



East Hampshire: Technical Note

Update – September 2023

Technical Note: Testing the Standard Method Housing Need for East Hampshire (Update)

This note provides an update to a short study completed for East Hampshire Council in August 2022 to study the extent to which local demographic evidence provides justification for the Council to diverge from the Standard Method¹; the study also updates estimates of the housing need arising in that part of the District within the South Downs National Park.

The need to update is driven by a number of factors, most notably the publication of 2021 Census data which provides an up-to-date view of demographic trends and also a consultation to the National Planning Policy Framework (NPPF) in December 2022 which discussed possible changes to the data to be used in the Standard Method.

a. Original Technical Note – Summary

The 2022 technical note set out the estimate of need using the standard Method and calculated this to be for 597 dwellings per annum. The note also considered what the need would be if more up-to-date projections were used instead of the 2014-based figure required by the method – this did point to a potentially slightly lower need (depending on the projections analysed) but it was also noted that using alternative projections would not be compliant with Planning Practice Guidance (PPG).

The study then looked at components of the projections (natural change, migration and household formation) to see if there was any evidence that the 2014-based projections are sufficiently erroneous that they should be set aside and replaced with an alternative calculation; and if there is anything exceptional in the data.

The analysis has found nothing to suggest there are any major issues with the accuracy of the 2014-based SNHP. Some data did suggest if anything the projections may use trends that underestimate growth (leading to a lower projection than might have been expected to be the case) but this was not clearcut. It was therefore suggested that the 2014-SNHP could be used as part of the method to assess housing need in the District – in-line with the requirements of the PPG.

The analysis then looked at recent demographic trends to see if this pointed to an exceptional circumstance that would mean moving away from the Standard Method. This analysis concluded there

¹ <https://www.easthants.gov.uk/media/7499/download?inline>

have been clear changes in natural change (downward direction) and net migration (upward direction) and that these largely balance out if looking in the period to 2018 (which is the period up-to-which the most recent ONS projections would have taken data. The analysis also noted that trends to 2020 (the latest period for which data was available at the time) were somewhat higher, and pointed to the likelihood that any future projections might be expected to show higher growth, although it was noted that until new projections are developed by ONS it is not possible to be certain.

Overall, the study concluded there was nothing in the analysis to support moving to a lower housing need figure than derived from the Standard Method.

Finally the report sought to split the local housing need between the LPA and the National Park by taking account of past demographic trends and factoring in an affordability ratio based on price and incomes in the Park. This suggested a need in the Park (where within East Hampshire) for around 115 dwellings per annum.

b. Standard Method Calculations

As noted above, at the time of the original technical note the Standard Method showed a need for 597 dwellings per annum; this was based on projected household growth in the 2021-31 period and using the most up-to-date affordability ratio (ratio between median house prices and median earnings). It is possible to update this by using household growth data for 2023-33 and the most recent affordability ratio (for 2022, published in March 2023).

The table below works through these figures and now shows a housing need for 578 dwellings per annum, slightly below the figure previously calculated due to a lower projected level of household growth in the 2023-33 period compared with 2021-31) – the affordability ratio is broadly similar in both cases.

Figure 1: Calculation – Standard Method (latest data as of September 2023)

	Calculated in original note	Updated
Households 2021/2023	51,219	52,029
Households 2031/2033	55,102	55,776
Change	3,883	3,747
PA change	388	375
Affordability ratio	12.58	12.70
Uplift	54%	54%
Need	597	578

Source: Range of ONS data

c. NPPF consultation – December 2022

On the 22nd December 2022 the DLUHC published a new draft NPPF for consultation. This document potentially shows the Government’s direction of travel in terms of planning policy and includes a

number of proposals which may be relevant to East Hampshire. However, it is currently unknown when and how many of the proposed changes will be made.

In paragraph 11 dealing with the presumption in favour of sustainable development additional text has been added to criteria b(ii) along with a new b(iii).

ii. any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole.; such adverse impacts may include situations where meeting need in full would mean building at densities significantly out of character with the existing area“

iii: there is clear evidence of past over-delivery, in terms of the number of homes permitted compared to the housing requirement in the existing plan.; in which case this over-delivery may be deducted from the provision required in the new plan.

Under ‘Examining Plans’ (notably paragraph 35) it is proposed that Local Plans should be positively prepared – ‘providing a strategy which, as a minimum, seeks to meet the area’s objectively assessed needs so far as possible, taking into account the policies in this Framework’. The same paragraph sees a watering down of the tests of soundness by removing the requirement for plans to be justified which in this case means it is an appropriate strategy, taking into account the reasonable alternatives, and based on proportionate evidence.

Section 5 of the consultation NPPF deals with ‘Delivering a sufficient supply of homes’ and contains a number of proposed changes.

Para 60 - The overall aim should be to meet as much housing need as possible with an appropriate mix of housing types to meet the needs of communities

Para 61 - The outcome of the standard method is an advisory starting-point for establishing a housing requirement for the area (see paragraph 67 below). There may be exceptional circumstances relating to the particular characteristics of an authority which justify an alternative approach to assessing housing need; in which case the alternative used should also reflect current and future demographic trends and market signals.

An accompanying Scope of Consultation document published alongside the consultation NPPF includes some additional information about the direction of travel. Most notable for this project is the suggestion that future estimates of housing need could move away from using the 2014-based subnational household projections (SNHP). Specifically the text says:

The standard method for assessing local housing need was introduced in 2018 to make sure that plan-making by local authorities is informed by an objective assessment of projected household growth and affordability pressures, while speeding up the process of establishing housing requirement figures through local plans. It remains important that we have a clear starting point for the plan-making process and we are not proposing any changes to the standard method formula itself through this consultation. However, we will review the implications on the standard method of new household projections data based on the 2021 Census, which is due to be published in 2024.

There is also additional text about being more flexible in the use of the Standard Method. Under the heading of Using an Alternative Method the document states:

Local authorities will be expected to continue to use local housing need, assessed through the standard method, to inform the preparation of their plans; although the ability to use an alternative approach where there are exceptional circumstances that can be justified will be retained. We will, though, make clearer in the Framework that the outcome of the standard method is an advisory starting-point to inform plan-making – a guide that is not mandatory – and also propose to give more explicit indications in planning guidance of the types of local characteristics which may justify the use of an alternative method, such as islands with a high percentage of elderly residents, or university towns with an above-average proportion of students.

Overall, the consultation points to there being some strengthening of the encouragement for local authorities to consider exceptional circumstances. And whilst Government is ‘not proposing any changes to the standard method formula itself through this consultation’ it is possible once 2021-based projections are published that this is rethought. Alternatively, it could be that the 2021-based projections are rejected with continued use of 2014-based figures. Finally, it should be noted as of September 2023 there had been no suggestion of any changes to the NPPF/PPG or the Standard Method and so it is possible the consultation proposals do not end up being taken forward. As a result, limited weight has been afforded to the draft changes in this report.

d. Recent Trends and 2021-based projections

As noted above, the NPPF consultation suggests the Standard Method could potentially use 2021-based projections in the future. ONS has not yet published these projections, which are not likely until sometime in 2024 and as set out, we have not afforded any weight to these draft changes due to the uncertainty surrounding them. It is however possible to review some of the data likely to be used and form a view as to the potential direction of travel.

Exactly what the projections will say is uncertain as the methodology to be used by ONS in developing projections could change (from previous releases) and therefore attempts to develop projections would potentially point to different figures to those ultimately developed by ONS. Examples of methodological issues include:

- We do not know what assumptions ONS will make about international migration in the future and how this filters down to subnational projections;
- We do not know what the relationship between past trends in migration and the projection will be. Generally projections, whilst based on trends will actually show higher or lower levels of migration than the trends; and
- We do not know how ONS will deal with trends in household representative rates (HRRs) – essentially the likelihood of a person of a particular age group being the ‘head of household’.

The analysis below looks at data published since the original technical note was produced. There are two main sources:

- 2021 Census – data from the Census updates baseline estimates of population and households (for 2021) and allows for a comparison between trends and projections – to see how accurate the 2014-based projections are; and
- New mid-year population estimates (MYE) – in the original note MYE data was available up to 2020 and ONS has now published one more year of data. This data includes estimates of natural change and migration.

The analysis below looks at population trends across the District. Two main sources are initially used, these are:

- MYE (unadjusted) – unadjusted ONS mid-year population estimates (MYE) – these are estimates of population made by ONS through its tracking of births, deaths and migration from 2021. This is an important source as the data contained within this data source (notably about migration) is likely to be used by ONS as part of the next round of population projections (2021-based SNPP); and
- MYE (Census adjusted) – these are estimates of population in 2021 that take account of 2021 Census data. Essentially, ONS use the Census (which dates from March 2021) and roll forward to a mid-year estimates based on births, deaths and migration in the 3 month period. The Census adjusted MYE replace the unadjusted figures as the ONS view of population in 2021.

Eventually, ONS will revise the full back series of data from 2011 to take account of the new 2021 MYE. However, at the time of writing this had not been done and so there are only two reasonable data points (2011 and 2021) – much of the analysis to follow therefore looks at trends in this 10-year period.

In the original Technical Note it was suggested that one exceptional circumstance might be the 2014-based subnational household projections (SNHP) that underpin the Standard Method are clearly wrong – in this instance we are looking to consider if the trends that have actually occurred are substantially different from those projected back in 2014 and that this is locally exceptional. One way of considering this is to compare data for 2021 with recently published Census data and also MYE data (prior to a Census adjustment). Comparisons are made for both population (as this underpins the household projections) and household estimates.

The table below shows population figures for 2011 and 2021 from these sources. The data shows the 2014-based projections had projected the population of the District to reach 121,800 by 2021 and ONS in their monitoring of data had actually estimated a higher population figure (126,000). Following publication of the 2021 Census, ONS has revised slightly upwards its estimate of population in 2021 to 126,200.

Figure 2: Estimated Population in 2011 and 2021 – range of sources – East Hampshire

	2011	2021	Change	% change
2014-based SNPP/SNHP	116,010	121,812	5,802	5.0%
MYE (unadjusted)	116,010	125,976	9,966	8.6%
MYE (Census adjusted)	116,010	126,199	10,189	8.8%

Source: ONS

There is clearly a difference between the projections as used in the Standard Method and the reality of what seems to have happened in the 2011-21 period. The table below shows nationally there is also a difference in the figures but in the opposite direction – for England both MYE estimates sit slightly below the 2014-SNPP figures.

Figure 3: Estimated Population in 2011 and 2021 – range of sources – England

	2011	2021	Change	% change
2014-based SNPP/SNHP	53,107,200	57,248,400	4,141,200	7.8%
MYE (unadjusted)	53,107,200	56,536,400	3,429,300	6.5%
MYE (Census adjusted)	53,107,200	56,334,700	3,227,600	6.1%

Source: ONS

We can also look at household changes as projected in the 2014-SNHP and as now shown by the Census, this is shown in the table below. This shows across the District that household growth in the 10-year period to 2021 was projected to be at a lower level in the 2014-SNHP than the Census has now shown to be the case.

As with the population data, this is the opposite trend to that observed nationally where the Census records lower household growth than projected across England. This finding does point to stronger demographic trends than previously projected and that this might point to future projections being higher than the 2014-based figures underpinning the Standard Method.

Figure 4: Estimated Households in 2011 and 2021 – range of sources

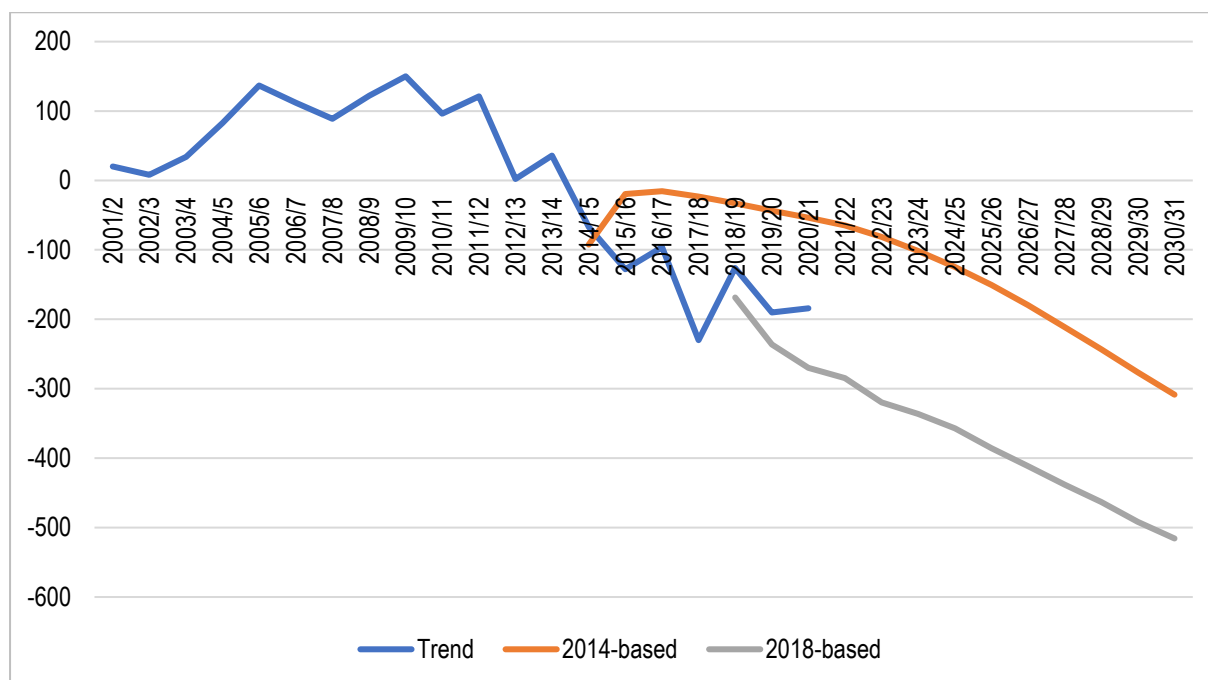
		2011	2021	Change	% change
East Hampshire	2014-based SNHP	47,474	51,219	3,745	7.9%
	Census	47,258	52,721	5,463	11.6%
England	2014-based SNHP	22,103,878	24,371,273	2,267,395	10.3%
	Census	22,063,368	23,436,085	1,372,717	6.2%

Source: ONS

In the original Technical Note, analysis was carried out to look at specific trends in natural change (births minus deaths) and net migration. This included data up to 2020 which can now be updated to 2021.

Firstly, the analysis looks at levels of natural change in East Hants (see figure below). Over the past decade or so natural change has been falling quite rapidly but this was not expected/projected in the 2014-SNPP (which does show some decline, but consistently shows higher levels of natural change than has actually been recorded by ONS). The original note also included data for the United Kingdom, which showed the trend seen locally has also been observed nationally, this remains the case with an extra year of data.

Figure 5: Past trends and projected future natural change in East Hampshire



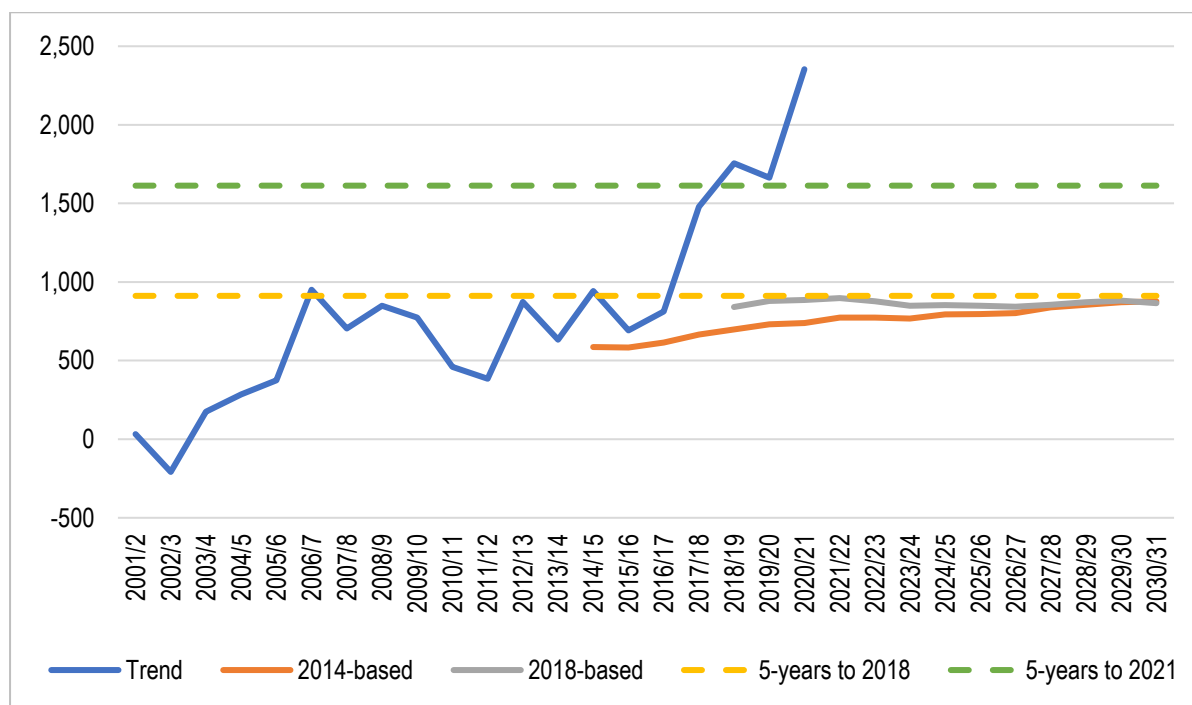
Source: ONS

The figure below looks at net migration data, this again being information provided in the original note, but with an extra year added. The data shows net migration to the District as being on an upward trend since 2001, with particularly strong migration in the most recent years (including the additional 2020/21 data).

in the 2014-21 period, the 2014-SNPP projected for migration to be around 660 per annum on average (net), but ONS has recorded a higher level of migration (1,386 per annum on average). If we look at the 5-year period to 2018 (which is the trend period used in the 2018-SNPP) then the average level of net migration is around 912 per annum. This continues to point to the 2014-SNPP underestimating migration, which would potentially lead to a higher projected population growth (and housing need) although the higher migration continue to some degree be tempered by the reductions in natural change.

At with the original report, the data shows some of the strongest levels of net migration as having been in the period since 2018 – this being the base data for the last set of projections developed by ONS.

Figure 6: Past trends and future projections of net migration – East Hants



Source: ONS

The analysis of new data (Census 2021 and an extra year of MYE) points to a situation in East Hampshire where both population and household growth have been notably stronger than was projected in the 2014-based population and household projections. This is the opposite trend to that observed nationally and would suggest that a 2021-based projection may project higher future growth (and hence housing need if applied through the framework of the Standard Method).

However, as noted before, it is unclear exactly the method to be used by ONS and the results this will produce. We can however be fairly certain that there is no 'exceptional circumstance' in East Hampshire that would point to housing need being lower than the Standard Method.

e. Splitting the need between LPA and National Park

The final updated analysis is to estimate how much of the need would be expected to arise in the part of the area outside of the South Downs National Park (SDNP) area (where this falls within the boundary of East Hants)'. A different Standard Method figure could exist as a) projected household growth would be different and b) a price:income affordability ratio can reflect local information.

In the original note, analysis was undertaken to look at how the population of the Local Planning Authority (LPA) area had changed compared to the National Park. This was based on a best-fit of Output Areas (OAs). This analysis is difficult to confidently update as ONS have changed some OAs as a result of the Census, whilst some OAs will have moved from being a best-fit in the park to now being outside of the park (likely to be due to housing development on the edge of, but outside the park). It is possible (but less likely) that some OAs have moved from outside of the Park to inside.

The analysis below does in part continue to use best-fit OAs (an updated list of OAs having been produced by ONS to match 2021 Census data) but needs to be treated with the caveats above with the first table below showing overall population change in the SDNP as recorded by the Census and also the change if a best-fit analysis is used – these figures are for the whole park at this stage.

This analysis highlights the problems with the best fit (due to revised OAs) as the Census (which is an exact fit) points to a modest population growth in the Park, whereas the best-fit shows a small population decline.

Figure 7: Estimated Population in 2011 and 2021 – SDNP

	2011	2021	Change	% change
Census	112,343	113,339	996	0.9%
Best-fit OAs	113,310	112,517	-793	-0.7%

Source: ONS

As the Census does not split data down into individual authorities within the Park, this can only be done from a best-fit analysis with the table below suggesting that East Hampshire has seen population growth in the Park, with other areas seeing some population decline. Given boundary issues and the fact the Census shows positive growth overall, it is difficult to confidently say how accurate this analysis is, although it is possible that population growth in East Hants has been more positive than in other parts of the National Park.

Figure 8: Estimated Population in 2011 and 2021 – SDNP (East Hampshire vs. other areas) – best-fit

	2011	2021	Change	% change
East Hampshire	32,715	33,335	620	1.9%
Rest of SDNP	80,595	79,182	-1,413	-1.8%
All SDNP	113,310	112,517	-793	-0.7%

Source: ONS

However, even with the stronger apparent population change in the Park for East Hampshire compared with the park generally, it is the case that population change has been very modest in comparison to the LPA area, this is as shown in the table below. This shows of all population growth in the District, only 6% was in the Park area, even though this area contained 27% of the population in 2021.

Invariably, the lower level of population growth in the Park has been influenced by the lower levels of historic housing delivery in the Park area; however, the Government and the PPG specifically is clear that housing need should be calculated on the basis of demographic trends and thus, this is what the analysis does.

Figure 9: Estimated Population in 2011 and 2021 – East Hampshire (within and outwith SDNP)

	2011	2021	Change	% change
LPA	82,893	92,409	9,516	11.5%
SDNP	32,715	33,335	620	1.9%
District-wide	115,608	125,744	10,136	8.8%

Source: ONS

A similar analysis can be worked through with households, as shown in the series of tables below. This generally shows the same patterns, including the Census showing stronger household growth than a best-fit estimate (although it is notable that the best-fit figures do show positive growth compared with a decline when looking at population). The analysis again points to stronger growth in the East Hampshire part of the park than other areas (although again to be caveated by potential boundary issues). Finally, it is estimated that household growth in the Park accounts for around 12% of all growth in the District.

Figure 10: Estimated Households in 2011 and 2021 – SDNP

	2011	2021	Change	% change
Census	47,273	48,558	1,285	2.7%
Best-fit OAs	47,657	48,265	608	1.3%

Source: ONS

Figure 11: Estimated Households in 2011 and 2021 – SDNP (East Hampshire vs. other areas) – best-fit

	2011	2021	Change	% change
East Hampshire	13,517	14,178	661	4.9%
Rest of SDNP	34,140	34,087	-53	-0.2%
All SDNP	47,657	48,265	608	1.3%

Source: ONS

Figure 12: Estimated Households in 2011 and 2021 – East Hampshire (within and outwith SDNP)

	2011	2021	Change	% change
LPA	33,741	38,543	4,802	14.2%
SDNP	13,517	14,178	661	4.9%
District-wide	47,258	52,721	5,463	11.6%

Source: ONS

It is difficult with this range of data to pin-point the best method to use to look at developing a trend-based projection for the Park to help determine housing need. Clearly demographic trends in the park are not as strong as for the LPA and therefore taking a pro-rata approach would not be appropriate (i.e. to simply pro-rata the Standard Method based on the proportion of the population or households living in the park).

The method suggested (and used in this note) is to develop a park-wide population projection linking to population growth in the park in the 2011-21 period and then to split this on a pro-rata basis between different parts of the Park (essentially areas within East Hampshire and ‘the rest’). The population projection has then been turned into a household projection by applying data about household formation from the 2014-based household projections – the reason for this step is the 2014-based figures are consistent with the Standard Method, and in doing this there is less chance of the analysis building in suppressed household formation, which is one of the reasons why newer projections than 2014-based have not been supported by Government for determining housing need.

This projection suggests future household growth (2023-33) of 234 per annum and with just under 30% of the population of the park being estimated to be in East Hampshire, this points to household growth in the park area of around 69 per annum. This figure is very close to the average growth shown in the best-fit Census trends for 2011 to 2021 (household growth of 661 – 66 per annum).

The final step in establishing a need is to estimate an affordability ratio for the Park (where this is within East Hampshire). For the whole of East Hants the most recent data being for 2022 shows a median price of £430,000 and an income of £33,868, giving an affordability ratio of 12.70. Analysis of Land Registry data for the same period shows a higher median price in the National Park (£492,000) and a very similar estimated income (£33,800) which does point to the possibility of a different ratio for the two areas.

Using the house prices and income estimates we can calculate separate affordability ratios for each of the National Park and the LPA area as well as for the whole District – the figures are shown in the table below.

Figure 13: House prices, incomes and affordability ratios in the LPA and National Park EH

Area	LPA	National Park	East Hampshire District
Median house price	£415,000	£492,000	£430,000
Median income	£33,900	£33,800	£33,868
Affordability ratio	12.24	14.56	12.70
Uplift to HH growth	52%	66%	54%

Source: Derived from ONS data

The table below uses this data to estimate a split of need between the LPA and the Park. Overall it is estimated the need in the LPA area of East Hampshire is for 464 dwellings per annum, with a figure of 114 dwellings per annum in the National Park area (totalling the 578 figure previously calculated using the Standard Method for the whole District area). For reference, the original Technical Note estimated the Park need to be virtually identical (at 115 dwellings per annum).

Figure 14: Estimated Standard Method housing need for LPA and National Park

	LPA	National Park	East Hampshire District
PA HH growth	306	69	375
Affordability ratio	12.24	14.56	12.70
Uplift	52%	66%	54%
Need	464	114	578

Source: Derived from ONS data

This technical note has sought to estimate the split of need for the Park area in order to inform plan-making and decision-taking in East Hampshire District for the LPA area. Ultimately it will be for the SDNPA to work through its own process as part of its evidence base to calculate local housing needs.

f. Conclusions

This note provides an update to a Technical Note completed for East Hampshire in August 2022. The main purpose of the notes is to study demographic trends and test if there are any exceptional circumstance in East Hampshire that would point to a divergence from the Standard Method when estimating housing need in the District. Aligned with this, the study looks to disaggregate need between the Local Planning Authority (LPA) area and that part of the District within the South Downs National Park (SDNP).

The original note suggested there was no evidence to point to any reduction in the housing need as the 2014-based projections (upon which the method is based) looked reasonable in the context of data used by ONS, whilst more recent trends were generally pointing in an upward direction. Analysis of up-to-date information (including from the 2021 Census and new mid-year population estimates (MYE) confirms this to be the case; the latest data again pointing to strong demographic trends across the District.

If anything the data would point to a need higher rather than lower than the Standard Method; however some caution needs to be exercised in interpreting this as we do not know what the next set of (2021-based) ONS projection will say, and we do not know the specific methods to be used by ONS. However, it would be prudent of the Council to consider the relevance of any new projections as they are published (not until sometime into 2024).

In terms of the split between need in the National Park (where this is within East Hampshire) and the LPA it has been estimated that a reasonable calculation of need would be for around 114 dwellings per annum in the Park. Given a current Standard Method figure of 578 dwellings per annum across the District, this would imply a need for 464 dwellings per annum in the LPA.