

Horsham District Council
Locally-Generated Needs Study
Executive Summary
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PREPARED BY

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1 INTRODUCTION

- 1.1 Horsham District Council is currently undertaking a review of its adopted Local Development Framework Core Strategy. The adopted Core Strategy covers the period to March 2018 with the intention that an early review would be undertaken. This review will extend the timeframe of the Core Strategy to 2026 as well as considering longer-term development needs over the period to 2031.
- 1.2 The allocation of land for housing development through the planning system is currently informed by housing targets. The South East Plan sets a housing target for Horsham District to deliver 13,000 homes between 2006 – 2026, equivalent to 650 homes per annum.
- 1.3 The Conservative Party published a *Planning Green Paper* in February 2010. This sets out the Party's intention, if elected, to abolish the Regional Spatial Strategies and regional housing targets; with housing numbers being determined by the Local Planning Authority, at the local level, through a process of 'collaborative democracy.'
- 1.4 To inform the Core Strategy Review, Horsham District Council commissioned GL Hearn, supported by Justin Gardner Consulting (JGC) to undertake a study of locally-generated housing needs within the District, across all tenures. The purpose of the Study was to ensure that the Council had a clear view of future housing requirements which was not 'policy constrained' by virtue of imposed regional or sub-regional requirements. It provides a local evidence base of housing need and demand which could inform a more 'bottom-up' approach to planning for housing provision, as promoted in the Conservative Party *Planning Green Paper*.
- 1.5 Housing need and demand is driven by growth in the population and the changing structure and size of households. The Study explores these factors to consider what level of housing might be needed over the period to 2031, should the South East Plan be abolished.

2 APPROACH

- 2.1 Changes in the size and make-up of the population are driven by three main components: fertility (or birth) rates; mortality (or death) rates; and the balance between in- and out-migration (net migration). The Study examines these factors to consider what level of population growth might arise.
- 2.2 The analysis undertaken has indicated that population and household projections for Horsham District are very sensitive to migration assumptions. A scenarios-based approach



has therefore been used to consider what level of net in-migration the economy might support.

2.3 Projections of household growth are constructed for the main projections by applying headship rates to the population projections. Headship rates describe the proportions of households in a certain age group which are heads of households.

2.4 Figure 1 summarises the projections developed.

Figure 1: Projections Framework

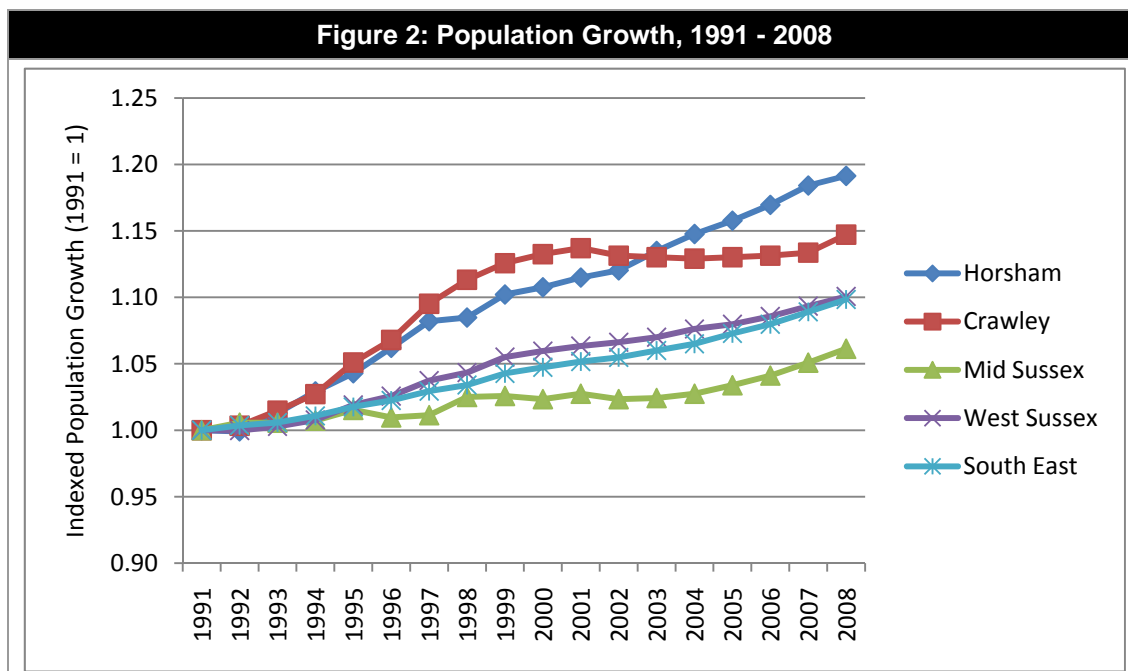
THEME	REF	PROJECTION NAME	MAIN SCENARIO	COMPARATIVE SCENARIO	SENSITIVITY ANALYSIS
Past Demographic Trends	PROJ 1	Trend Based - Main Assumptions	X		
	PROJ 3	Trend Based (Better Mortality, Increased Fertility)			X
	PROJ 4	Trend Based (Worse Mortality, Decreased Fertility)			X
Zero Net Migration	PROJ 2	No Net Migration - Main Assumptions		X	
	PROJ 5	No Net Migration (Better Mortality, Increased Fertility)			X
	PROJ 6	No Net Migration (Worse Mortality, Decreased Fertility)			X
Economic Driven	PROJ 8	Baseline Employment Growth		X	
	PROJ 9	2.7% GVA Growth per Annum		X	
	PROJ 10	3.0% GVA Growth per Annum	X		
	PROJ 7	Static Employment		X	

2.5 A housing demand model has then been used to provide an indication of the implications of demographic change on the types and sizes of housing required, by relating changes in the age-structure of the population to the types and sizes of housing occupied by households in different age brackets.



3 RESULTS OF SCENARIOS

3.1 Horsham District’s population has grown significantly over the last 20 years. Since 1991 the rate of population growth at 1.1% per annum in Horsham District has been almost twice that at the county and regional level (0.6% per annum), both of which have seen population growth that has exceeded the national average (0.4% per annum) reflecting strong housing demand in the region.

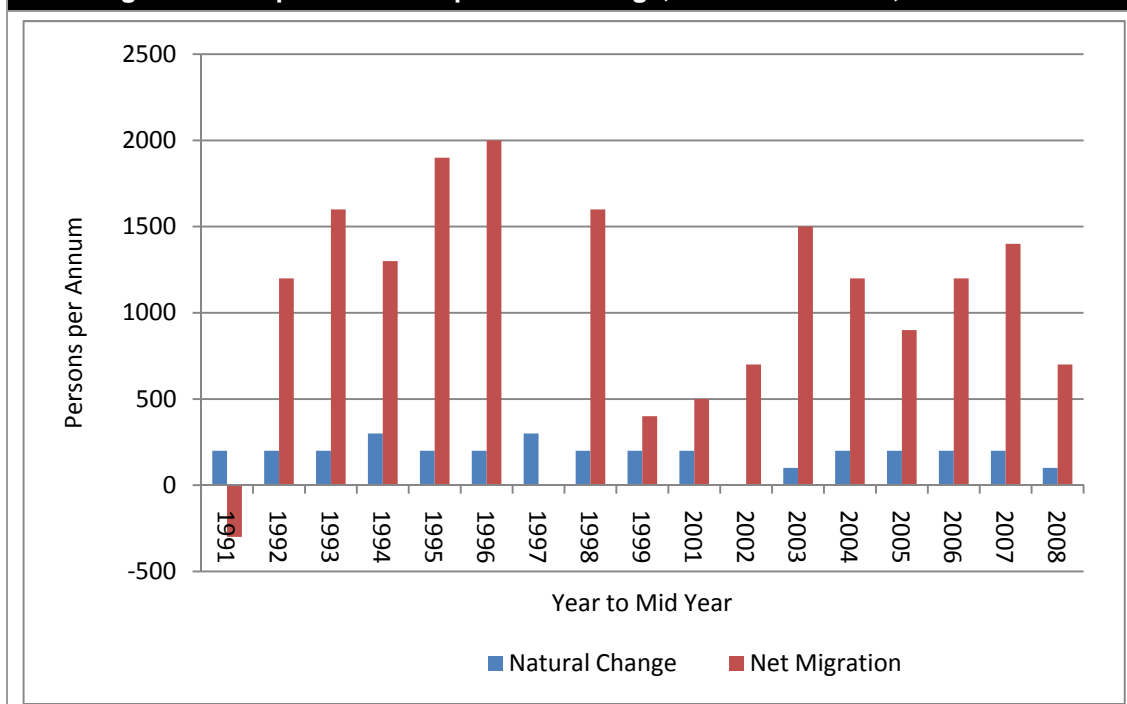


Source: ONS Mid Year Population Estimates

3.2 Population growth has been driven by net in-migration to the District, which has averaged 1080 per annum over the last five year period for which statistics are available, 2003 – 2008 (Figure 3).



Figure 3: Components of Population Change, Horsham District, 1991 - 2008

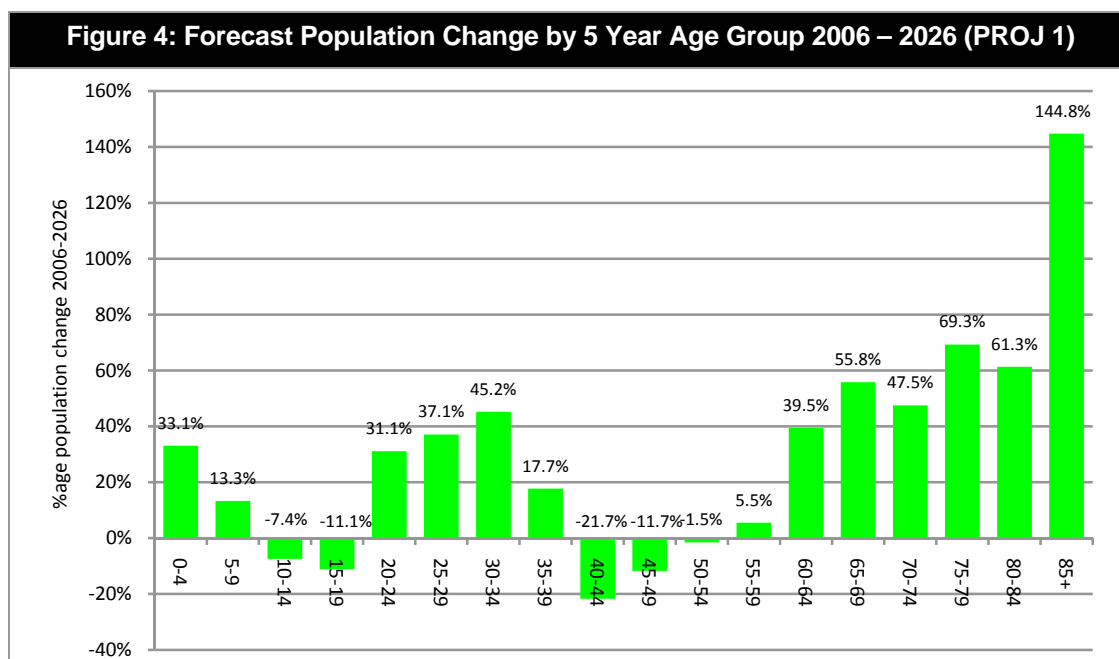


Source: ONS Mid Year Population Estimates

- 3.3 Future projections of population and household growth are strongly influenced by assumptions regarding migration into and out of the district, and levels of net migration.

TREND-BASED PROJECTION

- 3.4 The base 'trend-based' projection, PROJ 1, assumes a Total Fertility Rate of 1.86, and applies the national distribution of Age-Specific Fertility Rates. It assumes 1.07 male to female births. Death rates are calculated, assuming a linear improvement in life expectancy in line with national-level population projections. Life expectancy of males and females are expected to converge.
- 3.5 Migration assumptions for the PROJ 1 are based on averaging recorded in and out-migration between 2001/2 – 2007/8, giving average net in-migration of 1,071 persons per annum. This is applied uniformly across the projection period. Assumptions from Sub-National Population Projections regarding the age and sex distribution of in and out-migrants have been applied.
- 3.6 Under the main trend-based projection (PROJ 1), Horsham District's population is expected to rise by 20.1% from 2006 to 2026. The population is expected to grow in all age-bands except the 10-19 and 44-54 age groups between these dates; however the strongest growth is expected to be in those aged over 60. In 2026, this projection estimates that there will be 18,545 more people aged over 60; which represents growth of 62.3%. The population aged 75 and over is projected to increase by an even greater proportion, 88.1%.



3.7 Applying headship rates to this, **the trend-based projections show average growth of 769 households per annum in the period 2006 to 2026.** This is very similar to the Government's 2008-based projections (777 per annum) for household growth with a difference of just 58 households projected in 2026.

Figure 5: Trend-based Projection of Household Growth (PROJ 1)

Year	Households	Average per Annum	Growth from 2006
2006	53,713		
2011	57,507	759	3,794
2016	61,872	873	8,159
2021	65,941	814	12,228
2026	69,086	629	15,373
2031	72,235	630	18,522

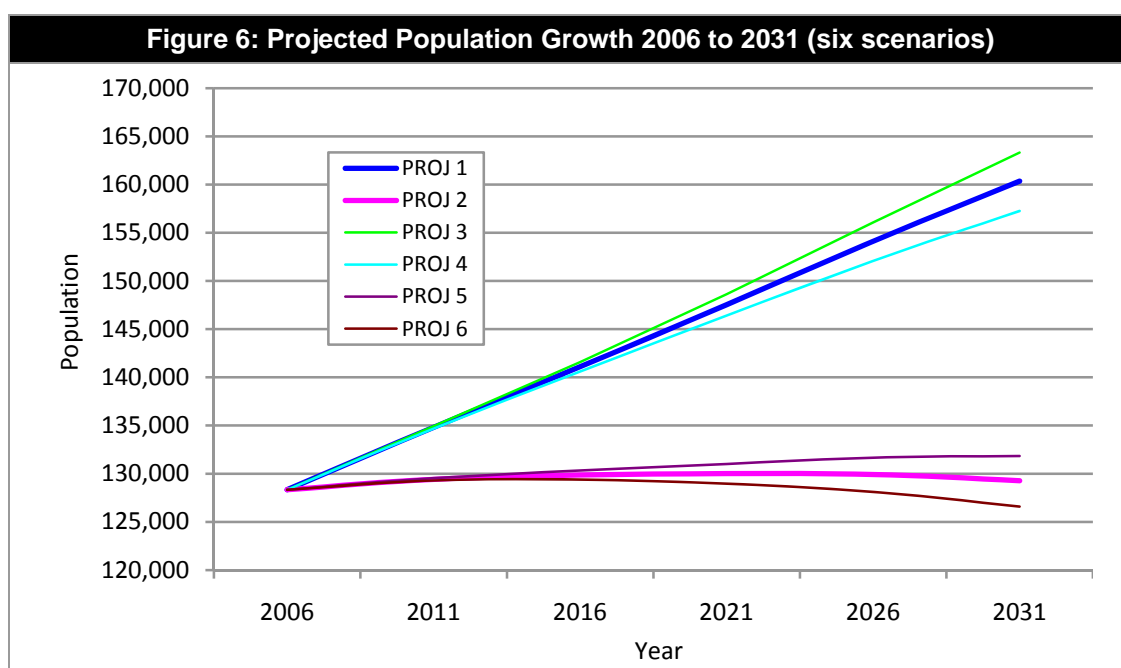
COMPONENT AND SENSITIVITY ANALYSIS

3.8 Of the projected trend-based growth of 25,790 persons over the plan period to 2026 (PROJ 1), 93.8% is expected to result from net in-migration to the District, with just 6.2% arising from natural change.

3.9 Migration comes out as a clear driver of population and household growth. An alternative scenario with zero net migration (PROJ 2) was developed, by constraining levels of in-migration to match out-migration. This is used to disaggregate the impact of migration on population and household growth. Levels of in-migration are reduced pro-rata based on the existing profile of migration by age and sex.



- 3.10 Two variant projections were then developed which indicate the sensitivity of the main Trend-Based and Zero Net Migration projections (PROJ 1 and 2) to assumptions on fertility and mortality (PROJ 3 - 6). The sensitivity analysis makes an adjustment to the Total Fertility Rate of +/- 7.5% and uses the high/ low variant projections for death rates from the Office for National Statistics Sub-National Population Projections.
- 3.11 While the variant projections (for mortality and fertility) have some impact, it can clearly be seen that it is assumptions about migration that are the main drivers of future population change.



- 3.12 The main zero net migration projection shows very little increase in the population; with an expected rise of just 1.2% (1,603 people) in the period to 2026. However because household size is expected to decline, there will be a continuing need for new housing to accommodate the existing population.
- 3.13 The Zero Net Migration Projection indicates projected growth of 298 households per annum to 2026 (5,966 in total between 2006-26). Comparing this to the trend-based projection, **61% of projected household growth based on past trends (PROJ 1) is driven by net in-migration to the District.**



- 3.14 This exercise indicated that population and household projections for Horsham District are very sensitive to migration assumptions. **A scenarios-based approach has therefore been to consider what level of net in-migration the economy might support.**

ECONOMIC-BASED SCENARIOS

- 6.1 A certain level of net in-migration is necessary to support growth in the labour force. The Zero Net Migration Projection (PROJ 2) models that a lower level of housing development (298 per annum) would result in a decrease in the working population by 5,652 in the period to 2026, particularly towards the latter part of the plan period. This scenario would not represent planning for a positive economic future for the District. A reduction in the labour force could result in recruitment difficulties for local companies or an increased level of commuting into Horsham to work, albeit recognising that Horsham sits within a wider sub-regional labour market.
- 6.2 In the trend-based scenario (PROJ 1), the number of people working is projected to increase by 8,154 from 2006 to 2026 – an average increase of 408 people per annum. This level of employment growth may well be difficult to achieve.
- 6.3 Projections of population and household growth have therefore been developed linked to four potential economic scenarios. These scenarios are expressed by the average level of employment growth achieved per annum.
- 6.4 It has been assumed that all additional job creation is met locally, resulting in an increase in the level of local living and working over time. There is no prospect to increase economic activity levels to meet additional labour demand, given high existing employment rate of 81%.
- 6.5 The first scenario (PROJ 8) is based on an Experian Econometric Forecast used in the Northern West Sussex Economic Appraisal/ Part I Employment Land Review (dated February 2009). It assessed the baseline level of employment growth which might be achieved without intervention, based on a combination of past employment at the local level within Horsham District and Experian's understanding and intelligence regarding macro-economic factors which affect overall economic performance and that of individual sectors.
- 6.6 The second and third scenarios consider a more aspirational scenario, based on achieving target levels of economic growth. PROJ 10 models the potential level of employment growth necessary to achieve the South East Plan regional target of 3% per annum growth in economic output (GVA). This level of growth in output and employment may be regarded as quite ambitious, particularly given the decline in employment and output which has occurred in the economic recession. On this basis, alternative scenarios have been considered for a



level of employment growth between PROJ 8 and PROJ 10. PROJ 9 models the demographic implications of achieving the Central Vision Scenario in Experian's 2008 *Visioning Horsham* Report. This forecast net employment growth of 185 per annum over the plan period to 2026. PROJ 11 models employment growth of 264 per annum derived from the preferred Hybrid Scenario in the Northern West Sussex Economic Appraisal/ Part I Employment Land Review.

6.7 A comparative scenario (PROJ 7) is also considered which outlines the level of population and household growth necessary to maintain a static population.

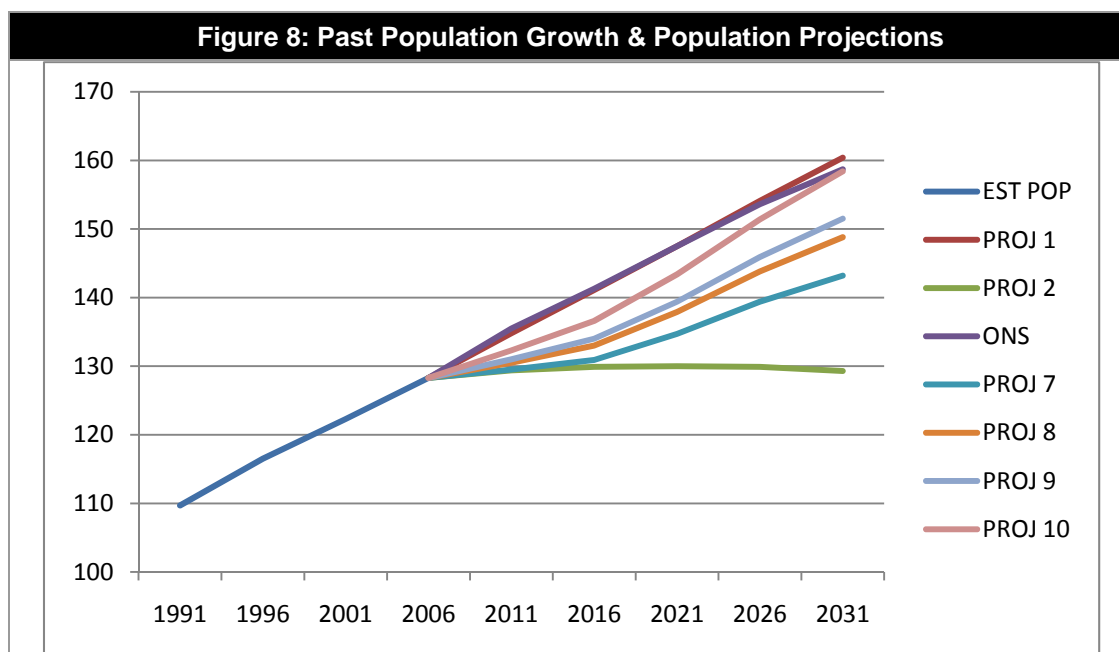
6.8 The table below summarises the economic-driven projections developed.

Figure 7: Description of Employment-based Projections		
Projection	Net Employment Growth per Annum	Rationale
PROJ 7	0	Baseline. To assess population/ housing growth necessary to support static employment.
PROJ 8	125	Experian Baseline Projection of Employment Growth (Average over 2006-26 period)
PROJ 9	185	Based on Central Vision from Experian's <i>Visioning Horsham</i> Report (2008). Represents 2.7% annual growth in GVA.
PROJ 10	340	Achieving South East Plan target for 3% GVA growth per annum.
PROJ 11	264	Consultants Recommended Hybrid Scenario in Part I Employment Land Review

6.9 The employment-driven scenarios are constructed by adjusting our main projections to increase the labour force to meet the projected levels of job growth for each scenario. Because of changes in the age structure of the population, to achieve a consistent rate of job growth to 2026, an increasing level of net in-migration will be required over time.

6.10 Figure 8 indicates the level of population growth which might result from the various principal and economic scenarios to 2031.

6.11 Averaged over the 2006-26 plan period, **housing growth of 482 is necessary to support static employment** (based on levels in 2006). To support **baseline employment growth (125 additional jobs per annum) would require housing growth of 567 per annum.**



6.12 To achieve the higher employment scenarios would require stronger household growth still. Across the plan period to 2026, **housing growth of 608 dwellings would be required to achieve the Experian Central Vision Scenario (2.7% GVA per Annum), 662 dwellings to achieve meet the Hybrid Scenario recommended in the Employment Land Review (Part I) and 713 dwellings to achieve the South East Plan economic target (3.0% GVA per Annum) within the District.**

SUMMARY OF SCENARIOS

6.13 The table below summarises the various projections of household growth developed.

Figure 9 : Household Growth Projections, 2006-26 – All Scenarios

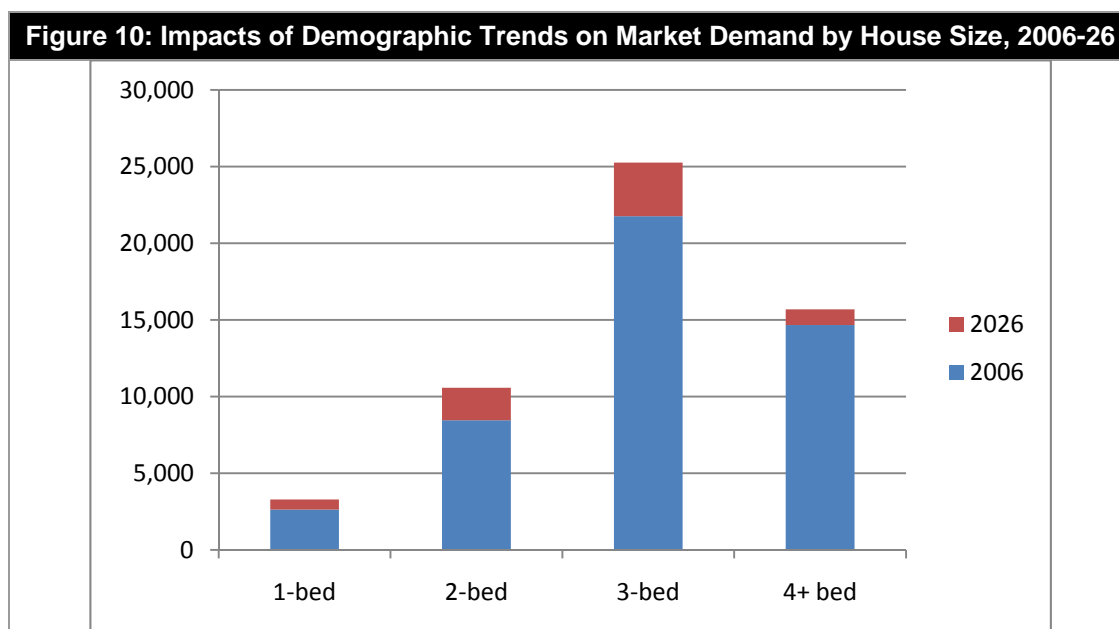
Projection		Household Growth 2006-26	Household Growth Per Annum
PROJ 2	Zero migration	5,966	298
PROJ 7	Zero employment growth	9,636	482
PROJ 8	Employment growth 125 pa	11,340	567
PROJ 9	Employment growth 185 pa (GVA 2.7%)	12,157	608
	RSS	13,000	650
PROJ 11	Employment Growth 264 pa (Hybrid)	13,234	662
PROJ 10	Employment growth 340 pa (GVA 3.0%)	14,269	713
PROJ 1	Trend based	15,373	769

6.14 In all cases it is notable that there is a relatively small increase in the number of households in the period 2006 to 2011 with the greatest increases being in the period 2016 to 2021.



4 IMPLICATIONS FOR HOUSE TYPES

- 4.1 There are a range of factors which influence housing demand. These include the existing housing stock, housing affordability, the accessibility of the area and relationship to employment locations, demographic changes, quality of place and economic performance.
- 4.2 The Study has used a model to consider how changes in the size and age structure of the population might affect demand for different types of housing. It considers the types of housing which heads of households in different gender and age groups occupy, and assumes that this remains consistent over time. The assessment comes with the caveat that it looks specifically at demographic trends; and does not consider in detail the effect of future economic trends on demand for different products; or consider market signals. It should therefore be interpreted with caution. It is intended to supplement the work undertaken in the Northern West Sussex Strategic Housing Market Assessment (SHMA) and its conclusions are not inconsistent with this.
- 4.3 The analysis indicates that **majority of demand for additional market housing will be for two and three bedroom homes**; and most in the form of houses (or bungalows).



- 4.4 For affordable housing, **the majority of the affordable housing requirement over the plan period to 2026 is for one and two bedroom homes**, although there is a considerable



requirement for three bedroom accommodation. In addition, the model suggests that just over half of the housing required should be in the form of flats.

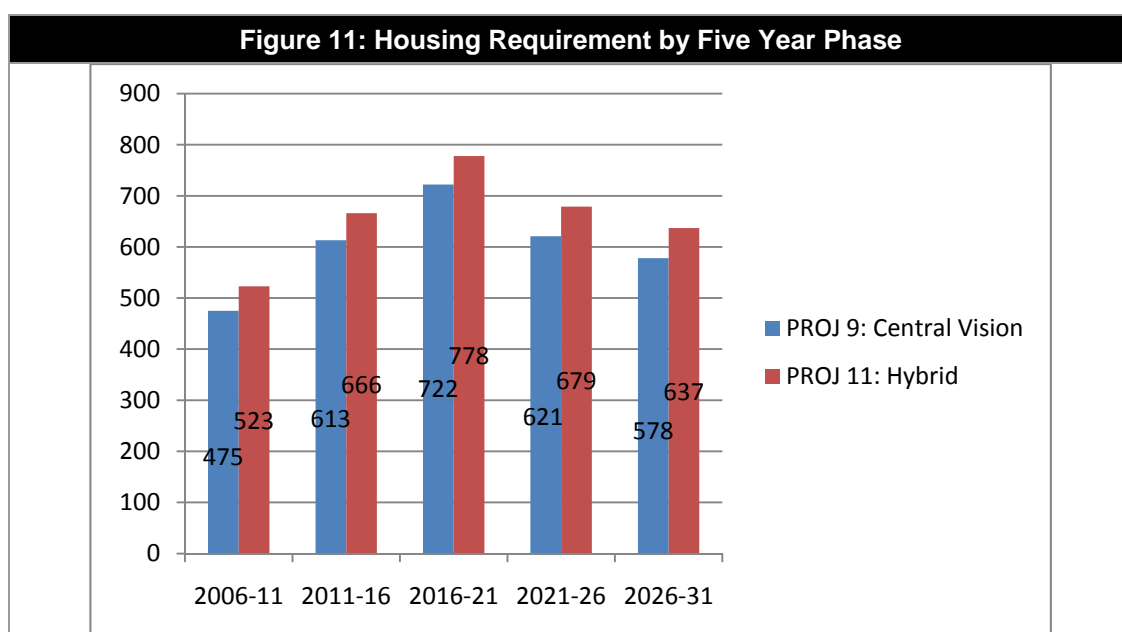
5 CONCLUSIONS AND RECOMMENDATIONS

- 5.1 Despite the recent housing market downturn and economic recession, the structural drivers of housing demand remain strong. Recessions have a much greater effect on reducing the number of homes built than they do on limiting the number of households requiring housing. Moreover there remains significant evidence pointing to a long-term structural imbalance between housing demand and supply at the regional level. This particularly reflects the underlying economic importance of London and the greater South East to the national economy.
- 5.2 Increased housing delivery is needed to ensure that housing does not constrain the economy. It is needed to support economic stability, recognising that the overheating of the housing market, led by trends in London and the greater South East, was a causal factor in the economic recession, and moving forward if not addressed could influence economic viability. More housing is also needed to bring about long-term improvements in housing affordability.
- 5.3 It is however difficult to disaggregate housing demand within an individual district, given the influence of macro-economic factors and the operation of housing markets at the sub-regional level. Housing demand in Horsham District is affected by the strong quality of life offer of its villages and market towns; its accessibility to employment centres by road and rail; and the strong private sector business base of the sub-regional economy. It is likely to continue to be influenced by the demand of London's economy for more labour and through constraints to housing supply in Surrey, in part influenced by Green Belt policy.
- 5.4 It could be argued that given the regional supply/demand imbalance for housing, that efforts should be made to maximise housing delivery to stabilise and ideally improve affordability in the medium and long-term. The Study however concludes that the level of housing development should be capable of being supported by the local economy, aiming to achieve local patterns of living and working.
- 5.5 This Study has considered what level of housing development would support a positive economic future for the District. It is considered that baseline employment growth (PROJ 7) represents an overly pessimistic view of potential future performance; while achieving 3% per annum growth in GVA across the plan period (PROJ 10) is relatively ambitious given the impact which the recession has and will have during this period. A level of growth between these parameters can be considered realistic.



5.6 We consider that the Council could reasonably set a housing requirement of between 610 – 660 homes per annum over the plan period. Each could be justified, although our preferred scenario would be the latter as this would reflect a positive response to both supporting the local economy and of Horsham District playing a full role in the wider Northern West Sussex Sub-Region. It is based upon a level of in-migration which we consider the economy could support with active economic intervention. It is a sustainable scenario for the District’s future. Recognising the wider affordability issues, it would be possible to justify using this as a floor target rather than a ceiling; and permitting further housing development where this would contribute to sustainable development.

5.7 Figure 11 indicates how this requirement varies for five year time periods to 2031, based upon the demographic modelling.



5.8 However it is recognised that there are a range of factors to be taken into account in determining the precise housing requirement and delivery phasing, including the potential supply of suitable land; and infrastructure capacity issues. These are issues that the Core Strategy Review will address.