GL Hearn
Part of Capita Real Estate

Proof of Evidence of Nick Ireland: Housing Need

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Contents

Section		Page
1	SUMMARY	3
2	INTRODUCTION	8
3	APPROACH TO ASSESSING HOUSING NEED	10
4	DEMOGRAPHIC STARTING POINT	17
5	CONSIDERING ECONOMIC TRENDS	29
6	AFFORDABLE HOUSING NEED	37
7	MARKET SIGNALS	48
8	CONCLUSIONS ON OAN	60

1 SUMMARY

1.1 My evidence assesses the full, objectively assessed need (OAN) for housing for Eastleigh Borough in accordance with paragraph 47 of the National Planning Policy Framework (NPPF) and the Planning Practice Guidance (PPG). It draws on a report I prepared for the Borough Council (document CD10.21) which recommended a figure of 590 dwellings per annum (dpa) as representing the OAN. At a meeting on 16 March 2016, the Council's Cabinet considered my Report and adopted the 590 dpa figure as a new interim housing requirement. For the reasons given in this proof of evidence, I consider that the 590 dpa does indeed represent the OAN.

My Approach to Assessing Housing Needs

1.2 My approach to assessing OAN follows the requirements of the NPPF and PPG. My evidence deals with OAN over the 2011-2036 period to align with the timeframes for the Council's emerging Local Plan. In drawing conclusions on OAN, it considers past housing delivery alongside other market signals and thus captures, and makes appropriate adjustments to take account of, any notional under-provision of housing prior to 2011.

The Demographic Starting Point

1.3 The latest official projections are 2012-based. They expect an increase in the Borough's population of 25,023 persons (19.9%) 2011-36. Applying headship rates to this and including an allowance for vacant homes (2.4% based on the 2011 Census), this results in a need for 523 dwellings per annum.

1.4 My report included sensitivity testing in line with the PPG, considering alternative potential assumptions on migration and household formation rates.

1.5 Two further years of population data have been issued since the base date of the SNPP. Recorded migration is remarkably similar to the base period which fed into the SNPP (2006/7 – 2012) reinforcing these as reasonable, trend-based, projections.

1.6 The Planning Advisory Service's Report on *Objectively Assessed Need and Housing Targets* outlines that the base period for the latest official projections includes the last recession; and that it would be advisable to test alternative scenarios based on a longer-reference period. My sensitivity testing provides a scenario based on long-term migration trends since 2001 (2001-14). This shows a need for 481 dpa.

1.7 However, I do not suggest that this represents a more appropriate trend-based projection and recognise that there is positive level of 'Unattributable Population Change' (UPC) 2001-11. If this were to relate entirely to an under-estimation of migration, a long-term projection of housing need

based on migration trends 2001-14 would be for 531 dpa. It is, however, not possible to quantify whether (or to what degree) UPC relates to an over-estimate of the Borough's population in 2001; an under-count in 2011; or an under-recording of migration in the inter-censal period; or to attribute it to these different components. The evidence suggests taking account of improvements made to ONS estimates of migration from 2006/7 onwards; and any component which relates to an under-recording of migration is likely to have been in the earlier part of the 2001-11 decade and will not have impacted upon the SNPP.

1.8 I conclude that a long-term trend demographic scenario could under-estimate past migration to the Borough and thus it is inappropriate to treat the 12-year migration scenario as an appropriate demographic scenario. Consistent with ONS' conclusions, I do not find that there are established sources of robust evidence (as required by the PPG[1]) to lead me to adopt alternative migration assumptions to those in the 2012-based SNPP which the PPG is clear are based on nationally-consistent assumptions.

Household Formation Rates

1.9 Household formation rates describe the proportion of people of different ages considered to be a head of a household. The 2015 Housing Needs Study (CD10.7) considered the Stage 1 2012-based Household Projections. These projected household formation based on trends 1971-2011. Stage 2 Household Projections were published by DCLG in December. These considered household types. The Methodology Report accompanying the projections is clear that these projections are based on just two points – the 2001 and 2011 Censuses. Overall outputs on total household growth are constrained to the totals from the Stage 1 Projections.

1.10 My evidence considers the two sets of projections. I consider that greater weight should be attached to the Stage 1 Projections, as these are based on long-term trends in household formation and provide more realistic assumptions on future household formation – particularly amongst older age groups.

1.11 I note that the 2015 Housing Needs Study considered that there was, potentially, a degree to which household formation amongst those aged 25-34 was supressed by housing market circumstances during 2001-11. However, I find that there are not established sources of robust evidence from which I could conclude that the fall in household formation was fully due to housing market factors. In particular, I note that population growth over this decade was driven by growth amongst Black and Minority Ethnic Groups; and research has shown that international migration and different household structures within BME communities was an influence on falling headship rates for

[1] ID 2a-017-20140306

younger age groups, albeit that it is reasonable to assume that part of the decline was a result of housing market factors.

1.12 Given the uncertainty associated with future trends in household formation, my report included a sensitivity analysis following the approach recommended in academic research by Ludi Simpson and Neil McDonald[2]. The sensitivity analysis shows a potential variance using the Stage 1 headship rates of 518 - 537 dwellings.

1.13 Taking the midpoint of the projections, I identify a demographic-based need for 534 dpa. This sits towards the top of this range and would support improvements in household formation among younger households relative to the published DCLG base projections (addressing for instance the level of concealed and homeless households shown in my analysis of affordable housing need).

Economic Performance

1.14 The interaction between housing need and economic performance is complex and influenced by a range of factors. There is uncertainty regarding how an economy might perform, or what proportion of people of different ages might be in work when looking 15+ years into the future.

1.15 These issues are highlighted in the Eastleigh Borough Plan Inspector's Report of February 2015 (CD9.3). I am aware that, nonetheless, a number of other s.78 appeals have sought to consider how economic performance could influence housing need.

1.16 The 2015 Housing Needs Study concluded that economic factors did not provide an upside to that based on demographic trends. I have tested this further, using up-to-date economic forecasts. My evidence draws on econometric forecasts from Oxford Economics (OE) prepared in summer 2015 for the Solent Local Enterprise Partnership. The OE model is an integrated one which relates population and demographic factors and provides outputs on occupied dwellings, as recommended by PAS[3].

1.17 Over 2011-30, workplace-based employment in Eastleigh is expected to increase by 500 pa. Taking account of commuting, the number of residents in employment is expected to grow by 520 pa. To support this, provision of 501 dpa would be needed.

1.18 This model only runs to 2030. My report therefore included further analysis to show that taking account of changes to State Pension Age, and trends of growth in economic participation amongst those of pensionable age, the number of economically active residents would be expected to

[2] Simpson, L. and McDonald, N. (April 2015) *Making sense of the new English household projections, TCPA.*
[3] Peter Brett Associates (2015) *Objectively-Assessed Need and Housing Targets, PAS.*

increase by 497 – 564 persons pa to 2036. Trends in increases in economic participation amongst those aged over 65 point towards the higher end being more likely.

1.19 I find no clear evidence to lead me to conclude that the housing need should be adjusted upwards from the trend-based demographic need in order to support economic growth in the Borough.

Affordable Housing Need

1.20 My report includes an updated assessment of affordable housing need, prepared by Justin Gardner to reflect the latest available data. The analysis identifies that 373 affordable homes pa would be needed to meet the needs of all households who require financial support in meeting housing needs. This excludes housing within the development pipeline.

1.21 The affordable need notionally represents 70% of the demographically-based need for 545 dpa. The Council's 2012 Affordable Housing Viability Assessment recommends 35% affordable housing provision on sites of over 15 dwellings, and a sliding scale of contributions for smaller sites. Some affordable housing is not, however, delivered through Section 106 agreements. This includes homes 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 bringing empty properties back into use.

1.22 With affordable housing delivery at 30%, over 1240 dwellings are needed to meet the assessed affordable housing need through mixed tenure development. This represents 2.3% per annum growth in the housing stock. I do not regard this to be realistically deliverable, based on market factors. However, consideration should be given to increasing overall housing provision to support the delivery of affordable housing.

Market Signals

1.23 My evidence reviews market signals. Following advice in the PPG, it compares long-term trends in the Borough (over a decade where data is available) with other housing market area authorities, comparable areas as defined by ONS, and national trends. I have considered each of the indicators set out in the PPG.

1.24 I conclude that the evidence points to a “modest” pressure from market signals – consistent with that identified in the 2015 Local Plan Inspector’s Report. As the Inspector set out, recent rental growth has been above average. There is also evidence that levels of overcrowded, shared and concealed households have increased.

1.25 However, for other indicators, including trends in house prices and affordability ratios, the evidence does not suggest a relative worsening of affordability issues. House price growth over the last

decade has been below inflation, whilst the lower quartile house price-to-income ratio has improved slightly.

Conclusions on OAN

1.26 Drawing together the evidence in line with the methodology set out in the PPG, I identify a starting-point projection of a need for 523 dpa (2011-36). An adjustment to household formation rates is warranted which results in a demographic-based need for 534 dpa.

1.27 The evidence does not point to a need to adjust upwards the assessed housing need to support the economy. However, affordable housing needs and market signals provide a basis for considering an uplift from the household projections. A 10% upwards adjustment is appropriate and of a scale which is reasonable and can reasonably be expected to occur. This results in a need for 587 dpa. I have rounded this up to 590 dpa and consider that this represents the full OAN for housing in accordance with the Framework and PPG.

2 INTRODUCTION

2.1 My name is Nick Ireland. I am a Planning Director at GL Hearn of 280 High Holborn, London. I have 13 years' experience in planning, development and regeneration consultancy and lead GL Hearn's Economic Consulting Team. I have been instructed by Eastleigh Borough Council to provide evidence on the objectively assessed housing need.

2.2 I hold a BA (Hons) degree in Geography from Durham University and a Masters in Town Planning (MTPl) from Manchester University. I have been a member of the Royal Town Planning Institute since 2005.

2.3 I have been employed at GL Hearn in its Planning and Development Team since 2008. Prior to this I was employed in the Planning, Development and Regeneration Team at GVA Grimley, in Manchester 2003-06 and in London 2006-08.

2.4 I specialise in providing consultancy advice on strategic and spatial planning issues, particularly with regard to housing and employment development. I have advised over 80 local authorities in England on identifying housing needs since 2010, mostly through the preparation of Strategic Housing Market Assessments (SHMAs).

2.5 I led the consultancy team which prepared the 2014 South Hampshire Strategic Housing Market Assessment, which was prepared for the Partnership for Urban South Hampshire (PUSH). Subsequent to this, I have also been supporting PUSH on the development of a non-statutory Spatial Strategy.

2.6 My wider experience includes strategic spatial planning and economic development work. This includes preparation of employment land studies for local authorities, assessing economic impact of new development projects, and the preparation of sub-regional planning studies/ strategies.

2.7 The evidence which I have prepared and provide for this Inquiry is true and has been prepared and is given in accordance with the guidance of the Royal Town Planning Institute and I confirm that the opinions expressed are my true and professional opinions.

2.8 My evidence to this Inquiry deals with the OAN for housing in Eastleigh Borough. My proof draws on a report which I prepared for the Borough Council[4] and which is intended to inform progress on preparing a new local plan. On 16 March 2016, the Borough's Cabinet resolved to adopt the 590 dpa figure that I had recommended in my Report as a new interim housing requirement.

[4] *Review of Housing Needs in Eastleigh (GL Hearn, March 2016)*

2.9 A number of previous studies have considered housing needs in Eastleigh Borough. Recent studies comprise:

- South Hampshire Strategic Housing Market Assessment (GL Hearn and JGC, January 2014)
- Implications of 2012-based Sub-National Population Projections (JGC, June 2014)
- Housing Needs Study (JGC, June 2015).

2.10 The South Hampshire SHMA and 2014 JGC Study were considered at the examination into the Eastleigh Borough Local Plan 2011-29. The 2015 JGC Study was prepared subsequent to this. The Council consulted on the June 2015 Housing Needs Study (HNS) in Autumn 2015. The conclusions of this have informed its *Housing Background Paper* (EBC, Dec 2015).

2.11 I have reviewed these previous studies, the Eastleigh Borough Local Plan 2011-29 Inspector's Report, and representations on housing need submitted to the Borough Council on the 2015 HNS. I have reviewed these critically and updated elements of previous analysis to take account of more recent data and undertaken sensitivity testing where appropriate, in order to draw conclusions on housing need in Eastleigh Borough to inform work on the new Local Plan and the Council's assessment of five year housing land supply.

2.12 I led the consultancy team that prepared the South Hampshire Strategic Housing Market Assessment (SHMA). GL Hearn and Justin Gardner Consulting have been commissioned by the Partnership for Urban South Hampshire (PUSH) to update the assessment of housing need within the South Hampshire SHMA. This update covers the Portsmouth, Southampton and Isle of Wight Housing Market Areas. I am leading this work on behalf of PUSH. My evidence is an assessment undertaken within the context of the 2014 SHMA and the work being undertaken to update this.

3 APPROACH TO ASSESSING HOUSING NEED

3.1 I outline in this section the relevant context to undertaking an objective assessment of housing need within the NPPF and PPG on *Housing and Economic Development Needs Assessments* (CD13.9).

National Planning Policy Framework

3.2 The NPPF outlines core planning principles. Paragraph 17, Bullet 3 states that planning should:

> *"… proactively drive and support sustainable economic development to deliver the homes, business and industrial units, infrastructure and thriving local places that the country needs. Every effort should be made objectively to identify and then meet the housing, business and other development needs of an area, and respond positively to wider opportunities for growth. Plans should take account of market signals, such as land prices and housing affordability, and set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities."*

3.3 Paragraph 47 takes this forward, setting out that local planning authorities should use their evidence base to ensure that their local plan meets the full objectively-assessed need for market and affordable housing in the housing market area, as far as is consistent with the policies set out in the Framework.

3.4 Paragraphs 158 and 159 then deal with the requirements for evidence for policy-making. Paragraph 158 outlines that:

> *"Each local planning authority should ensure that the Local Plan is based on adequate, up-to-date and relevant evidence about the economic, social and environmental characteristics and prospects of the area. Local planning authorities should ensure that their assessment of and strategies for housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals."*

3.5 Paragraph 159 then provides more specific guidance on evidence of housing need, outlining that local planning authorities should:

> *"… prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:*
>
> - *Meets household and population projections, taking account of migration and demographic change;*

- *Addresses the need for all types of housing, including affordable housing and the needs of different groups in the community; and*
- *Caters for housing demand and the scale of housing supply necessary to meet this demand."*

3.6 My evidence builds on the work that my team and I have done in preparing the South Hampshire Strategic Housing Market Assessment (CD10.2).

3.7 In setting policies for affordable housing, the NPPF is clear that evidence of need and of development viability are both relevant. Paragraph 50 clearly outlines that to ensure a plan is deliverable, the sites and the scale of development identified in the plan should not be subject to a scale of obligations and policy burdens such that their ability to be developed is threatened; they should support development throughout the economic cycle.

Planning Practice Guidance

3.8 The PPG was issued by Government in March 2014 and is maintained and updated as an online resource. Section 2a provides guidance on *Housing and Economic Development Needs Assessments* (CD13.9). The Guidance provides a definition of housing need[5], provides guidance on how a housing market area can be defined[6] and in Section 3 sets out how the OAN for housing should be determined.

3.9 With regard to the scope of assessments, the PPG is clear that assessments should be proportionate and are not required to consider purely hypothetical scenarios – only future scenarios that could be reasonably expected to occur[7]. It is also clear that estimating future need is not an exact science and that no one methodological approach or use of a particular dataset will provide a definitive assessment of need.[8] Paragraph 2a-004 clarifies that:

> *"The assessment of development needs is an objective assessment of need based on facts and unbiased evidence. Plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historical under performance, infrastructure or environmental constraints. However, these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans."*[9]

[5] ID 2a-003-20140306
[6] Section 2, particularly ID 2a-010-20140306
[7] ID 2a-003-20140306
[8] ID 2a-005-20140306
[9] ID 2a-004-20140306

3.10 I am fully aware of relevant case law that clearly outlines the distinction between a household projection, full objective assessment of housing need and housing requirement and the importance of leaving aside issues related to land supply, infrastructure and constraints.[10] I am clear that land availability and development constraints are not relevant in establishing what the need is – they come into play in the second stage of the plan-making process in considering if housing need can be sustainably accommodated.

3.11 The PPG promotes use of the standard methodology set out therein. Household projections published by Government are identified as the 'starting point estimate of overall housing need'[11]. The latest are the 2012-2037 Household Projections published on 27th February 2015.[12] These are trend-based, with the PPG identifying that they may require adjustment to reflect factors not captured in past trends, such as household formation rates that are or have been constrained by supply.[13]

3.12 The PPG states that adjustments can be made to household projection-based estimates of need based on sensitivity testing specific to local circumstances, such as adjustments to migration, demographic structure or household formation rates, but that "*any local changes would need to be clearly explained and justified on the basis of established sources of robust evidence*."[14] It states specifically that account should be taken of the latest ONS population estimates.

3.13 Job growth trends and/or economic forecasts should be considered having regard to the growth in working-age population in the housing market area. It sets out that:

> *"… where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility and other sustainable options such as walking and cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing and infrastructure development could help to address these problems."*[15]

3.14 The emphasis in the PPG is clearly on seeking to balance homes and jobs across the Housing Market Area reflecting that labour markets operate across administrative boundaries. I am aware that the Eastleigh Local Plan 2011-29 Inspector's Report (CD9.3, Para 53) noted in the context of Eastleigh, and in regard to the relationship between economic growth and housing need that "*such calculations are fraught with uncertainty and can only be used as a broad guide"* and in the context

[10] Gallagher Homes Ltd and Lioncourt Homes Ltd v Solihull Metropolitan Borough Council [2014] EWHC 1283 (CD12.16)
[11] ID: 2a-015-20140306
[12] ID: 2a-016-20150227
[13] 2a-015-20140306
[14] ID 1a-017-20140306
[15] ID 2a-018-20140306

of the close economic relationship between Eastleigh Borough and adjoining parts of the economic area that there was not "*a pressing need for job growth and population growth to necessarily be closely matched".* Nonetheless, I have sought for the sake of robustness to undertake some analysis to consider this relationship.

3.15 The PPG goes on to indicate that the "*housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings*."[16] It is clear that adjustments should be assessed against the starting point household projections. It identifies relevant market signals under the following sub-headings:

- Land Prices;
- House Pries;
- Rents;
- Affordability;
- Rate of Development;
- Overcrowding.

3.16 It states that appropriate comparisons should be made through assessment of long-term trends (absolute and relative) against:

- The housing market area;
- Similar demographic and economic areas;
- National trends.

3.17 With regard to where adjustments might be appropriate to take account of market signals, the PPG states that:

> *"A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections. Volatility in some indicators requires care to be taken: in these cases rolling average comparisons may be helpful to identify persistent changes and trends.*
>
> *In areas where an upward adjustment is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be.*

[16] ID 2a-019-20140306

> *Market signals are affected by a number of economic factors, and plan makers should not attempt to estimate the precise impact of an increase in housing supply. Rather they should increase planned supply by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability, and monitor the response of the market over the plan period."*[17]

3.18 In the context of the PPG, the appropriate test is therefore whether an upward adjustment should be made from trend-based household projections to take account of market signals.

3.19 The need for affordable housing is dealt with separately in the PPG, with guidance provided on how this is assessed provided alongside information on how needs for different types of housing should be assessed. The Guidance states that affordable need should be calculated by "*adding together the current unmet housing need and the projected future housing need [for affordable housing] and then subtracting this from the current supply of affordable housing stock*."[18] I highlight the following with regard to assessing affordable need:

- First, it clearly includes existing households – the types of households identified as having a current need include those with insecurity of tenure, overcrowded households, those lacking facilities or with a social/physical impairment which cannot be met *in situ*. This includes households across a range of tenures who are in need (ID 2a-022-20130306 and ID 2a-023-20140306)
- Second, it clearly includes supply-side factors – with the estimate of need expected to be compared against the current total affordable housing supply and committed supply of affordable housing (ID-2a-025-20140306), and future supply taking account of relets (ID 2a-026-20140306).

3.20 This is in contrast to other parts of the methodology where supply-side factors are left aside, and the focus is on *net* growth in households/ dwellings. This is an important consideration when the assessed affordable need is compared against demographic projections.

3.21 The PPG identifies that the affordable housing need should be identified as an annual flow, and 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*

[17] ID: 2a-020-20140306
[18] ID 2a-022-20140306

developments. An increase in the total housing figures included in the local plan should be considered where it could help to deliver the required number of affordable homes."[19]

3.22 I recognise that there has been some debate over the last year or so over whether affordable housing need is thus a component of the OAN, or that there is a separate requirement in setting policy to consider adjusting upwards the housing requirement to boost affordable housing delivery. In the accompanying housing needs report, I have reviewed relevant legal decisions. The latest position is set out in *Kings Lynn & West Norfolk vs. SSCLG & Elm Park Holdings Ltd* [2015] EWHC 2464 (Admin) (CD12.18). In this judgement, Mr Justice Dove notes the "ingredients" involved in assessing the full OAN, and that this necessitated considering a range of relevant data for which there is no one set methodology and which will involve elements of judgement. In Paragraph 35 he goes on to comment that:

"The Framework makes clear these needs [affordable housing needs] should be addressed in determining the FOAN, but neither the Framework nor the PPG suggest that they have to be met in full when determining that FOAN. This is no doubt because in practice very often the calculation of unmet affordable housing need will produce a figure which the planning authority has little or no prospect of delivering in practice. That is because the vast majority of delivery will occur as a proportion of open-market schemes and is therefore dependent for its delivery upon market housing being developed."

3.23 This is an important point. Specifically in respect of a previous judgment, he comments as follows:

"Insofar as Hickinbottom J in the case of Oadby and Wigston Borough Council v Secretary of State [2015] EWHC 1879 might be taken in paragraph 34(ii) of his judgment to be suggesting that in determining the FOAN, the total need for affordable housing must be met in full by its inclusion in the FOAN I would respectfully disagree. Such a suggestion is not warranted by the Framework or the PPG."

3.24 It seems clear from this that the expectation is that it may be necessary, based on the affordable needs evidence to *consider* an adjustment to enhance the delivery of affordable housing, but that this does not need to be done in a "mechanical way" whereby the affordable need on its own drives the OAN.

Housing Market Geography

3.25 Eastleigh forms part of a Southampton-focused Housing Market Area which includes the local authorities of Eastleigh and Southampton in their entirety, and parts of the local authorities of New

[19] ID 2a-029-20140306

Forest, Test Valley, Winchester and Fareham. This was defined in the 2014 South Hampshire Strategic Housing Market Assessment (CD10.2).

3.26 The Council's evidence for this Inquiry deals with five-year land supply within Eastleigh Borough. I expect the appellant's evidence to adopt a similar approach. My evidence thus focuses on the objectively assessed need in Eastleigh Borough.

3.27 In *Satnam Millennium Ltd vs. Warrington BC* [2015] EWHC 370 (Admin) Mr Justice Stewart clarified (at [25]) that the primary duty of a Local Planning Authority (LPA) is to assess the needs of the LPA's area; but in assessing these needs it is required to prepare an SHMA which may cross administrative boundaries.

3.28 My evidence, and the *Review of Housing Needs in Eastleigh Borough* report (CD10.21) on which I draw, is prepared in the context of the 2014 South Hampshire Strategic Housing Market Assessment (CD10.2). It has been prepared by a consistent consultancy team and work being undertaken for PUSH more widely to review OAN to take account of the latest evidence – including demographic evidence, economic forecasts and market signals data.

Timeframes

3.29 My evidence deals with OAN over the 2011-2036 period in order to align with the timeframes for the Local Plan which the Council is developing. OAN is assessed over this period and then annualised.

3.30 My evidence provides a standalone assessment of the full need for housing. In assessing OAN in accordance with the PPG, I consider past housing delivery alongside other market signals, as well as evidence of affordable housing need. My evidence thus captures and makes appropriate adjustments to take account of any notional under-provision of housing prior to 2011. As set out in *Zurich Assurance Limited vs. Winchester District Council and South Downs National Park Authority* [2014] EWHC 758 (CD12.9) by Mr Justice Sales, it would not be appropriate add on any figures for under-delivery prior to 2011 in calculating a shortfall of housing for five year land supply purposes[20].

[20] For the avoidance of doubt, I am dealing here with the shortfall, not the buffer

4 DEMOGRAPHIC STARTING POINT

4.1 The PPG sets out that the latest official household projections should provide the starting point for assessing housing need[21]. Assessments should be informed by the latest available information where possible, including the latest ONS Mid-Year Population Estimates[22]. Sensitivity testing may be appropriate. Typically this includes testing alternative assumptions on migration and household formation rates. However the PPG outlines that "*any local changes would need to be clearly explained and justified based on established sources of robust evidence*."[23]

The 2014 South Hampshire Strategic Housing Market Assessment

4.2 At the time of preparation of the 2014 South Hampshire SHMA (CD10.2), the latest official projections available were 2011-based 'Interim' SNPP and Household Projections. These were based on initial information available from the 2011 Census regarding the size and structure of the population and households. They projected forward pre-Census estimates of migration, and initial evidence that household formation amongst younger households was falling.

4.3 To address the inherent issues with the data available at this point, the PUSH SHMA sought to remodel population and household growth dynamics. Projecting forward from 2012, it sought to adjust the level of migration in the 2011-based SNPP to 2021 (and 2010-based SNPP thereafter), to take account of revised migration estimates over the input period (2005/6 – 2011). Figures for "Unattributable Population Change" (UPC) within the ONS data were assumed to relate to migration – and migration figures were adjusted on this basis. Household formation rates were modelled based on averaging scenarios run using the CLG 2008-based Household Projections and the 2011-based Household Projections (extended post 2021). This yielded a need for 615 dpa in Eastleigh.

4.4 Since the preparation of the SHMA, significant further evidence has emerged including more recent data on migration trends; and 2012-based Sub-National Population Projections and Household Projections which incorporate data from the 2011 Census. The PPG is clear that 2012-based Household Projections form the starting point for assessing housing need; and wherever possible needs assessments should take account of the latest evidence. In view of the significant new data released, I consider the demographic projections in the PUSH SHMA out-of-date and attach limited weight to the SHMA findings. This is recognised by the PUSH local authorities and is why an update to this has been commissioned.

[21] PPG ID: 2a-015-20140306
[22] PPG ID: 2a-017-20140306
[23] PPG id 2a-017-20140306

The Latest Official Projections

4.5 The latest official household projections are 2012-based. These are based on ONS 2012-based Sub-National Population Projections (SNPP). The projections (as published) expect an increase in population of 25,023 (19.9%) and growth in households of 12,762 (24.4%) 2011-36. This equates to 13,076 dwellings based on a 2011 Census vacancy rate of 2.4% equivalent to 523 dpa.

4.6 The SNPP are trend-based and project forward rates of internal migration over the previous five years; and international migration over the previous six. International migration is controlled to the assumptions in the ONS 2012-based national projections. The PPG emphasises use of the latest official projections "*as these are statistically robust and are based on nationally consistent assumptions*."[24]

4.7 These latest (2012-based) official projections were used in the 2015 JGC Study, rebased to take account of 2013 Mid-Year Population Estimates (MYEs). The "re-basing" process simply uses published ONS data in preference to projections for population change over the 2012-13 period. This showed a need for 13,000 dwellings (520 dpa) between 2011-36. A further re-basing taking account of the 2014 MYEs would yield a need for 517 dpa.

Table 1: 2012-based Sub-National Population / Household Projections – Eastleigh Borough

	Households 2011	Households 2036	Change in households	% increase	Per annum increase	Per annum housing need
2012-based SNPP	52,392	65,153	12,762	24.4%	510	523
2012-based SNPP (rebased)	52,392	65,025	12,633	24.1%	505	517

4.8 A need for 517-523 dwellings per annum can thus be regarded as the relevant "starting point" for assessing housing need.

Sensitivity Testing

4.9 Trend-based demographic projections are sensitive in particular to the assumptions made on migration and household formation rates. It is appropriate therefore to consider these factors further through sensitivity analysis – as supported by the PPG – but with the clear premise that in drawing conclusions "*any local changes would need to be clearly explained and justified on the basis of established sources of robust evidence.*" [25]

[24] PPG id 2a-017-20140306
[25] PPG ID: 2a-017-20140306

Migration

4.10 Migration levels to individual authorities typically vary year-on-year, meaning that the period over which migration is projected can affect the level of population growth and housing need.

4.11 The Planning Advisory Service's (PAS) Report on *Objectively Assessed Need and Housing Targets* (PBA, July 2015 – CD13.11) states that the PPG cannot predict the impact on demographic change of external factors; and may not have caught up with the latest data, such as ONS Mid-Year Population Estimates. It points to the potential impact which the last economic recession may have had on the trends over the base period from which the latest SNPP are derived (2006/7-2012), and advises that it may be appropriate to look at a longer-term period to provide more stable/robust projections. At a national level population growth has been stronger since 2008 than in the period prior to this date, questioning the suggestion that there is a recessionary effect on migration dynamics nationally. From 2001 to 2008 the population of England grew by an average of 338,000 people per annum, in the 2008-14 period the equivalent figure was 357,000.

4.12 PAS also highlight potential issues with recording of migration, particularly in the earlier part of the 2001-11 decade. It suggests however that the "default option" would be to set aside Unattributable Population Change (UPC).

4.13 In view of these issues, I have sought to undertake a sensitivity analysis considering longer-term migration trends and UPC.

Longer-Term Migration Trends

4.14 Levels of migration are variable year-on-year. The 2015 JGC Study modelled a sensitivity analysis considering 12 year migration trends. In doing so it compared net migration over the 2001-13 period against that feeding into the SNPP (2006/7 – 2012). Over the longer-term period, net migration was 104 persons per annum (ppa) lower. The sensitivity analysis thus adjusted migration downwards by 104 ppa over the projection period post 2013. This resulted in a housing need for 478 dwellings per annum – 8% below that shown in the SNPP-based Projection.

4.15 I have sought to consider the latest available data on migration trends. Table 2 shows past trends in net migration to Eastleigh.

4.16 Internal migration is relatively consistent in recent years, averaging 556 persons per annum (ppa) over the 2007-12 period feeding into the 2012-based SNPP, compared to 558 ppa over the latest five-year period. Over the 2001-14 period, it averaged 409 ppa.

4.17 International migration was very marginally positive over the 6-year period feeding into the SNPP. The last 6 years show figures from a net international out-migration of 19 persons to net in-

migration of 176 persons, with an average net in-migration of 64 ppa over the last 6 years and 53 ppa over the 2001-14 period. Whilst overall the net figures are low, I would not that an international migrant who then moves internally within the UK is counted in the latter as an internal migrant.

Table 2: Net Migration to Eastleigh

	Internal migration	International migration
2001/2	-223	157
2002/3	-120	161
2003/4	32	-33
2004/5	627	107
2005/6	650	115
2006/7	766	-56
2007/8	391	-150
2008/9	402	-19
2009/10	973	141
2010/11	698	79
2011/12	315	22
2012/13	435	-13
2013/14	367	176
Base Period for 2012 SNPP	556	3
Base Period for 2014 SNPP	558	64
13-Year Period (2001-14)	409	53

Source: ONS

4.18 The SNPP is a dynamic projection that takes account of changes in the size and structure of the population (both within Eastleigh and places from which people move to Eastleigh) in how migration is projected. To provide a sensitivity analysis using longer-term migration, the sensitivity analysis below adjusts migration based on the differences in trends in the 'base period' feeding into the SNPP as against trends over the last 13-years. This results in lower migration, with 147 fewer internal migrants and 50 additional international migrants in each year of the projection post 2014 relative to the SNPP (rebased).

4.19 This sensitivity analysis based on longer-term migration trends shows a need for 481 dwellings per annum. This is 8.0% below the official 2012-based Projections as published.

Table 3: Sensitivity Analysis – Housing Need based on Long-Term Migration Trends

	Households 2011	Households 2036	Change in households	% increase	Per annum increase	Per annum housing need
Long-Term Migration Trends	52,392	64,138	11,746	22.4%	470	481

Unattributable Population Change

4.20 Unattributable Population Change (UPC) could relate to an over-estimate of population in the Borough in 2001; an under-count in 2011; or an under-recording of migration in the inter-censal period. It is not possible to 'attribute' what numbers might relate to these different components.

4.21 The ONS conclusions on UPC[26] are that there is insufficient evidence that this measures a bias which will continue in the trend data into the future, setting out that:

- if it is due to either the 2001 Census or 2011 Census, then the components of population change will be unaffected, and
- if it is due to international migration, it is likely that the biggest impacts will be seen earlier in the (2001-11) decade and will have less of an impact in the later years, because of improvements introduced to migration estimates in the majority of these years.

4.22 I am aware of Mr Emmerson's comments on UPC in the Eastleigh Local Plan 2011-29 Inspector's Report (CD9.3, Para 23). He accepted that UPC may represent higher than accounted for migration, but also that it would be reasonable for a Study to follow a consistent approach to the ONS.

4.23 ONS has made improvements to migration statistics which take account of data from the Higher Education Statistics Agency (HESA) on student moves; and use an improved model for the distribution of international migrants using administrative sources.

4.24 The Council's December 2015 Housing Background Paper sets out that inclusion an adjustment for UPC might "*represent a precautionary approach*" towards future migration, and would result in a housing need for 584 dwellings per annum (based on the modelling in the JGC 2015 Study). I do not consider that this scenario is reasonable from a technical perspective given the conclusions drawn by ONS in the bullet points above and noting that this scenario is based on adjustments to recent migration trends which take account of improvements which ONS has made to measuring migration. However when considering longer-term migration trends, there is some potential impact of UPC.

4.25 On this basis to provide an appropriate comparison, I present a further sensitivity analysis to the *Long-Term Migration Projection* which considers what the impact might be if all of the UPC were to be attributed to an under-recording of migration.

[26] ONS (Jan 2014) *2012-based Sub-National Population Projections for England – Report on Unattributable Population Change*

Table 4: Sensitivity Analysis –Long-Term Migration Trends with full UPC Adjustment

	Households 2011	Households 2036	Change in households	% increase	Per annum increase	Per annum housing need
Long-Term Migration Trends with Full UPC Adjustment	52,392	65,363	12,972	24.8%	519	531

4.26 The results of this scenario are very similar to those shown in the 2012-based SNPP/ Household Projections (523 dpa). There is a 1.5% difference between the projections. However, there is not clear robust evidence that UPC can be attributed in its entirety to migration (as this scenario does), as the PPG requires.

4.27 Drawing together the above, it is clear that the migration assumptions in the 2012-based SNPP are reasonable. They are consistent with more recent trends (2009-14) and sit within the range shown looking at longer-term trends since 2001.

Household Formation Rates

4.28 Household formation rates describe the proportion of people of different ages who are considered to be a head of a household.

4.29 The 2015 Housing Needs Study (CD10.9, Figure 2.17) provided an assessment of household formation rates in the (Stage 1) 2012-based CLG Household Projections against those in the previous two sets (2011- and 2008-based). In particular, the household formation rate amongst the 25-34 age group had fallen during the 2000s. For other younger age groups (15-24 and 35-44) it remained relatively stable. Amongst older age groups, headship rates historically had been falling for the 75-84 group, but increasing for those 85+.

4.30 There are potential age cohort effects, for instance the possibility that a lower headship rate amongst those 25-34 could feed through into the 35-44 age group in time. This is not reflected in the 2012-based Projections modelling.

4.31 For those aged 85+ it does appear that the falling headship rate amongst those 75-84 is expected over time to result in a reduced headship rate for those 85+. This seems logical given increasing life expectancy.

4.32 The JGC Report considered the Stage 1 2012-based Household Projections. These projected household formation based on data from the 1971, 1981, 1991, 2001 and 2011 Censuses. For 15-29 year olds greater weight was given in the CLG Projections methodology to the dampened

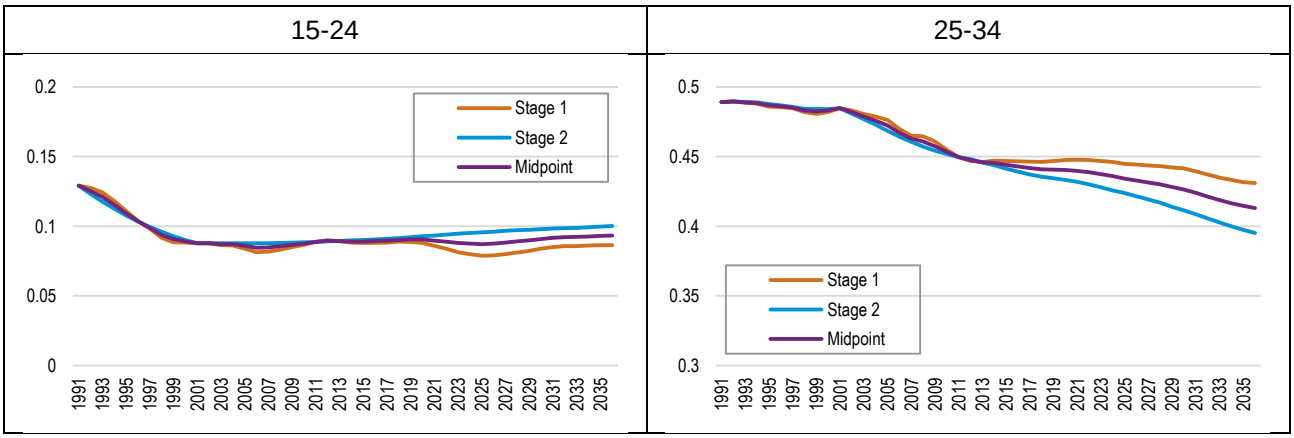
logistical trend than the simple logistics trend. The effect of this (as CD10.9 Figure 2.7 shows) is evidently to give greater weight in projecting headship rates amongst younger age groups to the longer-term trends.

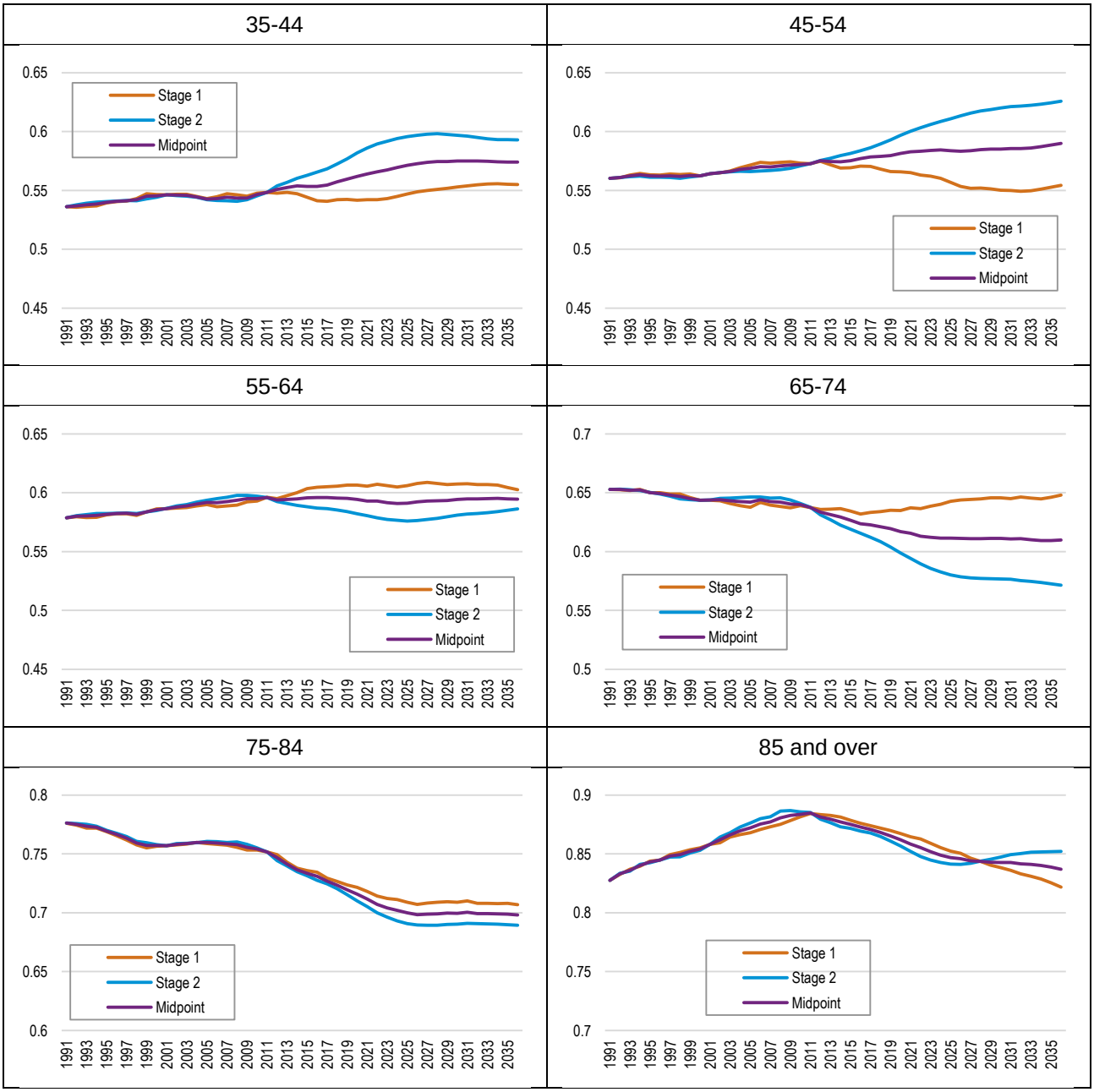
4.33 Stage 2 Household Projections were published by CLG in December 2015. These consider household types. The Methodology Report accompanying the projections is clear that these projections are based on just two points – the 2001 and 2011 Censuses. Overall outputs on total household growth are constrained to the totals from the Stage 1 Projections. This means that both sets of projections show the same level of overall household growth but some of the age specific assumptions differ.

4.34 In preparing my evidence I have considered the headship rate assumptions in the Stage 2 projections (see Figure 1). The Stage 2 projections, based on shorter-term trends, show a stronger fall in household formation for those aged 25-34; but show strong increases in headship rates amongst those aged 35-44 and 45-54. For all age groups aged over 65, the headship rates are expected to fall over the next decade or so before stabilising. The most notable differences are in the 45-54 and 65-74 age groups where the 'trends' appear to go in opposite directions in the Stages 1 and 2.

4.35 The projections invariable show how difficult it is to predict headship rates. In view of the differences in inputs to the two sets of projections, I would give greater weight to the Stage 1 projections as these are informed by longer-term trends rather than those associated with the 2001-11 decade which included a deep recessionary period and noting the greater divergence of headship rates in the Stage 2 projections from longer-term trends.

Figure 1: Projected household formation rates by age of head of household – Eastleigh





Source: Derived from CLG data

4.36 The headship rates shown in the CLG 2012-based Household Projections supersede those in the previous 2008- and 2011-based Household Projections.

4.37 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."[27]

4.38 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.

4.39 A number of academic studies have considered recent trends in household formation. A 2013 Study by the late Alan Holmans[28] noted that part of the shift away from household formation rates in the 2008-based Household Projections (as revealed by the 2011 Census) was expected to relate to international migration, and different household structured within new migrant communities; with part relating to housing market and affordability issues. His report drew conclusions that:

> *"The working assumption in this study is that a considerable part but not all of the 375,000 shortfall of households relative to trend was due to the state of the economy and the housing market. 200,000 is attributed to over-projection of households due to the much larger proportion of recent immigrants in the population, whose household formation rates are lower than for the population as a whole. This effect will not be reversed. The other 175,000 is attributed to the economy and the state of the housing market and is assumed to gradually reverse."*

4.40 To understand the relative potential impact of this, it is relevant to consider how the ethnic make-up of the Borough's population changed between 2001-11. In absolute and proportional terms, population growth was driven by a growing Black and Minority Ethnic (BME) population; with strong growth in the Asian/Asian British and White Other Populations in particular.

Table 5: Changing Ethnic Composition of Eastleigh's Population, 2001-11

	2001	2011	Change	% Change	PP Change
White British	110883	114873	3990	3.6%	-3.7%
White Irish	746	793	47	6.3%	0.0%
White Other	1547	2871	1324	85.6%	1.0%
Mixed Ethnic	819	1740	921	112.5%	0.7%
Asian/ Asian British	1817	3740	1923	105.8%	1.4%
Black	218	605	387	177.5%	0.3%
Other Ethnic	139	577	438	315.1%	0.3%
All People	116169	125199	9030	7.8%	0.0%

[27] PPG ID: 2a-015-20140306
[28] *Holmans, A. (2013) New estimates of housing demand and need in England, TCPA.*

Source: 2001, 2011 Census

4.41 Given a younger age structure amongst BME groups, the evidence suggests that a changing ethnic composition of the population is likely to be an influence on the declining headship rate of those aged 25-34 as household structures differ between ethnic groups; albeit that it is reasonable to assume that part of the decline in headship rates for this group was as a result of housing market factors.

4.42 More recent research by demographer Ludi Simpson and Neil McDonald has also considered issues around projecting household formation rates. Their report is clear that it is not appropriate to revert to the 2008-based household representative rates, setting out:

> *"it is no longer sensible to appeal to previous household projections including the 2008-based set as if they were evidence of an underlying trend in household formation. They were produced at a time when household formation had already changed, starting before the economic downturn of the mid-to-late 2000s, and are in themselves only evidence of the optimism of that period."*

4.43 The PAS Technical Advice Note also supports this position, noting that "*The CLG 2008 HRRs are no longer helpful because they are based on very old evidence, and anyway may not reflect the true long-term trend*" (Para 6.42).

4.44 The Simpson/McDonald Report does however make a suggestion as to household projections can be sensitivity tested. They outline two alternatives:

- Household formation increasing: No further decrease in household representative rates for any age-sex-relationship group, leaving increases in place.
- Household formation not increasing: No further increase in household representative rates for any age-sex-relationship group, leaving decreases in place.

4.45 They do not specify which age groups these sensitivities might be applied to and it is considered that such an approach is only really suitable for younger people. This does not mean that the projections are building in suppression moving forward but will be related to other demographic changes – in particular increased life expectancy meaning that people will live together as couples for longer before the first partner dies. My sensitivity analysis therefore applies the scenarios suggested in the Simpson/McDonald research to those age groups up to 44. A first scenario holds constant any headship rate that is projected to decrease; with a second holding constant any headship rate which is projected to increase.

4.46 The outputs of this sensitivity testing are presented in the tables below. This is provided for the SNPP and for Long-term Migration Trends.

4.47 Dealing first with the sensitivity analysis to the 2012-based Population Projections, the scenario testing indicates that potential variance in household formation could result in housing need between 5.6% below to 9.5% above the core projections for 523 dwellings per annum. Whilst demonstrating the potential variance, there is no clear basis for arguing that one scenario is better than the next; and, indeed, the potential variance shown with the Stage 2 Projections is greater than with Stage 1. Considering longer-term migration trends, the range shown is between 451 – 529 dwellings per annum.

Table 6: Sensitivity Testing CLG headship rates (annual housing need with a range of scenarios) – 2012-based SNPP

	CLG Household Projections	Sensitivity 1 (no decreases)	Sensitivity 2 (no increases)
Stage 1	523	537	518
Stage 2	523	573	494

Source: Demographic Projections

Table 7: Sensitivity Testing CLG headship rates (annual housing need with a range of scenarios) – 13-year migration trends

	CLG Household Projections	Sensitivity 1 (no decreases)	Sensitivity 2 (no increases)
Stage 1	481	493	474
Stage 2	482	529	451

Source: Demographic Projections

4.48 Given the basis of the data on which the Stage 2 projections are produced, which is to provide information on household types; and their projection of trends over the 2001-11 period only, I attach greater weight to the Stage 1 projection results. The sensitivity analysis using these shows housing need varying between 481 – 537 dpa.

4.49 Considering the range of demographic evidence together, it is a reasonable planning assumption to plan for population growth in line with the latest official projections given that these are endorsed specifically in the PPG, and that consideration of more recent population trends points to a similar level of migration. These are more positive than longer-term migration trends.

4.50 The assessed housing need is clearly sensitive to assumptions on headship rates. Whilst I consider the Stage 1 projections to provide a stronger basis for considering future trends, I do accept that there is some degree to which short-term trends in household formation amongst the 25-34 age group could have been influenced by economic circumstances – and on this basis consider that an upward adjustment to address this is potentially warranted. Taking the projections evidence together, it is reasonable to take a midpoint within the range of potential outcomes shown in Table 6 above, pointing to a demographic-based need for 537 dpa. This is evidently towards the higher end of my sensitivity testing for the Stage 1 Projections and I consider what support improvements in

household formation amongst younger households relative to the CLG base projections as published.

4.51 I conclude therefore that the appropriate demographic-based assessment of housing need is for 537 dpa.

5 CONSIDERING ECONOMIC TRENDS

5.1 The PPG sets out that in objectively assessing need for housing, consideration should be given to economic (job growth) trends and/or forecasts.

5.2 The interaction between housing need and economic performance is complex, and influenced by a range of variables – including employment growth, double jobbing (as some people have more than one job), commuting patterns and changes in economic participation and unemployment.

5.3 There is also evidently a degree of uncertainty regarding how an economy might perform particularly when looking 15+ years into the future.

5.4 These issues are highlighted in the Eastleigh Borough Plan 2011-29 Inspector's Report (CD9.3, Para 53), where Mr Emmerson commented in regard to employment-led projections for housing need that:

> *"such calculations are fraught with uncertainty and can only be used as a broad guide. The close economic relationship between Eastleigh Borough and adjoining parts of the economic area are reflected in the high daily flows of residents to work outside the Borough and inflows of workers to Eastleigh from elsewhere. In these circumstances, I do not see a pressing need for job growth and population growth to necessarily be closely matched."*

5.5 I am however aware of examples of appeals and examinations which have considered economic growth in drawing conclusions on OAN at a Borough level and thus consider it appropriate to review evidence on economic performance and the inter-relationship of this to housing need.

5.6 The 2015 JGC Study considered 2013 econometric forecasts from Oxford Economics and Experian. The scenarios considered represent employment growth ranging between 445 jobs per annum (Oxford Economics) and 539 jobs per annum (Experian) between 2011-36[29], which the Study calculated would equate to between 496 – 552 homes per annum (Figure 3.7). This fell below the demographically-based housing need, leading the JGC Study to conclude that economic factors do not provide an upside to the assessed housing need for the Borough.

5.7 Representations made to the Council have noted two issues – that the JGC 2015 Study uses 2013 forecasts which are now somewhat out-of-date; and consideration has not been given to past trends.

5.8 To address these issues, and taking account of emerging work being undertaken for PUSH, I have sought to consider further the relationship between jobs and homes.

[29] This was based on extending projections post 2030/31

Solent LEP Forecasts

5.9 The Solent Local Enterprise Partnership (LEP) is responsible for driving forward economic development in the area. The LEP commissioned a set of econometric forecasts from Oxford Economics in 2013 to inform the development of its Strategic Economic Plan. To reflect more recent economic trends, and inform future work, it has been working with Oxford Economics to update the forecasts in Summer 2015. Oxford Economics has worked closely with the LEP to develop the forecasts which take account of the detailed work which they have undertaken to understand economic dynamics and growth potential across South Hampshire and the Isle of Wight. The LEP has provided GL Hearn with the forecast outputs. These Oxford Economics forecasts were commissioned to inform the Solent LEP's review of its Strategic Economic Plan and are informing the PUSH Spatial Strategy.

5.10 Oxford Economics' analysis indicates that the world economic outlook as improved significantly since 2009, but that economic growth rates in China are slowing, Russia continues to face sanctions, oil prices have fallen substantially and the BRIC economies are not doing as well as they once were. Falling oil prices have, however, influenced inflation and provided a stimulus to consumer demand; and the US economy is performing well. The UK economy has been performing well – with strong performance of the labour market. Their latest forecasts take account of stronger household spending power, housing market confidence and an improved export outlook; albeit offset in part by public spending cuts. Given slower productivity growth than forecast previously, the outlook for jobs growth in the UK economy is stronger than was forecast in 2013.

5.11 For the Solent area, Oxford Economics expect total employment to grow by 10% over the 2014-30 forecast period (an average of 0.7% per annum). GVA (economic output) is expected to grow by 2.7% over this period. The employment forecast at 0.7% per annum for the Solent area is consistent with Oxford Economics forecasts for employment growth across the South East and nationally.

5.12 As is expected at the national and regional levels, employment growth is expected to be particularly driven by professional, scientific and technical activities; information and communications; and administration and support services; but overall is broad based – with a range of sectors including tourism, leisure, construction, logistics and healthcare expected to grow. A continuing shift towards service sector employment is expected.

5.13 The forecasts show greater growth potential in office-based activities in the western part of the sub-region (including Southampton and Eastleigh); with growth in Professional Services expected to drive employment growth in Eastleigh. Table 8 shows expected sectoral performance.

Table 8: Sectoral Growth Forecasts, Eastleigh 2011-30

	Employment Growth ('000s) 2011-30
Agriculture, Fishing, Mining	0.0
Manufacturing	-1.3
Utilities	0.0
Construction	1.5
Wholesale, Retail	0.8
Transport, Warehousing	1.4
Accommodation, Food	0.9
IT, Telecoms	1.5
Professional Services	4.6
Business Support Services	-1.4
Public Services	0.7
Residential, Social, Recreation	0.7
Total	9.5

Source: Oxford Economics

5.14 Oxford Economics forecasts are derived from an integrated econometric model which considers future economic performance, and set out how this can be expected to influence migration and population growth. The model provides integrated outputs for employment growth, population growth and occupied housing stock for different local authorities (and parts of local authorities) in the Solent LEP Area.

5.15 The economic outputs from the forecasting for Eastleigh Borough are shown below:

Table 9: Econometric Forecasts for Solent LEP, 2011-30

	Total Employment, Jobs	Resident Employment, People	Annual Growth (CAGR), Employment	Annual Growth (CAGR), GVA
Eastleigh	9,500	9,800	0.7%	3.3%

5.16 Oxford Economics expect 0.8% pa growth in employment in Eastleigh Borough over the 2014-30 forecast period, which is above the rate of growth forecast at a LEP, regional or national level. This is lower than the 1.0% growth achieved historically over the 2000-13 period[30], but this is a reflection of the economic outlook – including slower expected global growth and lower public spending. The model includes historical data from 2000. In terms of GVA, 3.3% per annum growth is expected – a significantly higher growth rate than expected across the Solent area.

5.17 As the Planning Advisory Service's Report on *Objectively-Assessed Need and Housing Targets* (July 2015, CD13.11) sets out, econometric models usually include a view of the factors influencing the relationship between workplace jobs to resident population. As the report sets out, in the Oxford Economics model the population and employment forecasts are inter-linked.

[30] Equivalent to jobs growth of 566 per annum based on the OE data, 2000-13. We would note that this is notably above the growth recorded by ONS Jobs Density data, which showed an increase in total employment from 64,000 to 67,000 over this period.

5.18 The Oxford Economics Model relates economic growth and demographic factors, taking account of the relationship between jobs and people and how this can be expected to change, commuting dynamics and changes to economic participation. OE have then used assumptions from the 2012-based Household Projections to relate population to occupied dwellings. This allows a relatively straightforward comparison to be made between the demographic-led forecasts, and those within the economic model, with a view to considering whether there is a need to increase housing provision to support economic growth. This approach avoids the potential pitfalls regarding circularity or logical inconsistencies referred to in the PAS Technical Advice Note.

5.19 The econometric forecasts run to 2030, and therefore GL Hearn has sought to consider how the economic and demographic-led forecasts align with one another over this period. As a result the demographic-led need considered in this section is also presented over the 2011-30 period.

5.20 In Table 10 I have shown the core outputs from the Oxford Economics' modelling. Over the 2011-30 period, workplace-based employment in the Borough is expected to increase by 500 per annum. Taking account of commuting, the number of residents in employment is expected to grow by 520 per annum. To support this, growth in the occupied housing stock of 9,300 is expected. Using a vacancy rate of 2.4%, provision of 9,520 dwellings would be required (an annual average of 501 per annum).

Table 10: Outputs from Solent LEP/ Oxford Economics Forecasts (2015) – Eastleigh

	2011	2030	Change	Change per Annum
Total employment (jobs, 000s)	69.7	79.2	9.5	0.50
Resident employment (people, 000s)	65.8	75.6	9.8	0.52
Occupied housing Stock (000s)	52.6	61.9	9.3	0.49

Source: Oxford Economics

Changes in Working-Age Population

5.21 I recognised that the Oxford Economics forecasts only run to 2030, whilst the plan period continues to 2036. I have therefore sought to undertake additional analysis to consider how the working-age population in the Borough can be expected to change over the period to 2036, taking account of the PPG which sets out that consideration of the balance between expected change in jobs and working-age population is expected.[31]

[31] PPG ID: 2a-018-20140306

5.22 ONS has issued tables alongside the 2012-based SNPP and 2014-based national Population Projections which can be used to calculate the working-age population, taking account of changes to State Pension Age (SPA). Between 2012-18, SPA will change from 65 for men and 61 for women to 65 for both sexes. Between 2019 and 2020, SPA will then increase to 66 for both sexes; and will then increase further from 66 to 68 over the period to 2046. This is based on the Pensions Act 2014.

5.23 Applying these rates to the 2012-based SNPP results in a growth in the working-age population of 10,447 (13.5%) between 2011-36 in Eastleigh (as shown in Table 11).

Table 11: Increase in Working-Age Population, 2011-36

Working-age population (2011)	Working-age population (2036)	Change in working-age population	% change
77,279	87,727	10,447	13.5%

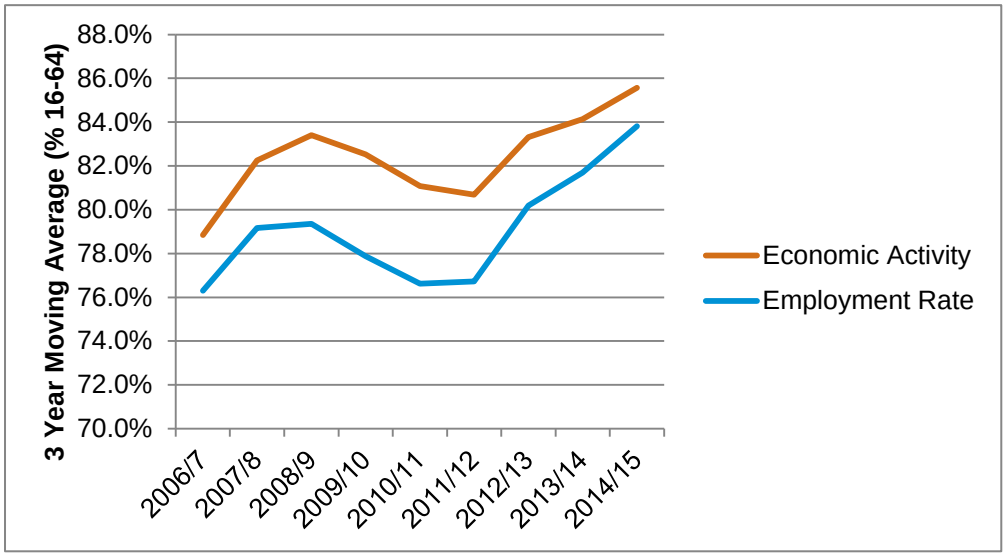
5.24 However, looking at the working-age population does not directly indicate how many are economically active - some people of working age will not be in work or actively seeking employment. 2011 Census data indicated that 85% of those aged 16-59/64 in Eastleigh were economically active. If this is applied to the change in the working-age population, it results in an increase in the economically-active population of working age of 8,932 persons over the 2011-36 period.

Table 12: Increase in Economically-Active Working-Age Population, 2011-36

	Change in Working-Age Population	Economic Activity Rate (2011)	Change in working-age economically active
2012-based SNPP	10,447	85.5%	8,932

5.25 This is potentially a conservative assessment as the economy was just recovering from recession in 2011. The latest data from the Annual Population Survey for Eastleigh shows that the economic activity rate of a broader age group (16-64) has increased quite notably since 2011; as has the employment rate, as Figure 2 below shows. An upward trend has also been evident nationally.

Figure 2: Recent Trends in Employment and Economic Activity Rates in Eastleigh Borough



Source: Annual Population Survey

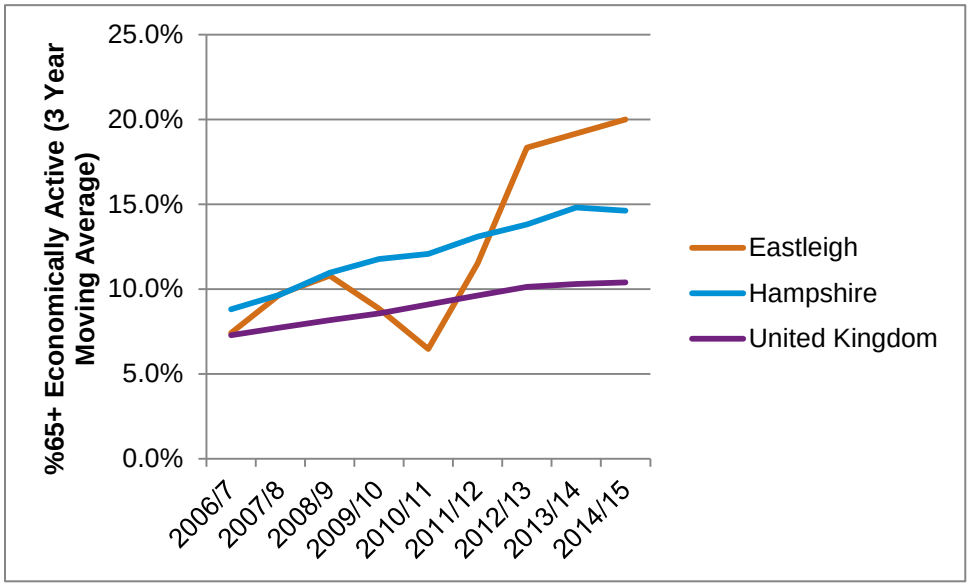
5.26 Some people who are of pensionable age are also economically active and in work. Using the demographic modelling, the pensionable-age population is expected to increase by 10,996 persons between 2011-36. Census data showed that 15.6% of the population of pensionable-age were economically active in 2011.

5.27 There is an evident trend of increasing economic activity amongst older age groups. At a national level, data on economic activity rates for those aged over 65[32] from the Annual Population Survey shows an increase from 6.3% in 2004 to 10.2% in 2014. The trend clearly suggests that it is reasonable that further increases in economic activity amongst older age groups can be expected (not least given increasing life expectancy).

5.28 Figure 3 shows that there is an evident upward trend in economic activity across Hampshire; as well as a notable increase in economic activity amongst this age group in Eastleigh. Set against the above scenarios, the latest available data points to an economic activity rate currently of 20.0% in the Borough.

[32] Data on trends is not published for those of pensionable age specifically

Figure 3: Trends in Economic Activity amongst those aged 65+



Source: Annual Population Survey

5.29 Clearly it is difficult to precisely predict how the economic activity rate of this cohort of the population might change over the period to 2036. My evidence considers two scenarios:

- Scenario 1: the economic activity rate of those of pensionable age increases by 0.2pp per annum, resulting in the rate reaching 20.6% in 2036;
- Scenario 2: the economic activity rate of those of pensionable age increases by 0.4pp per annum reaching 25.4% in 2036.

5.30 These scenarios result in a potential growth in the economically active population of pensionable age of between 3,498 – 5,191 persons to 2036.

Table 13: Increase in Economically-Active Pensionable-Age Population, 2011-36

	2011	2036	Change
Pensionable Age Population	24655	35651	10996
% Economically Active - Scenario 1	15.6%	20.6%	
Economically Active - Scenario 1	3846	7344	3498
% Economically Active - Scenario 2	15.6%	25.4%	
Economically Active - Scenario 2	3846	9038	5191

5.31 In considering the realism of the scenarios, the latest data suggests that economic activity rates in the Borough have increased notably since 2011 (as Figure 3 shows) and have already reached 20.0%. On this basis it seems likely that Scenario 1 will under-estimate the growth in the

economically-active population of pensionable age as economic activity rates are already at a level close to that expected in 2036 in this scenario.

5.32 Drawing the analysis together, over the plan period to 2036 the number of economically active residents is expected to increase by between 497 – 565 persons per annum. The forecast job growth of 500 per annum to 2030 sits within this range, and the evidence points to stronger growth in economic activity rates than modelled in my lower growth scenario. This analysis confirms that even looking over a longer time period, it is not expected that there will be an imbalance between expected workforce growth and economic growth.

Table 14: Estimated Changes in Economically-Active Population, 2011-36

2012-based SNPP	Change in working-age economically active	Change in pensionable age economically active	Total change in economically active	Per annum change
Scenario 1	8,932	3,498	12,430	497
Scenario 2	8,932	5,191	14,123	565

5.33 In assessing this against rates of jobs growth, it should be borne in mind that growth in total jobs is likely to exceed growth in the number of 'people' working, given that some people hold down more than one job. This issue was considered in the 2015 JGC Study which suggested that 4.3% of workers have a second job (CD10.9, Para 3.9).

Conclusions

5.34 Drawing the economic analysis in this section of my evidence together, the Oxford Economics 2015 Model for the Solent LEP expects a growth in workplace employment in Eastleigh of 500 per annum to 2030. The model shows that this would result in a housing need for 501 dwellings per annum.

5.35 Looking over the longer-term to 2036, the analysis points to workforce growth of between 497 – 565 persons per annum based on the 2012-based SNPP with the recent data pointing to stronger growth in economic activity rates than modelled in the lower scenario. There is no evidence pointing to a need for migration to increase relative to trend-based projections in order to support economic growth in the Borough. My conclusions in this respect are consistent with those in the 2015 JGC Study (CD10.9).

6 AFFORDABLE HOUSING NEED

6.1 In this section I provide an update to the assessment of affordable housing need contained in the JGC study of June 2015. I have worked with Justin Gardner to do this. The methodology has not been substantially changed and the update is simply to reflect additional data that has become available. Specifically it takes account of updated information on housing costs, incomes, relets of affordable housing and estimates of newly-forming households (linked to the 2012-based SNPP). It is prepared in the context of work being undertaken on updating the South Hampshire SHMA.

6.2 I have also considered relevant guidance and High Court decisions in relation to affordable housing and objectively assessed housing need. These have been highlighted in a number of representations to the 2015 JGC Study.

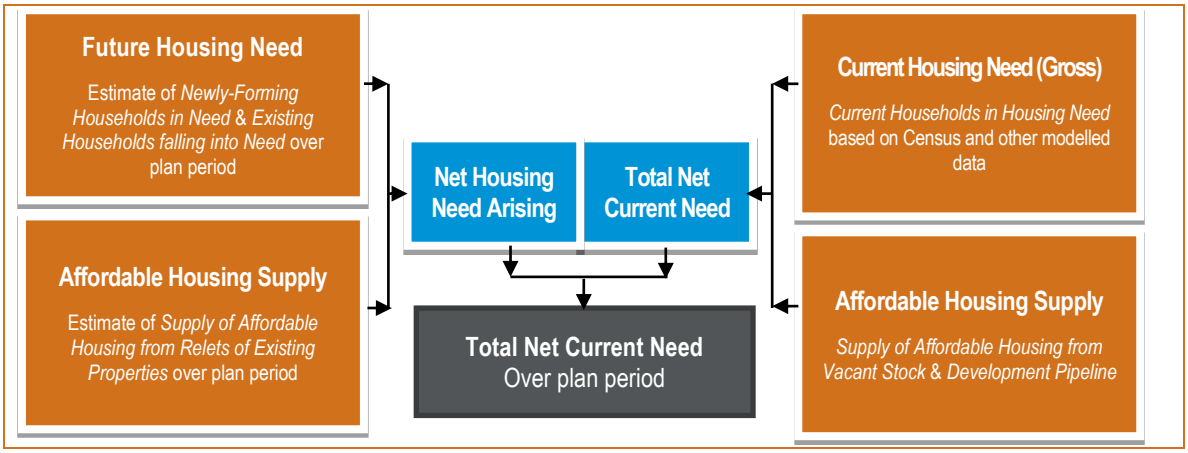
6.3 Where an affordability test is applied, this is based on assuming a household pays no more than 30% of their gross income on housing. This assumption is consistent with that in the 2015 JGC Study. It was accepted as a 'maximum' in the Inspector's Report (February 2015) but the same Inspector has accepted that a 35% threshold for modelling is appropriate in his Preliminary Findings at a recent Local Plan Examination in West Oxfordshire.[33] In line with the PPG and to enable comparison against the demographic projections, the analysis considers needs over the 2011-36 period.

Affordable Housing Needs Assessment

6.4 Affordable housing need has been assessed using the Affordable Needs Assessment Model as set out in the PPG (2a-023 to 2a-029). The model, as summarised in the chart below, considers the need for affordable housing in isolation from other tenures; and compares need against supply. Supply is influenced by historical funding and investment decisions.

[33] West Oxfordshire Local Plan Examination: Inspector's Preliminary Findings Part 1, December 2015

Figure 4: Overview of Basic Needs Assessment Model



6.5 The methodological approach used is consistent with that in the 2015 JGC Report in a number of respects. As the analysis is based on secondary data sources only, there are a number of assumptions that need to be made to ensure that the analysis is as robust as possible. Key assumptions include considering the number of households who have a need due to issues such as insecure tenancies or housing costs – such households form part of the affordable need as set out in Guidance (see paragraph 023 of the PPG for example) but are not readily captured from secondary data sources. Assumptions also need to be made about the likely income levels of different groups of the population (such as newly forming households), recognising that such households' incomes may differ from those in the general population.

Current Affordable Housing Need

6.6 In line with PPG, the current need for affordable housing has been based on considering the likely number of households with one or more housing problem. Table 15 sets out the data used in each part of the assessment. All efforts have been made to avoid double counting[34].

6.7 There may be some issues with looking at both concealed households and overcrowding – it is likely that providing housing for some concealed households would remove an overcrowding issue – no account has been taken of this and therefore arguably the figures presented could be slightly too high. On the other hand, the analysis of concealed households only includes those with children and it is possible that some 'childless' concealed households also have a need. On balance I consider that the analysis and outputs will be as accurate and plausible as is reasonably possible. Other people who are seeking to form an independent household will be captured as newly-forming households in the projection of future need.

[34] This includes excluding households living in non-hostel and B&B properties from the number of 'other' households in need (such households will be included in the homeless in temporary accommodation)

Table 15: Main sources for assessing the current unmet need for affordable housing

	Source	Notes
Homeless households	CLG Live Table 784	Total where a duty is owed but no accommodation has been secured PLUS the total in temporary accommodation
Households in overcrowded housing	Census table LC4108EW	Analysis undertaken by tenure
Concealed households	Census table LC1110EW	Number of concealed families (with dependent or non-dependent children)
Existing affordable housing tenants in need	Modelled data linking to past survey analysis	Will include households with many of the issues in the first box above (e.g. insecure tenure). Figures exclude those living in LA/HA or private sector/Other temporary accommodation)
Households from other tenures in need	Modelled data linking to past survey analysis	

Source: PPG [ID 2a-024-20140306]

6.8 Using these sources, 2,657 households (5.1% of the total) are identified as living in unsuitable housing. Of these 243 are concealed or homeless households.

Table 16: Estimated Households in Unsuitable Housing

Category of 'need'	Households
Homeless households	13
Households in overcrowded housing	1,281
Concealed households	240
Exiting affordable housing tenants in need	131
Households from other tenures in need	982
Total	2,647

Source: CLG Live Tables, Census (2011) and data modelling

6.9 Next the modelling has considered numbers of households living in unsuitable housing by tenure and considers what proportion can afford to meet their housing needs in the market, without financial support, and what proportion of such households will result in a net need for additional affordable housing.

6.10 From the overall number in unsuitable housing, households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). The analysis also excludes 90% of owner-occupiers based on survey data which shows that the vast majority will be able to afford housing once savings and equity are taken into account. Additionally, the 'temporary accommodation' group are split depending on whether or not they currently occupy affordable housing. A final adjustment is to slightly reduce the estimate of households in the Private Rented Sector in unsuitable housing to take account of student only households. Once these households are removed from the analysis, the remainder are taken forward for affordability testing.

6.11 An affordability test is applied, with the income distribution adjusted to reflect a lower average income for households in unsuitable housing (with the median at 69% of that for all households at £24,100) and for concealed/homeless households (with the average at 42% of that for all households at £14,700).

6.12 Based on these tests to consider the ability of households to afford a market housing solution, a current need is identified from 724 households in Eastleigh. Of these 192 households require additional housing overall; whilst 532 have a need but would free-up an existing home for use by another household by moving.

Table 17: Estimated Current Need

	In unsuitable housing (taken forward for affordability test)	% Unable to Afford	Revised Gross Need (including Affordability)
Households in housing	1,015	52.4%	532
No housing (homeless/concealed)	253	76.1%	192
Total	1,268	57.1%	724

Source: CLG Live Tales, Census (2011), data modelling and affordability analysis

6.13 The figure of 724 is higher than the equivalent figure in the 2015 JGC study (a current need from 640 households). This principally reflects methodological differences, whereby in this analysis the needs arising from homeless and concealed households have been disaggregated and a specific affordability test applied to this group. This is a more sophisticated approach.

6.14 The Council's monitoring data indicates that as at 31st March 2015, there are outstanding planning permissions for 1,123 net dwellings of affordable housing. Whilst this has not been subtracted from the current need in the modelling, in quantitative terms it would address the current need in full.

Newly-Arising Need

6.15 To estimate newly-arising (projected future) need the analysis has looked at two key groups of households in line with the PPG – newly-forming households; and existing households falling into need.

Newly-Forming Households

6.16 The number of newly-forming households has been estimated through the demographic modelling. This has been undertaken by considering the changes in households in specific 10-year age bands relative to numbers in the age band below 10-years previously to provide an estimate of *gross* household formation. This differs from numbers presented in the demographic projections which are for *net* household growth. The numbers of newly-forming households are limited to households forming who are aged under 45 – this is consistent with CLG 2007 SHMA Guidance which notes

after age 45 that headship (household formation) rates 'plateau'. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households and few are likely to have an affordable housing need.

6.17 Based on a range of survey data, including the English Housing Survey, it is assumed that the median income of newly-forming households is 84% of that for all households, which for Eastleigh is £29,400. The distribution of incomes of newly-forming households is modelled on this basis. Comparing this to entry-level housing costs indicates that around two-fifths of newly-forming households are unable to afford market housing without any kind of subsidy (such as Housing Benefit or Local housing Allowance) equivalent to 445 new households per year.

Table 18: Annual Need from Newly Forming Households

Area	Number of new households	% unable to afford	Total in need
Eastleigh	1,046	42.6%	445

Source: Projection modelling and income analysis

Existing Households falling into Affordable Housing Need

6.18 The second element of newly arising need is existing households falling into need. To assess this, we have used information from CoRe, a source of social sector lettings data. We have looked at households who have been housed over the past three years (2012-15) as showing flows onto the housing register; and discounted from this newly-forming households (e.g. those currently living with family) as well as households who have transferred from another social rented property. An affordability test has also been applied, although relatively few households are estimated to have sufficient income to afford market housing. This approach is consistent with the 2007 SHMA Guidance and draws on the best available data. It indicates a need arising from 163 existing households each year.

Supply of Affordable Housing

6.19 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social/affordable rent relets and the annual supply of relets/sales within the intermediate sector.

6.20 Using data from CoRe and the Council, there are an estimated 495 lettings per year based on trends between 2012-15. This includes general needs and supported lettings but excludes lettings of new properties plus an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing

stock. Additionally, an estimate of the number of 'temporary' supported lettings have been removed from the figures.

6.21 On the basis of past trend data it has been estimated that 241 units of social/affordable rented housing are likely to become available each year moving forward. This is very slightly higher than the figure (237 households) in the JGC Study, the difference being explained by inclusion of data for 2015. Using CoRe data an additional 23 intermediate housing properties are expected to become available each year through stock turnover (excluding new-build lettings). The total supply of affordable housing is therefore estimated to be 264 per annum.

Table 19: Supply of Affordable Housing

Area	Social/affordable rented relets	Intermediate housing 'relets'	Total supply (per annum)
Eastleigh	241	23	264

Source: CoRe

Net Affordable Housing Need

6.22 Table 20 below shows the overall calculation of affordable housing need. This excludes supply arising from sites with planning consent (the 'development pipeline'). The analysis shows an estimated need for 373 affordable homes per annum to be provided. The net need is calculated as follows:

Net Need = Current Need + Need from Newly-Forming Households + Existing Households falling into Need – Supply of Affordable Housing

Table 20: Estimated annual level of Affordable Housing Need

	Per annum
Current need	29
Newly forming households	445
Existing households falling into need	163
Total Gross Need	637
Supply	264
Net Need	373

Source: Census (2011)/CoRe/Projection Modelling and affordability analysis

6.23 If affordable housing in the development pipeline is included, as per the PPG, the net need would fall to 328 dwellings per annum.

Comparison of Results with 2015 JGC Study

6.24 The analysis in this report can be compared with the figures in the 2015 Housing Needs Study – shown in the table below. This analysis identifies that this assessment shows a lower level of net

need than was previously calculated (a need of 373 per annum compared with 436). Most of the stages show similar figures with the only notable difference being in the newly forming households' category where this assessment is somewhat lower. This difference is due to using a lower private rent figure for access to the market (consistent with VOA data showing a reduction in the lower quartile rent between 2014 and 2015 of about 7%) and incomes being slightly higher. Overall, whilst there are differences in the figures, both analyses support there being a notable need for affordable housing in the Borough. Both sets of analyses have been undertaken by Justin Gardner Consulting (JGC) and use a consistent methodology and sources.

Table 21: Comparing Affordable Need in the 2015 and 2016 Studies

	GLH (2016)	JGC Study (2015)
Current need	29	26
Newly forming households	445	504
Existing households falling into need	163	167
Total Gross Need	637	696
Supply	264	260
Net Need	373	436

Source: 2015 SHMA and this assessment

Relationship to Demographic Projections

6.25 The above analysis sets out in effect that there is an objectively assessed need for 373 affordable homes per year. 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."*[35]

6.26 The affordable housing need represents notionally 70% of the housing need for demographic-based need for 534 homes per annum.

6.27 The 2012 Affordable Housing Viability Assessment, prepared by Dixon Searle Partnership, 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 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.

[35] PPG ID: 2a-029-20140306

6.28 Some affordable housing is not however delivered through Section 106 agreements. This includes homes 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.

6.29 It is evident however that *consideration* should be given to higher overall housing delivery in order to enhance delivery of affordable housing.

Relating Affordable Need and OAN – Legal Judgments and Guidance

6.30 The analysis above clearly indicates a need for affordable housing in the Borough. However, the link between affordable need and the OAN is complex and has been subject to a number of recent High Court decisions. The Planning Advisory Service's Technical Advice Note on *Objectively-Assessed Need and Housing Targets* (2nd Edition, July 2015) also deals with this issue. Below I have summarised some of the key judgements and guidance in Chronological Order.

***Satnam Millennium Limited v Warrington Borough Council* (February 2015)**

6.31 In this case, a challenge to the adoption of the Warrington Local Plan Core Strategy succeeded, resulting in the quashing of the Plan's housing provision policies. With regard to affordable housing the judge found that the assessment of full, objectively assessed needs for housing had not taken account of the (substantial) need for affordable housing.

6.32 In paragraph 43 of the judgement it is concluded that *'the Local Plan should then meet the OAN for affordable housing, subject only to the constraints referred to in the NPPF, paragraphs 14 and 47'*. This quote has been taken by some parties to imply that the need for affordable housing (as shown in modelling such as within the section) needs to be met in full – for example, if the affordable need is 200 per annum and delivery is likely to be 20% then an OAN for 1,000 homes would be appropriate.

6.33 It is not clear if this is exactly what the judge in this case had in mind. What is clear that such an approach in many areas would be impractical as it would require huge increases to have any significant impact.

***Oadby and Wigston v Bloor Homes* (July 2015) (CD12.17)**

6.34 In this case, a challenge by Oadby & Wigston Borough Council to the granting of planning permission through a Section 78 inquiry was dismissed.

6.35 The key issue in front of the Judge was whether or not the original inspector's adoption of a figure of 147 dwellings per annum as the full objectively assessed need for housing (FOAN) was sound. In

essence the Council's position was that the need was in the range of 80-100 dwellings per annum and that this was a policy-off figure based on the most up-to-date population and household projections. The appellant suggested a need in the range of 147-161 based on long-term migration trends and the needs of the local economy (in terms of matching job growth and housing need).

6.36 The Judge's initial conclusion was that he considered the SHMA position (of 80-100 dwellings per annum) to be policy-on. He based this on a recognition that other analysis in the SHMA had indicated a need for 173 dpa to meet economic growth and a slightly lower figure (of 160 per annum) as the affordable housing need.

6.37 The uncertainty in this decision is whether or not the FOAN must include all of the affordable housing need. Some of the wording of the judgment would suggest that this was the case with Judge Hickinbottom stating at [34] that the assessment of need *'becomes policy on as soon as the Council takes a course of not providing sufficient affordable housing to satisfy the FOAN'*. This however is inconsistent with the more recent judgement in *Kings Lynn* (below) and also contrasts with the approach recommended in the PAS Technical Advice Note.

Planning Advisory Service – Technical Advice Note (July 2015) (CD13.11)

6.38 At about the same time as the Oadby & Wigston judgement, the Planning Advisory Service (PAS) published the second edition of their technical advice note on Objectively Assessed Need and Housing Targets – this replaced/updated a version from June 2014.

6.39 The consideration of affordable housing need and its relationship to overall housing need is covered in some detail within Section 9 of the document. PAS set out a suggested approach for looking at the relationship between OAN and affordable housing (which is broadly in line with the approach in this report) before going on to consider their own view about the relationship.

6.40 They initially suggest that affordable housing is "a policy consideration" that bears on housing targets rather than OAN and note that they are not comparable because they relate to different meanings of the term "need." They also highlight that the OAN relates to new dwellings whereas much of the affordable need relates to existing households, who, when moving, would free up dwellings to be occupied by other households. PAS conclude that there is no arithmetical way of combining the OAN (calculated through demographic projections) and the affordable need before concluding that the affordable need cannot be a component part of the OAN. PAS do, however, note that their views 'may be' contradicted by the *Satnam* judgement referred to above.

Kings Lynn v Elm Park Holdings (July 2015) (CD12.18)

6.41 The final case of reference is Kings Lynn and West Norfolk Council vs. SSCLG and Elm Park Holdings. The case involved the Council's challenge to an inspector's granting of permission for 40 dwellings in a village. Although much of the case was about the approach to take with regards to vacant and second homes, the issue of affordable housing was also a key part of the final judgment.

6.42 Focussing on affordable housing, Mr Justice Dove considered the "ingredients" involved in making a FOAN and noted that the FOAN is the product of the Strategic Housing Market Assessment (SHMA) required by paragraph 159 of the NPPF. It is noted that the SHMA must identify the scale and mix of housing to meet household and population projections, taking account of migration and demographic change, and then address the need for all housing types, including affordable homes.

6.1 He continued by noting that the scale and mix of housing is *'a statistical exercise involving a range of relevant data for which there is no one set methodology, but which will involve elements of judgement'*. Crucially, in paragraph 35 of the judgment he says that the *'Framework makes clear that these needs [affordable housing needs] should be addressed in determining the FOAN, but neither the Framework nor the PPG suggest that they have to be met in full when determining that FOAN. This is no doubt because in practice very often the calculation of unmet affordable housing need will produce a figure which the planning authority has little or no prospect of delivering in practice. That is because the vast majority of delivery will occur as a proportion of open-market schemes and is therefore dependent for its delivery upon market housing being developed*'. This is an important point, given the previous judgements in *Satnam* and *Oadby & Wigston*. And indeed in relation to *Oadby and Wigston* he notes that *'Insofar as Hickinbottom J in the case of Oadby and Wigston Borough Council v Secretary of State [2015] EWHC 1879 might be taken in paragraph 34(ii) of his judgment to be suggesting that in determining the FOAN, the total need for affordable housing must be met in full by its inclusion in the FOAN I would respectfully disagree. Such a suggestion is not warranted by the Framework or the PPG'*.

6.2 Therefore, this most recent judgement is clear that an assessment of affordable housing need should be carried out, but that the level of affordable need shown by analysis does not have to be met in full within the assessment of the FOAN.

6.3 The approach in Kings Lynn is also similar to that taken by the inspector (again Mr Emmerson) to the Cornwall Local Plan. His Preliminary Findings in June 2015 noted in paragraph 3.20 that *'National guidance requires consideration of an uplift; it does not automatically require a mechanistic increase in the overall housing requirement to achieve all affordable housing needs based on the proportions required from market sites.'*

Conclusions on Affordable Housing Need

6.4 The analysis undertaken indicates that taking account of the stock and turnover of current affordable housing, 373 households a year require support in meeting their housing needs. There is thus a clear need for affordable housing. This falls to 328 dwellings per annum if affordable housing in the development pipeline is included in the calculation.

6.5 This assessment of affordable housing need is based on demographic growth in line with the projections set out in Section 3 (a need for 534 dwellings per annum in terms of total net household growth/housing need).

6.6 The scale of affordable housing need reflects past investment decisions which have influenced the current tenure mix, together with housing affordability in the Borough. There is an evident need to increase the delivery of affordable housing. Delivering housing to meet the household projections would increase housing delivery relative to past trends, and thus delivery of affordable housing. However, consideration should also be given to increasing overall housing provision. Legal judgements do not however suggest that this needs to be undertaken in a mechanical way.

7 MARKET SIGNALS

7.1 The PPG provides that an assessment of market signals should be undertaken. 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. Where a worsening trend is evident over the longer-term, the PPG advises that:

> *"The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings"*[36]

7.2 In this section I have sought to review market signals. 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.

7.3 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.

Land Prices

7.4 The latest consistent published data on residential land values is from a CLG 2015 publication.[37] 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.

7.5 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.

[36] PPG ID: 2a-019-20140306
[37] CLG (Feb 2015) *Land Value Estimates for Policy Appraisal*

Table 22: 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

7.6 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

7.7 The average house price in Eastleigh at £236,000 in 2015 is 7.3% below the average of the HMA local authorities. It is the second lowest besides Southampton. It is 16.5% above the national average, but 12% below the South East average.

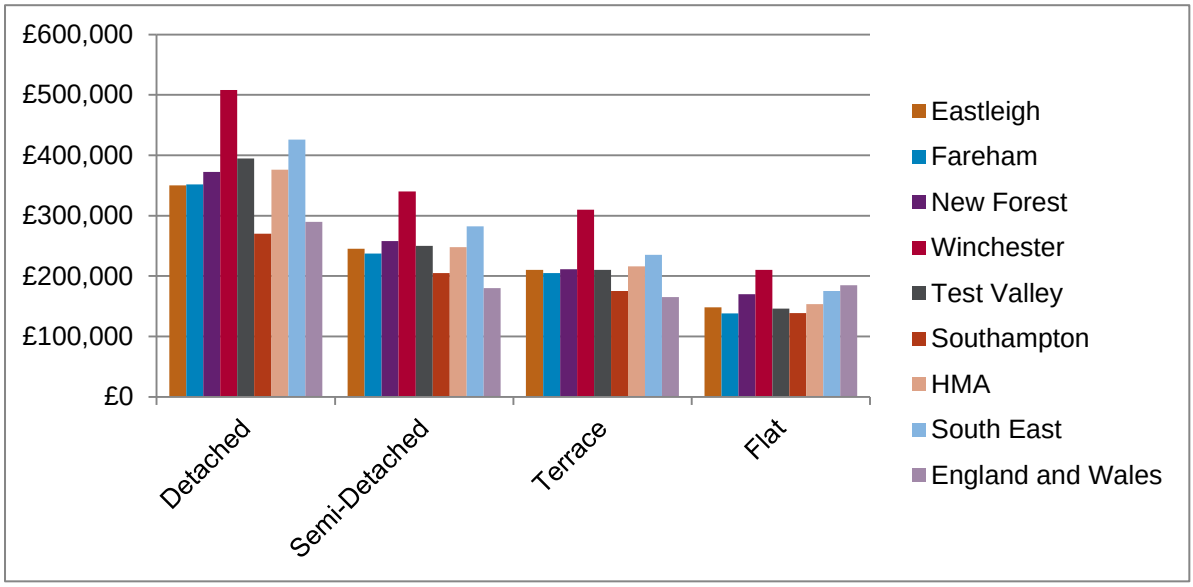
Table 23: Median House Prices (Jan-Nov 2015)

Median	Detached	Semi-Detached	Terrace	Flat	All Sales
Eastleigh	£350,000	£245,000	£210,000	£148,000	£236,000
Fareham	£352,000	£237,000	£205,000	£138,000	£243,000
New Forest	£372,500	£258,000	£211,125	£170,000	£286,000
Winchester	£508,000	£340,000	£310,000	£210,000	£360,000
Test Valley	£394,950	£250,000	£210,000	£146,000	£269,975
Southampton	£270,000	£205,000	£175,000	£138,500	£180,000
HMA	£376,069	£247,755	£216,180	£153,394	£254,485
South East	£426,000	£282,500	£235,000	£175,000	£268,000
England and Wales	£290,000	£180,000	£164,950	£185,000	£202,500

Source: GLH Analysis of HM Land Registry Price Paid Data

7.8 The average price is influenced by the mix of properties sold. Prices by type in Eastleigh Borough are between 1-7% below the HMA average (with the greatest differential being for detached properties) and 11-18% below the South East average.

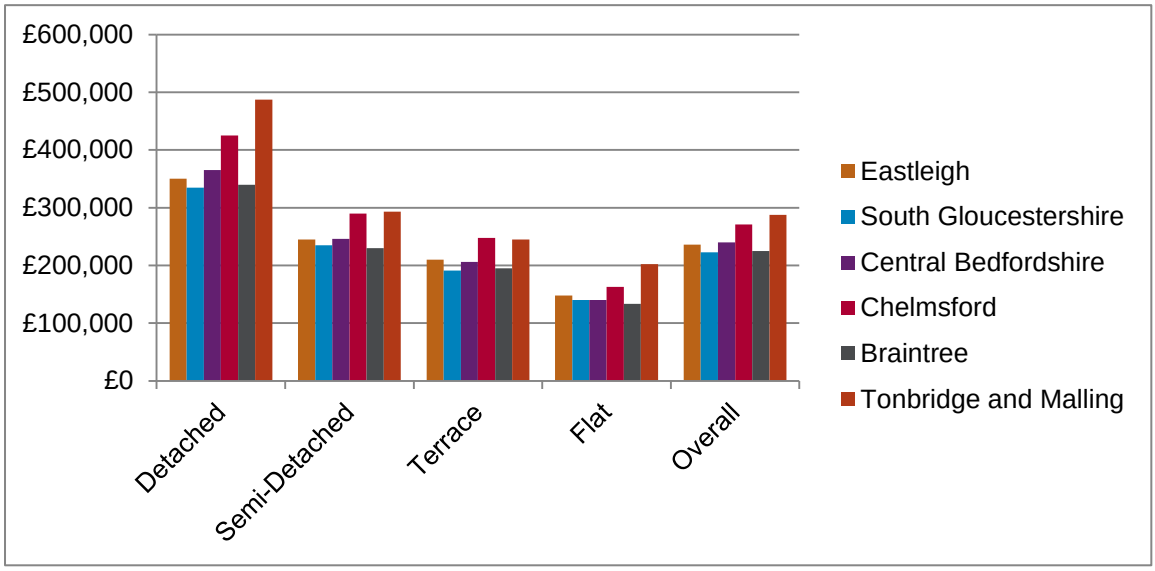
Figure 5: House Prices by Type (Jan-Nov 2015)



Source: GLH Analysis of HM Land Registry Price Paid Data

7.9 Relative to the comparable areas, house prices are also mid-ranging. They are 6% above those in South Gloucestershire and 5% above those in Braintree; but 13% below Chelmsford and 18% below those in Tonbridge and Malling. Median prices in Eastleigh are 3% below those across the comparable areas.

Figure 6: House Prices relative to the Comparable Authorities



Source: GLH Analysis of HM Land Registry Price Paid Data

7.10 I have used the HMLR data to consider house price growth over the previous year; 5 years and 10 years. The PPG is clear that regard should be had in particular to longer-term changes.

7.11 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 was gone up by £7,200 pa (3.4% pa). In absolute terms this is relatively similar to trends across the HMA; above the national average; but below the growth seen across the similar areas considered.

7.12 Looking at trends over the longer-term, as the PPG recommends, house prices over the last 10 years have increased by 2.5% pa in Eastleigh Borough. This rate of growth is below CPI inflation (showing some improvement in house prices in real terms).

7.13 The 2.5% annual growth seen over the last decade is below the average across the HMA (2.9% pa) and across the similar areas considered (3.0% pa) and is consistent with growth seen nationally. In absolute terms, house price growth in Eastleigh of £5,200 per annum, over the last 10 years, is below the growth of £6,400 - £6,500 pa seen on average across the HMA and similar authorities, but above the £4,500 pa increase in prices seen nationally. This is understandable as housing costs are generally higher in the South East than in other regions.

Table 24: Analysis of House Price Changes

	1 Year		5 Year		10 Year	
	Value	% CAGR	Value	% CAGR	Value	% CAGR
Eastleigh	13,500	6.1%	7,200	3.4%	5,200	2.5%
Fareham	15,000	6.6%	7,600	3.5%	6,050	2.9%
New Forest	28,000	10.9%	8,200	3.1%	7,100	2.9%
Southampton	10,050	5.9%	3,100	1.8%	3,000	1.8%
Test Valley	27,475	11.3%	5,995	2.4%	6,548	2.8%
Winchester	35,000	10.8%	13,000	4.1%	11,050	3.7%
HMA Average	21,504	8.9%	7,516	3.1%	6,491	2.9%
South Gloucestershire	18,500	9.1%	7,100	3.5%	6,250	3.4%
Central Bedfordshire	17,000	7.6%	9,000	4.2%		
Chelmsford	21,005	8.4%	9,800	4.1%	8,000	3.6%
Braintree	15,000	7.1%	8,010	4.0%	5,500	2.8%
Tonbridge and Malling	12,528	4.6%	9,500	3.7%	7,750	3.2%
Similar Areas Average	16,255	7.0%	8,435	3.8%	6,400	3.0%
England and Wales	10,000	5.2%	4,100	2.2%	4,500	2.5%
CPI Inflation		0.0%		2.85%		2.79%

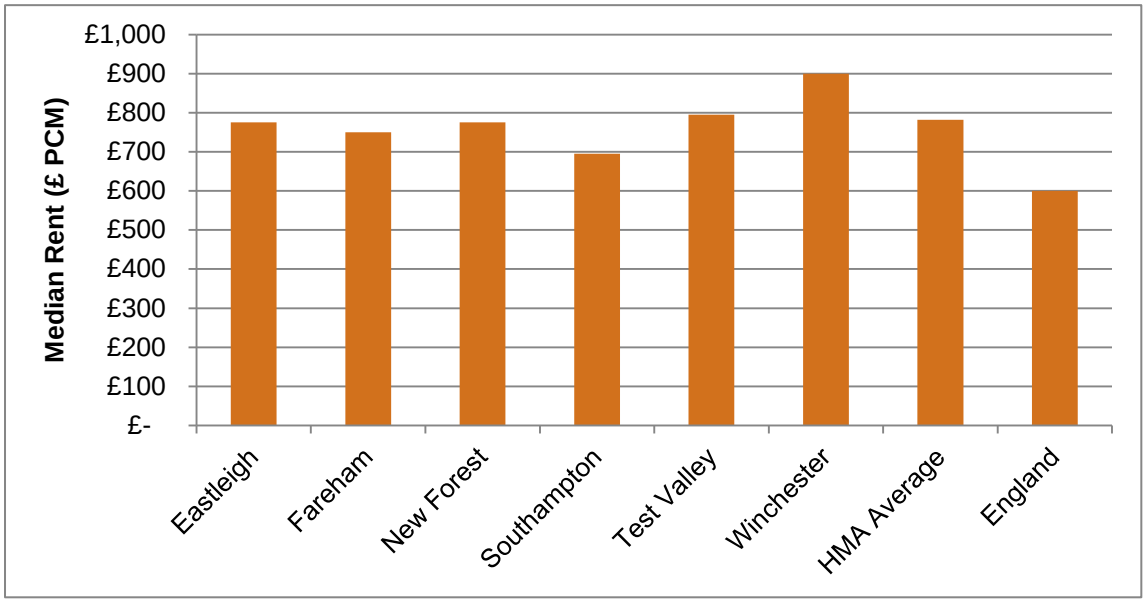
Source: GLH Analysis of HMLR Price Paid Data/ CLG Housing Statistics

7.14 House price growth has evidently not been out-of-kilter with that seen more widely across the HMA or in similar areas. There is no evidence of a particular relative 'premium' on prices in Eastleigh, or stronger relative house price growth in the longer-term relative to the other authorities in the HMA or similar areas. 10 year house price growth has been below the rate of inflation.

Rents

7.15 Median rents in Eastleigh were (over the year to March 2015) 1% below the average across the HMA authorities. They were above those in Southampton, but below those in Test Valley and Winchester. The median rent averaged was £775 per calendar month (PCM). This compares to an average of £779 PCM across the South East region.

Figure 7: Median Rent, Year to March 2015 (£ per Calendar Month)



Source: VOA Private Rental Market Statistics

7.16 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 25: Median Rents vs. Comparable Areas, Year to March 2015

	Average Rent (PCM)
Braintree	£675
South Gloucestershire	£725
Central Bedfordshire	£725
Eastleigh	£775
Chelmsford	£775
Tonbridge & Malling	£850
Average	£754

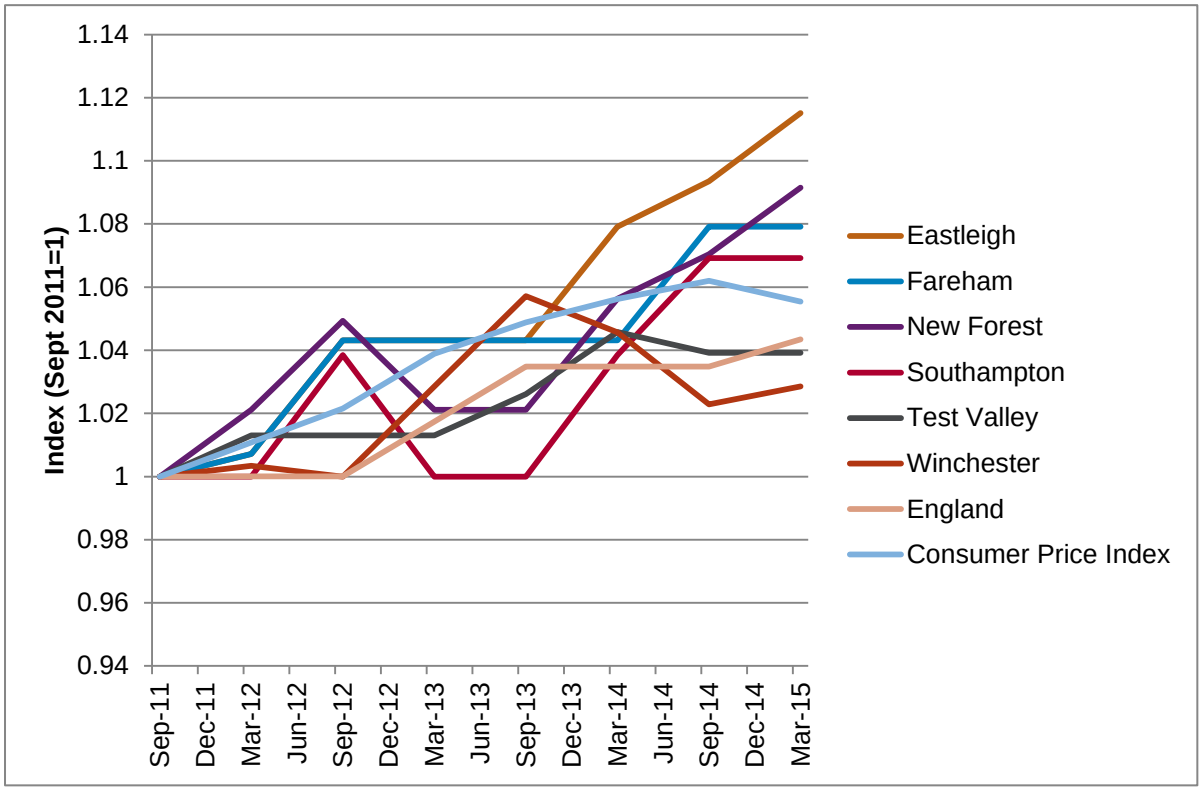
Source: VOA Private Rental Market Statistics

7.17 Rental growth in Eastleigh has been above average over the 2011-15 period.[38] Rents have grown over this period by 11.5% (an average of 3.2% per annum). 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.

7.18 The comparatively stronger rental growth seen since 2011 support the case for an adjustment to housing numbers.

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

Figure 8: Trends in Median Rents, 2011-15



Source: GLH Analysis of VOA Private Rental Market Statistics

Affordability Ratios

7.19 Lower quartile (LQ) house price to income ratios can be used as a broader measure of changes in affordability. The ratio in Eastleigh in 2013 of 8.41. This is modestly below the HMA average.

7.20 The evidence points to affordability improving in the Borough over the last 5 years; and shows that the LQ Price-to-Income Ratio has actually fallen modestly over the past 10 years. Nonetheless a ratio of 8.4 is above the national average of 6.5, as with many local authorities in the South East.

Table 26: Changes in Lower Quartile House Price to Income Ratio

	2013 Ratio	2007-13 PP Change	2003-13 PP Change
Eastleigh	8.41	-0.99	-0.13
Fareham	8.54	-1.77	-0.06
New Forest	9.89	-1.05	0.50
Southampton	6.47	-0.76	0.23
Test Valley	8.53	-1.22	0.31
Winchester	10.67	1.07	0.99
HMA Average	8.75	-0.79	0.31
England	6.45	-0.79	1.23

Source: GLH Analysis of CLG Housing Statistics Data

7.21 The LQ ratio in Eastleigh is above that in South Gloucestershire, Central Bedfordshire and Braintree; but similar to the average across the comparable areas. It is the only one of these areas in which affordability has improved over the 2003-13 decade. The latest published data is for 2013.

Table 27: LQ Ratio against the Comparable Areas

	2013 Ratio	2007-13 PP Change	2003-13 PP Change
Eastleigh	8.41	-0.99	-0.13
South Gloucestershire	7.84	-0.91	1.01
Central Bedfordshire	8.33	-	-
Chelmsford	8.71	-0.75	0.48
Braintree	8.26	-0.62	0.05
Tonbridge and Malling	9.35	-1.44	1.58
Average	8.48	-0.94	0.60

Source: GLH Analysis of CLG Housing Statistics Data

7.22 The affordability ratio at over 8 indicates that, like the majority of the comparable areas, there are affordability issues in the District.

Rates of Development

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

7.24 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.

7.25 The 2012 South Hampshire Strategy set a housing requirement for 8,050 dwellings in the District. If this is annualised (noting that there was not an annualised requirement in the Strategy) it would equate to an average of 537 dwellings per annum. An average of 412 dwellings per year have been delivered to date, between 2006/7 – 2014/15.

7.26 Over the period from 2011-14, the Draft Eastleigh Borough Local Plan 2011-29 made provision for a minimum of 10,140 dwellings. This would equate to an annual average of 564 dwellings per annum. Over the 2011-14 period, an average of 357 dwellings per annum were delivered.

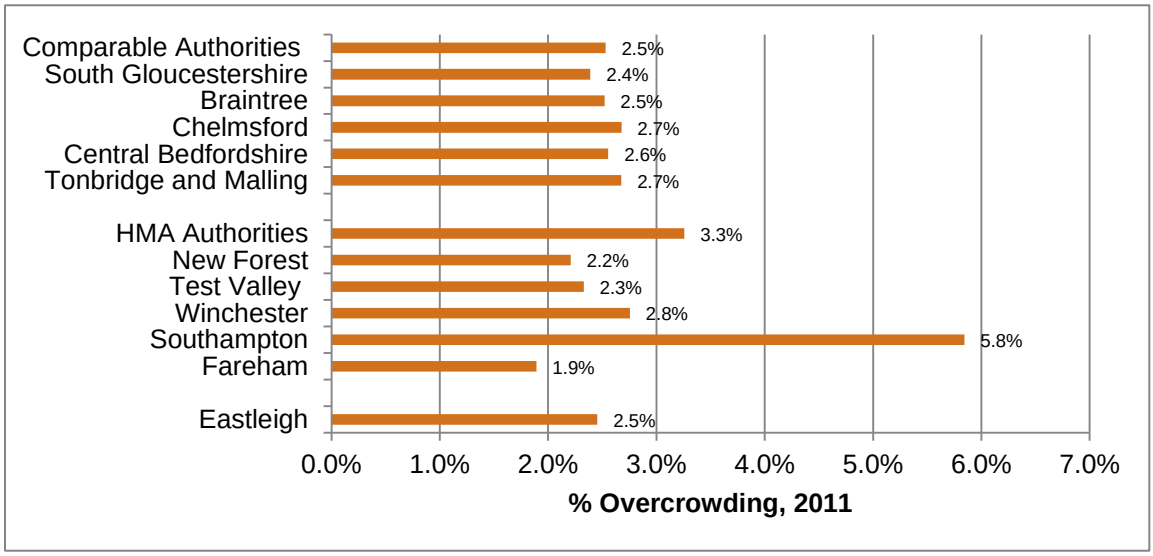
7.27 The evidence does suggest that past rates of development have fallen in a number of instance below planned levels. This provides a basis for considering an upward adjustment to housing provision.

Overcrowding

7.28 Data about overcrowding is available from the 2011 Census based on the 'bedroom standard'. This is defined by the difference between the number of bedrooms needed to avoid undesirable sharing (given the number, ages and relationships of the household members) and the number of bedrooms available to the household. A household is defined as overcrowded if there are fewer bedrooms available than required by the bedroom standard.

7.29 2.5% of households were overcrowded in the Borough based on the Census data. This is below the HMA as well as the South East and national averages (3.6% and 4.5% respectively). The level of overcrowding is similar to that in the comparable authorities. Within the HMA, it is above levels in Fareham, New Forest and Test Valley; but below that in Winchester and Southampton.

Figure 9: Overcrowding, 2011



Source: 2011 Census

7.30 To identify trends, I have compared the room based occupancy measure from the 2001 and 2011 Census. This is a less accurate measure of overcrowding. The number of over-occupied households on this measure increased by 663 (0.9pp) in the Borough between 2001-11. This was a relatively modest increase set against the 1.5pp increase seen across the HMA and below that seen across the region and nationally; but was similar to the average across comparable authorities.

Table 28: Changes in Occupancy Rating, 2001-11

	2001	2011	Change (No)	Change (PP)
Eastleigh	4.2%	5.0%	663	0.9%
Fareham	3.0%	3.8%	489	0.9%
Southampton	10.3%	13.6%	3916	3.2%
Winchester	4.1%	5.5%	818	1.4%
Test Valley	3.1%	4.0%	541	0.9%
New Forest	3.9%	4.5%	642	0.6%
HMA Authorities	5.4%	7.0%	7069	1.5%
Tonbridge and Malling	3.5%	4.8%	809	1.3%
Central Bedfordshire	4.0%	4.6%	1053	0.6%
Chelmsford	4.3%	5.8%	1233	1.5%
Braintree	4.1%	4.8%	737	0.8%
South Gloucestershire	3.4%	4.7%	1725	1.3%
Comparable Authorities	3.9%	4.9%	6220	1.0%
South East	5.9%	7.5%	70582	1.5%
England and Wales	7.0%	8.5%	485438	1.6%

Source: 2001, 2011 Census

7.31 The changes seen in overcrowding may well relate in part to affordability, but could equally have been influenced by growing ethnic diversity and different household structures in BME households.

7.32 The number of shared dwellings in the Borough numbered just 7 based on 2011 Census data.

7.33 Finally, the 2011 Census shows numbers of concealed families. Table 19 shows numbers, and how these have changed between the 2001 and 2011 Census. The number of concealed households grew; but to a lesser degree than seen across the HMA, South East and England.

Table 29: Concealed Families

	Concealed Households in 2001	Concealed Households in 2011	Change, 2001-11
Eastleigh	317	503	186
Fareham West	72	125	53
New Forest (part)	147	300	153
Southampton	701	1,257	556
Test Valley (part)	112	162	50
Winchester (part-west)	36	73	37
HMA	1,385	2,420	1,035
South East	23,063	39,465	16,402
England	161,254	275,954	114,700

Source: GLH Analysis of Census Data

Drawing the Evidence Together

7.34 I set out my conclusions in respect of each indicator:

- Land values in 2015 are 10% above the national average excluding London, but below the average across the HMA authorities and comparable areas. The evidence points to a shortage of land in New Forest and Winchester, rather than Eastleigh;

- Median house prices stand at £236,000, which is 7.3% below average across the HMA authorities. Prices by type are above the national, but below the South East average.

  Over the last 10 years prices have increased by 2.5% per annum on average, which is below the rate of inflation. However there has been real term growth in the short-term (5 year).

  House price growth overall has not however been out of kilter with the HMA average, nor with that across comparable areas. The long-term trend shows price growth in proportional terns which is equal to national trends and below those in comparable areas and the HMA. In absolute terms it has been above the national average, but below the HMA and comparable geographies.

- Rental costs are similar to the South East average, but slightly above average relative to the comparable areas considered. They are similar to the average across the HMA authorities.

  Rental growth over the 2011-15 period at 3.2% per annum has been above average, with rents growing in real terms. Recent rental growth was highlighted at the 2011-29 Local Plan examination as a market signal which warranted an upward adjustment to planned housing provision.

- Lower quartile house prices are 8.4 times lower quartile earnings (based on individual incomes) in 2013. This ratio is below where it was 5 years ago, and 10 years ago – suggesting house price growth has not been outpacing earnings. The ratio is average against the comparable areas. It is below the HMA average, but above the national average of 6.5 (as is the case across much of the South East region).

- Rates of development in the Borough have in a number of instances fallen below planned housing provision. Whilst they exceeded the base structure plan requirement by 9% over the 1996-2001 period, they fell 14% (808 dwellings) below the requirement in the adopted Local Plan. There has been an under-delivery of around 1,000 dwellings against the notional annual average requirement in the 2012 South Hampshire Strategy, albeit noting that this was not an annual requirement.

- There is some modest evidence of real impacts from affordability pressures, with a modest increase in over-occupation of housing equivalent to 663 dwellings between 2001-11 which has increased over-occupation by a modest 0.9 percentage points. The number of concealed families has increased by 186 households in the Borough between 2001-11, albeit that levels remain below those across the HMA and wider geographies.

7.35 I conclude that the evidence points to a "modest" pressure from market signals – consistent with that identified in the Eastleigh Borough Local Plan 2011-29 Inspector's Report (CD7.2). As Mr Emmerson set out, recent rental growth has been above average. There is also evidence that levels of overcrowded, shared and concealed households have increased.

7.36 However on other indicators, include trends in house prices and affordability ratios the evidence does not suggest a relative worsening of affordability issues. House price growth over the last decade has been below inflation; whilst the lower quartile house price-to-income ratio has improved slightly.

8 CONCLUSIONS ON OAN

8.1 The PPG sets out a clear process for drawing conclusions on overall housing need. The starting point is the latest official household projections. Sensitivity analysis considering other demographic evidence is promoted. Other factors are then overlaid – evidence regarding economic growth; from market signals; and the need for affordable housing – and it is necessary to consider whether upward adjustments to housing provision should be made.

Demographic Factors

8.2 The latest official population/ household projections point to a need for 523 dwellings per annum (2011-36). This provides the '"starting point' for assessing housing need. The evidence points to this being a reasonable demographic-based projection. The last five years of data on migration points to a similar scale of migration to the years from which the SNPP is drawn. Long-term migration trends result in a need for 481 dpa (based on ONS migration data). My sensitivity analysis shows that if UPC is fully attributed to an under-recording of migration, this could raise a projection of long-term trends to a need for 531 dpa. However there is not clear robust evidence that UPC can be attributed in its entirety to migration as this scenario does, as the PPG requires.

8.3 Drawing together the above, it is clear that the migration assumptions in the 2012-based SNPP are reasonable. They are consistent with more recent trends (2009-14) and sit within the range shown looking at longer-term trends since 2001.

8.4 There is a level of uncertainty regarding future household formation trends, with in particular the latest CLG Household Projections showing quite different trends for different age groups. My evidence includes a sensitivity analysis which takes account of the latest academic research on this issue.

8.5 Whilst I consider the Stage 1 projections to provide a stronger basis for considering future trends, I do accept that there is some degree to which short-term trends in household formation amongst the 25-34 age group could have been influenced by economic circumstances – and on this basis consider that an upward adjustment to address this is potentially warranted. Part of the fall in household formation within this group could however be linked to a changing ethnic make-up of the Borough's population and different household structures amongst different ethnic groups.

8.6 However in drawing conclusions on assumptions it is important to be positive. Taking the projections evidence together, it is reasonable to take a midpoint from the sensitivity analysis undertaken. This indicates a demographic-based need for 537 dpa. This is evidently towards the higher end of my sensitivity testing for the Stage 1 Projections and would support improvements in household formation amongst younger households relative to the CLG base projections as

published. The upwards adjustments to household formation made could in quantitative terms deal with the need identified from homeless/ concealed households in the affordable housing modelling.

Supporting Economic Growth

8.7 I have considered potential economic growth, taking account of the Solent LEP's 2015 Econometric Forecasts, prepared by Oxford Economics. Over the 2011-30 period, workplace-based employment in the Borough is expected to increase by 500 per annum. Taking account of commuting, the number of residents in employment is expected to grow by 520 per annum. To support this, growth in the occupied housing stock of 9,300 is expected. Using a vacancy rate of 2.4%, provision of 9,520 dwellings would be required (an annual average of 501 per annum). The evidence does not suggest that above-trend migration would be needed to support economic growth.

8.8 I am aware that the economic model runs to 2030. My further analysis however shows that taking account of changes in State Pension Age (as set out in current legislation), and trends of growth in economic participation amongst those on pensionable age, there is no evidence that over the longer-term period to 2036 housing provision would need to be increased relative to the trend-based demographic projections to support economic growth in the Borough.

Affordable Housing Need

8.9 My evidence includes an updated assessment of affordable housing need. This points to an objectively assessed need for affordable housing for 373 dwellings per annum, leaving aside affordable housing in the development pipeline. This level of affordable housing would be needed if all households requiring financial support were to be allocated an affordable home.

8.10 Assuming delivery of 30% affordable housing, over 1240 dwellings would be needed to meet the assessed affordable housing in full through mixed tenure development. This would represent 2.3% growth per annum in the housing stock – a level which we do not consider would realistically be deliverable.

8.11 The affordable need notionally represents 70% of the demographically-based need for 545 dwellings per annum. The Council's 2012 Affordable Housing Viability Assessment recommends 35% affordable housing provision on sites of over 15 dwellings, and a sliding scale of contributions for smaller sites. Some affordable housing is not however delivered through Section 106 agreements. This includes homes 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 bringing empty properties back into use. It is evident however that *consideration* should be given to higher overall housing delivery to enhance delivery of affordable housing.

Market Signals

8.12 I have considered the market signals set out in the PPG. I conclude that the evidence points to a "modest" pressure from market signals – consistent with that identified in the February 2015 Inspector's Report. As the Inspector set out, recent rental growth has been above average. There is also evidence that levels of overcrowded, shared and concealed households have increased.

8.13 However on other indicators, include trends in house prices and affordability ratios the evidence does not suggest a relative worsening of affordability issues. House price growth over the last decade has been below inflation; whilst the lower quartile house price-to-income ratio has improved slightly.

Conclusions on Objectively-Assessed Housing Needs

8.14 Drawing together the evidence in line with the methodology set out in the PPG, I identify a starting point projection of a need for 523 dwellings per annum (2011-36). An adjustment to household formation rates is warranted, which results in an adjusted demographic-based need for 534 dwellings per annum.

8.15 My analysis of economic dynamics indicates employment growth of around 500 jobs per year can be expected. The trend-based demographic projections provide sufficient workforce growth to support this, and I conclude that the evidence does not point to a need to adjust upwards the assessed housing need to support the economy.

8.16 I identify a need from 373 households per year who require support in meeting their housing needs. With affordable housing delivery at 30%, over 1,240 dwellings would be needed to meet the assessed affordable housing need through mixed tenure development. This would represent 2.3% per annum growth in the housing stock. I do not regard this level of housing growth to be realistically deliverable, based on market factors. Taking account of development viability, consideration should however be given to increasing overall housing provision to support the delivery of affordable housing.

8.17 Market signals point to modest pressure. Rental growth has been above average, albeit that trends in house prices and affordability ratios do not suggest a relative worsening of affordability over the longer-term. House price growth over the last decade has been below inflation; whilst the lower quartile price-to-income ratio has improved slightly based on published data.

8.18 Given the evidence of affordable housing need and from analysis of market signals, an upward adjustment to planned housing provision relative to the demographically-based need is warranted. A 10% upwards adjustment would be appropriate in order to improve affordability and is of a scale which can be regarded as reasonable and be reasonably be expected to occur.

8.19 With a 10% adjustment to the demographic-based need for 534 dwellings per annum (dpa), a need for 587 dpa is shown. I have rounded this to an annual average of 590 dwellings dpa which I consider represents the full objectively-assessed need for housing in accordance with the Framework and PPG.