

Eastleigh Borough Council's Response to the Inspector's Letter of 4th August 2020 on the 2018-based household projections

Introduction

1. On the 4th August 2020 the Inspector wrote to Eastleigh Borough Council (ED75) about the 2018-based household projections for England, which were published by the Office for National Statistics on the 29th June 2020.
2. The Inspector began her letter by pointing to paragraph 016 of the NPPG on Housing & Economic Development Needs Assessments (Ref ID: 2a-016-20150227¹) which states that:

"The government's official population and household projections are updated every 2 years to take account of the latest demographic trends. [...]"

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should be considered in this context but this does not automatically mean that housing assessments are rendered outdated every time new projections are issued."

3. The Inspector then went on to note that the submitted Local Plan housing target was calculated from an Objectively Assessed Need (OAN) derived from the 2014-based household projections. She also rightly noted that there is a "reduction in the household projections for Eastleigh between the 2014-based and 2018-based projections".
4. Accordingly, in her letter the Inspector has asked the Council to produce a statement, with evidence-based reasons, on:
 - a. Whether or not the Council considers the publication of the 2018-based projections represents a "meaningful change" in the housing situation from that which existed at the time of the submission of the Local Plan; and
 - b. If it does, what the implications are for the housing requirement in the submitted Local Plan.
5. This statement provides the Council's response to the Inspector's letter. For the reasons summarised in paragraphs 6 and 7 below, and set out in fuller detail in the remainder of the statement, the Council considers that the publication of the 2018-based projections does not represent a "meaningful change" for the purposes of the NPPG and that, accordingly, the housing requirement under the Local Plan does not need to be adjusted in the light of the 2018-based projections.

¹ As the Inspector rightly notes, although it has been superseded in other contexts, this guidance remains applicable for the examination of the Local Plan pursuant to the transitional provisions under paragraph 214 of the NPPF 2019.

Council Response

Brief Summary

6. It is the Council's view that the publication of the 2018-based projections does not constitute a "meaningful change" in the housing situation for this Local Plan for the reasons set out in the remainder of this note. In summary, this is because, although the 2018-based household projections represent the most up-to-date information:
 - a. The Eastleigh Local Plan was submitted for examination in 2018 and is to be tested against the 2012 NPPF, such that its housing target is to be determined using the approach to OAN advocated by the 2012 NPPF (with the starting-point when the Plan was submitted being the 2014-based projections, as made clear in the applicable NPPG).
 - b. The current NPPG is likewise clear that whilst the housing target in any new Local Plan should (absent exceptional circumstances) be based on a standard method for assessing local housing need ("a SHM approach"), that should also be determined using the 2014-based projections as the starting-point, even though the 2018-based projections are more up-to-date. In the context of Government policy which seeks to focus so heavily on achieving a significant increase in housing delivery, it would be illogical simply to feed the 2018-based household projections into the OAHN calculation, thus reducing the housing target, when that is contrary to the principal thrust of current Government housing policy.
 - c. Even if the Council did use the 2018-based projections, with the deletion of the SGO from the Local Plan there would still be a shortfall against even a 2018-projection-based housing target², when, as noted by the Inspector, the shortfall created by the deletion of the SGO from the Local Plan will be addressed through an early review of the Local Plan. That review of the Local Plan will be based on an SHM approach and/or the most up-to-date information and Government policy and guidance available at the time.
 - d. Further weight is added to this position by the publication, on the 6th August 2020, of the Government's new "Planning for the Future" White Paper, which proposes radical reforms to the planning system, and the accompanying consultation on (among other things) a revised standard methodology for calculating housing need. Under the revised methodology, the housing need figure for Eastleigh would be higher than the current Local Plan target, even using the 2018-based household projections, because of the double affordability uplift in the proposed new (SHM-based) methodology.
 - e. A significant unmet need is also emerging through work by the Partnership for South Hampshire (PFSH) on a new spatial strategy for South Hampshire.

² It would obviously be less of a shortfall than using the current Local Plan target, but it would be a shortfall nonetheless.

- f. The above approach is also consistent with recently decided case law: ***Oxton Farm v Harrogate Borough Council*** [2020] EWCA Civ 805; and ***Keep Bourne End Green v Buckinghamshire Council & Another*** [2020] EWHC 1984 (Admin).
7. For all these reasons, which are expanded upon in order below, it is the Council's view that all of these matters are best addressed through a review of the Local Plan. The Council's approach, founded on the 2014-based projections, remains sound and avoids the risk of artificially suppressing the housing requirement which is inherent in retrofitting the 2018-based projections to a 2012-NPPF context.

More Comprehensive Response

The NPPG

8. In order to find the NPPG reference quoted by the Inspector it is necessary to go back two iterations of the NPPG to that published on 20th March 2015. Subsequent amendments to the NPPG were published on 13th September 2018 and 22nd July 2019. The September 2018 guidance was the version of the NPPG in place at the time the Local Plan was submitted (October 2018). In the September 2018 version of the NPPG there is no equivalent paragraph to that quoted by the Inspector. Paragraph 016 in the 2018 guidance notes:

“For how long can an estimate of local housing need be relied upon once a plan is submitted to the Planning Inspectorate?”

Local housing need calculated using the standard method may be relied upon for a period of 2 years from the time that a plan is submitted to the Planning Inspectorate for examination.

Paragraph: 016 Reference ID: 2a-016-20180913

Revision date: 13 09 2018”

9. In the 2018 guidance there is a reference to the two-yearly publication of the household projections at paragraph 009 (see below). However, there is no reference in the 2018 NPPG to having to rely on the most up to date information within the 2-year period referred to in paragraph 016.

“How often are the projections and affordability ratios updated?”

The government's official population and household projections are generally updated every 2 years to take account of the latest demographic trends, usually in April.

Affordability ratios are published every year (usually in March).

Paragraph: 009 Reference ID: 2a-009-20180913

Revision date: 13 09 2018”

10. On this basis alone, using the version of the NPPG which was in force at the time the Plan was submitted would suggest that the calculation of housing need is 'good' until October 2020.

The Government's Response to the 2016-Based Projections

11. Furthermore, the 2019 NPPG is clear that, when calculating housing need using an SHM approach, the 2014-based projections must be used (for reasons which are elaborated upon in paragraph 12 below):

"If authorities use a different method how will this be tested at examination?"

Where data availability does not allow the standard method to be used, consideration will be given to whether it provides the basis for a plan that is positively prepared, taking into account the information available on household formation and affordability.

Where a strategic policy-making authority can show that an alternative approach identifies a need higher than using the standard method, and that it adequately reflects current and future demographic trends and market signals, the approach can be considered sound as it will have exceeded the minimum starting point.

Where an alternative approach results in a lower housing need figure than that identified using the standard method, the strategic policy-making authority will need to demonstrate, using robust evidence, that the figure is based on realistic assumptions of demographic growth and that there are exceptional local circumstances that justify deviating from the standard method. This will be tested at examination.

Any method which relies on using the 2016-based household projections will not be considered to be following the standard method as set out in paragraph 60 of the National Planning Policy Framework. As explained above, it is not considered that these projections provide an appropriate basis for use in the standard method.

Paragraph: 015 Reference ID: 2a-015-20190220

Revision date: 20 02 2019"

(Author's emphasis added)

12. The 2016-based household projections were published 20th September 2018. As can be seen from the Table in paragraph 16 below, these resulted in a significantly lower projection of future need for Eastleigh than both the 2014-based and 2018-based projections, a situation which was replicated across much of the country. It was for this reason that Government made it clear in the 2019 NPPG that the 2016-based projections were not to be used as lower targets would not help Government meet its aspiration nationally of delivering 300,000 dwellings per year.
13. While the 2018-based projections do not result in as substantial a reduction in projected households as the 2016-based projections, the same Table in paragraph 16 below demonstrates that they still result in a significant reduction. Since the Government has made it clear that, for the reasons given immediately above, the 2016-based projections were not

to be used but the 2014-based projections, the same reasoning must apply to the 2018-based projections also.

The Effect of the Different Household-Based Projections for Eastleigh

14. As required by the 2019 NPPF transitional arrangements, the Eastleigh Borough Local Plan is being examined against the provisions of the 2012 NPPF. This requires an OAN approach to assessing housing need. Under that approach (for detailed explanation of the setting of the housing target please see HOU007a & HOU020) that target, annualised, is 729 dwellings per annum (“dpa”).
15. If the same 2012 NPPF OAN-based approach which yielded the 729 dpa figure was used, but with the 2018-based projections as the starting point, the housing target would be considerably lower than 729 dpa. This is because the 2018-based average annual change figures of 458 dpa and 508 dpa in the table below are both lower than the 2014-based figure of 548 dpa which was the starting point for the calculation of OAN of 630 dpa which informed the setting of the Local Plan target (see Council’s Hearing Statement on Matter 4, page 3 - paragraph 5 in response to Inspector’s questions under Matter 4.2). A reduction in the housing target would also reduce the shortfall caused by the deletion of the SGO.
16. For comparison³, the Table below shows the effects of using different variables, including the 2018-based household projections, on the annualised housing target, calculated using the SHM.

Projections	Households 2016/19/20	Households 2026/29/30	10-year Change	Average Change pa	Affordability Uplift	Annual Target
2014-based 2019 – 2029 ¹	56,653	61,792	5,139	514	1.40	721
2014-based 2019 – 2029 ²	56,653	61,792	5,139	514	1.37	704
2014-based 2020 – 2030 ²	57,206	62,270	5,064	506	1.37	693
2016-based 2020 – 2030 ²	55,859	59,713	3,854	385	1.37	527
2018-based 2016-2026 ³	54,228	59,313	5,085	508	1.32	671
2018-based 2020 – 2030 ²	56,431	61,009	4,578	458	1.37	627

1. *Affordability ratio 2018 using SHM formula = 10.44 – 4 / 4 = 1.61 x 0.25 + 1 = 1.40 – House price to workplace-based earnings ratio published 28th March 2019*
2. *Affordability ratio 2019 using SHM formula = 9.94 - 4 / 4 = 1.485 x 0.25 + 1 = 1.37 – House price to workplace-based earnings ratio published 19th March 2020*
3. *Affordability ratio 2016 using SHM formula = 9.19 – 4 / 4 = 1.297 x 0.25 + 1 = 1.32 – House price to workplace-based earnings ratio published 19th March 2020 but using the 2016 ratio*

³ This is informative because, firstly, this is what would be used now in any scenario other than the testing of the Local Plan and, secondly, it is easier to calculate for comparative purposes and relies on published and readily available data.

17. Using the 2018-based household projections and feeding this into the SHM, therefore, results in an annualised housing figure of 627 dpa, approximately 100 dwellings per year lower than the annualised Local Plan figure (729 dpa). The 20-year Local Plan housing target is 14,580 dpa. A 20-year target based on the 2018-based household projections would total 12,540; a reduction of around 2,000 dwellings or 14%. However, for the reasons given above, such an approach is not appropriate in view of the clear guidance in the 2019 NPPG.
18. Furthermore, in response to the Inspector's letter of 1st April 2020 the Council has updated the Local Plan housing trajectory to make all the recommended changes, the most significant of which is the deletion of the proposed Strategic Growth Option (SGO). The submitted Local Plan assumed that the SGO would deliver over 3,000 dwellings within the Plan period. The updated housing trajectory (post 1st April 2020), as yet unpublished, shows that there will be a shortfall of 2,614 dwellings against the Local Plan's 14,580 dwelling housing target by the end of the Plan period.
19. As recommended by the Inspector, this shortfall will be addressed in an early review of the Local Plan as the shortfall only occurs towards the end of the Plan period and the Council will commit, in a Main Modification to the Local Plan, to undertake this early review.
20. Using a Local Plan target of 12,540 (627 x 20) instead of 14,580 still results in a shortfall of 574 dwellings against this target (all other components of supply being equal). The key point is that, while the scale of the shortfall is obviously less, there is still a fairly sizable shortfall using the 2018-based projections which is to be addressed through the early review of the Local Plan. In terms of the 20-year Local Plan period, therefore, the housing situation as a whole does not change meaningfully if the 2018-based projections are used: there is still a shortfall.

Planning for the Future White Paper 6th August 2020 and accompanying consultations

21. On the 6th August 2020 the Government published a White Paper⁴ consulting on radical reforms to the planning system. Alongside the White Paper it published a consultation document⁵ proposing, amongst other things, revisions to the SHM for calculating housing need. Whilst only consultation documents (the deadline for comments on the White Paper is 29th October 2020 and that for the consultation document is 1st October 2020), they indicate a clear direction of travel on Government's aspirations for housing delivery.
22. The revised methodology under the consultation document would require Authorities, in setting the baseline under the SHM, to use the higher of either 0.5% of a district's existing housing stock or the annual average change over a 10-year period using the latest household projections to establish a baseline. It then adds an affordability uplift as per the existing SHM. On top of that, however, it adds an additional uplift to reflect the change in affordability over the previous 10-year period.

⁴https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/907647/MHCLG-Planning-Consultation.pdf

⁵https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/907215/200805_Changes_to_the_current_planning_system_FINAL_version.pdf

23. In Eastleigh, 0.5% of the borough's existing 2019 housing stock (57,676 dwellings) is 288 dwellings. The 10-year change figure derived from the 2018-based household projections averages 458 dwellings per year (see above table) so, clearly, this is the higher figure of the two.

24. The first affordability uplift is largely as per footnote 2 to the Table at paragraph 16 above without the addition of the +1. In other words $[(9.94 - 4) / 4] \times 0.25 = 0.371$. The second (new) uplift seeks to reflect the change in affordability in an area over the last 10-year period. In this case, the affordability ratio in 2019 minus that in 2009. The formula for this additional uplift is as follows:

$$9.94 - 7.69 = 2.25 \times 0.25 = 0.562 + 1 = 1.562$$

25. Adding the two uplifts and multiplying the baseline against it produces a housing need figure of 885 dwellings per year as follows:

$$(1.562 + 0.371) \times 458 = 885.3$$

26. So, even though the 2018-based projections, on their own and when fed into the existing SHM, results in a target lower than that being currently planned for, the direction of travel is that future targets are going to be higher than currently being planned for. Reducing the Plan target now, when it is almost certain targets are going to increase (and increase significantly) in the near future, would not, in the Council's view, be a sensible or positive way forward.

Emerging PfSH Spatial Strategy

27. Work underway on the revised PfSH spatial strategy is also relevant in this regard. Reference was made by representors at the examination hearings to published PfSH Joint Committee Papers which identified the scale of the housing shortfall likely to have to be addressed in the review of the spatial strategy. Appendix 1 to the report⁶ on the emerging strategy presented to the October 2019 PfSH Joint Committee (paragraph 3.34 on page 52) identified a likely shortfall across the PfSH area of around 18,000 dwellings in the period to 2036. Work on the spatial strategy is continuing apace and the level of unmet need may change. PfSH will continue to monitor the delivery of new housing and levels of (unmet) need as work progresses and will reflect the most up to date position in the emerging spatial strategy.

28. As with a number of the other matters discussed above, this is something which will be addressed in the early review of the Local Plan. However, knowing this likely direction of travel it would, in the Council's view, be counter-productive to suppress targets now, on the back of what is little more than a 'technicality', only for them to have to be increased substantially going forward.

Case Law

29. Finally, further support for the Council's position is to be found in two recent court decisions.

⁶ <https://www.push.gov.uk/wp-content/uploads/2019/10/ITEM-9-Statement-of-Common-Ground.pdf>

30. The first is the Court of Appeal judgment in ***Oxton Farm v Harrogate Borough Council*** [2020] EWCA Civ 805, in which Lewison LJ noted that it was entirely appropriate for a Local Planning Authority to promote a Local Plan housing requirement under the 2018 NPPF which was higher than would result from the SHM using the latest household projections, given that Government policy was to boost the supply of housing; and given, also, that Government policy states quite clearly that the purpose of the SHM was “to determine the minimum starting point in deciding the number of homes needed in an area ... and ... higher housing targets than those produced by the standard method will be considered sound.”
31. The second is the decision of the High Court in ***Keep Bourne End Green v Buckinghamshire Council & Another*** [2020] EWHC 1984 (Admin) in which the High Court held that a Local Authority and Inspector had been entitled to use the 2014-based projections rather than the 2016-based projections (the 2018-based projections had not at that stage been published) in a Local Plan examined under the 2012 NPPF.

Conclusion

32. The Council relied on the 2014-based household projections as a starting-point for establishing the Local Plan housing target. That was the most up to date evidence available at the time. Despite having been superseded by both the 2016-based and now the 2018-based projections, Government guidance in the NPPG published as recently as July 2019 is that, in calculating housing need, the SHM should be used and the key input to that calculation should be the 2014-based household projections. Government has explicitly stated that the 2016-based projections should not be used. This is largely because they result in a lower housing target across the country as a whole and for Local Authorities in high demand areas in the south east in particular. For this reason, it must be assumed that the same applies to the 2018-based projections.
33. Even if the Council did use the 2018-based projections, with the deletion of the SGO from the Local Plan there would still be a shortfall against even a 2018-projection-based housing target, when the shortfall created by the deletion of the SGO will be addressed through an early review of the Local Plan. That review of the Local Plan will be based on an SHM approach and/or the most up to date information and Government policy and guidance available at the time.
34. Moreover, Government is proposing in the recently published White Paper and accompanying consultation document to radically change the fundamental basis of how the planning system operates. This includes a new approach to calculating housing need so as to substantially increase housing delivery. Initial estimates for Eastleigh are that this would result in a significantly increased estimate of housing need. Emerging PfSH work also indicates a likely need for significantly increased housing delivery.
35. In view of this current period of dynamic change, of confusion and uncertainty over the old transitional arrangements from the 2012 to the 2019 NPPF, of a future transition to a wholly new planning system, and of the particular circumstances in Eastleigh as a result of the

deletion of the SGO and early review, the Council does not consider the publication of the 2018-based projections, in their own right, constitutes a “meaningful change” in the housing situation pertinent to the submitted Eastleigh Borough Local Plan. This will be a matter to be addressed through the early review of the Local Plan.