



**Title:** East Hampshire Housing Need – Further Technical Update

**Date:** May 2024

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1. East Hampshire District Council (EHDC) has commissioned Iceni to prepare an updated Technical Note on housing need to inform the emerging East Hampshire Local Plan. The Plan covers those part of the District which fall outside of the South Downs National Park.
2. This Note is intended to update previous Technical Notes prepared by Iceni in August 2022 and September 2023 taking into account the evolution of national policies related to housing need, including the revised National Planning Policy Framework (NPPF) published by Government in December 2023, as well as changes in the underlying data.
3. Iceni has also reviewed key representations made as part of consultation on the emerging Local Plan in early 2024. We addressed key issues raised regarding housing need and the housing requirement herein.

## **a. Standard Method**

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4. The 'standard method' was introduced by Government in 2018 with the intention to provide a simpler, quicker and more transparent approach for calculating housing need with the intention of speeding up plan-making. It provides a means of calculating housing need for local authority districts across England which aggregated together generate a figure close to the Government's ambition to deliver 300,000 homes annually.
5. For East Hampshire, there are two components to the formula: projected household growth, based on 2014-based Household Projections published by Government, and an affordability adjustment which is applied to this to, as household growth on its own is insufficient as an indicator of future housing need as the ability of household to form is constrained by the supply of available properties; and people may want to live in an area but are unable to find suitable accommodation they can afford. The affordability adjustment responds to market signals to address these issues and reflects Government's policy objective of significantly boosting the supply of homes and starting to address housing affordability. <sup>1</sup>

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<sup>1</sup> See PPG ID 2a-006-20190220

6. The affordability adjustment (uplift) is a component of the calculation of housing need, rather than a 'buffer' which is subsequently applied. It reflects Government's view that household growth alone is not an adequate reflection of overall housing need, as it has been constrained by an under delivery of housing. It recognises, in practical terms, that declining affordability has influenced the ability of younger households to form, resulting in growing numbers of younger people sharing homes or living with parents for longer, as they cannot afford to set up independent households. The adjustment seeks to address these issues over time.
7. In some areas the uplift is capped, whilst in the 20 largest cities and urban centres a further 35% uplift is applied. Neither of these factors are however applicable to the calculations for East Hampshire.
8. For plan-making purposes, Government's Planning Practice Guidance (PPG) advises that Council should calculate the standard method local housing need at the start of the plan-making process, but they need to keep it under review and revise the calculations where appropriate. The figures tend to change annually – particularly when new affordability data is published by Office for National Statistics (ONS) in late March. The figures are 'fixed' at the point of submission and can be relied upon for two years thenceforth, with the aim of ensuring data changes do not destabilise and prolong the Local Plan Examination.
9. The latest standard method calculations for East Hampshire District are shown in Table 1 below, as well as those for the previous two years (as set out in the previous Technical Notes). The calculations take average annual household growth over a 10 year period looking forwards from the current year. These are drawn from the 2014-based Household Projections. The latest ONS affordability data is then taken and used to calculate the affordability adjustment, with a 0.25% increase applied for each 1% the house price-to-earning ratio is above 4.
10. The latest affordability data for 2023 points to house prices being 13.03 times median earnings for those in full-time jobs in the District. This generates a 56% affordability uplift, which is marginally higher than in previous years as there has been a marginal increase in the affordability ratio. But as household growth is projected to fall slightly over time, this is applied to a slightly lower household growth figure than in 2023 – household growth of 368 homes per year – and therefore the minimum local housing need across East Hampshire District generated by the standard method falls slightly to 575 homes a year.

**Table 1: Standard Method Calculations for East Hampshire District over Time**

	Original Note (Aug-22)	Sept-23 Update	Apr-24 Update
Base Year	2022	2023	2024
10 Year Household Growth	3,883	3,747	3,678
Household Growth pa	388	375	368
Affordability ratio	12.58	12.70	13.03
Affordability Uplift	54%	54%	56%
Minimum Local Housing Need	597	578	575

11. The scale of the change in the local housing need figure relative to the previous year's data is minimal (falling by 0.5%).
12. Some local community and interest groups have commented as part of the early 2024 Local Plan consultation that the affordability uplift is inappropriate as it will simply attract additional people to the area. However the demographic review in Icen's September 2023 Paper showed that East Hampshire's population has grown more strongly than in the 2014-based Household Projections. Planning on the basis of the household growth alone would therefore likely constrain population growth and not reflect the NPPF and associated PPG guidance, potentially leading to soundness issues associated with the new Local Plan.
13. In terms of the plan period, consideration needs to be given to the start date and end point. At the current time, April 2023 could potentially be used as a relevant starting point as the Council has relevant information on the land supply position at that point and completions prior to this. The 2023 affordability data is captured within the standard methodology and as the Planning Practice Guidance sets out there is no requirement to specifically address under-delivery prior to this.<sup>2</sup> The Council may be able to bring forward the start date in due course such as to 2024, depending on the timing of submission, to take into account future affordability data and housing delivery monitoring. The PPG sets out that the annualised housing need figures set out can be applied to the plan period.<sup>3</sup>
14. In terms of the end date for the plan period, the NPPF advises that plans should look forward a minimum of 15 years from adoption. Whilst this could provide some basis for looking beyond 2040, depending on the length of the Plan's Examination in particular, the Council needs to balance this against the timeframes which are considered within the evidence base (such as around land supply, transport and infrastructure) and the benefits of getting a new Local Plan in place. Icen's experience is that Inspectors at Examination are receptive of these issues; and recognise the requirement for five yearly plan reviews as required by national policy.

## **b. Changes to National Planning Policies**

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15. Icen's September 2023 Note discussed the Government's December 2022 consultation on changes to the NPPF policies relating to housing need and the housing requirement. Government has since taken this forward and issued a revised NPPF in December 2023.
16. The revised NPPF sets out that the minimum local housing need generated by the standard method is an "advisory starting point" (Para 61). There are two components to this: firstly the Government has sought to emphasise that there may, in exceptional circumstances, be a justification for using an alternative approach to assessing housing need; and secondly, that the housing need may be different to the housing requirement (i.e. the target) within a Local Plan.

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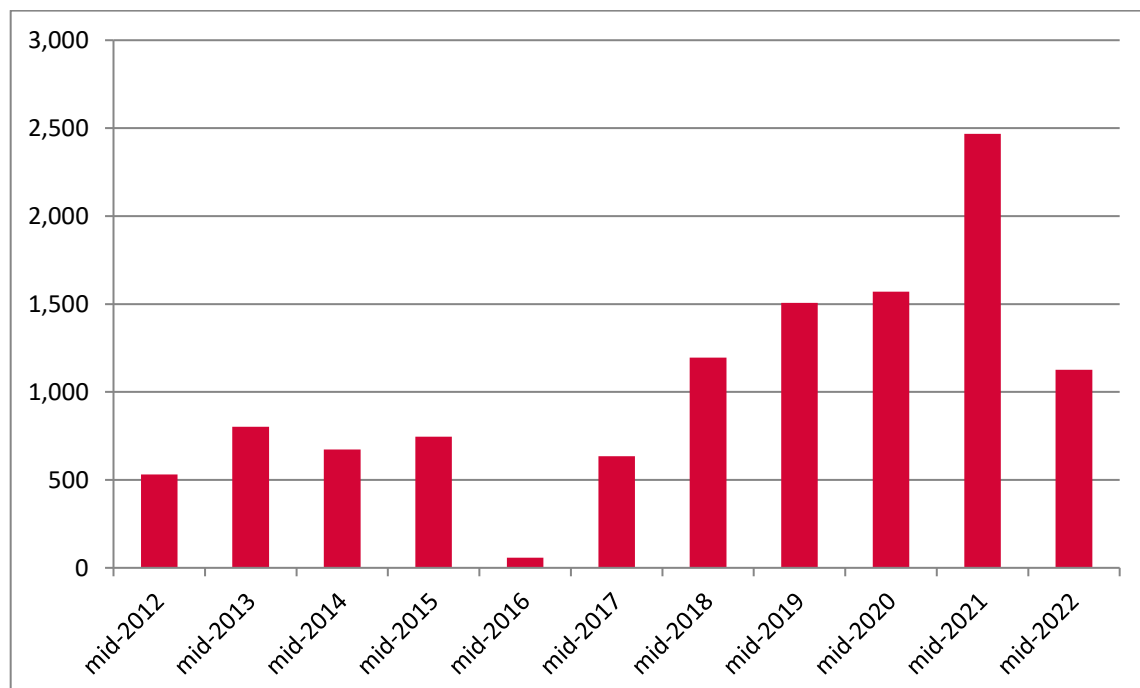
<sup>2</sup> See PPG ID 2a-011-20190220

<sup>3</sup> See PPG ID 2a-012-20190220

## Demographic Characteristics

17. NPPF Para 61 however sets a high bar for adopting an alternative approach to housing need, requiring Councils to demonstrate that there are 'exceptional local circumstances', such as those relating to 'the particular demographic characteristics of an area', which justify an alternative approach. We can infer that the expectation is that many local plans will continue to progress using the standard method. It requires that any alternative approach should reflect both current and future demographic trends and market signals (and thus would be expected to continue to include an uplift to address housing affordability).
18. Icen's 2023 Technical Note included a review of local demographic trends and characteristics and sought to test whether exceptional local circumstances existed which would justify the use of an alternative approach to calculating housing need, rather than using the 2014-based Household Projections which feed into the standard method. It's review of demographic trends found that whilst natural change had been falling, this was more than compensated for by higher net in-migration to the District (primarily from other areas in England). It indicated that it was likely on this basis that future official demographic projections would point to stronger demographic growth. It found no evidence that the housing need would be lower.
19. The latest data continues to support these conclusions. Whilst data is volatile at a district level, and we therefore see changes year-on-year, the general picture is one of stronger population growth in the District over the period since 2018, as identified in the 2023 Technical Note, than in the five year period to 2014 which fed into the 2014-based Projections.

**Figure 1: Annual Population Change – East Hampshire District**



Source: ONS Population Estimates (published Nov 2023)

20. The latest ONS Mid-Year Population Estimates place the population of East Hampshire at 127,300 in mid 2022. This is 3.9% greater than that estimated in ONS 2014-based Sub-National Population Projections which feed into the standard method.
21. The NPPF consultation gave potential examples of 'particular demographic characteristics' which might justify an alternative approach including 'islands with no land bridge that have a significant proportion of elderly residents.' This appears to be a reference to the particular characteristics of the Isle of Wight which is separated from the UK Mainland by the Solent. The proportion of the District's population aged 65+ at 24% is not dissimilar to the Hampshire average of 22% and well below that in the Isle of Wight at 30%. A growing older population is a feature of most local authorities across the Country. The consultation also referred to areas with a large student population, appearing to recognise that there can be issues with the accuracy of ONS data to towns/cities which this affects, because of difficulties in accurately measuring student moves. Neither of these particular characteristics are however applicable to East Hampshire District.
- 22. Icen consider that there is no evidence which would point to particular local circumstances or characteristics which would justify a housing need figure which is below the standard method.**

#### **Translating Housing Need into a Plan Requirement**

23. The NPPF read as a whole does not require each and every local authority to fully meet its housing need. However the strong expectation within it is that Plans will fully meet housing need, and contribute to unmet needs, where it is sustainable to do so.
24. NPPF Para 11b sets out that plans should, as a minimum provide for assessed housing needs of the area and unmet needs, unless other NPPF policies which protect certain areas/ assets provide a strong reason for restricting the overall scale, type of distribution of development; or the adverse impacts of meeting needs significantly and demonstrably outweigh the benefits. Similarly the soundness tests against which local plans are assessed (Para 35) expect the Plan's strategy to as a minimum meeting the area's objectively assessed needs, as well as contributing to unmet needs where is practical to do so and consistent with achieving sustainable development.
25. Para 67 states that the housing requirement figure within a plan should show the extent to which the area's identified housing need (and any needs that cannot be met within neighbouring areas) can be met over the plan period. It may be higher than the identified need if, for example it includes provision for neighbouring areas, or reflect growth ambitions linked to economic development or infrastructure investment.
26. The 2022 HEDNA considered the inter-relationship to economic growth and infrastructure investment, and found no circumstances which would justify higher housing provision. This remains the case.
27. Thus relevant considerations in setting the housing requirement for East Hampshire are thus:

- The housing need for the plan area;
- Unmet housing need from the South Downs National Park;
- Unmet housing need from other areas, such as South Hampshire;
- The inter-relationship with the affordable housing need; and
- The ability to sustainably accommodate housing needs.

28. We consider issues related to unmet need in the subsequent sections of this report. Ultimately for plan-making purposes, the sustainability of different levels of housing provision is tested through the Sustainability Appraisal (SA) process. NPPF policies however remain strongly tilted towards meeting an area's own housing need and contributing to unmet need unless there is clear evidence that it would be unsustainable to do so; or doing so would be inconsistent with national policies.

29. In the context in which the Council has developed and consulted on a draft Plan which meets the District's housing need (including potential unmet need from the South Downs National Park), the Council would need to provide convincing evidence that circumstances have changed such it was no longer considered sustainable to fully meet these housing needs. We are not aware of any evidence that this is the case.

### **c. Disaggregation of Need between the Plan Area and the Park**

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30. The September 2023 Technical Note included estimates of the disaggregation of housing need between those parts of East Hampshire District which fall within the South Downs National Park (for which the National Park Authority is responsible) and the remainder of the District, which is the Plan Area which East Hampshire's emerging Local Plan will cover.

31. The analysis in the Technical Note showed that population and broader demographic growth within the National Park area had been modest relative to the EHDC Plan Area and estimated an 80/20 split of the District's housing need in favour of the East Hampshire Local Plan area. This was based on the relative household growth and affordability of the areas within and outside of the National Park, as advocated by the PPG<sup>4</sup>.

32. The South Downs National Park HEDNA<sup>5</sup> (Sept 2023), prepared by Icen for the National Park Authority, used a number of different approaches to assessing housing need. It firstly looked at a pro rata split of the standard method figures based on population. Using the latest data this would generate a need for 152 dpa within the Park Area (26.5% x 575 dpa). It then calculated a Park-wide need based on Park-wide evidence on demographic change and affordability, which generated a need for 350 dpa of which 106 dpa was estimated to arise from East Hampshire. However applying the same approach to East Hampshire specific data generated a need figure of 114 dpa (Table 4.14) which is essentially very similar to the figure above. It considered these

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<sup>4</sup> PPG Paragraph: 014 Reference ID: 2a-014-20190220

<sup>5</sup> Housing & Economic Development Needs Assessment

latter approaches more robust, generating a need for 106-114 dpa, and better reflection of the NPPF and PPG.

33. The proportion of housing need assessed as within the Park area where informed by demographic and affordability analysis (20% of the District total) is slightly below the proportion of the District's 2021 population (26.5%) or households (26.8%) which is within the Park; but this reflects lower relative demographic growth within the National Park.
34. There is no new demographic data available below a local authority level since the preparation of the 2023 Technical Note from which to reconsider the split of need between the two areas. Furthermore the change in the standard method figure is minimal. In these terms it would be appropriate to apply a pro rata split of the latest standard method figure to disaggregate it between the two areas. We have set this calculation out in Table 2 below.

**Table 2: Split of Standard Method Housing Need by Local Plan Area**

	%	Annual Housing Need
<b>EHDC Plan Area</b>	80%	462
<b>South Downs National Park</b>	20%	113
<b>District</b>	100%	575

35. However fundamentally the share of housing need which is provided within the EH Plan Area and the National Park needs to be agreed between the two planning authorities, as is required by the Duty to Cooperate. As set out in the September 2023 Technical Note, it will be for the SDNPA to work through its own process as part of its evidence base to calculate local housing needs.
36. For the purpose of decision-making (before the adoption of a new Local Plan) the 80/20 split could be used to disaggregate the need for the plan area. An alternative approach would be to subtract the agreed SDNP contribution of 100 dpa as set out in the 2024 Statement of Common Ground (SOCG) between the SDNPA and East Hampshire Council. Whilst the appropriate approach is a matter of planning judgement, the split on the basis of need is consistent with national policies which emphasise appraising housing land supply against need where strategic policies are more than 5 years old (NPPF para 77).
37. Some representations have sought to promote a greater proportion of the District need being delivered in the National Park. However specific regard does need to be had to the specific national policy frameworks for national parks. The NPPF identifies National Parks as areas in which development is expected to be *restricted* and sets out that *great weight* should be given to conserving and enhancing landscape and scenic beauty in National Parks, as well as their wildlife and cultural heritage. NPPF Paras 182 – 183 specifically state that the scale and extent of development in National Parks should be *limited* and directs that, generally, applications for major development should be refused other than in exceptional circumstances where it can be shown that development is in the public interest.

38. The primary focus of planning policies for National Parks are thus on the national park purposes – to conserve and enhance their natural beauty, wildlife and cultural heritage; and promoting public understanding and enjoyment. However Section 11A(1) of the 1949 Act places a Duty on the National Park Authority, in pursuing these purposes, to foster economic and social well-being of local communities within the Park, which the 2010 National Parks Circular sets out includes fostering and maintaining thriving rural economies and supporting the delivery of affordable housing. Housing provision is thus expected to be restricted and focused on delivery of affordable housing.
39. In these terms, it is probably unrealistic to assume that the National Park will fully meet the proportion of housing need identified for its area. It is certainly unrealistic to assume it will meet anywhere close to the proportion of the District's land area which the Park covers (57%) and it is considered unreasonable to do so based on the respective population and household data between the two areas.
40. The preparation of the South Downs National Park Local Plan Review is running behind that for East Hampshire, with a Reg18 consultation due in early 2025. However a Land Availability Assessment is underway.
41. East Hampshire District Council and the South Downs National Park Authority have agreed through a Statement of Common Ground (Jan 2024) that the most logical approach to distinguishing the distribution of housing provision between the two separate planning authorities would be to account for anticipated housing delivery in the National Park. The SOCG sets out that based on past delivery and historical agreements, it is estimated that the East Hampshire area within the National Park will deliver 100 dwellings per annum over the plan period to 2040.
42. Such as approach in our experience would be consistent with national policy, is consistent with that undertaken historically and in other areas in which parts of a local authority fall within the South Downs National Park, an indeed in our experience in other areas which overlap with other national parks.

#### **d. Unmet Needs from Other Areas**

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43. In addition to the unmet needs from the South Downs National Park area within East Hampshire, the Council needs to consider unmet needs from other areas in preparing the Local Plan. Of particular significance here is unmet housing need arising in South Hampshire.
44. The Partnership for South Hampshire (PfSH), of which the Council is part, has recently finalised a new Spatial Position Statement (Dec 2023). This shows an unmet need of almost 11,800 homes to 2036.<sup>6</sup> In the western part of the sub-region, this includes an unmet need arising from Gosport, Havant and Portsmouth with a total unmet need for c. 5,250 dwellings to 2036.

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<sup>6</sup> This excludes the Standard Method Cities & Urban Areas Uplift of 35% for Southampton consistent with changes to the NPPF.



45. The Statement sets out that in the short-to-medium term, East Hampshire and a number of other local authorities in the PfSH area should be able to meet and potentially exceed their standard method housing need. It then identifies a number of broad areas of search for longer-term strategic development. However none of these fall within East Hampshire.
46. More recently, correspondence to the Council’s recent consultation has acknowledged that Havant Borough Council have an unmet need of 4,309 dwellings and Portsmouth City Council an unmet need of 3,477 dwellings over their emerging plan periods. Both authorities have also requested assistance to help meet these unmet needs under the Duty to Cooperate.
47. Having regard to the PfSH 2023 Spatial Position Statement and requests for assistance under the Duty to Cooperate, the Council therefore needs to test through the Local Plan’s preparation the potential to contribute to addressing unmet needs from South Hampshire. Logically, this would be focused on testing the potential to accommodate further growth within the Southern Sub-Area which relates to the PfSH area.

**e. Inter-relationship to Affordable Housing Need**

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48. The final relevant consideration in setting the housing requirement (from a needs perspective) is the inter-relationship with the affordable housing need. It identified a need for 420 affordable homes per year (HEDNA, 2022).

**Table 3: Annual Affordable Housing Need – Plan Area**

	Rented Affordable Housing	Affordable Home Ownership	Total Affordable Need
North East	81	94	165
North West	69	89	158
Southern Parishes	49	49	97
Plan Area Total	199	232	420

49. At 40% affordable housing provision, notionally 1050 homes a year would need to be delivered to fully meet the affordable housing need through developer contributions. This is not realistic and far exceeds historical housing delivery. It is common for the affordable housing need to be proportionally significant relative to the overall housing need shown by the standard method, as is the case here. This arises as they are generated using different approaches with overall need considering net growth in households; whilst the affordable need in addition considers issues of tenure imbalance (existing households in other tenures who might need affordable housing). The PPG sets out that Councils will need to consider the extent to which these needs in setting out a housing requirement, but recognises that it may not be viable or deliverable to fully meet needs.
50. Nonetheless, the strong need for affordable housing reinforces that there is little justification for planning below the standard method, or for reducing housing provision within the Plan.

#### **f. Indicative Split of Housing Need between the Different Sub-Areas**

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51. EHDC has asked Iceni to provide advice on the indicative split of the housing need between different sub-areas.
52. Past demographic trends at this sub-district level will have been influenced in particular by past planning policies and housing delivery; and therefore Iceni don't therefore consider it appropriate to simply roll these forwards without scrutiny. We have therefore set out below:
- The percentage of population and households from the plan area total which were in each sub-area based on the 2021 Census data; and
  - The relative proportion of the Plan Area affordable housing need as identified in the 2022 HEDNA report.
53. For comparative purposes we have set out the proportion of the plan area population growth (2011-21) was in each area. This illustrates that each sub-area might not necessarily be expected to grow at a similar rate (with slightly greater growth in the NW historically). .

**Table 4: Demographic / Housing Need considerations in assessing Sub-Area Housing Distribution**

	% Population, 2021	% Households, 2021	% Affordable Need	Comparator: % Population Growth, 2011-21
North East	39%	39%	39%	35%
North West	36%	36%	38%	40%
Southern Parishes	25%	25%	23%	25%

54. There are a range of considerations through the plan-making process which may affect the distribution of development across the sub-areas. This includes the availability of suitable development land, the settlement hierarchy and range of services and employment opportunities in different areas, and the extent of strategic development constraints and (where appropriate) infrastructure challenges. On this basis the data in the above table should be used as a tool to help consider the distribution of development across different areas, rather than representing an answer in its own right. The Council will also need to consider unmet needs issues and where these arise from.
55. For EHDC, the strongest protections against unwanted speculative development come from having an up-to-date Plan in place.

#### **g. Supply-side Buffer**

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56. Having regard to relevant factors, the draft Local Plan put forward a housing requirement for 9,082 dwellings over the 2021-40 plan period (478 dpa). It then sought to provide for a land supply buffer of 643 dwellings (equivalent to a 7% buffer).

57. The requirement within the Plan sets out how much housing provision the Plan is intending to deliver. It sets the target against which housing delivery performance is monitored.
58. For all local plans it is however necessary to provide a supply-side buffer, or contingency, to provide some flexibility to ensure that the requirement is delivered. This reflects that there can be delays in the timeframes or pace of delivery of some sites relative to that envisaged when the plan is prepared, including for factors beyond the Council's control such as market conditions as well as viability or infrastructure factors. The supply-side buffer allows for this, and ensures that the requirement can be delivered. It is important in ensuring that the Plan is effective, as set in the soundness tests in Para 35 in the NPPF, in ensuring that the housing requirement is deliverable over the plan period. It is important in helping to ensuring that the Council retains control of planning decisions and avoid planning by appeal.
59. The Council is due to consult on the Reg19 version of the Plan in due course, with the intention of submitting the Plan by June 2025. New affordability ratio data is likely to be released in March 2025 which could affect the standard method calculation. Government may release 2022-based Household Projections in Spring (April/May) 2025, however on the current programme it seems unlikely that there would be any changes to the Standard Method calculation before Submission (given it would need to consider and then consult on any methodology changes).
60. To future proof the Plan to enable it to accommodate changes in the Standard Method calculation prior to submission, the Council might reasonably make provision for the housing requirement to rise (to 500 a year) and provide for a 10% contingency in addition to this to provide supply-side flexibility. It should be noted that this extra provision does not include potential unmet need that would need to be determined through the local plan evidence base and Duty to Cooperate process.