# GL Hearn

# Objectively Assessed Need for Housing: Adur District

**Adur District Council**

Final Report

August 2015

**Prepared by**

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## Quality Standards Control

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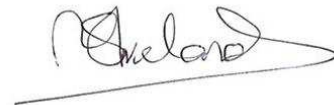
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| DATE | ORIGINATORS | APPROVED |
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Limitations

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# 1    EXECUTIVE SUMMARY

1.1    This report has been prepared to provide an updated objective assessment of housing need (OAN) for Adur District to take account of the release of 2012-based Household Projections by Government in February 2015. It has been prepared to inform the emerging Adur Local Plan.

1.2    The approach adopted in this report is guided by the requirements of the National Planning Policy Framework (NPPF), and Planning Practice Guidance (PPG) which set out how assessments such as this should be undertaken. What the report does not do is set a housing target.

1.3    Adur District forms part of a wider Sussex Coast Sub-Regional Housing Market Area (HMA). The HMA stretches from Lewes in the east to Chichester in the West, and contains the local authorities of Chichester, Arun, Worthing, Adur, Brighton and Hove, and Lewes. The Coastal West Sussex authorities have been working together with Brighton and Hove Council to consider housing need and provision across the wider Sussex Coast Housing Market Area (HMA).

1.4    This report builds on and updates this previous work. It takes account of the 2012-based Sub-National Population Projections issued by ONS in March 2014 and the 2012-based Household Projections published in February 2015. It also takes into account recent academic research regarding the impact of the recession and housing market downturn on household formation rates; and associated improvements in GL Hearn's modelling approach. The report also seeks to look more specifically at local dynamics affecting future housing need in Adur.

## Overall Need for Housing

1.5    The Planning Practice Guidance (PPG) effectively describes a process whereby the latest population and household projections are a starting point to considering housing need. A number of "tests" then need to be considered to examine whether it is appropriate to consider an upward adjustment to housing provision. These can be summarised as follows:

- Is there evidence that household formation rates in the projections have been constrained? Do market signals point to a need to increase housing supply?
- How do the demographic projections 'sit' with the affordable housing needs evidence, and should housing supply be increased to meet affordable needs?
- What do economic forecasts say about job growth? Is there evidence that the level or spatial distribution of housing needs to be adjusted to support economic growth?

**Trend-based Demographic Projections**

1.6 The most up-to-date projections are the 2012-based CLG Household Projections published in February 2015. These projections were underpinned by ONS (2012-based) subnational population projections (SNPP) – published in May 2014. These are shown below.

**Table 1: Projected Population Growth in 2012-based SNPP, 2011-31**

| | Population 2011 | Population 2031 | Change in population | % Change |
|---|---|---|---|---|
| **Adur** | 61,334 | 70,451 | 9,117 | 14.9% |
| **West Sussex** | 808,900 | 938,200 | 129,300 | 16.0% |
| **South East** | 8,652,800 | 9,979,900 | 1,327,100 | 15.3% |
| **England** | 53,107,200 | 60,418,800 | 7,311,600 | 13.8% |

1.7 The population of Adur is expected to grow by around 9,100 people over the period 2011-31. This is a 15% increase – below the expected increase in the county, but broadly in-line with the region and slightly above the figure for England. This contrasts with past trends, when the District has seen more modest population growth than across wider geographies.

1.8 However, the ONS population data for 2001-11 in Adur contains a notable level of Unattributable Population Change (UPC). The latter is an adjustment made by ONS to Mid-Year Population Estimates to account for errors in its data recording. In Adur the UPC is negative suggesting that the components of change feeding into the SNPP may slightly overestimate migration and population growth.

1.9 There is a strong case for making some adjustment to ensure that projections are more realistic in the context of past trends. We have therefore modelled an alternative demographic projection which includes an adjustment to account for UPC. This includes a downward adjustment equal to 50% of the UPC figure.

**Table 2: 2012-Based Sub-National Population Projections (SNPP), 2011-2031**

| | Population 2011 | Population 2031 | Change in population | % Change |
|---|---|---|---|---|
| **SNPP** | 61,334 | 70,451 | 9,117 | 14.9% |
| **SNPP with 50% UPC Adjustment** | 61,334 | 69,935 | 8,601 | 14.0% |

1.10 New 2012-based Household Projections were published by CLG in February 2015. These rates are considered to be more positive than the previous set (2011-based) and typically suggest higher rates of household growth for a given population. The expected household growth from the 2012-based projections is shown below.

**Table 3:    Projected household growth, 2011-2031**

|  | Households 2011 | Households 2031 | Change in households | % change from 2011 |
|---|---|---|---|---|
| **Adur** | 27,024 | 32,603 | 5,579 | 20.6% |
| **West Sussex** | 346,498 | 426,370 | 79,872 | 23.1% |
| **South East** | 3,563,049 | 4,315,599 | 752,550 | 21.1% |
| **England** | 22,103,878 | 26,406,679 | 4,302,801 | 19.5% |

1.11    The table below brings together outputs in terms of household growth and housing need using the 2012-based household projection headship rates. To convert households into dwellings the data includes an uplift to take account of vacant and second homes (a figure of 2.7% has been used, derived from 2011 Census data).

1.12    The 2012-based SNPP shows that by applying the 2012-based household formation rates there would be a need for 286 dwellings per annum. Under the projection with a 50% adjustment for UPC, the data shows a housing need for a slightly lower 276 homes each year.

1.13    On the balance of the demographic evidence, we conclude that a projection forward of past trends would result in a need for 276 homes per annum in Adur between 2011-31. We consider that this represents a robust starting point for considering housing need.

**Table 4:    Projected Household Growth 2011-31 – 2012-based Household Formation Rates**

|  | 2012 based SNPP with 50% UPC Adjustment |
|---|---|
| **Households 2013** | 27,024 |
| **Households 2033** | 32,400 |
| **Change in households** | 5,376 |
| **Per annum** | 269 |
| **Dwellings (per annum)** | **276** |

**Housing Need and Economic Growth**

1.14    In deriving conclusions on the Objectively Assessed Need for Housing, the PPG sets out that employment trends should be taken into account, stating that *"plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts".*

1.15    Experian (from 2013 forwards) forecast an annual average growth in employment in Adur of 265 jobs per annum. This is modestly above the level of workforce growth seen in the demographic trend-based projections (205 – 221 persons per annum). The Experian forecast projects a dwelling growth in Adur of between 307 and 362 dwellings per annum (depending on commuting assumptions).

1.16    We have also considered three trend based projections based on the average annual growth in Adur over the past 5, 10, and 15 years. All of these trend-based projections forecast a lower jobs growth than the Experian forecasts. The 10 and 15 year trend based projections are considered the most realistic basis for projecting future economic growth.  The midpoint of these projects a dwelling growth in Adur of between 246 and 281 dwellings per annum (depending on commuting assumptions).

1.17    We have considered the Experian jobs growth forecasts and assessed whether this is likely to be deliverable in Adur given the local circumstances and past trends. Significant land supply constraints will limit the extent of economic and residential development in the District which means a far lower level of jobs growth in numerous industrial sectors is likely.

1.18    These factors suggest that the jobs growth figures of the Experian forecasts are perhaps unrealistic and forecast a higher level of growth than could be reasonably expected to be delivered in Adur over the period. Consideration of these issues suggests that the trend based projections provide a more realistic assessment of future jobs growth in Adur.

1.19    In addition, the geography of the District and surrounding areas means that the District forms part of a wider housing market and travel to work area. Future jobs growth must be considered in this context. Existing commuting patterns show a considerable level of out commuting from Adur to surrounding areas such as Brighton and Hove and Worthing. We have assumed these patterns will continue.

1.20    This economic forecast results in a need for an additional 281 dwellings per annum to support workforce growth in the district. This suggests a need for a modest uplift over and above the demographic projections (276 dwellings per annum) of 5 dwellings per annum would be needed in Adur to meet future economic growth.

**Affordable Housing Needs**

1.21    The Study includes an assessment of the need for affordable housing. The approach follows the Basic Needs Assessment Model, in accordance with the Planning Practice Guidance. This model is summarised below

1.22    The model considers households who are currently living in unsuitable housing, the proportion of newly-forming households who cannot afford to buy or rent market housing without financial support, and existing households that will fall into housing need.  Households with affordable housing need includes those households that are overcrowded or at risk of becoming homeless due to being unable to afford their housing costs. The need for affordable housing is compared against the

current affordable housing supply, which is principally related to the re-letting of existing affordable housing. This is used to derive a net need for affordable housing.

**Figure 1:    Overview of Basic Needs Assessment Model**
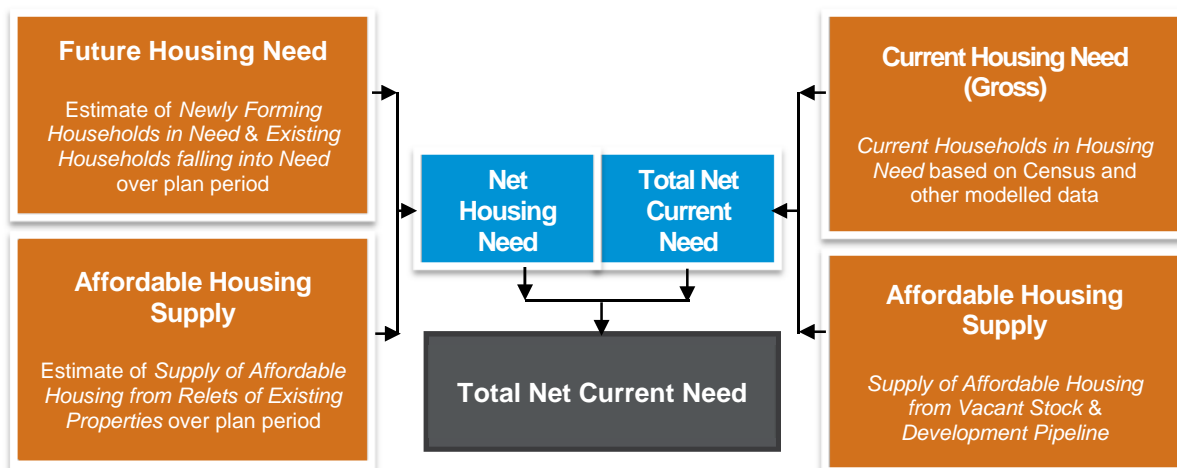


1.23    The table below shows our overall calculation of housing need. The analysis identifies that there is a net need from 233 households per annum requiring support to meet their housing needs.

**Table 5:    Estimated level of Housing Need (2013-33)**

|   |   | Adur District |
|---|---|---|
| A | Current Gross Affordable Need | 536 |
| B | Committed Supply of Affordable Housing | 102 |
| C | Total Net Current Affordable Need | 434 |
| D | Total Net Need per Annum to 2031 (C / 16) | 27 |
|   |   |   |
| E | Annual Need from Newly-Forming Households | 253 |
| F | Annual Need from Existing Households Falling into Need | 65 |
| G | Total Annual Gross Newly-Arising Need (E + F) | 318 |
|   |   |   |
| H | Annual Supply from Relets of Social & Affordable Rented Homes | 108 |
| I | Annual Supply from Relets of Intermediate Housing | 4 |
| J | Total Future Annual Supply from Re-Lets (H + I) | 112 |
|   |   |   |
| K | Annual Net Need for Affordable Housing (D + G - J) | 233 |

1.24    The analysis identifies a need for 233 affordable homes per year if all households who could not meet their housing needs without financial support were to be provided with an affordable home. This nominally represents 81% of the need derived from the demographic projection. However once account is taken of existing households (who would release homes by moving to another property), a net need of 141 per annum is identified which is 51% of the projected need from the demographic projections.

1.25    Whilst the evidence suggests a shortfall in the need for and supply of affordable housing, justifying policies seeking new provision, it does not necessarily point to a need to increase overall housing provision. The affordable need in part reflects needs arising from existing households who require a different size or type of home, but who by moving would release an existing property for another household.

1.26    In technical terms there is thus not necessarily a need to increase overall housing provision *per se* based on the evidence of affordable need. However there are choices to be made regarding how the housing needs of those who cannot afford market housing could be met. Consideration of a higher level of housing provision would enhance affordable housing delivery. The section below recommends an uplift to reflect housing market signals and affordability in the district. This uplift will help to improve affordable housing delivery.

**Market Signals and Affordability**

1.27    Responding to Government planning policy and guidance, the SHMA considers whether there is a case for adjusting the level of housing need identified in the demographic projections to take account of market signals.

1.28    House prices in Adur grew substantially between 1998 and 2007, with the median house price increasing by £156,000 (226%) over this period. House prices fell following the economic downturn in 2008, and have slowly risen since.

1.29    House prices have been stable over the last five years. In real terms house prices have fallen. Average prices are below the average across the sub-regional HMA. By the first quarter of 2013 the median house price in Adur had climbed back to pre-recession peak levels. By comparison, nationally there was a 3% increase during this period. Sales volumes also remain notably below pre-2007 levels, which was a trend seen across the HMA and nationally, although there has been improved growth through 2013 and 2014.

1.30    Housing delivery since 2006/07 has been similar to housing targets. However past housing targets for the District have been influenced by available land.

1.31    Overall the analysis of market signals points to some modest affordability pressures in the District. Some indicators point to affordability issues, including a lower quartile affordability ratio of 9.6, decline in owner occupation and increase in private renting HMOs. But these are consistent with wider trends and affordability in the district has not been worsening.

1.32    It is therefore appropriate to consider an adjustment to the overall assessment of housing need to improve affordability over time. A modest uplift would help improve the household formation rates of the 25-34 age group. The sensitivity analysis indicates that, all other things being equal, an uplift of

around 10 homes per annum across the District would support an improvement in affordability and household formation rates amongst younger households.

1.33 To calculate the Objectively Assessed Need for housing we started with the core demographic projection of 276 dwellings per annum Add to this the uplift to account for economic growth of 5 dwellings per annum, plus the uplift to account for affordability and housing market signals of 10 dwelling per annum. This indicates a need for **291 dwellings per annum over the 2011-31 period**. This level of provision is considered to represent the full Objectively Assessed Need for housing in Adur.

## Need for Different Types of Homes

1.34 There are a range of factors which influence housing demand. Whilst the demographic projections provide a good indication of how the population and household structure will develop it is not a simple task to convert the net increase in the number of households in to a suggested profile for additional housing to be provided. The main reason for this is that in the market sector households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.

1.35 The general methodology is to use the information derived in the projections about the number of household reference persons (HRPs) in each age and sex group and apply this to the profile of housing within these groups. This analysis specifically looks at the implications of demographic drivers. It uses a demographic-driven approach to quantify demand for different sizes of properties over the 20-year period from 2011 to 2031 to meet the housing need of 291 dwellings per annum (5,820 for the whole 2011-31 period).

1.36 Table 6 overleaf shows estimates of the sizes of market housing required from 2011 to 2031. The data suggests a requirement for an additional 2,546 market dwellings with the majority of these being two- and three-bedroom homes.

1.37 Table 6 also shows estimates of the sizes of affordable housing required over the period. This shows a need of 1,091 affordable dwellings, with around three-quarters of the requirement for homes with one- or two-bedrooms with around a quarter of the requirement being for larger homes with three or more bedrooms.

**Table 6:    Profile of Need for Different Sizes of Homes, 2011 to 2031**

| Number of bedrooms | Market | | | Affordable | | |
|---|---|---|---|---|---|---|
| | Households | Dwellings | % of dwellings | Households | Dwellings | % of dwellings |
| 1 bedroom | 249 | 256 | 10.0% | 468 | 481 | 44.0% |
| 2 bedrooms | 1,231 | 1,264 | 49.6% | 347 | 356 | 32.6% |
| 3 bedrooms | 906 | 930 | 36.5% | 227 | 233 | 21.3% |
| 4+ bedrooms | 94 | 97 | 3.8% | 21 | 22 | 2.0% |
| Total | 2,480 | 2,546 | 100.0% | 1,063 | 1,091 | 100.0% |

1.38    There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. Our analysis linked to long-term demographic change concludes that the following represents an appropriate mix of affordable and market homes:

**Table 7:    Recommended Strategic Mix of Homes, Adur District 2011-31**

| | 1 bed | 2 bed | 3 bed | 4+ bed |
|---|---|---|---|---|
| Market | 10% | 45% | 35% | 10% |
| Affordable | 25% | 35% | 30% | 10% |
| All dwellings | 15% | 40% | 35% | 10% |

1.39    The mix identified above should inform strategic Council area-wide policies. In applying these to individual development sites, regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

1.40    Based on the evidence, we would expect the focus of new market housing provision in Adur District to be on two and three-bed properties. Continued demand for family housing can be expected from younger households. There may also be some demand for medium-sized properties (2 and 3 beds) from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay.

1.41    The analysis of an appropriate mix of dwellings should also inform the allocation of sites and affordable housing negotiations.

**Requirements for Specialist Housing for Older People**

1.42    Given the ageing population, and higher levels of disability and health problems amongst older people, there is likely to be an increased need for specialist housing options moving forward. 'Specialist housing' covers both sheltered and extra-care housing for people aged 75 and older.

1.43    There are a total of 104 specialist units per 1,000 people aged 75 and over in Adur. This figure is lower than the national average of about 170. In projecting forward how many additional units might be required, we have modelled on the basis of maintaining the 104 per 1,000 position and also the implications of increasing this to 170 per 1,000. The analysis is based on achieving these levels by 2031.

1.44    The analysis shows to maintain the current level of provision there would need to be a further 367 units provided – this figure increases to 1,048 if the level of provision were to increase to the national average. It should be stressed that the analysis below is based on modelling data on a series of assumptions and should therefore be treated as indicative (particularly given the very wide range of outputs depending on the assumptions used).

**Types and Tenures of Specialist Housing**

1.45    The information about current tenures can be used to estimate the amount of additional housing likely to be required in each of the market and affordable sectors. Looking at the data above it is considered that around 70% of older person households would be able to afford a market solution – this figure is arbitrary but based on current levels of outright ownership and recognising stronger growth in single person households in the future (such households having lower levels of home ownership).

1.46    Using this proportion of home ownership along with the current supply of different tenures of specialist housing it would be expected that there is a need for around 671 units of market specialist housing and 37 in the affordable sector.

**Table 8:    Need for Specialist Housing for Older Persons – by broad Tenure, Adur 2011-31**

|  | Market | Affordable | Total |
|---|---|---|---|
| **Need** | 990 | 424 | 1,414 |
| **Supply** | 319 | 387 | 706 |
| **Net need** | 671 | 37 | 708 |

**Registered Care Housing**

1.47    The demographic modelling includes estimates of the number of people expected to be living in 'institutions'. Between 2011 and 2031, this number (based on the population aged 75+) is expected to increase by 192 people (10 per annum) to total 598 by 2031. This suggests that at present there may be a small surplus of Registered Care accommodation, with a possible shortfall in the longer-term.

1.48    These figures are important to note if the Council intend to include C2 class uses in their assessment of 5-year housing land supply as it will be necessary to include figures on both the

need and supply side of the equation. The analysis would suggest a potential need for 29 bedspaces in Residential Care in the 2011-31 period (598-569) – this is about 1-2 per annum.

## 2    INTRODUCTION

2.1    This report provides an updated objective assessment of housing need (OAN) in Adur District to take account of the release of 2012-based Household Projections by Government in February 2015. It has been prepared to inform the emerging Adur Local Plan.

2.2    Adur falls within the Sussex Coast Housing Market Area (HMA) which includes the local authorities of Adur, Arun, Brighton & Hove, Chichester, Lewes, and Worthing together with the South Downs National Park Authority. Spatial planning activities across the HMA are coordinated by the Coastal West Sussex and Greater Brighton Strategic Planning Board.

2.3    The local authorities across the HMA have worked together to consider issues regarding housing provision for a number of years. The Coastal West Sussex Strategic Housing Market Assessment Update was published in 2012. Subsequent work has been undertaken to consider development constraints across the HMA, and to review the objectively assessed need (OAN) for housing to take account of new information (including new demographic data) as Guidance (including the Planning Practice Guidance). This report draws on and updates parts of this collective evidence base.

### Chronology of Studies

2.4    This report follows on and selectively updated previous studies. A number of studies have been prepared over the last five years to consider issues regarding housing need in the HMA. The chronology of these is set out below:

- Arun Locally-Generated Needs Study (GL Hearn, May 2010)
- Adur Locally-Generated Needs Study (GL Hearn, May 2011)
- Lewes Local Housing Needs Assessment (NLP, April 2011)
- Brighton & Hove Housing Requirements Study (GL Hearn, June 2011)
- Chichester Local Housing Requirements Study (DTZ, July 2011)
- Brighton & Hove Housing Requirements Study Update (GL Hearn, November 2012)
- Coastal West Sussex SHMA Update (GL Hearn, November 2012)
- Brighton & Hove Affordable Housing Needs Assessment (GL Hearn, December 2012)
- Housing (Duty to Cooperate) Report (GL Hearn, May 2013)
- Updated Demographic Projections for Sussex Coast HMA Authorities (GL Hearn, October 2013)
- Assessment of Housing Development Needs Study: Sussex Coast HMA (GL Hearn, April 2014)

2.5    The Coastal West Sussex Strategic Housing Market Assessment 2012 drew together an assessment of housing need for all of the authorities within the HMA.

2.6    The assessment of housing need was subsequently updated in May 2013, taking account of additional demographic information including the outputs of the 2011-based interim Sub-National

Population Projections (SNPP), the 2011 Census as well as consequent revisions to, and rebasing of, Mid-Year Population Estimates (MYEs) and components of change. This report, the Housing (Duty to Cooperate) Study also considered land supply across the HMA to draw high-level conclusions regarding supply-demand balance for housing provision. It identified that geography of the area, comprising principally a coastal belt lying between a National Park and the sea and subject to a range of environmental, landscape and infrastructure constraints, was likely to constrain the ability to meet housing need across the HMA.

2.7     The government published new Planning Practice Guidance in March 2014 on *Housing and Economic Development Needs Assessments*. This outlined in further detail the approach and methodology expected to be used in identifying the OAN for housing. The April 2014 Study updated the assessment in the 2013 Report, taking account of this Guidance and the Updated Demographic Projections Report, dated October 2013.

## Sussex Coast Housing Market Area Studies

2.8     GL Hearn has previously prepared a Strategic Housing Market Assessment Update for the wider Sussex Coast HMA, which was published in November 2012. Subsequent to this, GL Hearn has updated demographic projections to take account of new data; and updated its assessment of OAN to reflect the Planning Practice Guidance. This has been done through the following studies:

- Housing Study (Duty to Cooperate) Report, May 2013;
- Updated Demographic Projections for the Sussex Coast HMA Authorities, October 2013;
- Assessment of Housing Development Needs: Sussex Coast HMA, April 2014.

**Coastal West Sussex SHMA Update (November 2012)**

2.9     This Study was an update of the 2009 Coastal West Sussex SHMA. Commissioned by the local authorities of Adur, Arun, Chichester, and Worthing – which collectively comprise the Coastal West Sussex HMA – together with the South Downs National Park Authority. The SHMA Update takes account of changes in the housing stock, market dynamics, short- and long-term drivers of change and the impact of current and emerging policy at a national and local level. This includes the Localism Act, National Planning Policy Framework and Welfare Reforms.

2.10    The various projections indicated an annual housing need in Adur District of between 186 and 215 dwellings per annum over the period 2011-2031. However, the SHMA Update concludes that there are a number of strategic development constraints which may restrict the ability of the local authorities within the Housing Market Area to meet identified development needs.

2.11    Due to the considerable constraints to development across the sub-regional housing market the SHMA Update concludes that it seems highly unlikely that the scale of development which can be planned-for across the sub-region will meet identified development needs. Accordingly, the SHMA Update recommends that:

- A common statement is jointly prepared which articulates the strategic development constraints which exist in light of the 'duty to cooperate' introduced in the Localism Act 2011;

- Housing requirements within Local Plans should be set out at 'minima' which can be exceeded where this is compatible with the presumption in favour of sustainable development and wider policies within Local Plans;

- The local authorities collaborate at a sub-region level and with neighbouring sub-regions to consider whether there are further options for strategic development which could be brought forward in the longer-term, such as through a future review of Local Plans.

2.12    The demographic projections in the 2012 SHMA were updated in the August 2013 report.

**Housing Study: Duty to Cooperate (May 2013)**

2.13    The authorities within the Sussex Coast Housing Market commissioned this Study to set out the context in terms of Duty to Co-operate requirements introduced by the Localism Act and the NPPF. This study identifies the implications of this duty for the authorities and pulls together the evidence from each of the authorities in the HMA to:

- Estimate theoretical housing needs/ requirements over the period to 2031;

- Estimate the amount of housing that can potentially be delivered over this period, taking account of known constraints;

- Review the options for addressing any identified housing provision shortfall;

- Set out the social, economic and environmental consequences of the above options including not meeting theoretical needs.

2.14    The housing study found on the balance of evidence that housing provision between 215 – 245 homes per annum would represent an objective assessment of housing need for Adur District based on the information then available.

2.15    However, the Study demonstrates that it is highly unlikely that this level of development can be achieved across the sub-region in light of the significant environmental, landscape and infrastructure constraints to development which exist. This is a function of the geography of the sub-region, much of which forms a narrow intensively-developed coastal strip which falls between the South Downs National Park and the English Channel.

2.16    These factors significantly limit the scope for development across the sub-region, but particularly within the central part of the sub-region which includes Worthing, Adur and Brighton and Hove where the coastal plain between the downs and the sea is largely already built-up.

2.17    The study concludes that these considerable development constraints suggest that it is unlikely that delivery of more than 200 homes per annum over a sustained period can realistically be achieved in the District. Therefore, the Study concludes that it seemed likely that Adur District will not be able to meet its own identified development needs. The study notes that this conclusion is subject to further detailed assessment to establish development potential.

**Assessment of Housing Development Needs Study: Sussex Coast HMA (April 2014)**

2.18    The authorities within the Sussex Coast Housing Market Area commissioned this further Study to take account of updated demographic projections and the publication of the Planning Practice Guidance on *Housing and Economic Development Needs Assessments,* and to draw together the range of evidence to provide an assessment of housing need to 2031.

2.19    The study sought to derive an objective assessment of need for housing by drawing together the following factors to calculate the housing need for each of the districts of the HMA:

- Updated projections of housing need based on past demographic trends taking account of the latest demographic evidence issued since publication of 2011-based Household Projections.

- Market signals and what these suggest regarding the supply-demand balance for housing and the case for increasing housing supply (relative to the demographic projections) in order to improve affordability.

- Affordable housing evidence, and the relationship of this to the demographic projections; consider the case for an upwards adjustment to housing need to meet affordable housing need.

- The level of housing provision required to support forecast employment growth identified in an Experian 2013 employment forecast; and

- Percentage growth rates in housing stock as a cross-check regarding potential deliverable of levels of housing provision from a market perspective.

2.20    The various projections indicated an annual housing need in Adur District of between 180 – 240 homes per annum. The Updated Demographic Projections Report, the SNPP-based projection (PROJ 1), which projects forward the ONS SNPP to 2031, indicates a requirement for 297 homes per annum. In the PROJ 2 scenario which takes account of the latest demographic evidence, the requirement increases to 141 homes per annum.

## Purpose of this Report

2.21    The purpose of this report is to provide a further update to the assessment of housing need (OAN) for Adur District taking account of:

- Release of 2012-based Population and Household Projections;

- Consideration of likely economic performance and job creation within Adur District; and

- An updated assessment of affordable housing need and market signals.

2.22    As with the previous (2014) Study, the approach used herein to define OAN follows that set out by Government in Planning Practice Guidance.

## National Policy and Guidance

**National Planning Policy Framework (NPPF)**

2.23    The National Planning Policy Framework (NPPF) was published in March 2012. The Framework sets a presumption in favour of sustainable development whereby Local Plans should meet objectively assessed development needs, with sufficient flexibility to respond to rapid change, unless the adverse impacts of doing so would significantly or demonstrably outweigh the benefits or policies within the Framework indicate that development should be restricted.

2.24    The NPPF highlights the Strategic Housing Market Assessment (SHMA) as a key piece of evidence in determining housing needs. Paragraph 159 in the Framework outlines that this should identify the scale and mix of housing and the range of tenures which the local population is likely to need over the plan period which:

- Meets household and population projections, taking account of migration and demographic change;
- Addresses the need for all types of housing, including affordable housing and the needs of different groups in the community; and
- Caters for housing demand and the scale of housing supply necessary to meet this demand.

2.25    This is reaffirmed in the NPPF in Paragraph 50. The SHMA is intended to be prepared for the housing market area, and include work and dialogue with neighbouring authorities where the HMA crosses administrative boundaries.

2.26    Paragraph 181 sets out that LPAs will be expected to demonstrate evidence of having effectively cooperated to plan for issues with cross-boundary impacts when their Local Plans are submitted for examining.

2.27    Paragraph 158 of the NPPF also emphasises the alignment of the housing and economic evidence base and policy. Paragraph 17 in the NPPF reaffirms this, and outlines that planning should also take account of market signals, such as land prices and housing affordability. However it also makes clear that plans must be deliverable.

**National Planning Practice Guidance**

2.28    Planning Practice Guidance was issued by Government in March 2014 on '*Assessment of Housing and Economic Development Needs'*. This is relevant to this report in that it provides clarity on how

key elements of the NPPF should be interpreted, including the approach to deriving an objective assessment of the need for housing. The approach in this report takes account of this Guidance.

2.29    The Guidance defines "need" as referring to

*"the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet this need."*

2.30    It sets out that the assessment of need should be realistic in taking account of the particular nature of that area, and should be based on future scenarios that could be reasonably expected to occur. It should not take account of supply-side factors or development constraints. Specifically the Guidance sets out that:

*"plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historical under performance, infrastructure or environmental constraints. However these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans."*

2.31    The Guidance outlines that estimating future need is not an exact science and that there is no one methodological approach or dataset which will provide a definitive assessment of need. However, the starting point for establishing the need for housing should be the latest household projections published by the Department for Communities and Local Government (CLG). This report takes account of 2012-based Household Projections published by CLG in February 2014.

2.32    It sets out that there may be instances where these national projections require adjustment to take account of factors affecting local demography or household formation rates, in particular where there is evidence that household formation rates are or have been constrained by supply. It suggests that proportional adjustments should be made where the market signals point to supply being constrained relative to long-term trends or to other areas in order to improve affordability.

2.33    Evidence of affordable housing needs is also relevant, with the Guidance suggesting that the total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing. In some instances it suggests this may provide a case for increasing the level of overall housing provision.

2.34    In regard to employment trends, the Guidance indicates that job growth trends and/or economic forecasts should be considered having regard to the growth in working-age population in the housing market area. It sets out that where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility and other sustainable options such as walking and cycling) and could reduce the resilience of local

businesses. In such circumstances, plan makers will need to consider how the location of new housing and infrastructure development could help to address these problems.

## Overview of the Approach to Deriving OAN

2.35     The NPPF and Practice Guidance set out a clear approach to defining OAN for housing. We have sought to summarise this within the diagram overleaf, Figure 2. This summarises the approach we have used to considering OAN.

2.36     This report does not seek to set out what the housing target should be – it focuses on assessing housing need. Land supply, development constraints and infrastructure provision/ requirements are relevant factors in considering whether the housing need can be met, and informing targets set out for housing provision within the plan. The distinction between household projections, an objective assessment of housing need, and a 'policy on' housing requirement are set out in Paragraph 37 of the High Court judgement in the case of *Solihull MBC vs. Gallagher Estates.*

**Figure 2: Overview of Approach**
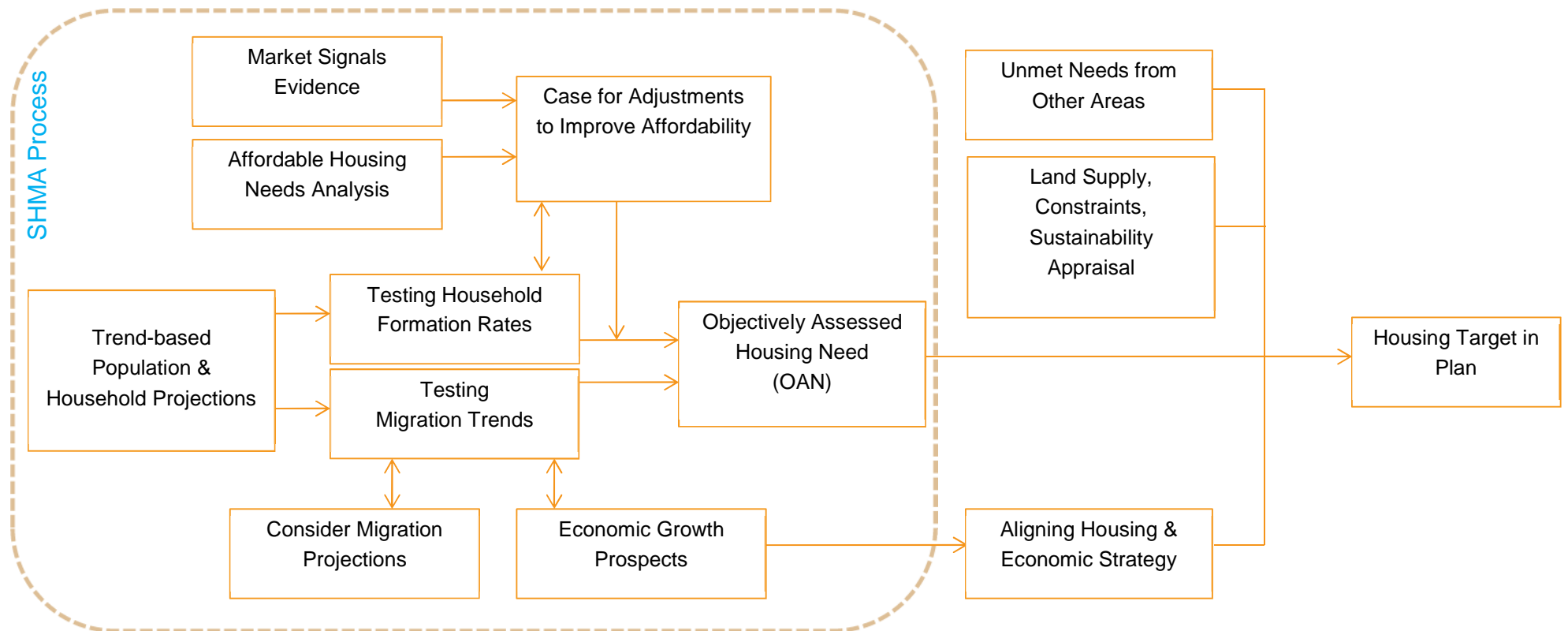
## Report Structure

2.37    The remainder of this report is structured as follows:

- Section 3: Trend-based Demographic Projections;
- Section 4: Interaction between Housing and the Economy;
- Section 5: Affordable Housing Need;
- Section 6: Market Signals;
- Section 7: Need for Different Types of Homes;
- Section 8: Conclusions.

## 3    TREND-BASED DEMOGRAPHIC PROJECTIONS

3.1    Demographic projections are presented in this section in the period from 2011 to 2031 to be consistent with the Proposed Submission Adur Local Plan 2014. Data about the population size and structure is available up to mid-2013 and so within the projections developed, the data in the 2011-13 period is fixed to published data (from ONS).

### Demographic profile of Adur

3.2    The population of Adur in 2013 is estimated to be 62,500. This is an increase of 2,800 people since 2001 – a 4.7% increase over the 12-year period. This level of population growth is somewhat below that seen across West Sussex (8.8%), the South East (9.6%) and England (8.9%) over this period.

3.3    We can also consider longer-term trends in population growth with data being available back to 1981. Figure 3 shows that population growth in Adur has been quite weak throughout the period studied, although there has been a notable uplift since about 2005 – this uplift however, still sees population growth being some way below that seen in other locations.

**Figure 3:  Indexed Population Growth (1981-2013)**
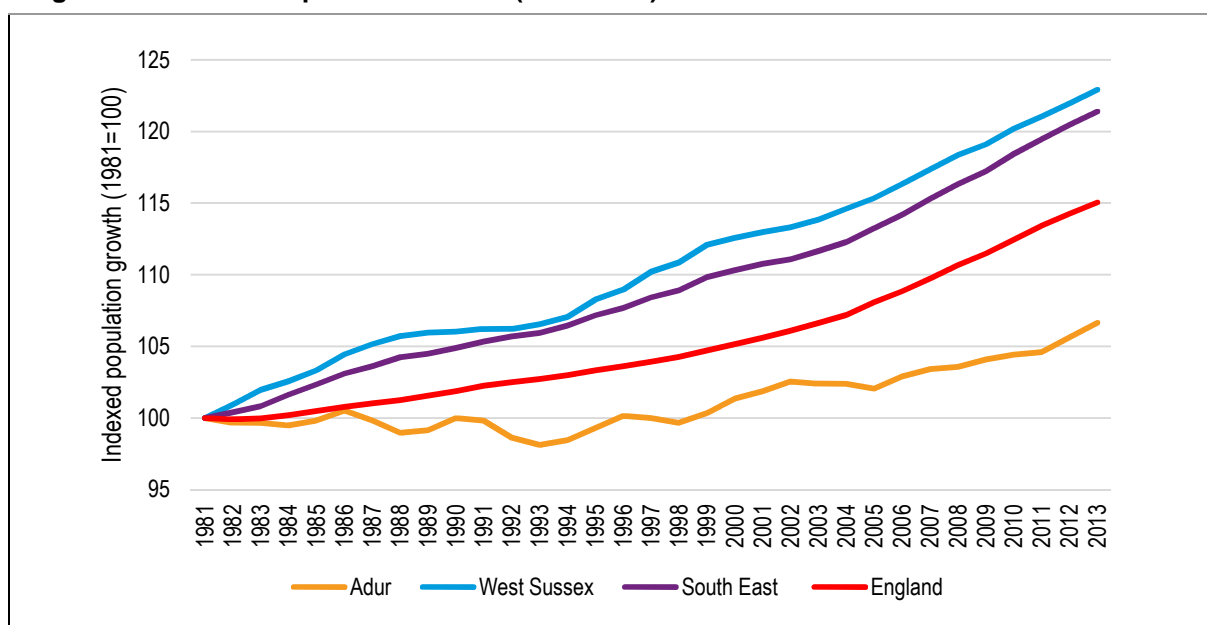


*Source*: ONS

3.4    Figure 4 considers the drivers of population change in the District. Population change is largely driven by natural change (births minus deaths) and migration although within ONS data there is also a small 'other changes' category (mainly related to armed forces and prison populations) and unattributable population change (UPC). The latter is an adjustment made by ONS to Mid-Year Population Estimates where Census data has suggests that population growth had either been

over- or under-estimated in the inter-Censal years. Because UPC links back to Census data, a figure is only provided for 2001 to 2011. Whilst UPC is distributed by ONS over the inter-censal period, in reality it is not entirely clear over which years population growth has been under/ over-estimated.

3.5     Figure 4 shows that migration is the key driver of population change and in particular internal migration (i.e. moves from one part of the Country to another). The data also generally shows a negative natural change (i.e. there are more deaths than births) although three of the past four years do show a very small positive position with regard to this component.

3.6     Other changes are quite small whilst UPC can be seen to be negative for those years where data is available. This suggests that the ONS components of change may have slightly over-estimated past growth compared with what actually happened. We will return to discuss the impact of UPC on future population growth estimates later in this section, starting at paragraph 3.24.

**Figure 4:   Components of Population Change, mid-2001 to mid-2013 – Adur**
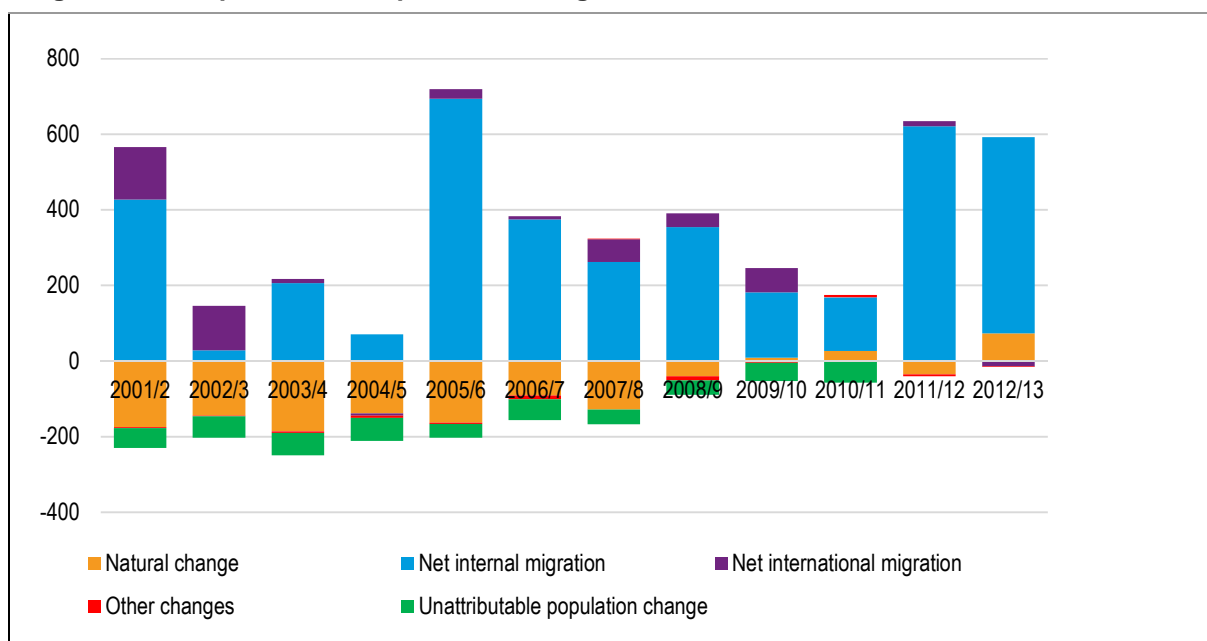


*Source*: ONS

3.7     The profile of the population of Adur is slightly different to that seen in other areas with a particularly high proportion of older people. As shown in Figure 5, some 29% of the population is aged 60 and over, compared with 28% in West Sussex, 24% regionally and 23% for the whole of England. As a consequence, Adur has a relatively small population in all age groups up to age 45 – particularly in comparison with regional and national data.

**Figure 5:   Population Age Profile, Adur District 2013**
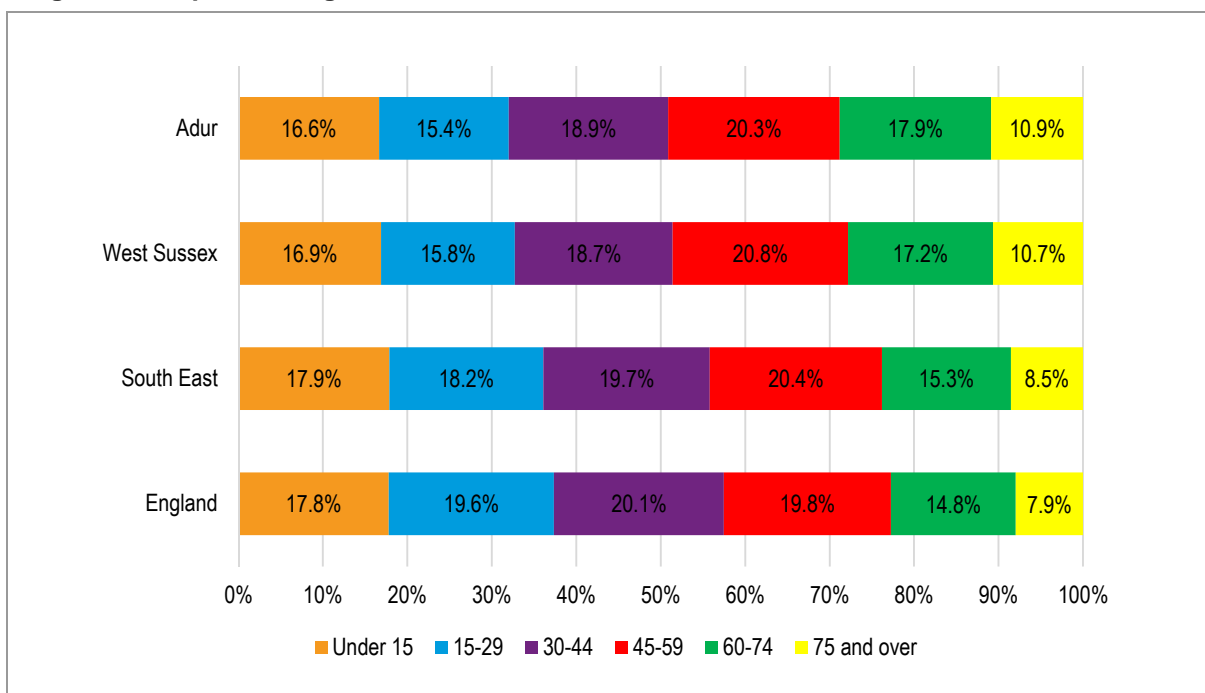


*Source*: 2013 Mid-Year Population Estimates

3.8     Table 9 shows how the age structure of the population has changed over the 2001 to 2013 period. The data shows the most significant growth to have been in the 60-74 age group with a notable increase in the number of people aged 15-29 and 45-59. The relative lack of past growth of people aged 75 and over is considered to be slightly surprising. The analysis also indicates a decline in the population aged 30-44 along with a very small reduction in the number of children (people aged under 15).

**Table 9:     Change in Population Age Structure in Adur District, 2001 to 2013**

| Age group | 2001 | 2013 | Change | % change |
|-----------|------|------|--------|----------|
| Under 15 | 10,600 | 10,400 | -200 | -1.9% |
| 15-29 | 9,000 | 9,600 | 600 | 6.7% |
| 30-44 | 12,100 | 11,800 | -300 | -2.5% |
| 45-59 | 11,800 | 12,700 | 900 | 7.6% |
| 60-74 | 9,500 | 11,200 | 1,700 | 17.9% |
| 75 and over | 6,700 | 6,800 | 100 | 1.5% |
| Total | 59,700 | 62,500 | 2,800 | 4.7% |

*Source*: Census (2001 and 2011)

3.9     To some extent the ethnic makeup of the District is influenced by the age structure (with Black and Minority Ethnic (BME) groups tending to be younger. 2011 Census data indicates that around 6% of the population of Adur came from a non-White (British/Irish) background. This figure is significantly below that found across the region and nationally.

3.10    The key BME group in Adur is Other-White (which is likely to contain a number of Eastern European migrants). The Other-White population made up 2.1% of all people in the District in 2011, which is significantly higher than any other group (although lower than seen in any of the comparator areas).

**Table 10:   Black and Minority Ethnic Population (2011)**

| Ethnic Group | Adur | West Sussex | South East | England |
|---|---|---|---|---|
| White: British | 92.9% | 88.9% | 85.2% | 79.8% |
| White: Irish | 0.7% | 0.7% | 0.9% | 1.0% |
| White: Gypsy or Irish Traveller | 0.2% | 0.1% | 0.2% | 0.1% |
| White: Other White | 2.1% | 4.0% | 4.4% | 4.6% |
| Mixed: White and Black Caribbean | 0.3% | 0.4% | 0.5% | 0.8% |
| Mixed: White and Black African | 0.3% | 0.3% | 0.3% | 0.3% |
| Mixed: White and Asian | 0.5% | 0.5% | 0.7% | 0.6% |
| Mixed: Other Mixed | 0.3% | 0.4% | 0.5% | 0.5% |
| Asian: Indian | 0.4% | 1.2% | 1.8% | 2.6% |
| Asian: Pakistani | 0.1% | 0.6% | 1.1% | 2.1% |
| Asian: Bangladeshi | 0.4% | 0.3% | 0.3% | 0.8% |
| Asian: Chinese | 0.4% | 0.4% | 0.6% | 0.7% |
| Asian: Other Asian | 0.4% | 1.0% | 1.4% | 1.5% |
| Black: African | 0.4% | 0.6% | 1.0% | 1.8% |
| Black: Caribbean | 0.1% | 0.2% | 0.4% | 1.1% |
| Black: Other Black | 0.0% | 0.2% | 0.2% | 0.5% |
| Other ethnic group: Arab | 0.3% | 0.1% | 0.2% | 0.4% |
| Any other ethnic group | 0.2% | 0.2% | 0.4% | 0.6% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| Total population | 61,182 | 806,892 | 8,634,750 | 53,012,456 |
| % non-White (British/Irish) | 6.4% | 10.3% | 13.9% | 19.3% |

*Source*: 2011 Census

3.11 Since 2001 the BME population in the District has increased significantly, as can be seen in Table 11. We have condensed some categories together due to a slightly different list of potential groups being used in the 2011 Census when compared with 2001 data. The data shows that whilst the overall population of Adur has increased by 1,555 over the 10-year period there has been a notable increase in BME groups (all groups other than White (British/Irish)) of 1,639. The White (British/Irish) population has decreased by 0.1% compared to an increase of 72% in BME groups.

**Table 11: Change in Population in BME Groups in Adur District, 2001-11**

| Ethnic Group | 2001 | 2011 | Change | % change |
|---|---|---|---|---|
| White (British/Irish) | 57,353 | 57,269 | -84 | -0.1% |
| White – Other | 774 | 1,394 | 620 | 80.1% |
| Mixed | 570 | 886 | 316 | 55.4% |
| Asian or Asian British | 639 | 1,058 | 419 | 65.6% |
| Black or Black British | 152 | 313 | 161 | 105.9% |
| Other | 139 | 262 | 123 | 88.5% |
| Total | 59,627 | 61,182 | 1,555 | 2.6% |
| Non-White (British/Irish) | **2,274** | **3,913** | **1,639** | **72.1%** |

*Source*: Census (2001 and 2011)

3.12 Figure 6 shows the household structure in the District according to the Census in 2011, compared with the County, regional and national profiles. The data shows that Adur has a higher proportion of pensioner only households and relatively few households with dependent children. In total, 28% of households in Adur are entirely composed of people aged 65 and over; this compares with 26% across West Sussex, 22% regionally and 21% nationally.

**Figure 6: Household Composition, 2011**
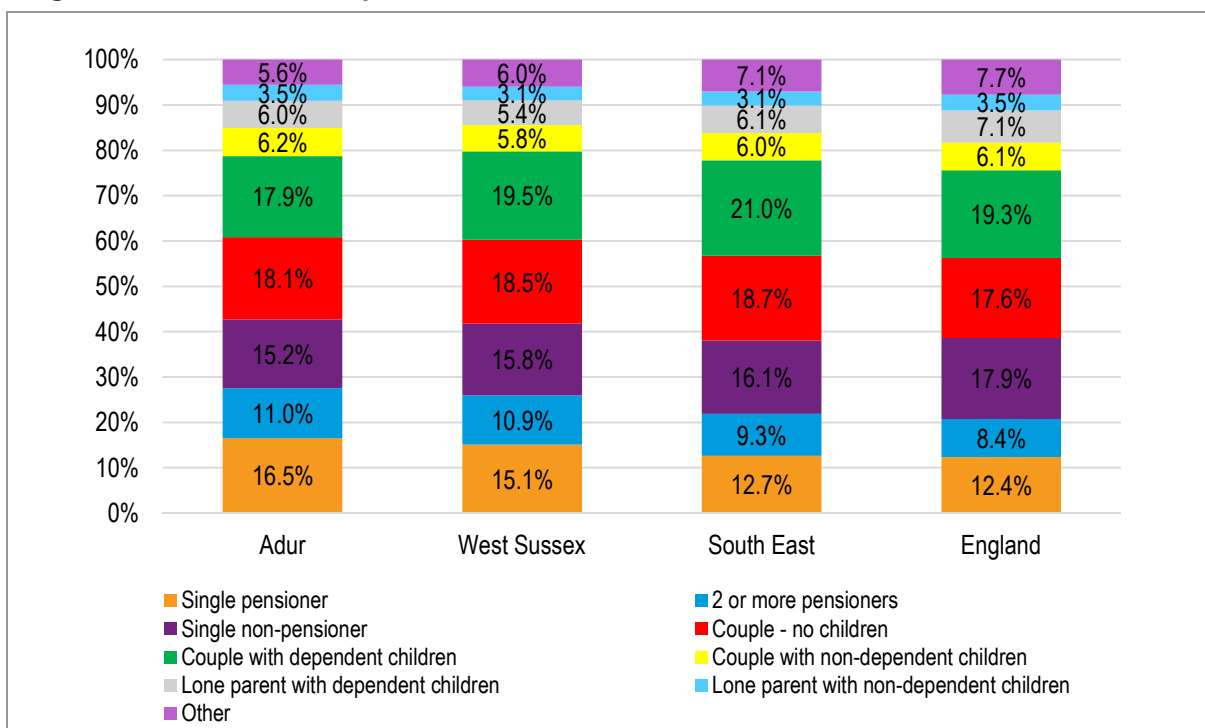


*Source*: 2011 Census

3.13 The structure of households changed over the decade to 2011. There have been notable increases in one person households along with increases in lone parents and 'other' households. By comparison there has been little change in the number of childless couples and couples with children (both dependent and non-dependent children).

**Figure 7: Changes in Household Composition, 2001-11**
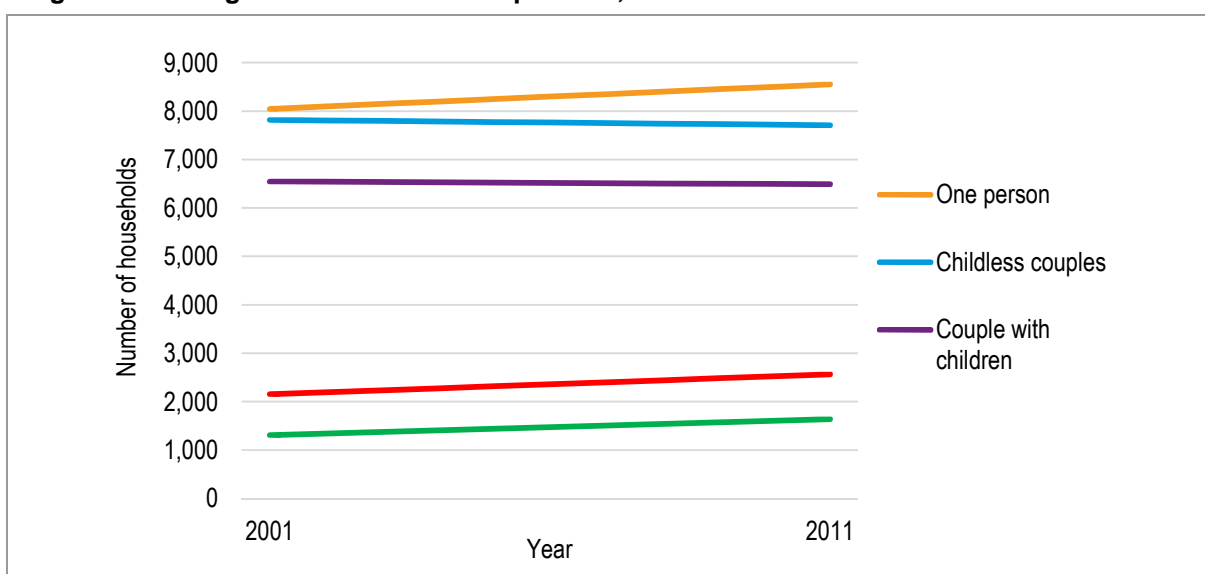


*Source*: Census (2001 and 2011)

## Demographic-based Projections

3.14    The Planning Practice Guidance sets out that 'household projections published by the Department for Communities and Local Government should provide the starting point estimate of demographic housing need. The household projections are produced by applying projected household representative rates to the population projections published by the Office for National Statistics.

3.15    The most up-to-date projections are the 2012-based CLG household projections published in February 2015. These projections were underpinned by ONS (2012-based) subnational population projections (SNPP) – published in May 2014. Our analysis therefore initially considers the validity of the population projections and their consistency with past trends.

**2012-based Sub-National Population Projections**

3.16    On the 29th May 2014 ONS published a new set of Subnational Population Projections (SNPP). They replace the 2010- and 2011-based Projections. Subnational population projections provide estimates of the future population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration which are constrained to the assumptions made for the 2012-based national population projections.

3.17    The SNPP are not forecasts and do not attempt to predict the impact that future government or local policies, changing economic circumstances or other factors might have on demographic behaviour. The primary purpose of the SNPP is to provide an estimate of the future size and age structure of the population of local authorities in England. These are used as a common framework for informing local-level policy and planning in a number of different fields as they are produced in a consistent way.

3.18    Table 12 shows projected population growth from 2011 to 2031 in Adur, West Sussex, the South East and England. The data shows that the population of Adur is expected to grow by around 9,100 people; this is a 15% increase – below the expected increase in the county, but broadly in-line with the region and slightly above the figure for England. This contrasts with past trends, when the District has seen more modest population growth than across wider geographies. It should be noted that the data presented for Adur has been updated to take account of mid-2013 population estimates whereas the data for the other areas is as published in the SNPP. This one year of additional data will not have a significant impact on the population growth projected over the 20 year period.

**Table 12:  Projected Population Growth in 2012-based SNPP, 2011-31**

|  | Population 2011 | Population 2031 | Change in population | % change |
|---|---|---|---|---|
| **Adur** | 61,334 | 70,451 | 9,117 | 14.9% |
| **West Sussex** | 808,900 | 938,200 | 129,300 | 16.0% |
| **South East** | 8,652,800 | 9,979,900 | 1,327,100 | 15.3% |
| **England** | 53,107,200 | 60,418,800 | 7,311,600 | 13.8% |

*Source*: ONS

3.19 Figure 8 shows how the projected population growth in Adur compares with past trends (over the past 5- and 12-years). Given the publication in June 2014 of mid-year population estimates for 2013, the analysis essentially uses mid-2013 as a starting point for the projections. The analysis shows that the projected population is expected to exceed annual population growth seen over the last 5 and 12 years. Given that ONS projections are largely built-up from five year trends this analysis suggests that the projected levels of population growth moving forward could arguably be on the high side.

**Figure 8:  Past and Projected Population Growth – Adur**
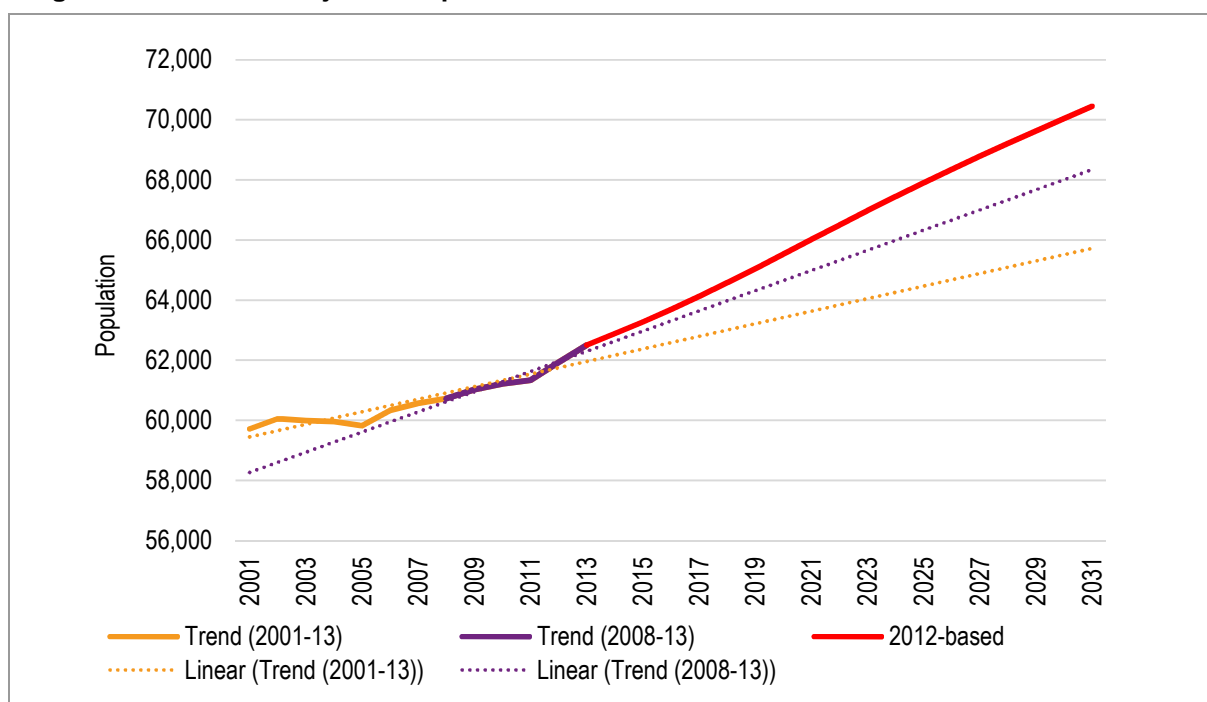


*Source*: ONS

### Future Components of Change

3.20    Figure 8 above clearly shows that the 2012-based SNPP is expecting a level of population growth which is some way above past trends. It is worth investigating why this is that case and to test if the SNPP is a reasonable projection.

3.21    Figure 9 below shows a summary of the components of population change along with past trends back to mid-2001. The data only includes migration and natural change. It excludes past estimates of UPC and other changes – neither of these feature as part of the ONS projection methodology.

3.22    Focussing on net migration, past levels have been recorded as being quite variable over time. The data shows that an annual average level of 474 per annum is expected in the projections (2013-31) with a slightly lower level (of 418 per annum) if the first five-years of the projection are considered. These figures are some way above the long-term (12-year) trend of 361 per annum, and also above the 5-year trend of 382 people (net) each year. This analysis provides some support for the suggestion that future population growth looks to be on the high side when compared with past trends. Alternative projections are developed later in this section to consider different levels of future migration.

**Figure 9:   Projected Components of Population Change, mid-2001 to mid-2031 – Adur**
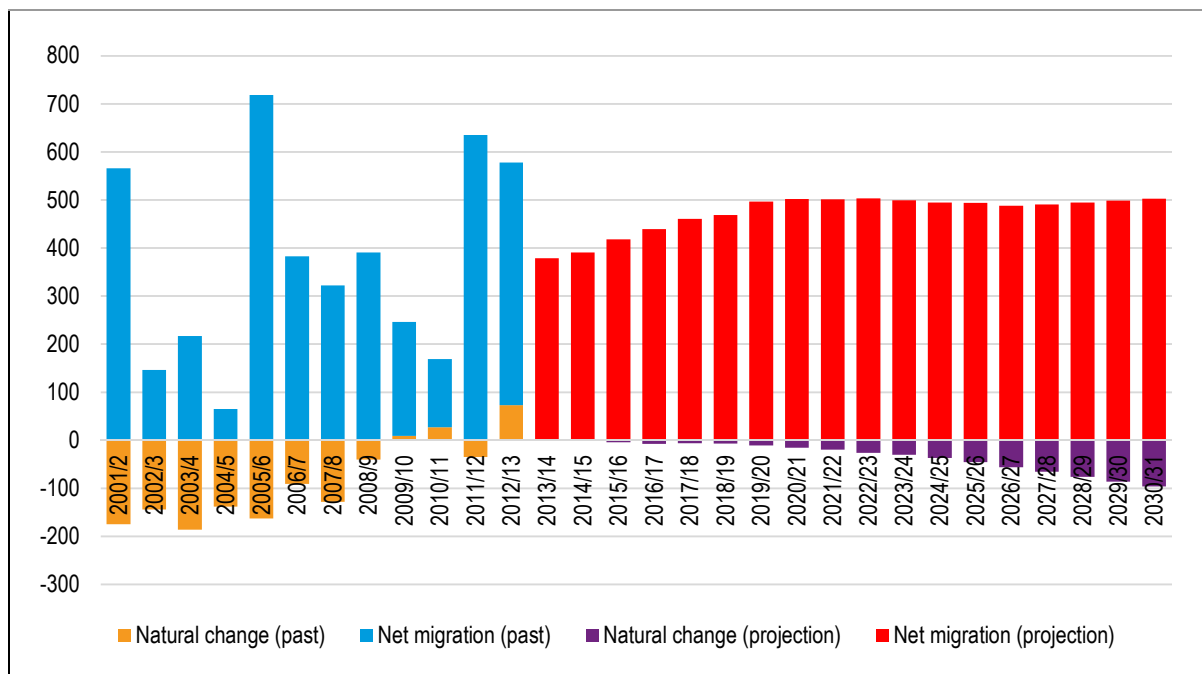


*Source*: ONS

**Alternative Demographic Projections**

3.23    All of the data above points to future population growth being somewhat stronger than past trends might suggest. The levels of migration being assumed in the projections are above past trends whilst earlier analysis has identified a level of unattributable population change (UPC) which points to an over-estimation of past population growth in the District. A sensitivity analysis has been developed modelling three alternative demographic-led scenarios:

- 12-year (long-term) migration trends – this projection looks at the level of population and household/housing growth we might expect if migration levels in the future are the same as seen over the past 12 years. A consideration of longer-term trends is suggested as an alternative scenario in the PAS Technical Advice Note on *Housing Targets and Objectively Assessed Housing Need.*

- 5-year (short-term) migration trends – generally the SNPP looks at short-term migration trends and models these forward. It would generally be expected therefore that there will be some consistency between the SNPP and short-term trends. However, in the case of Adur there does appear to be some inconsistency between the figures and so a short-term projection has also been run.

- UPC adjustment – there is a notable level of Unattributable Population change in the ONS data for 2001-11 in Adur. In this instance UPC is negative, this suggests that the components of change feeding into the SNPP may slightly overestimate migration and population growth.

3.24    Analysis considering the impact of UPC is supported by PAS Technical Advice Note of June 2014 (*Objectively Assessed Need and Housing Targets*). Sections 5.8 to 5.11 of that report discuss UPC in some detail, setting out:

> *'It has been suggested that UPC is due to miscounting of the population in the 2001 or 2011 Census, or both. But a more likely explanation is that the UPC is migration, probably international migration, which was unrecorded or recorded to the wrong places*
>
> *Planning authorities and others may wish to test alternative scenarios, which do take account of the UPC, and take a view accordingly'.*

3.25    It may be argued that ONS exclude UPC from the projections because they cannot be sure if it relates to migration or the poor recording of the population in the Census.

3.26    We can however undertake some analysis to consider the degree to which UPC in Adur District may reflect Census inaccuracies, or the over-estimation of migration in the inter-census period (2001-11).

3.27    To do this we have first looked at the growth in the number of dwellings recorded between the two Censuses and the actual number of net completions in the same period (evidence by Annual Monitoring Reports). Between 2001 and 2011 the Census records an increase in dwellings of 1,255 whilst the Council's own monitoring suggests 1,117 net additional homes. These two figures are very close to each other and would suggest that the Census data is fairly sound. This suggests that UPC in Adur is more likely to reflect issues with recording of migration.

3.28    Over the 2001-11 period the total level of UPC in Adur was 504 (50 per annum). We can use the demographic modelling to assess the potential impact of UPC. Analysis would suggest that this is less likely to be associated with issues of Census data quality, and more with issues associated with recording of migration at a local authority level.

3.29    However we cannot be entirely certain as to the degree to which migration data should be adjusted – or to how an over-estimation of migration might have affected different years within the 2001-11 decade. Although ONS has implemented a programme to improve migration statistics (which means that it is feasible that the latter years of data could be less susceptible to error than earlier years of the 2001-11 decade), it does remain the case, even with an adjustment for UPC that future migration (and population growth) sit above past trends.

3.30    On balance, we consider that UPC is most likely to be attributed to over-estimation of migration. However we cannot set out with absolute confidence that it fully reflects this factor. On this basis we consider that it would be appropriate to adjust the projection modelling on the basis that 50% of UPC is attributed to over-estimation of migration.

3.31    Figure 10 shows the expected population growth (and how this fits in with past trends) using a UPC adjusted migration pattern and also the long- and short-term migration alternative scenarios. The data shows that all of the alternative projections expect a lower level of population growth than the SNPP, but all are still at or above the population growth trends seen over the past five years (and well above the long-term (12-year) trend).

3.32    With the alternative migration trend projections, it is difficult to say if these are any more robust than the SNPP, and in coming to this conclusion it needs to be noted that the SNPP is not a simple roll forward of past trends. The SNPP methodology calculates migration separately for each year of the projection and this can vary over time depending on how the age structure of the population develops. Hence, future migration can either go up or down when compared with past trends. In Adur, the ageing population may provide some support for the SNPP expecting net migration to increase in the future.

3.33    Whilst ONS does not include UPC in the SNPP, it is considered for Adur that there is a strong case for making some adjustment to ensure that projections are more realistic in the context of past trends.

**Figure 10: Past and Projected Population Growth in Adur District, including an allowance for UPC and alternative migration assumptions**
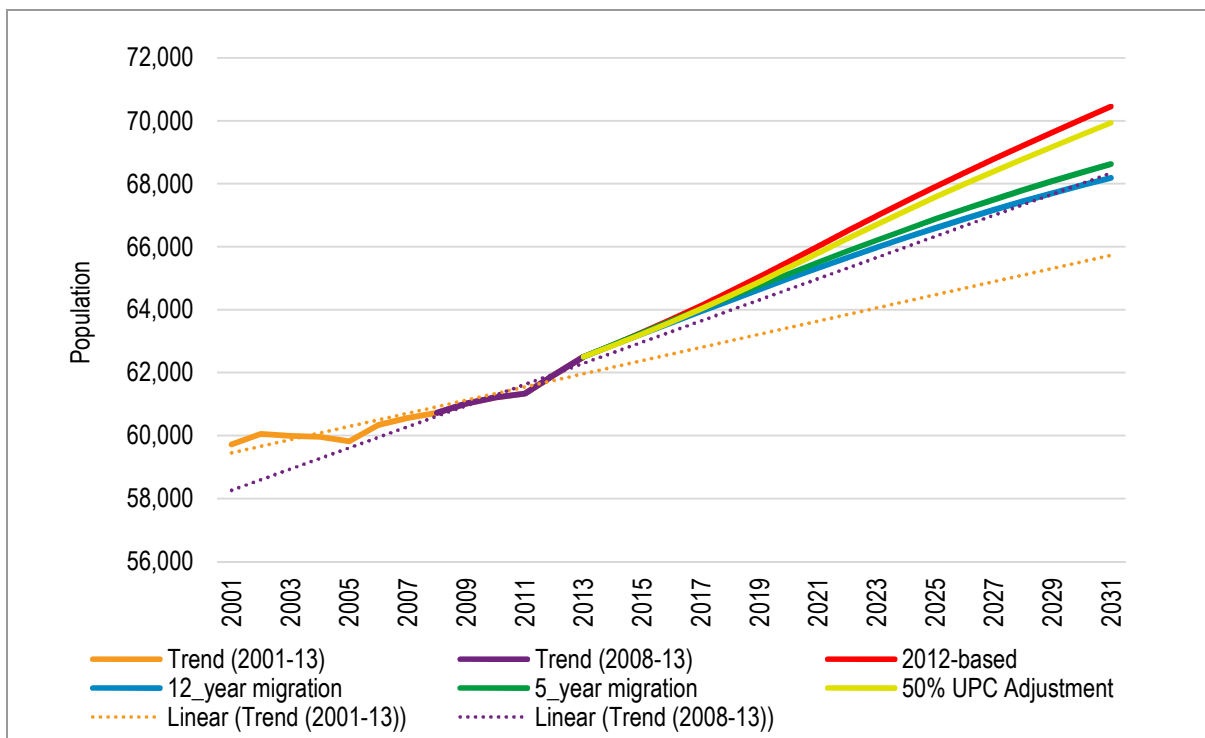


*Source*: ONS

3.34    Table 13 below shows the actual level of population growth expected in the SNPP and the three alternative scenarios. The UPC adjusted projection shows population growth of about 8,600 over the 20-year period. This is growth of 14.0% - below the growth expected in the SNPP but above the level seen for either of the alternative migration assumptions.

**Table 13:    Projected Population Growth in Adur District in SNPP Adjusted Projection, 2011-2031**

|  | Population 2011 | Population 2031 | Change in population | % change |
|---|---|---|---|---|
| **SNPP** | 61,334 | 70,451 | 9,117 | 14.9% |
| **12-year migration** | 61,334 | 68,185 | 6,851 | 11.2% |
| **5-year migration** | 61,334 | 68,621 | 7,287 | 11.9% |
| **50% UPC adjustment** | 61,334 | 69,935 | 8,601 | 14.0% |

*Source*: ONS

## Age Structure Changes

3.35    With growth in the population will also come age structure changes. Tables 14 and 15 below summarise the findings for key (15-year) age groups under the 2012-based SNPP and our projection with an adjustment for UPC – data is presented for the core time period used of 2011 to 2031.

3.36    The data shows that the largest growth will be in people aged 60 and over. Looking at the 2012-based SNPP it is estimated that there will be 24,600 people aged 60 and over in 2031. This is an increase of 6,800 from 2011, representing growth of 38%. The population aged 75 and over is projected to increase by an even greater proportion, 53%. Growth in these age groups is particularly influenced by increasing life expectancy. Looking at the other end of the age spectrum the data shows that there are projected to be around 12% more people aged under 15 with small increases shown for the 15-29 and 45-59 age groups and a small decline in the number of people aged 30-44.

3.37    The projection linked to the 2012-based SNPP with a UPC adjustment shows the same pattern of population changer by age; although the population growth for specific age groups is lower than shown by the 2012-based SNPP.

**Table 14:    Population Change 2011 to 2031 by fifteen year age bands (2012-based SNPP)**

| Age group | Population 2011 | Population 2031 | Change in population | % change from 2011 |
|---|---|---|---|---|
| Under 15 | 9,844 | 11,040 | 1,196 | 12.2% |
| 15-29 | 9,674 | 9,962 | 288 | 3.0% |
| 30-44 | 11,810 | 11,761 | -49 | -0.4% |
| 45-59 | 12,184 | 13,082 | 898 | 7.4% |
| 60-74 | 11,024 | 14,229 | 3,205 | 29.1% |
| 75+ | 6,798 | 10,377 | 3,579 | 52.7% |
| **Total** | **61,334** | **70,451** | **9,117** | **14.9%** |

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**Table 15:** **Population Change 2011 to 2031 by fifteen year age bands (2012-based SNPP – with UPC adjustment)**

| Age group | Population 2011 | Population 2031 | Change in population | % change from 2011 |
|---|---|---|---|---|
| Under 15 | 9,844 | 10,922 | 1,078 | 11.0% |
| 15-29 | 9,674 | 9,869 | 195 | 2.0% |
| 30-44 | 11,810 | 11,620 | -190 | -1.6% |
| 45-59 | 12,184 | 13,000 | 816 | 6.7% |
| 60-74 | 11,024 | 14,176 | 3,152 | 28.6% |
| 75+ | 6,798 | 10,348 | 3,550 | 52.2% |
| Total | 61,334 | 69,935 | 8,601 | 14.0% |

## Household Growth

3.38    Having studied the population size and the age profile of the population, the next step in the process is to convert this information into estimates of the number of households in the area. To do this the concept of headship rates is used. Headship rates can be described in their most simple terms as the proportion of people in a specific age group who are considered to be the head of households (or in this case the more widely used Household Reference Person (HRP)). The headship rate for each age group is used in conjunction with the projected population growth (on a group by group basis) to derive the projected household growth figure.

3.39    With the publication of new 2012-based CLG Household Projections, a new set of headship rates is now available. These rates are considered to be more positive than the previous set (2011-based) and typically suggest higher rates of household growth for a given population. At a national level (in the 2012-21 period considered by CLG in both projections) the new projections show 10% higher growth in households, for Adur the figure is slightly lower (at 6%).

3.40    Table 16 overleaf shows expected household growth in the 2012-based projections from 2011 to 2031 for Adur and a range of other areas. The figures for Adur do not exactly match the CLG projections as we have included population data for 2013, all other areas show the data as published. The data suggests an increase in households of about 5,600 over the 20-year period – this is a 21% increase; slightly higher than expected across West Sussex, broadly in-line with regional change and slightly above the national average.

**Table 16:   Projected Household Growth, 2011 to 2031 (2012-based Household and Population Projections)**

|  | Households 2011 | Households 2031 | Change in households | % change from 2011 |
|---|---|---|---|---|
| **Adur** | 27,024 | 32,603 | 5,579 | 20.6% |
| **West Sussex** | 346,498 | 426,370 | 79,872 | 23.1% |
| **South East** | 3,563,049 | 4,315,599 | 752,550 | 21.1% |
| **England** | 22,103,878 | 26,406,679 | 4,302,801 | 19.5% |

Source: ONS

3.41    Figure 11 shows household growth back to 1991 and projected forward to 2031. The analysis shows that growth in Adur was relatively slow in the period to about 2011. Moving forward from this, household growth is expected to be notably stronger with the rate of change being similar to that expected in other areas. In all areas there is some evidence of a slight acceleration in growth rates from about 2012 onwards – this is consistent with the view that the new projections are taking a more positive view about household formation rates.

**Figure 11: Indexed Household Growth (1991-2031)**
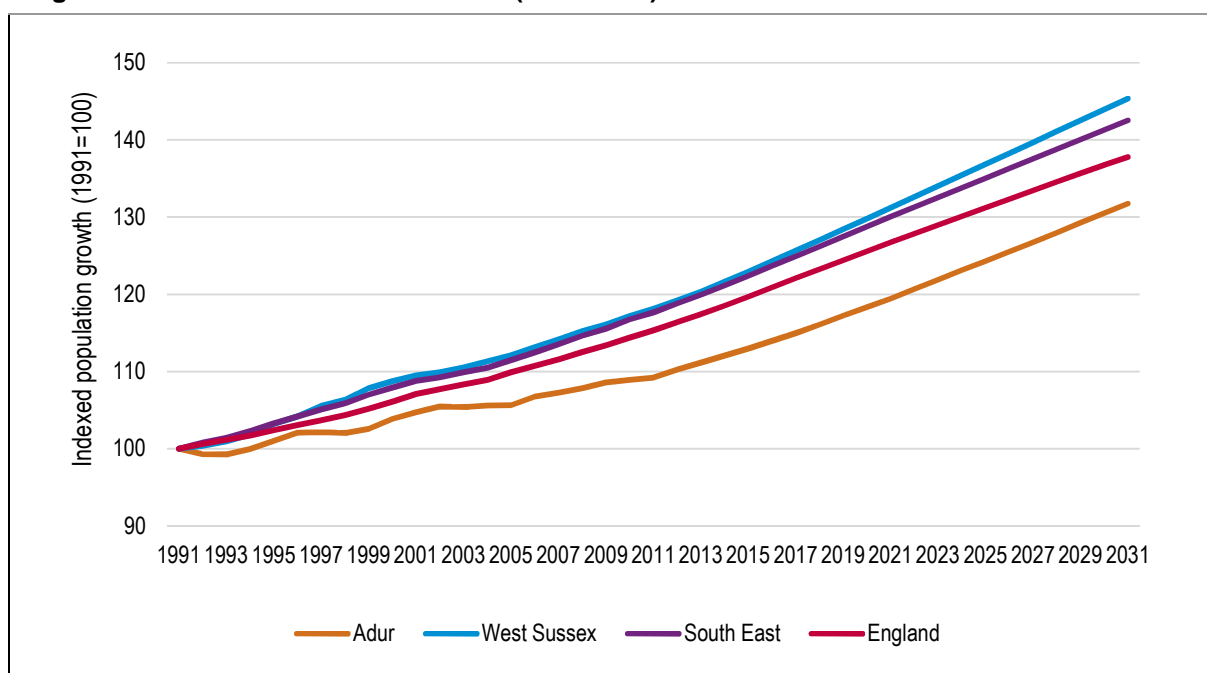


*Source*: ONS

3.42    To provide a headline assessment of the impact of the 2012-based household projections we can make a comparison of average household sizes. Figure 12 shows this based on each of 2012-, 2011- and 2008-based CLG household projection data. The data does show the 2012-based figures being slightly more positive than the 2011-based version. This can be seen by the newer

projections expecting a greater decrease in average household sizes over time – this would be more noticeable if we were to continue the 2011-based 'trend' beyond 2021.

3.43    The data also shows only a slight decrease in household sizes from 2001 to 2011 in Adur – this is a period where it is considered that there was some suppression in the housing market and this increase would tend to suggest that such suppression is evident in the District (albeit to a slightly lesser extent than seen nationally, where household sizes remained fairly constant). Moving forwards, average household size is expected to fall at a rate which is somewhat faster than the past trends might suggest – if for example we look at the 1991-2011 period which includes both a period of relative buoyancy in the housing market and a period of constraint.

3.44    Data from the 2008-based projections has also been included. This shows that average household sizes are above what might have been expected from this earlier release of data. However, looking at the period from 2012 the data suggests that the future trajectory in the 2012-based version is not much different. Hence at face value it does look as if the new projections are returning rates of change to those experienced in the longer-term.

**Figure 12: Past and projected trends in Average Household Size – Adur**
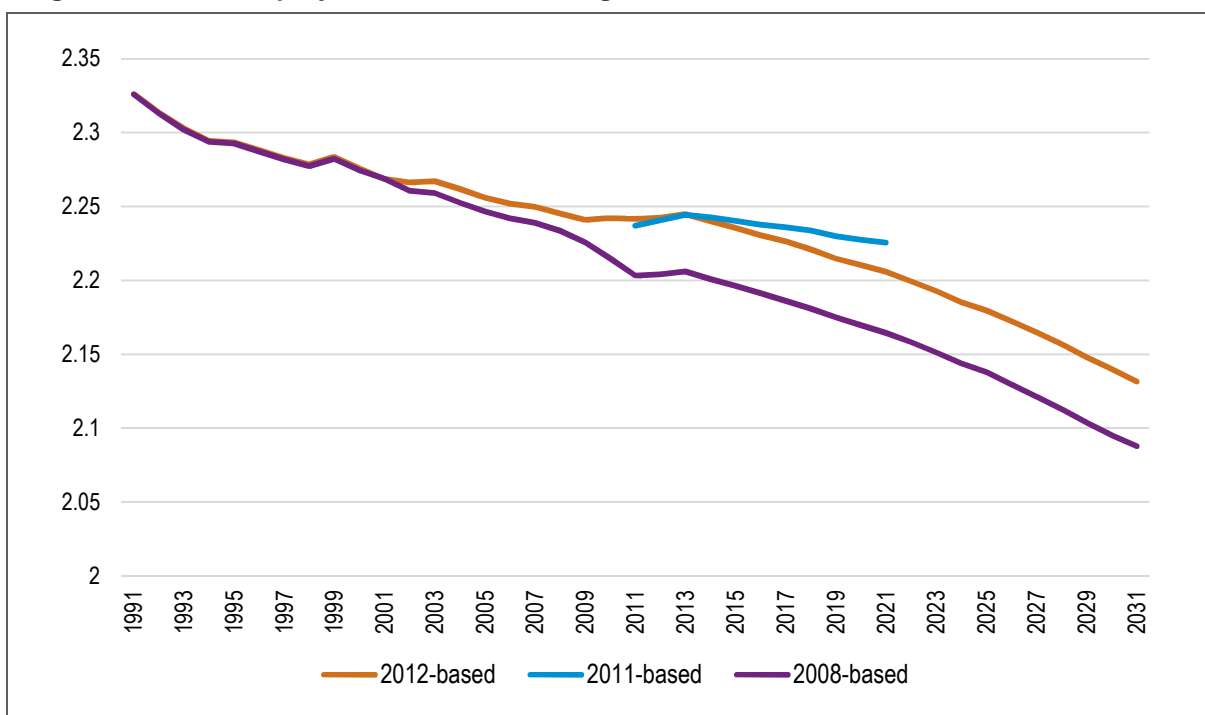


Source: Derived from ONS and CLG data

3.45    It is also useful to understand how the different CLG projections impact on assumptions for different age groups. Projections for household growth in this report are not based on applying average household sizes – they take account of age-specific household formation rates and how these are expected to change over time.

3.46    Figure 13 shows the headship rates used in each of the projections. Overall the 2012-based projections look fairly sound with levels and rates of change being not dissimilar to those in the earlier (pre-recession) 2008-based projections.

3.47    The one age group of concern is people aged 25-34 where the latest projections show quite a movement away from the figures in the 2008-based projections. Particularly in the 2001-11 period, evidence points to some degree of supressed household formation. However, an improvement is expected post-2012 although the rate is still slightly below that seen in the older projections.

3.48    The issue of supressed household formation in the 25-34 age group is considered in more detail later in this report (towards the end of Section 5).

**Figure 13: Projected Household Formation Rates by Age of Head of Household – Adur**
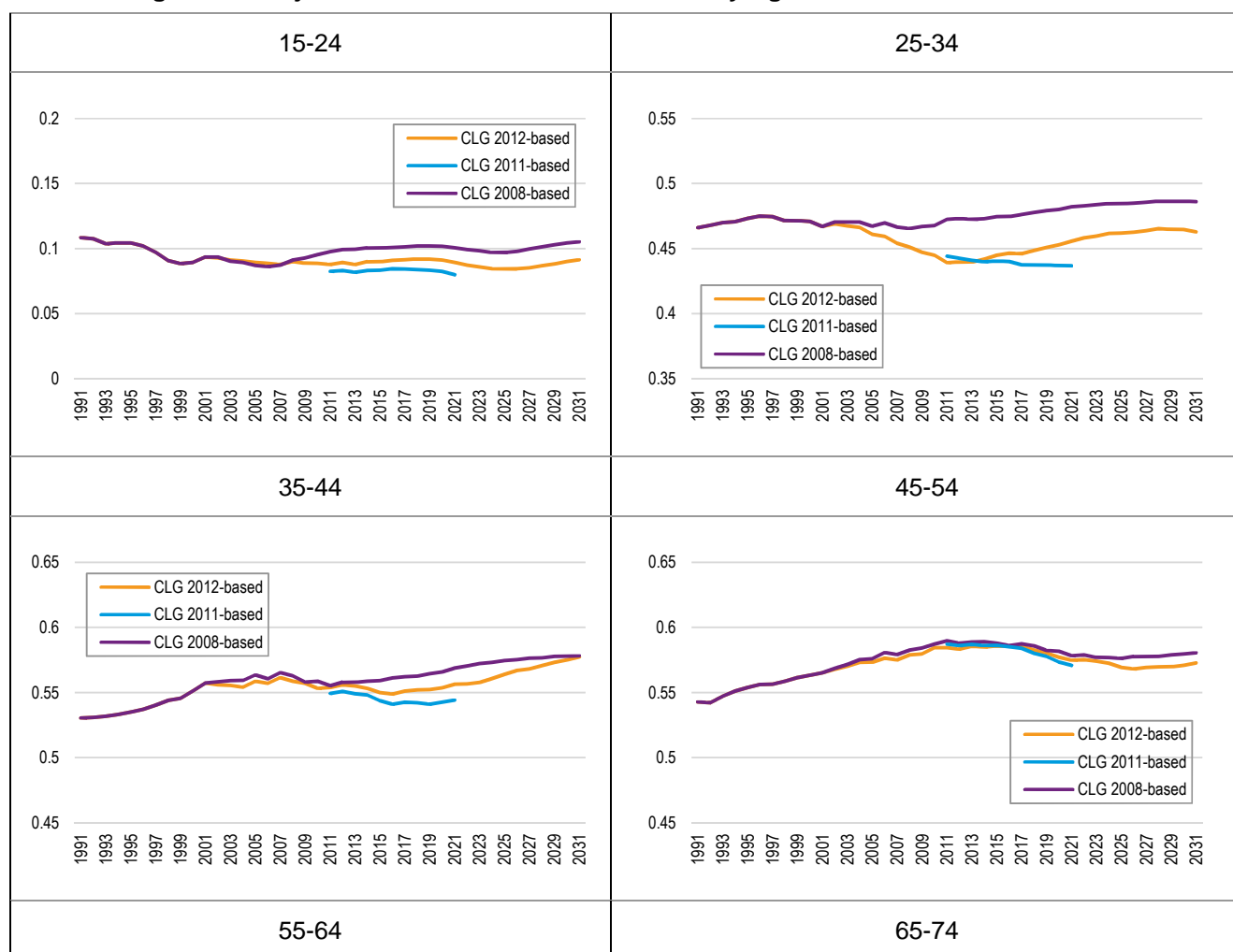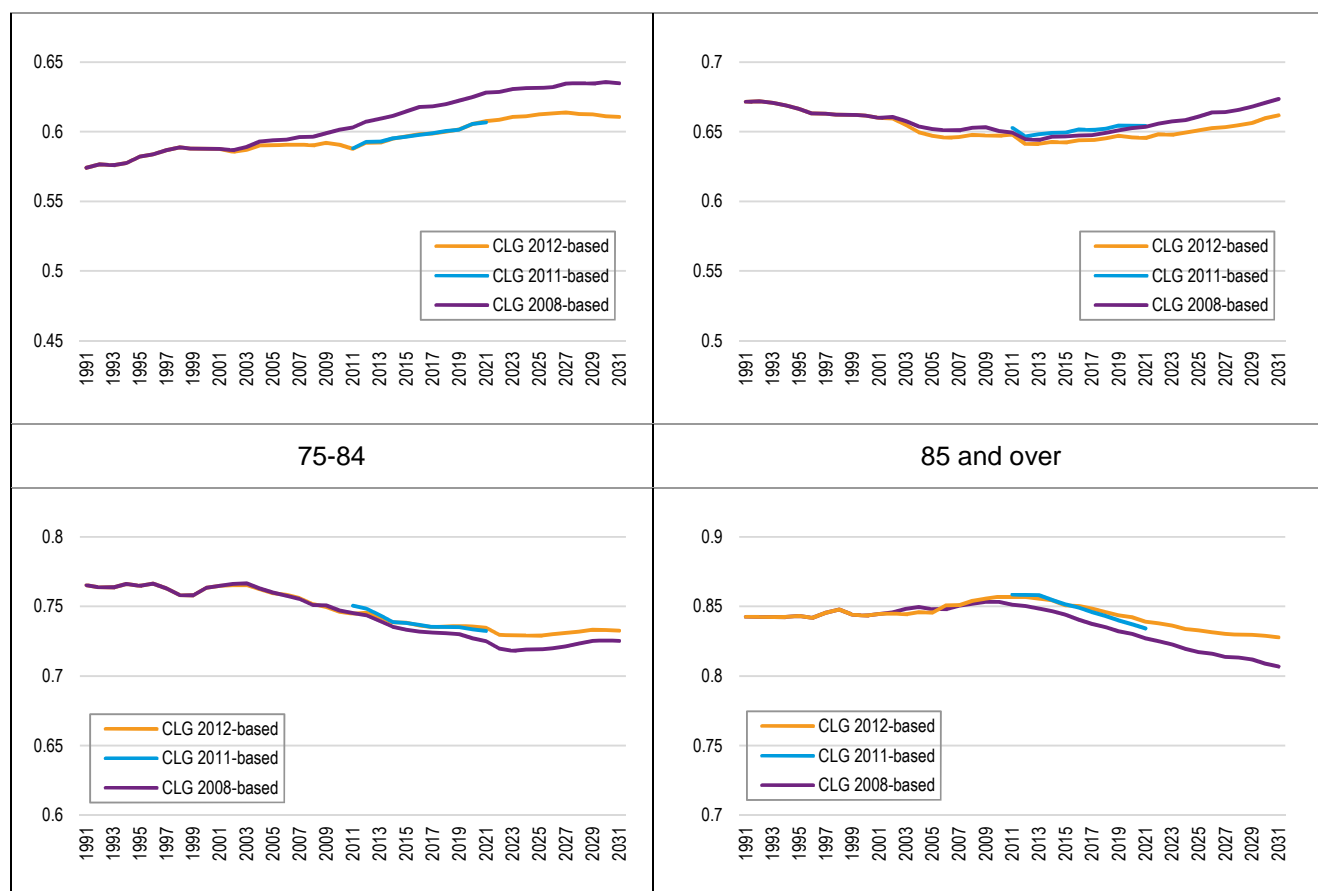
*Source:* Derived from CLG data

## Housing Need arising from Demographic-Led Scenarios

3.49    Table 17 brings together outputs in terms of household growth and housing need using the 2012-based household projection headship rates for each of the demographic projections developed (i.e. using the 2012-based SNPP, alternative migration assumptions and using the 2012-based SNPP with an adjustment for UPC).

3.50    To convert households into dwellings the data includes an uplift to take account of vacant and second homes. A figure of 2.7% has been used, derived from 2011 Census data.

3.51    Looking firstly at the projection linked to the 2012-based SNPP, the data shows that by applying the 2012-based rates there would be a need for 286 dwellings per annum. The two migration based projections show a lower level of need (in the range of 240-249 per annum). Finally, under the projection with a 50% adjustment for UPC, the data shows a housing need which sits somewhere in between the other scenarios – this projection showing a need for 276 homes each year.

**Table 17: Projected Housing Need 2011-31 – Demographic Scenarios**

|  | 2012 based SNPP | 12 year migration | 5 year migration | With UPC adjustment |
|---|---|---|---|---|
| **Households 2011** | 27,024 | 27,024 | 27,024 | 27,024 |
| **Households 2031** | 32,603 | 31,706 | 31,878 | 32,400 |
| **Change in households** | 5,579 | 4,683 | 4,854 | 5,376 |
| **Per annum** | 279 | 234 | 243 | 269 |
| **Dwellings (per annum)** | **286** | **240** | **249** | **276** |

### Conclusions on Demographic-Led Housing Need

3.52 It is appropriate to draw conclusions at this point on the demographic evidence, and projections of housing need based on past demographic trends.

3.53 The 2012-based SNPP indicates population growth of 14.9% over the 2011-31 period. This is below the projected growth across West Sussex (16.0%) and the South East (15.3%) but above the figure for England (13.8%). This results in a housing need for 286 homes per annum, using 2012-based CLG household projection headship rates.

3.54 GL Hearn considers that household formation rates contained in the 2012-based CLG projections are generally sound although there is some evidence of suppression in the 2001-11 decade for younger people (particularly those aged 25-34). The implications of this are discussed in more detail later in the report.

3.55 However, GL Hearn does not consider that the 2012-based SNPP represents a robust projection for population growth based on past demographic trends. Overall population growth in the future is expected to be somewhat higher than in the past (regardless of whether short- or long-term trends are considered). This looks to be at least in part due to the SNPP showing a higher level of migration than has previously been recorded.

3.56 Additionally, the 2011 Census indicated that population growth was lower than had previously been predicted. The 2010 SNPP estimated the District's population in 2010 as 61,582 and projected that this would have grown to 61,928 in 2011. However the Census revealed a population (mid-year) of 61,334 in 2011 (a difference of about 600). Much of this difference is reflected in Unattributable Population Change.

3.57 These past issues of over-estimating population growth may have influenced the 2012-based SNPP, which expects future population growth to be notably above both short- and long-term population trends. On this basis, GL Hearn considers that the 2012-based SNPP potentially over-estimates growth in the population relative to past trends.

3.58     The level of Unattributable Population Change is notable. Analysis would suggest that this is less likely to be associated with issues of Census data quality, and more with issues associated with recording of migration at a local authority level. Adjusting the 2012-based SNPP for UPC reduces the associated housing need (based on the 2012-based household formation rates) to 276 homes per year.

3.59     However we cannot be entirely certain as to the degree to which migration data should be adjusted – or to how an over-estimation of migration might have affected different years within the 2001-11 decade.

3.60     On balance, we consider that UPC is most likely to be attributed to over-estimation of migration. However we cannot set out with absolute confidence that it fully reflects this factor. On this basis we consider that it would be appropriate to adjust the projection modelling on the basis that 50% of UPC is attributed to over-estimation of migration. The results of this are shown in Table 18 below.

**Table 18:   Projected Housing Need - 2012 SNPP with 50% UPC Adjustment**

|  | 2012 based SNPP with 50% UPC Adjustment |
|---|---|
| Households 2011 | 27,024 |
| Households 2031 | 32,400 |
| Change in households | 5,376 |
| Per annum | 269 |
| Dwellings (per annum) | 276 |

3.61     On the balance of the demographic evidence, we conclude that a projection forward of past trends would result in a need for 276 homes per annum in Adur between 2011-31. We consider that this represents a robust starting point for considering housing need.

## 4 THE INTERACTION BETWEEN HOUSING AND THE ECONOMY

4.1 In assessing housing need, the Planning Practice Guidance (PPG) recommends that consideration is given to how levels of employment (job numbers) might change. It sets out that:

*"Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area.*

*Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems."*

4.2 Previous evidence-base studies undertaken at an HMA level, particularly the Housing (Duty to Cooperate) Study, have shown that taking account of land supply and development constraints, the likely growth in population in the future is not likely to support the levels of employment growth envisaged in some econometric forecasts. In this section we drill down to consider issues relating specifically to Adur; but also consider commuting dynamics between Adur and surrounding areas (particularly Brighton and Hove and Worthing).

### Potential Growth in the Workforce

4.3 We first consider the workforce growth which might result from the core demographic projections. To consider the potential growth in the workforce, it is necessary to consider how economic participation and employment rates will change in the future. Although the past few years have seen an increase in unemployment there have generally been increases in the proportion of people who are economically active (particularly for females and people aged over 50). In the future we may see a continuation of these trends – particularly in relation to people working longer (partly linked to pensionable ages) and have modelled for there to be some increase in employment rates as we move through to 2031.

4.4 Table 19 shows the age/sex specific rates assumed in the analysis. These have been based on consideration of a range of forecasts from different forecasting houses and also take account of the 2011 Census and trends over the period since 2001. It should be stressed that these figures reflect what we would consider to be a reasonable set of assumptions, although there would be a case for alternatives (both in an upwards and downwards direction). Projecting future trends in economic participation, given the complexity of potential influences, is evidently not an exact science.

**Table 19:    Employment Rates by Age and Sex – Adur**

| Sex | Year | Aged 16 to 24 | Aged 25 to 34 | Aged 35 to 49 | Aged 50 to 64 | Aged 65 and over |
|---|---|---|---|---|---|---|
| **Male** | 2011 | 58.9% | 89.0% | 89.8% | 77.2% | 13.6% |
|  | 2031 | 58.9% | 89.1% | 90.3% | 81.4% | 20.6% |
| **Female** | 2011 | 60.7% | 76.4% | 80.5% | 63.0% | 8.2% |
|  | 2031 | 60.7% | 79.1% | 83.1% | 71.9% | 14.4% |

4.5    Figure 14 below shows how the employment rate in Adur is expected to change over time. The employment rate is the proportion of the population (aged 16 and over) in employment. The analysis shows a small increase in the rate to 2021, followed by a period where the rate is expected to decline. The increase in the employment rate to 2021 (in particular the period up to 2016/17) reflects expectations around reducing unemployment. The decline in the rate thereafter reflects the ageing of the population profile.

**Figure 14:  Projected change in Employment Rate (16+) in Adur District**
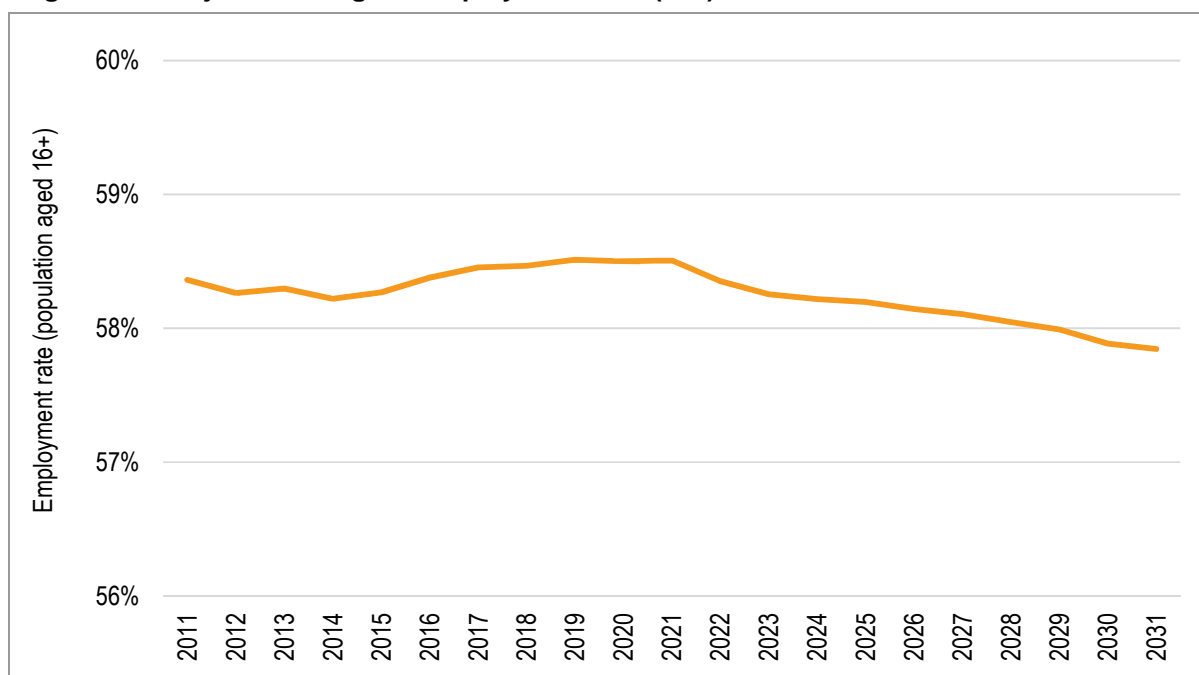


4.6    Using the above assumptions regarding how employment rates may change, we have modelled what growth in the workforce might be expected in the main trend-based demographic projections considered.

4.7    In the 2012-based SNPP / Household Projections (rebased to take account of 2013 Mid-Year Population Estimates), the number of residents in employment is projected to increase by 4,400

persons over the plan period. Adjusting the projection by attributing 50% of UPC to migration, this growth in residents in employment falls slightly to 4,100.

**Table 20:   Change in Residents in Employment – Demographic Scenarios, 2011-31**

| Adur | 2012 based SNPP | SNPP with 50% Adjustment for UPC |
|---|---|---|
| **Change in Residents in Employment, 2011-31** | 4,413 | 4,104 |
| **Change in Residents in Employment per Annum** | 221 | 205 |

## Econometric Forecasts

4.8     The Adur Employment Land Review – Update Report (GL Hearn, Dec 2014) considered econometric forecasts for future performance of the District's economy. Figure 15 below replicates the forecast for workforce jobs used in the 2014 Employment Land Review. This was based on 2013 Experian forecasts.

4.9     The forecasts (from 2013 forwards) are for annual average growth in employment of 265 jobs per annum. This is modestly above the level of workforce growth seen in the demographic trend-based projections (205 – 221 persons per annum).

**Figure 15: Workforce Jobs Growth, Experian Forecast**
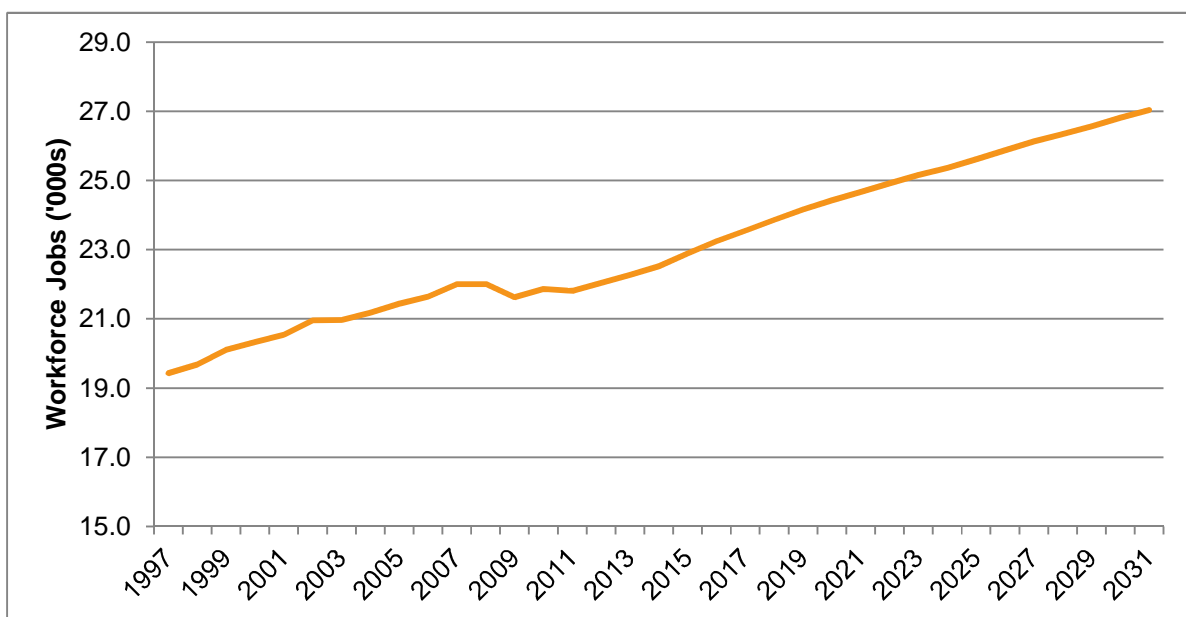


*Source:* Experian 2013

4.10     We have calculated the level of housing that might be required to support the level of job growth identified in the Experian 2013 forecast. Two job-growth scenarios have been considered:

- Experian 2013 forecasts with assumptions on commuting and double jobbing assumptions;
- Experian 2013 forecasts with double jobbing assumptions only.

**Commuting Patterns**

4.11 Commuting patterns reflect the relationship between where people live and work. A proportion of the workforce will live outside of the District and commute in to the District to work (and vice versa). Therefore jobs growth does not translate directly into an increase in the resident population.

4.12 In translating the commuting data into growth in the labour-force it is assumed that the commuting ratio remains at the same level as shown by the 2011 Census. This essentially means that there would be expected to be a higher increase in working residents for a given number of jobs (as there is net out-commuting from the District). This represents a "policy off" assumption which does not make any policy judgements about seeking to change future commuting dynamics.

**Double Jobbing**

4.13 As well as commuting patterns we can also consider that a number of people may have more than one job (double jobbing). This can be calculated as the number of people working in the District divided by the number of jobs. Hence to work out the change in the resident workforce required to match the forecast number of jobs we can multiply the commuting ratio by the amount of double jobbing and in turn multiply this by the number of jobs.

4.14 Table 21 below shows the number of net additional dwellings required to support the two economic growth scenarios. This results in a need for 362 dwellings per annum for the scenario based on the Experian forecast with commuting and double jobbing assumptions, and 307 for the scenario based on the Experian forecast with double jobbing assumption only.

**Table 21: Projected Dwellings Growth of Job-Growth Scenarios, 2011-31**

|  | Dwellings 2011 31 | Dwellings Per Annum |
|---|---|---|
| **Experian with commuting and double jobbing assumptions** | 7,234 | 362 |
| **Experian with double jobbing assumption only** | 6,141 | 307 |

4.15 However, economic forecasts alone do not tell us how the economy might perform in the future. Long-term forecasts of economic performance can be susceptible to a significant degree of error, particularly for smaller geographies such as District-level forecasts. Furthermore Adur is a small District, with a small economy (as the workforce job totals in Figure 16 show).

4.16 The economic forecasts are based on past trends in economic performance at District level relative to trends at a regional and national level. Therefore the economic forecasts will predict strong performance in employment sectors which have performed well historically at the local or macro-

economic level (or both). This generally holds true for larger geographical areas better than for smaller areas where the capacity for growth is more likely to be constrained by other factors (such as supply side constraints). This can, in some instances, result in jobs growth forecasts being influenced by regional or national trends, which is not realistically achievable at local level. This would appear to be the case in Adur.

4.17    For these reasons the forecasts should therefore be treated with a degree of caution. The forecasts are considered further below.

## Trend Based Forecasts

4.18    The Planning Practice Guidance recommends that past trends data and/or forecasts can provide a suitable basis for looking at future employment growth.

4.19    Figure 16 shows the Experian jobs growth forecast along with three trend based projections – based on the average annual growth in Adur over the past 5, 10, and 15 years. All of these trend-based projections forecast a lower jobs growth than the Experian forecasts.

4.20    The period following the recession – 2007 to 2011 – saw a stagnation in terms of jobs growth, however the decade prior to this saw strong and steady year-on-year growth. It's evident that the 5 year trend based projection is strongly influenced by the recent post-recession trend, which is reflected in the lower projected jobs growth. It would seem unlikely that these recent conditions would be replicated over the longer-term.

4.21    The 10 and 15 year trend based projections cover a period that we would consider to be more representative of a complete market cycle, insofar as they cover both the post- and pre-recession period. These forecasts may be a more realistic basis for projecting future economic growth.

**Figure 16: Workforce Jobs Growth, Experian Forecast and Trend Based Forecasts**
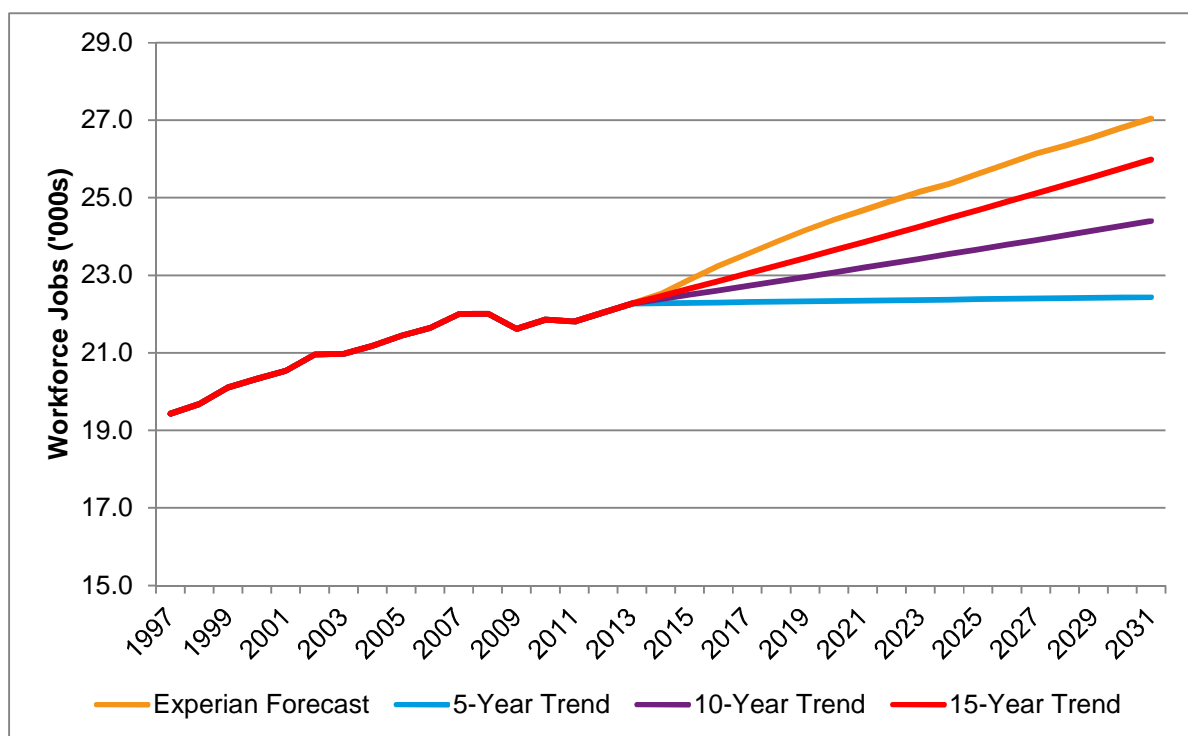


*Source:* GLH Analysis of Experian

## Reality Check

4.22    The above analysis is highly theoretical, and it is worth considering the more likely scenarios for housing and employment growth; and the balance between the two.

4.23    GL Hearn consider it unlikely that the population (and workforce) will grow as strongly as is projected in the Experian forecasts. This principally reflects the geography of the District and limited land availability. These issues are explored in detail below.

**Employment Growth**

4.24    The limited land supply within the District influences its ability to meet its employment land needs. As Paragraph 2.45 in the Proposed Submission Adur Local Plan 2014 sets out:

> *"It is unlikely that the above strategic sites and other key existing employment areas will meet the full projected demand for new employment floorspace in Adur as identified in the Employment Land Review (2014), as there is limited capacity due to a number of environmental constraints already set out in this Plan. As a result, the Council is working with neighbouring authorities to help meet the employment needs of the area under the Duty to Co-operate."*

4.25    This limited land supply is also likely to influence future economic performance. The 2014 Employment Land Review Update identified a need for 60,000 – 70,000 sq.m of B-class employment floorspace. In addition there is a need to provide 18,750 sq.m of employment floorspace to accommodate relocations from Shoreham Harbour. Taking account of completions since 2011, vacant floorspace / land within existing employment sites and sites with planning permission, the Employment Land Review Update identified in Table 22 a shortfall of between 47,000 – 57,000 sq.m of employment floorspace.

4.26    The Plan makes provision for 41,000 sq.m of employment floorspace (as set out in Policy 4). This falls between 6,000 – 16,000 sq.m short of the identified need. Using the assumptions in the Employment Land Review Update we can estimate what impact this might have on employment growth potential.

4.27    A negative need is forecast for additional industrial space. We consider that in theory land supply will therefore not impact on the industrial sector. Looking at the office and warehouse sectors, 33% of the employment land need was for office floorspace and 67% for industrial floorspace. Applying employment densities to the shortfall of office and warehouse space, we estimate that between 200 – 530 jobs growth in the forecasts will be displaced. Using a consistent ratio of FTE to total jobs as in the Employment Land Review Update, we calculate that total workforce job growth will be between 240 – 640 jobs lower than in the Experian forecasts.

**Table 22:    Estimated Displacement Impact of Employment Land Supply on Economic Growth, Adur 2011-31**

|  | Total (Input) | B1a/b | B8 | Total FTE Jobs (Output) | Total Workforce Jobs |
|---|---|---|---|---|---|
| **% Employment Floorspace Needed** | 100% | 33% | 67% |  |  |
| **Floorspace Shortfall - Low End** | 6,000 | 1,995 | 4,005 |  |  |
| **Floorspace Shortfall - High End** | 16,000 | 5,319 | 10,681 |  |  |
| **Employment Density (Sq.m per FTE Job)** |  | 14 | 70 |  |  |
| **Reduction in FTE Jobs vs. Forecasts - Low End** |  | 142 | 57 | 200 | 239 |
| **Reduction in FTE Jobs vs. Forecasts - High End** |  | 380 | 153 | 532 | 636 |
| **FTE to Total Jobs Conversion Factor** | 1.19 |  |  |  |  |

*Source:* GL Hearn

4.28    The impact of this is spread from 2013 forwards. The Experian forecasts projected 4,800 jobs over the 2013-31 period. If we subtract the displaced jobs / demand from this, it suggests employment growth of between 230-250 per annum.

4.29    This level of employment growth remains relatively positive compared to past performance, where the District's economy has posted employment growth of around 175 jobs per annum (1997-2012)[1].

**Workforce Growth**

4.30    Table 23 below considers what level of employment growth might arise based on housing provision in line with targets in the Proposed Submission Adur Local Plan 2014. This sets out a range for housing provision of between 3,488 – 3,638 homes over the 2011-31 plan period. We have phased delivery of housing in line with the Housing Trajectories set out for these scenarios in the Council's *Housing Implementation Strategy (Oct 2014).*

4.31    With the level of housing provision proposed in the plan, the resident workforce (residents in employment) could be expected to increase by between 1,100 – 1,300 persons.

**Table 23:    Dwelling-Led Scenarios for Growth in the Workforce in Adur, 2011-31**

| Adur | Delivery of 3,488 Dwellings | Delivery of 3,638 Dwellings |
|---|---|---|
| Change in Residents in Employment, 2011-31 | 1,075 | 1,297 |
| Change in Residents in Employment per Annum | 54 | 65 |

4.32    In addition to B Class employment uses, a considerable proportion of the forecast jobs growth is in sectors such as education, health, residential care, social work, and retail – jobs which largely serve the needs of the District's population. All of these sectors are projected to see considerable growth in job numbers over the period 2011-31:

- Education – 670 net additional jobs;
- Retail – 520 net additional jobs;
- Residential Care and Social Work – 490 net additional jobs;
- Health – 210 net additional jobs.

4.33    Combined, jobs growth in these sectors accounts for 35% of the total forecast jobs growth in the District over the period 2011-31.

4.34    The forecast jobs growth in these sectors is largely driven by growth in the District's population. The limited land availability of the District means that the District's ability to deliver new housing is heavily constrained. This means a slower rate of population growth and, in turn, a lower level of jobs growth in the above employment sectors.

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[1]   Based on the Experian forecast data

**An Alternative View**

4.35    We have considered the Experian jobs growth forecasts and assessed whether this is likely to be deliverable in Adur given the local circumstances and past trends. Significant land supply constraints will limit the extent of economic and residential development in the District which means a far lower level of jobs growth in numerous employment sectors is likely. The Experian forecasts are likely to over-estimate employment growth, not least as their input assumptions on population growth are likely to be overly optimistic. Comparing the forecast figures to the trend based figures shows that the forecast growth is considerably above the historic trend in Adur – further reinforcing the point.

4.36    This reflects the conclusions of the Adur Employment Land Review Update Report (GL Hearn, 2014) which used the same Experian economic forecasts. The ELR concludes:

> *"7.16 The Experian economic forecasts which indicate net growth in employment of 5,200 jobs between 2011-31 do not take account of development constraints. The Planning Practice Guidance on Housing and Economic Development Needs Assessments (CLG, March 2014) is clear that assessments should be undertaken in this way. None the less, there is potential for the expected growth in labour supply to influence the ability to achieve the levels of employment growth envisaged in the Experian forecasts.*
>
> *7.17 We consider that the Experian forecasts are likely to over-estimate economic growth potential over the 2011-31 period. A notable proportion of overall employment growth is forecast in sectors where population growth is expected to be a demand driver. We would however expect population growth to be notably lower than assumed in the Experian econometric model."*

4.37    For these reasons, GL Hearn would consider that the 10- and 15-year trend based projections of employment trends provide a more realistic and likely assessment of future jobs growth in Adur (leaving aside policy factors). We have therefore used a mid-point between the 10- and 15-Year trend based projections. We have called this the Midpoint Trend Based Forecast. It is shown in Figure 17 overleaf.

**Figure 17: Workforce Jobs Growth, Midpoint Trend Based Forecast**
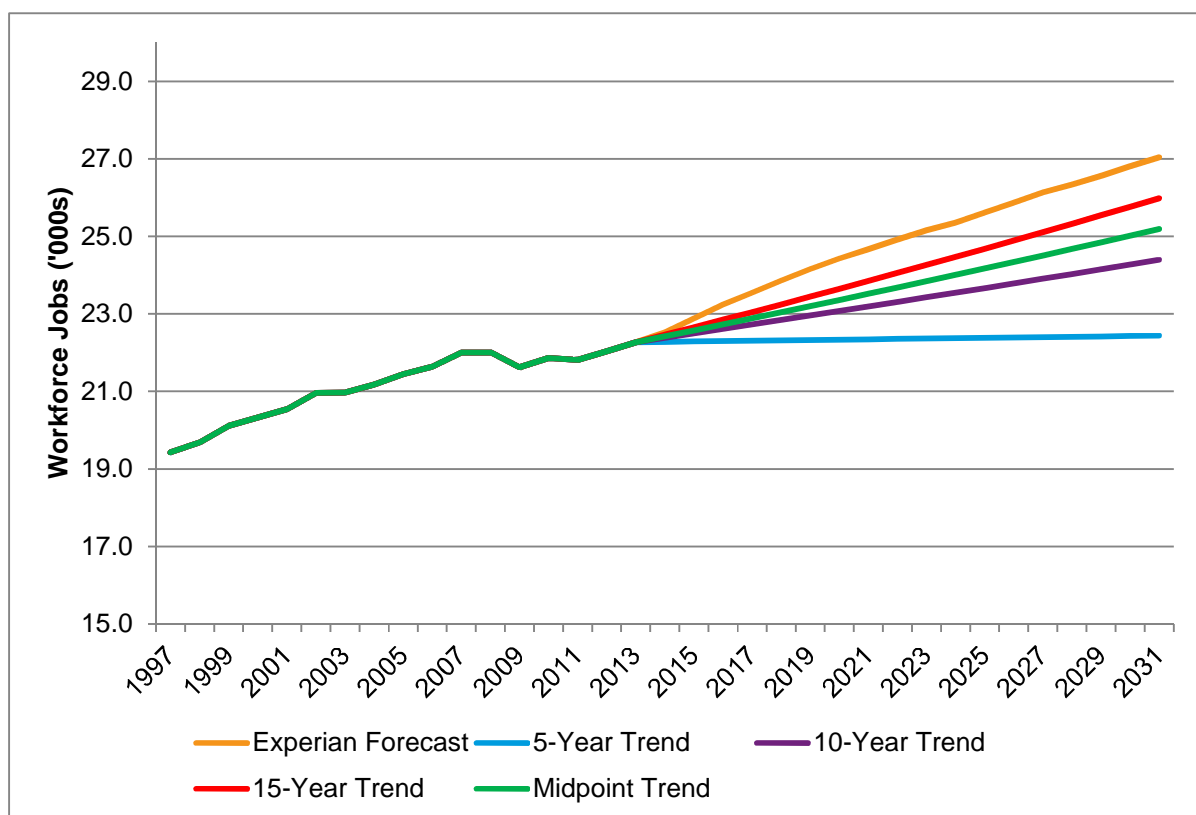


Source: GLH Analysis of Experian

4.38    The Midpoint forecast results in a workforce growth of 212 persons per annum if the assumptions on commuting remaining at current levels are applied. Without commuting assumptions the figure is 160. This equates to an annual housing need of 281 dwellings per annum (with a continuation of current commuting patterns) and 246 dpa (assuming no growth in net commuting).

**Table 24:    10- and 15-Year Midpoint Trend Based Growth, 2011-31**

|  | Current Commuting Ratio | 1:1 Commuting Ratio |
|---|---|---|
| Workforce Growth (per annum) | 212 | 160 |
| Dwelling Growth (per annum) | 281 | 246 |

## Where the Workforce Might be Drawn From?

4.39    The District has a constrained land supply which means that workforce growth is likely to fall short of those projected in the above economic scenarios. The question which then arises is where might the workforce be drawn from? In considering this issue, it must be remembered that Adur is a relatively small District and in functional terms forms part of a wider Housing Market Area/ Travel to Work Area. Indeed we consider that **given the strengths of cross-boundary linkages, it makes**

**little sense to seek to assume a precise balance between job growth and labour force growth within Adur specifically**.

4.40    Table 25 assesses commuting dynamics, based on data from the 2011 Census. It shows that of Adur residents (who are working), just 34% work within the District. This includes those working at home. A further 10% have no fixed place of work. 56% of residents commute out of the District to work. The table also shows of those working in the District, a significant 42% commute into the area.

**Table 25:   Commuting Dynamics, 2011**

|  | Usual Residence | | Workplace Population | |
|---|---|---|---|---|
| Live and Work in Adur | 6,972 | 24% | 6,972 | 31% |
| Home Workers | 3,055 | 10% | 3,055 | 14% |
| No Fixed Place | 3,005 | 10% | 3,005 | 13% |
| Offshore/ Overseas | 81 | | | |
| Out-Commuter | 16,465 | 56% | | |
| In-Commuter | | | 9,355 | 42% |

*Source:* 2011 Census

4.41    Net commuting can be calculated by comparing the balance of people commuting in and out to work. 7,191 persons (net) commute daily out of the District to work. Overall this suggests that there is a deficit of jobs to residents of just over 7,000 persons.

4.42    The commuting dynamics very much reflect the geography of the area, and the close inter-relationships between the District and Worthing to the West, and Brighton and Hove to the East. Table 26 analyses commuting flows.

**Table 26:   Key Commuting Flows, 2011**

| Authority | In Commuters to Adur | Out Commuters from Adur | Net Commuting |
|---|---|---|---|
| Brighton & Hove | 3,077 | 6,615 | -3,538 |
| Worthing | 2,943 | 4,237 | -1,294 |
| Horsham | 836 | 995 | -159 |
| Mid Sussex | 334 | 779 | -445 |
| London | 102 | 791 | -689 |
| Crawley | 102 | 709 | -607 |
| Arun | 902 | 559 | 343 |
| Lewes | 345 | 487 | -142 |

*Source:* 2011 Census

4.43    Table 26 shows that there are almost 9,700 persons daily who commute between Adur and Brighton and Hove (in one direction or the other); with in addition over 7,000 persons daily travelling between Adur and Worthing.

4.44    Overall it makes little sense trying to seek "self-containment" of commuting flows within Adur specifically. However the evidence provides a strong basis for seeking to improve the balance between residents and workers within the District, reflecting the net daily outflow of over 7,000 residents and the evidence (as set out in the Employment Land Review and the Plan) of the District's low jobs density of 0.63 compared to 0.81 nationally (2012).

4.45    We therefore consider that assuming "self-containment" of commuting flows is unrealistic in Adur. As such it is inappropriate to assume that future housing need in Adur will only meet the economic growth within the District. The net outflow of commuters to surrounding districts means that making "self-containment" assumptions would reduce the number of dwellings required in Adur. We have therefore assumed that commuting patterns will remain at current levels. We consider this a more realistic approach and a more suitable one, not least due to the fact that this approach was taken to OAN in surrounding districts.

## Bringing the Demographic and Economic-Led Projections Together

4.46    This section and the previous section have considered the most up-to-date population and household projections, following PPG guidance which states that household projections should provide the starting point estimate of overall housing need. In accordance with the guidance, we have considered the relationship between the demographic and economic growth scenarios.

4.47    The most up-to-date projections are the 2012-based CLG Household Projections published in February 2015. These projections were underpinned by ONS (2012-based) subnational population projections (SNPP) – published in May 2014. The 2012-based household projection headship rates suggest an annual growth of 279 households per annum over the 2011-31 period. Taking account of vacant and second homes, this is equivalent to a housing need of 286 dwellings per annum over this period.

4.48    However this projection forecasts a population growth which is somewhat stronger than suggested by past trends. This is due to the levels of migration being assumed in the projection being above past trends. The projection includes a level of unattributable population change (UPC) which points to an over-estimation of past population growth in the District. Therefore, a sensitivity analysis has been developed modelling three alternative demographic-led scenarios:

- 12-year (long-term) migration trends – this projection looks at the level of population and household/housing growth we might expect if migration levels in the future are the same as seen over the past 12 years.

- 5-year (short-term) migration trends – generally the SNPP looks at short-term migration trends and models these forward. It would generally be expected therefore that there will be some consistency between the SNPP and short-term trends. However, in the case of Adur there does appear to be some inconsistency between the figures and so a short-term projection has also been run.

- UPC adjustment – as noted earlier there is a notable level of Unattributable Population change in the ONS data for 2001-11 in Adur. In this instance UPC is negative, this suggests that the components of change feeding into the SNPP may slightly overestimate migration and population growth. The UPC adjustment scenario incorporates an adjustment to the baseline scenario equal to 50% of the UPC figure for Adur.

4.49    The 2012-based household projection with a 50% UPC adjustment, suggest an slightly lower annual growth of 269 households per annum over the 2011-31 period. This is equivalent to a housing need of 276 dwellings per annum over this period.

4.50    We have considered jobs growth scenarios in order to ensure housing growth and jobs growth aspirations are aligned. We have considered jobs growth scenarios based on the Experian jobs growth forecast and past trends. Assessment of past employment growth trends shows that Adur has seen a level of employment growth well below the Experian forecasts. We have therefore analysed the 5-year, 10-year, and 15-year trends of employment growth in Adur. We consider that the 10- and 15-year trends provide the most realistic assessment of future growth potential in the District. As such we have used a midpoint of these two projections.

4.51    We have then considered the suitability of commuting assumptions with regard to the extent that the jobs growth influences housing need in Adur. The district has high levels of out commuting and strong linkages with neighbouring authorities. On a policy-off basis, we have assumed that the current commuting ratio holds true. On this basis some growth in out-commuting in absolute terms is expected, but not in proportional terms.

4.52    This produces various projections of housing needs based on demographic projections, sensitivity analysis, and economic growth scenarios. These various scenarios provide a range of housing need figures ranging from 240 to 362 dwellings per annum. These are summarised in Figure 18 below.

4.53    We consider that the demographic projection with 50% UPC adjustment provides the most reasonable demographic figure. We use this as a starting point for identifying OAN. This identifies a figure of 276 dwellings per annum.

4.54    We consider that the Midpoint Trend Based jobs growth forecast provides the most realistic economic growth forecast, and that applying current commuting assumptions is appropriate. This

requires a housing need of 281 dwellings per annum. This justifies an upward adjustment to the demographic projection of 5 dwellings per annum.

**Figure 18: Comparison of Annual Housing Need from Demographic, Sensitivity, and Economic Growth Scenarios**
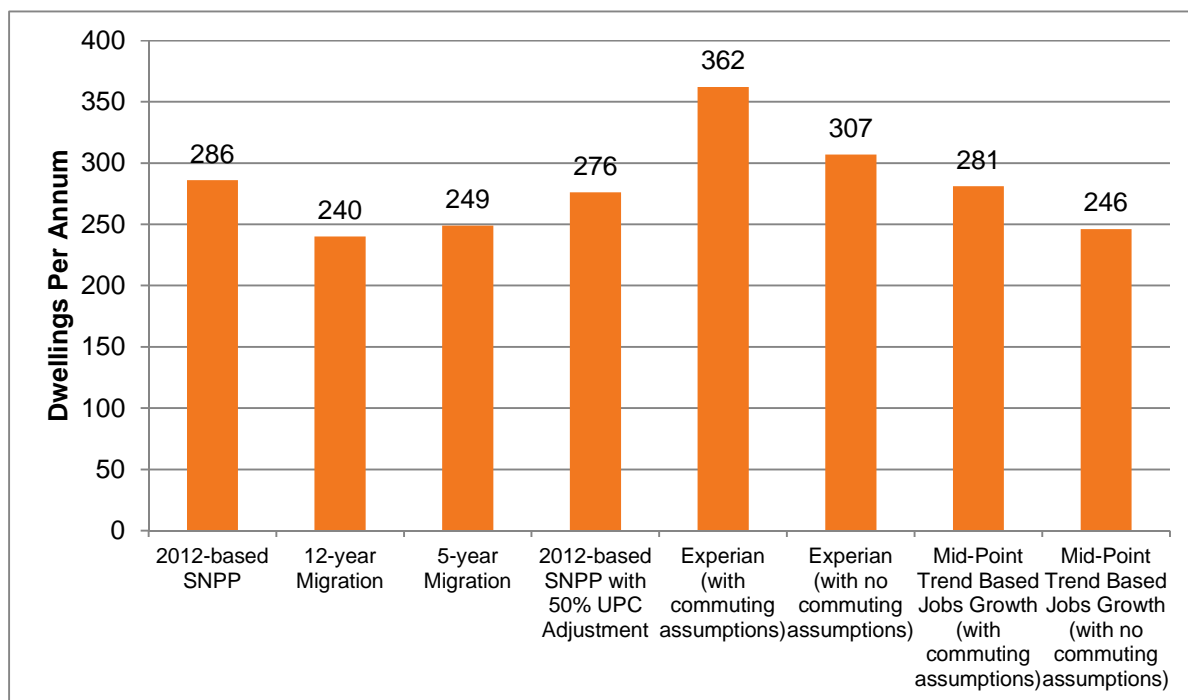


## Conclusions

4.55    The demographic projections (with 50% UPC adjustment) identifies a figure of 276 dwellings per annum. This section assesses the economic growth forecast and trend based projections as well as considering the specific supply-side and policy considerations in Adur. This section concludes that the Mid-Point Trend Based Jobs Growth Forecast is the most realistic assessment of future economic growth in Adur.

4.56    On a policy-off basis we have made the assumption that commuting between Adur and neighbouring authorities remains at current levels (i.e. the commuting ratio is held constant). This economic forecast results in a workforce growth in Adur of 212 additional persons per annum, and a need for an additional 281 dwellings per annum. This suggests a need for a modest uplift to the demographic projections of 5 dwellings per annum would be needed in Adur to meet future economic growth.

# 5    AFFORDABLE HOUSING NEED

5.1    Affordable housing need in Adur District was assessed in the 2012 Coastal West Sussex Strategic Housing Market Assessment (SHMA). GL Hearn and JGC have sought to undertake a selective update to the affordable housing needs model, taking account of more recent information including the demographic projections.

5.2    Affordable housing need has been assessed using the Basic Needs Assessment Model, in accordance with the CLG Practice Guidance. This model is summarised in the chart below.

**Figure 19: Overview of the Affordable Housing Needs Assessment Model**
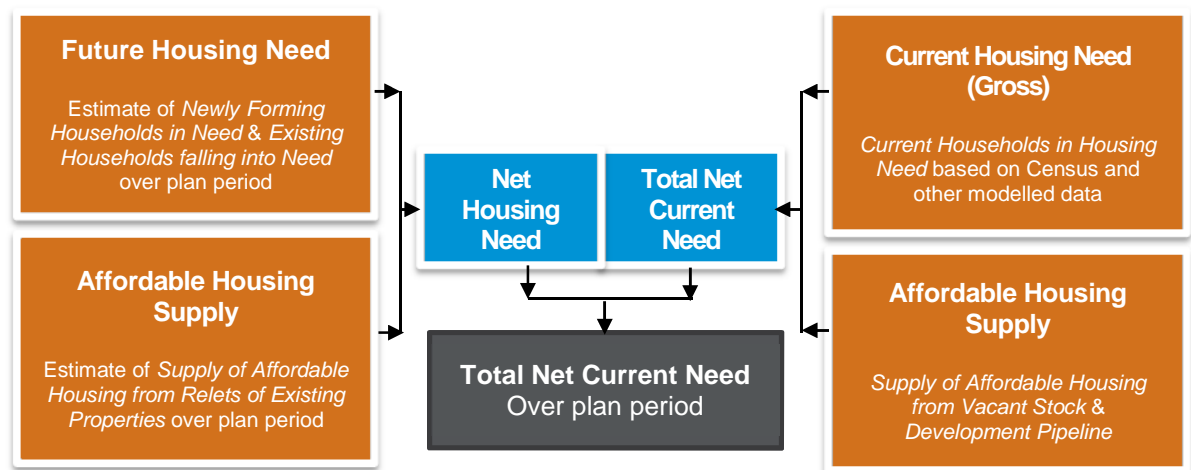


5.3    Essentially the model considers the need arising from households who cannot afford market housing without some form of subsidy or support; and compares this against the supply arising from existing affordable housing and that within the development pipeline. The model is influenced by the differences between housing costs and incomes at the time of the assessment, and by the existing supply of affordable housing (which is influenced by past investment decisions). It is a somewhat theoretical model in that it assumes that all households who require support in meeting their housing needs will be provided with affordable housing – in reality, a significant proportion of households live in the Private Rented Sector and receive financial support from Government through Local Housing Allowance.

5.4    In interpreting figures arising from the model it needs to be borne in mind that the need for affordable housing identified reflects need not just from additional households; but need arising from existing households who are currently housed, but might need alternative accommodation – such as those needing larger homes or those of a different tenure. Meeting the needs of these households does not necessarily require additions to the overall housing stock. Care must thus be taken in comparing figures arising from the Basic Needs Assessment Model with demographic projections – it is not comparing "apples" with "apples."

## Incomes and Housing Costs

5.5     The affordable housing needs model takes account of information regarding housing costs, and compares this to the profile of incomes in Adur District. Data on rental costs has been taken from the Valuation Office Agency (VOA) Private Rental Market Statistics for the year to September 2014. Lower quartile house prices have been calculated from HM Land Registry Price Paid Data. These are shown below.

**Table 27:    Entry-Level Rental Costs – Adur, Year to September 2014**

| Dwelling size | Monthly rent |
|---|---|
| Room only | £380 |
| Studio | £475 |
| 1 bedroom | £560 |
| 2 bedrooms | £680 |
| 3 bedrooms | £850 |
| 4+ bedrooms | £1,200 |
| All dwellings | £600 |

*Source:* VOA Private Rental Market Statistics

**Table 28:    Lower Quartile House Prices, 2013-14**

| Dwelling Type | Purchase Price |
|---|---|
| Detached | £284,000 |
| Semi-Detached | £225,000 |
| Terraced | £203,500 |
| Flat/Maisonette | £138,000 |
| All dwellings | £200,000 |

*Source:* HMLR Price Paid Data

5.6     The distribution of incomes for households within the District in 2014 has been modelled based on the following data sources:

*   CACI from *Wealth of the Nation 2012* – to provide an overall national average income figure for benchmarking

*   English Housing Survey (EHS) – to provide information about the distribution of incomes (taking account of variation by tenure in particular)

*   Annual Survey of Hours and Earnings (ASHE) – to assist in looking at how incomes have changed from 2012 to 2014 (a 2% increase was identified from this source for the South East)

*   ONS modelled income estimates – to assist in providing more localised income estimates for Adur District.

5.7     The analysis indicates that around a third (36%) of households in Adur have an income below
        £20,000; with a further third in the range of £20,000 to £40,000. The overall average (median)
        income of all households in the District was estimated to be around £27,200 with a mean income of
        £35,800.

**Figure 20: Distribution of Households' Income – Adur District**
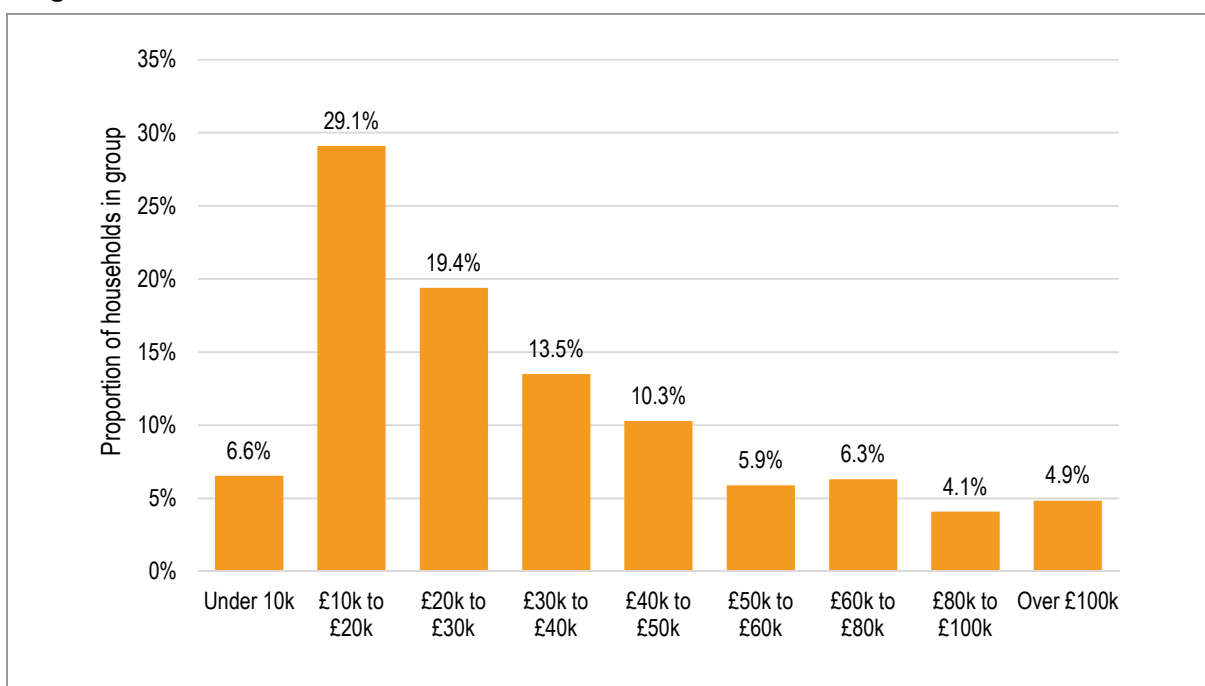


*Source*: Derived from ASHE, EHS, CACI and ONS data

5.8     The income distribution is compared against private sector housing costs, considering entry-level
        costs for rent and purchase (whichever is the cheaper) to assess the proportion of households who
        cannot meet their housing needs without financial support. This is considered further in the relevant
        parts of the modelling below.

## Current Affordable Housing Need

5.9     A total backlog need for affordable housing across Adur of 564 was estimated in the 2012 SHMA.
        This was based on information available from the Council's Housing Register at that time, and
        applying an affordability test.

5.10    The latest evidence from the Council's Housing Register indicates that 644 households are on the
        housing register and in need (i.e. in a reasonable preference category). This data is from the 2014
        Local Authority Housing Statistics.

5.11    Consistent with the methodology used in the 2012 SHMA, an affordability test has been applied
        taking account of the difference between the overall income profile and that expected for

households on the Housing Register. An estimated 83% of households with a current need are expected to have insufficient income to afford market housing. We therefore estimate a current need of 536 households – very slightly lower than seen in the 2012 SHMA.

**Table 29:   Estimated Current Affordable Housing Need, 2014**

| Area | On register and in need | % Unable to Afford | Gross Current Housing Need |
|------|------|------|------|
| **Adur** | 644 | 83.3% | 536 |

## Current Affordable Housing Stock

5.12    The Planning Practice Guidance sets out that there will be a current stock of affordable housing which can contribute to meeting housing need, alongside future supply. It sets out that this may include surplus vacant properties, the committed supply of affordable housing at the point of the assessment, but that any units to be taken out of management should be taken off future supply figures.

5.13    No units are expected to be taken out of management, and it is not expected that the vacancy rate within the stock can be reduced to contribute to meeting needs. There is however a committed supply of 102 affordable dwellings with planning permission which are expected to be built. These can be subtracted from the gross current need from 536 households, resulting in a net current need from 434 households.

## Newly-Arising Need

5.14    Newly-arising need is made of two components: that arising from newly-forming households, and from existing households falling into need.

5.15    Based on the demographic modelling is estimated that *gross* new household formation will be of 475 households per year. This is calculated using our core demographic projection (2012-based SNPP with an adjustment for 50% of UPC), considering the growth in households in specific 5 year age bands over a five year period compared to those in the age band below, up to the age of 45. The approach is consistent with that recommended in the CLG 2007 SHMA Guidance which set out how gross household formation should be calculated.

5.16    The average income of newly-forming households is modelled to be 84% of that of all households. This takes account of survey data, including from the English Housing Survey. Comparing incomes to housing costs in Adur District, it is estimated that 53% of newly-forming households will not be able to afford entry-level market housing costs without support. Applying this to the estimated gross new household formation, it is calculated that 253 newly-forming households per year will have an

affordable housing need – somewhat lower than estimated in the 2012 SHMA at 336 per annum (see paragraph 5.54 for more details).

**Table 30:   Estimated Annual Need Arising from Newly-Forming Households**

| Area | Gross Annual New Household Formation | % Unable to Afford | Total Newly Forming Households in Need |
|---|---|---|---|
| **Adur** | **481** | **52.6%** | **253** |

*Source*: Projection Modelling/Income Analysis

5.17    Estimates of existing households falling into need have been derived from the Continuous Online Recording System (CoRe), considering households who have fallen into need over the past five years and been housed; and then discounting newly-forming households (e.g. those currently living with family) as well as those who have transferred from another social / affordable home. An affordability test has been applied, although relatively few households are estimated to have sufficient income to afford market housing. **The analysis identifies a need arising from 65 existing households each year** – this figure is the same as estimated in the 2012 SHMA.

5.18    The approach for assessing existing households falling into need is consistent with that recommended in the 2007 SHMA Guidance which says on page 46 that *'Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless households applicants)'*.

## Future Affordable Housing Supply

5.19    The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social/affordable rent relets and the annual supply of relets/sales within the intermediate sector.

5.20    The PPG suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. We have used information from the Continuous Recording system (CoRe) to establish social housing turnover. Our figures include general needs and supported lettings over the last two years, but exclude lettings of new properties plus an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.

5.21    On the basis of past trend data it has been estimated that 108 units of social/affordable rented housing are likely to become available each year moving forward. This figure is very similar to the 103 estimated in the 2012 SHMA.

**Table 31:  Estimated Annual Supply from Relets of Social / Affordable Rented Homes**

|  | Adur |
|---|---|
| **Total lettings** | 182 |
| **% as non-newbuild** | 89.6% |
| **Lettings in existing stock** | 163 |
| **% non-transfers** | 66.0% |
| **Sub-total** | 108 |
| **% non-temporary housing** | 100.0% |
| **Total lettings to new tenants** | 108 |

*Source*: CoRe/ JGC

5.22    The supply figure is for social/affordable rented housing only and whilst the stock of intermediate housing in Adur is not significant compared to the social/affordable rented stock, it is likely that some housing does become available each year (e.g. resales of shared ownership). For the purposes of this assessment, data from CoRe has again been utilised about the number of sales of homes that were not new-build. From this it is estimated that around 4 additional properties might become available per annum. The total supply of affordable housing from re-lets is therefore estimated to be 112 per annum.

**Table 32:  Estimated Total Annual Supply of Affordable Housing from Re-lets of Existing Stock in Adur**

| Area | Social/affordable rented relets | Intermediate housing 'relets | Total annual supply from relets |
|---|---|---|---|
| **Adur** | **108** | **4** | **112** |

*Source*: CoRe/ JGC

## Overall Affordable Housing Need

5.23    Table 33 brings together the analysis to provide an overall assessment of affordable housing need, using the Basic Needs Assessment Model. The model compares the balance between newly-arising need (from newly-forming households and existing households falling into need) against supply (from re-lets of existing stock). The committed supply of affordable housing is subtracted from the current affordable housing need, and converted into an annual flow over the remainder of the plan period (to support comparison with demographic projections), following the approach advocated in the PPG.

5.24    The analysis identifies that there is a **net need for affordable housing of 233 dwellings per annum.**

**Table 33:   Affordable Housing Need (2015-31)**

|   |   | Adur District |
|---|---|---|
| A | Current Gross Affordable Need (2015) | 536 |
| B | Committed Supply of Affordable Housing | 102 |
| C | Total Net Current Affordable Need | 434 |
| D | Total Net Need per Annum to 2031 (C / 16) | 27 |
|   |   |   |
| E | Annual Need from Newly-Forming Households | 253 |
| F | Annual Need from Existing Households Falling into Need | 65 |
| G | Total Annual Gross Newly-Arising Need (E + F) | 318 |
|   |   |   |
| H | Annual Supply from Relets of Social & Affordable Rented Homes | 108 |
| I | Annual Supply from Relets of Intermediate Housing | 4 |
| J | Total Future Annual Supply from Re-Lets (H + I) | 112 |
|   |   |   |
| K | Annual Net Need for Affordable Housing (D + G - J) | 233 |

5.25   This is below the annual affordable need figure of 318 homes per annum identified in the 2014 Assessment of Housing Development Needs Study for the Sussex Coast HMA. This principally reflects a reduction in the assessed current housing need based on the latest information.

5.26   The PPG on affordable housing needs assessment indicates that this should take account of the committed supply of affordable housing. At the time of writing there were 102 units of affordable housing committed and if included within the modelling would indicate a net need for 3,737 affordable homes over the period to 2031 (233 per annum).

## Relating Affordable Housing Need and OAN

5.27   The analysis above identifies a need for 233 affordable homes per year if all households who could not meet their housing needs without financial support were to be provided with an affordable home. Planning Practice Guidance sets out that:

> *"The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes."*

5.28    The core demographic projection identifies a need for 276 homes per annum between 2011-31. Net completions totalled 437 between 2011-14. This results in a total need to deliver 4,874 homes (287 per annum) between 2014-31.

5.29    The affordable housing need thus nominally represents 81% of the need derived from the demographic projection. However, a direct comparison between these numbers is not considered to be robust way to understand the link between affordable need and OAN. This point was very clearly picked up in the PAS guidance of June 2014 where it is stated (in para 2.12) that '*affordable housing need is a different kind of number from total need (the OAN), so the two numbers are not directly comparable*'.

5.30    **In particular it is important to understand that the affordable housing needs model takes account of needs of existing households who may be in housing which is unsuitable or for which they require financial support to supplement their income. These households do not necessarily require additional housing per se – if they move, they would release an existing home for another household.** This needs to be borne in mind in interpreting the affordable housing needs findings when considering overall housing need.

5.31    In understanding the link between affordable need and the OAN there are two important considerations:

- To understand the extent to which households in need are already living in housing; and
- To understand the role played by the private rented sector in meeting need.

### Households Already Living in Housing

5.32    The first issue to consider is to note that a proportion of those included in the model will already be living in housing (albeit not housing that it suitable for them for some reason (such as size or cost)). If these households were to move to an affordable home then their current dwelling would become available for another household and there would be no net need for an additional dwelling.

5.33    This point is made in the recent Planning Advisory Service (PAS) Technical advice note (Objectively Assessed Need and Housing Targets) – June 2014. In Section 7 (para 7.3), it recognises that:

> *'As defined in the PG, affordable need also includes housing for existing households – including those that are currently in unsuitable housing and those who will 'fall into need' in the plan period (i.e. their housing will become unsuitable for them). For the most part the needs of these households are not for net new dwellings. Except for those who are currently homeless or 'concealed'. If they move into suitable housing they will free an equivalent number of existing dwellings, to be occupied by people for whom they are more suitable. If the affordable needs of existing households are included in the OAN, the resulting figure will too large'.*

5.34    Looking on this basis at the need for affordable housing it can be seen that the net need for affordable homes in the District is 141 per annum (E – J in the table above). This represents 51% of the projected need (2014-31) for 276 homes per year based on the SNPP Projection with a 50% UPC adjustment.

5.35    Other households included within the affordable housing need calculation include households who are seeking alternative forms of accommodation, such as a different size or tenure of home.

5.36    Thus whilst there is clear evidence of a need to increase the supply of affordable housing, this does not necessarily translate into a need to increase overall housing provision.

**The Role of the Private Rented Sector (PRS)**

5.37    A notable number of households who are identified within the Basic Needs Assessment Model as having an affordable housing need secure accommodation in the Private Rented Sector, supported by Local Housing Allowance (LHA). Government legislated through the 2011 Localism Act to support this.

5.38    Whilst the role of the PRS is not specifically mentioned in the NPPF or PPG, it was recognised in previous CLG SHMA Guidance. The 2007 Guidance outlined that that *"some households in need may choose to live in the private rented sector (possibly with the use of housing benefit) or housing that would be classified as unsuitable, even though they are eligible for affordable housing"*. [p49]. The same page continues by posing a 'research question' of *'how is the private rented sector used to accommodate housing need?'*

5.39    Therefore it is clear that CLG does recognise the role played by the Private Rented Sector and would expect this to be considered in analysis. Whilst the 2007 Guidance has now been replaced by the PPG, there is no clear evidence that there has been any change in approach to this topic. Indeed it is clear that Central Government does see a role for the Private Rented Sector, as the Localism Act identifies. If it didn't then there would be no benefit system available for those unable to access the market and local authorities would not be able to discharge their homelessness duties into the sector. In short, the Private Rented Sector cannot be ignored as a source of supply as it is an integral part of the overall operation of a housing market.

5.40    Data from the Department of Work and Pensions (DWP) has been used to look at the number of LHA supported private rented homes. As of November 2014 it is estimated that there were 1,509 benefit claimants in the Private Rented Sector. What this information does not show is how many lettings are made each year to tenants claiming benefit as this will depend on the turnover of stock. From English Housing Survey it is estimated that the proportion of households within the private sector who are "new lettings" each year (i.e. stripping out the effect of households moving from one private rented property to another) is around 13%. Applying this to the number of LHA claimants in the Private Rented Sector gives an estimate of 196 private sector lettings per annum to new LHA

claimants in the District. This figure is derived from claimants rather than households and it is possible that there are a number of multiple LHA claimant households (i.e. in the HMO sector).

5.41    Relating this to the affordable housing needs modelling, it is clear that currently the PRS is playing a substantial role in accommodating lower income households who cannot meet their needs in the wider market without support. It is catering for (in theory) 84% of the shortfall in affordable housing provision.

## Need for Different Types of Affordable Housing

5.42    Having studied housing costs, incomes and housing need the next step is to make an estimate of the proportion of affordable housing need that should be met through provision of different housing products. We therefore use the income information presented earlier in this section to estimate the proportion of households who are likely to be able to afford intermediate housing and the number for whom only social or affordable rented housing will be affordable. There are three main types of affordable housing that can be studied in this analysis:

- Intermediate
- Affordable rent
- Social rent

5.43    More detailed definitions of these terms, and others are included in Appendix A of this report.

5.44    Whilst the process of separating households into different income bands for analytical purposes is quite straightforward, this does not necessarily tell us what sort of affordable housing they might be able to afford or occupy.

5.45    For example a household with an income close to being able to afford market housing might be able to afford intermediate or affordable rent but may be prevented from accessing certain intermediate products (such as shared ownership) as they have an insufficient savings to cover a deposit. Such a household might therefore be allocated to affordable rented or intermediate rented housing as the most suitable solution. However we would expect that few Registered Providers would build intermediate rented homes, given that the level of potential occupants for affordable rented homes is greater (as it includes households who could claim housing benefit to supplement their incomes). Affordable rented homes have effectively superseded intermediate rented housing for the purposes of new-build development.

5.46    The distinction between social and affordable rented housing is also complex. Whilst rents for affordable rented housing would be expected to be higher than social rents, this does not necessarily mean that such a product would be reserved for households with a higher income. In reality, as long as the rent to be paid falls at or below LHA limits then it will be accessible to a range of households (many of whom will need to claim housing benefit). Local authorities' tenancy

strategies might set policies regarding the types of households which might be allocated affordable rented homes; and many authorities will seek to avoid where possible households having to claim higher levels of housing benefit. This however needs to be set against other factors, including viability and the availability of grant funding. Over the period to 2018 grant funding is primarily available to support delivery of affordable rented homes. A significant level of affordable housing delivery is however through developer contributions (Section 106 Agreements).

5.47    For these reasons it is difficult to exactly pin down what proportion of additional affordable homes should be provided through different affordable tenure categories. In effect there is a degree of overlap between different affordable housing tenures, as the figure below shows.

**Figure 21: Overlap between Affordable Housing Tenures**
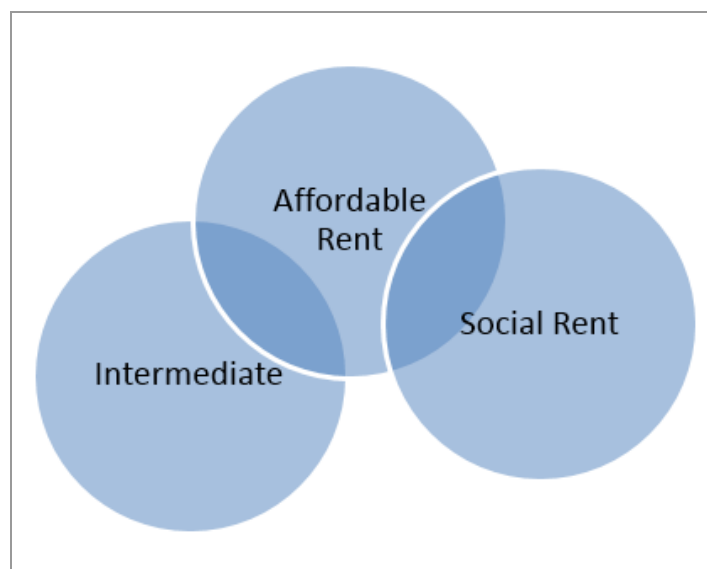


5.48    Both affordable rented and social rented housing is likely to be targeted at the same group of households; many of whom will be claiming Housing Benefit. For this reason the last two categories are considered together for the purposes of drawing conclusions.

5.49    Taking the gross numbers for housing need and comparing this against the supply from relets of existing stock, the following net need arises within the different categories. Overall the analysis suggests around a quarter of housing could be intermediate with the remaining three-quarters being either social or affordable rented.

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**Table 34:  Estimated Need for Different Types of Affordable Housing**

| | Intermediate | | | Social/affordable rented | | |
|---|---|---|---|---|---|---|
| | Total need | Supply | Net need | Total need | Supply | Net need |
| Adur | 63 | 4 | 59 | 289 | 108 | 181 |
| % of total | 25% | | | 75% | | |

*Source:* Housing Needs Analysis

5.50    In determining policies for affordable housing provision on individual sites, the analysis in the table above should be brought together with other local evidence such as from the Housing Register. Consideration could also be given to areas with high concentrations of social rented housing where additional intermediate housing might be desirable to improve the housing mix and to create 'housing pathways'.

## Comparing Findings to the 2012 SHMA

5.51    This section has provided estimates of the overall need for affordable housing by following the approach in the PPG. It is of interest to compare the outputs of this analysis with those in previous housing needs modelling exercises. The last full SHMA covering Adur was completed in 2012. A very similar methodology was used in 2012 with the main difference being the approach to current need – the 2012 report considered clearing the current need over a 5-year period rather than 16-years in this report.

5.52    Table 35 compares the outputs of this report and previous (2012) work. For consistency all figures are provided on an annual basis with the current need from 2012 being recalculated to cover a 16-year period. The analysis suggests a lower level of need in this report when compared with 2012 (233 vs. 330) – the biggest difference being in the estimates of newly forming households falling into need.

5.53    Whilst this might suggest that need has fallen, the reality is that differences are most likely to be due to detailed methodological issues. In particular it should be noted that the 2012 report used an income threshold of 25% for affordability calculations rather than the 30% favoured in this report. In the 2014 assessment, use of a 25% threshold increases the need to 288 per annum, still slightly below the 330 figure shown in the table below.

**Table 35:   Comparing Affordable Housing Needs Estimates in 2012 SHMA and 2014 Assessment – Need per Annum over 20-year period**

|  | 2012 assessment | 2014 assessment |
|---|---|---|
| Current Need | 35 | 27 |
| Newly forming households | 336 | 253 |
| Existing households falling into need | 65 | 65 |
| Total Need | 436 | 351 |
| Supply | 106 | 112 |
| **Net Need** | **330** | **233** |

*Source*: SHMA 2012 and 2014 affordable needs assessment

## Implications

5.54    The analysis identifies a need for 233 affordable homes per year if all households who could not meet their housing needs without financial support were to be provided with an affordable home. This nominally represents 81% of the need derived from the demographic projection. However once account is taken of existing households (who would release homes by moving to another property), a net need from of 142 per annum is identified from households requiring additional housing which is 51% of the projected need from the demographic projections.

5.55    Whilst the evidence suggests a shortfall in the need for and supply of affordable housing, justifying policies seeking new provision, it does not necessarily point to a need to increase overall housing provision. The affordable need in part reflects needs arising from existing households who require a different size or type of home, but who by moving would release an existing property for another household.

5.56    In technical terms there is thus not necessarily a need to increase overall housing provision *per se* based on the evidence of affordable need. However there are choices to be made regarding how the housing needs of those who cannot afford market housing could be met. Consideration of a higher level of housing provision would enhance affordable housing delivery. Chapter 6 considers the housing market signals in Adur and concludes that an uplift to the demographic projections figure is necessary. This uplift will help to improve affordable housing delivery.

## 6 HOUSING MARKET DYNAMICS AND MARKET SIGNALS

6.1 In line with the Planning Practice Guidance, we have sought to analyse in detail the housing market dynamics. This section, initially reviews housing market dynamics including national and macro-economic drivers. This is then developed at a HMA and district level with quantitative analysis of local prices, sales volumes and affordability.

### Overview of the Housing Market and Economy

**Conceptual Framework**

6.2 It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level. There are a number of key influences on housing demand, which are set out in the diagram below:

**Figure 22: Understanding Housing Demand Drivers**
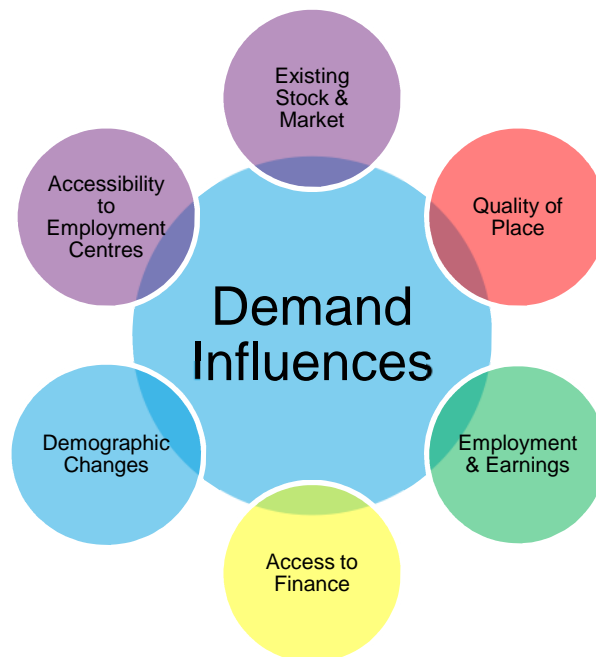


*Source:* GL Hearn

6.3 At the macro-level, the market is particularly influenced by interest rates and mortgage availability, as well as market sentiment (which is influenced by economic performance and prospects at the macro-level). In the recent recessionary period, these macro conditions have been particularly prominent in driving the housing market.

6.4 The market is also influenced by the economy at both regional and local levels, recognising that economic employment trends will influence migration patterns (as people move to and from areas

to access jobs) and that the nature of employment growth and labour demand will influence changes in earnings and wealth (which influences affordability).

6.5 Housing demand over the longer-term is particularly influenced by population and economic trends: changes in the size and structure of the population directly influence housing need and demand, and the nature of demand for different housing products.

6.6 There are then a number of factors which play out at a more local level, within a functional housing market and influence demand in different locations. The importance of these local factors is perhaps more pronounced in stable or healthy economic times, when mortgage availability and market liquidity are far less of a constraint on activity. Local factors include:

- quality of place and neighbourhood character;
- school performance and the catchments of good schools;
- the accessibility of areas including to employment centres (with transport links being an important component of this); and
- the existing housing market and local market conditions.

6.7 These factors influence the demand profile and pricing within the market. At a local level, this often means that the housing market (in terms of the profile of buyers) tends to be influenced and consequently reinforce to some degree the existing stock profile. However, regenerative investment or delivery of new transport infrastructure can influence the profile of housing demand in a location, by affecting its attractiveness to different households.

6.8 Local housing markets or sub-markets are also influenced by dynamics in surrounding areas, in regard to the relative balance between supply and demand in different markets; and the relative pricing of housing within them. Understanding relative pricing and price trends is thus important.

## Local Demand Indicators and Market Signals

**House Prices**

6.9 Across Adur, the mean house price (Jan 2013 – Nov 2014) is £246,000 whilst the median is £228,000. On average, prices in Adur are lower than Coastal West Sussex as a whole where the mean house price is £274,000 and the median is £232,000.

6.10 Figure 23 profiles house prices in Adur from 1998 to 2007 (i.e. the pre-recession decade). It also shows the average for the Coastal West Sussex Housing Market Area, as well as regional and national trends. The median house prices in Adur have increased by 226% over the pre-recession decade which is marginally higher than seen in the wider areas: Coastal West Sussex saw a 199% increase, the South East region saw a 188% increase, and England and Wales saw a 190% increase over this period. The higher percentage growth relative to the county and regional benchmarks reflects the lower base house price in Adur District.

**Figure 23: Median House Price (1998-2007)**
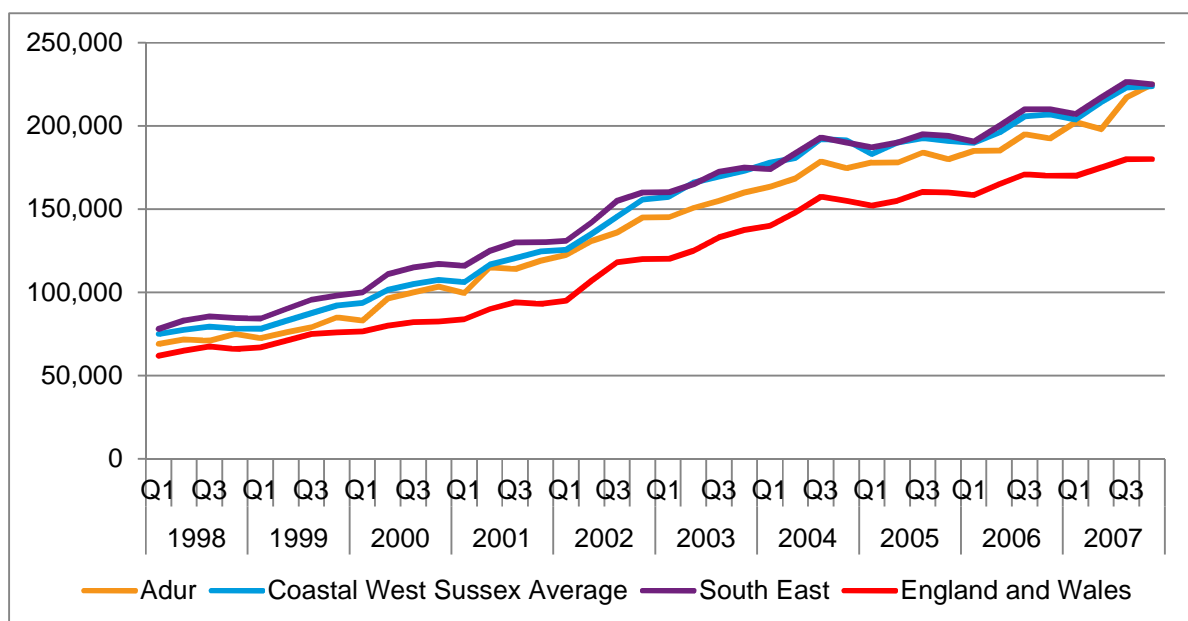


*Source:* DCLG Live Tables: Land Registry Data

6.11    Since 2007, trends in house prices have understandably been very different due to the economic backdrop, with all areas experiencing notable price falls in late 2008 / early 2009 at the onset of the recession, as was the case regionally and nationally. House prices in Adur rose throughout the second half of 2009 reaching pre-recession levels by early 2010 and have plateaued, remaining roughly level since.

6.12    Stable house prices over the last five years provides no evidence of a current supply/demand imbalance for market housing in Adur District. Indeed taking account of inflation, the evidence indicates that the value of housing has fallen in real terms.

**Figure 24: Median House Price (2008-2013)**
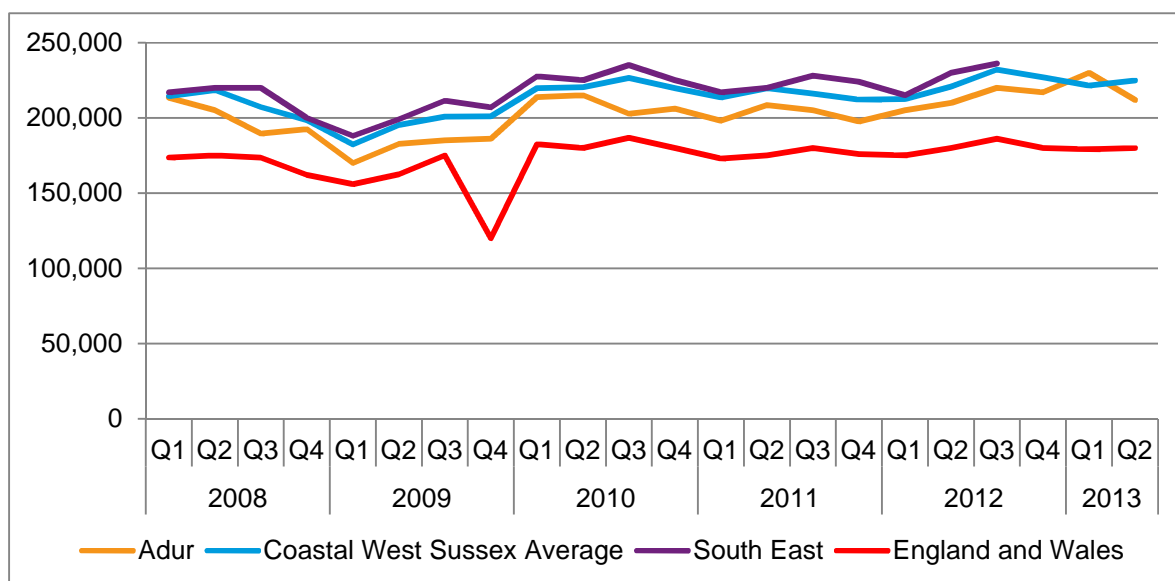


*Source:* DCLG Live Tables: Land Registry Data

6.13    We have also analysed house prices achieved over past two years (January 2013 to November 2014) in Adur and the Coastal West Sussex authorities in more detail to gain an understanding of prices for different property types within the local housing markets.

**Figure 25:  Median House Prices (Jan 2013 - Nov 2014)**



| | Detached | Semi-Detached | Terrace | Flats | Overall |
|---|---|---|---|---|---|
| Adur | £314,500 | £240,000 | £226,750 | £163,500 | £228,000 |
| Arun | £320,000 | £217,000 | £187,750 | £125,000 | £220,000 |
| Chichester | £432,124 | £250,000 | £243,000 | £168,500 | £280,000 |
| Worthing | £343,000 | £244,000 | £205,000 | £143,000 | £215,000 |
| Coastal West Sussex | £349,950 | £235,000 | £210,000 | £144,950 | £232,000 |
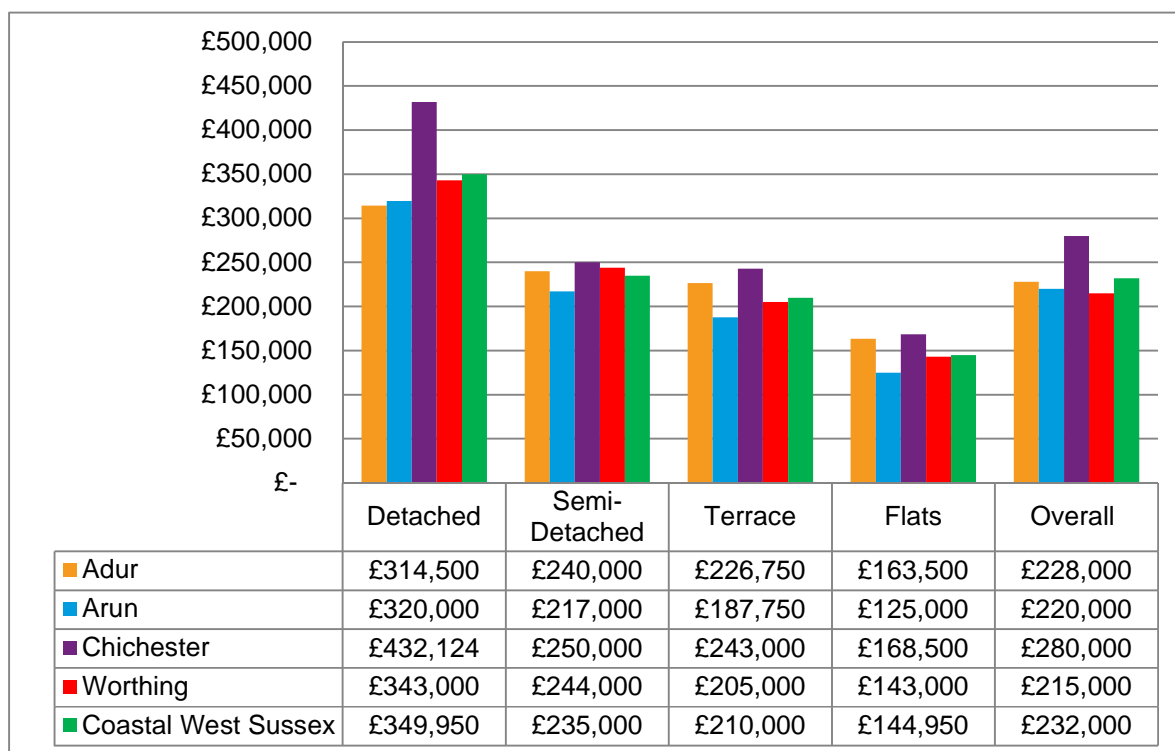
*Source:* GLH Analysis: Land Registry Price Paid Data

6.14    Figure 25 on the previous page shows median house prices by different dwelling type. The median price for detached houses in Adur is £314,500 which is the lowest of the Coastal West Sussex authorities. The median price of a semi-detached house in the District is £240,000, a terrace house is £226,750, and flat is £163,500. For these three dwelling types median prices in Adur are above the Coastal West Sussex median.

6.15    Figure 26 below shows the breakdown of sales during this period by dwelling type. This largely reflects the dwelling stock of each area. Adur saw a much smaller proportion of detached house sales and a greater proportion of semi-detached house sales. This reflects the housing stock profile.

**Figure 26:  Proportion of Sales by Dwelling Type (Jan 2013 - Nov 2014)**
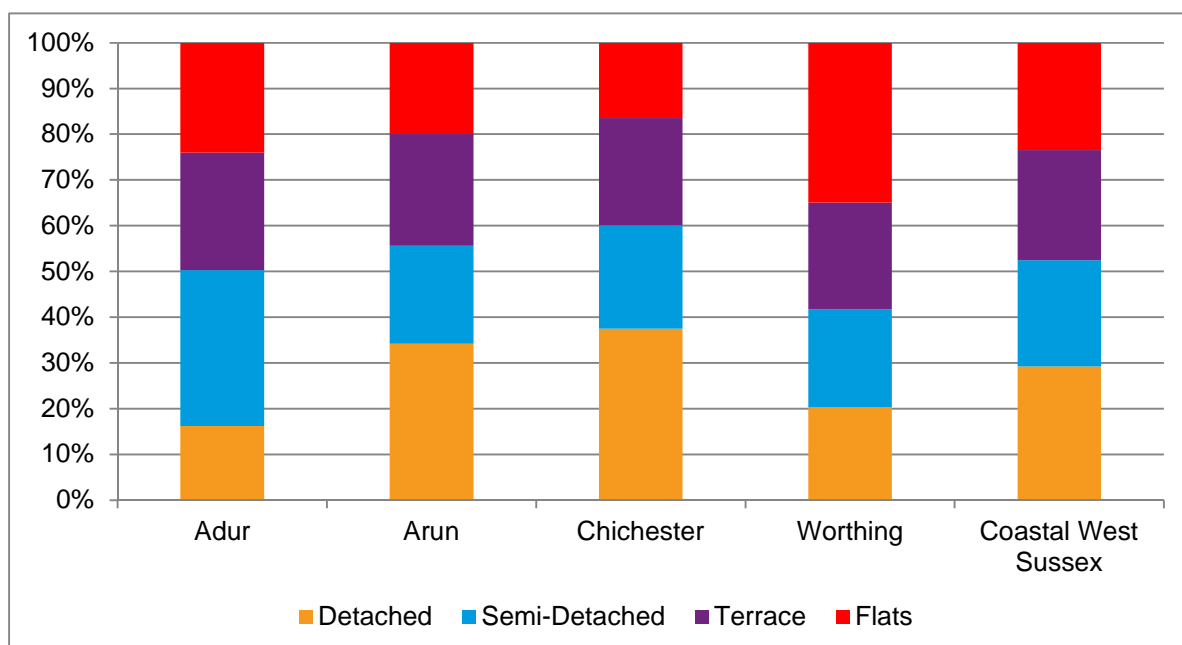


*Source:* GLH Analysis: Land Registry Price Paid Data

**Sales Volumes and Effective Demand**

6.16    Sales volumes are an important indicator of effective demand for market housing. We have benchmarked sales performance against long-term trends to assess relative demand. Figure 27 overleaf benchmarks annual sales across Adur, Coastal West Sussex, and across England and Wales over the period 1998 to 2014. It uses an index where 1.00 is the average annual sales over the 1998-2007 pre-recession decade.

6.17    As illustrated in Figure 27 the impact of the 2008 recession on sales volumes was experienced across all geographical areas with sales volumes experiencing a significant drop between 2007 and 2008. Since the 2008 trough, sales volumes have shown modest but steady year on year increases. Despite this improvement, sales volumes in 2014 remain well below the levels seen pre-recession.

In Adur the number of sales in 2014 was 72% of the pre-recession average (i.e. 28% below the long-term pre-recession average). This highlights that demand for market homes remains below the longer-term average.

**Figure 27: Indexed Analysis of Sales Trends (1998 – 2014)**
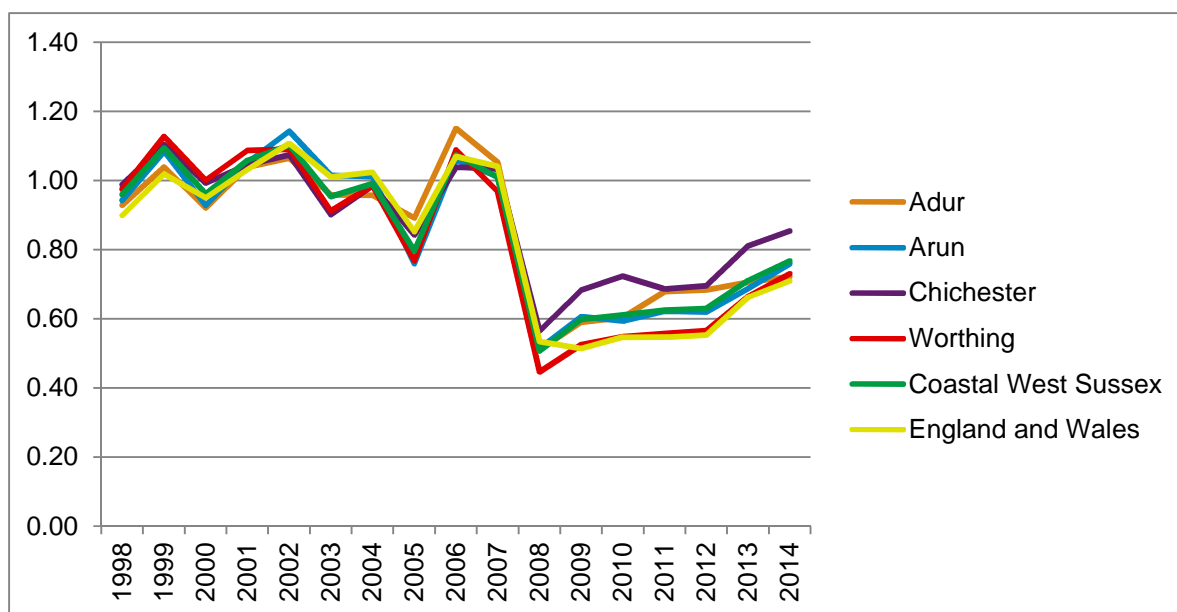


*Source:* GLH Analysis: Land Registry Price Paid Data

**Rental Trends**

6.18    The most recent VOA private rental data (September 2014) shows the median rental price in Adur is £730pcm. This is the same as the overall Coastal West Sussex HMA average, with median private rental values higher in Chichester at £825pcm, but lower in Arun at £695, and Worthing at £675pcm. The Adur value is lower than West Sussex county median of £775pcm, and the South East median of £760pcm. However it is higher than the England median of £595pcm.

6.19    Figure 28 shows the average rental values benchmarked to September 2011 values. This shows a general positive trend across all areas. Over this period median rental values have increased by 5% in Adur. By comparison, private rental values in West Sussex have increased by 6.9%, growth in the South East is slightly higher at 8.6%, whereas England has increased by 3.5%.

6.20    Also shown in Figure 28 is the Consumer Price Index (CPI), a measure of inflation. The CPI inflation rate over the period of September 2011 to September 2014 was 6.2%. The increase in PRS prices in Adur over this period roughly matches the CPI growth trend, although the prices in Adur experienced greater fluctuations, likely due to a smaller sample size. This means that in real terms, PRS prices in Adur have remained fairly stable.

**Figure 28: Benchmarked Trend in average Private Rental Values (Sept 2011 – Sept 2014)**
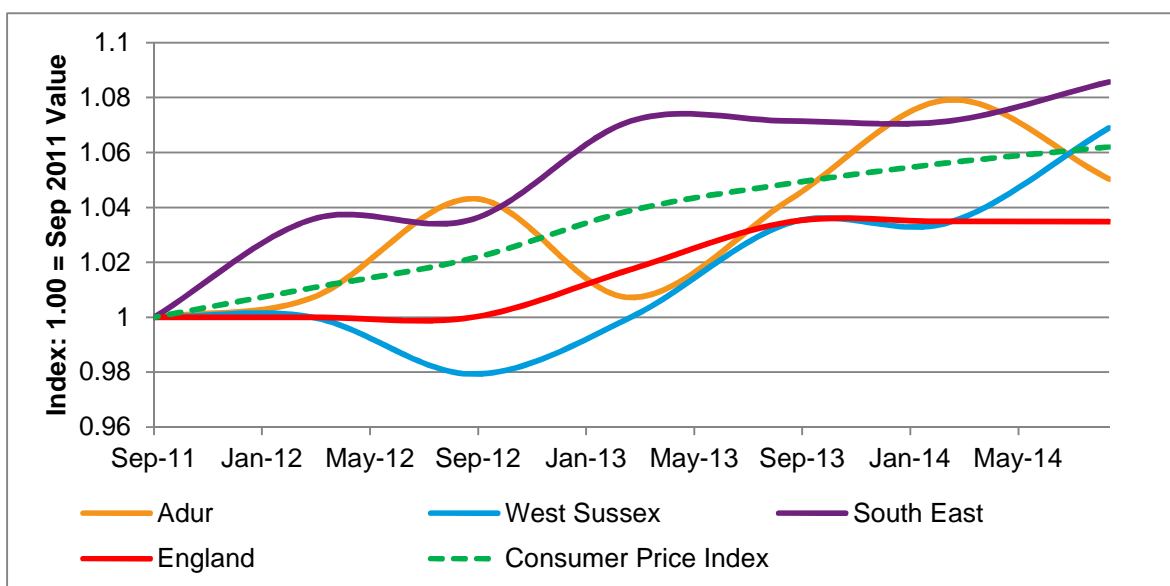


*Source:* VOA Private Rental Data & ONS

6.21    The private rentals data shows that there were 398 rental transactions in Adur over the most recent 6 month period (March – September 2014). This is a much lower figure than the other HMA authorities in absolute terms, and equates to just 8% of the HMA total. Figure 29 below shows trends in the number of private rental transactions recorded by the VOA benchmarked against September 2011 figures. This shows the number of rental transactions in Adur has grown over this period, albeit from a much lower initial figure than other areas. Adur saw 48% over this period. In real terms, there were 130 more private rental transactions in March – September 2014 than March – September 2011. This could simply reflect low transactions in 2010/11.

**Figure 29:  Trend in Private Rental Transactions (Sept 2011 – Sept 2014)**
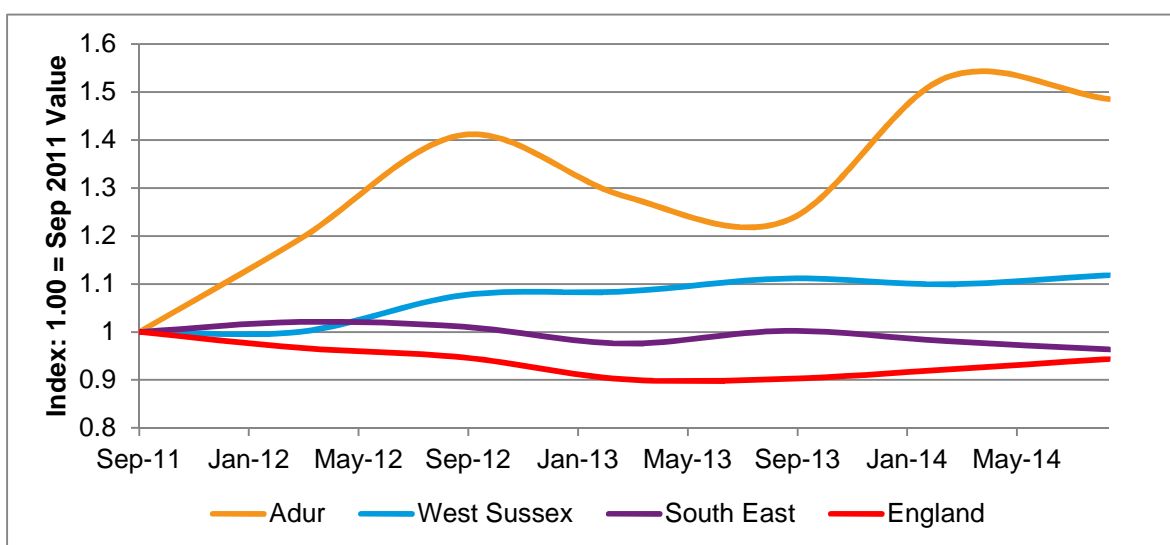


*Source:* VOA Private Rental Data

**Affordability of Market Housing**

6.22    We have considered evidence of affordability by looking specifically at the relationship between lower quartile house prices and lower quartile earnings – the Government's preferred measure. As of 2013, the lower quartile house prices in Adur are 9.6 times higher than lower quartile earnings. This is roughly average for the Coastal West Sussex authorities although slightly higher than West Sussex as a whole (8.9 times). It is notably higher than England as a whole (6.5 times), as are most authorities in the greater South East.

6.23    Nationally, the ratio of affordability peaked in 2007 before experiencing a post-recession trough in 2009. Affordability ratios have since plateaued with current affordability ratios lower than the 2007 peak. Adur follows this general trend, albeit with more fluctuations which is to be expected from a smaller population.

6.24    What is notable from the graph is that the lower quartile affordability ratio in Adur has been relatively stable for the past decade, suggesting that whilst housing is not that affordable, that the situation has not worsened.

**Figure 30: Lower Quartile Affordability Trend (1997-2013)**
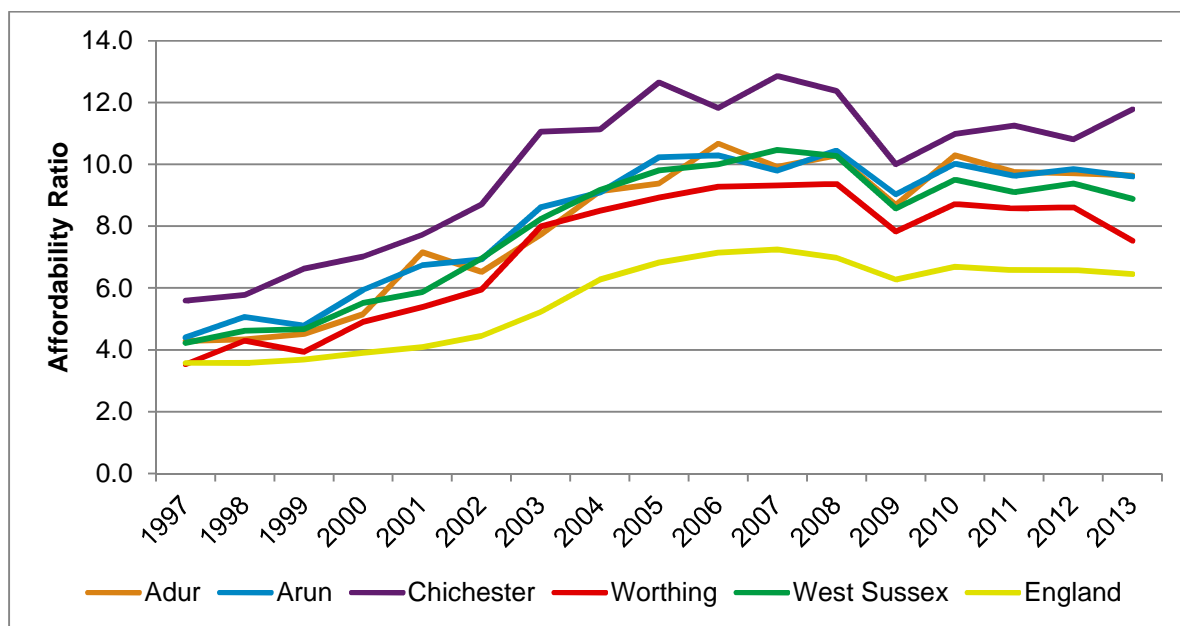


*Source:* DCLG Housing Market Live Tables

6.25    We have also considered and compared this to the median price-earnings ratio to identify whether affordability is an issue across the market or within a particular segment. In Adur the median ratio and lower quartile ratio are identical indicating that affordability pressures are similar at various levels within the market.

**Table 36: Comparison of Lower Quartile and Median Affordability (2013)**

|  | Lower Quartile Ratio | Median Ratio | Difference |
|---|---|---|---|
| **Adur** | 9.64 | 9.64 | 0.00 |
| **Arun** | 9.60 | 9.65 | 0.05 |
| **Chichester** | 11.78 | 10.55 | -1.23 |
| **Worthing** | 7.53 | 7.78 | 0.25 |
| **West Sussex** | 8.88 | 8.72 | -0.16 |
| **England** | 6.45 | 6.72 | 0.27 |

*Source:* DCLG Housing Market Live Tables.

6.26    Affordability is influenced by house prices and earnings. Figure 31 below compares the median and lower quartile gross annual residents' earnings. Median earnings in Adur are just over £22,600 per annum which is the lowest of Coastal West Sussex authorities, and well below the median values for West Sussex (£27,900) and England and Wales (£27,200). Lower quartile earnings in Adur are £17,600 per annum which is higher than the Arun rate, but lower than elsewhere in Coastal West Sussex and lower than the values for West Sussex (£19,600) and England and Wales (£19,200).

6.27    This indicates that poor affordability in Adur, as indicated by higher than average affordability ratios, is strongly influenced by low wages of residents living in the District.

**Figure 31: Comparison of Gross Annual Earnings for Full Time Workers (2013)**
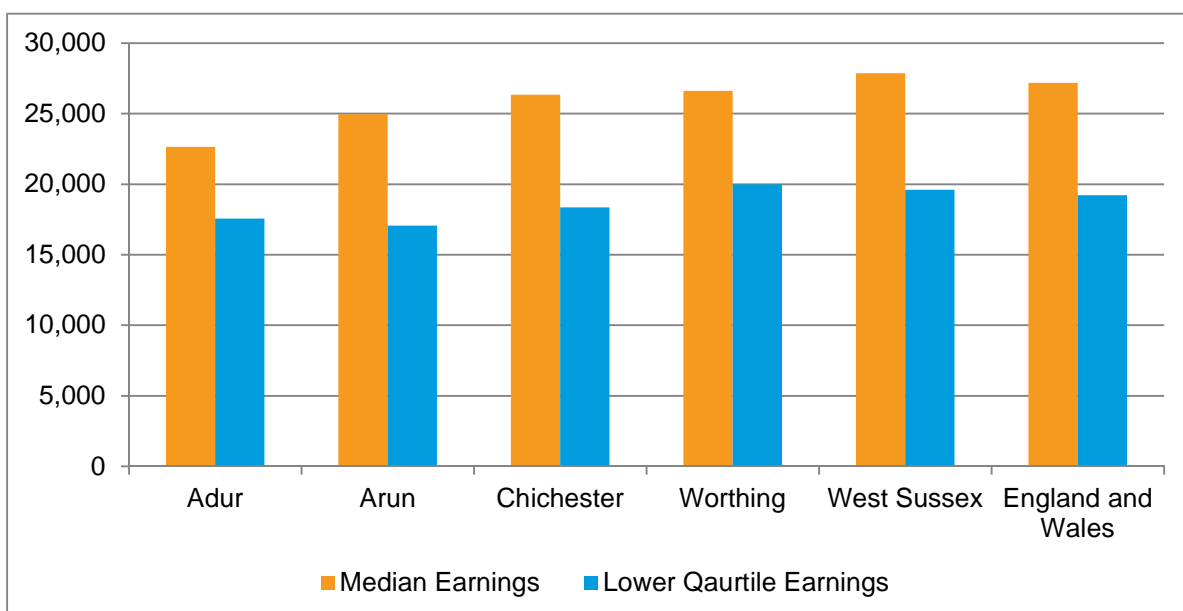


*Source:* Annual Survey of Hours and Earnings

6.28    A combination of some deterioration in the affordability of market homes, restricted access to mortgage products and a lack of social housing supply over the 2001-11 decade has resulted in fewer households being able to buy and increased pressures on the existing affordable housing

stock. This has resulted in strong growth in the private rented sector as households are being forced to rent longer.

6.29    As illustrated in Figure 32 below, owner occupation in Adur has fallen by 4% between 2001 and 2011 while there was a 6 percentage point growth in the Private Rented Sector over this period. This trend has been seen regionally and nationally, with the percentage point change seen in Adur is smaller than the change seen across these wider areas.

**Figure 32:  Change in Households by Tenure, 2001-11**
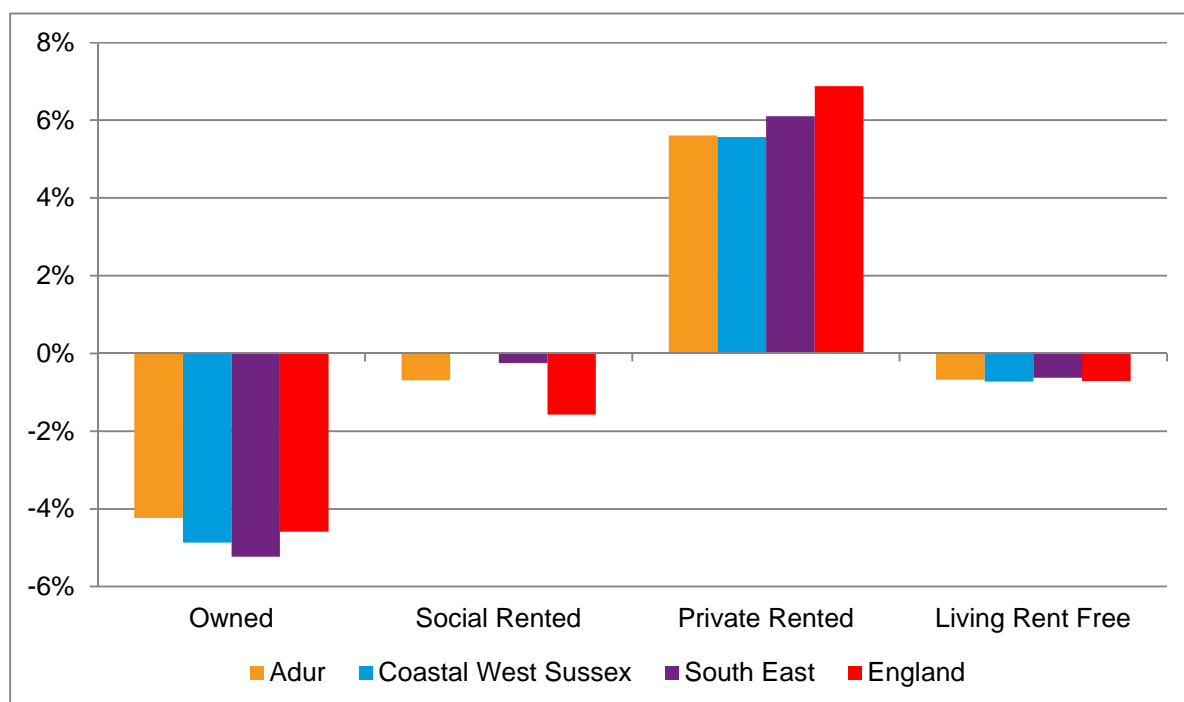


*Source:* 2001 & 2011 Censuses

## Past Housing Supply vs. Targets

6.30    We have examined housing completions data for Adur dating back to 2006/07. Figure 33 overleaf shows net housing completions against the annual housing target in the district from 2006/07 to 2013/14. The South East Plan target of 105 dpa is used until its revocation in 2013[2]. Adur's objectively assessed housing need (OAN) is set out in the Objective Assessment of Housing Development Needs Study produced in 2014 which recommends a range of 180-240 dwellings per annum. Figure 33 shows the upper figure in this range. Overall housing delivery over this period exceeds the target in five of the eight years studied, and exceeded the target applicable at the time, in the relevant monitoring year, by 7% over the eight year period.

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[2] The basis of housing targets in the South East Plan is set out in Appendix C

**Figure 33: Housing Completions vs. Past Targets, 2006/07-2013/14**
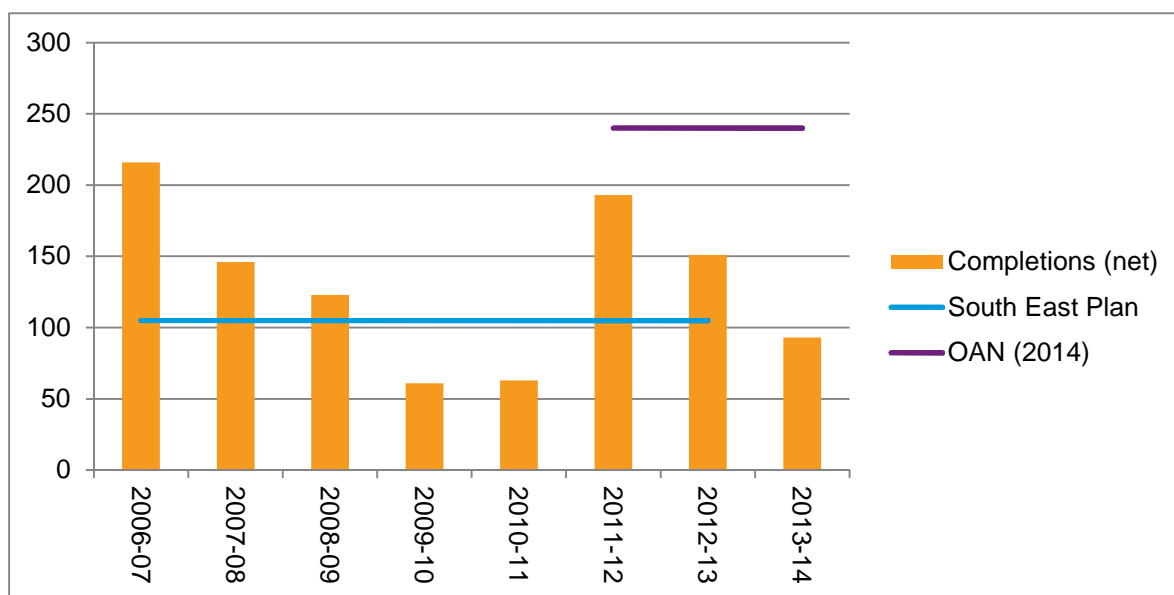


*Source:* Authority Monitoring Reports

6.31    To contextualise the housing supply trends data, it is noted that the above section, in line with Planning Practice Guidance, compares housing completions data to adopted housing targets. However, the housing target in the emerging Local Plan will not necessarily equate to the objectively assessed housing need. Adur is constrained by land supply, and therefore the housing target will reflect this. This means the local housing market may still be restrained by supply trends, even where housing targets are met.

6.32    The impact of restricted delivery, coupled with access to mortgage restrictions brought on by tighter regulation, may have resulted in constrained household formation rates and contributed to the current need for affordable housing.

6.33    A symptom of this is increased over-crowding and a growth of households living in houses in multiple occupation. Between 2001 and 2011 the number of households in Adur living in over occupied properties increased modestly from 5.1% to 5.6%. A similar pattern was seen in many areas regionally and nationally. The growth seen in Adur is lower than seen elsewhere and the 2011 figure of 5.6% is lower than regional and national averages.

6.34    Similarly, Adur has seen an increase in the number of people living in houses in multiple occupation (HMOs). The proportion of Adur's population dwelling in HMOs increased from 3.4% in 2001 to 4.7% in 2011. This level of growth is similar to national trends. Again, the 2011 figure of 4.7% is lower than regional or national averages.

**Figure 34:  Changes in Over Occupied and Houses in Multiple Occupation (2001-2011)**

|  | Over Occupied | | | HMOs | | |
|---|---|---|---|---|---|---|
|  | **2001** | **2011** | **Growth** | **2001** | **2011** | **Growth** |
| **Adur** | 5.1% | 5.6% | 0.6% | 3.4% | 4.7% | 1.3% |
| **Arun** | 5.3% | 6.7% | 1.4% | 3.4% | 4.9% | 1.5% |
| **Chichester** | 4.3% | 5.1% | 0.8% | 4.3% | 4.8% | 0.5% |
| **Worthing** | 7.1% | 9.2% | 2.1% | 3.8% | 5.1% | 1.3% |
| **South East** | 5.9% | 7.5% | 1.5% | 4.5% | 5.4% | 0.9% |
| **England** | 7.1% | 8.7% | 1.6% | 4.5% | 5.8% | 1.3% |

*Source:* 2001 & 2011 Censuses

## Summary

6.35    This section has examined the key housing market signals in order to assess the balance between the demand for and supply of dwellings in Adur. The housing market evidence points to the following conclusions:

- House prices which have been stable over the last five years. In real terms house prices have fallen. Average prices are below the average across the sub-regional HMA;

- Rental costs have been stable in real terms. This does not suggest a particular pressure to increase rental supply;

- Housing delivery since 2006/07 has been significantly above housing targets. However past housing targets for the District have been influenced by available land;

- Some indicators point to affordability issues, including a lower quartile affordability ratio of 9.6, decline in owner occupation and increase in private renting HMOs. But these are consistent to wider trends and affordability has not been worsening.

- Affordability issues are as much about low earnings as housing costs. The Plan's economic strategy is important in contributing to improving affordability – by creating employment opportunities for people to work locally and contributing to increases in wages.

## Implications of Housing Market Signals

6.36    Overall the analysis of market signals points to some modest affordability pressures in the District. The demographic analysis indicates that levels of household formation, particularly for younger households, has fallen (see Figure 13, page 43). It would therefore be appropriate to consider an adjustment to the overall assessment of housing need to improve affordability over time in line with the approach outlined in the Practice Guidance.

6.37    The Planning Practice Guidance sets out that:

*"In areas where an upward adjustment [to the assessment of housing need] is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be."*

6.38    The Guidance does not however set out how such an adjustment should be quantified. It simply sets out that it should be 'reasonable.'

6.39    It is important to consider how these housing market trends relate through to demographic projections in considering, as the Planning Practice Guidance recommends, whether there is a case for adjusting levels of housing provision in effect to improve affordability over the longer-term.

6.40    National research undertaken for the RTPI by the Neil McDonald and Peter Williams at Cambridge University indicates a particular effect of the decline in affordability between 2001 and 2011 and the economic recession has been young adults living within a parental home for longer or living in shared accommodation rather than separate accommodation. The impact of this, their research shows, has been most significant for the 25-34 age group.

6.41    A detailed interrogation of demographic dynamics in Adur indicates that in demographic terms, the deterioration in affordability of market housing and the economic recession over the 2001-11 decade is likely to have influenced – at least in part – a decline in household formation rates in younger people, particularly amongst those aged between 25 and 34. This is the one age group identified as showing some degree of suppression when balancing past trends and the future projection.

6.42    When we consider age-specific data it is notable that those aged 25-34 have lower headship rates than was expected in the 2008-based projections and that the rates have dropped considerably from 2001 to 2011. We have therefore run a sensitivity analysis which considers and seeks to quantify the implication of returning the household formation rates of the 25-34 age group back to 2001 levels by 2031.

6.43    This sensitivity in effect seeks to consider a scenario in which affordability and access to housing for younger households improves, and quantifies what level of housing provision might be associated with this, all other factors being equal. It models the implications of returning household formation rates over the period to 2031 back to levels seen in 2001 (i.e. before the rate started to decrease). If achieved, the effect would be to reduce the proportions of shared households and persons within this age group living with parents. We term this sensitivity analysis the 'affordability adjustment.'

6.44    In reality, other factors such as real growth in disposable income (allowing people to save), the availability of and access to mortgage finance, interest rates and economic confidence will all influence trends in household formation. There is a complex set of factors at play, and it is difficult to predict how these factors might interact in the future and the impact on household formation rates (in the absence of any supply-side constraints). Furthermore part of the changes in household formation rates for this age group may have been due to international migration.

6.45    The sensitivity analysis indicates that, all other things being equal, an uplift of around 10 homes per annum across the District would support an improvement in affordability and household formation rates amongst younger households. The uplift represents a 4% increase on the 2012-based SNPP with alternative migration assumptions and with a UPC adjustment is shown in Table 37 below.

**Table 37:    Projected Household Growth 2011-31 – 2012-Based SNPP and UPC adjusted – 2012-Based Headship Rates – With Affordability Adjustment**

|  | **2012 based SNPP** | **12 year migration** | **5 year migration** | **With UPC adjustment** |
|---|---|---|---|---|
| **Households 2011** | 27,024 | 27,024 | 27,024 | 27,024 |
| **Households 2031** | 32,799 | 31,893 | 32,066 | 32,400 |
| **Change in households** | 5,775 | 4,869 | 5,043 | 5,376 |
| **Households per annum** | 289 | 243 | 252 | 269 |
| **Dwellings per annum (from demographic model[3])** | 286 | 240 | 249 | 276 |
| **Potential uplift** | 10 | 10 | 10 | 10 |
| **% uplift** | 4% | 4% | 4% | 4% |
| **Total dwellings per annum** | 296 | 250 | 259 | 286 |

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[3] See Table 17

# 7    NEED FOR DIFFERENT TYPES OF HOMES

7.1    There are a range of factors which influence housing demand. These factors play out at different spatial scales and influence both the level of housing demand (in terms of aggregate household growth) and the nature of demand for different types, tenures and sizes of homes. It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level.

7.2    Demographic changes are however expected to be a key long-term driver. It is reasonable to consider the implications of demographic trends (and in particular changes in the age structure of the population) as a starting point for considering what mix of housing might be needed over the period to 2031.

7.3    Figure 35 below describes the broad methodology employed in the housing market modelling. Data is drawn from a range of sources including the 2011 Census and the demographic projections.

**Figure 35:  Stages in the Housing Market Model**



Establish how households of different ages occupy homes (by tenure)

Project how the profile of households of different ages will change in future

Draw together housing needs, viability and funding issues to consider affordable housing delivery

Model future requirements for market and affordable housing by size and compare to existing profile of homes

Output recommendations for housing requirements by tenure and size of housing

## Modelling Approach & Assumptions

### Understanding How Households Occupy Homes

7.4    Whilst the demographic projections provide a good indication of how the population and household structure will develop it is not a simple task to convert the net increase in the number of households in to a suggested profile for additional housing to be provided. The main reason for this is that in the market sector households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided. The size of housing which households occupy relates

more to their wealth and age than the number of people which they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a four bedroom home as long as they can afford it and hence projecting an increase in single person households does not automatically translate in to a need for smaller units. This issue is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to continue to under-occupy their current homes.

7.5     The general methodology is to use the information derived in the projections about the number of household reference persons (HRPs) in each age and sex group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table C1213 which provides relevant data for all local authorities in England) with data then calibrated to be consistent with 2011 Census data (e.g. about house sizes in different tenure groups).

7.6     Figure 36 overleaf shows an estimate of how the average number of bedrooms varies for different ages of HRP and different sexes by broad tenure group. In the market sector the average size of accommodation rises over time to typically reach a peak around the 40-44 age group. In the affordable sector this peak appears earlier. After sizes peak, the average dwelling size decreases – possibly linked to some households down-sizing as they get older. It is also notable that the average size for affordable housing dwellings are lower than those for market housing whilst in market housing, male HRPs typically live in larger accommodation for all age groups (with no strong trend being seen in the affordable sector).

**Figure 36: Average Bedrooms by Age, Sex and Tenure**
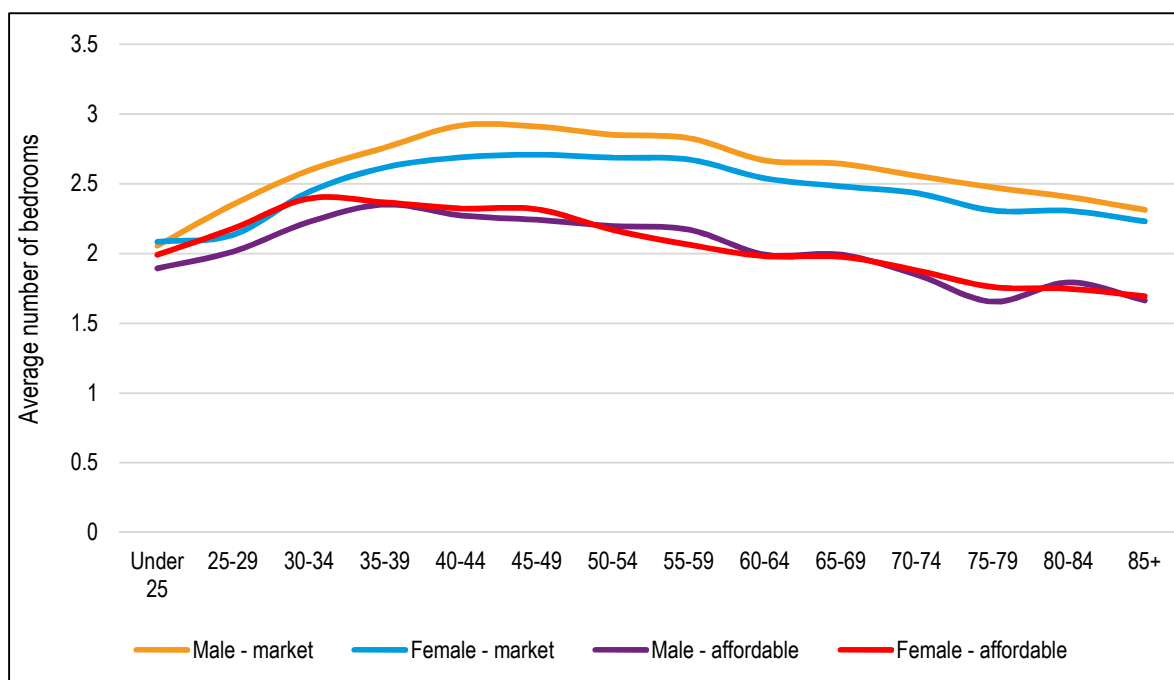


*Source:* Derived from ONS Commissioned Table C1213 and 2011 Census

**Establishing a Baseline Position**

7.7     As of 2011 it is estimated that there were 27,024 households living in the District. Analysis of Census data linked to the demographic baseline provides us with an estimate of the profile of the housing stock in 2011, as shown in Table 38. The table shows that an estimated 14% of households live in affordable housing with 86% being in the market sector (the size of the affordable sector has been fixed by reference to an estimate of the number of occupied social rented and shared ownership homes in the 2011 Census). The data also suggests that homes in the market sector are generally bigger than in the affordable sector with 58% having three or more bedrooms compared to 35% for affordable housing.

7.8     These figures are for households rather than dwellings as information about the sizes of vacant homes across the whole stock (i.e. market and affordable) is not readily available. For the purposes of analysis this will not make any notable difference to the outcome. We have however translated the household projections into dwelling figures by including a 2.7% vacancy allowance when studying the final outputs of the market modelling.

**Table 38:   Estimated Profile of Dwellings in 2011 by Size**

| Size of housing | Market | | Affordable | | Total | |
|---|---|---|---|---|---|---|
| | Number | % | Number | % | Number | % |
| **1 bedroom** | 2,090 | 9.0% | 1,132 | 30.8% | 3,223 | 11.9% |
| **2 bedrooms** | 7,828 | 33.5% | 1,241 | 33.7% | 9,069 | 33.6% |
| **3 bedrooms** | 10,207 | 43.7% | 1,201 | 32.7% | 11,408 | 42.2% |
| **4+ bedrooms** | 3,222 | 13.8% | 102 | 2.8% | 3,324 | 12.3% |
| **Total** | 23,347 | 100.0% | 3,677 | 100.0% | 27,024 | 100.0% |
| **% in tenure** | 86.4% | | 13.6% | | 100.0% | |

*Source:* Derived from 2011 Census

**Tenure Assumptions**

7.9     The housing market model has been used to estimate future requirements for different sizes of property over the 20-year period from 2011 to 2031. The model works by looking at the types and sizes of accommodation occupied by different ages of residents, and attaching projected changes in the population to this to project need and demand for different sizes of homes. However the way households of different ages occupy homes differs between the market and affordable sectors (as shown earlier). Thus it is necessary to consider what the mix of future housing will be in the market and affordable sectors.

7.10    The key assumption here is not a policy target but possible delivery. Our assumption is influenced by a range of factors. The Housing Needs analysis provides evidence of an affordable housing need although the viability of providing affordable housing will limit the amount that can be delivered. We believe that 30% is probably an achievable level of affordable housing delivery and this figure has been applied to the modelling.

7.11    Over the last five years, affordable housing has accounted for 37% of net completions in the District. This is likely to have been supported by availability of funding for affordable housing delivery in the 2010-15 National Affordable Housing programme. It should be stressed that this is not a policy position and has been applied simply for the purposes of providing outputs from the modelling process.

## Key Findings: Market Housing

7.12    As we have previously identified there are a range of factors which can be expected to influence demand for housing. This analysis specifically looks at the implications of demographic drivers. It uses a demographic-driven approach to quantify demand for different sizes of properties over the 20-year period from 2011 to 2031.

7.13    Table 39 below and Figure 37 overleaf shows estimates of the sizes of market housing required from 2011 to 2031 based on a projection which links demographic change to a dwelling provision figure of 3,638 over the 2011-31 period (using 2012-based CLG projection headship rates). This (dwelling-led) projection shows a housing need of 182 dwellings per annum across all tenures.

7.14    The analysis suggests only a modest need for additional 4 or more bedroom homes when compared with the current stock – this finding is linked to the ageing population in the District with previous analysis indicating that older people tend to live in smaller homes. The analysis does not meant that there will be no demand for 4 or more bedroom homes, but that the availability within the existing stock should be sufficient to satisfy much of this. In effect building more two- and three-bed homes will enable some households to downsize, released larger homes for other households.

**Table 39:   Estimated Size of Dwellings Required 2011 to 2031 – Market Housing**

| Size | 2011 | 2031 | Additional households 2011 2031 | % of additional households |
|------|------|------|--------------------------------|----------------------------|
| 1 bedroom | 2,090 | 2,339 | 249 | 10.0% |
| 2 bedrooms | 7,828 | 9,059 | 1,231 | 49.6% |
| 3 bedrooms | 10,207 | 11,113 | 906 | 36.5% |
| 4+ bedrooms | 3,222 | 3,316 | 94 | 3.8% |
| Total | 23,347 | 25,827 | 2,480 | 100.0% |

*Source:* Housing Market Model

7.15    Figure 37 shows how our estimated market demand compares with the current stock of housing (based on households (i.e. excluding the 2.7% vacancy allowance)). The data suggests that demand for different types of homes can be expected to reinforce around the existing profile of stock, but with a shift towards demand for smaller dwellings relative to the distribution of existing housing. This is understandable given the fact that household sizes are expected to fall slightly in the future (which itself is largely due to the ageing of the population).

**Figure 37: Impact of Demographic Trends on Market Housing Demand by House Size, 2011 to 2031**
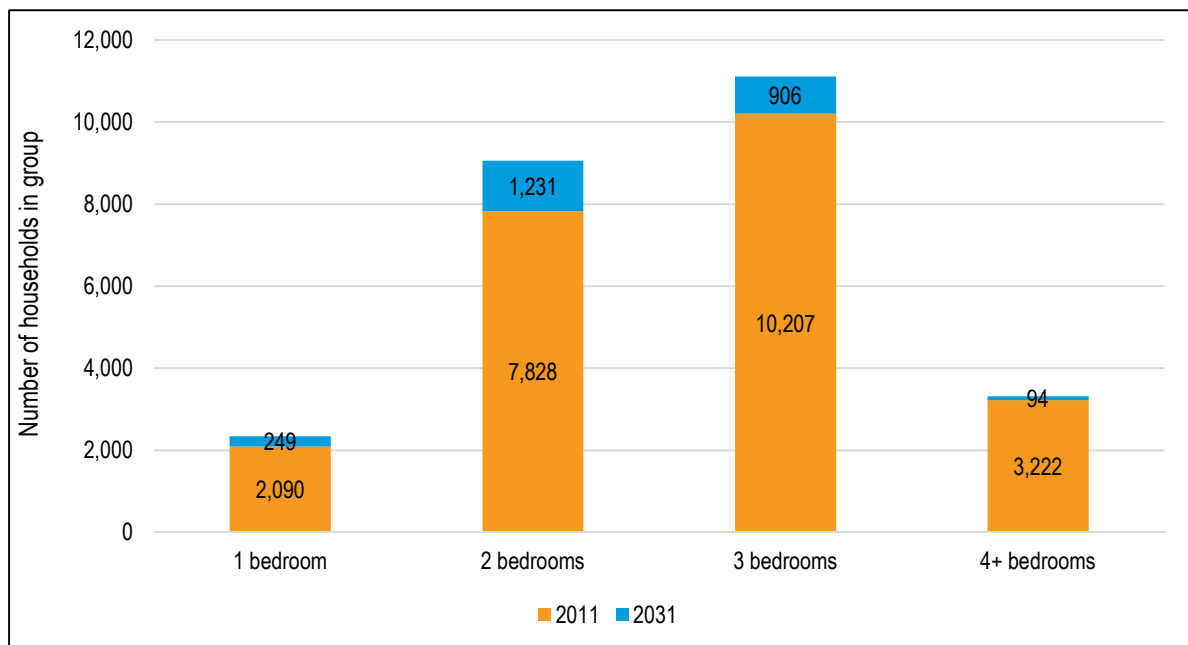


*Source:* Housing Market Model

7.16 The graphs and statistics are based upon our modelling of demographic trends. We are of the view that it is appropriate through the planning system to seek to influence the balance of types and sizes of market housing through considering the mix of sites allocated for development rather than specific policies relating to the proportion of homes of different sizes which are then applied to specific sites. This approach is implicit within NPPF which requires local planning authorities to *'identify the size, type, tenure and range of housing that is required'.*

7.17 At the strategic level, a local authority in considering which sites to allocate, can consider what type of development would likely be delivered on these sites. It can also provide guidance on housing mix implicitly through policies on development densities.

**Key Findings: Affordable Housing**

7.18 Table 40 and Figure 38 overleaf show estimates of the sizes of affordable housing required based on our understanding of demographic trends. The data suggests in the period between 2011 and 2031 that around three-quarters of the need is for homes with one- or two-bedrooms with around a quarter of the requirement being for larger homes with three or more bedrooms.

7.19 This analysis provides a longer-term view of the need for different sizes of affordable housing and does not reflect any specific priorities such as for family households in need rather than single people. In addition we would note that smaller properties (i.e. one bedroom homes) typically offer limited flexibility in accommodating the changing requirements of households, whilst delivery of

larger properties can help to meet the needs of households in high priority and to manage the housing stock by releasing supply of smaller properties. That said, there may in the short-term be an increased need for smaller homes as a result of welfare reforms limiting the amount of housing benefit being paid to some working-age households.

**Table 40:   Estimated Size of Affordable Homes Needed 2011 to 2031**

| | | | | |
|---|---|---|---|---|
| **1 bedroom** | 1,132 | 1,600 | 468 | 44.0% |
| | | | | |
| **3 bedrooms** | 1,201 | 1,428 | 227 | 21.3% |
| | | | | |
| **Total** | 3,677 | 4,740 | 1,063 | 100.0% |

*Source:* Housing Market Model

7.20     Figure 38 shows how our estimated profile of future need for different sizes of affordable homes compares with the stock of affordable housing in 2011 – the figures are based on households (i.e. before adding in a vacancy allowance). Again, the data shows that relative to the current stock there is a slight move towards a greater proportion of smaller homes being required – this makes sense given that in the future household sizes are expected to drop whilst the population of older people will increase – older person households (as shown earlier) are more likely to occupy smaller dwellings.

**Figure 38:  Impact of Demographic Trends on Need for Different Sizes of Affordable Homes**
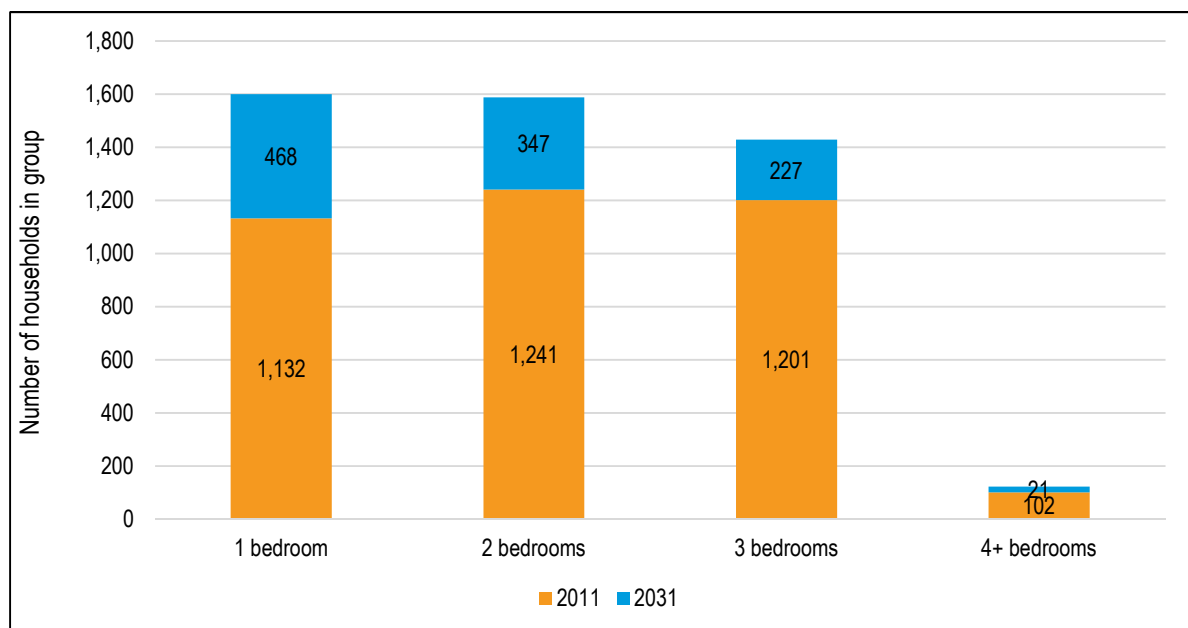


*Source:* Housing Market Model

**Indicative Targets by Dwelling Size**

7.21    Table 41 and Figure 39 below summarise the above data in both the market and affordable sectors
under the modelling exercise. We have also factored in a 2.7% vacancy allowance in moving from
household figures to estimates of overall need for different sizes of properties.

**Table 41:   Profile of Need for Different Sizes of Homes, 2011 to 2031**

| Number of bedrooms | Market | | | Affordable | | |
|---|---|---|---|---|---|---|
| | Households | Dwellings | % of dwellings | Households | Dwellings | % of dwellings |
| 1 bedroom | 249 | 256 | 10.0% | 468 | 481 | 44.0% |
| 2 bedrooms | 1,231 | 1,264 | 49.6% | 347 | 356 | 32.6% |
| 3 bedrooms | 906 | 930 | 36.5% | 227 | 233 | 21.3% |
| 4+ bedrooms | 94 | 97 | 3.8% | 21 | 22 | 2.0% |
| Total | 2,480 | 2,546 | 100.0% | 1,063 | 1,091 | 100.0% |

*Source:* Housing Market Model

**Figure 39:  Need for Different Sizes of Homes, 2011-31**
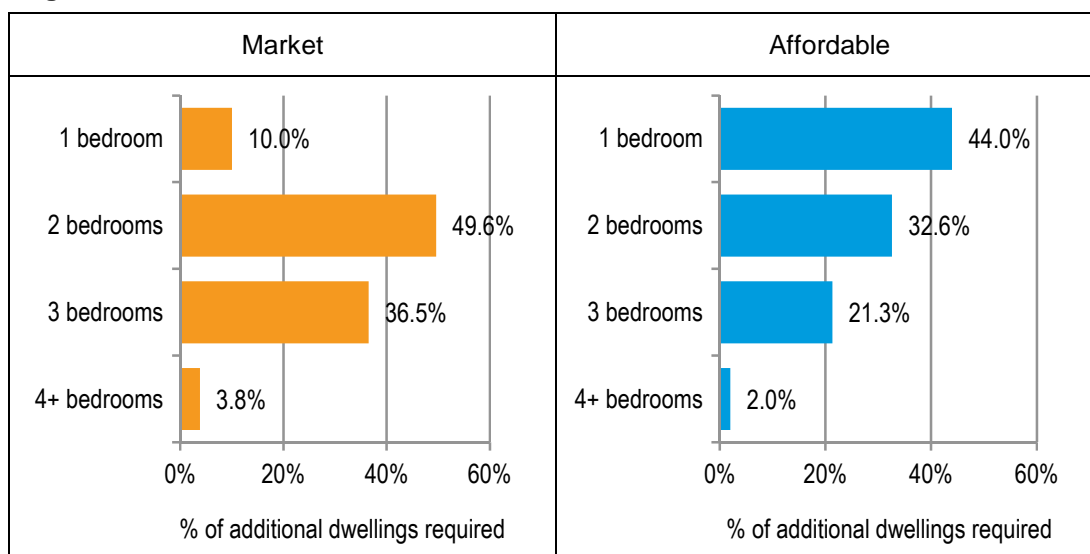


*Source:* Housing Market Model

7.22    Whilst the outputs of the modelling provide estimates of the proportion of homes of different sizes
that should be provided there are a range of factors which should be taken into account in setting
policies for provision. This is particularly the case in the affordable sector where there are typically
issues around the demand for and turnover of one bedroom homes. We also need to consider that
the stock of four bedroom affordable housing is very limited and tends to have a very low turnover.

As a result, whilst the number of households coming forward for four or more bedroom homes is typically quite small the ability for these needs to be met is even more limited.

7.23    It should also be recognised that local authorities have statutory homeless responsibilities towards families with children and would therefore prioritise the needs of families over single person households and couples. On this basis the profile of affordable housing to be provided would be further weighted to two or more bedroom housing. In the short-term however there may be a need to increase the supply of one-bedroom homes due to the social sector size criteria.

7.24    For these reasons we would suggest in converting the long-term modelled outputs into a profile of housing to be provided (in the affordable sector) that the proportion of one bedroom homes required is reduced slightly from these outputs with a commensurate increase in four or more bedroom homes also being appropriate.

7.25    There are thus a range of factors which are relevant in considering policies for the mix of <u>affordable housing</u> sought through development schemes. At the District level, the analysis would support policies for the mix of affordable housing of:

- 1-bed properties: 25%
- 2-bed properties: 35%
- 3-bed properties: 30%
- 4-bed properties: 10%

7.26    The evidence now points towards a slightly higher need for 1-bed and lower need for 4-bed properties.

7.27    Our strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

7.28    The need for affordable housing of different sizes will vary by area across the District and over time. In considering the mix of homes to be provided within specific development schemes, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.

7.29    In the market sector we would suggest a profile of housing that more closely matches the outputs of the modelling than for the affordable sector. The recommendations take some account of the time period used for the modelling; and that not all older households will choose to downsize to smaller properties.

7.30    On the basis of these factors we consider that the provision of market housing should be more explicitly focused on delivering smaller family housing for younger households. On this basis we would recommend the following mix of market housing be sought:

- 1-bed properties: 10%
- 2-bed properties: 45%
- 3-bed properties: 35%
- 4-bed properties: 10%

7.31    Although we have quantified this on the basis of the market modelling and our understanding of the current housing market, we do not strongly believe that such prescriptive figures should be included in the plan making process and that the 'market' is to some degree a better judge of what is the most appropriate profile of homes to deliver at any point in time. The figures can however be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely profile of housing need.

## Summary of Findings – General Housing Needs

7.32    There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. Our analysis linked to long-term demographic change concludes that the following represents an appropriate mix of affordable and market homes:

**Table 42:   Recommended Strategic Mix of Homes, Adur District 2011-31**

|  | 1 bed | 2 bed | 3 bed | 4+ bed |
|---|---|---|---|---|
| **Market** | 10% | 45% | 35% | 10% |
| **Affordable** | 25% | 35% | 30% | 10% |
| **All dwellings** | 15% | 40% | 35% | 10% |

7.33    The limited demand for properties with four or more bedrooms is consistent with the character of the District and its socio-economic profile. We would expect provision of smaller dwellings within the District to be focused in and around the town centres and Harbour. There is an opportunity to provide a mix of properties including one-, two- and three-bedroom homes as part of higher density development at Shoreham Harbour. Development sites elsewhere should focus on provision of family housing of two or more bedrooms.

7.34    The mix identified above should inform strategic Council area-wide policies. In applying these to individual development sites, regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

7.35    Based on the evidence, we would expect the focus of new market housing provision in Adur District to be on two and three-bed properties. Continued demand for family housing can be expected from younger households. There may also be some demand for medium-sized properties (2 and 3 beds) from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay.

7.36    The analysis of an appropriate mix of dwellings should also inform the allocation of sites and affordable housing negotiations.

## Indicative Requirements for Specialist Housing for Older People

7.37    Given the ageing population, and higher levels of disability and health problems amongst older people, there is likely to be an increased need for specialist housing options moving forward. The analysis in this section draws on data from the Housing Learning and Information Network (Housing LIN) along with our demographic projections to provide an indication of the potential level of additional specialist housing that might be required for older people in the future.

**Current Stock of Specialist Housing**

7.38    Table 43 below shows the current supply of specialist housing for older people. At present it is estimated that there are 706 units. This is equivalent to 104 units per 1,000 people aged 75 and over. The majority (55%) of this housing is in the affordable sector; which is noteworthy given that the majority of retired households are owner-occupiers.

**Table 43:   Current Supply of Specialist Housing for Older People**

|  | Affordable | Market | Total | Supply per 1,000 aged 75+ |
|---|---|---|---|---|
| **Sheltered** | 387 | 319 | 706 | 104 |
| **Extra-Care** | 0 | 0 | 0 | 0 |
| **Total** | 387 | 319 | 706 | 104 |

*Source:* Housing LIN

**Projected Future Need for Specialist Housing**

7.39    The analysis above showed a total of 104 specialist units per 1,000 people aged 75 and over. This figure is lower than the national average of about 170. In projecting forward how many additional units might be required, we have modelled on the basis of maintaining the 104 per 1,000 position and also the implications of increasing this to 170 per 1,000. The analysis is based on achieving these levels by 2031.

7.40    The analysis shows to maintain the current level of provision there would need to be a further 367 units provided – this figure increases to 1,048 if the level of provision were to increase to the

national average. It should be stressed that the analysis below is based on modelling data on a series of assumptions and should therefore be treated as indicative (particularly given the very wide range of outputs depending on the assumptions used).

**Table 44:   Projected Need for Specialist Housing for Older People, Adur District 2011-31**

|  | @ 104 per 1,000 | @ 170 per 1,000 |
|---|---|---|
| **Need** | 1,073 | 1,754 |
| **Supply** | 706 | 706 |
| **Net need** | 367 | 1,048 |

*Source:* Derived from demographic projections and Housing LIN

7.41    A mid-point of the two estimates would suggest a need for around 708 additional specialist units for older people. This would represent about 13% of the overall housing need shown through demographic modelling. A figure of 708 represents about 35 dwellings per annum. Whilst there is no precedent for taking a midpoint of these figures, we would consider that it is a reasonable and balanced approach. Continuing to model on the basis of the current stock may under-estimate needs given the low current stock; however moving to the national average may overstate the position (particularly if for example the current low level of provision is in part driven by a lower need/demand in the area).

7.42    This identified need for specialist housing for older persons of 35 homes per annum falls within a C3 Use Class[4], and would thus contribute to meeting housing targets based on the demographic projections.

**Types and Tenures of Specialist Housing**

7.43    Figure 40 shows the tenure of older person households – the data has been split between single pensioner households and those with two or more pensioners (which will largely be couples). The data shows that pensioner households are relatively more likely to live in outright owned accommodation (76%) and are slightly less likely than other households to be in the Social Rented Sector. The proportion of pensioner households living in the Private Rented Sector is relatively low (3% compared with 11% of all households in the District).

7.44    There are however notable differences for different types of pensioner households with single pensioners having a lower level of owner-occupation than larger pensioner households – this group also has a higher proportion living in the social rented sector.

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[4] A definition of the C2 and C3 Use Classes is included in Appendix B

**Figure 40:  Tenure of Older Person Households – Adur**
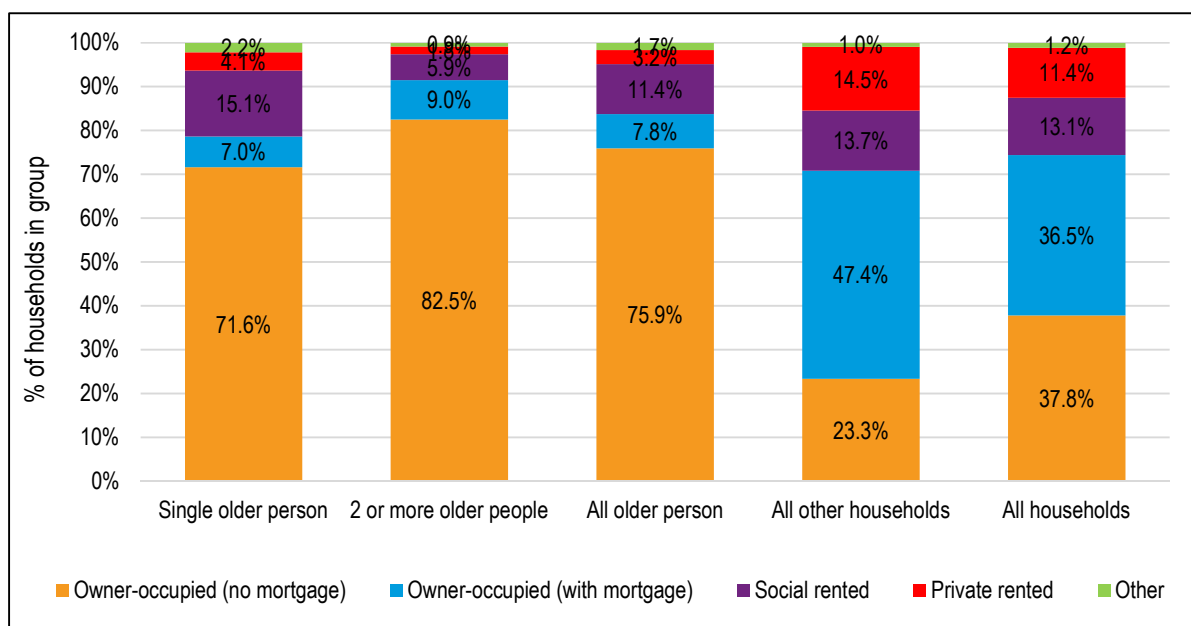


*Source:* 2011 Census

7.45    The information about current tenures can be used to estimate the amount of additional housing likely to be required in each of the market and affordable sectors. Looking at the data above it is considered that around 70% of older person households would be able to afford a market solution – this figure is arbitrary but based on current levels of outright ownership and recognising stronger growth in single person households in the future (such households having lower levels of home ownership).

7.46    Table 45 below shows that using this proportion of home ownership along with the current supply of different tenures of specialist housing it would be expected that there is a need for around 671 units of market specialist housing and 37 in the affordable sector.

**Table 45:   Need for Specialist Housing for Older Persons – by broad Tenure, Adur 2011-31**

|  | Market | Affordable | Total |
|---|---|---|---|
| **Need** | 990 | 424 | 1,414 |
| **Supply** | 319 | 387 | 706 |
| **Net need** | 671 | 37 | 708 |

*Source:* Derived from demographic projections

7.47    The analysis is not specific about the types of specialist housing that might be required. We would consider that decisions about mix should be taken at a local level taking account of specific needs and the current supply of different types of units available. There may also be the opportunity moving forward for different types of provision to be developed as well as the more traditional sheltered and Extra-Care Housing.

7.48    Within the different models and assumptions made regarding the future need for specialist retirement housing (normally defined as a form of congregate housing designed exclusively for older people which usually offers some form of communal space, community alarm service and access to support and care if required), there may for example be an option to substitute some of this specialist provision with a mix of one and two bedroomed housing aimed to attract 'early retired' older people which could be designated as age specific or not. Such housing could be part of the general mix of one and two bedroom homes but built to Lifetime Homes standards in order to attract retired older people looking to 'down size' but perhaps not wanting to live in specialist retirement housing.

7.49    Our experience when carrying out stakeholder work as part of other SHMA commissions typically identifies a demand for bungalows. Where developments including bungalows are found it is clear that these are very popular to older people downsizing. It should be acknowledged that providing significant numbers of bungalows involves cost implications for the developer given the typical plot size compared to floor space – however providing an element of bungalows should be given strong consideration on appropriate sites, allowing older households to downsize while freeing up family accommodation for younger households.

**Registered Care Provision**

7.50    As well as the need for specialist housing for older people the analysis needs to consider Registered Care. At present (according to Housing LIN) there are around 569 spaces in nursing and residential care homes in Adur District. Given new models of provision (including Extra-Care Housing) it may be the case that an increase in this number would not be required. There will however need to be a recognition that there may be some additional need for particular groups such as those requiring specialist nursing or for people with dementia.

7.51    The demographic modelling includes estimates of the number of people expected to be living in 'institutions'. Between 2011 and 2031, this number (based on the population aged 75+) is expected to increase by 192 people (10 per annum) to total 598 by 2031. This suggests that at present there may be a small surplus of Registered Care accommodation, with a possible shortfall in the longer-term.

7.52    These figures are important to note if the Council intend to include C2 class uses in their assessment of 5-year housing land supply as it will be necessary to include figures on both the need and supply side of the equation. The analysis would suggest a potential need for 29 bedspaces in Residential Care in the 2011-31 period (598-569) – this is about 1-2 per annum.

## 8   CONCLUSIONS

8.1   The principle purpose of this report is to define the Objectively Assessed Need (OAN) for housing in Adur District to take account of the release of 2012-based Household Projections by Government in February 2015. The report considers needs over the period from 2011 to 2031 to align with the timeframes of the draft Local Plan. The approach used to considering housing need responds to the National Planning Policy Framework (NPPF) and follows the recommended approach in the Government's Planning Practice Guidance (PPG).

8.2   This report assesses the overall need for housing within the District to 2031. This assessment is considered independently of any consideration of supply-side issues, such as land availability and development constraints. In following due process, it is necessary to define what the housing need (OAN) would be in the absence of constraints.

8.3   The process for identifying housing need, following the PPG, starts out by looking at demographic projections. However these are likely to reflect what has happened in the past – both in terms of levels of migration and household formation rates (the key driving factors in the projections). The PPG therefore sets out a number of other factors which need to be considered in assessing whether it would be appropriate (in the absence of constraints) to increase the identified housing need – either to enhance affordable housing delivery, to support expected economic growth or in response to market signals which point to poor affordability, or a supply-demand imbalance.

### Initial Demographic Projections

8.4   The latest Government official household projections at the time of writing of the report are the 2012-based Household Projections, published by Government in February 2015.

8.5   We have interrogated these household projections, and the population projections on which they were based. The 2012-based Sub-National Population Projections expect the District's population to grow by 9,100 persons between 2011-31 (14.9%). This represents stronger population growth than has occurred in the District in both the short-term (since 2008) and longer-term (since 2001). The evidence suggests that this may in part reflect issues in the recording of past migration (which may have been over-estimated). This is reflected in ONS components of change as Unattributable Population Change (UPC). An adjusted projection taking this into account is presented, which shows population growth of 8,600 (14.0%) over the 2011-31 period.

8.6   The CLG 2012-based Household Projections make more positive assumptions on future household formation than those in the CLG 2011-based Interim Household Projections. The 2012-based Household Projections indicate a need for 5,720 homes (286 per annum), taking account of 2013 Mid-Year Population Estimates. A sensitivity analysis considering alternative scenarios for migration indicates that the housing need could vary from 4,800 homes (240 per annum) up to the level

shown by the SNPP. Taking account of the potential over-recording of migration, GL Hearn conclude that a reasonable projection for housing need based on past population trends would be for 5,520 homes (276 per annum) over the 2011-31 period. This is based on the SNPP, but adjusts migration on the basis that 50% of UPC can be attributed to migration. GL Hearn considers that this represents a robust "starting point" for considering housing need, based on the demographic evidence. **The demographic evidence thus points to a need for 276 homes per annum.**

## Economic Growth Potential

8.7     The report then considers how housing need might be influenced by employment growth. In deriving conclusions on the Objectively Assessed Need for Housing, the PPG sets out that employment trends should be taken into account, stating that *"plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts".*

8.8     Experian (from 2013 forwards) forecast an annual average growth in employment in Adur of 265 jobs per annum. This is modestly above the level of workforce growth seen in the demographic trend-based projections (205 – 221 persons per annum). The Experian forecast projects a dwelling growth in Adur of between 307 and 362 dwellings per annum (depending on commuting assumptions).

8.9     We have also considered three trend based projections based on the average annual growth in Adur over the past 5, 10, and 15 years. All of these trend-based projections forecast a lower jobs growth than the Experian forecasts. The 10 and 15 year trend based projections are considered the most realistic basis for projecting future economic growth.  The midpoint of these projects a dwelling growth in Adur of between 246 and 281 dwellings per annum (depending on commuting assumptions).

8.10    We have considered the Experian jobs growth forecasts and assessed whether this is likely to be deliverable in Adur given the local circumstances and past trends. Significant land supply constraints will limit the extent of economic and residential development in the District which means a far lower level of jobs growth in numerous industrial sectors is likely.

8.11    These factors suggest that the jobs growth figures of the Experian forecasts are perhaps unrealistic and forecast a higher level of growth than could be reasonably expected to be delivered in Adur over the period. Consideration of these issues suggests that the trend based projections provide a more realistic assessment of future jobs growth in Adur.

8.12    In addition, the geography of the District and surrounding areas means that the District forms part of a wider housing market and travel to work area. Future jobs growth must be considered in this context. Existing commuting patterns show considerable level of out commuting from Adur to

surrounding areas such as Brighton and Hove and Worthing. We have assumed these patterns will continue.

8.13    This economic forecast results in a need for an additional 281 dwellings per annum to support workforce growth in the district. This suggests a need for a modest uplift over and above the demographic projections (276 dwellings per annum) of 5 dwellings per annum would be needed in Adur to meet future economic growth.

## Affordability Issues

8.14    The report identifies a need for 233 affordable homes per year if all households who could not meet their housing needs without financial support were to be provided with an affordable home. This nominally represents 81% of the need derived from the demographic projection. However once account is taken of existing households (who would release homes my moving to another property), a net need of 141 per annum is identified which nominally is 51% of the projected need from the demographic projections.

8.15    Whilst the evidence suggests a shortfall in the need for and supply of affordable housing, justifying policies seeking new provision, it does not necessarily point to a need to increase overall housing provision. In particular the Private Rented Sector currently supports around an estimated 196 lettings to households who would be defined as having an affordable housing need. This is based on current stock/ turnover, and assumes no further growth in the role this sector plays.

8.16    The evidence provides some evidence of the theoretical benefits of enhancing overall housing provision. However there are choices to be made regarding how the housing needs of those who cannot afford market housing could be met.

8.17    The report considers market signals. It identifies that a median house price in the District of £228,000. House prices have however been stable over the last five years; and have declined in real terms (taking account of inflation). Average prices are below the HMA average. This is equally true for rental levels. Rental costs have remained stable in real terms since 2011. Sales of market homes in 2014 were 28% below pre-recession averages. Overall the evidence points to market conditions in recent years which are significantly different from those prior to 2008.

8.18    The 2011 Census indicated that over-occupation of housing and numbers of Homes in Multiple Occupation both increased between 2001-11, but remain below wider averages.

8.19    Market housing is not that affordable within the District, with entry-level house prices 9.6 times earnings of younger households. This ratio has remained relatively stable over the last decade; but is still significant. The evidence however suggests that affordability issues are as much about low earnings as housing costs.

8.20    The report provides some evidence of a supply/ demand imbalance over the 2001-11 decade, and growing house prices; which correlated with a decline in household formation over this period.

8.21    Taking account of the evidence of market signals, of affordable housing need and from the demographic projections analysis, GL Hearn considers that adjustments should be made to the assessed housing need to improve affordability for younger households over the plan period. The scale of this is calculated by adjusting household formation rates of the 25-34 age group back to 2001 levels by 2031.

8.22    This sensitivity analysis indicates that an uplift of 10 homes per annum across the District would support an improvement in affordability and household formation rates amongst younger households.

## Conclusions on OAN

8.23    To calculate the Objectively Assessed Need for housing we started with the core demographic projection of 276 dwellings per annum Add to this the uplift to account for economic growth of 5 dwellings per annum, plus the uplift to account for affordability and housing market signals of 10 dwelling per annum. This indicates a need for 291 dwellings per annum over the 2011-31 period. This level of provision is considered to represent the full Objectively Assessed Need for housing in Adur.

**GL Hearn consider that this, equivalent to a need for 5,820 homes over the 2011-31 period, represents the full Objectively Assessed Need for Housing, leaving aside policy issues.**

8.24    This represents a "policy off" assessment of housing need. In translating this into targets for future provision, the following factors are relevant:

- Alignment of housing provision with the economic strategy;
- Unmet housing needs from neighbouring authorities/ other parts of the HMA; and
- Land availability, infrastructure and development constraints.

8.25    For Adur, the particular issue of a constrained supply of potential land which is suitable for residential development.

## Need for Different Sizes of Homes

**Need for Different Sizes of Homes**

8.26    There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. Our analysis linked to long-term demographic change concludes that the following represents an appropriate mix of affordable and market homes:

**Table 46:  Recommended Strategic Mix of Homes, Adur District 2011-31**

|  | 1 bed | 2 bed | 3 bed | 4+ bed |
|---|---|---|---|---|
| **Market** | 10% | 45% | 35% | 10% |
| **Affordable** | 25% | 35% | 30% | 10% |
| **All dwellings** | 15% | 40% | 35% | 10% |

8.27    The limited demand for properties with four or more bedrooms is consistent with the character of the District and its socio-economic profile. We would expect provision of smaller dwellings within the District to be focused in and around the town centres and Harbour. There is an opportunity to provide a mix of properties including one-, two- and three-bedroom homes as part of higher density development at Shoreham Harbour. Development sites elsewhere should focus on provision of family housing.

8.28    The mix identified above should inform strategic Council area-wide policies. In applying these to individual development sites regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

8.29    Based on the evidence, we would expect the focus of new market housing provision to be on two and three-bed properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2 and 3 beds) from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay.

8.30    The analysis of an appropriate mix of dwellings should also inform site allocations and will be of relevance to affordable housing negotiations.

**Specialist Housing Needs**

8.31    This report suggest a need for around 710 additional specialist units for older people in Adur District between 2011-31 (35 per annum). This identified need for specialist housing for older persons of 35 homes per annum falls within a C3 Use Class, and would thus contribute to meeting housing targets based on the demographic projections.

8.32    Specialist housing for older persons includes extra care and sheltered housing. The report identifies that 90% of the need is expected to be for market housing; and 10% or affordable provision.

8.33    A need for 30 bedspaces in residential care accommodation is identified for the 2011-31 period (1-2 per annum). This falls within a C2 use class, and thus should be treated separately from the need identified for housing (and conclusions drawn on OAN which are for a C3 use).

# Appendices

## APPENDIX A:    AFFORDABLE HOUSING DEFINITIONS

Key definitions used in this report include the following:

- ***Affordable housing:*** Affordable housing is defined in the NPPF as social rented, affordable rented and intermediate housing provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.

- ***Social rented housing:*** social rented housing is owned by local authorities and private registered providers, for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authorities or with the Homes and Communities Agency.

- ***Affordable rented housing:*** affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).

- ***Intermediate housing:*** Intermediate housing is homes for sale or rent provided at a cost above social rent, but below market levels subject to the criteria in the affordable housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.

    ***Housing Need:*** Housing need refers to refers to the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet that demand.

- ***Affordable Housing Need***: This describes the number of households who lack their own housing or who live in unsuitable housing and who cannot afford to meet their housing needs in the market.

- ***Newly-Arising Need:*** Newly-arising (or future) need is a measure of the number of households who are expected to have an affordable housing need at some point in the future. In this assessment we have used trend data from CORE along with demographic projections about the number of new households forming (along with affordability) to estimate future needs. Figures for this are gross, and differ from those set out reflecting total household growth.

## APPENDIX B:    DEFINITIONS OF RESIDENTIAL USE CLASSES

C2 and C3 residential uses as defined in the Town and Country Planning (Use Classes) Order 1987 (as amended):

- C2 Residential institutions – Including residential care homes, hospitals, nursing homes, boarding schools, residential colleges and training centres.
- C3 Dwellinghouses - this class is formed of 3 parts:
    - C3(a) covers use by a single person or a family (a couple whether married or not, a person related to one another with members of the family of one of the couple to be treated as members of the family of the other), an employer and certain domestic employees (such as an au pair, nanny, nurse, governess, servant, chauffeur, gardener, secretary and personal assistant), a carer and the person receiving the care and a foster parent and foster child.
    - C3(b): up to six people living together as a single household and receiving care e.g. supported housing schemes such as those for people with learning disabilities or mental health problems.
    - C3(c) allows for groups of people (up to six) living together as a single household. This allows for those groupings that do not fall within the C4 HMO definition, but which fell within the previous C3 use class, to be provided for i.e. a small religious community may fall into this section as could a homeowner who is living with a lodger.

## APPENDIX C: BASIS OF HOUSING NUMBERS IN SOUTH EAST PLAN

This appendix sets out the basis of housing targets in the South East Plan which are of relevance to Adur District. It is drawn from the 2011 Locally-Generated Needs Study, prepared by GL Hearn for Adur District Council.

The draft South East Plan was published by the South East of England Regional Assembly in March 2006. This set a target for delivery of 2,600 homes in Adur District over the 2006-26 plan period, equating to 130 homes per annum. This corresponded with the level set out in the Revised Final Strategy for the Sussex Coast Sub-Region (December 2005), which the 10 local authorities in the sub-region were involved in preparing.

The overall housing numbers within the Sub-Regional Strategy were influenced by demographic modelling undertaken by the Regional Assembly and consultation on levels of development within the sub-region. The Consultation Draft Plan, published in January 2005, set out three options in regard to housing numbers in the Sussex Coast Sub-Region:

A. Accommodating a rate of housing development approximately 20% below the current level (48,000 or 2,400 per annum 2006-26)
B. Accommodating a rate of housing development at a level around 20% higher than current rates (72,000 or 3,600 per annum 2006-26)
C. Accommodating housing development at the current rate (60,000 or 3,000 per annum 2006-26), alongside a more vigorous drive for economic development and regeneration.

Following initial consultation, this was refined by the Regional Assembly which proposed annual provision of 2,700 homes in the Sussex Coast Sub-Region of which 1,100 would be within West Sussex. Consultation on the distribution between districts was led by West Sussex County Council and considered within the Sub-Regional Strategy. The County Council's conclusions were influenced by an assessment of potential land supply.

The requirement for 2,600 homes in Adur over the 2006-26 plan period (as set out in the draft South East Plan) appears to comprise the following:

- The residual Structure Plan requirement of 1,120 dwellings, taking account of current and then projected completions between 2001-6;
- Projected capacity of brownfield sites of 940 dwellings between 2016-26, based on estimates prepared jointly by the County and District Councils;
- An allowance of a further 500 homes which could be delivered through development at Shoreham Harbour;
- Rounding up to provide an annual target of 130 dwellings per annum.

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The so called 'Option 1' figure for Adur was thus for 2,600 dwellings (equating to 130 dwellings per annum). A key point here is that **the numbers for Adur District within the draft South East Plan were influenced more by land availability and capacity than by local evidence of housing needs**.

The County level work on housing numbers informed the figures put forward in the revised final Strategy for the Sussex Coast and the draft South East Plan for the Coastal West Sussex Districts.

The housing numbers proposed were framed by a wider context provided by the Sussex Coast Sub-Regional Strategy. The context which this provides is important in understanding the Panel's proposed changes to housing numbers. The Sub-Regional Strategy (Dec 2005) sets out that:

> *"the scale of development balances the need to contribute towards wider regional housing requirements with the limitations imposed by the sub-region's poorly performing local economy, where relatively more employment development than housing growth is needed to promote a more sustainable balance between the supply of, and demand for, labour. The overall housing target for the sub-region also reflects the extensive environmental constraints that severely restrict its scope for physical development. The total provision represents a slight reduction over past rates of housing development in the sub-region and represents a level that the Sussex Coast should be able to sustain over the plan period whilst regenerating its economy, provided that essential infrastructure is made available."* [Para 3.20]

A key feature of the strategic planning approach adopted in the Sub-Regional Strategy was to give priority to and seek enhanced economic development over housing development to achieve a better balance between the quality and quantity of jobs available and labour supply, aiming to reduce net out-commuting. The Strategy notes limited 'locally-generated' housing demand (as death rates in most areas exceed birth rates) as well as notable environmental constraints to development including statutory designations (including South Downs AONB/ National Park) and flood risk.

The issues outlined above were addressed by the Examination in Public into the South East Plan. We have reviewed the findings of the Panel Report published in August 2007 in regard to key issues.

The Panel recognised the physical and environmental characteristics of the sub-region as well as key infrastructure constraints, including waste water treatment capacity and the capacity of the A27. It supported the proposed emphasis on economic regeneration, and recommended a job target of 30,000 net additional jobs between 2006-16 based on Experian trend-based forecasts dating from 2006.

However the Panel found that the evidence base for a reduction in housing targets by -14% relative to RPG9 levels could not be robustly justified. It indicated that no technical reasons were given as to why this level of growth could not be accommodated, and that if a jobs target of 30,000 is taken for 2006-16 this would still result in stronger growth in employment than labour supply within the sub-region, helping to reduce net out-commuting. It noted that across the 10 authorities in the sub-region, housing targets in the draft Plan were

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well below recent housebuilding rates and would meet only around 50% of household growth projected in the Government's 2004 projections.

On this basis the Panel proposed a moderate increase in the housing requirement from 2,700 to 2,970 homes per annum, a 10% increase.

The Panel's proposals for increasing the housing requirement for Adur were once again based on indicative evidence of urban capacity, as opposed to demand or needs. They took account of further work undertaken by SEEDA to consider development potential at Shoreham Harbour. The Panel Report states that:

> *"in order to support [the Shoreham Harbour Regeneration Project] the housing figures for Adur (and possibly Brighton & Hove) should reflect the housing capacity of Shoreham Harbour. While SEEDA's tentative estimate of up to 6,000 units at Shoreham Harbour by 2026 is probably optimistic we recommend that 1,000 units be added to the housing provision for Adur. As we explained. … we do not consider this figure to be a ceiling if after further testing a higher figure can be supported."* [Para 17.69]

On this basis the Panel proposed an increase in the housing target for Adur by 50 dwellings per annum, based on delivery of a further 1,000 homes at Shoreham Harbour over and above the 500 homes assumed in the draft Plan figures.

Subsequent to the Examination in Public the Shoreham Harbour Regeneration Partnership submitted a bid to Government for New Growth Point status. The Partnership comprised Adur District Council, Brighton & Hove City Council, West Sussex County Council, the Shoreham Port Authority and the South East of England Development Agency (SEEDA).

The Growth Point bid was informed by a reappraisal of the Shoreham Harbour project undertaken by the South East of England Development Agency (SEEDA) and the Port Authority in 2006, which concluded that a larger scheme than previously envisaged of up to 10,000 homes and 8,000 jobs could be delivered. Together with a range of subsequent studies, this supported Shoreham Harbour's identification as a Strategic Development Area (SDA) in the South East Plan Proposed Modifications in July 2008 and announcement of the success of the partnership's bid to Government for Growth Point Status.

The Shoreham Harbour Project envisages creation of a high quality mixed-use development and sustainable community around a consolidated and modernised port. The South East Plan indicated potential for delivery of up to 10,000 homes over the plan period to 2026, subject to further testing. If delivered this would increase the level of housing delivery in Brighton & Hove and Adur by 31%.

With the 'ringfencing' of the housing requirement for Shoreham Harbour SDA, the final version of the South East Plan reduced the requirement for the rest of Adur District to 105 dwellings per annum, equating to 2,100 dwellings over the plan period. This broadly corresponds to the capacity identified in 2005, excluding Shoreham Harbour. The final version of the Plan was published in May 2009.