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Planning. Design. Economics.

Land off Bubb Lane, Hedge End

Proof of Evidence of Martin Taylor

Objectively Assessed Housing Need

Gladman Developments Ltd

29 March 2016

APP/W1715/W/15/3063753

O/14/75166

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Declaration

The evidence which I have prepared and provide for this appeal reference APP/W1715/W/15/3063753 in this Proof of Evidence is true and has been prepared and is given in accordance with the guidance of my professional institution and I confirm that the opinions expressed are my true and professional opinions.

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1.0 Qualifications & Experience

1.1 My name is Martin David Taylor. I am an Associate Director at Nathaniel Lichfield & Partners ("NLP"). I have eight years' experience in town planning, having joined NLP in 2007. I hold a Bachelor of Science degree in Land Management and a Master of Science degree in Urban Planning and Development, both from the University of Reading. I am a Member of the Royal Town Planning Institute (RTPI) and of the Institute of Economic Development.

1.2 NLP is one of the UK's largest independent planning consultancies and was RTPI Planning Consultancy of the Year, for three successive years to 2014.

1.3 I have extensive experience of advising on housing matters and in particular preparing housing need assessments and housing market analysis. This has included undertaking Strategic Housing Market Assessments (SHMAs) on behalf of Local Planning Authorities, including East Hampshire, to inform plan making processes. I have also advised developers on matters related to local housing needs and evidencing the requirements for housing provision at a local level. Such assessments for both public and private sector clients have included carrying out demographic modelling.

1.4 I have provided evidence on housing needs on a number of occasions, including most recently at several appeal inquiries in West Oxfordshire and the Examinations-in-Public into the Stratford-on-Avon and Horsham Local Plans respectively. I also participated in the November 2014 hearing session of the Examination in Public into the ‘Eastleigh Borough Local Plan 2011 – 2029’, providing evidence on housing needs.

1.5 NLP has been appointed by Gladman Developments Ltd ("the Appellant") to review the position on objectively assessed housing needs within Eastleigh and to give evidence to the inquiry into Gladman's appeal scheme at Bubb Lane, Hedge End.

2.0 Introduction & Scope of Evidence

2.1 This evidence is submitted on behalf of the appellant in support of the appeal into Eastleigh Borough Council's ("the Council") refusal of planning permission pursuant to planning application O/14/75166 for residential development comprising up to 328 dwellings and associated works at Land off Bubb Lane, West End, Southampton, Hampshire ("the appeal scheme").

2.2 The scope of my evidence is concerned with considering the current position on objectively assessed housing need (OAN) within Eastleigh, in light of the evidence produced by the Council.

2.3 The issue of housing needs is pertinent to the appeal as the National Planning Policy Framework (NPPF) sets out that where a local planning authority cannot demonstrate a five year supply of housing land, then policies for the supply of housing should not be considered up to date (paragraph 49). In advance of the adoption of an up-to-date Local Plan, the appropriate housing delivery figure against which to consider the five year supply of housing land is the full objective assessment of housing need. In the absence of an up to date Local Plan and in the context of the Hunston judgment (Appendix 1) the issue my proof seeks to consider is whether 590 dwellings per annum, presented as the interim housing requirement, can be considered an NPPF compliant full objectively assessed need for housing, the weight that can be attributed to this figure and what an appropriate proxy figure for OAN might be at the current point in the context of the lack of clear evidence on this issue.

2.4 It is my overall conclusion that the evidence available to Eastleigh Borough Council would not allow the Council to come to a clear understanding of housing needs across the housing market area and within the Borough. Notwithstanding, based on the Council's evidence I consider the OAN in Eastleigh for the purposes of this Section 78 appeal can be not less than c.630 dwellings per annum. The scope of my evidence establishes why I consider this to be the case, in the context that the Council has sought to justify an OAN figure of 590 dwellings per annum.

2.5 My proof should be read alongside that of Mr Shepherd's which examines the five year land supply position in Eastleigh and other planning matters generally.

3.0 Relevant Guidance & Policy

Adopted Development Plan

3.1 The adopted Development Plan for Eastleigh comprises the saved policies of the Eastleigh Borough Local Plan Review (2001-2011), adopted in May 2006 (CD7.1). The Plan was designed to guide development in the area up to 2011. It included a housing requirement at Policy 70.H drawn from the Hampshire County Structure Plan 1996-2011 Review. This totalled 5,608 dwellings plus a reserve of 395 dwellings over the period 2001-2011. This housing requirement is time expired and out of date.

Objectively Assessing Development Needs

National Planning Policy Framework

3.2 The NPPF outlines that Local Planning Authorities ("LPAs") should positively seek opportunities to meet the development needs of their area (paragraph 14) and that in order to 'boost significantly' the supply of housing that they should:

"use their evidence base to ensure that their Local Plan meets the full objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in the framework…" (paragraph 47).

3.3 The NPPF outlines the evidence required to objectively define housing needs within an area. It sets out that Local Planning Authorities should (paragraph 159) *"have a clear understanding of housing needs in their area"* and that to do so they 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 needs 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."*

3.4 Furthermore, the core planning principles set out in the NPPF indicate that a planned level of housing to meet objectively assessed needs must respond positively to wider opportunities for growth and should take account of market signals, including housing affordability (paragraph 17).

Planning Practice Guidance

3.5 The Planning Practice Guidance ("PPG") contains a section providing guidance on housing and economic development needs assessments. The PPG indicates that there is no one methodological approach or use of a particular dataset(s) that will provide a definitive assessment of development need (ID: 2a-005), but goes on to outline an overarching methodology for preparing need assessments in a transparent manner. The PPG identifies that an objective assessment of need should fulfil the following criteria:

- be proportionate and not consider purely hypothetical future scenarios, only future scenarios that could be reasonably expected to occur (ID: 2a-003);
- be based on facts and unbiased evidence. Constraints should not be applied to the overall assessment of need (ID: 2a-004);
- utilise household projections published by the Department for Communities and Local Government as the starting point estimate of overall housing need (ID: 2a-015);
- consider sensitivity testing, specific to local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates (ID: 2a-017); and
- take account of employment trends (ID: 2a-018), appropriate market signals including market indicators of the balance between the demand for and supply of dwellings (ID: 2a-019) and affordable housing needs (ID: 2a-029).

3.6 Paragraph 20 of the PPG section on housing and economic development needs assessments explicitly sets out how market signals should be integrated into the assessment:

"Appropriate comparisons of indicators should be made. This includes comparison with longer term trends (both in absolute levels and rates of change) in the: housing market area; similar demographic and economic areas; and nationally. A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections."

Recent Legal Judgments

3.7 There have been several key recent legal judgments of relevance to my evidence, which provide clarity on interpreting the NPPF:

- *'St Albans City and District Council v (1) Hunston Properties Limited and (2) Secretary of State for Communities and Local Government [2013] EWCA Civ 1610'* referred to as "Hunston" (Appendix 1);
- *'(1) Gallagher Homes Limited and (2) Lioncourt Homes Limited v Solihull Metropolitan Borough Council [2014] EWHC 1283'* referred to as "Solihull" (CD12.16);
- '*Satnam Millennium Limited and Warrington Borough Council [2015] EWHC 370'* referred to as "Satnam" (Appendix 2);
- *'Kings Lynn and West Norfolk Borough Council v (i) Secretary of State for Communities and Local Government and (ii) Elm Park Holdings [2015] EWHC 1958'* referred to as "Kings Lynn" (C12.8); and
- *'West Berkshire District Council v (i) Secretary of State for Communities and Local Government and (ii) HDD Burghfield Common Ltd [2016] EWHC 267'* referred to as "Burghfield Common" (Appendix 6)

Hunston (Appendix 1)

3.8 "Hunston" goes to the heart of the interpretation of paragraph 47 of the NPPF. It relates to an appeal decision in respect of a scheme predominantly comprising housing on a Green Belt site. Its relevance is that it deals with the question of what forms the relevant benchmark for the housing requirement,

when policies on the housing requirement are absent, silent or out of date as referred to in paragraph 14 of the NPPF.

3.9 Hunston establishes that paragraph 47 applies to decision-taking as well as plan-making and that where policies for the supply of housing are out of date, objectively assessed needs become the relevant benchmark. Sir David Keene in his judgment at paragraph 25 stated:

"… I am not persuaded that the inspector was entitled to use a housing requirement figure derived from a revoked plan, even as a proxy for what the local plan process may produce eventually. The words in paragraph 47(1), "as far as is consistent with the policies set out in this Framework" remind one that the Framework is to be read as a whole, but their specific role in that sub-paragraph seems to me to be related to the approach to be adopted in producing the Local Plan. If one looks at what is said in that sub-paragraph, it is advising local planning authorities:

> *"to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework."*

That qualification contained in the last clause quoted is not qualifying housing needs. It is qualifying the extent to which the Local Plan should go to meet those needs. The needs assessment, objectively arrived at, is not affected in advance of the production of the Local Plan, which will then set the requirement figure."

3.10 Crucially Hunston determined that it is clear that constraints should not be applied in arriving at an objective assessment of need. Sir David Keene in Hunston goes on to set out that (paragraphs 26 and 27):

"… it is not for an inspector on a Section 78 appeal to seek to carry out some sort of local plan process as part of determining the appeal, so as to arrive at a constrained housing requirement figure. An inspector in that situation is not in a position to carry out such an exercise in a proper fashion, since it is impossible for any rounded assessment similar to the local plan process to be done… It seems to me to have been mistaken to use a figure for housing requirements below the full objectively assessed needs figure until such time as the Local Plan process came up with a constrained figure.

It follows from this that I agree with the judge below that the inspector erred by adopting such a constrained figure for housing need. It led her to find that there was no shortfall in housing land supply in the district. She should have concluded, using the correct policy approach, that there was such a shortfall. The supply fell below the objectively assessed five year requirement."

Solihull (CD12.16)

3.11 "Solihull" is concerned with the adoption of the Solihull Local Plan and the extent to which it was supported by a figure for objectively assessed housing need. Although related to plan-making, it again deals with paragraph 14 and paragraph 47 of the NPPF and draws upon, and reiterates, the earlier Hunston judgment.

3.12 The judgment of Hickinbottom J in Solihull sets out a very useful summary of the staged approach to arriving at a housing requirement, providing some useful definitions of the concepts applied in respect of housing needs and requirements (paragraph 37):

"As a preliminary point, it will be helpful to deal briefly with the different concepts and terms in play.

*i) **Household projections**: These are demographic, trend-based projections indicating the likely number and type of future households if the underlying trends and demographic assumptions are realised. They provide useful long-term trajectories, in terms of growth averages throughout the projection period. However, they are not reliable as household growth estimates for particular years: they are subject to the uncertainties inherent in demographic behaviour, and sensitive to factors (such as changing economic and social circumstances) that may affect that behaviour…*

ii) ***Full Objective Assessment of Need for Housing****: This is the objectively assessed need for housing in an area, leaving aside policy considerations. It is therefore closely linked to the relevant household projection; but is not necessarily the same. An objective assessment of housing need may result in a different figure from that based on purely demographics if, e.g., the assessor considers that the household projection fails properly to take into account the effects of a major downturn (or upturn) in the economy that will affect future housing needs in an area. Nevertheless, where there are no such factors, objective assessment of need may be – and sometimes is – taken as being the same as the relevant household projection.*

iii) ***Housing Requirement****: This is the figure which reflects, not only the assessed need for housing, but also any policy considerations that might require that figure to be manipulated to determine the actual housing target for an area. For example, built development in an area might be constrained by the extent of land which is the subject of policy protection, such as Green Belt or Areas of Outstanding Natural Beauty. Or it might be decided, as a matter of policy, to encourage or discourage particular migration reflected in demographic trends. Once these policy considerations have been applied to the figure for full objectively assessed need for housing in an area, the result is a "policy on" figure for housing requirement. Subject to it being determined by a proper process, the housing requirement figure will be the target against which housing supply will normally be measured."*

3.13 Whilst this is clear that a housing requirement is a "policy on" figure and that it may be different from the full objectively assessed need, Solihull does reiterate the principles set out in Huston, namely that where a Local Plan is out of date in respect of a housing requirement (in that there is no NPPF compliant policy for housing provision within the Development Plan) then the housing requirement for decision taking will be an objective assessment of need (paragraph 88):

"I respectfully agree with Sir David Keene (at [4] of Hunston): the drafting of paragraph 47 is less than clear to me, and the interpretative task is therefore far from easy. However, a number of points are now, following Hunston, clear. Two relate to development control decision-taking.

i) Although the first bullet point of paragraph 47 directly concerns plan-making, it is implicit that a local planning authority must ensure that it meets the full, objectively assessed needs for market and affordable housing in the housing market, as far as consistent with the policies set out in the NPPF, even when considering development control decisions.

ii) Where there is no Local Plan, then the housing requirement for a local authority for the purposes of paragraph 47 is the full, objectively assessed need."

3.14 Solihull also reaffirms the judgment in Hunston that full objectively assessed needs should be arrived at, and utilised, without the application of any constraining factors. At Paragraph 91 of the judgment the judge sets out:

"… in the context of the first bullet point in paragraph 47, policy matters and other constraining factors qualify, not the full objectively assessed housing needs, but rather the extent to which the authority should meet those needs on the basis of other NPPF policies that may, significantly and demonstrably outweigh the benefits of such housing provision."

Satnam (Appendix 2)

3.15 "Satnam" highlights the importance of considering affordable housing needs in concluding on full objectively assessed needs ("OAN"). The decision found that the adopted OAN figure within Warrington's Local Plan was not in compliance with policy in respect of affordable housing because (as set out in paragraph 43) the assessed need for affordable housing need was never expressed or included as part of OAN. The decision found that the "*proper exercise*" had not been undertaken, namely:

"(a) having identified the OAN for affordable housing, that should then be considered in the context of its likely delivery as a proportion of mixed market/affordable housing development; 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;

(b) the Local Plan should then meet the OAN for affordable housing, subject only to the constraints referred to in NPPF, paragraphs 14 and 47."

3.16 In summary, this judgment establishes that full OAN has to include an assessment of full affordable housing needs.

Kings Lynn (CD12.8)

3.17 Whilst “Satnam” establishes the fact that full OAN must include affordable housing needs, “Kings Lynn” establishes how full affordable housing needs should be addressed as part of a full OAN calculation. The judgment identifies that it is the function of a SHMA to address the needs for all types of housing including affordable, but not necessarily to meet these needs in full. The justification of this statement is set out below in paragraphs 35 to 36 of the judgment.

“At the second stage described by the second sub-bullet point in paragraph 159, the needs for types and tenures of housing should be addressed. That includes the assessment of the need for affordable housing as well as different forms of housing required to meet the needs of all parts of the community. Again, the PPG provides guidance as to how this stage of the assessment should be conducted, including in some detail how the gross unmet need for affordable housing should be calculated. The Framework makes clear these 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. It is no doubt for this reason that the PPG observes at paragraph ID 2a-208-20140306 as follows:

> *i "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 total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes."*

… This consideration of an increase to help deliver the required number of affordable homes, rather than an instruction that the requirement be met in total, is consistent with the policy in paragraph 159 of the Framework requiring that the SHMA "addresses" these needs in determining the FOAN. They should have an important influence increasing the derived FOAN since they are significant factors in providing for housing needs within an area."

3.18 The judgment is clear that the correct method for considering the amount of housing required to meet full affordable housing needs is to consider the quantum of market housing needed to deliver full affordable housing needs (at a given percentage). However, as the judgment sets out, this can lead to a full OAN figure which is so large that a LPA would have *"little or no prospect of delivering (it) in practice*". Therefore, it is clear from this judgment that although it may not be reasonable and therefore should not be expected that the OAN will include affordable housing needs in full, an uplift or similar consideration of how affordable needs can be 'addressed' is necessary as part of the full OAN calculation. This reflects para 159 of the NPPF.

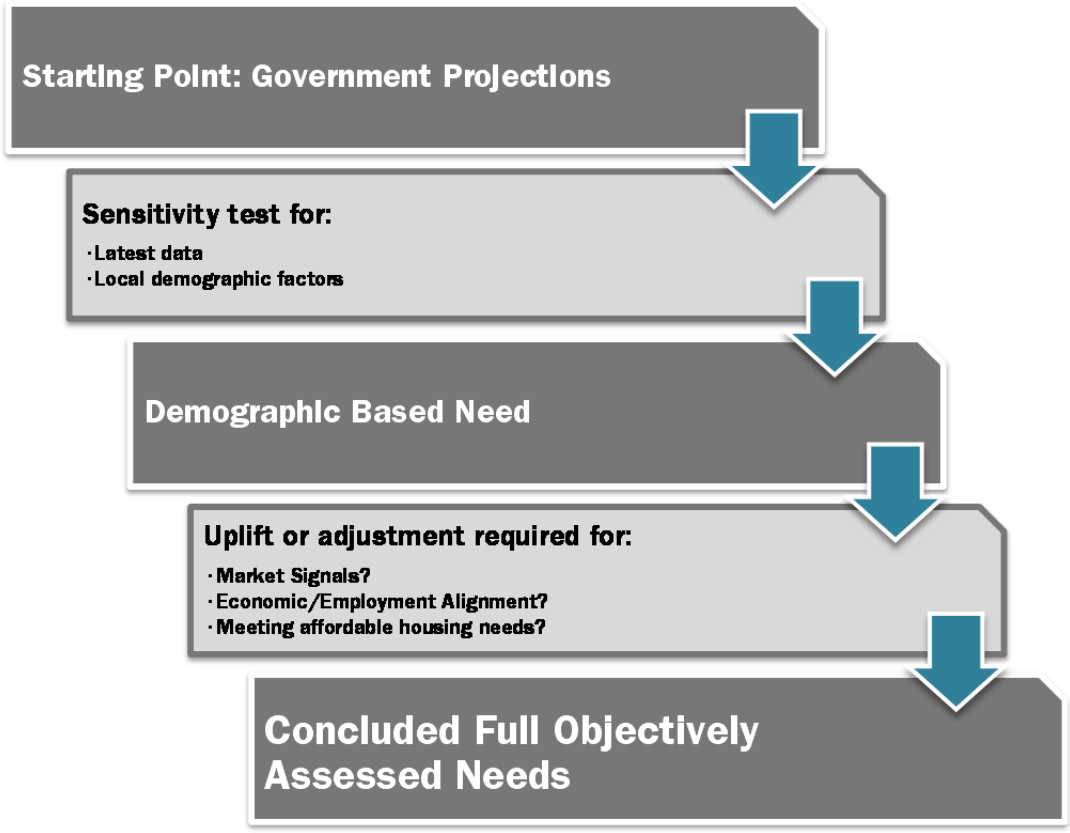
Burghfield Common (Appendix 6)

3.19 Burghfield Common relates to an allowed appeal decision for a residential development on land at Firlands Farm, Hollybush Lane, Burghfield Common, Berkshire. Its relevance is that the appellant in that appeal produced evidence on objectively assessed needs, which the Inspector concluded should be used to judge the five year land supply situation rather than the interim Core Strategy figure. The judgment essentially confirms that the Inspector was entitled to rely on the appellants evidence on OAN concluding that the appellants (para 49) *"… had produced evidence on housing need for the purposes of this appeal which the Inspector considered to be material to his decision. That, as I have said, was in the circumstances the correct approach for him to adopt"* In considering OAN at a s.78 appeal it is not the sole preserve of the LPA to produce evidence and calculate the appropriate OAN. Alternative evidence material to the case, including that which would indicate a different conclusion on OAN, should be properly had regard to, based on the reasonableness of its approach.

Summary of Approach to Objectively Assessing Needs

3.20 In practice, applying the NPPF and PPG to arrive at a robust and evidenced objective assessment of housing need is a staged and logical process. An objective assessment of housing need must be a level of housing delivery which meets the needs associated with population and household growth, addresses the need for all types of housing including affordable and caters for housing demand (NPPF para 159). Furthermore, a planned level of housing to meet objectively assessed needs must respond positively to wider opportunities for growth and should take account of market signals, including affordability (NPPF para 17). I summarise the overarching approach set out in the PPG in Figure 3.1.

Figure 3.1 NPPF and PPG Approach to Objectively Assessing Housing Needs



Source: NLP based upon NPPF/PPG

4.0 Context of Housing Needs in Eastleigh

Background for this s.78 Appeal

4.1 On 16th March 2016 the Council took a recommendation to its Cabinet that an 'interim housing requirement' of 590 dwellings per annum (dpa) is adopted. The printed minutes show the Council did resolve to adopt the interim housing requirement. The Cabinet Report (CD10.20) confirms that this new interim housing requirement is to replace a former interim housing requirement of 615 dpa adopted in April 2015 on the basis of the Inspector's report to the 2011-29 Local Plan and the OAN set out in the earlier Partnership for Urban South Hampshire SHMA (PUSH SHMA, January 2014) (CD 10.2). The interim housing requirement is based upon a report produced by GL Hearn in March 2016 providing a 'Review of Housing Needs in Eastleigh Borough' (CD10.21).

4.2 I understand this position was confirmed to the appellant only on 4th March 2016 with the documents published on 8th March 2016. I was appointed subsequently to prepare this proof of evidence, in the context that this represented a new position upon which the Council is seeking to rely, the implication of which being that the Council now considers it can demonstrate a very marginal five year land supply.

Evolution of a Housing Needs Figure

4.3 There is some significant and lengthy history to identifying and planning for housing needs within Eastleigh Borough dating back to January 2014 and the publication of the PUSH SHMA (CD10.2). Since that point Eastleigh Borough Council has proffered various figures for Objectively Assessed Housing Needs, albeit without having been based upon evidence addressing needs across the Housing Market Area, merely looking solely at Eastleigh on its own. This is set out as follows.

The Eastleigh Local Plan 2011-2029

4.4 The Eastleigh Borough Local Plan 2011-29 (CD9.1) was submitted for examination in July 2014. Strategic Policy S2 set out that the Council would promote the development of 10,410 new dwellings over the plan period, equating to 562 dwellings per annum. This figure was drawn primarily from the

study 'An analysis of OAN in the light of the 2012 Based Sub-National Population Projections' (JGC, June 2014) (CD10.6), which concluded that housing needs in Eastleigh amounted to 549 dwellings per annum. This was presented alongside the PUSH SHMA (CD10.2) which concluded that full, objectively assessed housing needs in Eastleigh were 615 dpa.

Inspector's Findings (CD9.4)

4.5 Following examination in late 2014, the Local Plan Inspector issued his report to Eastleigh Borough Council dated 11th February 2015 (CD 9.4). I do not dissect or repeat the Inspector's findings in depth here as I consider they are comprehensive, stand on their own and are best read as such. The issues of OAN are well versed in paragraphs 7 to 58.

4.6 However, in summary, the Inspector concluded that the Plan's proposed figure of 562 dwellings per annum would not meet objectively assessed housing needs. In doing so he comments (para. 54);

"I have found that the Council has failed to recognise the true scale of need for affordable housing. There is also the consequential failure to consider how that need might be addressed. The Framework requires every effort to be made to meet needs".

4.7 The Inspector also highlighted that market signals indicated a need to provide more housing, as well as the need for affordable housing and unmet needs from across the Housing Market Area to be addressed concluding (para 57):

"I have indicated that the PUSH SHMA's preferred projection (which equates to 615 dpa for Eastleigh) should not be ignored and that the demographic requirement is best seen as a range. I have also noted that on the basis of that projection, the Council calculates a shortfall in delivery in the HMA of about 750 dwellings to 2026. This background strongly indicates the opportunity for Eastleigh to deliver more housing with no adverse impact on delivery in the rest of the HMA. Market signals also point to both a need to provide more housing and the market's strength to do so."

4.8 The Inspector recommended non-adoption and the Council has resolved not to pursue the 2011-2029 Local Plan.

The Emerging Local Plan

Housing Needs Study (June 2015) (CD10.7)

4.9 Following the conclusion of the previous Local Plan examination, Eastleigh Borough Council commissioned further evidence on housing needs in the Borough; 'the Eastleigh Housing Needs Study' (JGC, June 2015) (CD10.7). This document was subject to a four week consultation between June and July 2015.

4.10 The June 2015 Study concluded that;

"…563 homes per annum would be a reasonable objective assessment of housing need (about 14,100 homes over the 2011-36 period…" [Summary – para 53].

4.11 This figure of 563 dwellings per annum is essentially the same figure which was previously concluded as representing full OAN by the Council and which was subsequently rejected by the Local Plan Inspector in February 2015. A full critique of this report was produced by NLP for this documents' consultation on behalf of Gladman (among others) which is contained at Appendix 2 to CD13.6.

4.12 My understanding is that the Council no longer seek to place any major reliance on the conclusions of this document. I consider limited weight can be given to the conclusions of the JGC June 2015 report, the reasons being the same set out within the NLP critique: that it did not substantively address the findings of the Local Plan Inspector; that it failed to address affordable housing needs in the correct manner; and that its concluded OAN was not the product of an objective exercise that reflected the NPPF and PPG.

Housing Background Paper (December 2015) (CD10.22)

4.13 In December 2015, following consultation on the June 2015 Study, the Council published the Housing Background Paper for the emerging Local Plan. This did not definitively conclude on the Borough's OAN, but rather presented a range of scenarios from a number of different sources as summarised below.

Table 4.1 Housing Background Paper - Housing Scenarios

		Dwellings p.a. (range)	Mid-point	Total 2011-36
Option A	Eastleigh HNS Update	520-584	552	13,800
Option B	PUSH SHMA	615-677	646	16,150
Option C	Local Housing Market Options	743-747	745	18,625
Option D	Sub-Regional Development	830	830	20,750

Source: Eastleigh Housing Background Paper

4.14 In addition to the June 2015 Housing Needs Study and the January 2014 PUSH SHMA, in arriving at these Options the Council also acknowledged the potential impact of unmet needs across the housing market area. The Council states within the Background Paper that unmet housing needs in the Southampton HMA could amount to around 6,600 dwellings (see para. 4.14 and 4.17 of the Background Paper).

4.15 Gladman made representations to this document as part of the consultation on the newly emerging Local Plan, which included a review of the Housing Background Paper by NLP (CD13.6). This concluded that Option A (520-584 dpa) would not meet OAN within Eastleigh noting the following in respect of the Housing Background Paper (Appendix 1 to CD13.6):

a That the conclusion of the earlier June 2015 Housing Needs Study was not a suitable basis for OAN as it involved suppression of household formation, the application of an inappropriate market signals uplift and a calculation of affordable housing which suppressed true levels of need and did not seek to address affordable needs (para 3.3);

b That based on the figures within the Housing Needs Study and applying a correct stepped approach to adjustments for household formation and market signals would mean that the absolute minimum level of housing needed in Eastleigh Borough could be no lower than 619 dpa, but that that would still not address affordable housing needs (para 3.9)

c That the PUSH SHMA did not include any upward adjustment for market signals or to address affordable housing need and as such needs are likely to be in excess of Option B (para 3.18);

d That only Options C and D (both based on the PUSH SHMA) address to some degree the housing needs across the Housing Market Area and the unmet needs across the HMA. At such a scale of 743 dpa or more it

would involve significant upward adjustment to help increase the supply of affordable housing (para 3.21-3.22); and

e That there is no updated evidence on housing needs across the housing market area beyond that provided within the PUSH SHMA. Particularly, that the issue of Eastleigh relying on independent and unilateral evidence in the context of its position within a wider HMA was highlighted as a shortcoming by the Local Plan Inspector (para 4.2).

Review of Housing Needs in Eastleigh (March 2016) (CD10.21)

4.16 Subsequent to the publication of the Housing Background Paper, the Council has since commissioned further evidence on housing needs. This new report is entitled the Review of Housing Needs in Eastleigh Borough, GL Hearn (March 2016) (CD 10.21), herein referred to as "the Review". This concludes that 590 dwellings per annum represents full OAN within Eastleigh Borough (para 7.14).

4.17 The Council's cabinet report on the interim housing requirement (CD10.20) acknowledges that the figure is "interim", that it will be subject to "further review" (para 1), that the GL Hearn report is merely an "interim update" (para 6), that the appropriate level of housing for Eastleigh will be determined through "further technical work" and the outcomes of "ongoing work" (para 18), and that an updated PUSH SHMA is in preparation (para 6) providing evidence on housing needs across the South Hampshire HMAs.

Summary of OAN evidence to date in Eastleigh

4.18 The evolution of the Council's OAN over the course of the last two years can be summarised as follows:

Table 4.2 Summary of Council OAN Evidence

Date	Document or Event	Concluded OAN (p.a.)
January 2014	PUSH SHMA	615
June 2014	An analysis of OAN in light of the 2012 based SNPP (JG Consulting)	549
July 2014	Council submits Local Plan for Examination	564
February 2015	LP Inspector concludes 564 dpa would not meet OAN	
June 2015	Eastleigh Housing Needs Study (JG Consulting)	563
December 2015	Housing Background Paper	None identified (options 520 – 830)
March 2016	Review of Housing Needs in Eastleigh Borough (GL Hearn)	590

Source: Eastleigh Borough Council Evidence Base Documents

4.19 It is against this moving feast which the objectively assessed housing need for the Borough must be considered.

Status of the Interim Housing Requirement

4.20 The status of the interim housing requirement is paramount to the demonstration of a five year land supply in Eastleigh. NPPF para 159 identifies that LPAs should have a *"clear understanding of housing needs in their area"* (my emphasis) going on to identify a SHMA for the relevant housing market area is the appropriate means of doing so. Furthermore NPPF para 47 identifies the need to ensure that full objectively assessed needs for market and affordable housing are met in the housing market area.

4.21 The Council's Housing Background Paper (CD10.22) confirms in respect of the relevant housing market area that (paras 3.8-3.9):

"…the south Hampshire sub-region consists of two overlapping HMAs, focussed on Portsmouth and Southampton respectively… The SHMA showed Eastleigh borough to be located wholly within the Southampton Housing Market Area which, along with the City of Southampton, also comprises parts of New Forest District Council, Test Valley Borough Council, Winchester City Council and Fareham Borough Council."

That geography is shown in Figure 1 of the Housing Background Paper.

4.22 The PPG at para ID:3-030 sets out in respect of the starting point for the five year housing supply that *"…information provided in the latest full assessment of housing needs should be considered. But the weight given to these assessments should take account of the fact they have not been tested or*

moderated against relevant constraints." Assessments that have not been tested or are not full assessments of housing needs (as I consider is the case here), inevitably must be given less weight than, for example, an up-to-date adopted housing requirement, in assessing the five year land supply position. The weight that can be given to any assessment of need will also clearly relate to its degree of consistency with the NPPF and whether the methodology and judgements contained therein are robust.

4.23 The implication of the above in combination is that, without a clear understanding of the OAN in the housing market area consistent with the requirements of NPPF 159 and 47, it makes it difficult to address whether an LPA can demonstrate a five year supply of land; the figure against which supply should be measured remains unknown or subject to sufficient doubt where that *"clear understanding"* is not present. Indeed, as set out by the Inspector in the case of Land south of Cirencester Road, Fairford (CD11.11, Para. 9):

"the Council's planning policy witness, agreed in cross-examination that the Council did not have an OAN, and did not have a clear understanding of housing needs in their area, as required by paragraph 159 of the Framework. Consequently, it is difficult to see how the Council can demonstrate, as required by paragraph 49 of the Framework, that the number of sites that can be delivered constitutes a five year supply, in the absence of an understanding of what the OAN is."

4.24 This view has been subsequently reaffirmed in the appeal decision on Land west of Beech Hill Road, Spencers Wood which sets out (CD11.12 paras 19 and 20):

"Paragraph 47 of the NPPF requires local planning authorities to use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for housing in the housing market area, as far as is consistent with the policies set out in the NPPF. The Council accepts that it is currently unable to identify its objectively assessed need for housing.

On a literal interpretation of the provisions of the NPPF, that would in itself be sufficient to indicate that the Council could not comply with the requirement of paragraph 49: since it does not know what its objectively assessed need for housing is, it cannot demonstrate that it is able to meet that need. I note that this was the approach adopted by a colleague Inspector who determined a recent appeal in Fairford, and it seems to me a perfectly valid interpretation."

4.25 It was also reaffirmed in the appeal decision on Land South of Greenhill Road, Coalville which summarised as follows in that case (CD11.13 paras 26-27)

"In summary, it is clear that the SHMA is out of date and should be recalculated to take account of the latest economic projections; the housing requirement must be more than 350 dpa; the figure of 535 dpa has not been robustly derived; the Council does not have a robust position on what its housing requirement should be and thus the Council cannot demonstrate (on that basis) that it has a 5-year housing supply.

Accordingly, on the basis of the Council's case alone, I conclude that the Council's FOAN is 535 dpa, in which case there is 4.45 years supply; or alternatively the Council does not have a FOAN, in which case it does not have a housing requirement and cannot demonstrate that it has a 5 year housing supply which was the position in the Fairford decision."

4.26 I consider that circumstances are similar in this s.78 appeal and that the Council does not have a *"clear understanding"* of their OAN in the context of NPPF para 47. I arrive at this conclusion on the basis of the following:

4.27 **Firstly,** the above evolution of housing needs evidence in Eastleigh demonstrates how the Council has failed to grapple with the full housing needs of the area and that successive pieces of analysis and evidence, even when undertaken in short periods of time and based on largely the same base data, have arrived at different estimates of OAN.

4.28 **Secondly,** the Council's cabinet report on the interim housing requirement (CD10.20) acknowledges that the figure is *"interim"*, that it will be subject to *"further review"* (para 1), that the GL Hearn report is merely an *"interim update"* (para 6), that the appropriate level of housing for Eastleigh will be determined through *"further technical work"* and the outcomes of *"ongoing work"* (para 18),

and that an updated PUSH SHMA is in preparation (para 6) providing evidence on housing needs across the South Hampshire HMAs.

4.29 The Cabinet report ultimately sets out, *"As further information on the above matters becomes available, then further amendments to the interim housing figure may be justified"* These clear caveats by the Council indicate they themselves consider significant caution should be applied to the interim figure at this time.

4.30 **Thirdly,** the GL Hearn Review (CD10.21) itself acknowledges the above limitations referring to an *"interim period"* before the full South Hampshire SHMA is published (paras 1.4-1.5).

4.31 **Fourthly,** the NPPF requires LPAs to meet full OAN across the relevant housing market area (para 47); the Southampton-focussed PUSH Housing Market Area being the relevant HMA for Eastleigh. The unilateral basis of considering OAN for just Eastleigh Borough rather than the HMA as a whole (as will be presumably undertaken as part of update to the PUSH SHMA anticipated mid-2016 as set out in CD10.22 para 3.3) indicates the Council do not have a clear understanding of housing needs across the HMA at the current time, except within the 2014 PUSH SHMA which identified an OAN for Eastleigh of 615 dwellings per annum.

4.32 This is important, particularly in such an area where the degree of housing market inter-linkage with Southampton is significant, and the two LPAs will need to work together to ensure needs are met. Evidence on a consistent basis across the HMA is a requisite of the NPPF. The *Solihull* judgment clearly sets out that NPPF para 47 applies to decision taking, and without that evidence across the HMA, it is unclear to me how the Council can have a sufficiently strong grasp of the housing needs of their area to be able to adopt a figure derived solely for Eastleigh as a housing requirement (even on an interim basis). This is particularly the case as all evidence produced by the Council on an Eastleigh only basis since the 2014 PUSH SHMA has sought to move away from those findings at a HMA-wide basis and present a lower figure for OAN than contained in that assessment (615dpa for Eastleigh). The issue of identifying needs at the HMA level (as well as in a consistent form for the Borough) for the purposes of applying NPPF para 47 is acknowledged by the Council themselves (CD10.22 para 3.11). Furthermore I am not aware that

this interim housing requirement has been agreed with, or endorsed by, the other LPAs within the housing market area, as might be anticipated under the duty-to-cooperate and in order to ensure full housing needs are being met across the HMA.

4.33 **Lastly,** and notwithstanding the above points, I have some significant concerns with the evidence as presented within the 'Review of Housing Needs in Eastleigh Borough' report in that I do not consider its conclusion is properly commensurate to full objectively assessed needs. I set this out in more detail in Section 5, and consider it is sufficient on its own merits to disregard the 590dpa figure, but combined with the above it leads me to the conclusion that there is not a clear understanding by the Council at this point. This may, of course, be rectified by a properly completed PUSH SHMA update.

4.34 The application of the above, in combination, to the current s.78 appeal is, in my view, relatively straight forward. The principles of the Fairford decision are engaged and the Council is not in a position to robustly demonstrate how their housing supply is meeting full OAN in the Borough and Housing Market Area. Even then, I consider that the figure of 590dpa, on its own merits, is not representative of full OAN for Eastleigh Borough as set out in Section 5.0 and is not a tested figure in the context of PPG ID 3-030. Therefore very limited weight should be given to it in the Council's contention that by virtue of that interim housing requirement (as reduced from the earlier interim housing requirement figure) the Council can demonstrate a five year land supply.

5.0 Reviewing the Interim Housing Requirement

5.1 The interim figure used as a housing requirement for Eastleigh is 590 dwellings per annum and is sourced from the Review of Housing Needs in Eastleigh Borough report produced by GL Hearn; "the Review". This section sets out my review of this document and sets out why I consider this figure does not represent full OAN and as such should not be used as a proxy for five year housing land supply calculations.

Demographic-Led Needs

5.2 The PPG is clear that household projections published by DCLG represent the starting point for an objective assessment of housing need (ID 2a-015). However, the PPG also highlights that sensitivity testing may also be considered, to both the population and household projections, for example based on alternative assumptions of migration or household formation rates (ID 2a-015, 2a-017). This is also highlighted by the Council in the Housing Background Paper, where the Council accept that adjustments to address suppressed household formation are warranted in Eastleigh (para 3.53) and that alternative assumptions on migration, higher than the current projections, would provide a more precautionary approach (paras 3.22 and 3.23).

The Starting Point

5.3 The Review considers a starting point for housing needs in Eastleigh Borough over the period 2011-36 to be 523 dwellings per annum, based on growth of 12,762 households over the period and applying a dwelling vacancy rate of 2.4%. This household projection is directly taken from the DCLG 2012-based household projections, which in turn is based on the ONS 2012-based sub-national population projections (SNPP).

5.4 The Review then considers a number of other demographic-led scenarios, including the use of Unattributable Population Change and long term migration trends.

Alternative Demographic-led Scenarios

Unattributable Population Change

5.5 Unattributable Population Change ("UPC") is the population change between the 2001 and 2011 Censuses which cannot be attributed to births, deaths or migration. It is either a result of the mis-recording of migration or the mis-recording of one (or both) Censuses. The Review briefly outlines why it considers UPC should not be considered as a future scenario. These reasons include:

1 It is not possible to attribute this number to migration or mis-recording of the Censuses;

2 Even if attributable to migration, improvements in the recording of migration over time mean these are less likely to have an impact in later years (which feed into the 2012-based SNPP);

3 Such an adjustment is not made by ONS in the 2012-based SNPP.

5.6 The Inspector into the Eastleigh Borough Local Plan noted (CD9.4, para 23) that whilst it was reasonable for the Council to follow ONS' approach (to exclude UPC in the projection), UPC between the Censuses in Eastleigh was positive, i.e. there was the potential for under-recording of migration. Although if attributable to mis-recording of the Censuses, the effect on future growth in Eastleigh would be nil, on the other hand if all of the UPC in Eastleigh were attributable to under-recording of migration this would only place further upward pressure on housing needs. The Local Plan Inspector concluded on UPC simply that (para 23) *"The higher figure for the recommended projection in the SHMA represents, at least in part this possibility."* I consider this still applies, with higher alternative demographic scenarios than the ONS 2012-based SNPP (and associated CLG household projection) continuing to represent this possibility.

Migration

5.7 The Review also presents an alternative demographic-led scenario based on alternative assumptions around migration, drawn from longer term trends. Table 1 of the Review shows that in the years feeding into the 2012-based SNPP (i.e. the preceding five year period) total average annual net migration into Eastleigh was 559 per annum. For the years feeding into the 2014-based

SNPP (yet to be published) migration was 662 per annum, and in the 13-year period 2001-2014 migration was 462 per annum. However, when considering alternative migration-led scenarios, the Review only takes into account the latter, i.e. the longest term trend, which shows lower migration levels that in the five year periods to either 2012 or 2014. The result of this is a level of housing need of 481-482 dwellings per annum, i.e. 8% lower than the starting point.

5.8 It is unclear why the Review did not seek to test the migration levels which will feed into the 2014-based SNPP, which are expected to be published in Summer 2016. Although longer term trends are in some cases a more reliable assessment on which to base future projections, in Eastleigh there is a clear trend for increasing levels of migration in recent years. At the national level, the 2014-based population projections (published October 2015) project population growth in excess of the 2012-based SNPP. Although it would be unreasonable for a local housing needs assessment to attempt to predict the outcome of the Sub-National projections prior to their publication, it is unclear why, given the data available, the Review would not test a more recent trend-based migration scenario given the likely upward pressure these may place on housing needs.

Household Formation Rates

5.9 With regard to household formation rates, the PPG states (ID 2a-015) 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."

5.10 When projecting the level of housing need, the Review presents two household projection outputs; this is due to differences between the age specific household formation rates in the Stage 1 projections (published February 2015) and the Stage 2 projections (published December 2015). This means that although each iteration sums to the overall headline figure (in the case of Eastleigh, 510 households per annum), age specific rates are not subject to the same constraints and as such using the Stage 1 and 2 outputs (and making adjustments) can yield different outputs. However, even accepting this limitation, there are significant flaws with the approach adopted in the Review.

Overview on Household Formation

5.11 The Review does not consider adjustments by using previous iterations of household projections (e.g. the 2008-based projections) or to earlier higher snapshots of households formation (e.g. to 2001-levels as utilised in the JGC Study), instead assessing two scenarios (applied to age groups up to age 44) as follows;

1 Formation rates increasing; leaving formation rates projected to increase in place, and holding constant any formation rates which are projected to decrease; and

2 Formation rates decreasing; leaving formation rates projected decrease in place, and holding constant any projections which are projected to increase.

5.12 The outputs under each of these scenarios using the 2012-based SNPP projection of the population are shown in Table 5.1. These show that under sensitivity 2, there is a need for 494-518 dpa (depending on the projections adopted) and under sensitivity 1 a need for 537 to 573 dpa. This compares with the starting point of 523 dwellings per annum.

Table 5.1 Outputs - Household Projection Sensitivity

	Housing Need (dpa)
Starting Point (Household Projections)	**523**
Sensitivity 1 (No decreases)	537-573
Sensitivity 2 (No increases)	494-518

Source: Review of Housing Needs for Eastleigh Borough, Table 4

5.13 Even without considering in-depth (as done so below) how the approaches adopted affect each age group, I consider the outputs shown in the Review are counter-intuitive to the adjustment advocated by the PPG and the purpose of conducting sensitivity for headship rates. The purpose is to address, where necessary, the effect of past undersupply, housing market factors and suppressed household formation, to ensure that the household projections are reflective of the likely levels of need and demand (not solely past trends, projected forward). This is accepted within the Review (paragraphs 3.4-3.9).

5.14 This begs the question how (even accepting the discrepancies between the stages) an adjustment which would aim to allow *more* households in the 15-44 age group to form to address housing market factors would generate any

number which is *lower* than the headline figure which it started with. If the population of Eastleigh Borough is projected to need 523 dwellings per annum over the period to 2036, then to allow for some additional household formation in this population there would clearly be a need for *more* than 523 dwellings per annum, bringing into significant question the suitability of sensitivity 2 as a scenario.

5.15 Notwithstanding the above, the Review concludes *"there is no clear basis for arguing that one scenario is better than the next"* (para 3.17). However, I consider that a scenario which seeks to apply a headship rate sensitivity that accentuates or even compounds 'suppression' is not consistent with the general thrust of the NPPF seeking to significantly boost housing supply, would not accord with the PPG (ID 2a-015) and for Eastleigh particularly would fail to reflect the Local Plan Inspectors findings which set out:

"…the JGC Study carried out a more detailed analysis than the SHMA on the local reasons behind the slowing of the trend of household formation (headship rates) revealed in the 2011 Census. In the light of this analysis, it recommends a part return to the underlying long term trend to reach 73% of the 2008-based rate by the end of the projection period. I consider that this is a well-informed analysis consistent with the evidence and with other Inspectors' conclusions on this issue."

Age-Specific Formation Rates

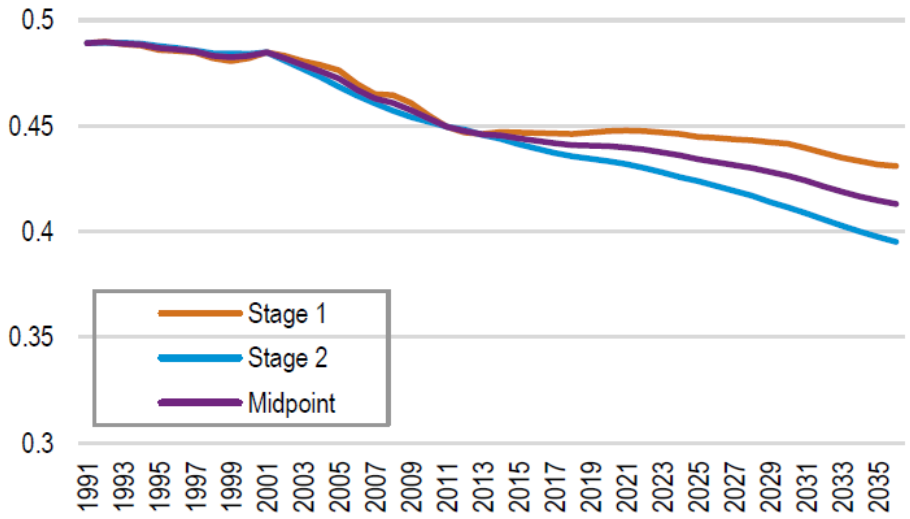
5.16 Exploring the above through a more in-depth analysis of the age-specific household formation rates shows the impact of the assumptions adopted in each of the sensitivities. Whilst serving to make the same point as set out in my conclusion at Paragraphs 5.11-5.15 above, it explores and explains why Sensitivity 2 represents a 'suppression' of household formation for certain age groups.

5.17 For 15-24 year olds, the sensitivities are likely to have little impact on overall housing need figures given the household formation rates in this group are relatively low and constant over the projection period.

5.18 In 25-34 year olds, there is a projected decline in rates of household formation in both the Stage 1 and 2 projections. This is shown in Figure 5.1. Sensitivity 1 (no decreases) would therefore have the impact of keeping rates at their

current level and not allowing the further decline. Sensitivity 2 (no increases) however, would leave the decreases in place, making no positive adjustment to household formation rates of 25-34 year olds.

Figure 5.1 Projected Household Formation Rates - 25-34 Year Olds

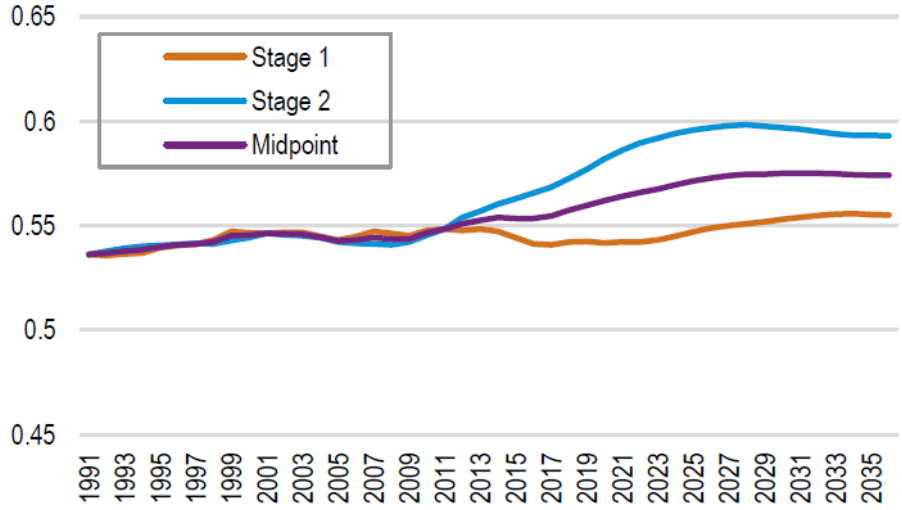


Source: Review of Housing Needs for Eastleigh Borough, Figure 1

5.19 In 35-44 year olds the opposite pattern can be seen, as shown in Figure 5.2, with rates of household formation projected to increase. In this age group, it is also important to consider the other underlying factors which affect household formation, including those unrelated to the housing market, such as increases in divorce rates.

5.20 In this age group, Sensitivity 1 (no decreases) would leave the projected increases in place, making no adjustment to household formation rates in this age group. Sensitivity 2 (no increases) would hold these rates at their current level, potentially suppressing rates projected to occur.

Figure 5.2 Projected Household Formation Rates - 35-44 Year Olds



Source: Review of Housing Needs for Eastleigh Borough, Figure 1

5.21 The household formation rates in each age groups under the sensitivities can therefore be summarised as follows:

1 Sensitivity 1 (no decreases) – rates for 25-34 year olds are held at their current level and rates for 35-44 year olds are allowed to continue increasing as projected; and

2 Sensitivity 2 (no increases) – rates for 25-34 year olds are allowed to continue decreasing, whilst rates for 35-44 year olds are held at their current level, with no increases.

5.22 Therefore sensitivity 2 not only fails to address the downward trend in household formation amongst 25-34 year olds, but simultaneously halts the projected increase in household formation amongst 35-44 year olds. This does not make it an appropriate basis on which to plan for future housing needs, and does not respond positively to meeting the needs and demand of the population. The approach is baseless and does not draw upon official published data sources (e.g. the Census or previous household projections), is not explained clearly within the Review and only seeks to further supress housing need.

Conclusion on Household Formation Rates

5.23 Of the two sensitivities, sensitivity 1 represents a more optimistic view of household formation, leaving increases in 35-44 year olds in place and halting the decline of formation rates in 25-34 year olds. This yields a housing need of

537-573 dwellings per annum. It is of note that the Council's previous housing needs review (JGC, June 2015) yielded a need for 563 dwellings per annum when adjusting household formation rates (CD10.7 pars 28-30), acknowledged by the Council that it *"should be considered"* (CD10.22 para 3.53); this was under a different approach, with rates in 25-34 year olds returning to their 2001 levels.

5.24 In addition to the SNPP projection, the Review also assesses each of the sensitivities using the long term migration trend scenarios, which shows even lower levels of housing needs. It is concluded, however, that the latest projections are a more appropriate basis on which to plan for future housing need, with a need for between 494 and 573 dpa when utilising the sensitivities. As such a mid-point of the range is adopted, and the Review concludes that the demographic-led needs in Eastleigh amount to 534 dpa. This represents an increase of 11 dwellings per annum (or 2%) on the starting point of 523 dpa. This is lower than the demographic-led needs in the Council's previous evidence, of 563 dpa.

5.25 I also note that the authors of the Review (GL Hearn) made representations the Proposed Modifications to the Cambridge and South Cambridgeshire Local Plans (January 2016) (included at Appendix 3). As part of these representations an analysis of household formation rates was undertaken to test the impact on housing needs under different assumptions around household formation rates. In this, GL Hearn adopted three scenarios (applied to 25-34 year olds);

1 Formation Rates remain at 2011 levels (i.e. no further decline);

2 Formation Rates return to 2001 levels (termed "*modest improvement*"); and

3 Formation Rates return to those in the 2008-based projections.

5.26 The author also notes that (para 5.19):

"Other local plan examinations (e.g. Herefordshire, Horsham) have agreed that it is reasonable to return household formation rates for this age group to 2001 levels. We consider this to be a justifiable approach."

5.27 Given how recently this report was produced, it is unclear why the author would adopt a significantly different approach to household formation rates.

The approach advocated by GL Hearn in Cambridge and South Cambridgeshire supports improving headship rates amongst young adults, noting the endorsement by a number of other Local Plan Inspectors. This approach would also be in line with the PPG, which notes that adjustments can be made where past supply may have resulted in supressed formation rates. This is different to the approach in the Eastleigh Review, whereby Sensitivity 2 not only allows rates for 25-34 year olds to continue declining, but applies a ceiling to rates for 35-44 year olds by stopping these from increasing in line with the projections.

5.28 Furthermore, I note that the suggested streamlined approach to OAN contained within the recommendations of the Local Plan Expert Group advocate an approach to headship rates which adjusts formation rates for younger age groups based on a partial return to those projected in the 2008-based projections (see Appendix 4). Each of the above would support an approach to only looking at upwards sensitivities for this factor when arriving at a conclusion on likely demographic-led needs.

Impact of the Starting Point and Demographic-led Needs

5.29 A number of shortcomings have been noted which cumulatively mean the demographic-led needs identified in the Review are likely to under-estimate the level of housing need Eastleigh. The Council's latest evidence does not consider any scenarios in which migration may be higher than the SNPP, despite recent migration trends and UPC providing justification for exploring higher growth scenarios.

5.30 Furthermore, through sensitivity 2, the Review produces housing need figures which are counter-intuitive to the purpose of the sensitivity and represent an inherently negative approach to assessing housing needs, arriving at figures lower than the headline figure of 523 dpa. This approach has no basis, and is also contrary to the approach advocated by the author in representations to a Local Plan elsewhere just two months prior.

5.31 By including these lower figures in the range which informs the overall conclusion on demographic-led need, the bottom end of the range is lowered and subsequently the concluded demographic-led needs are lower than were these figures excluded. Sensitivity 1 illustrates that adopting the more

optimistic projections around household formation could place demographic-led needs at between 537 and 573 dpa, which is likely to represent a range which more appropriately responds to household growth. The conclusion on demographic-led needs affects the remainder of the housing need calculation, given this is the basis for applying any further uplifts for market signals, economic needs and affordable housing needs. Overall the Review down-plays the likely level of demographic-led housing needs in the Borough.

Economic-Led Needs

5.32 The Review states (para. 4.4-4.5);

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

To address these issues, and taking account of emerging work being undertaken for PUSH, GL Hearn has sought to consider further the relationship between homes and jobs."

5.33 However despite this, past job trends are not taken into account in the Review when considering future housing needs. The Review draws its assessment of future economic growth from Oxford Economics, commissioned for the Solent Local Enterprise Partnership in 2013 and updated in 2015. These forecast job growth of 0.7% per annum for the Solent area, and 0.8% for Eastleigh, equivalent to 500 per annum (para 4.18).

5.34 Analysis within the Review concludes that resident workforce growth is estimated to be between 497 and 565 per annum over the period to 2036 (Table 12) and as such there is no evidence that in-migration (or housing numbers) should be increased to help support economic growth in Eastleigh (para 4.30).

5.35 The Review acknowledges that the economic forecast is lower than the 1.0% per annum growth seen in Eastleigh historically (para 4.14), equivalent to 566 jobs per annum over the 2000-13 period (footnote 14), but does not take this into account when assessing the housing need associated with future economic growth in Eastleigh. Furthermore, it would appear that the Review has drawn this 566 figure from a period during which job growth in Eastleigh is

particularly low, selecting this period to imply that the forecasts are not too dissimilar from the forecast. Analysis of two sets of job trend estimates (Experian, December 2015 and Oxford Economics, May 2015), indicates that ten and fifteen year rolling averages for annual job growth in Eastleigh have been considerably higher than this (shown in Appendix 5).

Implications of Economic-led Needs

5.36 I consider the only potential limitation of the approach is that it does not take into account past trends in job growth, which consistently show that Eastleigh has historically seen much higher job growth compared with its forecasts. Such an assessment would likely indicate greater economic potential within the Borough (were past trends to continue), and as such there may be upward pressure on housing needs to support this, albeit it is not clear to what extent (if any) these may have a material implication for any conclusion on housing needs.

Market Signals

5.37 The Review examines a number of market signals for Eastleigh, including land prices, house prices, rents, affordability and overcrowding. It concludes that pressures in Eastleigh are 'modest' and that a 10% uplift (the same as advocated by the Local Plan Inspector and in the Council's previous evidence) is applicable.

5.38 In applying this 10% uplift, the Review makes the upward adjustment on the demographic-led need identified (i.e. that which includes the adjustments for household formation). It is of note that this approach is inherently different to that adopted in the JGC June 2015 Study (CD10.7) and the Housing Background Paper (CD10.22 para 3.53) which considered that by making an adjustment to the household formation rates of 25-34 year olds, this encompassed a 'market signals' uplift.

5.39 I consider the approach in the Review is correct as it does not have the effect of 'conflating' housing need adjustments to household formation with supply-side adjustments for market signals. The PPG is clear that a market signals uplift should be a *supply*-led response to be provided over and above the figure indicated by the demographic-led *need* (i.e. that arising from population and

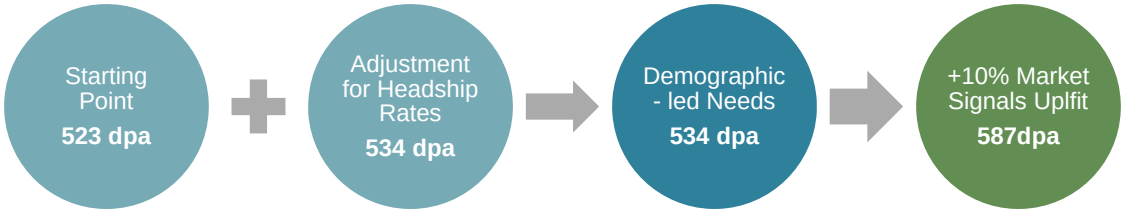
household growth) (ID 2a-019, 2a-020). The differences in the two approaches in the two Council studies are as follows.

Figure 5.3 JGC Approach to Market Signals - **June 2015** Study



Source: NLP based on Eastleigh Borough Council June 2015 Study

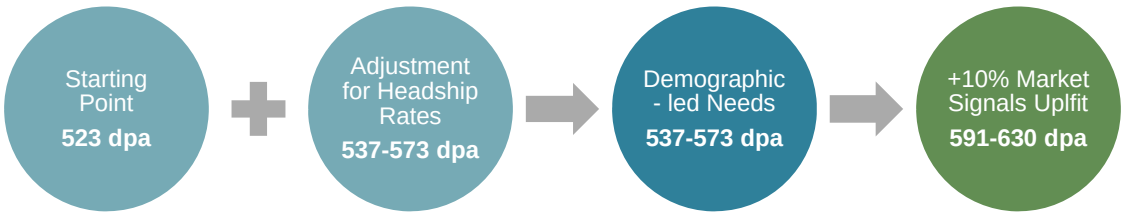
Figure 5.4 GL Hearn Approach to Market Signals - **March 2016** Review



Source: NLP based on Eastleigh Borough Council March 2016 Review

5.40 There are a number of factors which have been highlighted which mean that the true level of need associated with population and household growth is likely to be higher than the 534dpa as concluded in the Review. This in turn would mean that the market signals adjustment is also too low to adequately respond to need and demand. By example, applying the uplift of 10% to the Sensitivity 1 range (in line with the approach shown in Figure 5.4) would indicate housing needs of 591-630 dwellings per annum, as shown in Figure 5.5. This is above the figure currently considered to represent housing needs on an interim basis by the Council, even without taking into account affordable housing needs.

Figure 5.5 Adjusted Approach to Market Signals – NLP based on March 2016 Review



Source: NLP based on Eastleigh Borough Council March 2016 Review

Implications of Market Signals

5.41 The application of 10% market signals uplift is the same figure advocated by the Local Plan Inspector and that put forward in the Council's previous

evidence. I consider it reasonable at the current time. However, due to the artificially low starting point to which this has been applied, the figure arrived at through the uplift (587) is therefore inherently also too low.

Affordable Housing Needs

5.42 The Review updates the assessment of affordable housing need for Eastleigh concluding there is a need for 373 affordable homes per annum over the period 2011-36. However, despite identifying this need, and identifying that at 30% affordable housing over 1,240 dwellings per annum would be needed to meet the assessed affordable housing (para 7.9), no explicit upward adjustment (beyond that made for market signals) is made to help meet these needs. Based on the concluded OAN figure in the Review, there would be an estimated shortfall in affordable housing supply over the plan period of 4,150 dwellings[3].

5.43 In the representations (Appendix 3) made by the author of the Review to the Proposed Modifications to the Cambridge and South Cambridgeshire Local Plans, the following was stated (paras 1.11-1.13)

"An affordable housing need is clearly identified in the SHMA. PBA's own figures indicates that there would be a shortfall in delivery of 5,500 affordable homes in Cambridge over the plan period. This provides clear evidence for considering higher overall housing provision, in line with Paragraph 2a-029 in the PPG…

The PBA Report does not provide a guidance-compliant assessment of Objectively-Assessed Housing Need. It is flawed in the following respects:

…It is dismissive of the affordable housing need…the case for adjusting housing need upwards, beyond that in the submitted plan, to enhance affordable housing delivery has not been considered. The PPG requires this.

Our analysis indicates that the plans as presented could thus be expected to result in:

[3] 590 dwellings per annum @ 35% affordable = 207 affordable homes per annum. Annual shortfall against 373 = 166, or 4,150 over 25 year plan period.

…An inadequate supply of affordable housing in Cambridge, with a shortfall in the delivery of affordable housing of 5,500 being planned for over the plan period. This could have clear social implications, as well as economic consequences in terms of the ability of companies to recruit young people or those in lower paid sectors."

5.44 This position appears to adopt a different stance the conclusion put forward by GL Hearn in the Review. The Review notes the significant affordable housing need (including references to a number of High Court Judgments) however concludes that 587dpa (rounded to 590) represents full OAN for Eastleigh, despite this likely leading to a significant level of shortfall in affordable housing delivery (and one not too dissimilar to that in Cambridge, which GL Hearn seek to criticise).

5.45 The figure of 590dpa is derived from the market signals uplift applied to the demographic-led needs. Paragraph 7.14 appears to conclude that this uplift within the OAN is sufficient to address the scale of affordable housing need identified by reference that it would *"enhance the delivery of affordable housing".* No reference is made to the scale affordable housing need, how this has specifically influenced the conclusion, or whether further uplift might be considered appropriate to help meet needs. The Review simply appears conclude that because: a) in their view 1,240 total dwellings per annum to meet the full affordable housing needs identified (373dpa) is not realistically deliverable (para 7.9); b) simply meeting bare household projections would be an improvement on affordable housing delivery in Eastleigh (para 7.10); and c) any increase does not need to be made in a mechanical way (para 7.11); that the inference is no further consideration beyond market signals need be given to addressing affordable housing need.

5.46 I consider this is contrary to the *Satnam* and *Kings Lynn* judgments, which are clear that affordable housing needs must be a consideration when calculating objectively assessed needs, must be properly addressed and must have an important influence in increasing the derived OAN. Instead, the Review whilst correctly identifying the acute scale of affordable housing need faced, places no importance upon it when deriving the conclusion on OAN.

5.47 I agree with the proposition that taking into account affordable need within the calculation of OAN does not necessarily involve a mechanistic uplift, or an

indication that such needs must be met in full. It has to be a scenario which, on a reasonable basis, could be expected to occur. This is set out in the Kings Lynn judgment which concluded (para 35) *"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."* and is also consistent with PPG ID2a-003 which sets out the assessment of need *"does not require local councils to consider purely hypothetical future scenarios, only future scenarios that could be reasonably expected to occur"*.

5.48 However, in line with the High Court Judgments, this still needs to be an uplift of consequence, insofar as it can reasonably be expected to occur. This will inevitably need to involve judgement, based on relevant evidence. However, the Review simply does not seek to apply such judgement and address affordable housing need within its conclusion of 590dpa. There is not any analysis as to why any further uplift to narrow the gap between 590dpa conclusion and the 1,240dpa affordable housing scenario would have little prospect of coming forward, or could not reasonably be expected to occur. Purely by way of example, a figure of 600dpa, 615dpa (as drawn from the 2014 SHMA) or higher, is not considered or dismissed by the evidence within the Review, despite the plain proposition that uplift to such a housing figure would have the impact of increasing affordable housing supply to address and better meet full affordable housing needs.

5.49 In respect of this I consider there is no evidence to suggest that further uplift for affordable housing would be unreasonable. A number of other demand-side factors support the proposition that an uplift to the overall figure (i.e. above 590dpa) and the presence of sufficient demand to support the delivery of more housing, including;

1 Potential demand arising from higher than forecast job growth in the Borough (were past job trends to continue);

2 Unmet needs from across the Southampton HMA, which the Council state could be in the region of 6,600 dwellings;

3 The Local Plan Inspector's findings, which noted;

   i Evidence strongly suggests some increase in market housing delivery is achievable to help deliver more affordable homes;

ii There is likely to be opportunity for Eastleigh to deliver more housing without adversely impacting the rest of the HMA, given the unmet needs that exist across the HMA; and

iii Market Signals also point to a need for more housing and the market's strength to do so.

5.50 Furthermore, housing completions in Eastleigh have fallen significantly in recent years, however, in the two years prior to the recession there were a total of 1,283 completions, or 642 per annum[4]. This illustrates that such levels of housebuilding above the figure put forward by the Council are not unreasonable, could be expected to occur and align with the Government's aim to significantly boost housing supply. A greater housing figure is also clearly considered eminently deliverable by the Council too, who adopted the 615dpa from the PUSH SHMA (2014) as the previous interim housing requirement, and presumably is a scenario they consider could reasonably be expected to occur.

5.51 In addressing affordable housing needs, I note that the approach proposed by the Local Plans Expert Group (LPEG) to streamline the assessment of OAN (see Appendix 4) includes an approach to addressing affordable housing needs where they are shown to be particularly high. This indicates a further uplift of 10% of the demographic-led needs should be applied to the figure arrived at following any market signals adjustment. Applying this approach to the Review would indicate 10% of the Review's concluded demographic-led needs would need to be added to the need figure identified following the market signal adjustment (i.e. 10% of 534dpa, equalling 54dpa, should be added to the 587dpa arrived at by the 10% market signals uplift; a combined 20% uplift). This would total an OAN figure of 641dpa taking into account affordable needs in the manner advocated within the LPEG standardised approach.

5.52 In my view, the failure to properly engage and address affordable housing needs within the Review's conclusions mean that 590 dpa cannot fundamentally represent a figure commensurate with full objectively assessed needs. It is also a figure which is only 26 dwellings per annum (c.9 affordable dwellings per annum at 35% delivery) higher than that put forward in the Local Plan, in which the Inspector concluded *"the failure of the Council to recognise*

[4] Net Housing Completions: 2005/06 – 542 dwellings, 2006/07 742 dwellings. (CD10.23 Table 4.2)

the true scale of need for affordable housing and therefore consequential failure to consider how it might be addressed is a serious shortcoming" (Para. 38).

Housing Needs of Specific Groups

5.53 NPPF Para 159 requires that SHMAs address the needs for all types of housing including for different groups in the community, including older people among others. This is expanded upon within the PPG at ID 2a-021 which indicates how different needs should be assessed, noting for older people in particular that:

"The future need for specialist accommodation for older people broken down by tenure and type should be assessed and can be obtained from a number of online tool kits provided by the sector. The assessment should set out the level of need for residential institutions (Use Class C2)."

5.54 I note that any assessment of the housing needs of specific groups is absent from the Review and that no explicit assessment of specialist accommodation is included. The OAN derived within the review is an assessment of "housing need" and does not contain any assessment of the need for residential institutions (i.e. people who will be in need of accommodation within use Class C2). I conclude that any need for residential institutions would be in addition to the housing need identified within the Review. This is consistent with the way in which demographic projections are constructed, with an allowance for 'populations not in households' (i.e. those in institutions) excluded for the purposes of considering household growth.

Council's Overall Conclusion on Housing Needs

5.55 A review of the Council's latest evidence, along with consideration of the Local Plan Inspector's findings, places significant doubt on how 590 dwellings per annum can represent full, objectively assessed needs, even on an interim basis, in Eastleigh.

1 The Council has not considered scenarios with higher population growth, despite a range of recent evidence pointing toward this;

2 The assessment of household formation rates includes a scenario which gives a lower figure than the starting point, does not respond positively to

meeting the needs and demand of the population, does not draw upon official published data sources (e.g. the Census or previous household projections) or established approaches, and is also contrary to the approach put forward by the author (and advocated by other Local Plan Inspectors) elsewhere in recent months;

3 By adopting a mid-point using a range containing artificially low figures, the Council concludes demographic-led needs are 534 dpa (c.2% above the 523 starting point). However the figures associated with Sensitivity1 are more likely to represent a suitable assessment, of 537-573 dpa;

4 Accepting the use of a 10% market signals uplift, this has been applied to a starting point which is too low; applying this to the adjusted starting point range suggests a need for 591-630 dpa. It is also of note that the approach adopted in the Review is inherently different to that put forward in the June 2015 Study and the Housing Background Paper, suggesting the Council has accepted that market signals uplift should be applied over and above demographic-led needs (and not be considered one-and-the-same as any adjustments to arrive at the demographic-led needs);

5 Despite identifying a need for 373 affordable homes per annum, no adjustment is made to the overall level of housing need to help meet this need. The need to address affordable housing needs has been clarified in a number of recent High Court Judgments, and the previous Local Plan Inspector cited the failure of the Council to address affordable housing needs as a serious shortcoming in the Plan. A number of demand-side factors (including unmet needs from the HMA and past delivery of housing in the Borough) illustrate that there is market capacity to increase overall housing delivery in Eastleigh (even if not to meet affordable housing needs in full). There can be no doubt that a boost above 590dpa could be achieved, and an OAN above 590dpa to properly address affordable housing need would not be a purely hypothetical scenario, or one which could not reasonably be expected to occur (as per the direction in PPG ID2a-003). This is a position is ratified by the Local Plan Inspector; and

6 The assessment has not been undertaken across the HMA in order to present a clear and consistent review of the housing needs for the whole housing market area.

5.56 Notwithstanding my contention that the Council does not have a clear understanding of their housing needs at the current time, based upon the above and the evidence in the Review I consider a more appropriate interim estimate of OAN would be at least c.630-640dpa for the purposes of this s.78 appeal, but may well be significantly greater due to a number of factors. This is based upon:

a The Review's higher headship rate sensitivity, to properly address housing market factors resulting in suppressed household formation amongst 25-44 year olds, equalling 537-573 as a demographic starting point;

b Such an upward facing demographic starting point also reflects the potential for upward pressure on demographic-led change from migration associated with UPC (as noted by the Local Plan Inspector) and more recent migration trend data;

c A 10% market signals uplift, which when applied to the 537-573 starting point above would equal a revised housing need of 591-630dpa; and

d Addressing affordable housing needs by closing the gap between the above estimates and the Review's identified 1,240 dpa to fully meet affordable housing needs. Notionally, this would at a minimum bring the OAN up to the top of the range identified with market signals; 630dpa. An alternative approach, might be to simply add a further 10% uplift (over and above market signals) to the Review's concluded demographic-led need (as advocated in the LPEG approach) which would result in a figure of c.640dpa. This figure is not dissimilar from the mid-point of Option B presented within the Council's Housing Background Paper (CD10.22) as based on the earlier PUSH SHMA.

5.57 Such a figure for OAN (630-640dpa) would still remain agnostic of any unmet needs that may be arising elsewhere within the housing market area and may even then be on the conservative side, for example if the demographic-led increase and further 10% uplift for addressing affordable housing were to be stacked on top of each other, as they may well should be. I consider it should

therefore be viewed as a minimum. Other figures provided within the Council's Housing Background Paper (CD10.22) reflect this probability with alternative figures such as:

- 677dpa drawn from the PUSH SHMA PROJ2A (Adjusted SNPP with 2008 Headship Rates) and used as the upper end of Option B. I note this is also a level commensurate with the PUSH SHMA conclusion on OAN for Eastleigh (615dpa), plus a 10% uplift for market signals;
- 743dpa drawn from a scenario the Council considers would be "meeting affordable housing needs" if reliance on the private rented sector was maintained at the housing market average (CD10.22 para 4.10-4.11); and
- 830dpa reflecting the potential needs across the HMA which Eastleigh will likely have to address, at least in part, to ensure that needs are met across the HMA in line with the NPPF.

5.58 A figure of 630-640dpa would however, at least on the interim basis the Council seeks, provide a figure more comparable with the findings of the Local Plan Inspector than that advanced in the Review as OAN (590dpa). It is also a position supported within NLP's previous responses to the OAN evidence in Eastleigh (see CD13.6) which the authors of the Review purport to have taken into account (CD10.21 para 1.6); albeit plainly not heeded.

6.0 Summary & Conclusion

6.1 My proof of evidence focuses on reviewing the existing evidence in order to establish whether there is clear evidence on full objectively assessed housing need for Eastleigh in order to consider the appropriate housing requirement position that should be adopted for the purposes of considering five year land supply in the district at this s.78 appeal. Based on my consideration of the issues, my evidence has established the following clear propositions and conclusions, which can be read as my Summary Proof of Evidence:

Objectively assessed housing needs are a material consideration in determining this appeal in the context the NPPF, the provisions of the PPG and 'Hunston'

6.2 The NPPF sets out at paragraph 47 that Local Planning Authorities should meet the full objectively assessed needs for housing in the housing market area as far as is consistent with the policies set out in the framework, with this applying to both Local Plan making and decision taking where Local Plan policies are out-of-date or absent.

Full OAN must meet household projections, address the need for affordable housing and cater for housing demand. It should be fully evidenced and addressed across the housing market area

6.3 The approach to full objectively assessed housing needs is set out within NPPF paragraph 159. The PPG confirms that an assessment must be based upon unbiased evidence, must not apply constraints and should be based on an approach that starts with household projections but adjusts these to reflect local demographic factors, employment trends, appropriate market signals and addressing affordable housing needs.

In Eastleigh, there is not a clear understanding of the housing needs of the area. The *interim* housing requirement is just that, interim, and subject to range of factors which mean it should be given very limited weight

6.4 The Council's position is clear that there are a number of factors which may change the interim figure before the Local Plan is progressed. Indeed, the OAN figure put forward by the Council (and approach to arriving at that) has

changed numerous times over the previous few years (and will undoubtedly do so again). Neither the interim housing figure, nor the evidence it is predicated on, have been the subject of any testing or scrutiny to date. Without sufficient clarity on OAN for Eastleigh and the housing market area, I consider the Council cannot robustly demonstrate a five year land supply.

The 'Review of Housing Needs in Eastleigh Borough' assessment presents a concluded OAN figure of 590dpa. However, this is drawn upon a number of flawed assumptions and judgements

6.5 The Review follows an overarching approach which considers the right factors in a stepped approach, but applies a number of assumptions and judgements therein which I consider are fundamentally flawed. In particular the demographic-led needs concluded are too low, whilst insufficient weight has been given to clear and acute affordable housing needs in deriving the OAN as follows.

The Review's adjustments to household formation rates to address 'suppressed' formation in some scenarios, counterintuitively would actually result in even worse outcomes for younger age groups

6.6 The range upon which the Review concludes on its demographic-led needs is drawn from some scenarios which would actively seek to suppress formation against that which is projected to occur in the CLG 2012-based projections. This is despite the purpose of the sensitivity being to address such suppression. This, combined with other factors which could see upwards pressure on the demographic-led needs such as migration trends and unattributable population change, have led to the review dampening down likely demographic-led needs in Eastleigh.

The Review and Council wholly fail to address the acute scale of affordable housing needs in Eastleigh within the conclusion on full OAN and interim housing requirement

6.7 The review does not seek to assess whether any further uplift beyond 590dpa could be deliverable or reasonably expected in order to close the significant and substantial gap with affordable housing needs which would be met in full at a housing requirement of 1,240dpa. It places very little (if any) weight on

affordable housing needs in arriving at its conclusion on OAN and fails to address it in the manner envisaged by the PPG and clarified in the *Kings Lynn* high court judgement. I consider there are figures above 590dpa which would better address affordable housing needs, without being unreasonable or undeliverable, and would therefore indicate 590dpa cannot be an OAN figure which does address affordable needs.

I conclude that 590dpa is not sufficient to meet full OAN within Eastleigh. Based on the evidence within the Review itself, and notwithstanding the current uncertainty, I would conclude an interim position on OAN is more likely to be in the order of 630-640dpa or more

6.8 Based on simply addressing either of the above two main flaws within the Review, on an otherwise internally consistent basis with the Reviews findings, would lead to a concluded OAN of 630 to 640 dwellings per annum. The lower end of 630dpa is based upon applying the upper end of the headship rate sensitivities in the Review (i.e. the one that does not seek to further suppress formation against projected rates) with a market signals uplift, also reflecting the upward pressures migration sensitivities and affordable needs would place upon the concluded OAN. The upper end is based upon simply adopting the Reviews findings, with a further 10% uplift to address affordable housing need, in the manner envisaged by the Local Plan Expert Group recommendations. If on an interim basis and for the purposes of this s.78 appeal a proxy figure for assessing the five year land supply should be adopted, I consider it should be 630-640dpa which I view as a minimum, based on the Council's own evidence.

I consider given the above, that the Council does not have a clear understanding of the full OAN for the area as required by NPPF para 159 and as such the principle of the 'Fairford' appeal decision is engaged

6.9 Without a clear understanding of the full objectively assessed housing need for the Borough and housing market area, the Council is not in a position to be able to demonstrate that it does have a five year land supply of housing against that figure.

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