.29   Including the upward adjustment to headship rates, I conclude that the demographic-led need for housing would be for 527 – 548 dpa. This is derived from the 2014-based Household Projections with the positive upward adjustment to headship rates.

Labour Force and Economic Growth

2.30   I have also considered further the inter-relationship between economic growth and housing need. I have considered what level of workforce growth (labour supply) might arise from the demographic-led projections. This is a function of the population in different age/sex groups and age/sex specific assumptions on economic participation. I have run scenarios for the 2011-30 period used in the Review and for the 2011-36 plan period as a whole.

2.31   My evidence presents three scenarios based on applying alternative assumptions on changes in economic participation to a 2011 Census baseline for Eastleigh Borough. These are:

- Office for Budget Responsibility (OBR) assumptions – based on applying detailed age- and sex-specific assumptions on changes in participation nationally from OBR's Jan 2017 Fiscal Sustainability Report.

- Experian assumptions – based on applying the detailed age- and sex-specific assumptions on changes in participation nationally used by Experian in their econometric modelling. These have been supplied to us by Experian.

- Oxford Economics assumptions – using national (United Kingdom) assumptions about the overall employment rate as a proportion of the population aged 16 and over (taken from a forecast provided by OE in October 2016).

2.32   I have set out the detailed age-specific participation rate assumptions for Eastleigh Borough in Appendix A.

2.33   In addition I have taken account of published ONS data on changes to unemployment in the Borough between 2011-16. ONS data has shown unemployment falling from 3,400 to 2,300 over this period.[5] This adjustment does not apply to the OE data, which is an employment rate rather than an economic activity rate.

2.34   Over the 2011-36 plan period, the SNPP as published would support workforce growth of between 11,900 to 14,700. This is equivalent to workforce growth of 476 – 588 persons pa. Figures for the rebased SNPP and 10-year trend scenario are also shown in Table 6 below.

Table 3. Changes in Economic Participation for Demographic-led Projections

	2011-36			2011-30		
	OBR	Experian	OE	OBR	Experian	OE
SNPP as published	11,912	14,704	12,634	9,800	11,382	10,514
Rebased SNPP	10,928	13,713	11,919	8,968	10,541	9,889
10 Year Trend	8,953	11,692	10,451	7,483	9,143	8,867

Considering Future Economic Performance

2.35   Long-term economic forecasting is inevitably influenced by a range of variables, and forecasts vary over time and based on forecasters' assumptions including on the performance of different economic sectors.

2.36   Oxford Economics' Summer 2015 forecasts, prepared for the Solent LEP, indicated employment growth of 9,500 between 2011-30, with 9,800 growth in residents in employment in Eastleigh Borough.

2.37   Oxford Economics has since prepared an updated set of employment forecasts for the LEP which are set out in a report entitled "Baseline Forecasts and Implications of Brexit" and dated January 2017. This outlines that Brexit has shifted the economic landscape of the UK economy, bringing uncertainty across a range of issues. Oxford Economics had revised down their forecasts to 2020, driven by weaker investment and consumption, partially offset by stronger exports. In the longer-term economic performance is highly dependent on the trading position with the EU, and immigration policies.

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[5] NOMIS model-based Unemployment

2.38   The report outlines that recent employment growth in the Solent has been disappointing; reflecting underperformance across key sectors such as accommodation and goods and services; wholesale and retail jobs; and the relatively high share of jobs in the sub-region in declining sectors such as manufacturing and public administration. Oxford Economics forecast employment growth across the Solent area to be flat to 2020, reflecting regional and national trends, before accelerating from 2020 and growing in line with the UK as a whole, with just under 50,000 additional jobs by 2036. Employment growth was expected to be driven by administration and support services; scientific and technical activities; and human health and social work.

2.39   The downgrading of the forecasts for the sub-regional economy does not point to a need to increase the OAN to meet economic growth. However I am aware that in recent months more economic data has become available, and the Government has provided some further clarity regarding its stance on the future relationship with the EU. Against this context I have sought to purchase an updated set of econometric forecasts.

2.40   Whilst there are various companies which produce econometric forecasts, I note the evidence provided by the appellants to the Hedge End North Inquiry which included a comparison of forecasts from Experian, Oxford Economics and Cambridge Econometrics for Eastleigh Borough. The Oxford Economics forecasts sat centrally within the forecast range, aligning almost exactly with the average of the three. On this basis it would be a reasonable and balanced position to take to consider how Oxford Economics forecasts have changed.

2.41   Oxford Economics 2017 forecasts expect employment growth of 7,900 over the 2011-36 period (an average of 316 per annum) in Eastleigh Borough. This would represent an average of 0.5% pa growth in employment. The forecasts show 1.6% pa growth in GVA. People-based employment is expected to increase by 6,800 persons.

Table 4. 2017 Econometric Forecasts

	2011	2036	Change
Employment- jobs based (000s)	69,900	77,800	7,900
Employment - people based (000s)	64,300	71,000	6,800

Source: Oxford Economics, April 2017

2.42   The model outputs show a growth in households of 8,600 over the 2011-36 period. However, we have sought to undertake our modelling of the level of housing provision which would be required to support this. The modelling assumes a commuting ratio of 1.02, based on the 2011 Census, representing a modest net level of in-commuting. It assumes 4.9% double jobbing, based on the average level recorded by the ONS Annual Population

Survey over the 2004-16 period. On this basis growth of 7,685 persons would be required to support the forecast jobs growth over the 2011-36 period. This clearly falls substantially short of the scale of workforce growth expected in the 2014-based Projections. No upward adjustment to migration is therefore required to support economic growth.

2.43   Based on alternative scenarios for economic participation, the Stage 1 headship rates and consistent vacancy assumptions, a need for between 337 – 406 dpa would be required to support economic growth; which is below the equivalent 2014-based demographic led need (490 – 511 dpa, see Table 4 above).

Table 5. Economic-Driven Scenarios for housing need

EAR/ER assumptions	Total housing need (2011-36)	Per annum
Experian	9,241	370
OBR (2017)	11,007	440
OE	9,386	375

Affordable Housing Need

2.44   The PPG sets out that the calculation of affordable housing need involves adding the current unmet housing need and projected future housing need and then subtracting from this the current supply of affordable housing. Households are defined as in affordable housing need when they lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market.[6]

2.45   The Review identified an affordable housing need for 373 households per annum. Planning Practice Guidance sets out that:

>   *"The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes."[7]*

2.46   The 2012 Affordable Housing Viability Assessment, prepared by Dixon Searle Partnership (EBC 6.7), recommended 35% affordable housing provision on sites of over 15 dwellings, and a sliding scale of contributions for smaller sites (20% 10-14 dwellings; 10% or an equivalent financial

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[6] ID 2a-022-20140306
[7] ID 2a-029-20140306

contribution on sites of 5-9 dwellings). This indicates what level of affordable housing provision could be achieved without funding support on mixed-tenure development schemes.

2.47   Some affordable housing is however also delivered on sites owned by Registered Providers; through funding support from the Council (which sets aside some New Homes Bonus receipts for social housing) and through the National Affordable Housing Programme; and through bringing empty homes back into use.

2.48   It is difficult to be precise as to what level of new homes will be delivered as affordable housing, and therefore I have tested the impact of delivery of 25%, 30% and 35%. As Table 11 shows, to meet the affordable housing need in full would require between 1,066 – 1,492 homes per annum.

Table 6. Housing Provision to deliver Affordable Need as a % Mixed-tenure Development Schemes

	A	B	C
Affordable housing need	373	373	373
% Affordable delivery	25%	30%	35%
Housing Provision required to deliver affordable need in full	1492	1243	1066

2.49   This scale of provision would represent at least a 95% uplift on the demographic need (assuming in this scenario 35% affordable housing delivery). It would represent an uplift of at least 234% on average net completions achieved over the last 15 years (454 dpa, 2002-17) to a level which would be very difficult to sustain as an average across an economic cycle. This is a level of housing provision which I do not consider could be regarded as deliverable, nor is warranted by the evidence. Nonetheless, the evidence base does clearly demonstrate a need for additional affordable housing.

2.50   In considering the affordable need, it is however important to remember that it is based on adding the current unmet housing need and projected future housing need, and then subtracting supply through turnover of existing stock. It therefore does not represent an assessment of what proportion of households might require affordable housing. It includes both new and existing households, and includes supply-side factors.

2.51   Part of the needs shown in the affordable housing modelling arise from households who will require new homes. This includes:

- Newly-forming households;

- Those in temporary accommodation;

- Concealed households; and

- Homeless households.

2.52 But newly-forming households are included within the demographic projections, so it is only the other additional categories from which additional households might arise. The number of concealed and homeless households and those in temporary accommodation requiring support to meet their housing need totals 192 dwellings.

2.53 The other households within the model require a different form of home, but by moving would release an existing property for another household. This includes those who are overcrowded; coming to the end of a tenancy; living in unsuitable housing; or can't afford the housing they are in.

2.54 I would note that in providing new affordable housing, existing market homes, including within the Private Rented Sector, would be released and could accommodate other households.

2.55 I consider that it is important that conclusions on OAN are grounded in reality. This means that there must be households to occupy additional homes. The wider evidence from the demographic and economic-led projections does not point to sufficient demand to support delivery of over 1000 homes pa. Given the headship adjustments already made, further substantive upward adjustments would imply increased in-migration to the District; and the scale of adjustments envisaged need to be realistic (see PPG ID 2a-20140306).

2.56 There is also a clear inter-relationship between affordable housing need and market signals. The scale of affordable housing need is very sensitive to changes in housing costs. GL Hearn has modelled a sensitivity analysis considering the implications of a 10% reduction in entry-level market rents. This would reduce the affordable need from 373 to 310 households per annum. Boosting market housing supply can therefore be expected to influence in time the scale of affordable housing need.

Table 7. Sensitivity Analysis – Implications of a 10% fall in LQ Market Rents on the Affordable Need

	Core Assumptions	Sensitivity - 10% reduction in Rents
Current Need (pa)	29	26
Newly-forming Households	445	396
Existing Households falling into Need	163	152
Gross Need (pa)	737	574

Supply (pa)	264	264
Total Net Need (pa)	373	310

2.57 These factors are all relevant considerations in drawing conclusions on objectively assessed housing need. On this basis, I have sought to consider the evidence from market signals and of affordable housing need alongside one another.

Emerging Affordable Housing Evidence

2.58 I am aware that Opinion Research Services (ORS) has been commissioned by Eastleigh Borough Council to assess affordable housing need within the Borough. The emerging ORS Report identifies a net need for 160 units of affordable housing per annum, albeit that needs to be treated with some caution at this point as the report has not been finalised.

Current Affordable Housing Need

2.59 The first step in the calculation is establishing the current unmet (gross) need for affordable housing. This involves estimating numbers of homeless households and those in priority need who are housed in temporary accommodation; overcrowded and concealed households, and those living in unsuitable accommodation who cannot afford to meet their housing needs in the market.

2.60 A gross need from 959 households is identified, who require affordable housing and are unable to afford their own housing without financial support. Of these households 333 currently occupy affordable housing, and providing homes for these households who vacate existing affordable housing which can subsequently be allocated to other households. There is therefore a net need from 626 households (959 – 333 = 626). This number includes 138 households that would not be counted by the household projections. The assessment of current need is shown in Table 11 below.

2.61 Providing the net additional affordable housing needed would release back into the market (mainly in the private rented sector) the dwellings occupied by 488 households (959 – 333 – 138 = 488) that are currently in affordable housing need who are unable to afford their own housing. This is relevant in considering overall housing need.

Table 8. Current Unmet Gross Need for Affordable Housing

	Gross Need	Supply	Source
Homeless households in priority need			
Current in temporary accommodation in communal establishments (B&B or Hostels)	15		P1e Returns, Q1 2016
Current in temporary accommodation in market housing (Private sector leased or Private landlord)	2		P1e Returns, Q1 2016
Current in temporary accommodation in affordable housing (LA or RSL stock)	2	2	P1e Returns, Q1 2016
Households accepted as homeless but without temporary accommodation provided	0		P1e Returns, Q1 2016
Concealed households			
Growth in concealed families with family representatives aged under 55	123		Census 2001, 2011
Overcrowded based on the bedroom standard			
Households living in overcrowded private rented housing	195		Modelled based on 2011 Census and English Housing Survey
Households living in overcrowded social rented housing	294	294	Modelled based on 2011 Census and English Housing Survey
Other households living in unsuitable housing that cannot afford their own home			
People who need to move on medical or welfare grounds, including grounds related to a disability	273	31	Housing Register, April 2016
People who need to move to a particular locality in the district, where failure to meet that need would cause hardship (to themselves or others)	55	6	Housing Register, April 2016
Total Current Affordable Housing Need	**959**	**333**	

Source: ORS

Projected Future Affordable Housing Need

2.62   Newly-arising affordable housing need is modelled based on new household formation, household dissolution following death, and households moving in and out of the Borough by five year period and age group based on demographic projections. The ORS Report considers the proportion of households in each of these groups who can, and cannot, afford market housing. The model recognises that the proportion of households unable to buy or rent without financial support will differ between age cohorts. It calculates the proportion of households unable to afford market housing segmented by age and household type, based on 2011 Census data and DWP data on housing benefit claimants.

2.63   Table 12 below shows the calculations for the 2016-21 period. These calculations are undertaken for five year time periods through to 2036. Overall the model projects that household growth will yield a net increase of 161 households per year (2016-21) that are unable to afford housing without support.

2.64   Future needs of existing households are also considered, such as needs arising from separation of a partner or birth of a child which can lead to households who were previously above the level to be able to afford housing falling into need. ORS estimate that 132 established households fall into need each year, but also takes into account that established households' circumstances can improve (such as from two younger people forming a couple, or as households get older). It estimates that 167 households' circumstances improve each year. On this basis there is an average net reduction of 35 households needing affordable housing each year (167-132=35).

2.65   Bringing the various components of analysis together, there is a projected need from 734 households unable to afford their housing costs; however 573 households will either vacate existing affordable housing or will no longer need affordable housing in the Borough (as they have moved elsewhere), reducing the net need to a total of 161 households. For existing households, an average net reduction of 35 households per annum is therefore expected.

Table 9. Future Affordable Housing Need, 2016-21

	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs	% Unable to afford housing costs
Newly forming households	1,094	851	242	22%
Households migrating into the area	2,569	2,078	491	19%
All new households	3,663	2,929	734	20%
Households dissolutions following death	751	612	140	19%
Households migrating out of the area	2,348	1,915	433	18%
All households no longer present	+3,100	+2,527	+573	18%
Average annual household growth 2016-21	+563	+402	+161	29%
Existing households falling into need	-	-132	+132	100%
Existing households climbing out of need	-	167	-167	0%
Change in existing households	-	+35	-35	-
Average annual future need for market and affordable housing 2016-21	+563	437	+126	22%

2.66   Over the full 20 year projection period, the modelling identifies that the number of households in need of affordable housing will increase by 2,579 households over the 2016-36 period, equivalent to 129 households per annum.

Total Net Need for Affordable Housing

2.67   The PPG sets out that projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimation of

existing households falling into need. A flow to address the current need is included to identify the net annual need for affordable housing.

2.68   The ORS modelling indicates a net need for 160 affordable homes per annum in Eastleigh Borough; together with a need for 345 market homes per annum. The steps in the calculation of the affordable need are shown in Table 13 below.

Table 10. Calculation of Need for Affordable Housing in Eastleigh Borough

Backlog	
Total backlog	959
Transfers within AH	333
Backlog net of transfers	626
Annual backlog	31
Newly-Arising Need	
New household formation	1140
Unable to afford	271
Estimated households falling into need	154
Net migration	56
Gross Need	512
Supply/Outward Flows	
Household dissolution	157
Climbing out of need	195
Total need	352
Net need	**160**

2.69   The ORS model adopts a neutral position in relation to housing benefit support, assuming that the number of claimants in receipt of housing benefit in the private rented sector will remain constant. It does not count any dwellings in the PRS as affordable supply; but does assume that housing benefit will continue to help some households to afford their housing costs and as a consequence these households will not need affordable housing. A sensitivity analysis undertaken showed that if sufficient affordable housing was to be provided for all households that would otherwise live in the private rented sector with housing benefit support, the need would increase to around 5,000 affordable homes over the plan period (2016-36), equivalent to 250 pa; but that it is important to recognise that in this scenario, the private rented housing currently occupied by households in receipt of housing benefit would be released back to the market and be available for other households.

2.70   As ORS' analysis has yet to be finalised, I do not suggest that substantial weight can be attached to this emerging evidence at this point. There are methodological differences in particular in respect to the calculation of households unable to afford market housing, and to the supply/outflow analysis. I note that this assumes a neutral position in respect of housing benefit support. In my view there is a reasonable basis in drawing conclusions on the OAN to seek to reduce the role played by the Private

Rented Sector in meeting affordable housing needs. I have taken this into account in drawing conclusions.

Market Signals

2.71   The PPG provides that an assessment of market signals should be undertaken. I undertook a comprehensive assessment of market signals in the 2016 Review. In this section I have therefore focused on updating key indicators where new data is available.

2.72   Absolute and relative long-term trends are expected to be compared to those across the housing market area; similar demographic and economic areas; and nationally. I have assessed long-term trends looking back over a decade relative to the Southampton HMA, to similar areas as defined by ONS, and England. As a range of data for assessing market signals is principally available at a local authority level, I have assessed trends for the HMA based on averages for local authorities which fall wholly or in part within the Southampton HMA.

2.73   I have defined similar areas using the ONS 2011 Area Classifications, which defines the five most similar authorities. For Eastleigh, these are (in order of similarity): South Gloucestershire; Central Bedfordshire; Chelmsford; Braintree; and Tonbridge and Malling.

2.74   There is an important consideration however to note in the analysis of market signals which is that the base date of the plan period is 2011. There has been an under-delivery (2011-16) of 1,066 dwellings (39%) against the demographic projections since 2011 (Rebased SNPP with headship adjustment). On this basis it is reasonable to expect that the market signals would have worsened. This however does not imply a need to adjust upwards the OAN, since the under-delivery is captured and expected to be delivered within the five year period in line with the Sedgefield approach.

Land Prices

2.75   The latest consistent published data on residential land values is from a CLG 2015 publication.[8] The typical land value of a post-permission residential site in Eastleigh is £2,146,000 per hectare. This is above levels in Southampton and Test Valley, but below those in Fareham, and particularly New Forest and Winchester. It is around 25% below the notional HMA average, albeit 10% above the national average outside of London.

2.76   Compared to similar areas, residential land values in Eastleigh are above those in South Gloucestershire; but below those in the other four areas as identified by ONS. Land values in Eastleigh are 16% below the average across the similar areas.

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[8] CLG (Feb 2015) *Land Value Estimates for Policy Appraisal*

Table 11. Land Values for a Typical Residential Site, 2015

	Value of Typical Residential Site (per Ha)
Southampton	£1,402,000
Eastleigh	£2,146,000
Fareham	£2,554,000
New Forest	£4,899,000
Winchester	£4,469,000
Test Valley	£1,793,000
Notional Average (HMA LAs)	£2,877,167
South Gloucestershire	£1,985,000
Central Bedfordshire	£2,415,000
Chelmsford	£3,575,000
Braintree	£2,360,000
Tunbridge & Malling	£2,882,000
Notional Average (Similar LAs)	£2,560,500
England (excl. London)	£1,958,000

Source: CLG

2.77   The PPG sets out that "*price premiums provide direct information on the shortage of land.*" In contrast for instance to Winchester and Test Valley, data on residential land values does not point to a particular undersupply of land in Eastleigh Borough. Land value data was not considered at the last local plan examination.

House Prices

2.78   The median house price in Eastleigh at £258,000 in 2016 is slightly (0.2%) above the HMA equivalent. It is above prices in Southampton, similar to those in Fareham and below those in Test Valley, New Forest and Winchester. It is 17.5% above the national but 12.4% below the South East comparator.

Table 12. Median House Prices 2016

Median	Detached	Semi-Detached	Terrace	Flat	All Sales
Eastleigh	£385,000	£264,000	£232,000	£168,000	£258,000
Fareham	£388,725	£260,000	£225,000	£144,500	£257,500
New Forest	£401,250	£275,000	£230,000	£179,950	£298,750
Winchester	£525,000	£350,000	£323,000	£207,000	£362,000
Test Valley	£415,000	£272,995	£232,000	£160,000	£280,000
Southampton	£283,250	£230,000	£191,975	£143,100	£192,000
HMA	£400,000	£265,000	£227,000	£161,500	£257,500
South East	£467,725	£315,000	£260,000	£195,000	£290,000
England and Wales	£305,000	£187,000	£168,000	£197,000	£212,950

Source: GLH Analysis of HM Land Registry Price Paid Data

2.79   The average price is influenced by the mix of properties sold. Prices by type in Eastleigh Borough are between 12-22% below the South East equivalents. Prices in Eastleigh are generally similar to other authorities within the HMA, with the exception of Southampton where prices are lower. This is to be expected for a larger urban area. The evidence does not point to any price premium in Eastleigh for similar properties: prices are generally on a par with those in similar surrounding areas.

Figure 3. House Prices by Type 2016
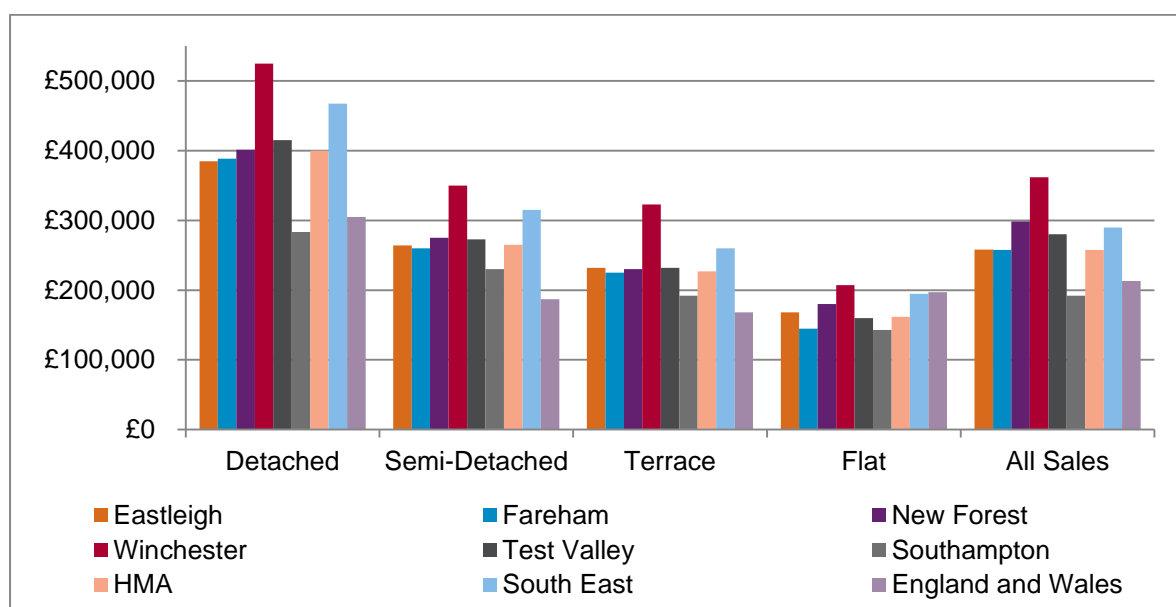
Source: GLH Analysis of HM Land Registry Price Paid Data

2.80 Relative to the comparable areas, house prices are also mid-ranging. They are 7% above those in South Gloucestershire and 3% above those in Braintree; but 18% below Chelmsford and 24% below those in Tonbridge and Malling. Median prices in Eastleigh are 7% below the average of the comparable areas.

Figure 4. House Prices relative to the Comparable Authorities
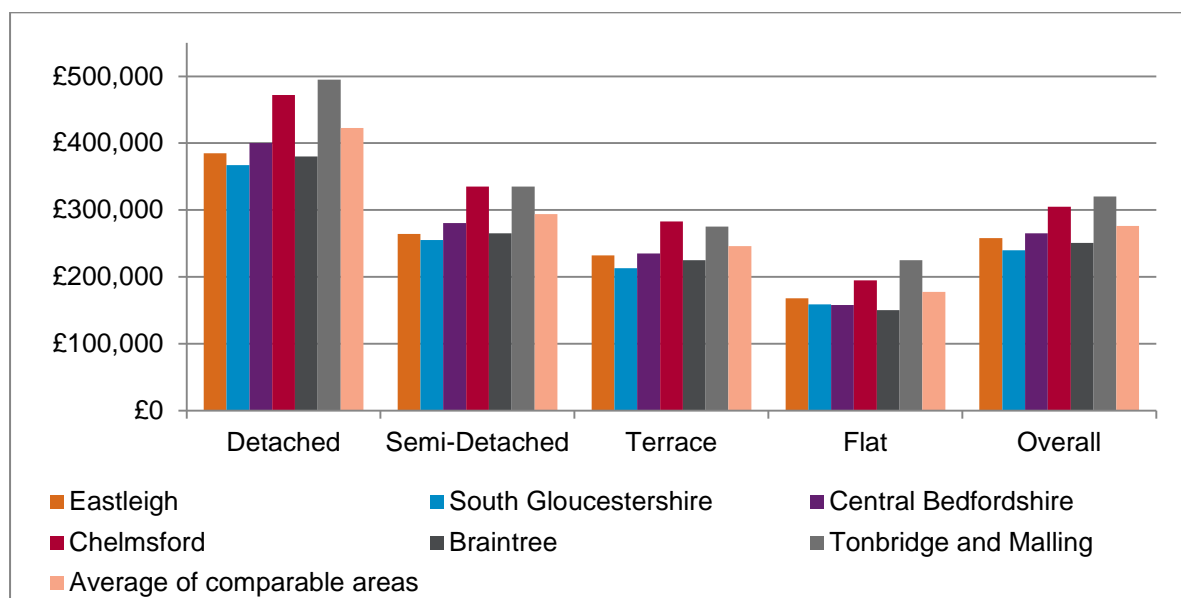
Source: GLH Analysis of HM Land Registry Price Paid Data

2.81 I have used the HMLR data to consider house price growth over the previous year; 5 years and 10 years. I have also considered price trends over the 10 years prior to the base date of the plan (i.e. 2001-11). The PPG is clear that regard should be had in particular to longer-term changes.

2.82 House prices in Eastleigh have grown in real terms (taking account of inflation) over the last five years and over the last year. Over the five year period the average value of a home in the Borough has increased by £11,100 pa (5.0% pa). In absolute terms this is above rate of growth seen across the HMA and nationally; but below the growth seen across the similar areas considered.

2.83 Looking at trends over the longer-term, as the PPG recommends, house prices over the last 10 years have increased by 3.3% pa in Eastleigh Borough. This rate of growth is above CPI inflation (2.3% pa) meaning there has been growth in real terms. This has however been very much driven by trends since the plan's base date in 2011.

2.84 The 3.3% annual growth seen over the last decade is above the average across the HMA (2.9% pa) but below that seen across the similar areas considered (3.8% pa). It is above that seen nationally (2.5% pa). In absolute terms, house price growth in Eastleigh of £7,100 per annum, over the last 10 years, is marginally above all the rest HMA authorities besides Winchester; and well above the national equivalent of £4,700 pa.

Table 13. Analysis of House Price Changes

	1 Year		5 Year		10 Year	
	Value	% CAGR	Value	% CAGR	Value	% CAGR
Eastleigh	18,000	7.5%	55,513	5.0%	71,313	3.3%
Fareham	12,505	5.1%	54,694	4.9%	65,063	3.0%
New Forest	13,750	4.8%	56,000	4.2%	70,000	2.7%
Southampton	11,620	6.4%	31,250	3.6%	36,538	2.1%
Test Valley	13,500	5.1%	46,138	3.7%	62,500	2.6%
Winchester	3,000	0.8%	66,750	4.2%	106,875	3.6%
HMA Average	12,063	4.6%	51,724	4.3%	68,715	2.9%
South Gloucestershire	16,900	7.6%	59,563	5.9%	70,763	3.6%
Central Bedfordshire	25,000	10.4%	77,125	7.1%	82,625	3.8%
Chelmsford	35,000	13.0%	84,313	6.7%	103,063	4.2%
Braintree	24,503	10.8%	67,750	6.5%	76,349	3.7%
Tonbridge and Malling	31,500	10.9%	83,313	6.2%	96,875	3.7%
Similar Areas Average	26,581	10.6%	74,413	6.5%	85,935	3.8%
England and Wales	9,450	4.6%	36,950	3.9%	46,826	2.5%
CPI Inflation		0.7%		1.5%		2.3%

Source: GLH Analysis of HMLR Price Paid Data/ CLG Housing Statistics

2.85   Over the ten year period 2001-11, house price growth in absolute terms was slightly below the HMA average and that seen across similar areas but slightly above that seen nationally. In proportional terms, growth was slightly above the HMA average, but below that seen in most of the comparable areas and national growth. House price growth nationally over

this period was relatively strong, driven by trends prior to 2008. This was influenced by a period of sustained macro-economic stability and growth, historically low interest rates and access to mortgage finance.

Table 14. House Price Growth, 2001-11

|	2001-11	% CAGR
Eastleigh	102,488	7.3%
Fareham	94,856	6.5%
New Forest	122,750	7.3%
Southampton	80,800	7.2%
Test Valley	109,863	6.6%
Winchester	141,250	6.7%
HMA Average	108,668	6.9%
South Gloucestershire	94,438	7.7%
Central Bedfordshire		
Chelmsford	122,688	8.5%
Braintree	95,250	7.6%
Tonbridge and Malling	112,688	6.7%
England and Wales	96,000	8.2%

Source: GLH Analysis of CLG and HMLR House Price Data

2.86　　Overall the analysis of house prices does not point to a particular premium on prices in Eastleigh relative to surrounding or comparable areas. Prices by type are similar to those in surrounding areas. Recent house price growth over the previous year or five year period has been above the HMA and national averages, but this could be expected given the under-delivery of housing in the Borough over this period (as shown in the shortfall in the five year land supply calculation). Looking at longer-term trends over 10 years, or over the 2001-11 period preceding the base date of the plan, house price growth has been similar to other areas within the HMA and comparable areas, albeit above trends seen nationally.

Rents

2.87　　Median rents in Eastleigh were (over the year to March 2016) 3% below the average across the HMA authorities. They were above those in Southampton and Fareham, but below those in Test Valley, New Forest and Winchester. The median rent was £795 per calendar month (PCM). This compares to an average of £845 PCM across the South East region and £650 across England.

Figure 5. Median Rent, Year to March 2016 (£ per Calendar Month)
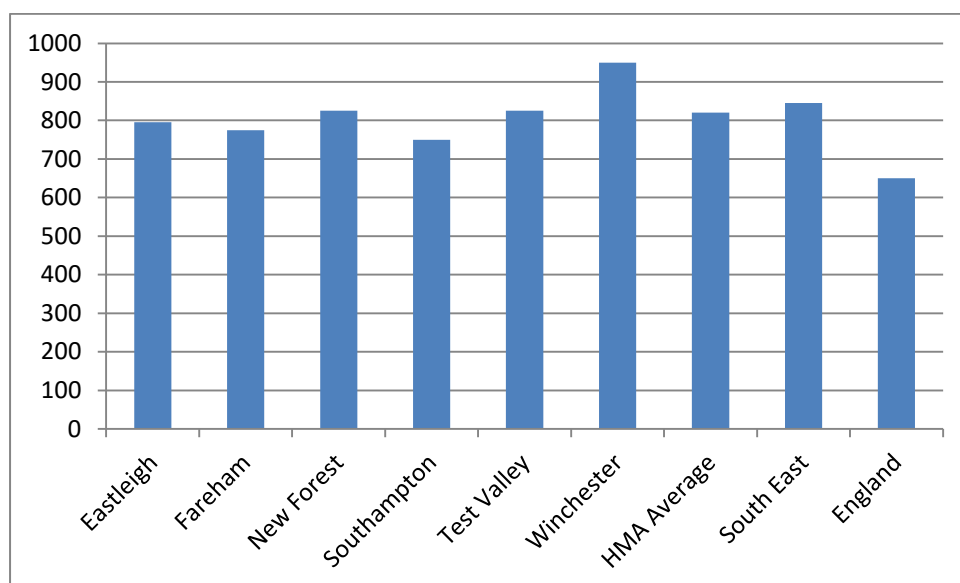
Source: VOA Private Rental Market Statistics

2.88   Relative to the comparable areas, average rents in Eastleigh are consistent with those in South Gloucestershire, Central Bedfordshire and Chelmsford. Rents in Braintree are lower; and Tonbridge and Malling higher.

**Table 15. Median Rents vs. Comparable Areas, Year to March 2016**

	Average Rent (PCM)
Braintree	£725
South Gloucestershire	£725
Central Bedfordshire	£783
Eastleigh	£795
Chelmsford	£825
Tonbridge & Malling	£930
Average of similar areas	£798

Source: VOA Private Rental Market Statistics

2.89   Rental growth in Eastleigh has been above average over the 2011-16 period again as might be expected given an under-delivery of housing over this period.[9] Rents have grown over this period by 15% (with an annual rate of 2.9%). This represents a real terms increase; and stronger growth than has been seen across other parts of the HMA. Stronger rental growth was highlighted in the Inspector's Report at the previous local plan examination (CD12.5). Rental growth has however been below that seen across the South East.

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[9] This is the longest period for which consistent data is available from VOA.

Figure 6. Trends in Median Rents, 2011-16
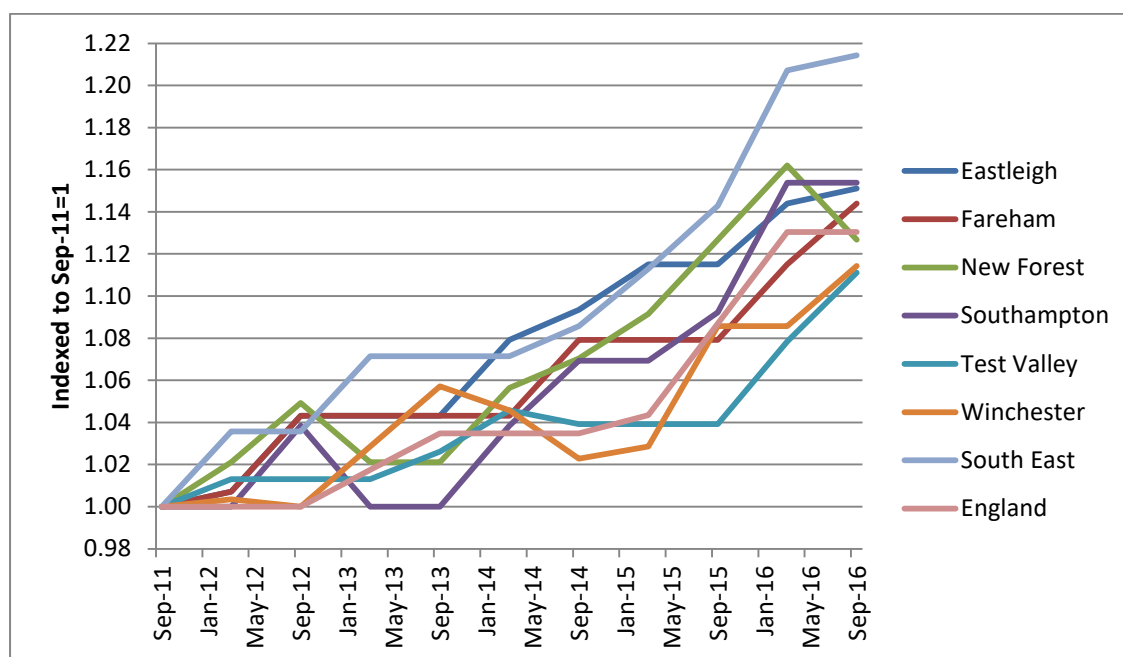
Source: GLH Analysis of VOA Private Rental Market Statistics

Affordability Ratios

2.90   Lower quartile (LQ) house price to income ratios can be used as a broader measure of changes in affordability. The ratio in Eastleigh in 2016 of 9.97. This is similar to the HMA average (9.79).

2.91   The evidence points to affordability worsening in the Borough over the last 5 years (which again would be to be expected given the housing under-delivery in this period); and shows that the LQ Price-to-Income Ratio has increased slightly over the past 10 years. The ratio is above the national equivalent of 7.16 for all the HMA authorities.

Table 16. Changes in Lower Quartile House Price to Income Ratio (2006-2016)

	2016 Ratio	2011 Ratio	5 year change	10 year change
Eastleigh	9.97	8.22	1.75	1.44
Fareham	9.70	8.19	1.51	0.80
New Forest	11.19	9.64	1.55	0.93
Southampton	7.95	7.23	0.72	0.36
Test Valley	9.45	9.33	0.12	0.72
Winchester	10.45	9.44	1.01	0.97
HMA Average	9.79	8.68	1.11	0.87
England	7.16	6.72	0.44	0.00

Source: GLH Analysis of CLG Housing Statistics Data

2.92   The LQ ratio in Eastleigh is above that in South Gloucestershire, Central Bedfordshire and Braintree; but marginally above the average across the comparable areas (9.74).

Table 17. LQ Ratio against the Comparable Areas

	2016 Ratio	5 year Change	10 year change
Eastleigh	9.97	1.75	1.44
South Gloucestershire	8.98	1.77	1.09
Central Bedfordshire	9.31	1.81	n/a
Chelmsford	10.40	2.74	1.90
Braintree	8.86	1.66	0.56
Tonbridge and Malling	11.14	3.10	2.41
Average	9.74	2.22	1.38

Source: GLH Analysis of CLG Housing Statistics Data

2.93   The affordability ratio at almost 10 indicates that, like the majority of the comparable areas, there are affordability issues in the District. It provides a justification for an adjustment within the OAN calculation to improve affordability.

Rates of Development

2.94   There has been an under-delivery (2011-17) of 973 dwellings (44%) against the demographic projections since 2011 (Rebased SNPP with headship adjustment) and of 1,591 dwellings (42%) against the interim 630 dpa OAN figure. However, this shortfall is captured within the five year land supply calculation, and expected to be delivered through a significant boost to housing supply over the next five years (using a Sedgefield approach). It would represent double counting, in my view, to make a further market signals adjustment to the OAN to reflect this. I have therefore sought to consider housing completions prior to the base date.

2.95   Over the 1996-2011 period, net completions totalled 6,885 dwellings. This exceeded the Structure Plan requirement of 6,295 by 9%.

2.96   The Council adopted a Local Plan in 2006. The Local Plan set out that the plan should make provision for a baseline of 5,608 dwellings over the 2001-11 period; and a reserve provision for 395 dwellings. Net completions over this decade totalled 4,800 – 14% short of the baseline requirement. There was thus a shortfall of 808 dwellings against the baseline requirement, and 1,203 dwellings if the reserve provision was included, in the period to 2011.

2.97   Given that under-delivery could have influenced the demographic need, the market signals and the affordable housing need, this supports making an upward adjustment (over and above the starting point demographic need) in calculating the OAN.

Implications

2.98   The market signals evidence points to some affordability issues in Eastleigh Borough but shows a mixed picture overall. The updated analysis particularly shows:

- House prices by type which are similar to those in surrounding areas, with median prices across all properties which are below the South East, but above the national average. There is no evidence of a particular premium on house prices or land values in the Borough compared to surrounding or comparable areas.

- Recent price growth (over the last one or five years) has been above the HMA and national averages. However, this is to be expected given low housing delivery over this period, which is post the 2011 base date of the OAN calculation. Price growth was similar to the HMA average and comparable areas over the 2001-11 period.

- Rental costs which are below the South East and HMA averages, and similar to comparable areas; but with evidence of rental growth between the 2011-16 period at 2.9% pa which whilst below the regional average exceeds those in a range of other comparators. Real term rental growth is likely to have been influenced by under-supply over this period.

- Lower quartile house prices are 9.97 times lower quartile earnings (based on individual incomes) in 2016. This ratio is above where it was 5 years ago, and 10 years ago – suggesting house price growth has been outpacing earnings. The ratio is average against the comparable areas. It is slightly above the HMA average and above the national average of 7.16 (as is the case across much of the South East region). It however remains significant, and points to affordability pressures.

- Rates of development in the Borough which have in the short- and longer-term fallen below planned housing provision.

Conclusions on Objectively Assessed Housing Need

2.99   2014-based Household Projections point to a need for 511 dpa in Eastleigh Borough. Taking account of 2015 Mid-Year Population Estimates, this would fall to 490 dpa. In both cases this sits above longer-term migration trends. Modelling an upward adjustment to household formation amongst those aged 25-44, based on part return to trends shown in 2008-based Household Projections, the demographic need arising from the 2014-based Projections increases to 527 – 548 dpa.

2.100   My analysis indicates that this scale of demographic growth implied by the 2014-based Projections would support workforce growth of between 10,900 – 14,700 over the 2011-36 period, based on alternative scenarios for changes in economic participation from the Office for Budget Responsibility, Experian and Oxford Economics. This is well above the 7,900 jobs expected to be created in the Borough from the latest economic forecasts, dated April

2017. Consistent with the findings from the previous Local Plan Examination in 2014/15 and the Review, I find no basis for upward adjustments to migration to support economic growth in calculating the OAN.

2.101   The evidence from market signals and affordable housing would however justify upwards adjustments from the demographic need.

2.102   The evidence suggests that to increase the market housing to meet all of the identified affordable housing need would require at least a doubling in overall housing provision relative to the demographic projection. The Local Plan Inspector found that this was not a realistic option; that it would release back into the market existing private rented homes; and the cumulative effects of such an adjustment would have substantial consequences for the market which are difficult to anticipate (CD12.5, Para 55). An Inspector at the Hedge End North Inquiry in 2016 similarly concluded that "*in practice it is highly unlikely that he full AH requirement could ever be met under current policy*" (CD14.6, IR12.12). He also supported my view that any uplift in an OAN calculation is likely to increase provision of affordable housing, so there would be a significant element of overlap between adjustments for market signals and affordable housing.

2.103   On this basis, and recognising that an improvement in the affordability of market housing will reduce the scale of affordable housing need,[10] I have sought to consider the adjustment to improve affordability based on both the market signals and affordable housing needs evidence.

2.104   The Eastleigh Local Plan Inspector set out that a 10% adjustment would be compatible with the modest pressure of market signals in the Borough (CD12.5, Para 41). The Hedge End North Inquiry Inspector concluded that a 10% adjustment for market signals and further 10% adjustment for affordable housing, as advocated by the appellants, was "too high" and that a smaller adjustment should be made on top of that for household formation rates (CD14.6, Para 12.12). I conclude that a 15% adjustment would be warranted, reflecting the market signals and affordable housing needs evidence, Inspector's decisions on the matter, and the significant under-delivery since 2011 which is already captured in the five year land supply calculation. Applied to the demographic need for 527 – 548 dpa, this gives an OAN of 610 – 630 dwellings (rounded to the nearest 10).

2.105   Taking the higher end of the range, an OAN of 630 dpa would represent a substantial 37% increase on net completions in the Borough between 1996-2011, and a 47% increase on those 1997-2017, and would thus significantly boost housing both market and affordable housing supply. Taking a positive view, I consider that the latest evidence continues to support the interim requirement figure of 630 dpa.

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[10] A 10% reduction in entry-level market rents would for instance result in fall in the affordable housing need from 373 pa to 310 pa.