

GOSPORT BOROUGH LOCAL PLAN EXAMINATION ISSUE 1: SPATIAL STRATEGY – HOUSING NUMBERS – DUTY TO COOPERATE

1.1 The Council have accepted that the quantum of housing given in policy LP3 is less than that derived from the South Hampshire SHMA. Does the evidence demonstrate that the Council's approach is justified?

1. The Council's approach is unjustified because the Council can provide no certainty that the unmet housing need will be addressed through a review. As such, its decision to abide by the spatial plan of the South Hampshire Strategy 2012 is unjustified. The Council is obliged to reconsider its policy constraints in order to accommodate a greater element of the objectively assessed need (OAN).
2. It is necessary to gain some measure of what the OAN is for Gosport. Firstly, this is important because it is a requirement of the NPPF. Secondly, it is important because it will inform future strategic planning decisions for the PUSH area and the operation of the Duty to Cooperate. The extent of the unmet need will have to be established in order to inform planning decisions being made elsewhere in the housing market area (HMA).
3. Thirdly, it is important to understanding what the OAN might be in order to know how far the local plan will under-deliver in terms of supporting the economy.
4. In paragraph 2.42 of the *Housing Background Paper* (June 2014) and paragraph 6.18 of the plan the Council explains the derivation of the housing requirement. It is apparent that the Council's housing requirement is derived from the South Hampshire Strategy (2012). This provided for 55,800 dwellings overall for the period 2011-2026 (paragraph 2.31). Gosport's share was 2,550 homes (or 170 dpa). Using this figure for the Gosport plan period of 2011 to 2029 (18 years) this equates to the overall plan provision of 3,060 dwellings.
5. While the joint working through the PUSH initiative is commendable unfortunately the approach of the South Hampshire Strategy (2012) to establishing the housing need does not conform to the requirements of the NPPF. The PUSH Strategy is not based upon an objective assessment of housing needs in the manner required by the NPPF. Indeed, the basis for the housing targets that underpin the South Hampshire Strategy (2012) was the South East Plan (SEP) targets that no longer have any contingency following the Government's changes to the planning system as reflected in the publication of the NPPF in March 2012. A further reason why these targets cannot be considered sound is that even these SEP derived targets were then

adjusted downwards to reflect the recessionary conditions that prevailed in 2009.

6. It follows that the argument presented in the *Housing Background Paper* (paragraph 2.42) that the duty has been discharged by virtue of the Council complying with the housing targets in the South Hampshire Strategy 2012 would be misleading. Sound and up-to-date evidence of housing needs would have to be commissioned then incorporated in the South Hampshire Strategy in order for this argument to be convincing.
7. In order to ensure that the Gosport plan is sound the Council is still obliged to have a clear view about what the OAN is for the Borough of Gosport (paragraph 159 of the NPPF). So, while there may be questions relating to the PUSH SHMA 2014 and the precise apportionment of the housing need across the Portsmouth HMA, Gosport Council is still obliged to have an understanding of what its OAN is for this version of the plan. It must then try and meet that need in full, even if agreement has yet to be reached for the best way to apportion that need across the HMA.
8. We consider that the PUSH SHMA is a credible document because it addresses the requirements of the NPPF. It does so by: a) assessing the need across the HMA; b) it provides an assessment of the various demographic trends to provide a various starting points for identifying the OAN; c) it assesses the affordable housing need; and d) it considers other factors such as market signals and employment growth that will feed-into the OAN. Unfortunately, while the *Analysis of Objectively Assessed Housing Need in the Light of the 2012 based Subnational Population Projections* (July 2014 – referred to as the JGC Study hereafter) provides valuable information relating to the ONS 2012 Sub-National Population Projections (SNPP) it does not provide the type of integrated assessment of needs that is required by the NPPF. The PUSH SHMA does this. Therefore it is disappointing that the recommended OAN range of 445 dpa has not found its way into the housing requirement of the Gosport plan.
9. We note that the PUSH SHMA 2014 identifies a need for 2,115 dwellings for the Portsmouth HMA. The SHMA in Table 19 on page 52 of the Appendices document indicates that the starting point for the OAN for Gosport based upon the particular scenario that it favours (PROJ 2 – Midpoint Headship). This would require 445 dpa. The HBF would not demur from the report's recommendation that this projection provides an appropriate starting point for the OAN although the it could be argued that the consultants consider it also serves as the 'end point' as well (as implied by paragraph 1.24).
10. The JGC Study provides an updated projection based upon the 2012 SNPP. Although consideration can be given to the latest population projections it is worthwhile noting that the Government through the NPPG does consider the DCLG Household Projections to be robust and they can serve as the baseline demographic projection (ID 2a-015). This is because these are based upon nationally consistent assumptions. If an authority chooses to adopt a different methodology using different assumptions then this would need to be agreed

with its neighbours so that the authority's assumptions are clearly understood. For example, the adoption of a stand-alone assessment could create considerable problems for other authorities in the HMA if another authority assumes a much lower rate of in-migration. This is why we consider that the PUSH SHMA - which considers the needs of a wide HMA using a consistent methodology - should be accorded more weight than the stand-alone demographic assessment produced by JGC for Gosport. Gosport would need to demonstrate that all the other authorities of its HMA support the underlying assumptions of this report. This point was also made by the inspector examining Eastleigh's local plan – see paragraph 17 of his preliminary conclusions. As the inspector at Eastleigh observed, unless there is a commitment to a general updating of the projections on a PUSH-wide basis it would be unwise to rely solely on the JGC study.

11. Consideration of the SNPP, however, may be necessary owing to the problem of the 2011-Interim Household Projections running only to 2021. It is necessary, therefore, that the Council's methods are understood by third parties. This is often a problematic area. It is to avoid difficulties such as this that the Government recommends using the DCLG Household Projections as the starting point despite the obvious limitations of the 2011 projections. It is worthwhile to note that the 2011-Interim Household Projections indicate that some 320 households may form per year over the period 2011-2021 compared to the JGC Study's projection of 297. The JGC Study figure of 297 dpa is based upon a part return to the past trend in headship rates (see figure 9.1, page 26).
12. The latest DCLG Household Projections are due to be published at the end of February. These, it is anticipated, will have resolved many of the uncertainties associated with the 2011-Interim Household Projections projecting only to 2021. Consideration should be given to these once they are published.
13. Nevertheless, in view of the developments at Eastleigh Council, and the inspector's concern that the findings of the PUSH SHMA 2012 should not be entirely discounted in favour of the stand-alone report by JG Consulting, we consider that more weight must be accorded to the PUSH SHMA figures. We consider, therefore, that the OAN for Gosport is more likely to be 445 dpa than 297 dpa.

Implications for employment

14. The PUSH SHMA 2014 report shows that a housing requirement of 170 dpa would be inadequate to sustain employment at its current level. The PUSH SHMA's PROJ Y – zero employment growth – would require 229 dpa to be provided. The implication is that a requirement of just 170 dpa would contribute to a contraction of the local economy. It is questionable, therefore, whether the Council's Objective 9, which aims to create a significant number of local jobs in order to help alleviate deprivation and social exclusion and reduce out-commuting (page 17 of the plan), would be supported by the planned requirement. We note that a supply of between 378-433 dpa would be required to sustain employment growth. Paragraph 6.6 of the plan refers to

the aim of the South Hampshire Strategy to increase jobs and productivity. Paragraph 21 of the NPPF advises that inadequate housing supply can be a barrier to investment.

15. If the plan is unable to sustain an increase in employment owing to the shortage of housing land supply then the plan may need to be more honest about the implications of this and the objectives should be recast. Increased housing supply elsewhere in the HMA would be required to support the LEP objectives and increased inward-commuting may be the consequence, in which case this would have implications for the housing targets in the rest of the HMA.
16. In paragraph 3.13 the plan refers to the economic challenges facing the borough of Gosport. Since 2000 it observes that employment fell by 27%. It is questionable, therefore, whether a plan that makes provision for fewer new dwellings than would be required to sustain employment at current levels is a sound one. It would be interesting to know the LEP's thoughts on this.

Conclusions

17. The upshot of this is that the Council's requirement for 170 dpa will not address the OAN in full. All the indications – and we place more weight on the findings of the PUSH SHMA – point to a demographic need that is considerably in excess of the planned requirement. It also should be remembered that that this figure is only the starting point. The need may be higher still when the various other economic scenarios provided by the PUSH SHMA are considered and also once market signals and the affordable housing need is factored into the equation.
18. The inability of the local plan to meet the OAN in full is a critical matter. The problem of capacity is becoming a serious problem across the wider South East. Many local authorities are unable to meet their own needs in full. These authorities include Oxford, Reading, Brighton, Woking, all the Sussex Coast authorities, Crawley, Reigate & Banstead, Stevenage, Luton, Milton Keynes and potentially Bristol and Southampton too. Once the established and major undersupplies of housing in London and Birmingham are added to the mix we have a considerable problem of undersupply across the southern half of England. This scale of unmet need is an issue of concern to the HBF and claims by local planning authorities that they are unable to meet their objectively assessed needs demands close scrutiny. Claims that alternative ways of meeting this need through the mechanism of the duty to cooperate have been exhausted also warrant closer scrutiny.

1.2 Taking into account the previous question, has the Council complied with the Duty to Cooperate?

1. Unfortunately not in relation to planning for the strategic housing needs of the HMA. There are two problems as we can see with Gosport's plan with regard to the duty to cooperate.

2. Firstly, the Council has made it clear that a proposal to meet the housing needs of the Portsmouth HMA, as identified in the PUSH SHMA, will not be agreed before 2016. Even in terms of the reduced level of need identified in the JGC Study (which we consider has less credibility) Gosport is unable to meet this.
3. The practical implementation of the South Hampshire Strategy 2016 would take much longer because local plans would need to be prepared, examined and adopted to implement the strategy. In principle the duty to cooperate could have been demonstrated as having been met if all the authorities of the Portsmouth HMA could show that they were preparing aligned strategies. If Gosport had prepared a plan in collaboration with others whereby the authorities of the Portsmouth HMA could show that they all agreed to take an element of Gosport's unmet need then Gosport would be able to demonstrate that its plan had satisfied the positive planning soundness test of the NPPF. There is no such agreement. While the PUSH SHMA provides the evidence of need there is no practical plan for implementation.
4. There is no agreement in place for the apportionment of the OAN across the HMA and so it is hard to conclude that the duty to cooperate in respect of planning for housing has been met.
5. The question one has to ask is whether it is legitimate for Gosport to have advanced its local plan prior to a strategy for apportionment across the HMA having been collectively agreed among the HMA authorities. While we recognise the desirability of having a local plan in place we do not think it is justified for Gosport to have advanced a plan without there being a concrete commitment to a strategy of apportionment. The future is very uncertain. Given the scale of the undersupply and the length of time it is likely to take to agree a strategy of apportionment we do not think that the approach set out in the plan for a review to address this issue is a realistic one. At worst the issue of the undersupply will never be addressed. At best the consequence will be a significant degree of undersupply in the short to medium term with the problems that will result from this for the people and the economy.
6. The problem of deferring the question of cross-boundary cooperation to address the OAN is complicated by the decision to delay how this is apportioned until the production of an up-dated South Hampshire Strategy – an exercise which isn't programmed to be completed until 2016 (see paragraph 6.17 of the local plan). The process of agreeing the South Hampshire Strategy review and then preparing local plans across the Portsmouth HMA authorities that will reflect this apportionment will take time. There are also political uncertainties associated with securing an agreement with the Portsmouth authorities to take more than their own needs. In the meantime there is a short to medium term problem of a housing shortfall to be addressed in Gosport (the inspector for Eastleigh raised this as a concern – see paragraph 14).
7. Secondly, the decision to rely upon an independently commissioned demographic assessment of housing need in the form of the JGC Study,

based upon different methodological assumptions, which has not been agreed with the other authorities in the HMA, implies that the duty to cooperate has been ineffective. If collaboration had been effective then Gosport would support the PUSH SHMA findings.

8. As the HBF argued in relation to Eastleigh's plan, the decision to postpone implementing the findings of the PUSH SHMA (which would require that the full OAN for each of the districts as set out in Table 19 of appendix U is assigned across the Portsmouth HMA) implies that while the duty to cooperate may be satisfied in the next plan to be produced for Gosport but not by this one.
9. As the inspector has recently commented in relation to the Eastleigh plan, any significant shortcomings should be addressed now not postponed to a review (paragraph 11). In view of the emphasis in the NPPF upon meeting the OAN in full unless the adverse impact of doing so significantly and demonstrably outweigh the benefits we consider that the same principle applies in the case of Gosport. Gosport will need to scrutinise more rigorously its potential sources of land supply.

1.3 In the light of the acknowledged constraint on housing sites, should the Council have carried out a Strategic Gap Review?

1. In paragraph 6.40 of the plan the Council argues that a key consideration for the plan is the need to retain a significant gap between Gosport/Fareham and Lee-on-the-Solent/Stubington in order to protect the identity of these settlements. We disagree. We do not think that these local designations merit this degree of protection in view of the size of the unmet housing need and the absence of any concrete strategy to provide for this need through cooperation with the other authorities in the PUSH. As the NPPF states in paragraph 113, distinctions should be made between the hierarchy of international, national and locally designated sites so that protection is commensurate with their status.
2. In paragraph 6.19 of the plan the Council argues that it has long recognised the constraints on the availability of sites in the district and this was recognised by the previous regional and sub-regional plans including the South Hampshire Strategy. The problem for the Council with this argument is that the current South Hampshire Strategy 2012 is not based on an NPPF compliant assessment of development needs. It will need to be updated in due course to reflect the housing needs identified in the 2014 PUSH SHMA. The South Hampshire Strategy 2012, therefore, no longer provides an up-to-date and relevant strategic basis for planning. While the commitment to continued cooperation is very welcome (and we strongly support this) it does not provide an answer to the issue confronting Gosport now which is how to provide for its OAN. The *Hunston Properties v St Albans Council* judgement has provided clarification on the problem of relying on pre-NPPF strategies.

3. Until a revised South Hampshire Strategy is agreed it is difficult to conclude that the constraints previously recognised by this study still carry the same weight.

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Understanding the latest DCLG household projections

Introduction

This tool is designed to enable you to:

- find out how the household projections for any given English local authority have changed between the Department for Communities and Local Government's 2008-based projections and the 2011-based interim projections released in April 2013.
- explore three key factors which are particularly important to understanding the latest projections and how they should be used. The factors are changing household formation trends; increased international migration; and, how the flows between authorities have been estimated. The role they play is discussed more fully in the RTPi research report, 'Planning for housing in England: Understanding recent changes in household formation rates and their implications for planning for housing in England' (see <http://www.rtpi.org.uk/spire>).

It should be emphasised that the purpose of the tool is to enable you to identify the issues that may warrant more detailed investigation rather than to provide a definitive view on how the latest projections should be used for any particular authority.

How to use the tool

The first step is to select the authority you are interested in from the drop down list that appears when you click on the yellow box below.

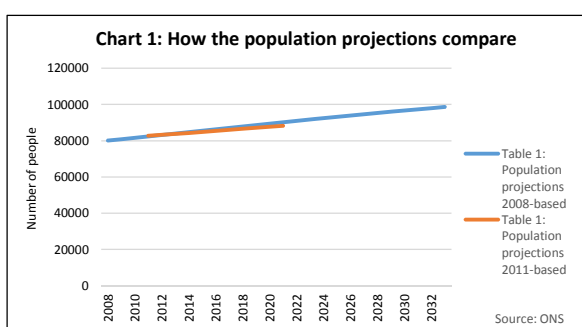
Select a local authority **Gosport**

All charts and tables are then automatically adjusted to give the data relevant to the authority chosen. The data shown in the charts appears in tables to the right of the charts.

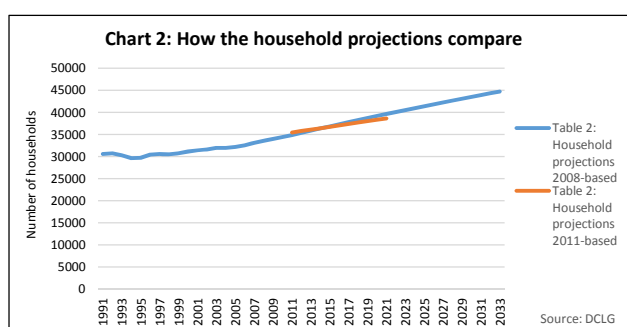
How the new and old projections compare

The tables and charts below give the basic data from the 2008 and 2011-based population and household projections. Typically the 2011-based projections show faster population growth from a higher starting point and the 2011-based household projections show slower household growth from a lower starting point. However, there is considerable variation from authority to authority.

	Average annual growth 2011-21		2011 growth as % increase on 2008	
	Population	Households	Population	Households
2008-based projection	790	477	-30%	-33%
2011-based projection	550	320		



	2011	2016	2021	2026	2031
2008-based	82300	86300	90200	93900	97300
2011-based	82700	85400	88200		



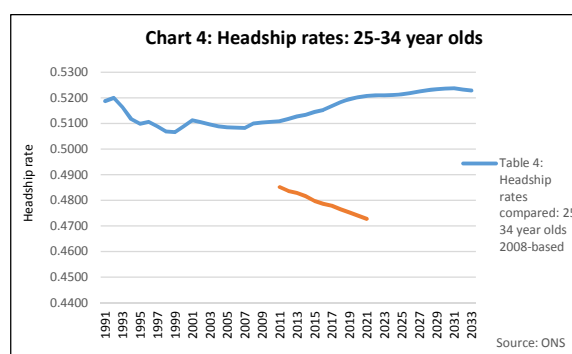
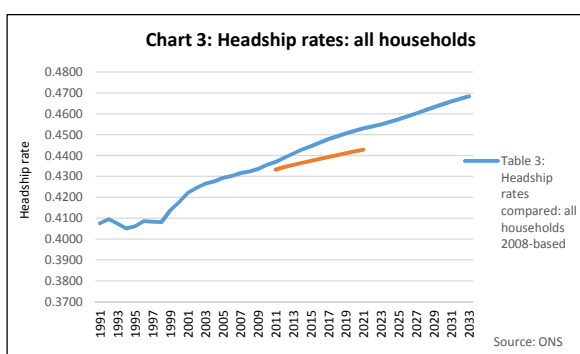
	1991	1996	2001	2006	2011	2016	2021	2026	2031
2008-based	30598	30467	31351	32540	34884	37337	39658	41791	43951
2011-based					35453	37069	38656		

The differences between the 2008-based and 2011-based projections reflect early results from the 2011 census, although in some important areas trends from earlier projections have had to be used because the data to update them was not available.

Changing household formation patterns

Perhaps the most surprising difference is the difference between the population and household projections where, for many authorities, the 2001-based projections suggest faster population growth but either slower household growth or household growth that has increased by much less than the population growth. This is due to significant changes in household formation patterns compared with what was anticipated in the earlier projections.

Charts 3 and 4 illustrate how household formation patterns have changed for the selected authority. Chart 3 shows the overall headship rate i.e. the number of households divided by the number of people living in households - a measure of the tendency to form households. For most authorities the tendency to form households was lower in 2011 than the 2008-projections had suggested and is projected to grow slower than in the latest projections. Chart 4 shows the headships rates for 25-34 year olds, the age group that has been most affected by the changing household formation patterns revealed by the 2011 census. For the vast majority of authorities the latest projections not only suggest that the tendency of this age group to form households was lower than previously expected in 2011 but that it will also fall over the period to 2021.



	1991	1996	2001	2006	2011	2016	2021	2026	2031
2008-based	0.408	0.409	0.422	0.430	0.437	0.446	0.453	0.459	0.466
2011-based					0.433	0.438	0.443		

	1991	1996	2001	2006	2011	2016	2021	2026	2031
2008-based	0.519	0.511	0.511	0.508	0.511	0.515	0.521	0.522	0.524
2011-based					0.485	0.479	0.473		

A key question facing those using the new projections is whether these trends in household formation rates are likely to continue. The RTPi research report, 'Planning for housing in England: Understanding recent changes in household formation rates and their implications for planning for housing in England' (<http://www.rtpi.org.uk/spire>) discusses two reasons for this change:

- increased international migration, which tends to increase average household size as recent migrants tend to live in larger households than the rest of the population.
- a range of changes to how people have been living, including more adult children staying on with parents or sharing homes rather than living on their own.

International migration

The international migration factor is more likely to have affected authorities with relatively large inflows of migrants. The table below give the average annual international migration flow into the chosen authority as a proportion of the total population in that period. The England average is about 1% so figures significantly above this might be thought large. In those cases it is likely to be worth exploring how international migration flows have changed over the last 20-30 years and the impact this may have had on the projections.

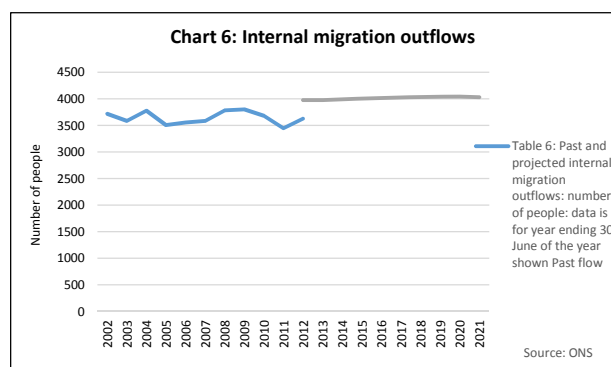
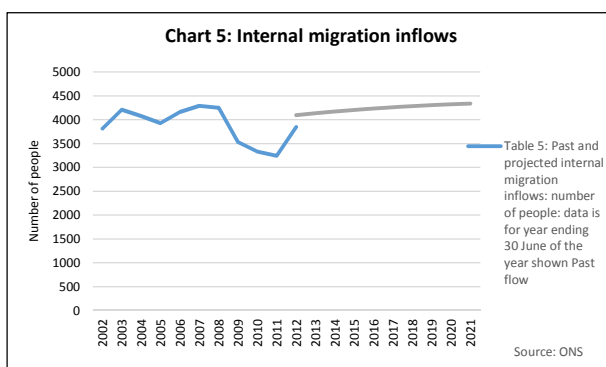
Average annual international migration 2001-11 as percentage of total population	0.20%
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Making a judgement household formation rates

Ultimately a judgement needs to be made as to whether it would be prudent to plan on the basis of the projected changes in headships rates, which for most authorities envisage that the tendency of 25-34 year olds to form households will fall. If they do not fall as envisaged the result could be an under provision of housing. To inform this judgement it may be useful to estimate the consequences of assuming either that there is no further fall in headship rates or that headship rates move at least partially back towards the previous long term trend. This can give an indication of the range of outcomes that might occur.

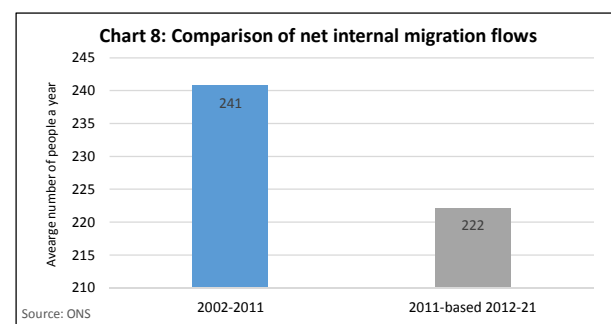
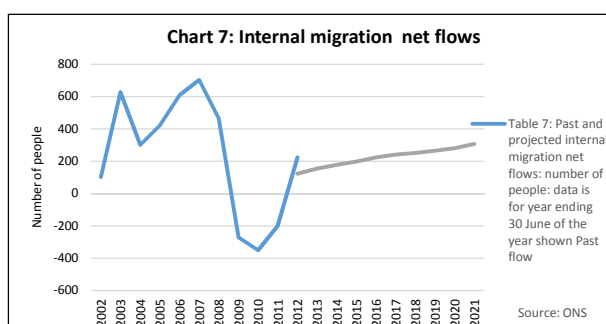
Projected flows between local authorities

The latest DCLG projections are based as far as was possible on the 2011 census results and as such provide the best available starting point for considering how household numbers and types might change in the future. However, in some areas it was necessary to use trend data from previous projections as the data needed to update those trends was not available from the 2011 census. This may have caused population changes to be either over or under-estimated in some areas. The most significant area for household growth is the projections of population flows between local authorities. For many authorities these flows are a major factor in population growth and small errors in the projected flows can have significant implications for the projected population growth. The following chart enable you to compare the projected flows in the 2008 and 2011-based projections with each other and the past flows. Where there are significant disparities these should be investigated.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Past flow	3817	4212	4078	3929	4166	4291	4252	3532	3329	3244	3851										
2011-based											4098	4134	4171	4207	4238	4265	4288	4307	4324	4339	

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Past flow	3715	3585	3778	3508	3555	3587	3786	3803	3680	3445	3627										
2011-based											3974	3979	3994	4009	4015	4023	4036	4042	4044	4032	



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Past flow	102	627	300	421	611	704	466	-271	-351	-201	224									
2011-based											123	155	178	198	223	242	251	265	280	307

	In	Out	Net
2002-2011	3885	3644	241
2011-based 2012-21	4237	4015	222

Author

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Disclaimer

These spreadsheets seek to enable users to access ONS and DCLG data and projections easily and effectively. Every effort has been made to ensure that the ONS and DCLG data and projections are accurately reflected. Nevertheless it is possible for errors to creep into a complex spreadsheet such as this or for the spreadsheet to be inadvertently corrupted by the user. It is therefore recommended that users should check with the source data and the qualifications and caveats made by ONS and DCLG on their websites before placing reliance on the information contained in these spreadsheets. No liability can be accepted for errors.

EASTLEIGH BOROUGH LOCAL PLAN 2011-2029 EXAMINATION

ID/4: INSPECTOR'S PRELIMINARY CONCLUSIONS ON HOUSING NEEDS AND SUPPLY AND ECONOMIC GROWTH (POST HEARING NOTE 2)

Introduction

1. Following the hearings held between 10-13 November 2014, I set out below my preliminary conclusions on housing needs and supply and economic growth. These are published now to ensure that the Examination proceeds in the most efficient and effective manner. I have found that the Council has not recognised the full extent of affordable housing need in the Borough and, as a consequence, has not considered all options to seek to better address that need. There are also market signals which indicate that some additional market housing is required. The five year land supply position is inadequate because a 20% buffer is required and the overall supply position is tight, with no flexibility to respond to changing circumstances.
2. I consider that this Plan should respond to these matters now rather than delaying such consideration to a review of the Plan in several years time. I explain at the end of the note the options available to the Council, but in the light of the further work that would be required if this Plan is to be progressed, I do not intend to proceed with the hearings in January.

Derivation of the housing requirement in the Plan

3. The National Planning Policy Framework (the Framework, paragraph 159) requires Councils in their local plans to meet in full their area's housing needs. Those needs should be established by a Strategic Housing Market Assessment (SHMA) based on an objective assessment of housing needs involving neighbouring authorities where housing market areas (HMA) cross administrative boundaries. The only provision in the Framework (paragraph 14) for not fully meeting needs is if any adverse impacts of doing so would significantly and demonstrably outweigh the benefits or the specific policies in the Framework which indicate that development should be restricted.
4. This Local Plan has a protracted history with the original draft plan being published three years ago. Since then there have been significant changes in the planning context: publication of the PUSH South Hampshire Strategy (SHS) 2012; publication of the Framework; and revocation of the South East Plan. The submitted Plan proposes in policy S2 a minimum of 10,140 new dwellings in the plan period of 2011 – 2029 which equates to 564 dwelling per annum (dpa). How this figure has been derived and justified is summarised in the *Housing Background Paper H1 EBC/H1* (July 2014) and in the *Sustainability Appraisal EBC/G2* (10.2.3 -10.2.9). The figure of 10,140 is derived from the apportionment made to Eastleigh Borough in the PUSH SHS 2012, increased by 5%. The SHS was not based on an objective assessment of housing need in an up to date SHMA and thus, whilst reflecting a positive co-operative approach by all authorities in the sub-region, was not compliant with Framework.

5. Irrespective of how the 10,140 was originally derived, I consider that the relevant test now is whether, in practice, in the light of all the evidence available it meets the requirements of the Framework. The Council's position is somewhat ambiguous as to whether it considers there is an objective assessment appropriate for Eastleigh Borough to inform this Plan.

The PUSH SHMA and PUSH Strategy

6. The South Hampshire SHMA January 2014 (EBC/H4A) was published just before the publication of the pre-submission Plan. It was produced on behalf of all the PUSH authorities in the South Hampshire sub-region and covers needs in the period 2011-2036. It identifies two HMAs within the PUSH area. Eastleigh Borough is wholly within the Southampton HMA. I have seen no evidence to justify a different definition of an HMA for Eastleigh. The SHMA includes nine different projections to explore objectively assessed needs. Some, such as *zero net migration* or *zero employment growth* are so at odds with Framework as to not be worth putting forward, but they have not been used to determine the recommended outcome. I note that many local residents support much lower projections of housing need, but these would not be consistent with national policy.
7. In relation to household/population projections the methodology used in the SHMA is not fundamentally criticised. Its conclusion is that needs amount to 2,115 dpa in the Portsmouth HMA and 2,045 in the Southampton HMA (11.24). Appendices to the SHMA set out all nine projections individually for the local authorities (or parts thereof) within the PUSH area. For Eastleigh Borough the recommended projection amounts to 615 dpa (SHMA, Appendix U, Table 19) this equates to 11,070 dwellings for the Local Plan period to 2029 (EBC/H1 paragraph 4.68), 930 more than the Plan proposes.
8. The SHMA focuses on assessing needs on the basis of the two identified HMAs. This is consistent with the approach to preparing SHMAs in the Framework. However, to progress a local plan a Council needs to determine the needs within its area. The SHMA states that the figures it provides for individual Boroughs should be used with caution. The Council highlights this cautionary approach in resisting the use of the 615 dpa figure referred to above in determining its housing need/requirement. However, there needs to be some basis to do so and, in my view, the PUSH SHMA and the JGC Study (see below) provide a reasonable starting point. If the Council consider that the Borough-based assessments are fundamentally inadequate then it would have to withdraw this Plan and undertake what further work it considered necessary.
9. The Council see the PUSH Spatial Strategies as the tool to derive the requirements for each Borough in a manner which meets the Duty to Co-operate. But as I have already noted, the 2012 Strategy was not based on an objective assessment of need compliant with the Framework, which weakens its suitability for this purpose. The PUSH authorities have agreed a programme of work to prepare a new PUSH Spatial Strategy. This envisages public consultation on options in summer 2015 and consultation on a final strategy early in 2016.

10. The Borough Council see this new Strategy as the appropriate means to address the spatial response to the PUSH SHMA 2014 and to determine housing needs and requirements at a Borough level. Accordingly, it has already included in its Local Development Scheme a review of the Local Plan to be published in 2016 to respond to the new Strategy. This intention shows a commendable commitment to co-operative working in the future. I recognise that a planned review can be a relevant consideration in assessing the soundness of a plan. However, the planned review is at least 2 years away and the timetable for the finalisation of the new PUSH Strategy could easily slip, given the number of authorities involved and the complex and potentially controversial issues it needs to address. Similarly, the long gestation period of the current Local Plan inevitably raises uncertainty over the Council's ability to deliver a review so tightly aligned to the finalisation of the new PUSH Strategy.
11. Accordingly, I consider that for the short/medium term at least, this Local Plan should seek to meet the expectations of the Framework and any significant shortcomings should be addressed now and not be postponed to the review. A planned review cannot make an unsound plan sound.
12. The Council estimates (EBC/H1 Table 5.1) that existing local plans covering the Southampton HMA are proposing to deliver nearly enough housing to meet the SHMA's recommended need for the period 2011-2026, with a shortfall averaging 50 dpa (750 dwellings overall). Of the Councils covering at least part of this area, only Test Valley has not got an adopted plan in place for this period. Southampton City is the largest single provider of housing within the HMA and Eastleigh Borough is second. The contributions from the other authorities are much smaller, reflecting that only part of those authorities are in the Southampton HMA. The current shortfall estimated by the Council for the Portsmouth HMA is much greater at nearly 500 dpa (EBC/H1 Table 5.2).
13. No Councils within PUSH object to the scale of housing provision proposed in this Local Plan and none have requested Eastleigh Borough to accommodate any of their housing needs. In this context, I do not see the Duty to Co-operate as requiring Eastleigh Borough to anticipate whether or not other authorities in PUSH will be able to meet their housing needs. To do so would involve drawing conclusions about the ability of those authorities to deliver housing which neither the Council nor I are in a position to do. Such assumptions would not reflect a co-operative approach.
14. It is a legitimate role for the PUSH strategy, as an expression of the Duty to Co-operate to assign all unmet needs within the HMA beyond 2026 and, if required, between the 2 HMAs. Provided that a new PUSH Strategy is finalised in 2016 there would be sufficient time for all plan reviews to roll forward provision on the agreed basis from 2026. The difficulty is with the modest shortfall emerging in the short/medium term, as the timing of the PUSH Strategy and subsequent reviews of plans will unacceptably delay that shortfall being addressed. I consider this further below after considering the JGC Study.
15. The PUSH authorities clearly have the structure in place and a commitment to working together in the future as they have done in the past. The PUSH structure and work it has produced and intends to produce demonstrate an admirable co-

operative approach. But the process is time consuming and there is a danger of building-in delay to local plans. This is why it is essential that this Plan responds as fully as possible to the identified needs for Eastleigh.

The JGC Study

16. Subsequent to the publication of the Local Plan and the PUSH SHMA, the Council commissioned further work on population projections - the JGC Study *An Analysis of Objectively Assessed Needs in the light of the 2012 based Sub-national Population Projections* EBC/H1A) June 2014. As its name implies, this took account of the recent publication of the 2012 SNPP which were not available for the PUSH SMHA. The JGC Study produces a new household projection for Eastleigh Borough and the Southampton HMA. Fig 8.3 shows a need for 549 dpa for Eastleigh Borough when calculated for the plan period to 2029. This equates to a need for 9,882 dwellings for Eastleigh Borough (see EBC/H1, 4.90). For the Southampton HMA, the Study projects a need for 2,019 dpa 2011-2029 (EBC/H1A, paragraph 8.4), which would reduce the deficit on delivery in the HMA to 2026 to about 26 dpa.
17. There are three important points to note about the difference between the projection in the JGC Study and the favoured projection in the PUSH SHMA. Firstly, the Study was published after the consultation period on the Local Plan. There is no indication that other planning authorities within Southampton HMA agree with its analysis. Whilst the figure for Eastleigh Borough is materially lower than that in the PUSH SHMA, the figure for the whole HMA is only slightly lower, indicating that Eastleigh is generating a lower proportion of the housing needs in the HMA. If these figures are used for the housing requirement in Eastleigh, a greater proportion of needs would be met in the rest of the HMA than suggested in the SHMA. My understanding is that it is the PUSH SHMA that will primarily inform the work on the revised PUSH Strategy and it is not clear whether there will be any general updating of projections on a PUSH-wide basis. Accordingly, it would not be wise to rely solely on the JGC Study.
18. Secondly, the SHMA had included within the projection of future migration the ONS's *Unattributable Population Change* factor which had to be added (or subtracted) to the ONS's Mid Year Estimates to ensure that there is alignment in all the data across the country between the 2001 and 2011 Censuses. For Eastleigh, the UPC is a significant positive figure suggesting likely under-recording of past in-migration. However, ONS has not included the UPC component in the 2012 SNPP, hence the population projections for Eastleigh are lower than before. ONS consider that the UPC should not be attributed to migration because, as its name implies, the reasons for the adjustment is unknown. Given this advice and ONS' approach to its own projections, it is reasonable for the JGC study to follow the same approach. Over time the significance of the UPC will decline and ONS has improved its methodology for assigning international migration. Nevertheless, UPC may represent higher than accounted for migration into Eastleigh in the past, which may continue in the future. This is not reflected in the 2012 SNPP and thus not in the JGC Study's outputs. The higher figure for the recommended projection in the SHMA represents, at least in part, this possibility.

19. Thirdly, 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. The recommended projection in the SHMA had not assumed such a high degree of convergence and so the application of this analysis to its population projection would result in more new households, particularly towards the end of the projection period.
20. In relation to the starting point of a demographic projection, I consider that whilst the JGC Study is a robust piece of work in this regard, the projection in the PUSH SHMA should not be ignored. Thus demographic evidence indicates that Eastleigh should be providing between about 550 – 615 dpa. For the reasons given above the most robust approach would be a figure toward the upper end of the range. The proposed rate in the Local Plan of 564 dpa sits within this range, but I consider that it is marginally too low.
21. On the Council's evidence there is a shortfall in housing supply of between 400-750 dwellings between 2011 -2026 in the Southampton HMA, depending on whether the PUSH SHMA or the JGC Study is used. Considered in isolation, Eastleigh Borough does not have to accommodate all this shortfall, but it should seek to accommodate some of it so as to reduce the extent to which any PUSH Review has to address a backlog of provision. More importantly in the light of my conclusion in relation to affordable housing below, this shortfall in the HMA suggests that on demographic projections alone there is some scope to increase the provision of market housing to deliver more affordable housing. The shortfall in the HMA clearly provides an opportunity for housing provision in Eastleigh to be increased without any wider impact on the HMA, although I see no reason why any such uplift would need to be capped as this shortfall figure.
22. The demographic projections are only the starting point for determining housing need and ultimately the housing requirement. I thus turn below to these other relevant matters.

Affordable Housing

23. Affordable housing for planning purposes is defined in the Framework's Glossary.
24. The PUSH SHMA was not published until close to the publication date of the Plan. Whilst the Council was aware of its preliminary findings prior to publication, it is clear that much of the early preparatory work for this Plan was not informed by an up-to-date understanding of the need for affordable housing in the district.
25. The PUSH SHMA identifies 1,661 households pa in the Southampton HMA in need of affordable housing, of which the need in Eastleigh Borough is 509 pa (SHMA Appendices, Table 34, p79). The SHMA notes (8.78) that accommodation in the private rented sector (PRS), where households are in receipt of the local housing allowance (LHA, housing benefit) is not a recognised form of affordable housing. It suggests that the extent to which Councils wish to see the PRS being used to make up for shortages of affordable housing is ultimately a local policy decision.

Nevertheless, the SHMA goes on to assume that the current role of the PRS continues. On that basis, the SHMA reduces the need for affordable housing by discounting from assessed need an estimate for future lettings in the PRS to households in receipt of the LHA (SHMA, Appendices, Table 36, p81).

Accordingly, it substantially reduces overall affordable housing needs in the Southampton HMA to 400 dwellings of which the need in Eastleigh Borough is 310.

26. On the basis of these reduced figures, it concludes that there is no PUSH-wide need to increase housing provision to meet affordable housing needs (paragraph 11.9), but for Eastleigh Borough it comments (8.79): *even assuming the current role of the private rented sector continues we identify a need to deliver around 310 affordable homes pa which would require overall housing provision in the region of 1,000 to 1,100 dpa*. The Council, however, does not consider that any increase in housing provision to meet affordable needs is justified in this Plan. I consider below the three key assumptions leading to these conclusions.
27. Firstly, the PUSH SHMA assumes (EBC/H4A, 8.6) 30% of gross income spent on housing is the threshold for households in need of affordable housing. Many developer interests consider that this is too high and highlight the reference to a 25% threshold in the 2007 DCLG SHMA Guidance, but that is now cancelled. National Policy Guidance (the Guidance) does not specify a threshold. I note that 30% of the estimated income required to access market housing in Eastleigh would be (just) insufficient to rent an entry level two bedroom property. Three bedrooms would be out of reach. Thus a proportion of families would not be able to secure accommodation of adequate size when spending 30% of income on housing (SHMA Appendices, Tables 24, p74 and Table 18, p70). A 30% threshold should thus be seen as the upper end of a possible range.
28. A 25% income threshold would increase the identified need for affordable housing using the SHMA methodology to about 624 dpa for Eastleigh (prior to any role assigned to the PRS). This highlights the sensitivity of the threshold used. Accordingly, the figure in the SHMA of 509 dpa should be seen as a baseline, with actual needs recognised as potentially greater. In this context, I see no justification for the Council assuming that more than 30% of income could reasonably be spent on housing. Some households may be forced to do so, but that does not make it a justified approach to assessing need.
29. Secondly, there is no justification in the Framework or Guidance for reducing the identified need for affordable housing by the assumed continued role of the PRS with LHA. This category of housing does not come within the definition of affordable housing in the Framework. There is not the same security of tenure as with affordable housing and at the lower-priced end of the PRS the standard of accommodation may well be poor (see for example: *Can't complain: why poor conditions prevail in the private rented sector*, Shelter March 2014, provided by Tetlow King on behalf of Landhold Capitol).
30. The Framework requires planning authorities to meet the housing needs of its area including affordable housing needs. The availability of accommodation within the PRS where households are in receipt of the LHA is outside the control of the Council, being determined by the willingness of private landlords to let to

tenants in receipt of the LHA. The operation of the LHA is determined by the government. I recognise that I and other Inspectors elsewhere have previously accepted an on-going role for the PRS with LHA to discount the assessment of affordable housing needs, but I am no longer persuaded that this approach is justified. I have no doubt that households in need of affordable housing readily perceive a substantial difference between these two types of housing for the reasons already given. Accordingly, affordable housing needs in Eastleigh Borough are at least 509 dpa and would be higher if a more cautious approach were to be taken to the proportion of income which it is assumed is reasonable to spend on housing.

31. Most of this need for 509 dpa is not additional to the 550 – 615 dpa arising from the demographic projections. It is a requirement for a distinct type of housing. I recognise that much of the need may be households in accommodation which is inadequate for their needs, but which may be adequate for other households. The SHMA's assessment takes account of the release of an affordable unit for those needing to move who are already in affordable housing (EBC/H4A, 8.32). Whilst, similarly, a move of a household from an unsuitable private rented unit to a suitable affordable unit would free-up that private rented unit, such moves cannot happen unless affordable homes are available.
32. In relation to affordable housing provision over the plan period, the Council notes that 323 affordable units had been delivered between 2011-2014; existing planning permissions have secured a further 686 units; and on the basis of the percentages in policy DM28, a further 2,000 could be secured from future permissions, resulting in about 3,000 new affordable housing units over the plan period. This is the maximum likely to be delivered. Actual delivery might be less as it depends on the viability of specific sites to deliver at 35%. The Council's estimate equates to an average of 167 pa, substantially below the need for affordable housing and below even the SHMA's figure of 310 pa where the role of the PRS with LHA was assumed to be meeting part of the need.
33. The failure of the Council to recognise the true scale of need for affordable housing and therefore the consequential failure to consider how it might be addressed is a serious shortcoming.

Market signals

34. The Framework and Guidance indicates that household projections should be adjusted to take into account market signals. The Guidance refers to appropriate comparison of indicators both in absolute levels and rates of change. The SHMA (EBC/H4A, 6.90-6.97) highlights Eastleigh and Fareham among the core PUSH authorities as experiencing the highest median prices for most property types and where affordability issues are more acute. Overall, it concludes that market signals are not significant for most of the core authorities, but identifies modest market pressure in Eastleigh and Fareham.
35. Developer interests highlight a range of market signals (see, for example, Table 5.3 in Nathaniel Lichfield and Partners work for Gladman Developments). Not all signals demonstrate that Eastleigh is worse than the national or regional/sub regional averages. But on some crucial indicators it is. Between 1997-2012, the

affordability ratio for Eastleigh worsened by 97%. For the Southampton HMA and England the figures are 92% and 85% respectively (Barton Wilmore, Open House October 2014, Table 6.4, for Hallam Land). Time series rental data from the Valuation Office Agency is available only between 2011 and 2013, but indicates rents rising by 7.4% in Eastleigh compared with 4.4% nationally and 6.9% in Hampshire (Open House, paragraph 5.12). Overall, market signals do justify an upward adjustment above the housing need derived from demographic projections only.

36. It is very difficult to judge the appropriate scale of such an uplift. I consider a cautious approach is reasonable bearing in mind that any practical benefit is likely to be very limited because Eastleigh is only a part of a much larger HMA. Exploration of an uplift of, say, 10% would be compatible with the “modest” pressure of market signals recognised in the SHMA itself.

Accommodating economic growth

37. Local Economic Partnerships (LEPs) are the lead body for promoting local economic development. In this case, it is the Solent LEP, which covers a similar geographic area to PUSH. I consider that a key test of the economic strategy of the Plan is compatibility with the intentions of the LEP, given its role, which includes control of substantial public funds to support economic development. The LEP’s current strategy is the *Solent Economic Plan 2014-2020* (EBC/G1) published in March 2014. This sets out a number of economic aspirations, including job growth, drawn from economic projections provided by Oxford Economics (*Solent LEP Economic Outlook*, March 2014). This included a baseline forecast and preferred growth scenario. The LEP’s *Economic Plan* mostly seeks to achieve the headline indicators of the preferred scenario (comparing p6 of EBC/G15 with 4.1 of the *Economic Outlook*).
38. An important element of the LEP strategy is the promotion of various *key sites* for economic development. There are seven key sites identified for 2015-2017. None are in Eastleigh Borough. There are a further five sites identified as *Future Pipeline Sites*. One of these, described as: *Ford site, Eastleigh Riverside and Southampton Airport* extends over a large area which straddles the boundary between Southampton City and Eastleigh Borough. The Ford factory which closed in 2013 is not in Eastleigh and its redevelopment is not dependent on any proposals within Eastleigh. The submitted Local Plan includes proposals for facilitating various types of economic development at *Eastleigh Riverside* (E9, mainly business areas for redevelopment), *Development opportunities adjoining Eastleigh Riverside side* (E10, 9.60 ha of greenfield land) and *Southampton Airport* (E12, including 21 ha of undeveloped land north east of the runway).
39. The site-specific merits of these three allocations and the requirements of each policy have yet to be explored at the hearings. The main area of dispute/uncertainty concerns achieving a new access road to facilitate major greenfield development and the requirements to accommodate such a potential future road in any redevelopment of other areas. Because of the current uncertainty, the Council has not included the allocated greenfield employment land as part of its employment land supply for the plan period, but sees it as an opportunity for more economic development if economic circumstances are

favourable. Given the scope for redevelopment on the Ford site and parts of the allocations in Eastleigh, I see nothing at odds between the intentions of the LEP in identifying Ford/Airport/Riverside and the Plan.

40. In the summer of 2014, the LEP received substantial public funding to help bring forward a number of its identified key sites. But there was no such funding for the Ford/Airport/Riverside area. Delivery of the LEPs preferred growth scenario will therefore depend on delivery on these sites outside Eastleigh and in various generic measures. The LEP has not commented on the Plan. (It did comment on the adjoining Test Valley Local Plan which was published at a similar time so, I do not regard this lack of comment as an omission). I conclude that the LEP is content with the economic intentions of the Plan and that in the short-medium term, the most likely opportunities for achieving aspirational growth in the LEP area are largely outside Eastleigh Borough.
41. The Plan proposes a minimum of 133,000 sq m of employment development (which is largely intended to be within the B use class). Table 3 in the Plan indicates that total anticipated new floorspace exceeds this minimum at about 148,000 sq m. (Appendix 5 of EBC/2 gives details of the sites which make up this figure.) The Council has taken into account a wide variety of evidence in initially identifying and subsequently justifying this level of provision in the Plan (see, in particular, *Employment Land Strategy Report* July 2014 EC1c). The minimum floorspace figure in the Plan is made up of two components. The *Employment Land Requirements Study* January 2012 (EC1b) identified a need for about 92,500 sq m net additional employment floorspace. The Council identified a need for an additional 40,700 sq m of B class floorspace to replace anticipated losses of existing major employment sites (over and the past trends for such losses - see section 3.3, EC1c).
42. An *Employment Land Requirements Study Update* was published in May 2014 (EC1b1), after the publication of the Plan. This took into account an updated job growth forecast from Experian of March 2014. This economic forecast resulted in a much higher forecast for additional B class floorspace of nearly 228,000 sq m (Table 2.13). However, whilst being mindful that this new evidence may point to greater economic potential of the Borough, I largely accept the Council's reasons, summarised below, for not seeking to increase employment floorspace to match this new forecast.
43. Economic forecasts have a high degree of uncertainty and, in isolation, do not provide a robust basis for planning land use requirements. The floorspace projections based on this most recent forecast seem particularly out of step with a range of other forecasts and methods of assessing future floorspace needs (as illustrated in Table 3.9, reproduced in EC1c, p20). It is also preferable for economic forecasts to be based on the functional economic area rather than an individual district and the LEP/PUSH best reflect this approach.
44. In addition, the scale and type of new employment provision proposed in the Plan (not including the replacement floorspace) broadly aligns with what Eastleigh Borough is expected to deliver in the PUSH South Hampshire Strategy 2012 (90,000 sq m for manufacturing and distribution and only 2,000 sq m for offices - Policy 6, EBC/G7). That strategy envisaged substantial office development in

Southampton and Portsmouth, with notable large scale office and other B1 development also at: the new community north of Fareham, at Whitley (Winchester District), Havant and Gosport. This strategy reflects a “city-first” priority and existing or emerging commitments at the time. Even if little weight were to be given to the 2012 Strategy as a policy document, the scale of provision envisaged in Policy 6 is now largely embedded in the adopted Core Strategies of other PUSH authorities and, in some places, is being taken forward in greater detail in local plans such as that for Welborne (the new community north of Fareham), currently at Examination. The key sites for economic development being targeted by the LEP with public financial support also largely reflect the PUSH strategy and these development plans.

45. Given that Eastleigh Borough is part of this wider functional economic area, if employment floorspace in Eastleigh Borough were to be substantially increased it could well undermine the delivery of these other sites for economic development. This would also undermine the wider strategies of which these employment sites form part. Such a potential consequence is highly undesirable.
46. This context is also why I am not persuaded by the desire of Hampshire Chamber of Commerce for more employment land to be allocated in this Plan, particularly land close to the motorway for offices or logistics. Offices are a use which should first be accommodated in town centres and this is reflected in the PUSH Strategy. I accept that demand for major office development in Southampton City appears weak, but such demand is only likely to be undermined further by greenfield allocations on the edge of the City in Eastleigh Borough. There would seem substantial provision being made across the economic area for manufacturing and distribution in locations close to the motorway to respond to the needs of the logistics sector.
47. Accordingly, I consider that the scale of new employment floorspace is justified bearing in mind that: it is expressed as a minimum; there are further opportunities for intensification and redevelopment of existing employment premises supported by other policies in the Plan; and longer term opportunities may exist for additional employment development on parts of the Eastleigh Riverside allocations.
48. I am also satisfied on the basis of the Council's calculations (EBC/G12) that the proposed level of housing provision would provide more than enough workers to support employment development of the scale proposed in the Plan. Such calculations are however fraught with uncertainty and can only be a broad guide. The close economic relationship between Eastleigh Borough and adjoining parts of the economic area are reflected in high daily flows of residents to work outside the Borough and inflows of workers to Eastleigh from elsewhere. In these circumstances, I do not see a pressing need for job growth and population growth to necessarily be closely matched. Some increase in the overall housing requirement in the Plan arising from my conclusions in relation to affordable housing and market signals would not undermine the economic strategy for the area and may help to support it.

Housing supply and delivery

49. A housing trajectory is included as an Appendix to the Plan. Table 2 in the Plan sets out expected delivery of housing by Parish from different categories of supply: *completions, specific urban sites, broad areas* (also urban); and *greenfield allocations*. The figures in the Plan are now out of date. More detail on the sites and sources contributing to these categories is in the SHLAA (EBC/G4 July 2014) which updates the position to 1 April 2014. Detail on how the Council has been calculating the five year supply and a trajectory for the delivery of the allocated sites is in the Council's paper: *Five Year Land Supply Position/Housing Implementation Strategy* September 2014 (H15). For sites allocated in the Plan a year-by-year trajectory for the first five years is included as an Appendix to the Council's pre-hearing statement on this matter. I comment below only on those sources of supply where I consider that the Council's approach is not justified.
50. The category of *broad areas* includes additional dwellings from the redevelopment of sites in Eastleigh town centre and three district centres: Fair Oak, Hedge End and West End. The total supply relied on by the Council from these sources is 300 for the former and 226 for the latter group. None of this supply is included in the five year supply calculation (SHLAA, EBC/G4 paragraph 4.38 and Table 4.8). More detail on these centres is in SHLAA Appendices 7 and 8. In relation to Eastleigh town centre, the SHLAA refers to the challenge to be overcome *including a degree of inertia demonstrated by the fact that private owners have been reluctant or unable to bring schemes forward, particularly within the central block during the last 25 years*. Given this context, the only evidence that there are *reasonable prospects* (the relevant test in the Framework, paragraph 47, Footnote 12) of some delivery coming forward here is the Council's ownership (or intended acquisition) of sites, given the Council's commitment to change in the town centre. Accordingly, delivery from sites 5, 6, 7, 8 in the table in Appendix 7 is justified (and does not need discounting), but not from any others. The supply is thus 137 not 300.
51. Similarly, the assessment of the supply from the three district centres is too focused on physical capacity rather than providing evidence of *reasonable prospects*. There is nothing to indicate why redevelopment, which was not triggered by the previous economic boom, will happen in the future. The need for land assembly or the existing nature of the premises on some of the sites suggests that delivery is very uncertain. Rather than assess each parcel individually, I have increased the Council's discount on delivery from 25% to 50% to be more realistic. Supply thus falls from 226 to about 150.
52. The Council acknowledges (Hearing Statement, 3.9-3.10) the potential for overlap between the site-size threshold in the SHLA of 0.2 ha (which might be for less than 10 dwellings) and the calculation of the small site windfall allowance of less than 10 dwellings and identifies three such sites. Once the Council's discount is applied, the assumed contribution to supply appears very small, but for accuracy should be removed.
53. The Council has included small site windfall in years 3-5 of the five year supply and from year six onwards. The inclusion of the contribution from windfalls from year three is justified given the Council's evidence on the time within which planning permissions are normally implemented and thus avoids double counting. A 10% discount is applied to the average past supply of small site windfalls.

Given that there is no change in the policies in the submitted Plan compared with policies in the adopted Plan, this continuation is realistic in the short term. However, to reflect uncertainty and the possibility of fewer such sites in the future I consider that from year six the discount should be increased to 25%.

54. Contrary to the definition of windfalls in the Framework, the Council had included garden land sites in the windfall assessment for years 6-15. These should be removed (amounting to eight dwellings pa). The Council needs to recalculate the windfall contribution for years 6-15 taking into account the above two points, but it is likely to reduce the assumed 700 to about 520.
55. The Council calculated that at 30 September 2014 there was a total supply of 10,746 dwellings, including the Hamble Lane appeal site (see Council's hearing statement on this matter, EBC/4/3, Appendix 3). In the light of the required reductions, the supply figure is about 10,200, only marginally above the overall requirement. This is not a robust position and I consider this further below, but first I turn to the five year supply. The latter is primarily dependent on whether the anticipated start date and expected annual rate of delivery from the allocated greenfield sites is justified.
56. In general, the Council is showing a clear commitment to working effectively and speedily with landowners/developers to progress planning applications on allocated sites and to encourage speedy commencement (through various conditions). Accordingly, background evidence on the slow delivery of strategic sites elsewhere in the country is not particularly relevant.
57. There is conflicting evidence about delivery rates. Developer interests put the rate at between 40-60 dwellings per site per developer, including the delivery of affordable housing. The Council highlights three large sites in Eastleigh Borough where delivery, including during the recession, was much higher. It thus considers that its assumption of 150 dwellings per annum on the three largest allocations with two developers is reasonable. There is clearly considerable uncertainty about market conditions in the future and what developers will want to achieve from their sites. The landowners and promoters of the three largest allocations in the Plan were at the hearing for this matter and I have given particular weight to their estimates for delivery.
58. Allocation BO1 *Boorley Green* has planning permission. The permission is subject to a legal challenge to be heard in the Court of Appeal on 28 November. If the challenge is successful and the permission is quashed, the Council's current timetable for commencement and delivery would need to be substantially revised. I proceed on the assumption that the permission remains valid. The landowner confirms there are now three developers committed to this scheme who expect to start on site in October 2015. I consider that the Council's expectation of 35 units within 2015/16 is rather tight and thus uncertain, but given the three developers involved, the 150 units for each of the following three years is reasonable.
59. Three different owners control the land making up site E1 *land south of Chestnut Avenue*, Eastleigh. A planning application is due in January 2015. The Council anticipates 50 units in 2016/17 then 100 units each year. The representative of

one of the landowners considers that delivery will start a year later than the Council and retains the same stepped increase in delivery. Adopting this later timetable would be more robust give the complexities of the site, the requirements of the allocation policy and the 3 landowners. Somewhat confusingly, for sites without planning permission such as E1, the Council discounts its figures in the trajectory by 25% before inclusion in the calculation of the housing supply (H15 paragraph 5.22, table after 5.28 and 7.1). Pushing back delivery by a year would give a robust figure (which does not need any discount) and thus results in only a small reduction in the contribution of this site to Council's five year supply (of about 40 dwellings.)

60. The promoter of site WE1 *land west and south of Horton Heath* intends submitting a planning application by December 2014, which will be progressed in accordance with a performance agreement with the Council. The masterplan envisages two distinct residential areas and thus it is logical to assume two different developers. A new secondary school forms part of this allocation and the County Council requires this to be available by September 2018. This is clearly providing an impetus to progress the development quickly. A start on site mid-2016 seems realistic. The developer envisages 60 units per developer per year, not as much as the 155/160 units in the Council's trajectory. As this site is without planning permission Council's housing supply calculation has discounted the figures in the trajectory by 25%. Thus the discounted delivery rate is very similar to that of the developer and is reasonable.
61. On some other allocated sites, I consider that delivery might be delayed by a year compared with Council's assumptions, but still take place within five years, thus not reducing overall supply in this period.
62. In the three years since the base date of the Plan (2011), less than the Plan's average of 564 dpa has been delivered. The shortfall to 30 September 2014 is 790 homes (H15, 4.14). The Guidance states Council's should aim to deal with any undersupply within the first five years of the plan where possible. Where this cannot be met they will need to work with neighbouring authorities under the Duty to Co-operate. The Council considers that the undersupply should be made-up over more than five years and to do otherwise is unrealistic. It cites the on-going effects of the recent recession; shortages of materials and skills; and the cycle of local plan production, resulting in previously allocated sites having been built out. However, in publishing the Guidance last year the Government would have been mindful of national circumstances in the house-building industry. The delay in having an up-date local plan is the Council's responsibility and does not justify delay in making good the shortfall. I have seen no evidence that it is not possible to achieve the preferred approach of the Guidance. Accordingly on the basis of the submitted plan the shortfall should be made up in the first five years (the "Sedgefield" method).
63. I recognise that if the housing requirement were to be increased to help deliver more affordable housing, the shortfall would be greater and there would be a need to deliver even more in the first five years. Whether in that scenario such increased delivery would be *possible* would need to be considered in the light of the evidence at the time. The Council should have regard to the totality of the Guidance on this matter.

64. The Framework (paragraph 47) requires a buffer to be added to the five year supply of either 5%, or 20% where there has been persistent under delivery of the housing requirement. The assessment of past delivery needs to be considered over at least a 10 year period so as to cover a full economic cycle. In addition, as none of the plans required a specific target to be met each year, it is appropriate to consider delivery not just on an annual basis but over a whole plan period or phase if this is possible, so as to better iron-out up and downs in delivery. In this case the adopted Local Plan Review covers the period 2001-2011 and so total delivery during this period can be compared with the overall requirement.
65. The Council has set out the past requirements and delivery from 2001-2 based on the Hampshire Structure Plan (421pa), the adopted Local Plan (561pa, excluding the reserve sites), and the South East Plan (SEP) (354 dpa). For the period 2001-2006 I consider that the requirement is that set out in the adopted Local Plan as this was adopted after the Structure Plan and reinterpreted that Plan's requirements, whilst remaining in conformity with it (see the complex explanation of the housing figures in the adopted Plan at 5.2-5.4, 5.10-5.18).
66. I requested a post-hearing note from the Council on the interpretation of the requirements of the SEP. Participants were given the opportunity to comment on the Council's interpretation and I have taken into account all relevant comments. The Council considers that the requirement during the period 2006-2013 (when the SEP was finally revoked) should be 354 pa, as a result of excluding any requirement arising from the Strategic Development Area (SDA) for 6,000 dwellings proposed for north/north east of Hedge End. Policy SH5 of the SEP sets out the annual average for the districts of South Hampshire and the SDAs over the period 2006-2026. For the Hedge End SDA the figure is 300 dpa implying an expected even supply from 2006. For this reason, developer interests consider that this figure should be added to the figure for Eastleigh Borough to create an overall requirement of 654 pa from 2006. The Council highlight that SEP Policy SH1 and supporting text 16.5 makes clear that delivery from the SDA was not expected to occur until 2016 (because of the required long lead-in to get development underway). There is clearly a tension in these different policies which makes their proper interpretation difficult for the exercise here.
67. It is important to bear in mind that the Framework's requirement for a 20% buffer is intended to assist delivery where Councils have experienced difficulty in the past delivering what they planned to deliver. Given the context in which the SEP was approved (recognising, as it did, that it was not meeting all housing needs in the South East), it would be perverse if the requirements of the SEP were to be interpreted for the purpose of this exercise as setting a housing requirement substantially below what was required at the time in the adopted Local Plan. That Plan had been adopted as recently as May 2006 and, until 2009 when the SEP was actually approved, the Council could not have been certain of what the requirement in the SEP would be. The Local Plan reflected what the Council thought it could deliver during this time and there is no suggestion that once the SEP was published the Local Plan was abandoned. I therefore consider that it would be fair and more relevant to the issue at hand to test delivery

against the requirement of the Local Plan (561 dpa) rather than either of the interpretations of the SEP (354 dpa or 654 dpa).

68. For the 10 year period 2001-2011 the Local Plan's annual average was met in only two years and overall delivery fell well short of the required total. This is clear evidence of persistent under delivery. I have already noted that there has been under delivery since 2011 of the requirement identified in the submitted Plan. (Even if the lower requirement in the first draft of this local plan is used, delivery fell short, see footnote 8 in the Council's pre-hearing statement EBC/4/3). If the last years of the adopted Local Plan are replaced with the Council's preferred figure from the SEP, then delivery would have been met in 2009-2011, but in my view that is not sufficient to tip the overall balance to adequate delivery, given the shortfall before and since. Accordingly, I consider that a 20% buffer is currently required as part of the five year land supply calculation. Although there was a shortfall in delivery under the adopted Local Plan, I consider that the PUSH SHMA and the adjustments required as a result of all my conclusions represent a comprehensive new starting point for the assessment of needs from 2011 and so I do not add this backlog to the new requirement.
69. With a 20% buffer and making up the shortfall since 2011 within five years (the "Sedgefield" method), the Council calculates that there is only a 4.37 years supply (H15, Table after 5.30). There is, however, the small downward adjustment to be made to delivery from sites BO1 and E1. Accordingly, irrespective of the need to look to increase the overall requirement for the other reasons I have given, there is a need to boost the five year supply. From the evidence before me, I cannot see how the Council would be able to bring forward supply from later in the plan period and so the necessary boost is likely to require additional allocations which are capable of rapid delivery.
70. The overall supply position over the whole plan period is equally tight. This is not a robust position to take the Plan forward. There is no realistic flexibility in the Plan to respond to changing circumstances. It is important to ensure that any small delay in assumed delivery from sites contributing to the five year supply does not too easily result in a less than five year supply being available. The Plan needs to provide confidence that there will a five year supply at adoption and in future years.
71. There might be some large windfall sites in the future, but given that the SHLAA appears to have been very comprehensive in its search for sites this is too uncertain to be relied on as providing flexibility. The major greenfield sites included in the five year supply are being delivered as quickly as possible and there is nothing more that the Council can do to bring this delivery forward. The largest allocated sites expected to commence beyond the five year period (eg BO2 and HE1) are owned, or mainly owned, by the County Council which does not what to the bring forward the land any earlier. Accordingly, the Council has no means of increasing supply if there is a problem other than through a plan review, which is time consuming. Accordingly, the Plan needs to demonstrate that it has some flexibility to respond to changing circumstances.

Conclusions on housing needs and supply

72. I have found two important shortcomings. The first is the failure of the Council to recognise the true scale of need for affordable housing and therefore the consequential failure to consider how it might be addressed. The Framework (paragraph 17, 3rd bullet) requires *every effort* to be made to meet needs. I see no justification for delaying this consideration for 2-3 years pending a review of the Plan. The second is the inadequacy of the five year supply given that a 20% buffer is required.
73. The Guidance states that: *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.* Increasing market housing to meet all the identified affordable housing need would require a threefold increase in overall provision. I do not consider that this a realistic option to explore. In addition to the inevitable difficulties of securing delivery of such a scale of development, particularly in the short term and of providing sufficient infrastructure, such a scale of provision is much greater than even the most optimistic demographic projection. It would also result in the release back into the market of many dwellings in the PRS currently occupied by tenants in receipt of the LHA. Thus the cumulative effect of such provision over and above underlying demographic change would be very substantial and the consequences for the housing market are difficult to anticipate.
74. However, there is evidence which strongly suggests that some increase in delivery of market housing is achievable and could deliver a significant proportion of affordable housing. As already noted, the developers of the major sites allocated in the Plan and included in the five year supply are keen to start delivering and where planning permission has not already been granted they are intending to submit planning applications very shortly. There is also clearly strong interest from other developers for additional housing sites to be allocated in the Plan and some of these appear likely also to be progressed as planning applications soon.
75. 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.
76. Accordingly, the Council needs to explore the practicality of the delivery of more affordable housing through increased provision for market housing in terms of the ability of sites to start delivery in the short term and their ability, in terms of viability, to deliver a significant proportion of affordable housing. I can make no comment at this stage on the justification for the 35% proportion of affordable housing sought by policy DM28. But given the need to deliver more affordable housing, the extent to which a site was able to deliver at or close to this target or, if that target was generally unachievable, at a high level comparable to the best achievable on other sites, would be a factor to be weaved into the overall balance of the assessment. The ability of registered housing providers to work

with developers in providing and subsequently letting and managing additional affordable housing also needs to be taken into account. An iterative process may be required to initially identify what are realistic options for increasing the scale of provision. The Council also has to respond to my conclusions on market signals; ensure that the Plan has some flexibility to respond to changing circumstances, and to provide a five year supply with a 20% buffer.

77. Once the Council has identified a possible range for what is practical in terms of delivery that range can be tested through Sustainability Appraisal in relation to the environmental impact of development on various sites. I note that the Sustainability Appraisal (EBC/G2) submitted with the Plan includes in Appendix II an assessment of alternative growth options including 11,628-12,060 dwellings, which had been assessed in the SA accompanying the draft plan published in October 2013. Whilst that assessment concluded that this higher level of growth would be *difficult to accommodate without threatening the environmental integrity of the Borough* it is difficult to understand the evidential basis for that conclusion. Equally importantly, that testing did not weigh in the balance the substantial unmet need for affordable housing. Paragraph 14 of the Framework requires an explicit balancing exercise in the terms it sets out.
78. I regard increasing market housing to deliver more needed affordable housing as a policy response to the need, not itself part of the objectively assessed needs. There may be other policy responses open to the Council in addition to some increase in market provision. At the hearing, the Council indicated that it was not relying on other provision to deliver affordable housing, but it may wish to review that approach bearing in mind its significant ownership of development land, the significance of the need identified and any difficulties in achieving substantial additional provision through the allocation of more market housing.
79. If the Examination were to be suspended (see below) to enable the Council to address the shortcomings I have identified, it is likely that the Plan would not be adopted until late 2015/early 2016. If the plan period remained the same (to 2029) the Plan would cover only a 13 year period at adoption, below the 15 years that the Framework considers preferable. However, bearing in mind that the Framework (paragraph 47) requires Council's to have a five year supply of housing and identify a supply of specific deliverable sites or broad locations for growth for years 6-10 and *where possible* (my emphasis) for years 11-15, I consider that there is some flexibility about the plan period.
80. I also give weight to the intention for the Council to review the Plan to take into account the new PUSH strategy and to roll it forward to 2036. The identification of sites for 10 years would take this Plan to 2026 and give the subsequent review the most scope to respond to the intended new PUSH Strategy and to fulfil any requirements arising from the Duty to Co-operate. Nevertheless, the Council should explore whether it is possible to identify sites beyond 10 years.
81. If the Council seeks to progress this Plan with a less than 15 year plan period it is essential that it recognises that there will be on-going need for additional land for housing beyond the plan period. This need is made clear by the SHMA which covers the period to 2036. Accordingly, large sites which could start usefully delivering within the 10 year period, but would continue to deliver beyond the

plan period should not be ruled out simply for that reason, since they would become an element of necessary supply in the plan review.

82. I recognise that my conclusions will be a disappointment for the Council, but it would be contrary to the aims of the Framework to let this Plan progress to adoption without the further work described above. I also recognise the benefits of a plan-led system, but that must be based on sound plans. Given the progress that the Council has already made in progressing some of the greenfield allocations in this Plan by granting planning permission, I do not regard the delay as likely to undermine the Council's ability to progress other proposed allocations if it wishes to do so to ensure a five year supply.

The Way Forward

83. In the light of these conclusions, if the Council wishes to progress this Plan it will need to undertake significant further work. Any proposals for additional housing allocations or other material changes to the Plan will need to be the subject of appropriate public consultation.

84. Accordingly, I consider the January hearings (which would have focussed on the housing allocations not yet benefitting from planning permission and some of the other policies in the plan) should not take place. Conducting the January hearings would represent wasteful effort for all concerned. Evidence arising from such hearings might well become out of date by the time I eventually prepare any final report. I could not come to any clear conclusions on either allocations or omissions sites/alternative locations because there would not be the necessary comprehensive evidence to do so. In addition, if any of the omission sites/locations were subsequently proposed as allocations there would be duplication of discussion at the necessary later hearings on those allocations. Accordingly, I am not undertaking any preparatory work for the hearings in January to avoid wasted expense for the Council. The Council should cancel the arrangements made for these hearings and I will ask the Programme Officer to notify representors accordingly.

85. It is for the Council to decide whether it wishes to withdraw this Plan now (and I would do no further work) or whether to seek a suspension to enable it to do the further work required with the intention of formally requesting in due course that I make modifications to the Plan. If the Council wishes to seek a suspension it should provide a timetable for the further work required, the necessary consultation on proposed changes and the appropriate recording of the further representations received. This timetable should factor-in any purdah period that may exist for consultation as a result of the general election. I would be concerned if this timetable required a suspension of more than 6 months. In my experience, longer suspensions make effective resumption of the Examination very difficult for all parties, as evidence becomes out of date. The Council should, however, be aware that I cannot commit to resuming the Examination immediately following a suspension. I would set out a timetable for any further hearings required after I had resumed the Examination and undertaken initial preparation on the new material. It would be helpful if the Council could indicate soon when it would know how it wishes to proceed and when it would be able to provide a timetable for any suspension.

86. On the assumption that a suspension will be sought, I will shortly provide a further note on the remaining matters arising from the recent hearings in relation to the Habitat Regulations Assessment. I will set out some preliminary concerns about the justification for policy S9 relating to gaps, so that this can also be addressed during any suspension. I will also highlight some matters where the Council needs to be alert to possible changes in national policy, such as in relation to the Code for Sustainable Homes.

The CIL Examination

87. Unfortunately, a suspension of the Local Plan Examination would also necessitate a suspension of the Examination of the Council's submitted Community Infrastructure Levy (CIL) Charging Schedule. The Schedule includes a nil rate for residential development within *Zone B Strategic Sites* which are identified on a map in the Schedule and correspond with the three largest greenfield sites proposed for allocation in the submitted Plan which do not yet have planning permission. I could conclude that this nil rate is justified in those locations only if (among others factors) those sites are to be allocated in the Plan at adoption (or have been granted planning permission in the interim). To determine the CIL in advance would appear to prejudice my fair consideration of the soundness of those allocations in the Examination of the Plan. In addition, it is necessary to consider the assumptions made in the viability evidence underpinning the CIL in the context of key Local Plan policies which affect development values, particularly that for affordable housing (DM28) and any other requirements (eg for sustainable construction in DM2). Accordingly, I can properly consider the Schedule only in the context of my conclusions as to what is necessary to make this Plan sound.

Simon Emerson

Inspector

28 November 2014