CONTENTS

1. Introduction 1
2. Overview of Housing Requirements Evidence 4
3. NPPF and its Implications 20
4. Review of Projections – Demographic / Economic Evidence 31
5. Summary & Recommendations 65
1. Introduction

1.1 The Government’s planning reforms and the introduction of the National Planning Policy Framework (NPPF), places new duties on local authorities to establish, objectively evidence and meet locally generated housing requirements.

1.2 The establishment of housing needs with reference to the NPPF requires a robust, realistic and defendable evidence base, underpinned by the latest demographic statistics and appropriate analytical methods.

1.3 Arun District Council (Arun DC) commissioned, alongside partner authorities across the Coastal West Sussex area, a number of studies in order to construct this evidence base. This evidence base includes the following documents in order of publication:

- Arun District Council Locally-Generated Needs Study Executive Summary, GL Hearn, May 2010;
- Coastal West Sussex Strategic Housing Market Assessment Update, GL Hearn, November 2012;
- Housing Study (Duty to Co-operate) Sussex Coast HMA Partners, GL Hearn, March 2013; and

1.4 Collectively these documents are intended to provide evidence to inform the development of policy within the Local Plan which intends to replace the housing target established within the South East Plan (DCLG, 2009). The South East Plan set a requirement for the authority to deliver 565 dwellings per annum over the plan period to 2026.

1.5 In April 2013 in response to this evidence base Local Members produced a critique of the SHMA evidence base, with this primarily focusing on the November 2012 SHMA update document. This paper is referenced within this report as the ‘Members Critique of 2012 SHMA’ (April 2013).

Study Brief

1.6 Arun DC instructed Turley Associates and Edge Analytics on the 11th April to provide a short ‘critical friend’ review of the existing assembled evidence base examining future housing requirements in the authority.
1.7 As part of this review reference has been made to the central observations set out within the ‘Members Critique of the 2012 SHMA’ paper.

1.8 Turley Associates is a leading independent planning consultancy whose Economic Planning team specialise in housing requirement and SHMA evidence. Edge Analytics are market leading specialists in the field of applied population and demographic modelling. This report represents the professional views of the consultancy team based on a short critical review exercise. It does not seek to replace or update the analysis or reports produced by GL Hearn on behalf of Arun District Council.

1.9 This exercise includes a review of the methodology applied in the generation of population and household projections and the generation of alternative scenarios of growth.

1.10 New datasets available as of 30th April 2013 have been considered within this review. In addition potential areas where alternative assumptions could be considered have been identified as well as the consideration of factors which are likely to have impacted on historic population and household trends.

1.11 This review is not intended to provide a recommendation as to an appropriate housing requirement figure for the authority or to replace any of the existing evidence base documents. Independent household and population projections have been run for illustrative purposes only and should not be used or referenced as alternative projections of demand for housing in the authority. The analysis has focussed solely on the projections of long term demand for new housing and not the calculation of affordable housing need or other components of the SHMA. No conclusions are reached regarding the modelling outputs for any of the other authorities included within the evidence base documents.

**Structure of the Report**

1.12 The evidence base documents recommend a range of housing requirements built through a spectrum of modelled projections. These projections and the various assumptions upon which they are built are summarised within section 2 of this report. This includes a table which assembles these projections for direct comparison as identified as a useful input within the Members Critique of the 2012 SHMA.

1.13 Section 3 then presents a short synopsis of the NPPF and its implications. This forms an important context for appraising the evidence prepared to date. It is important to note that as part of the Duty to Cooperate report (February 2013) GL
Hearn went through a similar exercise to inform their assessment of the evidence prepared across the Sussex Coast area.

1.14 The penultimate section, section 4, reviews the projections produced by GL Hearn in the context of a number of new datasets as well as ‘testing’ the assumptions against other datasets and approaches and the observation set out in the Members Critique of the 2012 SHMA.

1.15 Section 5 brings together the analysis into a series of succinct conclusions. Consideration is given to the tests of Soundness which will need to be considered in relation to the evidence base in light of the NPPF. The conclusion also includes recommendations regarding the impact of recently released datasets and their potential implications regarding the evidence base and areas of future further scenario development.
2. Overview of Housing Requirements Evidence

2.1 This section provides a summary of our interpretation of the range of projections and scenarios assembled to objectively assess housing needs within Arun DC by GL Hearn. The overview considers the evolution of the different projections through the updating of analysis by GL Hearn between the ‘Locally-Generated Needs Study’ (May 2010) and the ‘Updated Demographic Projections Report’ (March 2013). It is understood that all three studies use the same demographic model and methodology to prepare the range of projections summarised below, with the outputs varying based on the application of alternative input assumptions.

2.2 A summary is also provided of the Duty to Co-Operate report which moves beyond simply evidencing the objectively assessed need for housing for Arun DC but also considering the comparable availability of land to match demand across the wider Housing Market Area (HMA) in order to understand the implications on policy development in ensuring that supply and demand is accommodated at an HMA level.

Locally-Generated Needs Study – May 2010

2.3 In advance of the publication of the NPPF GL Hearn were commissioned to run a series of population and household projections to provide a local evidence base of housing requirements in anticipation of the revocation of the SEP.

2.4 Within the study 12 scenarios are presented. A number of these represent sensitivity scenarios with this summary only considering the main scenarios which are referenced as part of concluding recommendations of the study.

2.5 The ‘main’ demographic scenario (PROJ 1) is built using a seven year migration trend (2001/2 – 2007/8) - noting this is longer than the 5 year ‘snap-shot’ used by the ONS in the generation of their official Sub-National Population Projection datasets (SNPP). Under this scenario migration is projected as 1,629 persons per annum with an overall projected population growth of 19,700 between 2006 and 2026 or 985 persons per annum (noting that natural change represents a considerable negative factor). This results in the requirement for 12,189 homes over the twenty years or 610 per annum.

2.6 A series of economic scenarios are also run in order to consider the relationship between the housing market and the economy. In particular this considers what level of in-migration the local economy might be able to support based upon its future health.
2.7 Importantly the analysis highlighted that the District has a relatively low level of employment relative to its population, with a jobs density of 0.67 compared to the South East average of 0.86. The travel to work datasets within the 2001 Census were analysed and showed that there was a net outflow of 14,350 persons on a daily basis, equivalent to 24% of the resident workforce. The economic-led scenarios built assumed a number of important assumptions around forecast changes, including:

- An assumption that the rate of commuting reduces over the projection period with every new job produced in the District taken by someone who would also live in the District;
- Employment rates were also projected to increase from 76.8% to 80% of the working age population over the plan period; and
- Alternative levels of job growth were assumed based on varied per annum employment or GVA growth. GL Hearn recommended that the most realistic scenarios were based on between 3% GVA growth per annum post 2013 and 3% GVA growth per annum across the 2006 – 2026 period, translating into between 6,600 and 7,600 new workplace jobs within the District. Importantly the research noted: “For the purposes of this Study the precision or robustness of the forecasts is not considered particularly important as this is an area in which the Economic and Employment Land Assessment which the Council has commissioned will provide further guidance” (para. 3.6 Executive Summary)

2.8 GL Hearn projected that based on these economic assumptions that there would be a requirement for between 550 and 670 homes per annum. These aligned relatively closely with the demographic trend based projection. Importantly GL Hearn ran a projection constrained to the SEP Option 1 numbers of 465 dwellings per annum and concluded that delivery at this level “could potentially constrain the economy, supporting just 2,000 – 3,000 jobs over the plan period; would result in an increase in the dependency ratio with a higher proportion of the population of retirement age relative for instance to PROJ1 or PROJ10, and could contribute to an imbalance to long-term growth in house prices as housing supply fell short of demand based on realistic economic or demographic driven scenarios” (para. 5.7 Executive Summary).

2.9 In recommending that the housing targets established above be treated as a minimum level the GL Hearn report also referenced the importance of taking account of the wider housing market with a “potential risk in looking specifically at addressing locally-generated needs that aggregate housing support at the regional
level is insufficient to meet demand. The South East region plays a pivotal role in the national housing market and is characterised by a significant supply-demand imbalance” (para. 5.8 Executive Summary).

Coastal West Sussex SHMA Update – November 2012

2.10 The SHMA update was commissioned to provide an update to the 2010 study to ensure that the evidence base responded to the requirements of the NPPF. The research was commissioned across the Sussex Coast Housing Market area with individual outputs included for each of the authorities including Arun.

2.11 The research arrives at the following conclusions regarding the level of housing which should be planned for:

2.12 “We would recommend that Arun District Council continues to promote a strong economic regeneration agenda to secure new, and higher-quality economic development and investment. In regard to levels of housing provision, meeting the District’s own development needs would require provision of between 600 – 750 homes per annum based on the demographic projections. However if we take account of anticipated economic growth and a policy position which seeks to align housing provision more strongly with supporting the economy, in terms of the profile of migration of people of different ages, the housing requirement falls to around 575 homes per annum. This aligns most closely with Arun’s draft Local Plan approach” (para. 10.17).

2.13 Importantly in light of the conclusion above GL Hearn, do however, also state that they “would advise that the Council however tests the potential to meet higher levels of development of up to 900 homes per annum. We consider that this is an optimistic view of future housing delivery set around the maximum level that the market could support. This should be tested through the plan preparation process, including through Sustainability Appraisal and assessment of the requirements and feasibility of delivering supporting infrastructure. This process will help to refine the scale of development to be planned for and the robustness of the Plan” (para. 10.18).

2.14 In arriving at these conclusions GL Hearn considered a range of scenarios. In line with the 2010 study these consider a range of demographic and economic constraints and are built using the same modelling approach. A number of updates to underpinning data are included reflecting the release of further years of data of, for example population midyear estimates and employment indicators.
2.15 Two ‘main’ demographic trend based projections are presented. These vary the level of migration assumed with the first PROJ 1 projected forward migration rates based on a ten year historic average – 1,990 persons per annum - and the second PROJ 2 using a five year historic average, or 1,660 net persons per annum (noting this approach is consistent with the ONS’s own SNPP modelling). The two projections therefore use migration assumptions which sit either side of the seven year trend used to underpin PROJ 1 in the 2010 study. The resultant average per annum housing requirements associated with the two scenarios range from 754 (PROJ 1) to 602 dwellings (PROJ 2).

2.16 As with the 2010 study a series of employment-led scenarios are run. Rather than examining the impact of varying levels of economic growth a single ‘economic forecast’ is used (noting that a zero employment growth scenario was run for illustrative purposes).

2.17 The economic forecast used at the heart of the range of economic-led projections is an Experian forecast dated March 2012. This forecasts a growth in 7,630 workforce jobs which sits at the upper end of the levels of job growth considered in the 2010 study. Importantly, as GL Hearn note there are a number of uncertainties inherent within economic forecasts. They also state that: “It should also be borne in mind that the Experian economic forecasts do not take into account ‘economic strategy’ initiatives or key development projects which may influence future performance” (para. 8.14).

2.18 A further ‘health-warning’ regarding the forecasts is referenced regarding the role of projected population growth in driving growth in a number of key sectors, such as health, residential care and social work and education. The comparable growth of sectors where projected population growth is an important input is identified by GL Hearn as having a particular impact of the employment growth forecast in Arun. These sectors are estimated as constituting almost 5,600 of the overall forecast job growth leaving a residual 2,000 growth in other sectors, primarily professional services.

2.19 The range of employment-led scenarios include:

- PROJ 5 applies the forecast workplace job growth and assumes that current rates of commuting are sustained – with the forecast resident based employment growth rising by approximately 10,500 jobs over the 20 year period – the implication being a growth of almost 3,000 additional commuters into other parts of the housing market area and beyond. This results in a population growth of 33,710 persons (1,686 per annum) and an average housing requirement per annum of 886 dwellings;
• PROJ 5A assumes that the overall commuting rate falls over the plan period through an application of a 1:1 relationship between workforce-based employment growth and residence based employment growth. This therefore serves to reduce the associated increase in the size of the labour-force in the authority resulting in a lower population growth of 27,850 persons (1,393 per annum) and an average housing requirement per annum of 763 dwellings. Importantly across the housing market area the impact is less marked in terms of reducing the requirement with the balance of commuting across the area varying, for example Chichester sees an increase in the per annum housing requirement under this scenario; and

• PROJ 5B varies the age profile of the migration population for just Arun DC. This scenario is run on the basis that the ONS SNPP datasets, reflecting ONS estimated trends, show a migration profile in the District which is particularly skewed towards in-migration of older persons (particularly those aged 55-69). The scenario is therefore built to assume this trend does not continue but rather that the migration projection for Arun focuses on the District having similar migration patterns to the whole of Coastal West Sussex (patterns as per the 2010-based SNPP). The scenario assumes the same level of job change as Scenario 5A (therefore also assuming a fall in the rate of commuting). Under this scenario the projected growth in the population falls to 23,609 persons (1,180 per annum) and an average housing requirement per annum of 576 dwellings per annum.

2.20 The economic-led forecasts show a range of population growth between 33,710 and 23,609 (1,686 – 1,180 persons per annum on average). This translates into a projected average requirement for between 886 and 576 dwellings per annum. At the lower end of these scenarios, noting that these integrate assumptions around falling commuting rates and a future migration trend which includes a higher proportion of working age residents moving in, the level of housing requirement broadly aligns with the lower end of the demographic projections considered (PROJ 2).

2.21 Importantly across the Coastal West Sussex area the central employment growth scenario (PROJ 5) shows a higher level of household growth, 2,300 per annum, than either of the central demographic projections (PROJ 1 – 1,777 per annum, PROJ 2 – 1,697 per annum). This is important when considering the overall balance between projected labour-force change based on a continuation of historic
trends and the forecast economic future of the area (i.e. its considered economic potential).

2.22 In considering the scenarios above it is important to consider the approach taken to translating population growth into projected household numbers, leading to dwelling requirements. GL Hearn uses their own generated assumptions around headship rates. They state: “Moving forward it is difficult to accurately predict what will happen with headship rates (and hence household sizes) although the data is clear that there has been a shift away from constant decreases in household size. For the purposes of our analysis we have used headship rates that fit somewhere in between recent trends (which are quite flat) and long-term projections which show significantly decreasing household size. Hence we project decreasing household sizes in the future but at a lesser rate than was projected by CLG in 2008” (para. 8.51).

2.23 GL Hearn justify this position, stating: “This approach seems reasonable, recognising the current constraints for households in accessing mortgage finance and the weak economic outlook which are expected to suppress household formation at least in the initial years of the projection” (para. 8.52). GL Hearn highlight the impact of this assumption on lowering assumed levels of household growth, with Figure 172 showing that the annual rate of household formation falls from 885 per annum when the CLG 2008 SNHP headship rate assumptions are used to 735 per annum under the GL Hearn derived headship rates, a difference of 150 households per annum. The final step in translating households to dwellings used a standard 2.5% vacancy multiplier to allow for turnover.

Updated Demographic Projections Report – March 2013

2.24 In March 2013 GL Hearn produced an update to the demographic projections underpinning the 2012 study to take account of new data, specifically information from the 2011 Census regarding the size and structure of the District’s population, the number of households and how households of different ages occupy homes; and the 2011-based Interim SNPP dataset.

2.25 The analysis of these new datasets was primarily used by GL Hearn to test and validate a number of the assumptions, particularly in relation to migration, made in the 2012 study which moved away from those presented within the official ONS (SNPP) projection datasets.

2.26 One of the important areas of analysis considered in the analysis was the implication of re-basing the population to a Census 2011 count. Significantly GL
Hearn identified that the Census 2011 indicated that the historic ONS population estimate datasets had over-estimated the growth of the population between 2001 and 2011 by around 3,600 people. The scale of this modelling ‘error’ was summarised: “In percentage terms the actual population growth between 2001-11 has been about 6.3% compared with previous estimates of 8.8% over this ten year period” (para. 2.8).

2.27 GL Hearn compared the age profile structure between the previous ONS projections and the Census 2011 estimate highlighting: “The key age group where there is a notable difference are older adults and people of retirement age, with all groups from age 45 and upwards having been quite substantially over-estimated in previous population estimates. There has also been an over-estimation of people aged up to 24, with the 25-29 age group having been slightly under-estimated” (para. 2.7).

2.28 The analysis undertaken by GL Hearn appeared to validate the assumptions they had made in building PROJ 1 and PROJ 5B in the 2012 study. This included:

- The suggestion that in advance of updated historic mid-year estimate data between 2002 and 2010 that analysing the two population counts of 2001 and 2011 and assuming the natural change data is comparatively accurate that the ten year migration trend was closer to 1,650 per annum. A figure which closely aligned with the five year migration trend used to underpin PROJ 2 in the 2012 study. They also highlighted that this change had not been reflected in the 2010 SNPP or the interim 2011 SNPP with the position particularly pronounced in the interim 2011 SNPP dataset.

- Analysis of the age profile of persons migrating was undertaken again using a range of datasets including the 2011 Census. This altered the age profile of migrants based on this evidence with the analysis in Figure 13 suggesting a lower level of net in-migration of those aged 55 – 69 and a reduced net out-migration of those aged 20 – 24. This appears to have some similarity to the assumptions applied in the generation of the PROJ 5B scenario in the 2012 study.

2.29 The Census 2011 data was also used; it is understood, to refine the modelling approach taken to creating headship rates over the projection period. GL Hearn state: “In projecting forward we have therefore rebased the headship rate assumptions using 2011 Census data and then projected headship rates to broadly follow a trend at the mid-point between the trend shown from 2001 to 2011 and the expected trend in CLG projections” (para. 2.59).
2.30 The updated PROJ 1, using these assumptions, shows a projected growth in the population of 24,759 persons, a level which was higher than PROJ 2 in the 2012 study noting that this assumed a comparable level of net migration annually. With the application of the updated headship rates this created a per annum average dwelling requirement of 619.

2.31 The March 2013 report also included re-runs of the employment-led scenarios integrating the new demographic data. PROJ 6 assumed, as per the 2012 study, a fall in the rate of commuting to align the population with a residence based employment growth of approximately 7,600. PROJ 5 assumed that the commuting rate remained the same, with the increase in residents in employment therefore higher at 10,500 with the difference between the employment numbers made up of people living in Arun but commuting to other parts of the housing market area and beyond. PROJ 6 suggested a per annum average dwelling requirement of 580 and PROJ 5 695.

2.32 GL Hearn note in the consideration of the scenarios presented within the March 2013 study: “it needs to be recognised at an early stage of the analysis that updating the demographic projections for Arun at the current time is quite challenging given that ONS data underpinning published projections is demonstrably at odds with data from the 2011 Census. Our analysis below has attempted to consolidate new information with ONS data releases to provide the most robust and defensible projections possible” (para. 2.9).

2.33 The March 2013 report does not appear to arrive at a specific recommendation for the selection of a single projection to inform policy, although it notes the alignment of PROJ 6 to PROJ 5B in the 2012 study. The report concludes: “In determining a housing requirement for inclusion within the Local Plan, we would advise Arun District Council to carefully consider the balance between housing and employment, and the scope to change commuting dynamics over the plan period. The appropriateness of the economic forecast herein should be appraised against the economic vision and strategy within the emerging plan. We would also advise the Council to consider the supply-demand balance across the HMA in consultation with other local authorities within the sub-regional housing market” (para.4.4).

2.34 In drawing together the review of the three documents above the following table sets out the key per annum average outputs of the projections presented through the various GL Hearn reports, note not all of these have been reviewed within the summary above. In comparing the projections there are a number of important points to note:
GL Hearn has updated the modelling within each study to take account of new base data issued by the ONS / DCLG. This impacts on the underlying demographic assumptions making direct comparison difficult;

Further years of data regarding past trends are taken into account for the 2012 and 2013 studies which means that trend-based projections are built using different input assumptions around migration;

The 2010 study did not translate household growth into housing requirements, through the application of a vacancy allowance, and so the figures shown are projections of household growth; and

Within the 2013 study GL Hearn sub-divide the projections into three categories; demographic (trend-based), component (holding of certain assumptions constant over time to assess impact), and economic-led (constraining of the demographic projections to forecasts of employment growth.)
### Table 1: Summary of Projections from the 2010, 2012 and 2013 studies – annual averages time period defined

<table>
<thead>
<tr>
<th>Projection</th>
<th>Projection description</th>
<th>Projection 'type'</th>
<th>Population Growth Per annum</th>
<th>Housing Numbers per annum</th>
<th>Employment growth per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Locally Generated Needs Study, 2010 (Note: Household growth rather than dwelling growth)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROJ 1</td>
<td>Trend based migration</td>
<td>Demographic</td>
<td>929</td>
<td>590</td>
<td>207</td>
</tr>
<tr>
<td>PROJ 2</td>
<td>No net migration</td>
<td>Component</td>
<td>-912</td>
<td>-182</td>
<td>-720</td>
</tr>
<tr>
<td>PROJ X</td>
<td>Lower (short-term) migration trends</td>
<td>Demographic</td>
<td>481</td>
<td>400</td>
<td>-14</td>
</tr>
<tr>
<td>PROJ 7</td>
<td>Zero employment growth</td>
<td>Component</td>
<td>488</td>
<td>406</td>
<td>0</td>
</tr>
<tr>
<td>PROJ 8</td>
<td>4% employment growth</td>
<td>Economic based</td>
<td>697</td>
<td>494</td>
<td>105</td>
</tr>
<tr>
<td>PROJ 9</td>
<td>2.7% GVA post 2013</td>
<td>Economic based</td>
<td>945</td>
<td>598</td>
<td>230</td>
</tr>
<tr>
<td>PROJ 10</td>
<td>3.0% GVA post 2013</td>
<td>Economic based</td>
<td>1144</td>
<td>681</td>
<td>330</td>
</tr>
<tr>
<td>PROJ 11</td>
<td>3% GVA pa 2006 - 26</td>
<td>Economic based</td>
<td>1243</td>
<td>723</td>
<td>380</td>
</tr>
<tr>
<td>PROJ 12</td>
<td>3.5% GVA pa 2006 - 26</td>
<td>Economic based</td>
<td>1422</td>
<td>798</td>
<td>470</td>
</tr>
<tr>
<td><strong>Coastal West Sussex SHMA Update, November 2012</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROJ 1</td>
<td>10 year migration trends</td>
<td>Demographic</td>
<td>1383</td>
<td>754</td>
<td>368</td>
</tr>
<tr>
<td>PROJ 2</td>
<td>5 year migration trends</td>
<td>Demographic</td>
<td>1019</td>
<td>602</td>
<td>191</td>
</tr>
<tr>
<td>PROJ 3</td>
<td>Zero net migration</td>
<td>Component</td>
<td>-810</td>
<td>-161</td>
<td>-700</td>
</tr>
<tr>
<td>PROJ 4</td>
<td>Zero employment growth</td>
<td>Component</td>
<td>608</td>
<td>436</td>
<td>0</td>
</tr>
<tr>
<td>PROJ 5</td>
<td>Employment growth</td>
<td>Economic based</td>
<td>1686</td>
<td>886</td>
<td>525</td>
</tr>
<tr>
<td>PROJ 5A</td>
<td>Labour-force growth with 1:1 relationship between workforce- and residence based emp growth</td>
<td>Economic based</td>
<td>1393</td>
<td>763</td>
<td>381</td>
</tr>
<tr>
<td>PROJ 5B</td>
<td>Alternative migration profile same employment as PROJ 5A</td>
<td>Economic based</td>
<td>1180</td>
<td>576</td>
<td>381</td>
</tr>
<tr>
<td><strong>Updated Demographic Projections Report, March 2013</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROJ 1</td>
<td>10 year migration trends</td>
<td>Demographic</td>
<td>1238</td>
<td>619</td>
<td>433</td>
</tr>
<tr>
<td>PROJ 2</td>
<td>SNPP</td>
<td>Demographic</td>
<td>1931</td>
<td>906</td>
<td>792</td>
</tr>
<tr>
<td>PROJ 3</td>
<td>Zero net migration</td>
<td>Component</td>
<td>-626</td>
<td>-148</td>
<td>-525</td>
</tr>
<tr>
<td>PROJ 4</td>
<td>Zero employment growth</td>
<td>Component</td>
<td>393</td>
<td>273</td>
<td>0</td>
</tr>
<tr>
<td>PROJ 5</td>
<td>Labour Supply</td>
<td>Economic based</td>
<td>1417</td>
<td>695</td>
<td>525</td>
</tr>
<tr>
<td>PROJ 6</td>
<td>Labour Demand</td>
<td>Economic based</td>
<td>1139</td>
<td>580</td>
<td>382</td>
</tr>
</tbody>
</table>

*Source: Interpretation of GL Hearn analysis, various dates*

2.35 Examining first the ‘demographic’ scenarios, GL Hearn have over the three reports evidenced an objectively assessed need for between 400 (household growth)
under PROJ X in the 2010 report and 906 dwellings under PROJ 2 in the 2013 report. The core demographic scenario, the ten year migration scenario, has shown a requirement for between 590 (PROJ 1 2010 report - household growth) and 754 dwellings (PROJ 1 2012 report). The latest iteration of this scenario PROJ 1 in the 2013 report showed a need for 619 dwellings.

2.36 The ‘component’ scenarios are not considered in detail as these are provided to illustrate the scale of impact where a certain fixed assumption is applied and are therefore not grounded in an evidenced position in the same way as the demographic and economic-led scenarios.

2.37 The economic-led scenarios show a range of need from 494 (PROJ 8 2010 report – household growth) to 886 dwellings (PROJ 5 2010 report). This spread of need is based on the supporting a growth in the employment base of between 2,100 and 10,500, noting that the latter figure includes an assumptions around over 3,000 of these jobs being created in other authorities. The latest economic-led scenarios produced within the 2013 report show a projected need for between 580 and 695 dwellings per annum between 2011 and 2031. These would support between 7,640 and 10,500 jobs with both scenarios assuming that approximately 7,640 of these new jobs would be in the district.

Housing Duty to Cooperate Study, February 2013

2.38 Alongside the preparation of the evidence summarised above to analyse the objectively assessed need for housing in the Coastal West Sussex Housing Market Area GL Hearn were also appointed by the Sussex Coast Housing Market Area to collate the housing need requirements across the area and review the residential land supply and capacity constraints. The intention being to produce a considered assessment of the balance between potential supply and need/demand for housing at a district and HMA level within a Duty to Cooperate context.

2.39 With regards to Arun this arrived at the following important conclusions:

- Based upon GL Hearn’s own review of their housing requirements evidence base they conclude: “Taking into account the range of projections developed we consider that an objective assessment of development requirements would fall within the 550 – 650 range. This equates to a housing growth rate of 0.8 – 0.9% per annum. We consider that these would represent achievable rates for development, taking account of the District’s weaker housing market relative to other parts of the region” (para. 4.35);
They also suggest: “We consider that there are some notable risks in Arun District in particular from over-provision of housing, which (if it ran faster than economic growth) could result in further deterioration in the District’s jobs density, growth in out-commuting and a population profile become further skewed towards older age groups. This would suggest a cautious approach to housing provision as appropriate with an appropriate review mechanism in line with a plan, monitor and manage approach” (para. 4.36)

With regards the market position GL Hearn also note: “Housing delivery over the last five years has averaged around 600 homes a year (2007-12) representing around 0.85% growth in the housing stock per annum. This is set against a context of relatively depressed market conditions. The evidence would thus point to the potential for the District to sustain a moderately higher level of completions, assuming recovery of the housing market over the longer-term, particularly given development constraints in other parts of the sub-region… We consider that a growth rate of 1.0% per annum over the period to 2031 would represent potentially the maximum feasible which we consider could be achieved over a sustained period in the District. This would represent around 700 dwellings per annum” (paras. 5.75 – 5.77).

Across the Sussex Coast area a significant potential shortfall, 485 units per annum, is identified by GL Hearn. Arun is the only authority across the area where a potential ‘surplus’ position is identified. On this basis GL Hearn conclude: “Through the development of the Local Plan it would be appropriate for the Council to test the potential for modest additional development over and above this to contribute to meeting wider sub-regional needs, and particularly to meeting under-provision in Worthing and from parts of the South Downs National Park. It will be important that joint working between the relevant authorities continue” (para. 6.30).

Members Critique of the 2012 SHMA

2.40 In April 2012 a document titled ‘ADC Local Plan – comments on the SHMA’ was produced by Local Members. This is referred to as the ‘Members Critique of the 2012 SHMA’ within this report.

2.41 The focus of this paper is the 2012 SHMA Update although it is understood that other documents, with the exception of the March 2013 GL Hearn report, were also provided for comment.
2.42 This represents an important context in considering these comments as the March 2013 GL Hearn report includes a number of fundamental updates regarding the development of the population and household projections. This document in particular forms the focus of the review of input assumptions and the methodology adopted in section 4 as it represents the most up-to-date outputs by GL Hearn and represents a refinement of the analysis presented within the 2012 SHMA update.

2.43 The Members Critique of the 2012 SHMA includes a broad range of observations around specific elements of the SHMA. Our interpretation of the central observations within this paper are set out below:

- The approach taken to consider the relationship between the current and future economy of the area and future housing requirements. The paper states: ‘The Local Plan must seek to improve the economic base of the district’. This is considered particularly important in terms of the jobs density of the authority with an improved balance between change in jobs and levels of house building an important consideration for the evidence base. In addition the impacts of the recession in terms of job losses and in particular a decline of high value high skilled opportunities are identified as issues with the authority perceived as a low wage economy. In addition to this point regarding the economy the paper does however, note: ‘There isn’t a projection that says with a declining number of employment opportunities the level of out migration may well increase’;

- The above point is linked to a concern that population projections have limitations in projecting future rates of in and out migration with the paper recognising that people’s decisions to move relate to a diverse range of factors including employment reasons. This includes a concern that policy will be led by an extrapolation of future requirements based on historic trends of migration. The point is made that: ‘The rate at which in-migration occurs is dependent partly on the supply of housing, and partly macro economic factors. Supply more houses you get more in-migration’;

- The importance of the relationship between supply and demand both historically and over the future Local Plan period. With the relationship between past completions and historic migration trends highlighted. This position is also referenced with regards the capacity of future housing requirements to be met with the conclusion reached by GL Hearn regarding a potential shortfall in capacity based against demand referenced, this being: ‘This significant under-provision could have a number of negative consequences over the longer-term including in
subdued household formation and levels of concealed households, the balance within the demographic structure, the local economy and commuting. Against this context, the authorities should seek to maximise housing delivery within environmental and infrastructure constraints” (GL Hearn, 2012, pg. 206).

- A concern that the authority’s housing market has been affected by a significant in-migration of older person households related to the types of housing which has been developed over recent years. The point is made: “some of the projections are based on assumptions about how effective planning policies might be in changing household composition, in particular in restricting the in-migration of the affluent elderly. It is difficult to predict how given the fluidity of national policy changes these will play out on the SHMA assumptions”;

- The conclusion is reached in relation to the calculation of the affordable housing need in the market area and each district (section 7 of the 2012 SHMA report) that the ‘the housing needs analysis per se does not provide a strong basis for considering overall future housing requirements’;

- The role of altering headship rate assumptions is noted as an area of concern in considering the results of the modelling of population and household projections;

- The distinction between the evidence base and policy development is also highlighted. In particular this highlights that the assessment of the need / demand pressures for housing is one factor which needs to be considered in the setting of policy. Other factors, as referenced within GL Hearn’s 2012 SHMA Update (paragraph 7.5) include land availability, infrastructure requirements, viability and the views of the local community and wider stakeholders. Considering this point concerns are noted around conclusions reached within the concluding section of the 2012 SHMA around the potential capacity of the authority to accommodate further development and its relationship with other authorities in the housing market area. This point is also referenced in relation to the Duty to Cooperate (February 2013) report: “It is interesting how projections that are full of assumptions suddenly become fixed numbers in the Duty to Co-operate report. When we look at land supply we get a realistic view. The un-met demand that is being referred to is a statistical un-met demand that gets bigger the further forward we project the figures”.


2.44 These observations are considered in light of both of the GL Hearn March 2013 paper outputs and the independent critique provided by this study in section 4 of the report.

**Summary**

2.45 It is evident that a significant amount of analysis has been undertaken by GL Hearn looking at the impacts of the varying of a large range of assumptions. The summary presented here has focussed on the main scenarios which are given greatest weight by GL Hearn through their recommendations.

2.46 The objectively assessed need for housing within the range of research publications considered here has ranged from between 400 (household growth) to 906 dwellings under the demographic scenarios. The core demographic scenario, the ten year migration scenario, has shown a requirement for between 590 (PROJ 1 2010 report - household growth) and 754 dwellings (PROJ 1 2012 report). The latest iteration of this scenario PROJ 1 in the 2013 report showed a need for 619 dwellings.

2.47 The economic-led scenarios show a range of need from 494 to 886 dwellings. This spread of need is based on the supporting a growth in the employment base of between 2,100 and 10,500, noting that the latter figure includes an assumptions around over 3,000 of these jobs being created in other authorities. The latest economic-led scenarios produced within the 2013 report show a projected need for between 580 and 695 dwellings per annum between 2011 and 2031.

2.48 The Duty to Cooperate analysis undertaken by GL Hearn has served to highlight the potential imbalance between supply and demand across the wider housing market geographies of the Coastal West Sussex area. Arun is identified as distinct from the other authorities in not having a shortfall position. This forms an important context for the setting of Local Plan policies for Arun recognising the inter-relationships of housing market areas.

2.49 In evidencing the objectively assessed need for housing across the housing market area and within Arun it is evident that GL Hearn has sought to build population and household projection scenarios which reflect local up-to-date data.

2.50 The analysis has illustrated the impact of varying key assumptions on projecting forward population, household and potential employment growth. A number of the scenarios presented rely on changes to the functioning of the current housing market in the area, for example a reduction in the rate of out-commuting. Other assumptions have been ‘refined’ to reflect GL Hearn’s re-interpretation of historic
demographic data, including for example the age profile of migrants into the authority. It is assumed that the consideration of these scenario variations, including those which require the implementation of wider policy objectives, has reflected the views of the research steering group and has sought to align with local priorities.

2.51 The approach taken to considering a wide range of different projections using both trend-based and economic led scenarios is important as it ensures that a comprehensive range of assumptions are explored in order to understand the implications of differing levels of household growth in order to ensure an informed housing policy position within the Local Plan.

2.52 A review of the Members Critique of the 2012 SHMA highlights a number of observations around the approach to modelling demand and its translation into conclusions to assist in informing policy. This includes issues around the understanding of migration, the relationship between housing supporting the health of the economy and the relationship between need and the supply of land.

2.53 The remainder of this report looks firstly at the planning policy context to understand the ‘tests’ and guidance against which the assessment of objectively assessed need will be evaluated and secondly considers in more detail the modelling approach taken by GL Hearn with reference to the observations made within the Members Critique of the 2012 SHMA.
3. NPPF and its Implications

NPPF guidance on planning policies

3.1 The Government is implementing reforms to the planning system. As part of this reform the Government has stated that it would, “rapidly abolish Regional Spatial Strategies and return decision-making powers on housing and planning to local councils” (Cabinet Office, 2010:11).

3.2 The Localism Act 2011 provided for the abolition of the Regional Strategies through a two-stage process. The first stage was achieved when the Localism Act received Royal Assent on the 15th November 2011. The second stage involves abolishing the existing regional strategies by secondary legislation (House of Commons Library, 2013).

3.3 An important implication of the anticipated revocation of the regional tier of planning\(^1\) is that the responsibility for establishing housing requirements for Local Plans now falls with individual Local Authorities.

3.4 The National Planning Policy Framework (NPPF), published in March 2012, sets out the Government’s statutory planning policies for England. A Written Statement in the House of Lords on the 25th July 2012 clarified that the proposed revocation of the Regional Strategies may be regarded as a material consideration by decision makers when determining planning applications and appeals. It also set out their status in regard to plan making:

>“In respect of plan-making, the National Planning Policy Framework implementation period provides councils with the incentive to get their plan policies up to date and in doing so they can have regard to the policy to revoke Regional Strategies and the new National Planning Policy Framework policies. A local plan document must be in general conformity with the regional strategy at the stage that the plan is submitted for examination but it is open to councils when preparing local plans to take account of the policy to revoke up to the time of submission. Local authorities can also bring forward proposals (for example on housing targets) which have a local interpretation to them in their plans, based on their own sound evidence base where that is

\(^1\) Note: The East of England and Yorkshire and Humber Regional Strategies have been formally revoked as at February 2013.
justified by the local circumstances. That evidence base is likely to be more up to date than that included in the Regional Strategies. Each case will depend on its particular facts” (House of Commons Library, 2013:16).

3.5 Looking specifically at the NPPF in relation to the guidance it sets for preparing this evidence, firstly it is important to recognise that the NPPF is built around a policy commitment to the achievement of sustainable development. At the heart of the NPPF is a “presumption in favour of sustainable development”, which requires local authorities in the development of their Local Plans to adopt a positive approach in order to “seek opportunities to meet the development needs of an area” (DCLG, 2012a:4).

3.6 Further clarification is provided through the core planning principles set out at Paragraph 17 of the Framework. Importantly, this includes the following requirement that planning should:

“Proactively drive and support sustainable economic development to deliver the homes, business and industrial units, infrastructure and thriving local places that the country needs. Every effort should be made objectively to identify and then meet the housing, business and other development needs of an area, and respond positively to wider opportunities for growth. Plans should take account of market signals, such as land prices and housing affordability, and set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities” (DCLG, 2012a:5).

3.7 With regards housing, the NPPF states that in order to boost the supply of housing, local planning authorities should:

“Use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework” (DCLG, 2012a:12).

3.8 Further guidance as to the informing data and drivers which should be considered in establishing this estimate of the objectively assessed need facing the authority for housing is set out within paragraph 159 of the NPPF:

“Local planning authorities should have a clear understanding of housing needs in their area. They should:
Prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that 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...; and
- Caters for housing demand and the scale of housing supply necessary to meet this demand”.

3.9 In October 2012 the Government requested a Review of the 7,000 plus pages of Government Planning guidance which supports the implementation of national planning policy (DCLG, 2012b). This review was led by Lord Taylor and reported on the 21st December 2012. The review concluded that the system of guidance was "no longer fit for purpose" and classified documents for retention, cancellation and update as well as identifying current gaps in guidance.

3.10 Significantly, the report identified the Strategic Housing Market Assessment (SHMA) guidance as well as the Strategic Housing Land Availability Assessment (SHLAA) guidance as urgently in need of update. The following additional advice was provided regarding the updating of the SHMA Guidance:

“Current guidance is out-of-date. Important to have a standardised approach. Closer linkages between the SHMA and Employment Land Reviews/Economic Assessments. Priority to be updated. Consider

---

2 Note: In response to a question asked by Lord Hodgson of Astley Abbots on the 25th October 2011 in the House of Lords around the source of total population to be used in assessing housing requirements as set out in the draft National Planning Policy Framework Baroness Hanham replied: "When assessing their housing requirements in future years as part of a strategic housing market assessment, authorities should use the most recently released sub-national population projections (published by the Office for National Statistics) and household projections (published by the Department for Communities and Local Government)."

3 The latest guidance is the DCLG published ‘Strategic Housing Market Assessments Practice Guidance Version 2 (2007)"
whether SHLAA and SHMA guidance can be combined” (DCLG, 2012b:45).

3.11 The above synopsis of the latest policy guidance provides an important context against which to assess the compliance of any evidence prepared with the intention of informing a statutory Local Plan under the new planning policy framework. This forms an important context for considering the analysis in section 4 in relation to the points made within the Members Critique of the 2012 SHMA.

Inspectors’ interpretation of NPPF Guidance

3.12 It is now over a year since the publication of the NPPF and the establishment of housing requirements through Local Plans has received an increasing amount of attention as they are submitted for Examination under the new framework. The following provides a summary of the key points which have emerged from a number of Local Plan/Core Strategy Examination hearings, drawing in particular from the Local Inspector reports. This provides further clarification as to how the new planning framework is being interpreted and the areas against which policy and evidence is being found unsound.

3.13 The relative weight or importance of the application of Regional Policy forms an important starting point as it reinforces the need and potential application of an authority’s own independently prepared evidence base.

3.14 Following the Examination of the Rother Local Plan the Inspector noted: “Until the Regional Strategy (SEP) is abolished there is a legal requirement for the Plan to be in general conformity with it” (Rother District Council, 2012:1). The Inspector concluded that the Council’s assembled evidence to support a departure from the SEP was not of sufficient robustness noting: “In the circumstances, the only robust figure available at this time is the SEP requirement” (Rother District Council, 2012:3).

3.15 In terms of moving beyond the weight given to Regional Strategy requirements it is evident that Inspectors are placing a significant emphasis on the responsibility of authorities to evidence the ‘full, objectively assessed needs for market and affordable housing’. This was highlighted with regards the East Hampshire Joint Core Strategy Examination where the Inspector stated: “The Framework requires local planning authorities to ensure that their plans are based on adequate and up to date evidence and that they should have a clear understanding of housing needs in their area” (East Hampshire District Council, 2012:2).
3.16 The Inspector considering the Rother Local Plan reinforced this position linking it to other important national policies: “The Framework (paragraph 47) requires local planning authorities to boost significantly the supply of housing by using their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in the Framework” (Rother District Council, 2012:2).

3.17 The key information for assessing this need is another area of focus for Inspectors. In the case of the examination of the Ryedale Plan the Inspector used reference to the latest (2008 based) household projections as a basis for testing the housing requirement proposed, noting that the Core Strategy “does not clearly demonstrate how the Council has undertaken an objective assessment of housing needs, including meeting the full objectively assessed needs for market and affordable housing” (Ryedale District Council, 2012:1).

3.18 The Inspector considering the Dacorum Core Strategy provided preliminary findings in relation to matters relating to housing provision. This also referenced the importance of official datasets, noting in reference to his concern that the proposed dwelling requirement did not meet objectively assessed need: “I consider the starting point should be the identification of full ‘objectively assessed needs’ (paragraph 47 of NPPF). The most recent CLG household projections [CLG 2008 based] indicate a need for 13,500 new households in the Borough (about 540 dwellings per year) over the plan period and there is also a significant need for affordable housing. The population projections also identify a significant growth [ONS Interim 2011 based projections]. Whilst I understand the Council’s concerns regarding the robustness of the figures, I am mindful of the advice in paragraph 159 of the NPPF regarding meeting household and population projections” (Dacorum Borough Council, 2012:1). The Inspector noted in his advice that further “substantive evidence” was required for him to confidently conclude that the proposed requirement was justified in the context of these official datasets (Dacorum Borough Council, 2012:2).

3.19 The importance of this official dataset as a starting point for assessing need was also further reinforced through the examination of the Eastbourne Core Strategy Local Plan. The Inspector noted that the Plan retained the Regional Strategy requirement for the authority but also referenced the draft Eastbourne Strategic Housing Market Assessment (2012), noting that this: “analyses up-to-date evidence of housing need based on government household projections”. The following recommendation was made by the Inspector based on his review of the evidence:
“The draft 2012 SHMA indicates that the 2010 household projections are expected to show a lower rate of increase than previously anticipated. However, based on past trends and 2010 population data it still predicts that the rate of household growth from 2010 to 2035 is likely to be 400 units each year. This suggests that the housing target would need to be increased to comply with paragraph 47 of the NPPF, which requires Local Plans to meet the full, objectively assessed needs for market and affordable housing in the area” (Eastbourne Borough Council 2012:8).

3.20 Whilst the above was noted the Inspector did conclude that whilst the Plan will fall short of meeting the full need for housing in the area that the approach was justified in relation to the assessment of physical and environmental constraints. The balance between other factors (i.e. policy or physical constraints) and addressing needs in full is another area where recent decisions provide important points of clarification.

3.21 As referenced above the Rother Local Plan proposed a reduction in the housing requirement of “between 77% and 85% of the SEP requirement” (Rother District Council, 2012:1). The Inspector concluded that the reasons for this proposed reduction were unsound, importantly one of the areas argued by the authority as having an impact on future demand was the health of the economy and in particular the economic downturn within which the plan was being prepared. This is important as it shows the importance of the link between the economy and housing demand with the Inspector concluding: “Although the economic recovery may be taking longer than originally hoped, it is still a reasonable assumption that the economy will return to more normal levels of growth over the 17 year plan period. Accordingly, this is another factor which may affect the trajectory for delivery of housing and jobs, but is not a credible reason for reducing the overall target” (Rother District Council, 2012:2). Overall, the Inspector concluded on the point that: “There is no suggestion within the Framework that the level of ‘need’ should be reduced having regard to identified constraints or policy assumptions, which appears to be the methodology underpinning the ‘Assessment of Housing Need’ May 2012” (Rother District Council, 2012:3).

3.22 The importance of aligning policies built around an objective assessment of need and economic growth was also stressed by the Inspector considering the East Hampshire Core Strategy. The Inspector’s report stated: “The plan period runs to 2028 and it is hoped that we will achieve pre-recession projected levels of economic growth well before then. The JCS [Joint Core Strategy] at paragraph 3.4 states that the District’s economy will meet the employment needs of both
residents and businesses’. I am concerned that the level of housing proposed in the JCS (added to an ageing population) would limit the supply of local workers, prejudicing existing businesses and making the District less attractive to new employers. It could also lead to increased levels of in-commuting” (East Hampshire District Council, 2012:3).

3.23 This assessment of the link between these two factors highlights the importance of considering both demographic and business/employment drivers in the shaping of aligned policies. The reference to the ageing of the population also highlights an issue which often arises in the balancing of the two with the general ageing of the UK’s population requiring a considered policy response if other ambitions to encourage investment and employment growth are to be realised.

3.24 Finally, one of the other areas considered by Inspectors as having a bearing on their assessment of the setting of alternative locally evidenced housing requirements relates to ‘market signals’ and in particular the need for ‘affordable housing’. This was an issue again referenced within the Inspector’s report on the East Hampshire Local Plan. In considering the evidence presented within the Council’s ‘Housing Needs Assessment Update 2012’, which identified a shortfall of affordable housing at around 439 dpa each year, he concluded: “In my view, the undisputed and urgent need for affordable housing in the district weighs heavily in favour of increased levels of housing provision” (East Hampshire District Council, 2012:3).

Duty to Co-operate - The Policy & Legislative Framework

3.25 The NPPF sets out that local authorities have a ‘duty to cooperate’ on planning issues that cross administrative boundaries. The Planning and Compulsory Purchase Act (2004) also requires that the local authority engage constructively with its neighbours.

3.26 Particular reference within the NPPF is made to the importance of effectively fulfilling this duty when considering, and presenting, the strategic policies to deliver new homes and jobs within Local Plan preparation.

3.27 The NPPF provides guidance to local authorities regarding the appropriate measures to undertake in order to fulfil the duty:

- Joint working on areas of common interest is to be diligently undertaken to the mutual benefit of neighbouring local authorities.
Collaborative working is to be undertaken between local authorities and other bodies such as Local Enterprise Partnerships (LEPs).

Consideration of the preparation of joint planning policies on strategic matters.

3.28 The duty to cooperate therefore acts as the mechanism by which local planning authorities can effectively:

‘...ensure that strategic priorities across local boundaries are properly coordinated and clearly reflected clearly in Local Plans’.

3.29 The NPPF states that the required outcome of the duty to cooperate is that, through this constructive process, it should enable:

‘...local planning authorities to work together to meet development requirements which cannot wholly be met within their own areas...’

3.30 The importance of fulfilling the duty to cooperate is emphasised by the severity of the implications of failure to discharge this duty. Failure to discharge will result in the Local Plan being found unlawful, with no remedy to resolve this.

3.31 Following Examination of the Coventry City Core Strategy DPD, the Inspector concluded:

‘the Plan does not meet the legal requirements of the 2004 Act in that the Council has not engaged constructively with neighbouring local planning authorities on the strategic matter of the number of houses proposed in the Plan and consequently it has not sought to maximise the effectiveness of the plan making process.’

3.32 In reporting, the Inspector cited the shortcomings of the Council’s approach to discharging the duty to cooperative as pivotal in the unlawfulness of the Plan. In particular, the Inspector cited:

- It is not sufficient to prepare an agreement with neighbouring local authorities to resolve issues in shortfall in the future without clearly citing how this would be achieved.

---

4 NPPF (2012) – CLG (p42, para 179)
5 Ibid
6 Coventry City Core Strategy DPD Examination – Preliminary Hearing Session Concerning the Duty to Cooperate – Annex (Para 54)
• The methodologies and assumptions in SHMA, and other, evidence utilise to inform housing requirements across local authorities within a shared functional housing market area should be consistent. A sub-regional / multi-authority SHMA is recommended to align evidence.

3.33 In failing to effectively discharge the duty to cooperate, the Inspector concluded that it was impossible to effectively judge:

‘...whether the full and objectively assessed need for market and affordable housing in the housing market area is being met as paragraph 47 of the Framework makes clear should be done.’

3.34 The summation of the key points raised by Inspectors through their assessment of submitted Local Plans/Core Strategies highlights relatively rigid interpretation of the NPPF being applied and the importance of the assembled evidence base being relied on to justify any departure from regionally established housing targets. The implications of this for Arun’s evidence base are considered below with this again forming an important context for considering the points made within the Members Critique of the 2012 SHMA.

Tests of Soundness

3.35 In understanding the questions that Arun DC may face in relation to its evidence underpinning the housing policies in the Local Plan, consideration is given to the Inspector’s Matters, Issues & Questions for the forthcoming hearings of the Hastings Planning Strategy. Comparable questions are common for hearings taking place following the publication of the NPPF, with the following considered important:

• Has the Local Plan been positively prepared and does it fully meet the objectively assessed development needs of the area? And does it do so with sufficient flexibility to adapt to change? And what might be the consequences of any insufficient flexibility?

• Does the Local Plan seek to meet any unmet requirements of neighbouring authorities and to what extent do neighbouring authorities meet the Borough’s unmet needs, particularly in terms of housing?

7 Ibid (Para 31)
• Which population and household forecasts does the Local Plan rely upon, how relevant are they and how does it take account of their implications in assessing housing requirements for the Borough?

• To what extent have landowners and developers been involved in the preparation of the Strategic Housing Land Availability Assessment (SHLAA) and the Strategic Housing Market Assessment (SHMA), and to what extent do these Assessments meet the requirements of the Framework paragraph 159?

• Can the proposed housing requirement...be substantiated? Does it meet the full, objectively assessed needs for market and affordable housing in the Borough and as part of the housing market area, as the Framework requires? And which is that housing market area?

3.36 Whilst the above questions relate specifically to one authority, Hastings, they clearly have relevance for any Council preparing evidence of housing demand and need, to inform the development of housing policies within the Local Plan.

Evidencing the objectively assessed need for housing

3.37 The outputs of the above interpretation of policy and Inspectors’ application of the new Framework suggests that any approach to evidencing the objectively assessed need for housing needs to consider the following:

• Reference the latest Sub-National Population Projection (ONS) and Sub-National Household Projection (DCLG) datasets and provide a clear evidenced rationale for any improvement/correction of the levels of change projected from these datasets. The integration of local data or more up-to-date information needs to be robustly integrated into any projection methodology to demonstrate consistency with the approach taken by these 'official' statistics. This needs to take account of fertility and mortality assumptions, migration (internal and international) and headship rates;

• Reference the scale of the departure from the regional strategy requirement and provide a clear evidenced rationale for the use of more up-to-date information and data;

• Clearly evidence the alignment between Local Plan policies around employment and economic growth and the capacity of the planned level of housing to facilitate the achievement of these aims;
• Provide an understanding of the implications of strategic housing market linkages with particular reference to the functional housing market area. This has a bearing in relation to evidencing a Duty to Co-operate and any potential future requirement to agree the meeting of housing need beyond the authority boundary; and

• Provide evidence of a considered link between an assessment of the need for affordable housing and the objectively assessed need for housing. The Strategic Housing Market Assessment analysis represents an important location for these areas of analysis to be aligned.
4. **Review of Projections – Demographic / Economic Evidence**

4.1 Within this section consideration is given to the modelling assumptions used to inform the conclusions reached within the evidence base compiled to date for Arun District Council and as reviewed in section 2. This is undertaken both through a consideration of demographic modelling inputs and other important input factors such as alignment between economic growth and population change and market factors.

4.2 The intention of this analysis is to provide an independent perspective as to the soundness of the modelled objectively assessed housing needs presented in the existing evidence base and reflect on the observations made within the Members Critique of the 2012 SHMA. In addition the purpose of this review is to highlight potential areas where the release of new or anticipated future data will serve to potentially challenge or validate the recommended range of housing requirements for the District presented to date.

**Published Official / Interim Datasets**

4.3 As noted in Section 3 the modelled projections of population and household change produced by the ONS and DCLG represent an important consideration in establishing an updated evidence base with regards housing requirement projections. Projections of population and household growth form the fundamental basis for understanding the objectively assessed need for housing within an area.

4.4 As GL Hearn have identified and considered through the reports they have prepared for Arun District Council, however, these projections are built nationally and where local evidence exists to suggest improvements or refinements to them this should be considered and justified. In addition it is important to reflect on the fact that these are trend-based projections and are therefore inherently linked to previous supply pictures and an assumption that what has occurred in the past will continue into the future. This is a point referenced within the Members Critique of the 2012 SHMA.

4.5 In reviewing the data and methodology employed by GL Hearn in its housing analysis, it is important to emphasise the challenges currently faced in the analysis of demographic evidence. The last 10 years have witnessed significant demographic change in the UK, coupled with a range of improvements to methodologies underpinning population estimation and projection.
Since 2001, the local authorities of England and Wales have relied on successive, annual updates of Census data to produce mid-year population estimates, from which national and sub-national population and household projections have been derived (Figure 1).

Figure 1: Official statistics – population and households

Source: Edge Analytics, 2013

Each successive mid-year population estimate for a local area takes account of the births, deaths and migration in the preceding 12 months. Birth and death statistics are derived from vital statistics registers and provide an accurate measure of natural change by local area. Internal migration data are derived from GP registers, providing an accurate representation of inter-district flows, albeit with some issues with regard to potential under-registration in certain age-groups (young males, in particular). International migration is the most difficult component to estimate with confidence. ONS has had an on-going ‘Migration Statistics Improvement Programme’ (MSIP), developing new methodologies to ensure the most accurate data on immigration and emigration are used in its mid-year population estimates and sub-national projections.

With the release of the latest, 2011 Census population data, a new statistical base for demographic analysis and forecasting has become available, concluding a decade of unprecedented change in both the drivers of population growth and the methodologies employed to estimate them (Figure 2).
For those engaged in the development of local plans to replace regional planning, it is imperative that the evidence used to support the planning process is the most recent and the most robust available. In the two years prior to the release of the 2011 Census this has been a challenging proposition due to the implementation of a number of methodological developments that have significantly altered the population and household estimates and projections for local authority areas.

In 2010, the Department for Communities and Local Government (DCLG) implemented a new methodology for projecting household numbers in its 2008-based projections. A 17-fold classification of households was introduced, together with updated household formation (headship) rates using a combination of 2001 Census and Labour Force Survey statistics. These methodological changes, in conjunction with parallel changes to population estimation methodologies, has made it difficult to compare the latest household projections with previous 2004-based and 2006-based projections.
4.11 In 2010, ONS released a set of ‘revised’ mid-year estimates for 2001-2009 and a revised 2008-based population projection, which took account of a number of methodological ‘improvements’; specifically, the improved handling of onward student moves and the integration of administrative data sources to better estimate the local impact of international migration.

4.12 A more fundamental change to the estimation of international migration was undertaken in 2012, resulting in the release of a further set of ‘indicative’ mid-year estimates for 2006-2010. These ‘indicative’ mid-year estimates provided the basis for the development of ONS’ 2010-based sub-national population projections.

4.13 Revisions to (mid-year) estimates of population are extremely important in the development of alternative population growth scenarios; specifically the accuracy of the ‘components of change’ (births, deaths, internal migration and international migration) as these feed directly into the development of sub-national population projections (and therefore the household projections). Historical trends for a prior five-year period provide the key to the ‘trend’ based sub-national population projections (i.e. evidence from 2006-2010 will drive the 2010-based projections). Recognition of the relative importance of the components of change within the mid-year estimates is necessary in order to interpret what is driving the 25-year trend projection of the SNPP and in the development of alternative, trend-based scenarios for a local authority.

4.14 In July 2012, ONS released the first results of the 2011 Census, providing a definitive update on the demographic decade; a basis for the recalibration of previous mid-year estimates and for the development of new local area forecasts. The 2011 Census population estimates have been used as the basis for the latest, 2011 mid-year population estimates. To enable a direct comparison with previous mid-year statistics for each local authority area, a ‘rolled-forward’ 2011 estimate has been calculated based upon the previous 2010 mid-year estimate.

4.15 Following publication of the 2011 mid-year population estimates, ONS has published its ‘interim’ 2011-based sub-national population projections for local authorities in England. These projections update the 2010-based projections published in March 2012 and project the population for 10 years to 2021. These projections have been produced to meet CLG’s need for updated evidence to support the latest allocation of central government resources to local areas. Importantly, these 2011-based projections assume a continuation of the estimated trends in fertility, mortality and migration as used in the 2010-based projections (and are constrained to the assumptions made for the 2010-based national population projections). The trends from the 2010-based projections have been
used because a revised historic data series is not yet available to update national and local assumptions.

4.16 On the 30th April, 2013 the ONS released a recalibrated time-series of mid-year population statistics for the 2001-2011 period. This takes account of the new 2011 Census benchmark and recalculates the components of change (specifically internal and international migration) which have driven local population growth between the two census dates. This new data series provides a more robust basis for the development of updated assumptions for the 2012-based sub-national projections (due in 2014).

4.17 Alongside the Interim 2011 SNPP dataset on the 9th April DCLG published a sister set of interim household projections for each local authority area. This update provides household projections that take account of the 2011 Census population and incorporate new information on household formation rates (headship rates).

4.18 Prior to considering in more detail a number of the key areas of analysis presented by GL Hearn to this end, this section presents the outputs of a number of the latest projections by the ONS (sub-national population projections) and DCLG (sub national household projections) to serve as a useful reference point.

4.19 The following table sets out the three latest sub-national projection outputs from the ONS.

Table 2: Comparing recent ONS published Sub-National Population Projections – Arun District

<table>
<thead>
<tr>
<th>SNPP Dataset</th>
<th>2011</th>
<th>2021</th>
<th>2031</th>
<th>2011-2021</th>
<th>2011-2031</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 base</td>
<td>153,100</td>
<td>167,100</td>
<td>182,500</td>
<td>14,000</td>
<td>1,400</td>
</tr>
<tr>
<td>2010 base</td>
<td>153,400</td>
<td>166,700</td>
<td>180,200</td>
<td>13,300</td>
<td>1,330</td>
</tr>
<tr>
<td>2011 base (Interim)</td>
<td>149,800</td>
<td>167,500</td>
<td>17,700</td>
<td>1,770</td>
<td></td>
</tr>
</tbody>
</table>

Source: ONS, various

4.20 Examining first the shorter time period of 2011 – 2021 the projections show a per annum population growth of between 1,330 under the 2010-base dataset and 1,770 under the Interim 2011-base. Over the longer-period the 2010-base dataset suggested a per annum growth of 1,340 persons with comparable data not available for the 2011-base (interim) projections.
4.21 The table below again shows the most recent sub national household projection
datasets released by the DCLG.

Table 3: Comparing recent ONS published Sub-National Population
Projections

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 base</td>
<td>69730</td>
<td>79145</td>
<td>89102</td>
<td>9415</td>
<td>942</td>
<td>19372</td>
<td>969</td>
</tr>
<tr>
<td>2011 base</td>
<td>66806</td>
<td>76316</td>
<td></td>
<td>9510</td>
<td>951</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: ONS, various

4.22 Again considering the time period 2011 – 2021 the range of more recent
projections produced by the DCLG suggest a per annum growth of between 942
and 951 households per annum in Arun.

4.23 Importantly the 2011-base Interim SNHP dataset projects a similar level of
household growth despite the higher underpinning level of population growth
projected and shown in Table 3. This relates to adjustments in the headship rates
applied through the modelling, these are considered in more detail within the
proceeding analysis.

Considering alternative independent modelled projections

4.24 As set out in Section 2 GL Hearn have considered using this modelling approach a
significant range of alternative projections through the various reports produced for
the Council and or the wider Housing Market Area (HMA). These have sought to
update or ‘refine’ the official datasets presented above through the examination of
the underlying assumptions in relation to in particular Census 2011 data and
economic forecasts.

4.25 GL Hearn’s approach to establishing objectively assessed need for housing has
included the modelling of three different categories of projections, these being -
demographic, component and economic-based. In considering this range of
projections GL Hearn move beyond simply extrapolating forward historic trends, as
presented through the official datasets, and test the impact of alternative
constraints, including for example the performance of the economy and/or
changing migration structures. This is an important consideration in light of the
Members Critique of the 2012 SHMA where the limitations of relying on trying to
project forward the need for housing based on historic trends of migration is identified.

4.26 This spread of scenarios both trend-based and constrained to future forecasts of change is reflected in the latest modelled outputs presented through the March 2013 report. Given that these projections represent the most up-to-date outputs in the evidence base and as noted by GL Hearn are not directly comparable to those presented in preceding reports it is these projections which are considered in detail in terms of the underpinning methodological assumptions within this section.

4.27 Two demographic trend-based scenarios are presented by GL Hearn, the first of these examines the effect of migration trends upon population change and in a separate scenario benchmarks population change to ‘official’ projections (SNPP). The component scenarios examine the impact of zero net migration and zero employment growth, whilst the economic-led scenarios examine the impact of changing labour supply and demand.

4.28 As an important starting point the range of scenarios presented is considered to be sufficiently robust in line with the requirements of policy and guidance with these scenarios representing a refinement using the latest data available on those previously presented within the 2012 SHMA.

4.29 In order to assess the demographic modelling approach taken within the assembled evidence for Arun District to date Edge Analytics have used the POPGROUP suite of software to illustrate the impact of applying a variation of assumptions on population and household projections. The modelling approach used by the POPGROUP suite of software is shown in the following diagram.
Figure 3: POPGROUP – Population projection methodology

4.30 A number of key input assumptions used within the 2012 SHMA Update and the March 2013 Paper (both GL Hearn) are contrasted against the outputs of the POPGROUP model. This includes the headship rate assumptions used by the DCLG within the 2011-based SNHP which was, as noted above, released subsequent to the March 2013 Paper being published.

4.31 The following commentary within this section reviews the methodological assumptions used by GL Hearn in their considered range of population, household and labour force projections. These assumptions are expressed, where appropriate, relative to the POPGROUP independent modelled projection produced by Edge Analytics which models population and household change using information provided by the 2010 sub-national population projections (SNPP) and the 2011 sub-national household projections (SNHP). Within this report the model will be referred to as the ‘Edge Analytics trend-based scenario’. 

Source: Edge Analytics, 2013
Alongside this analysis of demographic input assumptions the review of policy in section 3 is used as a framework to consider some of the wider conclusions arrived at in the existing evidence base to inform emerging Local Plan policy.

**Demographic Input Assumptions**

4.33 The Members Critique of the 2012 SHMA raises questions around the input assumptions to the modelling process. This section focuses on the demographic input assumptions considered, including importantly migration.

4.34 In the March 2013 report GL Hearn describe the demographic modelling approach they use as based on a:

> “fairly standard population projection methodology consistent with the methodology used by ONS and CLG in their population and household projections” (March 2013, para. 2.1)

4.35 In addition with regards the important demographic input assumptions GL Hearn state that:

> “Much of our data for our projections draws on ONS information contained within the 2010- and 2011-based subnational population projections (SNPP). In particular we have used this source to look at fertility rates, mortality rates and the profile of in-and out-migration (by age and sex)

We have also used data from the 2008-based CLG household projections to provide information about headship rates (the chances of an individual also being considered as the head of household. These are used to convert population figures into households. We have scrutinised the latest CLG household projections (2008-based), but also considered other sources particularly information from the 2011 Census data about the relationship between population size and the number of households in the District (segmented by age).” (March 2013, paras. 2.4. and 2.5)

4.36 In order to assess the modelling outputs Edge Analytics have built a trend-based demographic projection which can be compared with the latest outputs of the GL Hearn modelling.

4.37 The Edge Analytics modelling approach has been undertaken with a standard cohort-component methodology, in which a ‘base’ population is adjusted over time
according to ageing, births, deaths, internal migration and international migration. The 2011 based Interim SNPP dataset has not been used by Edge Analytics as it considered to produce unrepresentative results as a result of the methodology applied.

4.38 Household projections are derived by applying headship rates to this population. Unless stated within the analysis the headship rates are consistent with those used in the 2011 SNHP produced by the Department for Communities and Local Government. This scenario is not intended to be used directly by Arun District Council to inform policy development and is presented for illustrative purposes only to provide comparison analysis with the GL Hearn modelling outputs.

**Re-based Population / Natural Change - Births and fertility and Deaths and Mortality Assumptions**

4.39 The 2011 Census provides a useful data source in basing a ‘known’ population count and age structure. GL Hearn in their modelling within the 2013 report applied adjustments to the age-sex structure of the base population according to information provided by the 2011 Census. This is considered an important starting point for building trend-based projections.

4.40 The balance between births and deaths results in a net natural change level each year within an authority, i.e. if there are more births than deaths then the population increases. The future balance between these factors is evidently linked to the age structure of the current population and the propensity of people to have children and the average life expectancy, for example.

4.41 In order to validate the input assumptions around births and fertility and deaths and mortality the Edge Analytics modelled projection is benchmarked against the modelling assumptions used by GL Hearn underpinning all of their projections. The ONS statistics in relation to these factors form an important benchmark as they are built from a range of datasets and refined modelling techniques.

4.42 Edge Analytics have built their trend-based scenario using historical mid-year to mid-year counts of births by sex from 2001/2 to 2010/11 sourced from ONS Vital Statistics. A ‘national’ age-specific fertility rate (ASFR) schedule is included in the model assumptions. This measures the expected fertility rates by age for England in 2011/12. To provide more appropriate area-specific fertility assumptions, an ASFR schedule is drawn directly from the 2010-based Sub-National Population Projection (SNPP 2010) for Arun. Long-term assumptions on change in age-
specific fertility rates are taken from ONS 2010-based national projections, scaled to account for change suggested by the Arun birth trajectory in the SNPP 2010.

4.43 GL Hearn state that fertility (obtained from the SNPP 2010) is initially derived as being 2.05 (2011/2012), which rises in the short-term but reduces over time to 1.87. Edge Analytics modelling of SNPP-2010 fertility data displays a similar trend to the official datasets.

Table 4: Total Fertility Rates – GL Hearn comparisons against Edge Analytics modelling of ONS datasets

<table>
<thead>
<tr>
<th>TFR</th>
<th>GL Hearn</th>
<th>SNPP-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/2011</td>
<td>2.03</td>
<td></td>
</tr>
<tr>
<td>2011/2012</td>
<td>2.05</td>
<td>2.12</td>
</tr>
<tr>
<td>2030/2031</td>
<td>1.87</td>
<td>1.92</td>
</tr>
</tbody>
</table>

Source: Edge Analytics, 2013

4.44 As with fertility rates Edge Analytics have used historical mid-year to mid-year counts of deaths by age and sex from 2001/2 to 2010/11 sourced from ONS Vital Statistics in the construction of the Edge Analytics trend-based projection. A ‘national’ age-specific mortality rate (ASMR) schedule is included in the POPGROUP model assumptions. This measures the expected mortality rates by age and sex for England in 2011/12. To provide more appropriate area-specific mortality assumptions, an ASMR schedule is drawn directly from the SNPP 2010 for Arun. In combination with the population-at-risk, this provides the basis for the calculation of deaths in each year of the forecast period. Long-term assumptions on change in age-specific mortality rates are taken from ONS 2010-based national projections, scaled to account for change suggested by the Arun death trajectory in the SNPP 2010.

4.45 GL Hearn state that life expectancy (obtained from the SNPP 2010) is initially derived as being 81.5 (2011/2012), which rises in the short-term but reduces over time to 83.9. Again the modelling outputs appear comparatively consistent suggesting alignment with the official datasets and modelling approaches used by Edge Analytics.
4.46 On the basis of the analysis the evidence suggests that the base input assumptions to inform natural change levels appear relatively consistent with the official datasets produced by the ONS.

### Considering Migration

4.47 Whilst mortality and fertility assumptions are important in projecting forward the population change linked to natural change the other key factor is a projection forward of the movement of people in and out of the authority. This is identified as a key area of concern regarding its role in informing the conclusions reached in relation to housing need and demand within the Members Critique of the 2012 SHMA.

4.48 GL Hearn’s analysis in the March 2013 report places significant emphasis on the consideration of historical population trends and in particular an understanding of the levels and structure of the net migration of persons into the District. They suggest a departure away from the assumptions underpinning the latest official datasets, in the form of the 2010-base and 2011-based SNPP datasets.

4.49 The rationale for applying alternative assumptions is based on GL Hearn’s concern that historical population Mid-Year Estimates (MYE) produced by the ONS are inflated. This is on the basis of the 2011 Census count which suggests that there are around 3,600 fewer people in the District than previously estimated by the ONS.

4.50 GL Hearn attributes this over-estimation of the population to incorrectly modelled migration assumptions. They produce a projection which uses a suppressed level of migration, 1,650 net persons per annum, which they calculate as representing the average net migration per annum over the ten year period between Censuses to enable the population growth shown by the two Census counts once Natural...
Change has been taken into account. They note that this aligns closely to the levels of net migration seen over the last five years as evidenced by ONS MYE. Importantly the modelling assumes that this level of migration is maintained at a constant rate. In reality as GL Hearn note this rate will be influenced by a number of factors, including importantly the levels of population growth balanced against the supply of housing in other authorities with strong market linkages with Arun District.

4.51 In considering these assumptions the projection generated by Edge Analytics provides an alternative way of highlighting the interplay between these factors and creates a further reference point to understand the underlying demand for housing based on trend-based projections.

4.52 The original source of internal migration statistics is the Patient Register Data Service (PRDS) which captures the movement of patients as they register with a GP. Historical mid-year to mid-year counts of in and out-migration by five-year age group and sex from 2001/2 to 2009/10 have been sourced from the ‘components-of-change’ files which underpin the ONS mid-year estimates. No data is yet available for the 2010/11 period. Edge Analytics have used this dataset in constructing their trend-based projection.

4.53 Within the Edge Analytics trend-based projection an age-specific migration rate (ASMigR) schedule for both in-migration and out-migration is drawn directly from the SNPP 2010 for Arun. In combination with the population-at-risk, this provides the basis for the calculation of internal migration flows in each year of the forecast period. Long-term assumptions on change in internal migration rates are taken from the SNPP 2010 projections for Arun.

4.54 Finally, the other important component of migration is international migration. The original source of international migration statistics are the ONS estimates of Total International Migration (TIM). Historical mid-year to mid-year counts of total immigration and emigration from 2001/2 to 2009/10 have been sourced from the ‘components-of-change’ files which underpin the ONS mid-year estimates and used within the Edge Analytics trend-based projection. No data is yet available for the 2010/11 period.

4.55 The following table shows the comparable levels of population change projected under the trend-based PROJ 1 developed by GL Hearn and the modelling outputs produced by Edge Analytics (note to allow comparison the projections both have the same population count for 2011).
Table 6: Comparing modelled trend based projections – PROJ 1 GL Hearn / Edge Analytics Trend based projection

<table>
<thead>
<tr>
<th>Projection</th>
<th>2011</th>
<th>2016</th>
<th>2021</th>
<th>2026</th>
<th>2031</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROJ 1 (10-year migration trends)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>149,811</td>
<td>156,417</td>
<td>162,941</td>
<td>169,066</td>
<td>174,570</td>
</tr>
<tr>
<td></td>
<td>0.00%</td>
<td>4.40%</td>
<td>8.80%</td>
<td>12.90%</td>
<td>16.50%</td>
</tr>
<tr>
<td>Edge Analytics Trend-based Projection</td>
<td>149,811</td>
<td>156,213</td>
<td>162,760</td>
<td>169,506</td>
<td>176,025</td>
</tr>
<tr>
<td></td>
<td>% Change</td>
<td>4.27%</td>
<td>8.64%</td>
<td>13.15%</td>
<td>17.50%</td>
</tr>
</tbody>
</table>

Source: GL Hearn, March 2013, Edge Analytics, April 2013

4.56 Significantly the two projections show a comparable level of growth with the Edge Analytics scenario showing a slightly higher increase, especially after 2021. This reflects the fact that the Edge Analytics scenario does not assume a constant rate of net migration with this varying over the projection period to reflect ONS modelled trends.

4.57 The analysis above suggests that the PROJ 1 scenario presented by GL Hearn uses a set of demographic assumptions which closely follow those applied by Edge Analytics in their analysis of the latest official datasets available at the time the modelling was undertaken.

4.58 It indicates that the GL Hearn modelling potentially adopts a series of assumptions which serve to slightly suppress the demographic trends of the area resulting in a slightly lower projected rate of population growth than alternative analysis of the official demographic datasets might suggest.

4.59 A full examination of all of the modelling refinements made by GL Hearn is not possible based on this desk-top review exercise of the report. Given the importance of this area of the analysis in informing the overall conclusions around objectively assessed needs it is assumed that the modelling has been undertaken robustly and that GL Hearn are confident in the results of the process.

4.60 Importantly in the final stages of this paper being prepared the ONS released ‘revised’ historic MYE datasets for 2001 – 2011. These provide a re-modelled estimation of population change between the two Census years including information around the individual components of change. The following table
compares the ‘migration8’ component of change estimates within this revised dataset against the migration estimates produced by GL Hearn (Figure 5 of the March 2013 report).

Table 7: Comparing migration estimates – ONS ‘revised’ datasets / GL Hearn March 2013 estimates

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Migration and other changes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GL Hearn Estimates (Figure 5)</td>
</tr>
<tr>
<td>2001/02</td>
<td>1,600</td>
</tr>
<tr>
<td>2002/03</td>
<td>2,800</td>
</tr>
<tr>
<td>2003/04</td>
<td>2,400</td>
</tr>
<tr>
<td>2004/05</td>
<td>2,900</td>
</tr>
<tr>
<td>2005/06</td>
<td>1,900</td>
</tr>
<tr>
<td>2006/07</td>
<td>1,900</td>
</tr>
<tr>
<td>2007/08</td>
<td>2,000</td>
</tr>
<tr>
<td>2008/09</td>
<td>1,500</td>
</tr>
<tr>
<td>2009/10</td>
<td>1,300</td>
</tr>
<tr>
<td>2010/11</td>
<td>1,600</td>
</tr>
<tr>
<td>Average 06 – 11</td>
<td>1,660</td>
</tr>
<tr>
<td>Average 01 -11</td>
<td>1,990</td>
</tr>
</tbody>
</table>

Source: ONS, GL Hearn, 2013

4.61 It is evident that the ONS has revised assumed net levels of migration down, particularly over the last five years. The average net migration rate over the period 2006 – 2011 is estimated by the ONS to be 1,220 persons. This is lower than the rate assumed by GL Hearn and does support the approach they have taken to depart from the available official sub-national population projection datasets. It is important to note, however, that the rate has changed over recent years with for example an increase between 2008/09 and 2009/10 prior to a fall in the final year. This highlights that projecting forward the rate is unlikely to be constant. The 2012-

---

Note: The ONS dataset groups in ‘other changes’ alongside migration. It notes these contain “changes in the size of armed forces and prison populations. It also includes any potential inaccuracy around components arising in the period”. Direct comparisons should therefore be considered in this context.
based projections due for release in 2014 by the ONS will provide a clear indication of how the ONS will project forward changing migration levels taking account of the impact of other authorities with migration links with Arun District.

4.62 The following chart shows the revised components of change graphically, noting that the natural change components have not been altered from those previously issued. This shows the reduction in levels of net migration over recent years.

**Figure 4: Components of Change Arun District 2001 – 2011**

![Components of Change Chart](image)

**Source: ONS revised components of change, April 2013**

4.63 In addition to the components of change the revised MYE datasets also provide an indication of how the ONS has estimated that the age profile of the population has changed over this ten year period. This links to points raised within the Members Critique of the 2012 SHMA in terms of points around the changing age profile and how this may change and evolve over the plan period.

4.64 Analysis of the changing age profile between 2001 and 2011 is shown in the following table. It can be seen that the age profile of Arun is consistent with that of an area having an ‘ageing’ population- as evident by the declining proportion of persons aged 0-14 and the growing proportion of those aged 65+.

4.65 The table suggests that the workforce is ageing, as the proportion of those aged 15-39 reduces over time, whilst those aged 40-64 increases. Overall, however, the data suggests that the working age population in the authority has not reduced over this period. Unfortunately this data does not break down the impact of
migration on these changing age profiles but importantly when considering the alignment with a changing economy it suggests a comparatively healthy mix when compared to many other authorities within England.

4.66 Importantly, though the general ageing profile suggests that over the next twenty years depending on the profile of migrants this may change. This is an important consideration and one which is considered by GL Hearn in the development of their economic-led scenarios, which are considered later in this section.

Table 8: Changing age profile, 2002-2010 – Revised ONS MYE dataset

<table>
<thead>
<tr>
<th>Year</th>
<th>0-14</th>
<th>15-39</th>
<th>40-64</th>
<th>65+</th>
<th>All Ages</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>16.0</td>
<td>26.5</td>
<td>31.8</td>
<td>25.8</td>
<td>100</td>
</tr>
<tr>
<td>2003</td>
<td>15.7</td>
<td>26.3</td>
<td>32.2</td>
<td>25.8</td>
<td>100</td>
</tr>
<tr>
<td>2004</td>
<td>15.6</td>
<td>26.3</td>
<td>32.5</td>
<td>25.7</td>
<td>100</td>
</tr>
<tr>
<td>2005</td>
<td>15.4</td>
<td>26.3</td>
<td>32.8</td>
<td>25.5</td>
<td>100</td>
</tr>
<tr>
<td>2006</td>
<td>15.1</td>
<td>26.4</td>
<td>33.2</td>
<td>25.3</td>
<td>100</td>
</tr>
<tr>
<td>2007</td>
<td>14.9</td>
<td>26.2</td>
<td>33.5</td>
<td>25.4</td>
<td>100</td>
</tr>
<tr>
<td>2008</td>
<td>14.7</td>
<td>26.0</td>
<td>33.6</td>
<td>25.7</td>
<td>100</td>
</tr>
<tr>
<td>2009</td>
<td>14.7</td>
<td>25.8</td>
<td>33.6</td>
<td>26.0</td>
<td>100</td>
</tr>
<tr>
<td>2010</td>
<td>14.6</td>
<td>25.7</td>
<td>33.6</td>
<td>26.1</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: ONS Revised MYE, 2013

Market constraints

4.67 In considering the trend-based projections presented above it is important to remember that these cannot be directly separated from the historic supply picture. This is a point recognised within the Members Critique of the 2012 SHMA.

4.68 The GL Hearn Housing duty-to-cooperate study (February 2013) stated that housing delivery over the last five years has averaged around 600 homes a year (2007 – 2012) representing around 0.85% growth in the housing stock per annum.

4.69 This aligns closely to the projected level of household growth under the PROJ 1 scenario (604 households per annum between 2011 and 2011).

4.70 The supply of housing in the district appears to have remained relatively healthy when set against a wider national context with gross completions in 2010/11 being 570 units. Historic evidence also highlights healthy completion levels with 747 units completed in 2001/02 and 696 dwellings in 2002/03.
4.71 GL Hearn conclude that the market in the area could return to these levels of around 700 per annum (February 2013, para. 5.78). This would inevitably enable a greater population growth in the District with these raising levels of migration beyond those seen over recent years and returning to levels seen at the start of the decade.

4.72 Equally the type of housing built potentially has a small role to play in attracting or retaining different household types. The Members Critique makes the link between the provision of housing and the in-migration of older person households. The relationship between household size and property size is, however, not straightforward.

4.73 The 2011 Census provides statistics on the number of rooms in a property in addition to the number of rooms. Average household size in the District can be compared with the average number of bedrooms, comparator spatial areas are included for reference.

Table 9: Average household size and average number of bedrooms per household

<table>
<thead>
<tr>
<th>Spatial Area</th>
<th>Average Household Size</th>
<th>Average Number of Bedrooms Per Household</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>2.4</td>
<td>2.7</td>
</tr>
<tr>
<td>South East</td>
<td>2.4</td>
<td>2.8</td>
</tr>
<tr>
<td>Arun</td>
<td>2.2</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Source: Census 2011

4.74 It is evident from the above that across England there is a general picture of under-occupation of property. The average number of bedrooms per household exceeds the number of persons within a household. Indeed, within Arun the average number of bedrooms per household is 2.6 with the average household size slightly smaller than the national average of 2.4.

4.75 The supply of smaller properties over recent years will potentially be attractive to smaller households, including both young and older person households looking to remain or migrate into the area. However, new properties represent a relatively small part of the much wider existing housing market. Importantly, the evidence of a general trend of under-occupation suggest that the supply of different sizes of housing is likely to have less of an influencing factor on the size of households...
given the ‘choices’ that households make in occupying properties which match their aspirations rather than their needs.

4.76 In considering this supply and demand balance it is therefore important to consider the implications of differing levels of population growth and migration in particular in relation to other factors such as the economy. This is a point made within the Members Critique of the 2012 SHMA and also considered by GL Hearn with regards the economic-led scenarios presented both within the 2012 SHMA Update and the March 2013 paper. This relationship is considered in greater detail through the remaining consideration of the assumptions built into the modelling.

**Headship Rates / Household Size**

4.77 Headship rates represents another area where GL Hearn in the analysis presented in the March 2013 paper depart from the assumptions included in the latest DCLG sub-national household projections. It is also an area of research raised within the Members Critique of the 2012 SHMA and is therefore considered in detail using the latest available datasets.

4.78 At the time GL Hearn produced the research the latest dataset was the 2008-based dataset, however, on the 9th April the DCLG released an Interim 2011-based dataset which integrated elements of the 2011 Census results.

4.79 GL Hearn in there research partially pre-empted the release of this Interim dataset considering the changing size of households between 2001 and 2011. They concluded: "the data clearly shows that household sizes have moved away from long-term trends towards smaller household sizes and that it would not be appropriate to use the CLG headship figures when projecting forward" (para. 2.58, March 2013).

4.80 It is understood that GL Hearn generated bespoke headship rates rebased to 2011 Census data and then projected forward using a trend at the mid-point between the trend shown between 2001 and 2011 and the expected trend in CLG projections (2008 based dataset assumed). A comparison of the headship rates derived by GL Hearn with the Interim 2011 SNHP dataset (DCLG) is not possible, as information about category type has not been provided within the GL Hearn report.

4.81 The comparable impact of different assumptions can be, however, considered by comparing the PROJ 1 scenario modelled by GL Hearn with the Edge Analytics trend-based scenario which applies the headship rates within the 2011 SNHP dataset to the 2010 SNPP dataset. A comparison of the two projections is shown in the following table.
Table 10: Contrasting household growth projected within the GL Hearn PROJ 1 and the Edge Analytics trend based scenario

<table>
<thead>
<tr>
<th>Projection</th>
<th>2011</th>
<th>2016</th>
<th>2021</th>
<th>2026</th>
<th>2031</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROJ 1 (10-year migration trends)</td>
<td>66,837</td>
<td>69,866</td>
<td>73,094</td>
<td>76,097</td>
<td>78,924</td>
</tr>
<tr>
<td></td>
<td>0.00%</td>
<td>4.50%</td>
<td>9.40%</td>
<td>13.90%</td>
<td>18.10%</td>
</tr>
<tr>
<td>Edge Analytics Trend-based Projection</td>
<td>66,797</td>
<td>70,580</td>
<td>74,563</td>
<td>78,565</td>
<td>82,347</td>
</tr>
<tr>
<td>% Change</td>
<td>5.66%</td>
<td>11.63%</td>
<td>17.62%</td>
<td>23.28%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Edge Analytics, 2013

4.82 In comparing the two projections it is important to recognise they have slightly different underpinning population projections, as shown in Table 6. Comparing the two projections, however, shows that using the updated headship rates would result in slightly more households by the projection horizon, relative to the GL Hearn PROJ 1.

4.83 This appears to suggest that the level of household growth implied through the GL Hearn projections may be moderated as a result of the application of headship rate assumptions and suggests that the level of household growth could indeed be higher if these rates were varied to align more closely with the 2011 SNHP dataset.

What are the implications of varying headship rates?

4.84 It is evident through the work that GL Hearn have undertaken that average household sizes have not been falling at the pace previously projected by the CLG in the 2008-based dataset. There are evidently a number of factors which have led to household sizes stabilising. Fundamentally the significant change in the health of the housing market pre and post 2008 has had a marked impact.

4.85 Significantly reduced levels of completions coupled with a contracting mortgage market have left many households unable to move and importantly restricted new households from forming. These factors are illustrated through the analysis of affordability issues facing residents of Arun and the expansion of the private rented sector as well as the overall need for housing, evidenced through GL Hearn’s 2012 SHMA Update.

4.86 The evidence underpinning the change in headship rates from the 2008 to the Interim SNHP datasets is therefore provided by the 2011 Census as well as a number of other data sources. As with the population projections these rates are
built based on a trend analysis and therefore assume that what has happened previously will continue. Taking 2001 and 2011 as base points has the inherent challenge therefore of projecting forward the current market position over the long-term and ignoring the interim period where the housing market was notably different. This is recognised in the work that GL Hearn have done which has sought to take a mid-point position, suggesting that the 2008 headship rate assumptions are reflective of a market context which is considerably more positive and the current position which is obviously more constrained.

4.87 Adopting a position which directly used the Interim 2011 SNHP dataset would appear to raise a number of questions around the long-term health of the market and not least the aspirations of households to form.

4.88 The impact of applying the 2011 Interim headship rates directly is illustrated in the following table. This compares the types of households projected to form applying the 2008 based and Interim 2011 based headship rates to the 2010 SNPP dataset (re-based to a 2011 population count).
Table 11: Examining the implication of applying the 2008 and 2011 Headship rate assumptions

<table>
<thead>
<tr>
<th>Code</th>
<th>Household type description</th>
<th>Total Households 2031</th>
<th>Change: Initial vs. Updated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2008 SNHP headship rates</td>
<td>2011 SNHP headship rates</td>
</tr>
<tr>
<td>OPMAL</td>
<td>One person households</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPFEM</td>
<td>Male</td>
<td>13,828</td>
<td>10,494</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>23,073</td>
<td>17,834</td>
</tr>
<tr>
<td>FAM C0</td>
<td>Couple</td>
<td>28,554</td>
<td>24,173</td>
</tr>
<tr>
<td>FAM C1</td>
<td>Couple 1 dependent child</td>
<td>2,974</td>
<td>4,507</td>
</tr>
<tr>
<td>FAM C2</td>
<td>Couple 2 dependent children</td>
<td>3,661</td>
<td>4,370</td>
</tr>
<tr>
<td>FAM C3</td>
<td>One family and no others</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Couple 3 + dependent child</td>
<td>1,613</td>
<td>1,931</td>
</tr>
<tr>
<td>FAM L1</td>
<td>Lone parent 1 dependent child</td>
<td>3,116</td>
<td>2,938</td>
</tr>
<tr>
<td>FAM L2</td>
<td>Lone parent 2 dependent children</td>
<td>1,536</td>
<td>1,096</td>
</tr>
<tr>
<td>FAM L3</td>
<td>Lone parent 3+ or more dependent children</td>
<td>948</td>
<td>733</td>
</tr>
<tr>
<td>MIX C0</td>
<td>A couple and one more other adults</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MIX C1</td>
<td>1 dependent child</td>
<td>528</td>
<td>861</td>
</tr>
<tr>
<td>MIX C2</td>
<td>2 dependent children</td>
<td>258</td>
<td>304</td>
</tr>
<tr>
<td>MIX C3</td>
<td>3+ dependent children</td>
<td>122</td>
<td>151</td>
</tr>
<tr>
<td>MIX L1</td>
<td>Lone parent and one or more other adults</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MIX L2</td>
<td>1 dependent child</td>
<td>340</td>
<td>304</td>
</tr>
<tr>
<td>MIX L3</td>
<td>2 dependent children</td>
<td>287</td>
<td>216</td>
</tr>
<tr>
<td>OTHHH</td>
<td>Other households</td>
<td>1,644</td>
<td>5,372</td>
</tr>
</tbody>
</table>

Source: Edge Analytics, 2013

* The 'Other households' category above is an aggregation of five categories from the original Census table C1092 supplied by ONS: One family and no others: Lone parent households: All children non-dependent, A lone parent and one or more other adults: no dependent children (2), Other households with 2 adults, Other households with 3 or more adults & Other households. (DCLG, April 2013)
4.89 The above table shows a number of important trends which reflects the wider challenges in the housing market. These include:

- A significant growth in those households classified as ‘A couple and one more other adults’, in particular where there are no dependent children - a dependent child is a person in a household aged 0 to 15 (whether or not in a family) or a person aged 16 to 18 who is a full time student in a family with parent(s). This highlights the number of young adults currently unable to form a separate household due to the current market factors with this then assumed to represent a reality over the 20 year projection period;

- Similarly a strong growth in ‘other households’. These also include a range of multi-adult households and highlight the current prevalence of shared households and or households living with other households. Again this trend is then projected forwards over the full projection period;

- A decline in single person and couple households. This reflects the trend above and shows a marked decline in younger single and couple households. The majority of growth in these categories is likely to be made up of older person households; and

- Positively the projections do show a growth in family households within Arun District as well. This has an important bearing in terms of the alignment with the economy, considered later, with this growth suggesting a strong growth in working-age persons.

4.90 The points raised above highlight the dangers of simply extrapolating forward historic trends. This is a point referenced within the Members Critique of the 2012 SHMA. It is evidently not the aspiration of policy to sustain the current housing market conditions and suppress the aspirations of new households to form.

4.91 Whilst the 2008-based SNHP dataset may capture more aspirational household formation rates reflecting the buoyancy of the market preceding the base date the 2011 Interim dataset projects forward from a very suppressed market position.

4.92 The approach taken by GL Hearn to attempt to utilise a mid-point position appears therefore sensible in light of the wider housing market factors identified, not least affordability issues facing high proportions of newly forming households in the District. The analysis does suggest, however, that these headship rates may in themselves still be relatively constrained when compared against the Edge
Analytics model outputs and taking account of the potential household type changes projected over the plan period.

**Alignment with the Economy**

4.93 The final part of this section considers the approach taken by GL Hearn to aligning the projected population to employment assumptions. This is particularly important in light of the review of policy within section 3, with the NPPF requiring a clear alignment of policies to ensure that key infrastructure, such as housing, serves to support and realise the economic potential of an area.

4.94 Importantly the presentation of scenarios of this nature respond to the points made within the Members Critique of the 2012 SHMA which stress the importance of considering the relationship between the economy and resulting population demand and therefore housing requirements.

4.95 In considering this relationship this section focuses on exploring the economic assumptions used within the modelling by GL Hearn. This has not included a review of the economic potential of the District and the wider market area as this sits outside of the scope of this report, although it is agreed that this forms an important area of potential further investigation responding to the future health of the economy noted within the Members Critique of the 2012 SHMA.

**Modelling approach**

4.96 GL Hearn use employment rates to calculate the changing size of the labour-force in the district in relation to the population (by age and sex). These employment rates are derived from the Annual Population Survey (APS) and the Censuses of 2001 and 2011.

4.97 In projecting forward employment rates GL Hearn suggest that the use post-2008 employment rates as a start point and assume over the life of the projection (i.e. 20 years) that they will return to pre-2008 levels. Alongside this return to a more positive economic picture GL Hearn have also made adjustments to take account of changes to pensionable age.

4.98 It is difficult to assess the soundness of these assumptions accurately without undertaking additional modelling and examining the implications of alternative input assumptions. The POPGROUP model uses economic activity rates to derive an estimation of the labour force within an area rather than employment rates and direct comparison is therefore difficult.
4.99 As noted within the 2012 SHMA Update employment rates in Arun appear to show improvements over time for both males and females (para. 8.46). This is reflected in an analysis of unemployment rates and. The chart below shows the historic unemployment rate for Arun, using data derived from NOMIS/APS. Unemployment rose markedly during the recession, but has fallen in recent years suggesting that a positive picture should be adopted in considering the activity rates of the labour-force.

![Figure 5: Unemployment levels 2004 - 2012](image)

Source: Edge Analytics, 2013

4.100 The final step in aligning a labour-force with a forecast level of jobs is undertaken through the application of assumptions around commuting.

4.101 The GL Hearn employment-led projections presented within the March 2013 report support either a growth of 7,640 or 10,500 jobs depending on the approach taken to commuting. The former underpinning PROJ 6 assumes that each job generated in Arun District is taken up by someone living in the District. This therefore assumes that the rate of commuting falls over time. The second job level is a resident-based figure in that it assumes that around 10,500 additional people in Arun District will be in employment but that around 3,000 of these will service jobs outside of the District.
4.102 The aspiration of reducing commuting rates in the District reflects wider sustainability objectives in policy and will clearly be important in producing a better balance between living and working (the jobs ratio) within the District. The assumption of falling commuting rates therefore seems a sensible one. Importantly this aligns with the point made within the Members Critique of the 2012 SHMA which highlights the importance of improving the economic base of the District and raising the jobs density.

4.103 With reference to the point above it is, however, important that the implications of this are recognised in surrounding authorities where job densities are higher. If Arun is not meeting the overspill needs of households attracted to the area due to employment opportunities these will need to be met either in the authority these jobs are generated or elsewhere in the housing market area.

**Changing employment prospects**

4.104 The demographic-led projections presented within the 2013 report are based on relatively simple assumptions around the replication of past trends over the projection period. The generation of economic-led projections forms an important factor in understanding from a different perspective how migration levels may vary in the future.

4.105 This represents an important area of consideration based on the Members Critique of the 2012 SHMA which stresses that the ‘Local Plan must seek to improve the economic base of the district’. Equally the critique highlights the sensitivity of scenarios to alternative economic futures with the zero employment scenarios showing considerably different future migration profiles.

4.106 As noted within the Members Critique employment opportunities represent an important factor in many households’ decisions around moving. The creation of new jobs has the potential to serve to both retain and attract new households into an area. In determining the level of appeal, or indeed the lack of it, therefore understanding the potential economic future of an area in terms of the numbers of jobs is therefore important.

4.107 The 2012 report and the 2013 report both use Experian forecasts as a baseline for employment growth. This represents a sound basis for starting to consider the levels of jobs an area is likely to see over the Plan period with Experian forecasts regularly used within these types of research.

4.108 Importantly as GL Hearn note these forecasts do include sectors for which population growth is an important driver of potential future demand for example,
education and healthcare. These sectors are estimated by GL Hearn to account for almost 5,600 of the 7,630 jobs forecast by Experian to be created within Arun District Council. The residual some 2,000 jobs representing other areas of growth.

4.109 Whilst the above point is valid it is important to recognise that some of this job growth is likely to be generated from an increasing older person population (healthcare / supporting living etc...). The ageing of the existing population is inevitable and will therefore require these services / jobs assuming that the existing older person population largely remains within the district.

4.110 Importantly in addition as GL Hearn identify these Experian forecasts take no account of policy aspirations and/or specific employment generating investment. GL Hearn reference the importance of Enterprise@Bognor as a key strategic employment development proposal within the 2012 Coastal SHMA Update (para. 10.23).

4.111 Examining the supporting case prepared for the Bognor Regis Enterprise Zone bid it is evident that the site alone has the potential to generate a considerable number of jobs, the majority of these falling outside of the sectors identified as related to population growth. The Expression of Interest document references that:

“Clean’ greenfield sites at Oldlands Farm, the ‘Salt Box’ and the former LEC airfield provide 80ha of development potential totalling 7,500 new jobs. This is important in a sub-region where environmental and planning constraints limit the opportunities to bring forward major sites for inward and indigenous business investment.

Beyond this, Enterprise@BognorRegis provides further development opportunities for business investment to deliver another 5,150 additional jobs over a 15-20 year period.”

4.112 Evidently if these levels of job growth are realised and there is an aspiration to retain people to live and work in the District then this will serve to generate additional demand for housing than that estimated through PROJ 6.

4.113 The potential to realise important job growth in the authority further serves to strengthen the modelling conclusions which suggest that historic trends should be viewed as a minimum position and that it will important to monitor carefully the success the authority has in creating new employment opportunities.

4.114 This forms an important consideration for the NPPF. Whilst the authority has seen employment losses over recent years the baseline Experian forecasts suggests job growth and existing plans and aspirations for investment in the area suggest the
potential of the authority is even greater. This evidence does not appear to suggest a position whereby the local economy will continue to lose employment opportunities over the full plan period. Local Plan Policy needs to be set within this context and adopt a positive position to providing the housing which will be required to reduce out-commuting and meet labour-demands of new businesses. The conclusion reached within the February 2013 Duty to Cooperate report provides an indication of GL Hearn’s wider view on this relationship and it potential impact:

“There is also a strong strategic case for economic regeneration in the District. The Strategic Housing Market Assessment Update highlighted the District’s relatively weaker housing market as well as low skills and wages. A sustainable strategy for development in the District needs to take this into account, and if this is successful it could alter the balance of migration and demographic dynamics in the area”
(para. 6.33 Housing Duty to Cooperate Study, February 2013)

Meeting affordable housing needs

4.115 The Members Critique of the 2012 SHMA highlights the confusion resulting from different uses of the terms need and demand in relation to pressures on the housing market.

4.116 The NPPF and the DCLG SHMA Guidance (2007) use the terms need and demand interchangeably when referring to the overall number and tenure of properties required to accommodate the future population and households. It is anticipated that further clarity will be provided as to the relationship between the objective assessment of need (for all tenures) referenced in the NPPF and the affordable housing need traditionally used within housing needs studies and referenced within the DCLG SHMA Guidance.

4.117 GL Hearn through the various research reports have aimed to keep these areas of analysis separate to ensure that the research meets the requirements of both documents. This report has primarily focussed on reviewing GL Hearn’s analysis of the future housing need or objectively assessed need which relates to the projection of the overall level of housing required, including all tenures and types of properties.

4.118 The level of ‘need’ for affordable housing is important in providing a further informing factor in translating the objectively assessed needs evidence into policy. GL Hearn consider this in detail within section 7 of the 2012 SHMA Update.
4.119 As the analysis of headship rates has shown the impacts of affordability issues and in particular the barriers facing new households looking to form is built into the demographic trend-based modelling process. The analysis suggests that the latest household projections for example sustain a high proportion of ‘concealed households’ - households living with households who under different personal / market expectations would form their own household.

4.120 Understanding the scale of affordability issues is therefore important in understanding where policy needs to take a different forward looking approach rather than serving to reciprocate existing market conditions.

4.121 Unfortunately the two modelling / calculation methods applied do not enable direct read across. The objective assessment of need is underpinned by a demographic model which is not sensitive to household aspirations or ‘needs’ other than, as noted above with regards concealed households, they are inherently built in. The DCLG SHMA Guidance (2007) provides a set calculation methodology for assessing the ‘need’ for affordable housing. This calculation quantifies the scale of the current need or backlog of need for affordable housing. This includes these concealed households as well as other households classified as living in unsuitable conditions. The model then assumes that these households’ needs are required to be met alongside the scale of new need for affordable housing resulting each year. The end result is for most authorities a significant annual ‘need’ for affordable housing which often exceeds the average annual modelled objectively assessed need for all housing tenures.

4.122 As GL Hearn identify within the 2012 SHMA update there is evidently a significant need for affordable housing within Arun District. This is illustrated by the proportion of newly forming households, 76%, which are estimated as requiring non-market housing. This results when coupled with an estimation of the number of existing households (i.e. not new households) in a total estimate of newly arising housing need of 3,420 households between 2011 and 2016 or 684 households per annum. This figure compares to an estimated per annum average supply response to address this need of approximately 263 dwellings. This results in a ‘gap’ of households who require affordable housing but for which supply is not available on an annual basis of over 400 dwellings. It is important to note that this figure takes no account of addressing any historic backlog.

4.123 GL Hearn within the 2012 SHMA update highlight the role that the private rented sector has increasingly taken in meeting this need. It is indeed evident that the vast majority of this ‘gap’ is absorbed by the private rented sector. Going forward it is as yet unclear how current welfare reforms will impact on this balance, however, it is
evident that without a significant correction in house prices and private rental levels issues of affordability will continue to face, in particular, newly forming households in the authority.

4.124 To this end it is important that the Local Plan policy responds to this ‘need’ and ensures that the overall level of housing supported facilitates and enables the delivery of new affordable dwellings as well as not further exacerbating the imbalance between supply and demand which has in itself served to sustain high house prices in Arun as well as other parts of the South East.

4.125 Further exploring the relationship between affordable housing issues facing newly forming households and household size assumptions within the objectively assessed needs modelling is important in assisting in validating the requirement set through the Local Plan. The information prepared by GL Hearn to date provides a strong evidence base to make these connections alongside the assessment of viability in the District.

Distribution of Supply / Demand – Duty to Cooperate

4.126 The Members Critique of the 2012 SHMA includes concerns around the conclusions reached seeking to identify the impacts of potential constraints to delivering housing in certain parts of the housing market area. These conclusions do move beyond the specific requirements of the SHMA as suggested through paragraph 159 of the NPPF.

4.127 The 2012 SHMA Update (February 2012) and the March 2013 updated demographic paper focus primarily on understanding the objectively assessed needs for housing and in the case of the 2012 SHMA as noted above the relative need within this for different tenures and sizes of housing. GL Hearn also within the conclusions reached in section 10 of the 2012 SHMA provide a broader steer around the potential translation of the evidence into policy where factors such as the duty-to-cooperate have an important bearing.

4.128 The conclusion reached at the end of the March 2013 paper is important in considering the difference between the objectively assessed need, with this report providing the latest evidence regarding the modelled outputs, and the layering on of other considerations as specified within the NPPF around potential evidenced supply constraints linked to the definition of ‘sustainable development’:

“In determining a housing requirement for inclusion within the Local Plan, we would advise Arun District Council to carefully consider the balance between housing and employment, and the scope to change
commuting dynamics over the plan period. The appropriateness of the economic forecast herein should be appraised against the economic vision and strategy within the emerging plan. We would also advise the Council to consider the supply-demand balance across the HMA in consultation with other local authorities within the sub-regional housing market” (para. 4.4, March 2013)

4.129 Importantly the ‘Housing Duty to Cooperate Study’ (February 2013) has a much broader brief and is specifically aimed at considering the final point of this concluding statement. The brief for GL Hearn for this research element was to consider the balance between supply and need/demand for housing at a district and HMA level.

4.130 GL Hearn note that in terms of the two input elements to be balanced the former need/demand is based on an estimate of theoretical housing needs/requirements (para. 1.4). In terms of the supply estimates they state the work they have undertaken “has formed part of a robust testing process to explore the potential for additional development in the HMA” which has primarily involved a critical review of the SHLAA evidence base and a review of information on constraints and housing delivery rates.

4.131 The outputs of the work provide a high-level indication of the balance between these two factors at the HMA and district level suggesting that at the HMA level there is a shortfall. The conclusion is also reached that the southern parts of Arun and Chichester Districts together with the north of Lewes District have less environmental constraints. With this in mind GL Hearn note with regards to Arun:

“Through the development of the Local Plan it would be appropriate for the Council to test the potential for modest additional development over and above this to contribute to meeting wider sub-regional needs, and particularly to meeting under-provision in Worthing and from parts of the South Downs National Park. It will be important that joint working between the relevant authorities continues” (para. 6.30)

4.132 GL Hearn are clear to stress that the work informing this conclusion has been based on the most up-to-date information available at the time of preparation, but also that the evidence is incomplete in some instances (para. 6.11). They note that the conclusions reached within the report should therefore be viewed as indicative and “will be tested further through the preparation of Local Plans, including through Sustainability Appraisal and Examination processes” (para. 6.11).
4.133 Evidently what this work does do is highlight potential issues across the housing market area which authorities, including Arun, need to be aware of through the development of policy and therefore provides a useful resource for the authorities. Equally, however, it is anticipated that the input analysis will continue to be refined and improved noting for example that the March 2013 report is one such ‘refinement’ input in relation to the objectively assessed need side of the equation.

Summary

4.134 The analysis in this section has explored a number of the modelling assumptions presented by GL Hearn in the latest March 2013 report. The underpinning models used by GL Hearn have not been made available to the consultancy team and this review has solely been based on a review of the data and explanatory text included within this report. The analysis has not therefore sought to fully validate the workings of the model and its output but to provide a further perspective on the assumptions used and their validity.

4.135 The overall modelling approach adopted is understood to use a methodology similar to that used by the ONS / DCLG in the generation of the sub-national projection datasets. This has been validated to an extent through the running of an alternative trend-based projection using the latest robust available datasets from both the ONS / DCLG by Edge Analytics.

4.136 This modelling has served to identify areas of commonality in the two modelling approaches and suggests that the underpinning approaches are robust. In addition it is important to note that the spectrum of projections considered by GL Hearn provides a robust basis for considering future local housing requirements with emphasis placed on the economic-led projections in informing policy.

4.137 Importantly GL Hearn has sought through their modelling to depart from the official datasets produced by the ONS and DCLG. In particular this involved the application of alternative levels of net migration being assumed as well as the age profile of migrants. Any departure from official statistics needs to be robustly approached and evidenced as it will come under a high level of scrutiny as the evidence base is considered at examination.

4.138 Whist within the scope of this study the details of the approach taken by GL Hearn have not been able to be scrutinised (this would require access to the model) the approach taken appears at face value to be robust in the arguments presented and the use of available data. It is clear that the 2011 Census results have served to validate a number of the arguments put forward within the 2012 SHMA update.
around historic migration trends and served to further strengthen the rationale for refining the official datasets within Arun.

4.139 The analysis has indicated, however, the sensitivity of the modelling outputs to small changes in demographic assumptions and it is important therefore that the Council are confident in the conclusions reached by GL Hearn. The release of the revised historic Mid-Year Estimates by the ONS should be considered in detail by the Council and potentially GL Hearn to assess their impact on the assumptions within the model built by GL Hearn. The same is true of the Interim 2011 based SNHP which were also released after GL Hearn completed the modelling to inform the March 2013 report.

4.140 As noted above GL Hearn explore a number of economic-led scenarios, with these underpinned by a single economic forecast produced by Experian (2012 forecast). Whilst Experian forecasts provide a robust basis from which to consider the alignment between housing and employment they are also susceptible to changes in the levels of job growth forecast and are re-released quarterly. A short review of additional evidence prepared by the Council around potential job generation has highlighted potentially more positive economic outputs for the District with the Experian forecasts not taking account of the impact of policy or economic investment opportunities. It is recommended to further strengthen the evidence underpinning the economic-led projections that further analysis is undertaken of Experian forecasts over a longer period as well as the potential job outputs implied through the realisation of policies within the Local Plan.

4.141 It is evident that seeking to regain employment opportunities within the authority and an improvement to the jobs density (relationship with people living and working in the authority) represents an important policy objective for the authority. To this end the approach taken by GL Hearn to model the impact of reducing commuting rates provides a useful evidenced position. In reality the realisation of this objective will be dependent on a range of factors, not least potential infrastructure investment and therefore it is also important to consider the outputs of GL Hearn’s PROJ 5 which retains current commuting rates. This results in a higher level of household growth and therefore a higher dwelling requirement again serving to highlight that policy needs to be flexible to ensure that the economic potential of the authority is realised.

4.142 The important difference between the calculation of affordable housing need and overall objectively assessed needs has been explored. The assessment of affordable housing need within the 2012 SHMA Update follows the DCLG Guidance and it is important to recognise does not directly ‘feed into’ the overall
objectively assessed needs projections which are built around population and household projection datasets. Whilst the two areas of analysis are not directly comparable the evidence clearly highlights the current and projected scale of affordability issues in the authority. Again this does represents an important informing consideration in the setting of appropriate housing policies to ensure that the needs of the population are met.

4.143 Finally, the issue of considering constraint factors alongside the assessment of need for housing is explored. It is important to recognise that this extends beyond the direct scope of a SHMA as defined by the NPPF with GL Hearn through the Duty to Cooperate study providing additional analysis looking at the balance of potential supply and need/demand for housing.
5. Summary & Recommendations

5.1 Turley Associates is a leading independent planning consultancy whose Economic Planning team specialise in housing requirement and SHMA evidence. Edge Analytics are market leading specialists in the field of applied population and demographic modelling. This report represents the professional views of the consultancy team based on a short critical review exercise. It does not seek to replace or update the analysis or reports produced by GL Hearn on behalf of Arun District Council.

5.2 This summary section provides a succinct overview of the conclusions reached through this critical review exercise which has sought to examine the approach taken by GL Hearn to date with reference to the observations made within the Members Critique of the 2012 SHMA.

5.3 The evidence assembled to date by the Council is evidently comprehensive and thorough and represents a significant amount of analysis by GL Hearn over a number of years. The approaches adopted appear, from a high level perspective robust and in line with the NPPF, noting that the consultancy team did not have access to the underpinning modelling and have relied on a review of the available reports provided by the Council.

5.4 In evidencing the objectively assessed need for housing across the housing market area and within Arun it is evident that GL Hearn has sought to build population and household projection scenarios which reflect local up-to-date data.

5.5 The analysis has illustrated the impact of varying key assumptions on projecting forward population, household and potential employment growth. A number of the scenarios presented rely on changes to the functioning of the current housing market in the area, for example a reduction in the rate of out-commuting. Other assumptions have been ‘refined’ to reflect GL Hearn’s re-interpretation of historic demographic data, including for example the age profile of migrants into the authority. It is assumed that the consideration of these scenario variations, including those which require the implementation of wider policy objectives, has reflected the views of the research steering group and has sought to align with local priorities.

5.6 The approach taken to considering a wide range of different projections using both trend-based and economic led scenarios is important as it ensures that a comprehensive range of assumptions are explored in order to understand the implications of differing levels of household growth in order to ensure an informed housing policy position within the Local Plan.
5.7 The final recommendation made by GL Hearn in their latest report output, the March 2013 report, appears on the basis of this review sound:

“In determining a housing requirement for inclusion within the Local Plan, we would advise Arun District Council to carefully consider the balance between housing and employment, and the scope to change commuting dynamics over the plan period. The appropriateness of the economic forecast herein should be appraised against the economic vision and strategy within the emerging plan. We would also advise the Council to consider the supply-demand balance across the HMA in consultation with other local authorities within the sub-regional housing market” (para.4.4, March 2013)

5.8 In considering this conclusion it is important to note that the 2012 SHMA Update and the March 2013 report are fundamentally aimed at assessing the objectively assessed need for housing within the wider housing market area and individual districts including Arun. They represent an evidence base and not a direct interpretation into policy. This will be undertaken through the development of the Local Plan.

5.9 The analysis has identified a number of areas where the latest data available following the publication of the last GL Hearn report in March 2013 could be used to further strengthen the existing evidence base alongside other complementary areas of recommended analysis.

5.10 In reviewing the evidence base it is important to reflect on its importance in providing a basis for the establishment of policies within the Local Plan. This is illustrated clearly through the tests of soundness which will be applied by an Inspector, based on the criteria set out in paragraph 182 of the National Planning Policy Framework (the Framework), in the examination of the Local Plan. The relevant soundness criteria are whether the Plan is:

- (i) *positively prepared* (based on a strategy that seeks to meet objectively assessed development and infrastructure requirements, including unmet requirements from neighbouring authorities where it is reasonable to do so and consistent with achieving sustainable development);

- (ii) *justified* (the most appropriate strategy when considered against the reasonable alternatives, based on proportionate evidence);
• (iii) **effective** (the plan should be deliverable over its period and based on effective joint working on cross-boundary strategic priorities); and

• (iv) **consistent with national policy** (the plan should enable the delivery of sustainable development in accordance with the policies in the Framework)

5.11 In considering the above and based on the review of Inspectors guidance and application of policy in section 3 it is evident that there are a number of areas where the evidence base comes under particular scrutiny. These include for example:

• The justification for a departure away from demographic information underpinning the official sub-national datasets produced by the ONS / DCLG;

• Evidencing of the implications of the population change enabled through the housing requirement set, in particular with regards the changing size of the labour-force and its relationship with other policy aspirations and economic forecasting evidence;

• The importance of understanding and aligning the evidence as to the level of affordable housing need provided within an up-to-date SHMA and the overall objectively assessed need/ demand for housing; and

• Consideration of the implications of wider housing market linkages within the evidence serving to present a sound Duty to Cooperate evidence base.

5.12 It is evident through the review of the modelling undertaken by GL Hearn in section 2 that the projections informing the Local Plan policy have departed from the official projection datasets. Amendments to migration assumptions in particular have served to show a reduced projected level of population and household growth. The impact of using historic migration trends to project forward future requirements is a central observation within the Members Critique of the 2012 SHMA.

5.13 The revised MYE datasets released on the 30th April appear, at least through an initial high level scrutiny, to validate the correcting of historic levels of migration. In advance of the 2012-based SNPP (due for publication in 2014) it is difficult, however, to consider how the ONS will use these to project forwards. It is unlikely that they will, as modelled by GL Hearn, assume a constant rate of migration and this will inevitably produce different population projection outputs. It will be important for the Council to monitor the release of this dataset and to clarify with
GL Hearn their views on the implications of this new dataset on their existing modelling.

5.14 As highlighted within the analysis in section 4 it is important to remember that the historic picture of population change cannot be separated from the supply position. This aligns with a number of points made within the Members Critique of the 2012 SHMA. Whilst the authority has seen a sustained level of house building rates have fallen when compared against previous years. There is a danger that relying solely on trend-based projections serves to simply extrapolate forwards the impacts of recent market conditions and may not best align with the housing pressures facing the authority including for example evidenced acute affordability needs and the impact of changing employment contexts.

5.15 This is evidenced most strongly in the development of different headship rate assumptions by the DCLG. The Interim 2011 SNHP data set shows a notable departure from the 2008 dataset. GL Hearn have adopted a position, which from the information available appears to present a mid-point analysis between these datasets, albeit showing a stronger alignment with the 2011 based dataset. The implications of these headship rates which are very much based in the current depressed market climate is clear with a projection forward of fewer single and couple households and an increase in multi-adult households. Policy will need to consider how these projected trends align with the aspirations of residents within the area and the evidence presented through the analysis of affordable housing need that these trends are primarily driven by a lack of housing options for newly forming households.

5.16 Recognising the issues associate with solely considering trend-based projections GL Hearn’s conclusions in relation to the level of housing which is required within the District take account of modelling seeking to align population change with an understanding of the likely economic future of the area. This is an important relationship and there are a number of areas where this could be explored further to strengthen these projections. The modelled economic-led projections present alternative assumptions which require the support of policy and represent changes from the operation of the current market in the areas. These include:

- The assumed levels of job growth. These are built from a single Experian forecast. Alternative forecasts and/or a range of Experian quarterly forecasts could be considered to ensure these are representative. In addition further reference could be given to the potential levels of job growth identified within existing evidence prepared for the Council. The cited example here being the Enterprise Zone bid for Bognor;
The likelihood of commuting rates reducing within the authority. Alongside the provision of sufficient housing to meet the needs of a growing labour-force in the District this will be influenced by infrastructure investment and potentially the balance of jobs and housing provision in surrounding authorities. This has been considered in through the February 2013 Duty to Cooperate paper. The shortfall identified here in all of the other districts in relation to supply and demand suggests that this assumption may potentially be optimistic, particularly if levels of job growth are more positive than modelled currently in Arun and in other Districts evidence base; and

The changing age profile of migrants. The revised MYE datasets released by the ONS potentially show that the size of the working age population has not declined in proportion to the older age population as significantly as potentially previously suggested, noting that actual age data for migrants is not available. However, going forward future migration trends will be influenced by a range of factors with the supply of different types of housing having a role. This is an area where policy whilst able to have a role in shaping the supply is unlikely to be able to control directly and therefore is difficult to forecast with accuracy.

Finally, in considering the importance of recognising wider market linkages through pre-hearing advice the Planning Inspector considering the Warrington Local Plan provided the following question in relation to the Duty to Co-operate issue:

**Duty to co-operate:** Has the Council worked collaboratively with other authorities and organisations during plan preparation on strategic planning matters that cross administrative boundaries? In particular has the Plan’s approach to determining its housing requirements and provision been consistent with that of neighbouring authorities? [A critical factor is that the duty to co-operate is incapable of modification at the Examination stage].

The evidence underpinning the current planning policy has been built through a research base which has been built at a sub-regional level incorporating a number of identified housing market areas. This forms a solid basis from which to evidence the strength of the Duty to Co-Operate as it provides a consistent basis from which housing requirement evidence has been prepared and policy developed. The conclusions reached within this evidence base, which has taken this wider geographical perspective, are therefore important. This includes the findings of the Duty to Cooperate report (February 2013) which whilst acknowledged as providing
‘indicative’ conclusions highlight important issues regarding the balance between need/demand and capacity for housing across a wider market geography. Departing from this evidence base and seeking a lower housing requirement within policy would, in light of the review of the modelling approach adopted, represent a risk in terms of the testing of the soundness of the Local Plan.

5.19 Interestingly in the pre-hearing Guidance note for the Warrington Local Plan Examination, scheduled for the 4th June 2013, stated the following in relation to the Interim 2011 based SNHP dataset which were released on the 9th April 2013:

“The Inspector will be asking how the up-to-date information [SNHP 2011] compares with the plan figures, and in particular, do the latest figures show a different level of need? If so, how big is the difference? Does the difference call for a revised/amended strategy in the plan? Can the plan be amended to address the issue or does it need to be withdrawn and substantially revised; or is it appropriate for the Council to take these figures into account in the next review of the plan? (Appendix A, Warrington Core Strategy Examination Key Matters and Issues, para. 1.5, 18th April 2013)

5.20 Whilst the evidence prepared by GL Hearn has sought to pre-empt the release of new data, both in terms of the 2011 base interim SNHP and the updated MYE datasets within the March 2013 report this highlights the importance of ensuring that the evidence prepared to underpin the Local Plan remains as up-to-date as possible, in particular where it suggests the need for an evidenced departure away from the projection datasets released by the ONS. The conclusions reached above have considered the evidence prepared to date for Arun DC into housing requirements and identified a number of areas where consideration of new datasets as well as other informing evidence serves to either validate the work done to date or identify factors whereby there may be a need to re-run modelling outputs to assess their continued robustness.