

## **Horsham Locally-Generated Needs Study**

### **Frequently Asked Questions**

#### **What is the purpose of the Locally-Generated Needs Study?**

The Horsham District Core Strategy sets out a plan to meet future development needs and provide a framework against which to assess planning applications. The Council has now started the process of preparing the Horsham District Planning Framework to meet the District's development needs over the longer-term to 2031.

The South East Plan, which included targets for housing development in Horsham District, is due to be removed. This will probably happen next Spring. It will then be for Horsham District Council, for the first time, to consider how many homes to plan for in the District based on evidence.

The Locally-Generated Needs Study looks at evidence of housing need and demand and considers the factors which will affect future requirements for housing in Horsham District. It is intended to inform public consultation on options for different levels of housing development in Spring 2012. The views of the local community and other technical evidence will then inform the review of the Core Strategy.

#### **Why has the Study been updated?**

The 2010 findings have been updated as the Horsham District Planning Framework is now looking at a 2011-31 time period. The principal conclusions of the 2010 Study related to the 2006-26 period. The 2010 Additional Analysis Paper did include selective updating, and this has now been done for all of the projections. In updating the Study, the most recent information on population trends has also been included although this has a limited impact on the results.

The update has confirmed that the analysis and conclusions of the 2010 reports remains fundamentally robust.

Since the 2010 Study was undertaken, the Government has progressed the Localism Act as well as a draft of new national planning policies, set out within the draft National Planning Policy Framework. This emerging guidance has been taken into account in considering potential options for housing development.

#### **How does the Study consider what level of housing will be needed?**

The level of housing needed relates to future expected growth in households in the District. This will be driven by future growth in the District's population and the changing structure and size of households. The Study explores these factors to consider what level of housing might be needed to 2031.

As well as looking at population trends, the Study considers what level of growth in employment might be expected in the District over the next 20 years. Taking into account changes in the structure of the population, it considers how this might influence demand for homes. Separately, It also considers how wider sub-regional housing market and economic dynamics might influence need and demand for homes within the District.

### **What level of housing development does the Study recommend?**

The consultants which the Council appointed, GL Hearn and Justin Gardner Consulting, developed a number of projections in the Study to consider a range of different factors which could influence future household growth and housing demand in the period to 2031. These include birth and death rates, the movement of people to and from Horsham District, and changes in the size and structure of households. They also considered what impact future employment growth might have on demand for homes.

The Study does not recommend a specific level of housing provision, but sets out a number of potential options. This recognises that there are a number of factors which affect what level of homes to plan for, including the environmental impact, the impact on existing infrastructure and the ability to deliver new infrastructure, and importantly the views of the local community and other interested parties. The options put forward are:

1. Option 1: 12,700 homes between 2011-31 (635 homes a year)
2. Option 2: 14,300 homes between 2011-31 (670 homes a year)
3. Option 3: 14,600 homes between 2011-31 (730 homes a year)
4. Option 4: 16,400 homes between 2011-31 (820 homes a year)

### **How do the Study's findings differ from the work undertaken in 2010?**

The original 2010 Study recommended that between 610-660 homes should be delivered annually between 2006-26. A further 'Additional Analysis' Report prepared in August 2010 provided a selective update to the original Study, recommending housing provision of between 12,800 – 13,800 homes between 2011-31, equivalent to between 640 – 690 homes a year.

Options 1 and 2 set out in the 2011 Update are similar to these recommendations. The figures have been updated to reflect the latest releases of data on population trends.

The Government is however encouraging local authorities to cooperate with each other in planning for housing provision, and the research undertaken indicates that there could be additional demand pressures arising from wider sub-regional economic and population growth. Options 3 and 4 take this into account and aim to test to what extent the District could and might wish to contribute to meeting wider sub-regional development needs.

### **How do the Study's recommendations compare to the South East Plan figures? What are the differences between the two approaches?**

The Locally-Generated Needs Study sets out four options for future housing development which range between 635 – 820 homes a year. This compares to the South East Plan target of 650 homes a year. A lower 'Option 1' figure for 620 homes per annum was proposed by the District and County Councils in the initial stages of preparation of the South East Plan in 2005.

The initial figures proposed by the District and County Councils were informed by similar research studies, and this is reflected in the similarity of the conclusions they come to. A key difference is that in the later stages of the South East Plan, housing targets were increased in some areas and not others and there was a lack of transparency between evidence of housing requirements and the final figures which were arrived at.

Across the South East, the South East Plan fell short of meeting projected housing requirements. In giving local Councils responsibility for meeting development needs in their areas, the Government's intention is that across the country (and in the South East region) the number of homes planned for will increase.

### **What is the broad relationship between economic growth and housing numbers?**

The Study considers the relationship between future economic growth and housing requirements. Economic growth is influenced both by improvements in productivity and employment growth. Additional jobs might be taken up by people currently living in the District but commuting to work elsewhere, or by an increase in people commuting into Horsham District to work. Similarly employment growth in surrounding areas may create demand for housing in Horsham District. The Study has considered these complex dynamics.

The Study assessed a range of scenarios for employment growth, ranging between net growth in employment of 195 – 375 per annum in the District. This is substantially below past employment growth, which averaged 990 per annum between 1988 – 2008. Most of the scenarios assume that these new job opportunities will be taken by people living in the District, reducing the proportion of people commuting out of the area to work over time. Projection 9 however takes account of employment growth elsewhere in the sub-region and the impact which this might have on housing demand in Horsham District.

The Study highlights that in the future, more housing may be required to support employment growth: as people in the current workforce move into retirement they need to be replaced, and more homes will be required to do this.

### **Is it possible to achieve higher levels of economic growth, but with lower levels of housing?**

Levels of economic activity in Horsham District are above average (although they have been falling slightly), with 77% of the working-age population in employment which is well above the South East. The projections already assume that this will improve as the economy picks up, and takes account of people working longer due to changes in pensionable age over the next 20 years.

Theoretically there could be some potential to reduce current levels of commuting out of the District to work to achieve higher levels of economic growth in each scenario. While people commute both into and out of the District, there were 9,850 more people commuting out in 2001. It might be possible to reduce this by increasing the supply of local jobs, but it is important to consider both push and pull factors. The research undertaken by the consultants GL Hearn suggests that larger economies such as Crawley and London are going to continue to attract people to work from Horsham District.

The employment scenarios show a level of employment growth which is well below levels achieved over the past 20 years; and there a considerable risk that lower levels of housing development than the study recommends could constrain future economic performance both in terms of the workforce and skills available to local businesses, and the benefits of population growth on supporting demand for services.

### **Will the new homes create the jobs or should we concentrate on the economy? Do we need to ensure we provide employment opportunities with the new housing?**

There is a complex two-way relationship between housing and employment, whereby the economy creates jobs which influences the housing market as people move to be near to where they find work. On the other hand, a good supply of labour allows existing companies to expand and helps attract new companies to an area. Housing development also supports population growth and demand for local services, supporting existing jobs and creating new jobs in consumer-related sectors.

The District Council is seeking to develop a coordinated strategy, working with neighbouring areas, to ensure that new housing and employment opportunities are delivered in tandem, aiming to provide local employment opportunities and limit commuting distances.

### **Why is there a need to provide houses for the baseline scenarios, i.e. to achieve zero employment growth or with zero net migration? Surely these should be zero?**

No. Average household size has been declining in recent decades and is projected to continue to do so. This is linked to a number of factors, including an increasing proportion of older single person households (linked partly to improvements in life expectancy), as well as people not marrying, increasing divorce rates and a trend for young adults to live alone and have children at a later age. This means that more housing will be required just to accommodate the existing population, even without any net in-migration to Horsham District.

Without any net migration to Horsham District, the population would actually fall very slightly by 1275 people in the period from 2011-31. However even in this scenario, around 230 more homes would be needed each year as a result of changes in how people occupy homes. The Study estimates that 517 homes a year would be required between 2011-31 to maintain a stable working-age population with 0% employment growth.

### **Why does the District need to provide for such high levels of migration? Who will the housing be for?**

The District is an attractive place to live, and this is reflected in strong demand for housing. The study sets out a number of scenarios, ranging from delivery of 635 – 820 homes each year.

Net migration into the District is required to support the economy, and indeed one of the reasons people will be attracted to move to the District is the availability of jobs. Over the next 20 years, growth in jobs may create demand for more people to move into the District as some of the District's current residents move into retirement.

The Study indicates that because of changes in the age structure of the population over the next 20 years, 517 homes will be required each year even without any growth in jobs. The rate of new housing development will affect the age structure of the District's population.

Most housing within the District is now sold or rented privately. It is not possible for the Council to control who buys or rents homes in the private sector, or where they move from. If the Council was to unduly restrict the levels of housing development within the District, it is likely that this would contribute to future growth in house prices as demand exceeded supply. This could increasingly price local people out of the area. A lot of affordable housing is now delivered and funded through mixed-tenure development, which contain both market and affordable housing. Limiting the supply of housing would therefore also restrict development of new affordable housing for local people.

### **Could migration be influenced by what types of homes are built?**

There is some potential for the type of properties built to influence migration patterns, including the age and size of households moving into the District, but it is primarily around the margins. For affordable housing, housing providers can influence who is allocated homes within the District. However for market housing, the Council does not have a significant influence over who buys or rents homes within the District. Many households moving into the District will move to existing rather than new-build homes. Over the last few years we estimate that new build properties represented only around 12% of total sales of market housing.

### **What are headship rates and why have these been used?**

Headship rates are used to estimate how many homes are required to house the population. They estimate how many people in any age group are expected to be heads of household. Projections of

changes in the number of households have been calculated by applying headship rates to the projections of future population in Horsham District.

This approach is the most accurate way of projecting changes in households, and thus requirements for housing, as it takes account of the impact which changes in the age structure of the population can be expected to have on housing requirements over the next 20 years. This is a very significant factor in driving future need and demand for housing.

There is some evidence that current housing market conditions have been subduing new household formation. The Government's view is that any reduction in household formation now will be compensated by increases in the future. The impact of this on the projections would however be very minor and would not fundamentally adjust the range of options set out.

**There are less people able to buy and trade-up within the housing market at the moment. Does this affect the number of homes required?**

There are less people able to buy homes at the moment because of difficulties, particularly for first-time buyers, in getting mortgages. However the Study shows that the impact on the housing market (in terms of levels of sales) is less in Horsham District than in other parts of the region. This does not however particularly influence the underlying demand for homes, particularly looking over 20 years, which is driven by growth in the population and households. Households which are unable to buy still require homes, and many are renting for longer. If this trend persists it can be expected to continue to bolster demand for private rented housing which may stimulate investment in this sector of the housing market.

**There has been an increase in the number of people on the Council's Housing Register who need affordable homes. How has this been considered and what impact will it have?**

The Study considers need for both affordable and market housing together. The number of households on the Council's Housing Register has varied year on year over the last few years.

**What impact will housing delivery in surrounding areas have on housing demand in Horsham District?**

The operation of the housing market extends beyond the District's boundaries. The relationship between supply and demand across London and the Greater South East as well as macro-economic conditions are both likely to impact on future trends in house prices. At a more local level, the balance between housing supply and demand in surrounding areas are likely to affect levels of housing demand in Horsham District particularly as they will influence patterns of movement to and from Horsham District.

With proposals to revoke the South East Plan, the emphasis has shifted towards local authorities seeking to meet their own housing needs and this has formed the focus of the Locally-Generated

Needs Study. Surrounding districts are undertaking their own assessments, similar to this, of what level of housing they can deliver. Horsham District Council will be liaising with neighbouring Councils to consider the implications of their assessments – it is likely to be required to do so by Government.

### **Has the impact of the recession and housing market downturn been considered in the Study?**

The housing market downturn has had a much more substantial impact on levels of housing delivery than underlying household growth, which is driven by changes in the population and household structures. It is not therefore a significant factor in undertaking long-term projections of household growth.

The recession has though made many commentators revise downwards their projections of future economic performance. The Locally-Generated Needs Study takes account of these lower projections of future employment growth in a number of the projections developed.

### **How will the study be used?**

With the new Government's intended changes to the planning system, it will now be Horsham District Council that decides what housing target to include within its Core Strategy Review. This will be informed by assessment of potential suitable land, infrastructure capacity, delivery issues and opportunities for supporting a vibrant economy, as well as consultation with local communities and other interested parties alongside this Study.