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Chichester District Local Housing Requirements Study: Final Report

**Chichester District Council & South
Downs National Park Authority**

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Executive Summary

1. This report examines demographic projections and employment forecasts for Chichester District in order to establish indications of the range of additional households that Chichester District Council and the South Downs National Park Authority should plan for as they develop their Core Strategies. A review is also provided of the potential constraints on development, but a detailed assessment of housing capacity has not been undertaken as part of this study.
2. Official projections (the 2008 Office for National Statistics projections) anticipate that the population of Chichester District is likely to grow by 26,000 people and 15,500 households over the period 2006-31, a higher percentage rate of growth than forecast for West Sussex as a whole, Hampshire and the South East of England. This population growth is entirely associated with significant levels of projected net in-migration, of around 1,200 people per annum. Were there zero net migration, the population of the District would fall.
3. There are sound reasons why the population of the District is unlikely to grow as fast as anticipated in these 2008 ONS Population projections. The ONS population projections anticipate continuation of the levels of net in-migration to the District associated with the years before 2008. Data for recent years suggest that net in-migration to the District has fallen since the downturn in the economy and the housing market.
4. There are strong grounds for expecting net in-migration to continue at a lower rate than assumed in the ONS projections. Employment growth in the District is anticipated to be limited over the next 20 years, and structural changes in the labour market within the EU, notably the depreciation of the £ relative to the euro, and the opening of German and French labour markets to nations of recent accession states, is likely to reduce in-migration to the UK from the EU.
5. DTZ's assessment is that, taking into account the probable decline of net in-migration, the planning authorities in Chichester should plan for an increase in population of between 18,000 and 22,200 people; and for an increase of between 11,250 and 13,700 households over the period 2006-31. This translates into an average annual increase in the number of households of between 450 and 550 households over the period 2006-31. This compares with the most recently published CLG projections which anticipate an average annual increase of 620 households.
6. In determining the level of housing provision in the period 2011-31, the two planning authorities need to consider not only projected household growth, but also: the practicability of delivering this level of housing given past patterns of delivery, which may reflect the ability or willingness of the market to deliver a certain volume of housing; the constraints imposed by environmental designations and the capacity of key infrastructure; and the impact of the planning system on the release of land for development and costs of development.
7. This study has not investigated environmental and infrastructure constraints in detail, but the report highlights that there are numerous constraints on development in the District, including the designation of most of the North of the District as a national park; and extensive Environmental Protection Zones and Flood Risk zones in the South. Additional housing in key parts of the south of the District is dependent on resolving capacity issues at Waste Water Treatment Works and on the A27 Chichester Bypass.
8. Over the period since 2001, around 425 net new homes have been built each year in the district. This falls quite a long way short of the projected increase in households of 450 to 550 households per annum under DTZ scenarios. Whether the historic level of development reflects the capacity or willingness of the

development industry to bring forward new homes, market constraints on the absorption of new homes, or constraints imposed by the planning system, or some mix of these factors, is hard to judge.

9. However it is clear that to raise the output of new homes over the period 2006-31 as a whole to between 450 and 550 homes would be challenging. The higher levels are probably impractical to deliver so DTZ recommends that the planning authorities seek to plan for between 450 and 525 new homes per annum; though this planning range has to be subject to the test of whether this can realistically be delivered within existing environmental constraints and known issues around infrastructure capacity.
10. The study has split the implied target for the District between the defined North and the South sub-areas of the District, based on an apportionment of household growth that reflects how the proportion of households living in the North and the South of the District has changed over time, and assuming this trend will persist. Decisions about the levels of housing provision in different part of the District could be different in the future to those in the past. So the split of household growth between North and South is only indicative. Subject to this caveat, the analysis would indicate the requirement for provision for 70-95 additional households in the North and 380-430 new households in the South.
11. The market environment for new housing development is likely to remain difficult for at least the next few years. Therefore, if the delivery of additional new homes is to be increased significantly compared to historic levels of delivery, this will require concerted effort by the planning authorities to facilitate this development and by the housebuilding industry to increase its output. Part of the solution might be found in innovative approaches to dealing with waste water or managing traffic in order to relieve apparent blockages to new housing development.
12. The government has also made available a number of mechanisms that may be helpful in seeking to overcome constraints on new housing supply. The New Homes Bonus provides resources which can be deployed to boost affordable housing output or to contribute to overcoming infrastructure constraints. The planning authorities have the powers to charge a Community Infrastructure Levy (CIL), to ensure that all new development contributes to funding improvements to infrastructure and key services. This could be used to help overcome infrastructure constraints.

Study Brief and Approach

Introduction

This report brings together the findings and implications of research into the future local housing requirements for Chichester District, in order to inform the Core Strategies currently being developed. The report is based on a series of working papers which provide further detail on the findings and technical information on the method and assumptions used. These working papers are included as appendices to this report as follows:

- Appendix A: Demographic Scenarios Working Paper
- Appendix B: Employment Scenarios Working Paper
- Appendix C: Delivery Assessment Working Paper
- Appendix D: Working Paper on Size and Type of Homes Required
- Appendix E: Working Paper providing commentary on Affordable Housing Targets, Tenure Mix and House Types

The Project Brief

From 1st April 2011, responsibility for planning in Chichester District has been divided, with the South Downs National Park Authority becoming the statutory planning authority for most of the north of the district, and Chichester District Council remaining the planning authority for the remaining part of the District covering the south of the District and a small area in the north east of the District.

At the end of February 2011, DTZ was appointed by Chichester District Council and the South Downs National Park Authority to undertake a Local Housing Requirements Study (LHRS) to inform the Core Strategies they will be preparing covering their respective area of the district. The objective of the study, as stated in the Project Brief is to assess the potential demand and need for housing across both market and affordable housing tenures within Chichester District looking ahead to 2031.

The brief indicates that the study is to assess the potential implications in terms of housing requirements of current trends and possible future changes through testing a range of scenarios for the following variables:

- population and household structure
- migration patterns
- the housing market and housing supply
- local housing need and demand for affordable housing
- economic performance and local employment.

The key outputs of the study as set out in the Project Brief are as follows:

- to set out potential housing requirements and levels of employment growth under a range of different demographic, economic and housing market scenarios
- to identify the impact of key variables such as migration and demographic change on housing demand and need
- to disaggregate the overall District housing requirements for the northern and southern parts of the District
- to assess the size and type of homes required in the north of the District, in Chichester District and its surrounds, and the rest of the District
- Review and comment on recommendations regarding the affordable housing targets, tenure mix and house types in the Coastal West Sussex SHMA.

Structure of the Report

The remainder of this report provides a summary of findings and is structured as follows:

- The geographies of Chichester District
- Employment Scenarios
- Demographic Scenarios
- Deliverability Assessment
- Conclusions

The final two elements of the brief, the commentary on the size and type of new dwellings required in the north of the District, in Chichester District and its surrounds, and the rest of the District, and commentary on the recommendations regarding affordable housing targets, tenure mix and house types, are contained in free standing working papers.

The Geographies of Chichester District

Introduction

In order to provide a firm basis for examining housing need in Chichester, this section considers the geographies of the study area in relation to two important study components:

- How the Chichester district boundary relates to the wider sub-regional housing market boundaries, as identified by CLG
- How the district is sub-divided in policy terms, and how these subdivisions relate to the housing market boundaries. These subdivisions form the basis for analysis in the following sections.

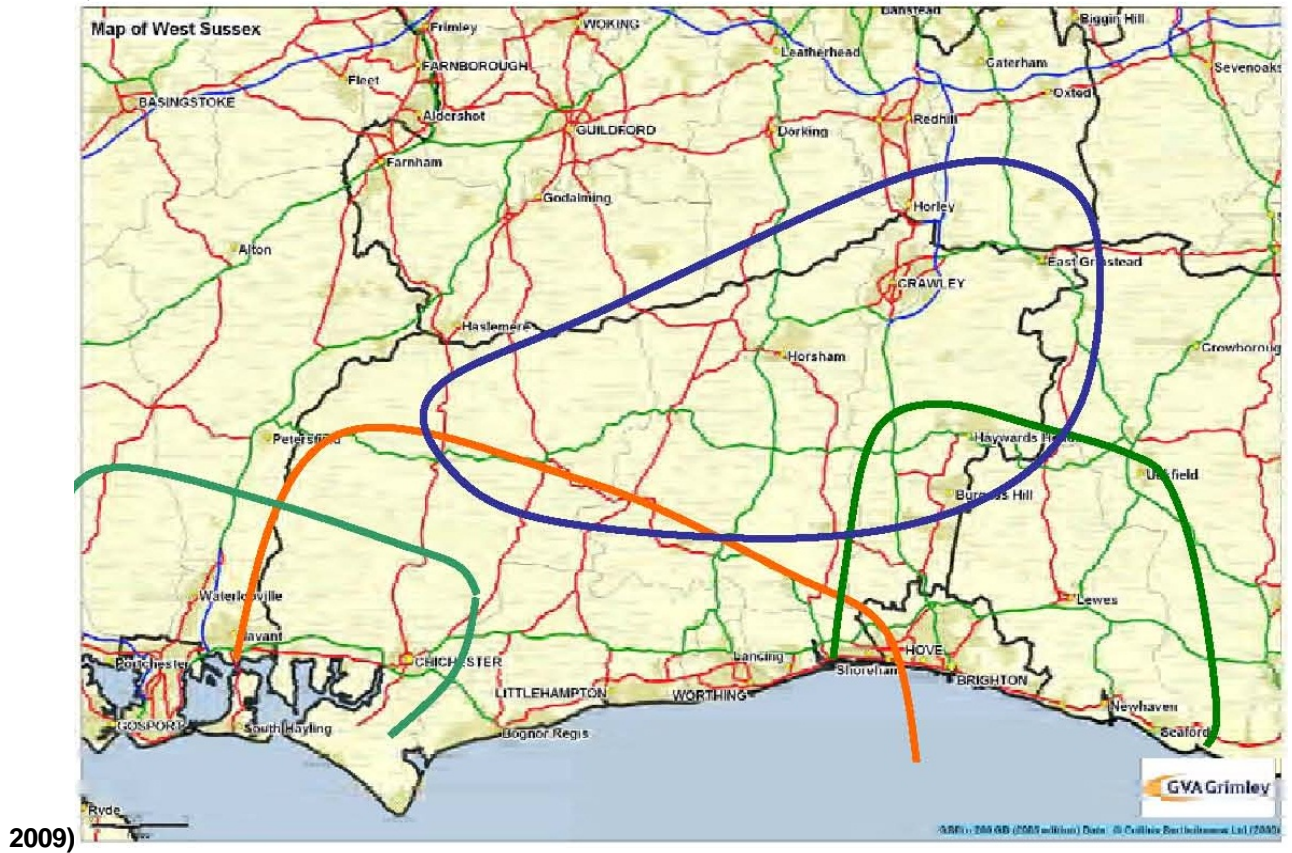
Housing Market Boundaries in West Sussex and Hampshire

Housing market boundaries for West Sussex have been identified in the Coastal West Sussex SHMA (2009), and for West Sussex and Hampshire in the more recent 2010 CLG report on housing markets.

The Coastal West Sussex SHMA identifies a number of housing markets extending along the South Coast. Three of these include parts of Chichester district and are displayed in Figure 1:

- The Coastal West Sussex housing market stretches from Hove to Hayling Island and includes the southern and mid-areas of Chichester district, along with Adur, Arun and Worthing. This market area also reaches inland along the A286 from Chichester to Midhurst.
- To the west of the Coastal West Sussex area is the Urban South Hampshire (PUSH) housing market area. There is a large overlap between these two market areas, with the overlap covering the southern part of Chichester district and stretching from Havant in the west to just east of Chichester City.
- Further north is the housing market area focused on Crawley, Horsham and Haywards Heath. This market area covers much of the north east of Chichester district and includes a small overlap with the Coastal West Sussex market in the area south west of Midhurst.

Figure 1: Defined Housing Market Areas and Areas of Market Overlap (Source: Coastal West Sussex SHMA,



The housing market areas identified in the more recent 'The Geography of Housing Markets' (CLG, 2010) and how these relate to Chichester District are displayed in Figure 2. This indicates that Chichester District (highlighted in yellow) falls within two higher tier housing market areas, which effectively divide the District into two halves, the south-western half and the north-eastern half.

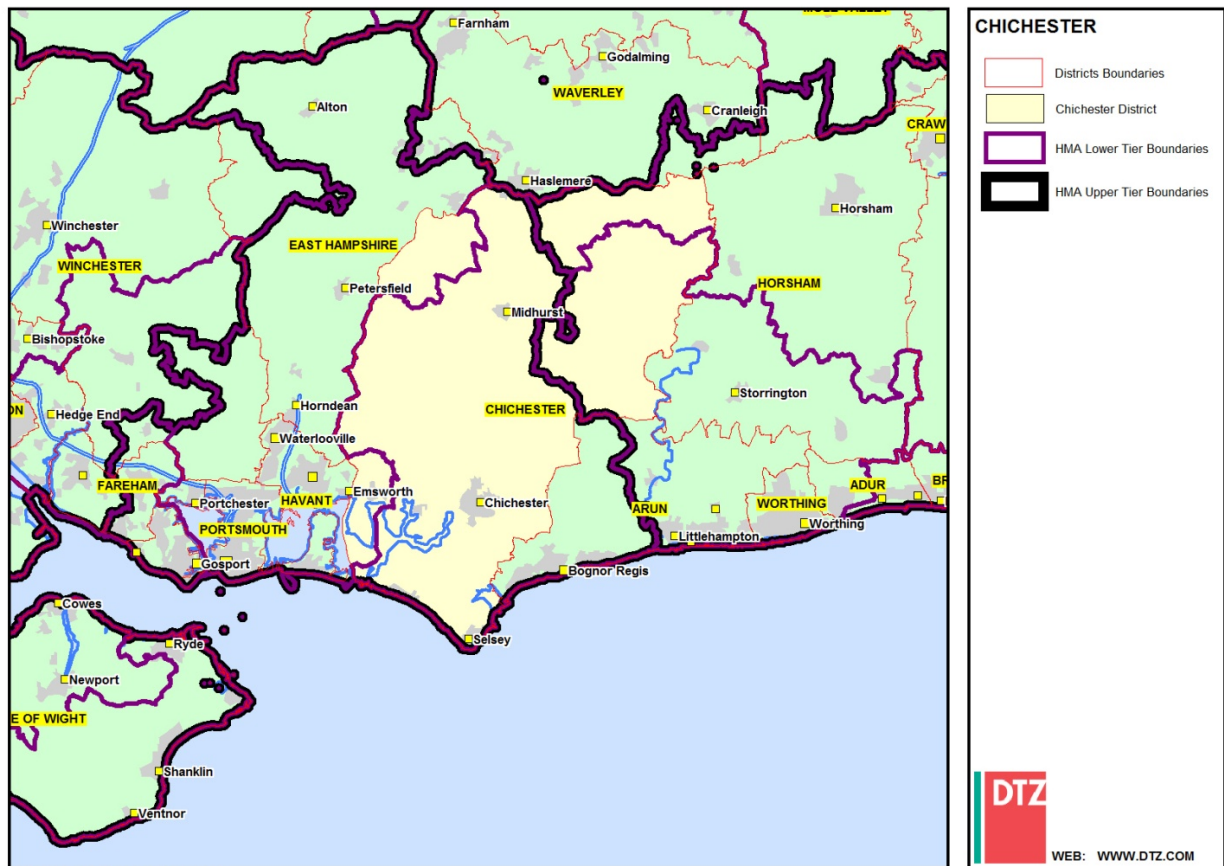
- The south-western half of Chichester District and Bognor Regis form part of an upper tier housing market area that includes all of Portsmouth, Havant, and Gosport and the town of Fareham; and includes most of East Hampshire District extending up the A3 corridor.
- The north-eastern half of Chichester District forms part of an upper tier housing market area that covers the Sussex coastal towns as far east as Newhaven, includes the A23 corridor including Horsham, Crawley, Haywards Heath and Lewes, and East Grinstead.

At the lower tier level, the majority of the District falls into two lower tier housing markets, with small portions in the north-west, the north-east and south-west being part of other lower tier housing markets. In summary:

- The southern part of the District and the majority of the National Park area are part of a lower tier housing market aligned closely with the District boundaries and including Bognor Regis
- A small chunk of the District falls into a lower tier housing market based on Havant and Portsmouth and extending up the A3 corridor.

- A chunk of the north-eastern part of the District falls into a housing market area that includes Littlehampton, Worthing and extending inland.
- The most north-easterly segment of the District is aligned with the local housing market linked to Crawley, Horsham and the A23 corridor between Brighton and Crawley.
- A small part of the north-western part of the District is directly linked to the A3 East Hampshire corridor market which extends from Alton in the north to Portsmouth in the south.

Figure 2: Housing Market Areas surrounding Chichester (Source: CLG, 2010)



The CLG report undertook detailed analysis of travel to work patterns, wider migration trends within areas and between different tenures, and differences in the price of housing to arrive at a set of upper tier housing market areas, and nested within those upper tier housing markets, a set of lower tier housing market areas.

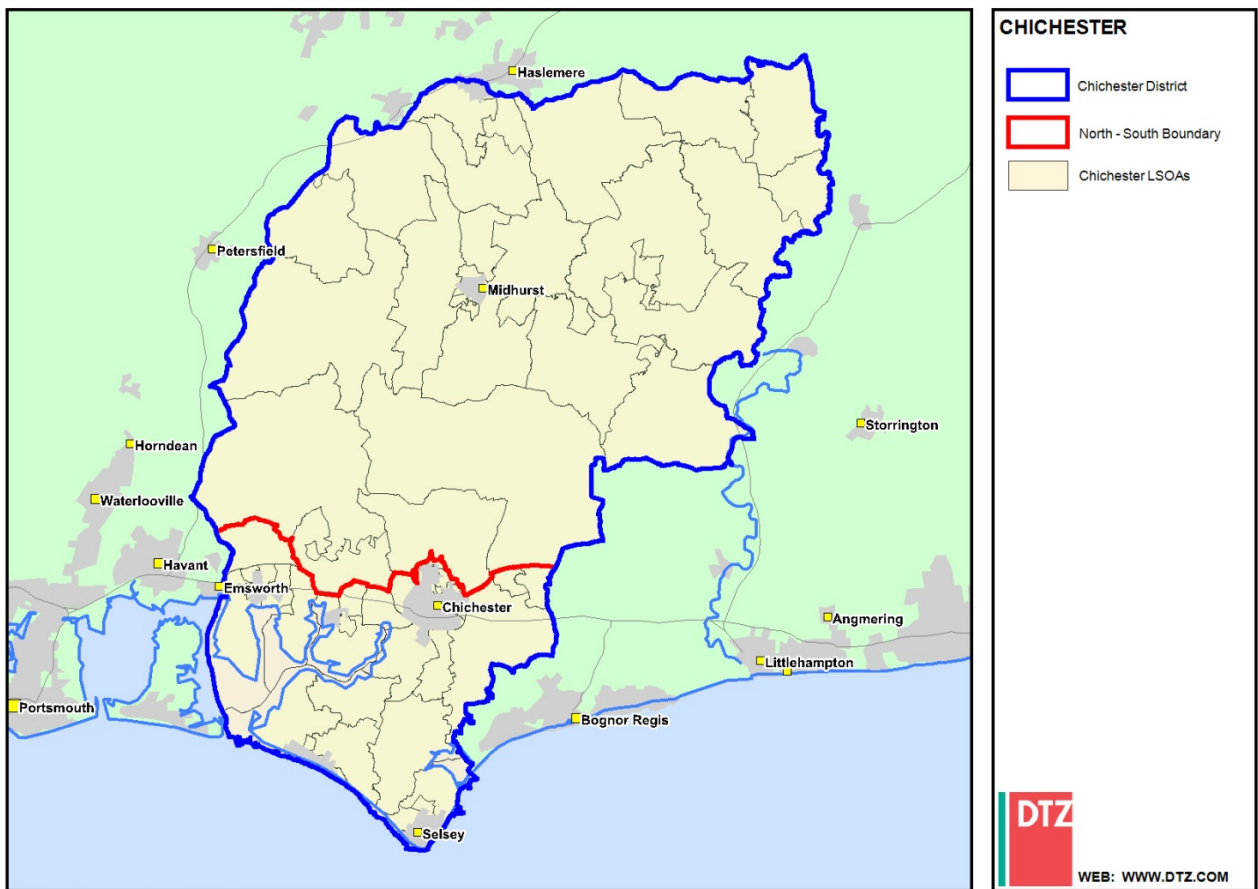
The relevance of the higher tier market area definitions is that the expectation would be that any undersupply of new housing relative to estimated requirements made in one particular district or part of the market area, would need to be provided elsewhere in the upper market area.

The lower tier market area provides a tighter definition of areas where it would be reasonable to expect that provision in that area could be reasonably expected to meet locally arising requirements pretty well; that is new housing anywhere in this area meets local requirements well, while the match with demand at the higher tier is less good.

Chichester District Sub-divisions

An important aspect of the study is the generation of population and household projections for the north and south of the District, the definition of the North being based on the National Park boundaries plus the parishes in the north and north east of the District outside the National Park. In order to apportion population and household numbers to the north and south of the District DTZ has developed a definition based on Lower Super Output Areas (LSOAs) – as shown in Figure 3. The boundary between the North and South of the District is highlighted in red.

Figure 3: Chichester District North and South Study Areas

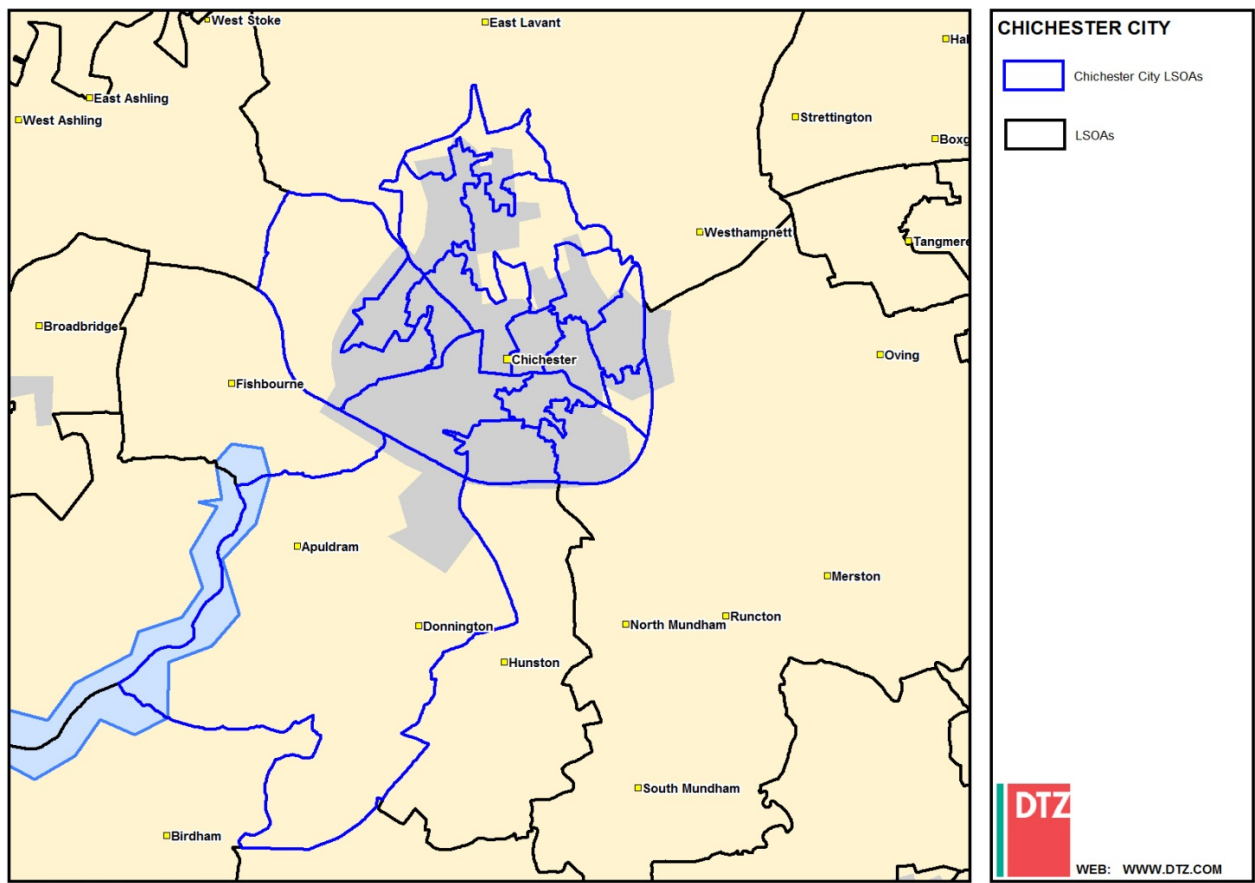


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Definition of Chichester City

DTZ have also been asked to undertake analysis and provide policy advice for the City of Chichester and the rest of the southern half of the District. It is necessary therefore to define the City by reference to LSOAs. Figure 4 shows the built up area of the City shaded in grey. The blue line shows LSOAs which DTZ would propose are recognised as collectively making up the City. It should be noted that there is some development outside the bypass, particularly the settlement of Stockbridge. For the purposes of this assessment, the LSOA containing Stockbridge and Apuldram has been included in the definition of the city.

Figure 4: Chichester District Policy sub-divisions



Demographic Scenarios

Introduction

The purpose of the section is to examine in broad terms how it is anticipated that the number of people who live in Chichester District will change over the period to 2031 and how the number of households will change over the same period. The starting point for scenario development is the latest government projections for population and households. The baseline scenario therefore uses the ONS 2008 based population projections published in 2010 and the CLG household projections also published in 2010.

Population Projections

Baseline Population Scenario

The ONS 2008 based population projections anticipate that the total population of Chichester District is expected to grow significantly – by 26,000 over the period 2006-31 or 20,900 over the period 2011-31 (increases of 24% and 18% respectively). This represents, on average, growth in the population of the District of around 1,000 people pa over the period 2006-31. The population of Chichester District is expected to grow quicker than Hampshire and West Sussex as a whole, the South East region and England.

Examining the anticipated growth in population in Chichester District, the ONS 2008 projections show that growth is associated with a substantial rise in the number of retired people (aged 65 and over in the District). By 2031 this age cohort is expected to account for approaching one third (approximately 43,000) of Chichester District's total population.

In terms of the components of the population growth associated with the baseline scenario it is helpful to identify the extent to which growth is attributed to natural population growth (the excess of births over deaths) and migration. In brief:

- Natural population growth in Chichester District is actually negative. That is, deaths exceed births. In the baseline scenario, the absence of any migration would lead to a decline in the population of 5,000 for the period 2006-31, equivalent to a fall of around 200 per year.
- It is therefore net in-migration that accounts for the entirety of population growth in Chichester District in the ONS projections. Some in-migration is required just to keep the population at its current level (circa 200 people per annum). In the ONS projections it is anticipated that there will be net in-migration of more than 30,000 people over the period 2006-31, equivalent to an increase in population of around 1,200 per annum.
- If one stripped out that element of net in-migration necessary to keep the population static (i.e. 5,000 people, taking into account the first bullet point above) then the additional element of in-migration that leads to population growth is more than 25,000 people over the period 2006-31, equivalent to an increase in population of around 1,000 people per annum.

Future levels of net migration in Chichester District will have a significant impact on the projections for future population and households in the area. The baseline ONS projections are based on net in-migration of around 1,200 people pa 2006-31. This level of in-migration looks potentially unrealistic (too high) in the light of the levels of migration recorded in recent years (discussed in greater detail in Appendix A). In the light of these considerations DTZ has examined a variety of scenarios involving lower levels of net in-migration to Chichester District than assumed in the ONS projections.

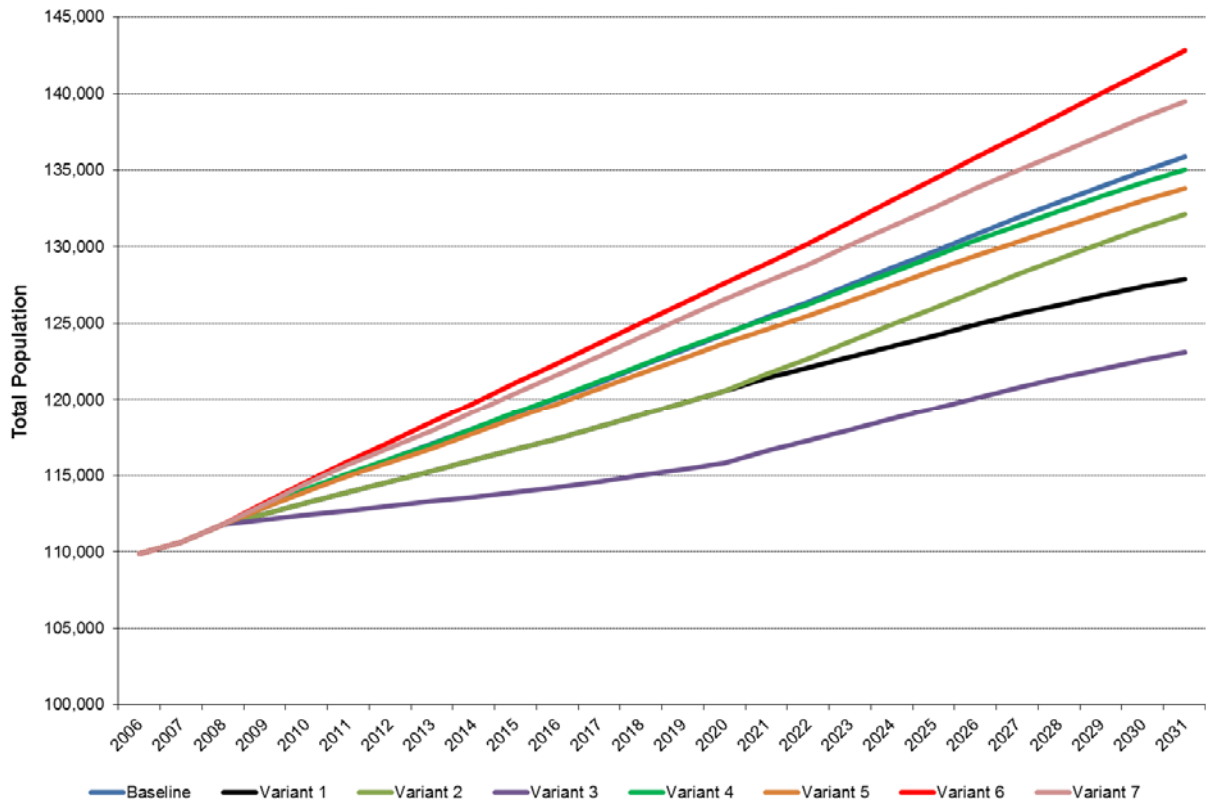
Variant Population Scenarios

A number of scenarios have been run, based on changing key variables that underpin the ONS population projections – to test how sensitive the baseline projections are to different levels of net in-migration, fertility rates, mortality rates and levels of household formation. For population numbers, seven scenarios have been developed and these are summarised below:

- Variant 1 Scenario – Migration A: Trend-based migration since 2006/2007 (tests net migration of 1,000 people per annum to 2031)
- Variant 2 Scenario – Migration B: Trend-based migration since 2006/2007 then returning to ONS projections (tests net migration of 1,000 people per annum to 2020, then returns to 1,200 base case levels thereafter)
- Variant 3 Scenario – Migration C: Trend-based migration since 2008/2009 (tests net migration of 600 people per annum to 2020, then 1,000 people per annum thereafter)
- Variant 4 Scenario – Fertility A: Lower Birth Rates (tests 5% drop in fertility)
- Variant 5 Scenario – Fertility B: Lower Birth Rates (tests 10% fall in births)
- Variant 6 Scenario – Mortality A: Increased Longevity (tests zero natural population change)
- Variant 7 Scenario – Mortality B: Increased Longevity (tests 10% fall in deaths)

Figure 5 summarises the projected population change from 2006-2031 under each of the scenarios, including the baseline scenario for comparison purposes.

Figure 5: Projected Year on Year Population Change in Chichester District, 2006-2031



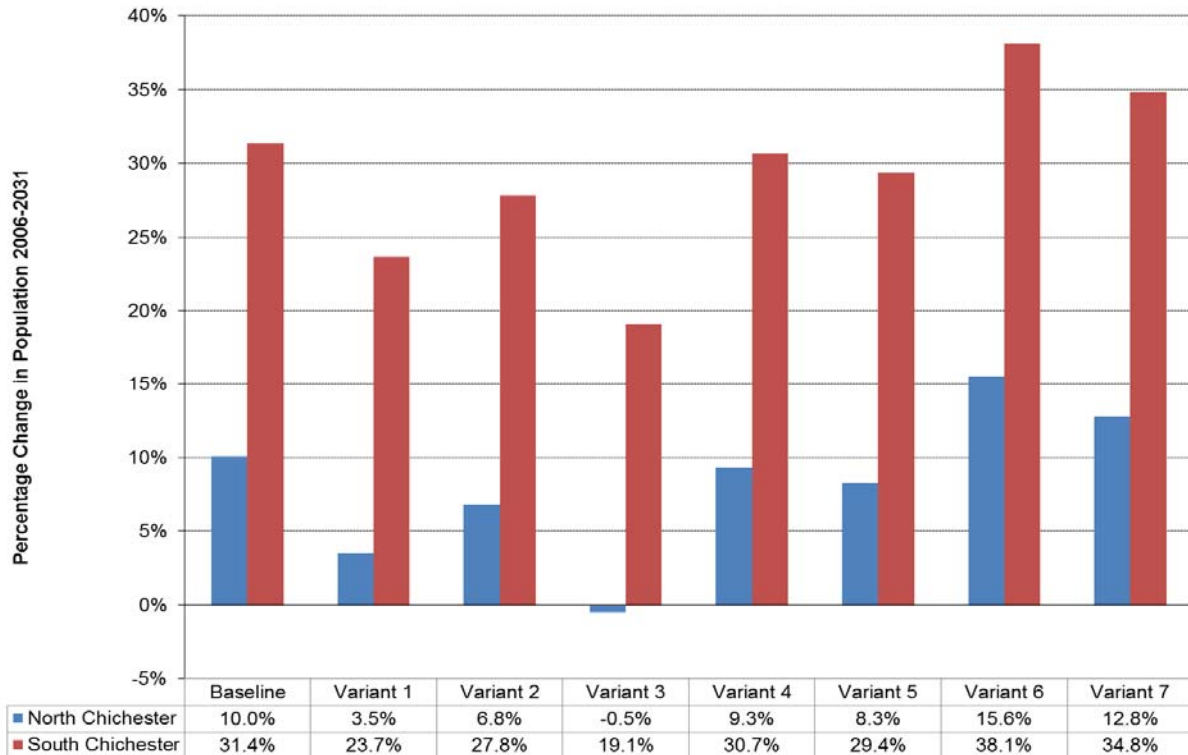
The projected change in Chichester District's population from 2006-2031 varies from an increase of 13,200 (under Variant 3) to more than 30,000 (under Variant 6). Variant 6 would result in the population of the District being 5% higher than the baseline scenario, representing an increase of 6,900 people over ONS the baseline projection.

In order to model the projections down to a sub-district level, the population shares of the North and South of the District, have been estimated up to 2031 by assuming a linear trend in levels of change (see Appendix 1 for further details). In brief, DTZ has analysed how the share of population accounted for by the North and the South of the District has changed over recent years. The South has accounted for an increasing share of the population of the District year by year, and the assumption has been made that this pattern of an increasing share of the population of the District living in the South will continue at the same pace over the years to 2031.

It is important to be aware, however, that the distribution of the population of the District between North and South will in part be a reflection of decisions about where new housing is developed. The division of anticipated household growth between the North and South is therefore only indicative of what will happen if past trends of housing provision are continued. Policy makers may choose to move away from past patterns of new housing provision across the District and this would still meet requirements at the District level.

Figure 6 highlights the projected levels of population change between the North and South of Chichester District from 2006-2031 under each of the scenarios. Given the increasing share of population in the southern part of the District, the South of the District actually experiences growth under each of the scenarios. The projected population change in the South of the District between 2006 and 2031 ranges from an increase of 19.1% (13,400 people under Variant 3) up to growth of more than 38.1% (26,700 people under Variant 6).

Figure 6: Estimated Change in Population, North and South of the District – 2006-2031



The above analysis only shows the outcome of running each variant individually. Running more than one variable at a time indicates that the baseline scenario is towards the upper end of the scale in terms of long term population growth. The highest increase of 30% (nearly 33,000 people) comes when there is zero natural change (Variants 4 & 6, 5 & 6 and 6).

Household Projections

Having estimated the size of Chichester District's population under a number of different scenarios, the next step is to take the information and convert it into estimates of the number of households in the District. The CLG household projections are used as the basis of this analysis. CLG projections anticipate a substantial percentage growth in households in Chichester District, increasing by 15,500 over the period 2006-31 (+32%) or 12,700 over the period 2011-31(+25%), meaning that over the period 2006 to 2031, the number of households will have increased from approximately 48,000 to 63,500. Over the entire period 2006-31 this implies an average annual increase of 620 households across the District. This level of growth expressed in percentage terms is higher than in Hampshire and West Sussex as a whole, the South East region and England.

The population projections are translated into estimated household numbers by looking at headship rate (i.e. the number of people who are counted as heads of households or the household reference person). Headships rates in Chichester District based on data from the 2001 Census increase from age 25 onwards up to age 59, before a slight drop between the ages of 60 and 64. Thereafter, they fluctuate between 50.0% and 78.0%, with the overall headship rate in Chichester District standing at 43.0% (see Appendix 1). This means that 43% of the population are heads of households or that the average household size is 2.33 persons per dwelling.

Household Baseline Scenario

Taking the ONS population projections (the baseline scenario discussed above) and the CLG household projections, approximate headship rates can be estimated year-on-year from 2006-2031 to arrive at a baseline estimate for household numbers associated with the different population scenarios. Figure 7 summarises the projected change in household numbers from 2006-2031 for the whole of Chichester District. Figures 8 and 9 then provide the data broken down into the North and South of the District.

Figure 7: Estimated Change in Household Numbers in Chichester District – Baseline Household Growth Scenario, 2006-2031

Population Scenario	Households, 2006	Households, 2031	Change, 2006-2031		Average Annual Change, 2006-2031	
			No.	%	No.	%
Baseline	48,000	63,500	15,500	32.3%	620	1.1%
Variant 1	48,000	59,700	11,700	24.4%	468	0.9%
Variant 2	48,000	61,700	13,700	28.5%	548	1.0%
Variant 3	48,000	57,500	9,500	19.8%	380	0.7%
Variant 4	48,000	63,100	15,100	31.5%	604	1.1%
Variant 5	48,000	62,500	14,500	30.2%	580	1.1%
Variant 6	48,000	66,700	18,700	39.0%	748	1.3%
Variant 7	48,000	65,100	17,100	35.6%	684	1.2%

Figure 8: Estimated Change in Household Numbers in North of the District– Baseline Household Growth Scenario, 2006-2031

Population Scenario	Households, 2006	Households, 2031	Change, 2006-2031		Average Annual Change, 2006-2031	
			No.	%	No.	%
Baseline	17,400	20,400	3,000	17.2%	120	0.6%
Variant 1	17,400	19,200	1,800	10.3%	72	0.4%
Variant 2	17,400	19,900	2,500	14.4%	100	0.5%
Variant 3	17,400	18,500	1,100	6.3%	44	0.2%
Variant 4	17,400	20,300	2,900	16.7%	116	0.6%
Variant 5	17,400	20,100	2,700	15.5%	108	0.6%
Variant 6	17,400	21,500	4,100	23.6%	164	0.8%
Variant 7	17,400	21,000	3,600	20.7%	144	0.8%

Figure 9: Estimated Change in Household Numbers in South of the District – Baseline Household Growth Scenario, 2006-2031

Population Scenario	Households, 2006	Households, 2031	Change, 2006-2031		Average Annual Change, 2006-2031	
			No.	%	No.	%
Baseline	30,600	43,000	12,400	40.5%	496	1.4%
Variant 1	30,600	40,500	9,900	32.4%	396	1.1%
Variant 2	30,600	41,800	11,200	36.6%	448	1.3%
Variant 3	30,600	39,000	8,400	27.5%	336	1.0%
Variant 4	30,600	42,800	12,200	39.9%	488	1.4%
Variant 5	30,600	42,400	11,800	38.6%	472	1.3%
Variant 6	30,600	45,200	14,600	47.7%	584	1.6%
Variant 7	30,600	44,200	13,600	44.4%	544	1.5%

Summary points to note from this analysis are:

- The estimated change in household numbers for Chichester District as a whole from 2006-2031 under the baseline household scenario varies from an increase of 9,500 (Variant 3) right up to an increase of just under 19,000 (Variant 6). In average annual terms this is an increase of between 380 and 750 households pa.
- Baseline household projections prepared by CLG and linked to the ONS population projections indicate an increase in the number of households between 2006 and 2031 of 15,500, or an average of 620 households pa.
- The estimated change in household numbers from 2006-2031 in the South of the District varies from just under 8,500 up to a high of over 14,500. In average annual terms this is an increase of between 340 and 585 households pa.
- Household growth in the North of the District is lower, which can be accounted for by its declining share of the overall District population. The lowest change sees a projected increase of 1,100 in the number of households, while the highest would see more than 4,000 new households created up to 2031. In average annual terms this is an increase of between 45 and 165 households pa.

Variant Household Scenarios

The CLG 2008 based household projections assume that the rates of decline in average household size in England have been lower than anticipated in the 2006 based household projections. It might be a reasonable assumption that, while over the long term average household size will continue to fall, the pace of decline may fall further than that assumed currently by CLG due to the economic challenges of the next decade.

Reasons why average household size may not decline as fast as anticipated in current CLG projections include:

- Slow economic growth, falling real household incomes or slow growth in household incomes, may encourage people to economise on housing costs by greater sharing.
- Rising student fees and lack of employment for young people, graduates and non graduates, combined with rising costs of renting may encourage increasing numbers of young adults to stay in the family home.

- There is growing reliance on the private rented sector as a consequence of difficulty in accessing mortgages, and this may encourage people to stay in shared accommodation for longer than they would otherwise have done.
- Likewise Housing Benefit changes which cap benefits according to the number of people living in a property, may encourage those low income households that want to continue to live in larger properties to persuade family members to live at home.
- Housing Benefit changes for those aged 25-35 are also likely to encourage greater use of shared accommodation.

Therefore in addition to the baseline trend in headship rates in the CLG household projections, which have been applied to the range of different population projections (Variants 1-7), two additional household growth scenarios have been examined:

- Headship Rate Variant 1: This assumes that headship rates stabilise at 43.7% and remains steady up to 2031.
- Headship Rate Variant 2: Headship rates remain at 43.7% until 2020. They then revert back to the trends in the CLG household projections. However, rather than pick up the CLG data from 2021 the headship rate from 2011 onwards is used as a starting point in order to provide a more gradual change in the headship rate.

Figures 10-11 summarise the projected change in household numbers from 2006-2031 for each headship rate scenario for the whole of Chichester District. Figures 12-13 and 14-15 then provide the data broken down into the North and South of the District respectively.

Figure 10: Estimated Change in Household Numbers in Chichester District with Headship Variants 1 and 2, 2006-2031

Population Scenario	Households, 2006	Headship Rate Variant 1			Headship Rate Variant 2		
		Households, 2031	Change, 2006-2031 No.	%	Households, 2031	Change, 2006-2031 No.	%
Baseline	48,000	59,400	11,400	23.8%	62,200	14,200	29.6%
Variant 1	48,000	55,900	7,900	16.5%	58,500	10,500	21.9%
Variant 2	48,000	57,700	9,700	20.2%	60,400	12,400	25.8%
Variant 3	48,000	53,800	5,800	12.1%	56,300	8,300	17.3%
Variant 4	48,000	59,000	11,000	22.9%	61,800	13,800	28.8%
Variant 5	48,000	58,400	10,400	21.7%	61,200	13,200	27.5%
Variant 6	48,000	62,400	14,400	30.0%	65,300	17,300	36.0%
Variant 7	48,000	60,900	12,900	26.9%	63,800	15,800	32.9%

Figure 11: Estimated Average Annual Change in Household Numbers in Chichester District with Headship Variants 1 and 2, 2006-2031

Population Scenario	Headship Rate Variant 1				Headship Rate Variant 2		
	Households, 2006	Households, 2031	Average Annual Change, 2006-2031		Households, 2031	Average Annual Change, 2006-2031	
			No.	%		No.	%
Baseline	48,000	59,400	456	0.9%	62,200	568	1.0%
Variant 1	48,000	55,900	316	0.6%	58,500	420	0.8%
Variant 2	48,000	57,700	388	0.7%	60,400	496	0.9%
Variant 3	48,000	53,800	232	0.5%	56,300	332	0.6%
Variant 4	48,000	59,000	440	0.8%	61,800	552	1.0%
Variant 5	48,000	58,400	416	0.8%	61,200	528	1.0%
Variant 6	48,000	62,400	576	1.1%	65,300	692	1.2%
Variant 7	48,000	60,900	516	1.0%	63,800	632	1.1%

Figure 12: Estimated Change in Household Numbers in the North of the District with Headship Variants 1 and 2, 2006-2031

Population Scenario	Headship Rate Variant 1				Headship Rate Variant 2		
	Households, 2006	Households, 2031	Change, 2006-2031		Households, 2031	Change, 2006-2031	
			No.	%		No.	%
Baseline	17,400	19,100	1,700	9.8%	20,000	2,600	14.9%
Variant 1	17,400	18,000	600	3.4%	18,800	1,400	8.0%
Variant 2	17,400	18,600	1,200	6.9%	19,400	2,000	11.5%
Variant 3	17,400	17,300	-100	-0.6%	18,100	700	4.0%
Variant 4	17,400	19,000	1,600	9.2%	19,900	2,500	14.4%
Variant 5	17,400	18,800	1,400	8.0%	19,700	2,300	13.2%
Variant 6	17,400	20,100	2,700	15.5%	21,000	3,600	20.7%
Variant 7	17,400	19,600	2,200	12.6%	20,500	3,100	17.8%

Figure 13: Estimated Average Annual Change in Household Numbers in the North of the District with Headship Variants 1 and 2, 2006-2031

Population Scenario	Headship Rate Variant 1				Headship Rate Variant 2		
	Households, 2006	Households, 2031	Average Annual Change, 2006-2031		Households, 2031	Average Annual Change, 2006-2031	
			No.	%		No.	%
Baseline	17,400	19,100	68	0.4%	20,000	104	0.6%
Variant 1	17,400	18,000	24	0.1%	18,800	56	0.3%
Variant 2	17,400	18,600	48	0.3%	19,400	84	0.5%
Variant 3	17,400	17,300	-4	0.0%	18,100	28	0.2%
Variant 4	17,400	19,000	64	0.4%	19,900	100	0.5%
Variant 5	17,400	18,800	56	0.3%	19,700	92	0.5%
Variant 6	17,400	20,100	108	0.6%	21,000	144	0.8%
Variant 7	17,400	19,600	88	0.5%	20,500	124	0.7%

Figure 14: Estimated Change in Household Numbers in the South of the District with Headship Variants 1 and 2, 2006-2031

Population Scenario	Households, 2006	Headship Rate Variant 1			Headship Rate Variant 2		
		Households, 2031	Change, 2006-2031 No.	%	Households, 2031	Change, 2006-2031 No.	%
Baseline	30,600	40,200	9,600	31.4%	42,100	11,500	37.6%
Variant 1	30,600	37,900	7,300	23.9%	39,700	9,100	29.7%
Variant 2	30,600	39,100	8,500	27.8%	41,000	10,400	34.0%
Variant 3	30,600	36,500	5,900	19.3%	38,200	7,600	24.8%
Variant 4	30,600	40,000	9,400	30.7%	41,900	11,300	36.9%
Variant 5	30,600	39,600	9,000	29.4%	41,500	10,900	35.6%
Variant 6	30,600	42,300	11,700	38.2%	44,300	13,700	44.8%
Variant 7	30,600	41,300	10,700	35.0%	43,200	12,600	41.2%

Figure 15: Estimated Average Annual Change in Household Numbers in the South of the District with Headship Variants 1 and 2, 2006-2031

Population Scenario	Households, 2006	Headship Rate Variant 1			Headship Rate Variant 2		
		Households, 2031	Average Annual Change, 2006-2031 No.	%	Households, 2031	Average Annual Change, 2006-2031 No.	%
Baseline	30,600	40,200	384	1.1%	42,100	460	1.3%
Variant 1	30,600	37,900	292	0.9%	39,700	364	1.0%
Variant 2	30,600	39,100	340	1.0%	41,000	416	1.2%
Variant 3	30,600	36,500	236	0.7%	38,200	304	0.9%
Variant 4	30,600	40,000	376	1.1%	41,900	452	1.3%
Variant 5	30,600	39,600	360	1.0%	41,500	436	1.2%
Variant 6	30,600	42,300	468	1.3%	44,300	548	1.5%
Variant 7	30,600	41,300	428	1.2%	43,200	508	1.4%

Taking into account the lower headship rates assumed under Variants 1 and 2, the resulting household number projections are also lower when compared to the baseline scenario:

- Under the headship rate Variant 1 scenario (rates remain steady at 43.7%), the estimated change in household numbers for Chichester District as a whole from 2006-2031 varies from an increase of 5,800 (Variant 3, net migration of 600 per year up to 2020 and 1,000 per year thereafter) right up to an increase of over 14,000 (Variant 6, zero natural change). In average annual terms this is an increase of between 230 and 575 households pa.
- For the headship rate Variant 2 scenario (rates increase post 2020) the estimated change in household numbers for Chichester District as a whole from 2006-2031 varies from an increase of 8,300 (Variant 3, net migration of 600 per year up to 2020 and 1,000 per year thereafter) right up to an increase of more than 17,000 (Variant 6, zero natural change). In average annual terms this is an increase of between 330 and 690 households pa.
- Under the headship rate Variant 1 scenario, estimated change in household numbers for the South of the District from 2006-2031 varies from an increase of around 5,900 (Variant 3, net migration of 600 per year up to 2020 and 1,000 per year thereafter) right up to an increase of just under 12,000 (Variant 6, zero natural change). In average annual terms this is an increase of between 235 and 470 households pa.
- For the headship rate Variant 2 scenario (rates increase post 2020) the estimated change in household numbers for the South of the District varies from an increase of 7,600 (Variant 3) right up to an increase

of 13,700 (Variant 6). In average annual terms this represents an increase of between 305 and 550 households pa.

- Reflecting its declining share of population, household growth in the North of the District is not as strong. Under the headship Variant 1 scenario, the estimated change in household numbers varies from remaining virtually static (Variant 3) up to an increase of around 2,700 (Variant 6). The latter outcome would represent an average annual increase of just under 110 households pa.
- For the headship rate Variant 2 scenario (rates increase post 2020) the estimated change in household numbers for the North of the District varies from an increase of 700 (Variant 3) right up to an increase of more than 3,600 (Variant 6). In average annual terms this represents an increase of between 30 and 145 households pa.

Summary

This section presents analysis of a range of demographic scenarios and their potential implications for the need for provision of new housing to match anticipated household growth within Chichester District over the period 2006-31.

Baseline household projections prepared by CLG and linked to the ONS population projections indicate an increase in the number of households between 2006 and 2031 of 15,500, or 620 households per annum. The section has examined a range of alternative scenarios for population growth and household growth. A total of seven population scenarios have been examined, along with an analysis of a net zero migration scenario; and linked to these, two scenarios in addition to the baseline have been examined for household formation rates.

In summary the different population scenarios examined are:

- Three scenarios examining lower levels of net in-migration than contained in the baseline ONS projections
- Two scenarios examining the impact of lower birth rates
- Two scenarios examining the impact of increased longevity (lower death rates)

With respect to household formation, the CLG rates of household formation (headship rates) have been applied to all the different population scenarios; and then two alternative scenarios involving a slowing in the trend or a halt in the trend of declining household size have been considered.

DTZ believe that the ONS population projections can be regarded as very much the upper limit of what is likely to happen in Chichester District in terms of population growth, and we regard it as reasonable that population growth will be less than projected. The main reason for this is that we anticipate that net in-migration will be lower than assumed in the ONS projections.

There are a host of reasons why levels of in-migration are likely to fall - largely due to the expectation that the economy will grow more slowly and due to a sluggish housing market. The economic context is discussed in the following section of this report. The issues around the most robust basis for anticipating population and household growth are discussed further in Appendix A.

The alternative scenarios considered with regard to birth rates are tentative. Although there is a case that can be made that birth rates will fall, there is little evidence of this to date. Equally, the case that longevity will increase more than that assumed in ONS projections is unproven. DTZ therefore conclude that Population Scenario Variants 4, 5, 6 and 7 should not be used as a basis for policy making.

DTZ consider that population growth in the District is most likely to fall within the range between Variant 3 and Variant 2. This would indicate that the population of Chichester District over the period 2006-2031 can be expected to grow in the range 13,200 to 22,200 compared with the ONS baseline of 26,000. Variant 1 presents a middle position within this range anticipating population growth of 18,000.

With this in mind, Figure 16 indicates the range of household growth figures over the period 2006 to 2031 and on annualised basis based on these three scenarios. This indicates that the required level of housing based on demographic projections in the District as a whole, is likely to be found in the range 330 dwellings pa to 550 dwellings pa (8,300 to 13,700 additional dwellings).

Figure 16: Total 2006-31 and Annualised Additional Household under Preferred Scenario mix

	Population Scenarios			ONS/CLG
	V3	V1	V2	
2006-31				
Population Increase	13,200	18,000	22,200	26,000
HH Growth - Baseline	9,500	11,700	13,700	15,500
HH Growth - V2	8,300	10,500	12,400	na
Annualised				
Population Increase	528	720	888	1,040
HH Growth - Baseline	380	468	548	620
HH Growth - V2	332	420	496	n/a

In terms of policy making DTZ believe that the planning authorities should plan for population growth of 18,000-22,000 – subject to consideration of capacity and deliverability constraints (Variant 1 and 2 population scenarios).

DTZ take the view that there is a reasonable possibility that the headship rate assumption within the CLG household projections may imply a faster decline in average household size than will actually materialise in the next decade. The scale of such a change is uncertain. So DTZ suggest some recognition is given to this in establishing the range of expected household growth, but not to the full extent indicated by the Household Growth Scenario V2.

Thus, based solely on the demographic projections, DTZ believe that for CDC and the SDNPA, the starting point for planning additional housing provision should be based on an expectation of household growth in the District of between 450 and 550 additional households pa (an increase 2006-31 of between 11,250 -13,700 households).

Employment Scenarios

Introduction

The previous section has considered different demographic scenarios. This section focuses on the potential implications for housing requirements across the District given different scenarios for employment growth. In assessing housing requirements it is important to consider the relationship between both employment prospects and demographic scenarios, as this allows consideration of matters relating to the future likelihood of a balanced labour market in the district. Strong job growth is also a major driver of in-migration and, conversely weak job growth can suppress migration or foster out-migration of economically active people.

In assessing different employment scenarios, the results below bring together analysis of both labour supply and labour demand. Where disconnects between supply and demand are identified, an assessment of the potential adjustment to labour market balance factors has been made. The results from this can then be used to make informed decisions on which demographic based scenarios are both more realistic and desirable. Further detail on the results, and the technical method and assumptions used in this analysis can be found in Appendix B.

Labour Supply

A baseline workforce projection has been developed in line with the baseline demographic scenario (the ONS Population Projections) as set out in Appendix A. Projected economic activity rates have been applied, along with a constant assumed unemployment rate. Two scenarios for economic activity rates have then been adopted on the basis of the available evidence. Figure 17 shows how these different economic activity rates would translate into projected employment growth.

Based on the two economic activity reviews, the analysis suggests an increase in the resident employed workforce in the range 7,700 – 9,100 over the period 2006-31 within Chichester District. Of note is the fact that only 30-35% of the 26,000 projected increase in the overall population across the district is anticipated to be among the resident employed workforce. The reason for this is the rapid growth in population in the 65 years and above age group. Within this age group, the most rapid rates of increase are among those 80 years and above.

Figure 17: Labour Supply Projections, 2006-31

Economic Activity Scenario	Projected Change in Total Population	Projected Change in Resident Employed Workforce	Share of Change in Total Population
Low	26,000	7,700	30%
High	26,000	9,100	35%

Labour Demand

Five employment scenarios have been modelled, assuming differing rates of growth in total numbers of jobs in Chichester District. These different scenarios are summarised in Figure 18. Further explanation of the basis of the selection of these scenarios is contained in Appendix B. It is worth noting that the latest forecasts for Chichester District anticipate very modest job growth over the period to 2031, and significantly below the level that had been anticipated in the Employment Land Review for Chichester District prepared in 2008/9.

Figure 18: Employment Scenarios

Employment Scenario	Basis	Average Annual Growth Rate
EMP 1	Historic medium term average employment change/no employment growth	0.0%
EMP 2	OEF Chichester baseline projected employment change	0.1%
EMP 3	OEF West Sussex average growth	0.3%
EMP 4	UK long run trend employment growth	0.5%
EMP 5	Chichester ELR aligned growth rate	0.7%

These growth rates have been applied to the level of employment in the base year (2006) and adjustments made for double jobbing and both in and out commuting (all assumed to remain constant in relative terms). The result of these adjustments is an estimate of the required increase in the resident working population under each of the five scenarios. The results are set out in Figure 19. The five scenarios anticipate that the resident workforce of the District will need to increase by between 0 and 10,300, assuming no change in net commuting.

Figure 19: Employment Led Resident Workforce Scenarios 2006-31

Employment Scenario	Required Workforce Change
EMP 1	0
EMP 2	1,400
EMP 3	4,200
EMP 4	7,200
EMP 5	10,300

Balancing Labour Supply and Demand

The purpose of the preceding analysis is to allow an assessment of potential imbalances in the labour market under the different employment growth scenarios. Figure 20 sets out the results of this assessment, showing the potential shortfall or oversupply of labour under each scenario. In all but the highest employment growth scenario, the analysis suggests a potential oversupply of labour in the District under the baseline (ONS) demographic scenario; that is there are too many workers for the available jobs in the District. The imbalance is greater if economic activity rates are higher than if they are lower.

Figure 20: Labour Market Balancing Factors 2006-31

Employment Scenario	Economic Activity - Low	Economic Activity - High
EMP 1	-7,700	-9,100
EMP 2	-6,300	-7,700
EMP 3	-3,500	-4,900
EMP 4	-500	-1,900
EMP 5	2,600	1,200

Where there is a projected over-supply of labour, the labour market can adapt in a number of different ways.

- Changes in the numbers of unemployed people
- Changes to the level of net commuting
- Changes in migration patterns that reduce the level of population growth

In practice the labour market is likely to adjust to excess labour supply through each of these processes. We discuss each in turn to highlight the policy implications.

Adjustments to Unemployment Rate

The baseline unemployment rate assumed within the analysis is 3.8%, based on 2004-09 averages from the Annual Population Survey/Labour Force Survey. If migration is held at the level assumed within the baseline demographic scenario, and relative net commuting is fixed at current levels, unemployment (and potentially economic inactivity) would adjust to balance the labour market.

Under scenarios EMP1 – 4 there is a significant rise in the unemployment rate – if this was taking the full impact of the oversupply. The rise is particularly notable for scenarios EMP1-3 (to between 10% and 20%). In practice this would not happen – either people would move away from Chichester District in search of work or travel to work outside the area, or the lack of jobs would halt in-migration to the district by people who are economically active.

Under the EMP 5 scenario (deemed very unlikely) the unemployment rate would fall to a low level, with the low economic activity scenario indicating a negative level of unemployment. Clearly this is impossible and in practice if this level of job growth was achieved then net commuting would increase, economic activity rates would rise, or more economically active people would move to Chichester District.

Adjustments to Net Commuting Levels

Whilst the data at a local level can fluctuate, the evidence suggests Chichester District is currently a net importer of workers; that is to say, more people travel into the District to work, than travel out of the District to work. Therefore, the resident working population is smaller than the number of employment opportunities in the District. In purely quantitative terms, the resident working population of Chichester is some 96% of the total level of employment. The average net inflow of workers is around 2,250.

If changes in net commuting levels solely accounted for the adjustments to labour oversupply then, under scenarios EMP 1-2 Chichester District would switch from being a net importer of labour to a net exporter of labour, with net out-commuting levels exceeding the current levels of net in-commuting. Under scenario EMP 3 Chichester District would also switch from having net in-commuting to net out-commuting, with the level of net out-commuting being similar to the current level of net in-commuting. Under scenario EMP 4 Chichester would continue to be characterised by net in-commuting at slightly lower levels to those at present. Under EMP 5 Chichester District would need to increase the level of net in-commuting to meet employment requirements.

It is worth noting that because Chichester District has more jobs than resident employees, the slow growth in jobs which is anticipated under EMP 1-3 scenarios has significant implications for adjacent areas where those who work in the District live. Those areas may also be forecast to experience increases in their population and workforce – and this has implications for the balance of jobs and population within the Sussex Coastal housing market area as a whole.

Adjustments to Net Migration Levels

While unemployment may increase, and net in-commuting to Chichester District fall, it is very likely that part of the process of adjustment to the surplus labour implied by the ONS population scenarios will be through changes in net migration levels.

The baseline demographic change scenario (as described in the previous section) is founded on ONS population projections and an inherent assumption of net migration of circa 1,200 persons per annum into the Chichester District. With insufficient work opportunities in the local area there will be less incentive for potential migrants to relocate to the district, and an incentive for some existing residents to move farther afield for work.

Assuming that the identified imbalances are entirely resolved through adjustments in the level of net migration; and allowing for trailing dependents to migrate alongside economic migrants; under scenarios EMP 1-3 the levels of net migration could fall by some 200-500 persons per annum compared to the ONS baseline.

Under scenarios EMP 4-5 levels of migration are broadly consistent with the baseline projection, with a potential requirement for additional labour under the highest employment growth and lowest economic activity scenario. On the basis of current evidence, scenarios EMP 1-3 are closer to expectations of employment growth.

Summary

This section presents analysis of a range of employment scenarios and their potential implications for labour market balance within Chichester District over the period 2006-31.

Baseline demographic projections, prepared by ONS, suggest a potential increase in the resident working age population of 7,700 – 9,100 persons. Five employment scenarios have been developed, illustrating the impact of a range of employment growth rates. Comparing these to the labour supply baseline suggests that under the most likely scenarios, there will be an oversupply of labour within the District, that is the number of residents seeking employment will exceed the supply of jobs in the District.

Only under the highest growth employment scenario is there a requirement for additional labour. On the basis of current evidence is very unlikely to be achieved. This is of note to Chichester District Council as the 2009 Employment Land Review for the District is predicated on this level of employment growth.

There are three major variables which could adjust to bring the labour market into balance:

- Unemployment
- Commuting
- Net migration

In reality, all three variables are likely to adjust to some degree, to respond to the market position. However, each variable has been considered in isolation to illustrate the potential implications.

Focusing on the more likely employment scenarios:

- Net migration levels could fall by up to 500 persons per annum from the baseline scenario;
- Net commuting levels could adjust, with the District switching from having net in-commuting flows to having net out-commuting flows. Overall the level of commuting could increase substantially, though this depends on jobs being available elsewhere within reasonable commuting distance; or
- Unemployment levels could rise, potentially to very high levels with wider undesirable consequences.

A final note of relevance is that in DTZ's view the employment projections in the Chichester Employment Land Review 2009 now look very optimistic. If this has informed land allocation decisions, it may be worth revisiting those allocations since it may be that significantly less employment land is required in future than has been assumed based on the ELR analysis.

Delivery Assessment

Introduction

This section provides context for the discussion of what magnitude of housing provision would be appropriate in Chichester District in the years to come by providing a broad brush review of the sorts of constraints on the volume of new housing that can be built within the plan period (in this case from 2011-28).

The section assesses in broad terms the nature of constraints that exist in Chichester District, i.e. whether they arise from environmental designations, infrastructure constraints, market conditions, or industry capacity.

A detailed assessment of capacity has not been undertaken, nor does this study consider site specific issues. But any discussion of appropriate housing targets for Chichester District would be incomplete without some broad discussion of the practicality of delivery of a certain level of housing.

The section is divided into four main components:

- Assessment of historic patterns of housing delivery (including affordable housing)
- Assessment of constraints associated with development land / redevelopment opportunities including environmental designations and infrastructure constraints
- Assessment of market or funding imposed constraints, for example on the capacity of the housebuilding sector, access to development finance, funding for affordable housing, mortgage finance
- Review of the potential for policy innovation or flexibility to enhance housing delivery

Past Patterns of Housing Delivery

Overall Pattern of Housing Delivery 2001-10

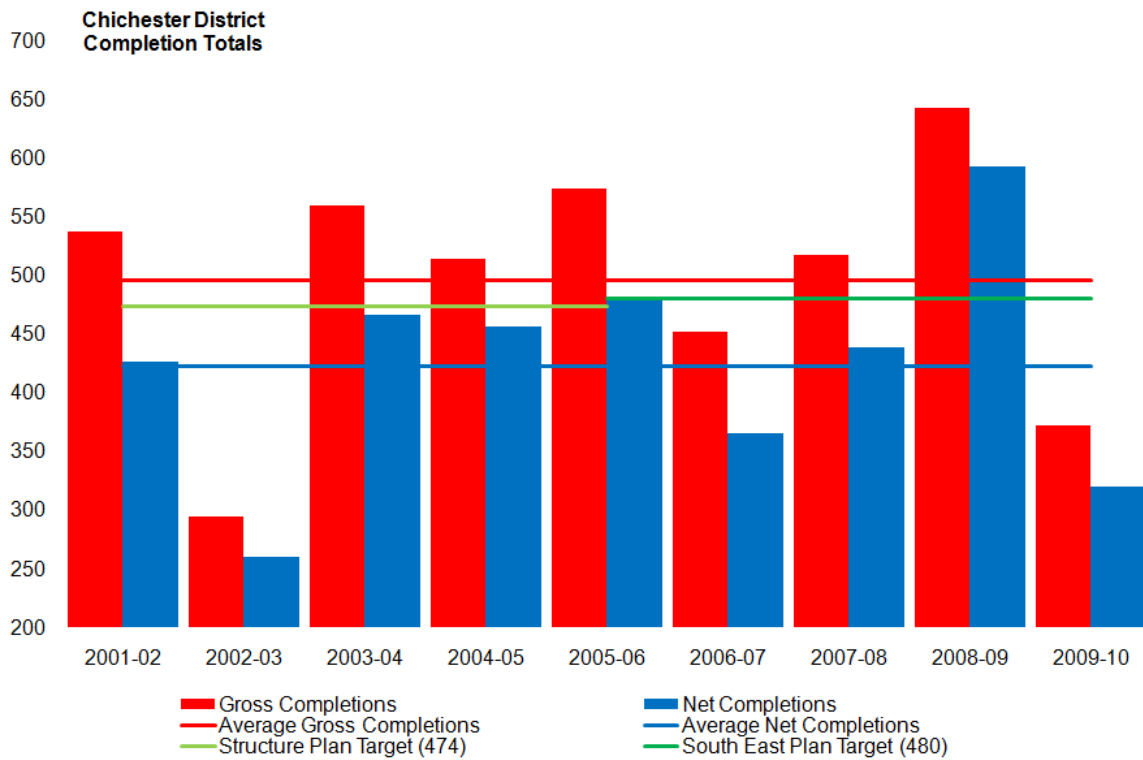
Total annual housing delivery figures for Chichester District are set out in Figure 21. Between 2001-02 and 2009-10, average delivery per annum has been 496 homes (gross) and 423 (net). Thus delivery of new homes has fallen short, for whatever reason, of both the Structure Plan and the South East Plan targets. The West Sussex Structure Plan 2004 identified a target for provision of 515 new homes pa gross (474 net). The South East Plan sets a target for net housing delivery of 480 net homes pa.

Figure 21 shows there have been individual years in which the annualised target has been delivered or exceeded, but equally there have been a number of years where delivery has fallen well short of the annualised target. Thus gross delivery rates have fluctuated between just under 300 homes per annum to over 600 homes per annum. Net delivery rates have ranged from 260 homes per annum to almost 600 homes per annum.

Following 2002-03 (the lowest level of delivery over the past decade) – the following three years saw stable levels of delivery with an average annual delivery rate of 550 homes (gross) and 470 homes (net). 2006-07 saw a reduction from this level, but the following two years saw increases up to nearly 650 homes per annum (gross) and 600 homes per annum (net).

However, 2009-10 witnessed a sharp decline in housing completions, which is likely to be due to the recessionary conditions starting to impact on completion levels through a sharp reduction in new schemes starting. CDC's current projected housing completions to 2015-2016 indicate rising delivery in 2010-11 and 2011-12, and a delivery level above the current 480 homes target in 2012-13.

Figure 21: Historic District-wide Gross and Net Completions



Source: CDC, West Sussex CC

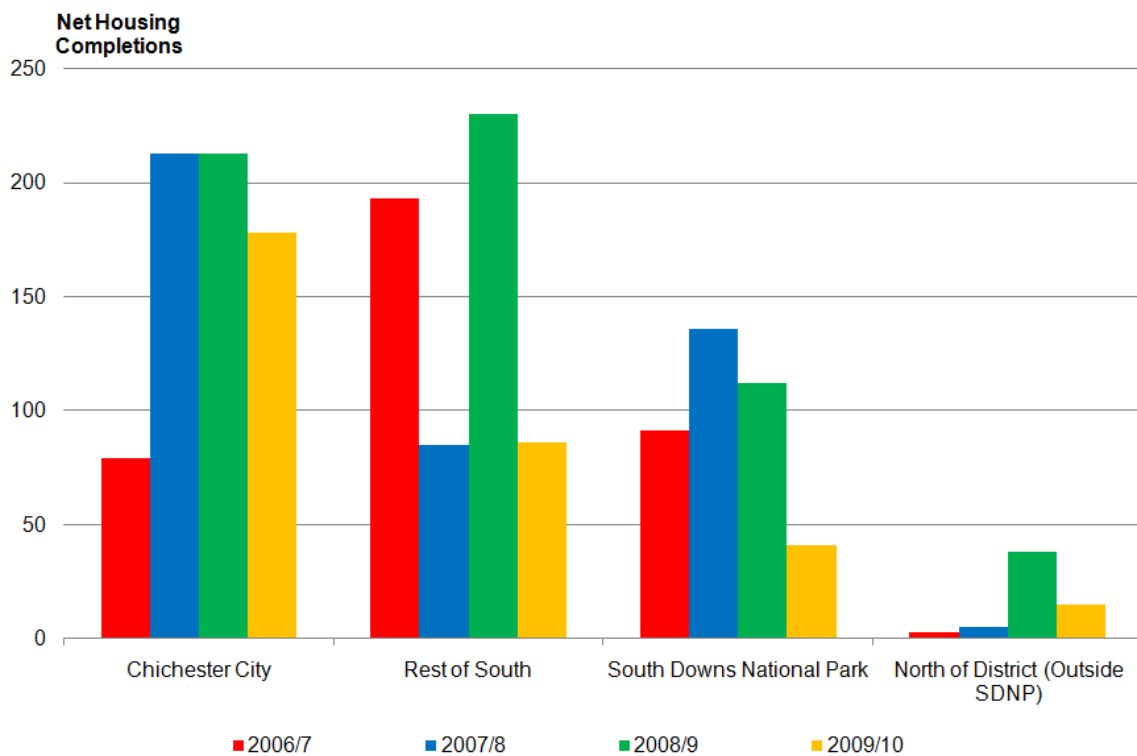
Given that historic levels of delivery are below the former Structure Plan and current South East Plan target levels, an important issue for debate is whether this has been the result of market constraints or whether the housing completion levels may have been constrained by the planning system. Thus it might be that the development industry has not brought forward new homes equivalent to the target levels because of constrained demand or funding, or because to increase supply would increase risk or reduce returns. Or it might be that the volume of new housing built has fallen short of targets because of a lack of site allocations or other issues such as the need for infrastructure investment before land can be released. Obviously the shortfall against current targets could arise from some combination of these two factors.

Patterns of Past Housing Delivery at Sub-District Level

It is important to consider how different areas of the District have contributed to housing delivery over recent years. Figure 22 sets out the net annual housing completion figures from 2006-07 onwards for the areas of: Chichester City, North of the District (split into the areas inside and outside the National Park) and the South of the District (outside of Chichester City).

This indicates that Chichester City has been the most important and reliable contributor to delivery, with high and fairly stable completion rates since 2007-08, and an average delivery rate from 2006-07 to 2009-10 of around 170 homes per annum (net). The South of the District has also been an important contributor in recent years, with an average delivery rate of around 150 homes per annum (net) – although delivery levels have seen large year-on year fluctuations. The North of the District has averaged a lower figure of around 110 homes per annum (net), of which an average of 95 homes per annum have been delivered within the National Park and 15 homes per annum outside the Park.

Figure 22: Net Housing Completions by Sub-District Area 2006-07 to 2009-10



Source: CDC

Chichester City has been the largest contributor to delivering completions in recent years, accounting for an average of 40% of annual District completions over the period 2006-07 to 2009-10. Over this period the South of the District (outside Chichester City) has provided around 35% of completions, whilst the North of the District (both within and outside the National Park) has contributed around 25% of completions.

The importance of Chichester City is likely to continue given two major schemes that are currently being implemented and are likely to be large contributors to the District’s housing completions over the next few

years: Graylingwell Park (which will provide 750 new and converted homes on the former Graylingwell Hospital site) and the former Roussillon Barracks (providing 252 homes).

The Pattern of Private and Affordable Housing Delivery

In addition to considering the geographical distribution of completions across the District over time, it is also important to consider the type of housing being delivered within the District in terms of the split between private market and affordable housing.

Figure 23 below sets out the historic pattern from 2001-02 to 2009-10 and indicates that over the period, three out of four homes that were completed were for the private market, with affordable housing accounting for one in every four homes being built. 2008-09 was a particularly good year for affordable housing delivery with 211 gross units delivered. However, this rate has not been continued with a sharp decline in overall delivery seen in 2009-10. It should be noted that the affordable completion figures are those that are a result of planning policy.

Figure 23: Private and Affordable Gross Completions 2001-02 to 2009-10 (including Rural Exception Sites)

Year	Private Completions	Affordable Completions ¹	Total Completions	Affordable as % of Total Completions
2001-02	364	174	538	32%
2002-03	268	27	295	9%
2003-04	450	110	560	20%
2004-05	419	95	514	18%
2005-06	448	126	574	22%
2006-07	326	126	452	28%
2007-08	378	140	518	27%
2008-09	432	211	643	33%
2009-10	297	75	372	20%
Average	376	120	496	24%

Source: West Sussex CC, CDC

¹ Note: The figures in the table above are taken from the West Sussex CC annual housing development monitoring survey and record the year in which affordable housing was built, rather than when individual affordable housing units are available for occupation.

Housing Delivery by Site Type

It is also useful to briefly examine other recent trends on the type of sites where housing delivery has occurred and recent sales rates.

Over the last ten years the average split of gross completions has been 28% on greenfield sites and 72% on brownfield sites, representing an average of 140 completions per annum on greenfield sites and 356 on brownfield sites. However, this masks the declining proportion of greenfield completions over the past five years, both in terms of absolute numbers and proportionally (with over 90% of completions classed as brownfield by 2009-10).

This trend is likely to be partly reflective of the recent and growing importance of Chichester City to housing completions, as discussed above. But it is likely also to reflect the declining stock over time of allocated sites, a reflection that most sites identified in the 1999 Local Plan have been built out and new sites have yet to be allocated through the LDF process.

Thus while the level and proportion of completions on allocated sites has been fairly stable over the last decade, it has started to fall in recent years. Since 2001-02, net completions have seen an average split between 27% on allocated sites and 73% on non-allocated sites. However, in 2008-09 and 2009-10, allocated site completions fell to only 13% and 3% of total net completions within the District respectively.

The rate of overall homes sales within Chichester District over the last few years indicates that sales volumes have dipped from late 2007 (i.e. pre-credit crunch) levels to a low in mid-2009. Sales volumes have seen a slight recovery since then but effectively flattening off since late 2009 to a low and steady level at between 60% - 70% of the volumes seen in 2007. Although these figures represent all homes sales (as opposed to just newly completed homes), the same trend is expected to be apparent in new home sales rates due to tighter lending criteria and a reduction in housing starts (as discussed in the following section).

Potential Constraints on New Housing Development

There are a number of key land supply constraints that will influence the deliverability of planned housing delivery into the future. The way in which they pose a potential constraint is set out briefly below, with further detail provided in Appendix C:

- **National Park Designation:** The newly designated South Downs National Park covers a large proportion of the District. It includes a number of medium-sized settlements i.e. the towns of Midhurst and Petworth, which have specific needs in terms of local housing and employment growth. The level of housing development in the North of the District has previously been constrained, as much of the area fell within the Sussex Downs AONB. The South Downs National Park is now governed by the two Purposes of conserving and enhancing the natural beauty, wildlife and cultural heritage of the area and promoting the understanding of and enjoyment of the Park's special qualities, and in the pursuit of the two Purposes there is a Duty to seek to foster the economic and social well-being of the communities within the National Park. If there is ever conflict between the two Purposes, the first Purpose takes precedence. The English National Parks and the Broads UK Government Vision and Circular 2010, states that National Park Authorities "have an important role to play as planning authorities in the delivery of affordable housing. Through their Local Development Frameworks they should include policies that pro-actively respond to local housing needs. The Government recognises that the Parks are not suitable locations for unrestricted housing and does not therefore provide general housing targets for them. The expectation is that new housing will be focused on meeting affordable housing requirements, supporting local employment opportunities and key services". In the light of this, the National Park designation is likely to result in restrictions on the location and scale of future development.
- **Environmentally Sensitive Areas:** In addition to the National Park a number of areas in the South of the District have special protection status under national and EU regulations. These include Chichester Harbour Area of Outstanding Natural Beauty, Chichester and Langstone Harbour Special Protection Area / Special Area of Conservation (SPA/SAC) and the Pagham Harbour Special Protection Area (SPA). The sensitive nature of these areas means that any future development in nearby locations is likely to impact them – particularly in terms of the potential recreational disturbance. The Council's adopted Interim Policy Statement on "Development and Disturbance of Birds in Chichester and Langstone Harbours Special Protection Area" requires that within a 7km

“zone of influence”, planning permission will be granted only where it is demonstrated that harm arising from development can be avoided or mitigated. The Interim Policy Statement will be reviewed, following the outcomes of the Solent Disturbance and Mitigation Project, however, these constraints are likely to continue to result in restrictions on the location and scale of future housing development in the south of the District.

- **Flooding and Flood Risk:** Another major limitation on the supply of suitable land for housing development in the District is flooding and flood risk. This is mainly an issue in the south of the District, much of which is affected by both tidal and fluvial flooding. Environment Agency maps indicate that a range of areas across the south (stretching to the outskirts of Chichester City) are within fluvial flood warning areas or are at risk from tidal flooding. With flood risk likely to increase in the future due to climate change and resulting rising sea levels, sites suitable for housing development are likely to be restricted within these areas. Where new development is allowed, it is likely to need appropriate flood alleviation measures.
- **Highway Capacity:** The A27, which is the key trunk road running east to west across the District and which forms the Chichester bypass, suffers from extensive congestion and capacity issues, particularly around key junctions on the bypass. A proposed transport package including junction improvements on the bypass was subject to public consultation in 2006. In October 2010, the Government confirmed its continuing commitment to progress the A27 improvements in the future, though any work is now unlikely to commence until after 2015. The capacity of the A27 may act as a constraint on the timing and phasing of development, particularly in the Chichester City area, which will need to demonstrate ability to mitigate any potential traffic impacts.
- **Waste Water Treatment:** Waste water treatment capacity is a major constraint on housing development in the District. This is particularly associated with the Apuldram Waste Water Treatment Works (WwTW). The treatment plant is currently operating at near consented capacity and is discharging into the environmentally sensitive Chichester Harbour. Consequently, the Environment Agency has advised the District Council to refuse permission for new residential development if it results in a significant increase in the net flow to the sewer network discharging to Apuldram WwTW. Other waste water treatment works in the District are also reaching capacity (e.g. South Ambersham). The District Council has been working with the Environment Agency to investigate future additional capacity to overcome this constraint and future housing development will need to be phased accordingly. Consequently, the current lack of spare Waste Water Treatment capacity in the District is likely to act as a continued constraint on the delivery of new housing over the next decade.

The constraints specified above represent the most significant identified constraints that are likely to restrict the scale and location of future house building in the District. But it should be noted that potential housing delivery may be affected by a range of other more localised constraints, relating to factors such as landscape sensitivity, the historic environment (e.g. Scheduled Ancient Monuments, Listed buildings, Conservation Areas etc), and the character of existing settlements. In addition, the availability and capacity of local infrastructure and key services (e.g. schools, health facilities, shops and employment) will also be a factor in planning housing development in different locations.

These constraints reduce the overall capacity to deliver housing in the District, but will also affect the future planning and phasing of housing development, which will need to be closely tied to the funding and delivery of key infrastructure improvements.

Industry Capacity, Market Demand and Affordable Housing Funding

It is important to recognise that the scope for provision of new homes may be constrained not only by land supply. Market conditions may limit the pace of new market development, while the provision of affordable housing has historically been greatly influenced by the amount of public funding made available for affordable housing development. It is important therefore to examine what influences other than the provision of land and infrastructure may influence the pace of delivery.

The Delivery of Market Housing

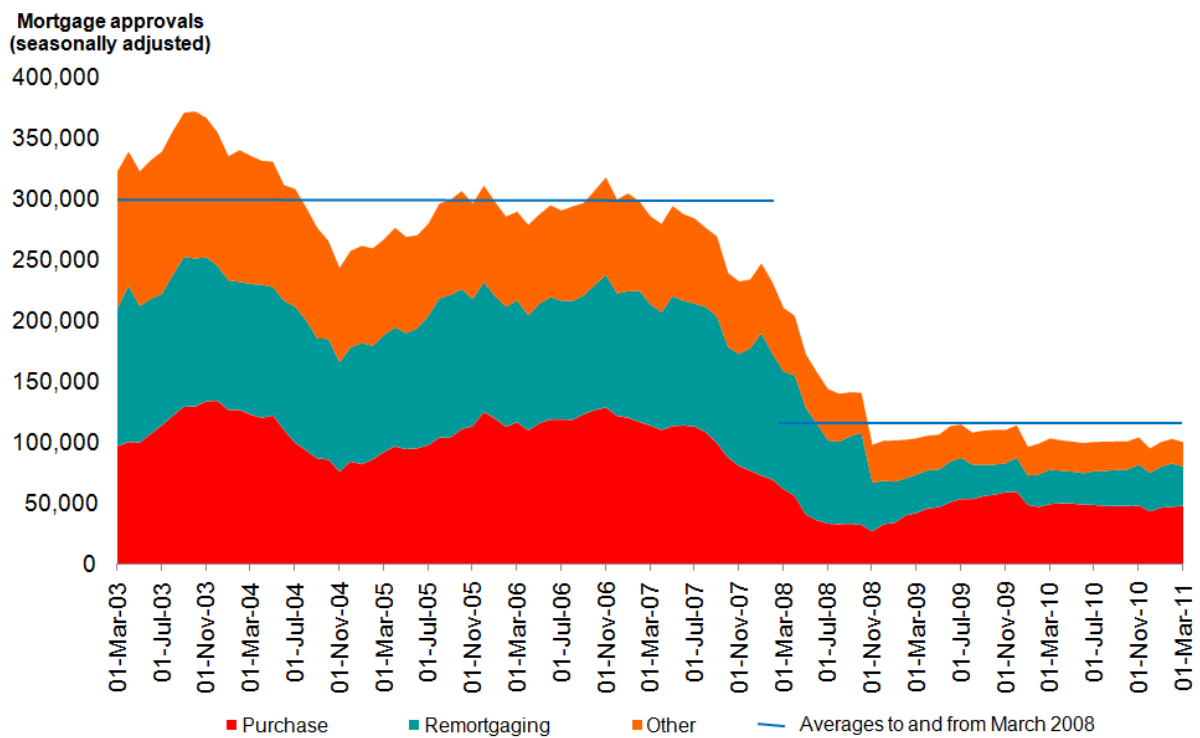
Nationally the level of completion of new homes in England whether by new build or conversion has fallen dramatically over the past three years. This has been the result of a number of interlinked factors.

- The emerging sub-prime crisis in the USA, resulted in the dislocation of the wholesale finance market for residential mortgage lending, and the market started to turn, with prices falling in 2008 with significant falls in house prices across most of the country.
- The collapse of Lehman Brothers in September 2008, engendered near seizure in international finance markets and it was this that directly brought on the economic downturn and the most severe recession in the UK since the 1930s.
- House prices started to recover in London and the South East in 2009, but overall transaction levels remained low. Low sales volumes reflected lack of mortgage lending and lack of buyer confidence.
- Falling prices, low levels of sales transactions, and a sudden squeeze on development funding, hit all of the UK's volume housebuilders and smaller housebuilders hard, with many facing severe cash flow problems, and being taken into intensive care by their banks, and some going out of business.

Housing starts have begun to rise from a low base, but DTZ's expectation is that overall levels of housebuilding in the UK will remain depressed for many years compared to the period 2000-07. This reflects a number of considerations:

- Transaction levels remain low – typically around 60% of historic norms; this means that typical sales rates on new developments are lower than historically and this adversely affects cash flow, and particularly affects any developments that require significant up front capital investment.
- Low transactions rates reflect in part lack of mortgage lending. Mortgage lending for purchase of homes continues to run at around half of the level recorded in the decade to 2007 (see Figure 24). This is a consequence of both supply and demand factors.
- Thus mortgage lenders are adopting more cautious lending practices, typically requiring deposits of 20-25% from prospective purchasers; and there are fewer mortgage lenders active in the market, and planned regulation is pushing for a more cautious approach to lending.
- At the same time, the demand for mortgages has fallen. Potential borrowers are concerned about job security. Household budgets are under strain from inflation and zero or low pay increases; and many first time buyers cannot raise a deposit of the size currently being required.

Figure 24: Volume of Mortgage Approvals for Home Purchases



Source: Bank of England

Most of the major housebuilders have been refinanced and are slowly increasing their output of new homes. However they are concentrating on building houses rather than flats, responding to where there is market demand. There is particular difficulty in financing large new apartment developments in markets outside of London, because off-plan sales are a thing of the past. This alone implies lower housing completions.

The availability and cost of development finance is also a constraint on expanding output; and is unlikely to change in the near future. The housebuilding industry has also lost capacity; a number of housebuilders have gone out of business; and those that survive are leaner and more focused on markets with the best prospects.

Mortgage lending is likely to recover, but only slowly - with fewer competitors in the market. There remain concerns about the sustainability of house prices in many parts of the country. Mechanisms to sell on mortgage debts through Residential Mortgage Backed Securities (RMBS) are constrained. Regulators are forcing banks to hold more core capital which reduces the scope for leverage. Wholesale funding remains in short supply; and many mortgage lenders will have to re-finance borrowings from the government under the Special Liquidity Scheme and the Credit Guarantee Scheme.

All these considerations point to continuing mortgage drought, throughout the period to 2020. It seems entirely probable that there will be no return to the cheap and readily available mortgages that characterised the decade to 2007. There are also well informed commentators, such as the McKinsey Global Institute, who anticipate an end to the 'cheap capital' that characterised the decade before the credit crunch, and forecast an era of higher interest rates for borrowers.

These considerations are likely at the national level to constrain new market housing development, unless a significant new source of funding, such as investment in new build rented properties by the major financial

institutions, can be found to fund new housing development. Particularly hard hit will be schemes that require large up-front investments such as urban regeneration projects and major urban extensions, particularly in lower value areas.

The Delivery of Affordable Housing

At the same time that the development of market housing at the national level is likely to be constrained by financial considerations, the overall volume of affordable housing developed is likely to fall. The Government's own plans envisage a 25% fall in the output of affordable housing as the Spending Review indicated the intention to deliver 150,000 new affordable homes over the four year spending review (37,500 pa) compared to the 150,000 or so delivered over the previous 3 year spending review period (50,000 pa).

There are also major uncertainties about how the new Affordable Rent model for delivering affordable homes will work. The model gives Registered Providers (RPs) greater flexibility with rents – allowing them to charge tenants up to 80% of market level, in order to increase their borrowing and thereby fund new affordable housing development. However, the model involves significantly less grant than previously. With a significant numbers of unknowns regarding how the new programme will work in practice, it is likely that delivery volumes may drop as RPs and funders adopt a cautious stance until the new model is fully tested. Thus DTZ believe it likely that the overall output of affordable homes will fall over the next four years; and it may do so by more than the 25% drop anticipated in the Government's spending plans.

Implications for Chichester District

The national trends set out above will have an impact on the delivery of new homes in Chichester District. However to some extent Chichester District is the sort of location where the effect of these high level changes in the funding of housing development may have less of an impact than in many other parts of the country. Indeed Chichester District is precisely the sort of location that appeals to housebuilders even in the current market.

- The District is located in the wealthiest region in the country outside London. The economy of the South East generally is performing better than every other region other than London.
- The District is relatively well located in relation to London, so that demand is generated, particularly in the north and west of the District from those who will commute into London or wish to live within easy access to London.
- The District has considerable appeal to higher income groups with high quality countryside in the north, a coastal location in the south, and the appeal of an historic cathedral city. This matches the profile of the types of households that are currently active in the housing market.
- The house builders are at present deliberately targeting the active sections of the housing market, building family homes for those who have significant housing equity; and focusing much less on smaller dwellings for first time buyers, and still less on flats.
- The District is also an attractive retirement destination, particularly for those with substantial housing equity. New homes development targeted at this market can be expected to continue to come forward.

In the current market, housebuilders are likely to favour the development of small schemes of family homes, and possibly within Chichester City, small houses. However the appeal of the District within the regional (London and South East) market means that there is likely to continue to be reasonably robust demand for

market housing development. However tighter lending criteria and more expensive development finance is likely to reduce the pace at which development happens in an unconstrained land market compared to what it would have been before 2007.

Chichester District is likely to be a location where the Affordable Rent model is potentially more viable for developers than in many parts of the country. Given the pressure of demand for market rented properties, reflected in local rental levels, there should be scope to finance new development of affordable homes through charging up to 80% of market rents. However, these rental levels are unlikely to be affordable for those who are in the highest priority need of housing, so there is likely to be a continuing need for social rented housing (where rents are tied to levels set through the national rent regime).

DTZ's expectation regarding the development of affordable housing is that over time the overall output of affordable homes may fall from the levels currently being achieved, helped by significant current developments in Chichester that have been largely funded and approved under the old affordable housing regime. However, it is expected that the fall in output will be less significant than in many other areas because, if the local authorities are supportive, it is an area where RPs will be willing to invest, and the homes built will be regarded as good security by lenders.

Broadly DTZ conclude that demand should not impose a major constraint on the ability to develop new homes in Chichester District; the larger issues are to do with the funding of infrastructure associated with major new developments; and if these schemes have to be funded through developer contributions, how this will impact on the overall viability of development.

However, raising housing delivery rates above long term historic averages could be constrained by market capacity, particularly if development has to bear abnormal costs associated with the need to address flood, waste water or transport infrastructure issues. Larger sites which consistently deliver volume new housing may be particularly affected in terms of development economics if infrastructure investment has to be funded out of development values.

The Impact of Policy on Delivery Volumes

Over the past decade the number of new homes built in Chichester District has fallen short of both Structure Plan and South East Plan targets for the District. For most of this decade up to the end of 2007 the housing market was buoyant. In DTZ's assessment the housing market is likely to remain more difficult in relative terms until at least 2015, and quite possibly to 2020, even in Chichester District which is an attractive place for development.

It has been outside the scope of this study to assess whether the shortfall of new homes built relative to targets in the period before 2008 has been the product of constraints on the effective land supply that could be brought forward for development at an acceptable price; or has been the product of limited demand or profit maximising behaviour by land owners or developer; or a mix of these factors.

What can be concluded from this review, however, is that if similar or higher levels of housing development are to be delivered in the future, then it is likely that the public sector would need to work in a proactive way to encourage housing development. This reflects a more difficult housing market in the next few years at least, the scale of infrastructure and environmental constraints in the District, and the more constrained public sector funding environment.

There are a number of ways that Chichester District Council and the South Downs National Park Authority can influence the pace of development of new market and affordable homes through their own actions. The

following paragraphs discuss the scope for the two planning authorities to use Government initiatives to enhance housing delivery – in terms of affordable housing policies, development contributions, and the New Homes Bonus.

Affordable Housing Policies: Under the new affordable housing regime there are likely to be less affordable homes completed (as described above). This will mean that there are less affordable homes completed than are currently required within the District. Compared to other parts of the country, the District is not demand constrained. So, the planning authorities could consider adopting an approach that encourages an increase in the total housing supply, as a means of delivering more affordable housing. The interim policy guidance currently in use in the District sets a target of 40% of all new housing being affordable on sites with 10 additional dwellings or more, and a target of 20% of all new housing being affordable on sites with 5-9 additional dwellings. Encouraging new private housing delivery within the District will, through this policy, also deliver affordable housing as a direct result of permitting private market housing delivery.

Development Contributions: The two planning authorities need to consider how to maximise the potential for obtaining development contributions towards the provision of necessary infrastructure. This is likely to be achieved through a combination of planning obligations (Section 106 agreements) which can be used to cover provision of infrastructure directly related to, or made necessary by, new development, together with the introduction of a Community Infrastructure Levy (CIL) scheme. Under new regulations introduced nationally in 2010, CIL can be used to obtain financial contributions from specified development towards new or upgraded infrastructure, at the sub-regional, district or local neighbourhood level. However, in order to introduce CIL, the planning authorities must prepare and consult on a charging schedule setting out the level of contributions and the purposes for which they will be used. These will need to be clearly related to identified infrastructure and funding requirements, and provide evidence of viability (i.e. that the level of contributions will be generally achievable for development across the District).

New Homes Bonus: The New Homes Bonus commenced in April 2011 and is a mechanism by which the Government match funds the additional council tax associated with the occupation of new homes. It is intended to provide a means for local authorities to help mitigate the additional pressures on services and infrastructure that new housing (and additional population) brings. It therefore provides additional resources to local authorities that are active in delivering new housing. All new completed homes in Chichester District will qualify for the New Homes Bonus. Therefore, in receiving this, the two planning authorities could consider the benefits of allocating a proportion of the funds from the scheme towards the direct costs of upgrading relevant infrastructure or supporting affordable housing development. This would help ease the additional pressures caused by the new homes. Additionally, the authorities could consider allocating a proportion of the received funds to help enable further housing development, thus generating additional funds and resources through the New Homes Bonus scheme.

Conclusions and Recommendations

The previous sections have set out various scenarios in terms of demographic and employment growth in Chichester District over the period 2006-2031 in order to establish the likely local future housing requirement. This has been followed by an analysis of the potential constraints to achieving this requirement – in terms of past housing delivery, economics and finance, infrastructure and policy. This section discusses the implications of the demographic and employment scenarios, and balances these with the potential constraints to draw out the implications for policy.

Demographic Scenarios Implications

The demographic scenarios analysis has examined the baseline household projections prepared by CLG, which are linked to the 2008 ONS population projections, along with a range of population and household formation scenarios. The summary findings of the most realistic of these scenarios are discussed below.

Population Scenarios

DTZ believe that the ONS population projections, which anticipate an increase in the population of Chichester District of 26,000 people in the period 2006-31, or 20,900 in the period 2011-31, can be regarded as the upper limit of what is likely to happen in Chichester District in terms of population growth. DTZ's judgement is that it is reasonable to expect that population growth will be less than projected.

The main reason for expecting population growth to be lower than forecast by the ONS is that we anticipate that net in-migration will be lower than assumed in the ONS projections. The key reasons for expecting lower levels of net in-migration and are largely due to the expectation that the economy will grow more slowly and due to a sluggish housing market.

DTZ have also considered population scenarios based on lower birth rates and increased longevity. The case that a decade of austerity will reduce birth rates is as yet unproven. Likewise, the case that longevity will increase more than that assumed in ONS projections is unproven. DTZ have therefore taken the view that policy should not be based on those population scenarios which look at different birth rates and longevity assumptions to those embodied in the ONS projections (Scenario Variants 4, 5, 6 and 7).

DTZ therefore regard that the most likely level of population growth in the District will be within the range provided by Variant 2 and Variant 3, which are differentiated by different levels of net in-migration, both lower than the ONS projections. These scenarios anticipate population growth across the District of between 13,200 to 22,200 people over the period 2006-2031, compared with the ONS baseline of 26,000.

Variant 3 projects the lowest level of net in-migration of the population scenarios. While this is a possible outcome and warrants consideration, it is DTZ's view that it would not be sensible to base policy on this scenario – as this reflects the lowest conceivable level of population. Rather, it would be more prudent to plan based on the most likely level of requirements. DTZ therefore recommend that in terms of anticipating housing requirements, the assumption should be that the population of the District over the period 2006-2031 will increase by between 18,000 (Variant 1) and 22,200 people (Variant 2).

Household Scenarios

Based on the ONS population projections, the CLG household projections anticipate an increase of 15,500 households between 2006 and 2031, or 620 households per annum in Chichester District. With the Variant 1 and 2 population scenarios, this anticipated increase in households over the period 2006-31 falls to an increase of between 11,700 households 2006-31 (Variant 1) and 13,700 (Variant 2), respectively producing annual household growth of 470 and 550 households across the District, using the assumptions regarding headship rates embedded in the CLG Household projections

DTZ has considered whether headship rates, which define the relationship between population and household numbers, will be different to that anticipated in the CLG household forecasts. There is a possibility that the economic crisis, and an era of lower growth in employment and real household earnings, will slow the pace of declining average household size, increasing headship rates. Were this to happen this would result in lower rates of household growth than forecast by CLG.

Some recognition should be given to the likelihood of a slowdown in the trend towards declining average household sizes. Under the more cautious household scenario Variant 2 the average annual rate of household growth in the District would fall to 420 household pa. DTZ recommend that this level of reduction in household growth should not be assumed to occur, but that some effect of such trends is allowed for. On balance DTZ recommend that the lowest assumed level of household growth used for future planning work should be 450 households pa, an increase of 11,250 over the period 2006-31.

In view of these considerations, and based on the demographic projections, DTZ recommend that Chichester District Council and the South Downs National Park Authority should plan on the basis of providing housing for an additional 450 to 550 new households pa over the period 2006-31. This recommendation reflects the following considerations:

- Population scenarios Variant 1 and 2 indicate that there would be an anticipated requirement to provide housing for an extra 11,700 and 13,700 households over the period 2006-31, which works out to an extra 470 to 550 households per annum, assuming headship rates derived from the CLG household projections.
- Beyond this, there is a reasonable probability of some decline in the rate at which average household size is falling. To reflect this, DTZ consider that the lowest level of household growth that would be appropriate to use for planning purposes, independent of any considerations of delivery capacity, should be 450 households pa, equivalent to 11,250 households over the period 2006-31.

Our recommendation is to plan for 450 to 550 new households pa over the period 2006-31, which compares with the current CLG projections based on ONS 2008 population projections of average household growth of c.620 households pa. However, delivery constraints need to be considered before any final decision is made about the target level of new housing provision.

Figure 25 summarises population growth and household growth over the plan period and on an annualised basis for the range of household growth recommended by DTZ as a basis for planning. The first column of figures represents the lower end of the recommended range – based on Variant 1 and adjusted for a slow down in the rise of headship rates as discussed above. In determining appropriate housing targets, this analysis needs to be meshed with an assessment of delivery capacity.

Figure 25: Total 2006-31 and Annualised Additional Household under Preferred Scenario Mix

	Scenarios			
	Lower end of Recommended Range	V1	V2	ONS/CLG
2006-31				
Population Increase	18,000	18,000	22,200	26,000
Household Growth	11,250 ¹	11,700 ²	13,700 ³	15,500
Per Annum				
Population Increase	720	720	888	1,040
Household Growth	450	468	548	620

The study brief asks for the indicative housing requirements (before consideration of land supply issues) to be split between the South and the North of the District. Figures 26 and 27 below show the North and South sub-district breakdowns in terms of the requirements set out in Figure 25. This indicates that in the North of the District, household growth is likely to be in the range of 70 to 100 dwellings pa over the period 2006-2031. For the South of the District, household growth is likely to be in the range of 380 to 450 dwellings pa for the same period.

Figure 26: Total 2006-31 and Annualised Additional Households under Preferred Scenario Mix – North of District

	Scenarios			
	Lower end of Recommended Range	V1	V2	ONS/CLG
2006-31				
Population Increase	1,400	1,400	2,700	4,000
Household Growth	1,750	1,800	2,500	3,000
Per Annum				
Population Increase	56	56	108	160
Household Growth	70	72	100	120

Source: DTZ

¹ Based on Population Variant 1 with adjustment to allow for slow down in rise of headship rates

² Variant 1 and Baseline Headship rate assumptions

³ Variant 2 and Baseline Headship rate assumptions

Figure 27: Total 2006-31 and Annualised Additional Households under Preferred Scenario Mix – South of District

	Scenarios			ONS/CLG
	Lower end of Recommended Range	V1	V2	
2006-31				
Population Increase	16,600	16,600	19,500	22,000
Household Growth	9,500	9,900	11,200	12,400
Per Annum				
Population Increase	664	664	780	880
Household Growth	380	396	448	496

Source: DTZ

Employment Scenario Policy Implications

A separate exercise has been undertaken as part of this study to consider likely employment scenarios for Chichester District and to consider what impact the employment prospects for the District might have on key variables such as net in-migration, which has been a key feature of past population growth; and also to consider the relationship between jobs and the number of people resident in the district wanting to work, and how this might influence travel to work patterns.

The aim of policy must be to foster a reasonable balance between the labour force and available jobs in the District. Too many jobs relative to the resident labour force would foster high levels of net in-commuting to the District; net in-commuting is already a feature of the District. Too large a resident labour force relative to the number of jobs in the District might result in high levels of unemployment or a significant increase in out-commuting.

DTZ has examined five different scenarios for employment (based on different growth rates), together with assumptions on high and low levels of economic activity, to examine potential implications for labour market balance in the District. DTZ regard both the EMP5 and the EMP4 scenarios to be an unrealistic basis for forward planning, and even realisation of the EMP3 scenario currently looks optimistic. On current information it would therefore be sensible to plan for an increase in workforce requirements over the period 2006-31 of 1,000 to 4,000 people.

The anticipated additional labour requirement of local employers of between 1,000 and 4,000 people over the period 2006-31 compared with the current baseline ONS population projections which indicate that the resident labour force of Chichester District will increase by 7,700 – 9,100 persons, over the period to 2031. This would suggest an oversupply of around 3,500 to 8,000 people wanting to work, were the population of the District to grow in accordance with the ONS population projections for the District.

Some of this over-supply of labour might be taken up by higher levels of unemployment (likely for the next 5 years), but it should not be the aim of planning policy to grow the population of those places where there are not enough jobs for those who want to work.

Were the labour force to grow in line with the ONS population projections, the labour market would also very likely adjust in part by an increase in out-commuting. Under the ONS population growth scenario, and the low employment growth scenarios, the District could become a net exporter of labour (fewer jobs than resident workforce). Overall the level of commuting could increase substantially, though this depends on jobs being available elsewhere in reasonable commuting distance.

The extent to which the growing workforce in Chichester District implied by the ONS projections could in fact find work within reasonable commuting distance of their home is a moot issue. It is probable that job growth will be more robust in the South Hampshire area, around the Gatwick Diamond and in London, than in Chichester District so there is probably greater scope for Chichester District residents to find work outside the District than they do at the moment.

However the implied level of net out-commuting associated with the anticipated level of employment growth and the ONS population projections would raise issues regarding the sustainability of such patterns of commuting (not withstanding growth of home working) and could have implications in terms of transport capacity.

In practice, the likely over supply of labour were the ONS population projections to be realised, will probably not materialise, simply because, if the jobs are not available in Chichester District, the significant level of net in-migration that has been a characteristic of the District over much of the period up to the economic downturn will not in fact materialise. Net in-migration will fall because of the relative paucity of jobs and cost of travel to locations with jobs. This likelihood has been reflected in the demographic forecasts and the recommendation that policy should be based on lower anticipated levels of population growth than those set out in the ONS population projections.

The analysis undertaken in connection with the employment scenarios suggests that were changes in migration to account for the totality of the oversupply of labour forecast in connection with the ONS population projection in connection with the employment scenarios examined, then annual net migration could fall by as much as up to 550 people per annum; though it is important to bear in mind that in-migration in the District is also associated with those who are retired or not active in the labour market

In reality slow employment growth in Chichester District is likely to lead to both higher unemployment than historically, a reduction in net in-commuting, and reduced net in-migration. The preferred scenarios adopted in terms of demographic projections reflect this analysis, since they are all based on reduced net in-migration. Thus the presumption in the analysis is that the oversupply of labour associated with the ONS population projections will not materialise, because it is anticipated that actual population growth will be lower than set out in the ONS projections.

Delivery Assessment Summary and Implications

The delivery assessment has examined the recent pattern of housing completions across Chichester District, significant land supply constraints, the current economic and financial context, and how policy can influence the rate of housing delivery. The key implications of this on the suggested level of housing requirement are set out below.

Housing delivery in Chichester District has fallen short of policy targets since 2001. Between 2001-02 and 2009-10, average delivery per annum has been 423 net new homes pa. The West Sussex Structure Plan identified a target for provision of 474 new homes pa (net). The South East Plan set a target for net housing delivery of 480 new homes pa.

The market environment for new housing development nationally remains difficult, with volumes of mortgage lending still at very low levels by historical standards and, linked to this, sales volumes only 60-70% of pre-downturn levels. The immediate prospect for raising average annual completion rates over the next five years are therefore not very promising, notwithstanding that Chichester is the sort of area where the housebuilders will be interested in continuing to build.

The environment for at least the next 4 years will also remain tough for the delivery of affordable housing, with substantially less public money going into support housing delivery, and the launch of a wholly new model for delivery of affordable housing delivery that will take time for all parties involved in planning, delivering and funding of affordable housing to understand fully and finesse to secure efficient operation.

A number of supply constraints are likely to restrict housing delivery over the next 20 years. These include the National Park designation in the north, the environmental designations in the south relating to Chichester, Langstone, and Pagham Harbour (which affect nearby sites through recreational pressures), flood risk within various settlements in the south of the district, highway constraints relating to the A27, and major capacity issues with waste water treatment works. The majority of these constraints affect the south of the district – which has delivered on average 70% of the housing in the district over the past few years.

Overall, what is clear is that, given the challenges of the current market conditions for housebuilding, in terms of the economy, mortgage lending, access to development finance, constrained public finances and infrastructure constraints, raising the annual output of new homes built from the level of around 425 new homes pa (net) would require determination and focused effort by the local authorities. Policy and resources would need to be aligned to deliver an uplift in historic rates of completions.

Implications for Size and Type of Housing

It is difficult for planning authorities to anticipate what the demand will be for different types and sizes of dwellings, as in the market sector this is a function more of household income rather than household size. Demand also varies given market conditions. However, given the attraction of Chichester District to in-migrants, being totally market led could result in housing development which is primarily driven by demand from households moving into the District and failing to ensure that local people can access the housing market.

As set out in Appendix D, DTZ therefore recommend that CDC and the SDNPA seek to influence housing mix without being too prescriptive. The local planning authorities should recognise that planning for a mix of housing is not a precise science and therefore setting precise planning policy targets for particular types and sizes of market dwellings is likely to present difficulties in practice. However, it is appropriate to seek to address bias and broad imbalances in the housing market and the existing stock of dwellings through new development.

Part of the solution to affordability problems in the District would be to foster the development of smaller house types (terraces or flats) to increase the supply of less expensive house types. This would have the added advantage that such stock is less likely to appeal to wealthy in-migrants, and hence more likely to meet the needs of existing local residents. Encouraging development of smaller units will also provide opportunities for older people to downsize and free up housing that is being under-occupied.

The planning authorities could therefore look to secure a range of house sizes in developments of a certain number of units, with the objective of ensuring that the stock of smaller, (relatively) lower value new homes are built, since they will be relatively more affordable to existing local residents.

With respect to the balance of houses and flats, DTZ are of the view that it is for developers to judge what will meet market demand, and the planning authority should focus on what mix of flats and houses is best suited in urban design terms to the particular site under consideration.

Affordable Housing Implications

Chichester District Council's Interim Statement on affordable housing (adopted in 2007) seeks provision of 40% affordable housing units on housing developments of more than 10 units and 20% affordable housing units on schemes of 5 – 9 units. Given issues of affordability and levels of housing need both CDC and the SDNPA will wish to maximise provision of affordable housing. DTZ are confident that a 40% affordable housing target can be justified in terms of current levels of local housing need, though this has not been the subject of specific review in this study. The issue will be whether the 40% housing target is achievable in the current market environment.

It is possible that developers may challenge the 40% affordable housing target on grounds of viability. However developers may well seek to reduce their commitment through scheme specific negotiation if they believe the affordable housing requirement renders their scheme unviable (although this has not been a major issue in Chichester District to date). The two planning authorities therefore need to review and test whether the affordable housing targets set in planning policy are sound under the new regime for funding affordable housing – specifically the Affordable Rent programme and zero grant on S106 sites.

In terms of the tenure mix of affordable housing, the current CDC approach is to seek 70% of new affordable housing development as social renting and 30% intermediate housing for intermediate rent, shared ownership or shared equity sale. This approach needs to be reviewed in the light the introduction of the new Affordable Rent programme, and the bidding process put in place by the HCA for allocation of grant aid. There is also a need to review the mechanism for delivering shared ownership or shared equity housing (discussed further in Appendix E).

The main purpose of policies seeking a mix of affordable rent and low cost home ownership has been to help achieve mixed and balanced communities. This rationale remains for having an element of low cost home ownership, at least, in larger schemes. Therefore DTZ would recommend retention of the current policy on tenure mix, while recognising that flexibility may be needed as the implications of the new regime are worked through.

In terms of the size requirements for affordable housing, the Coastal West Sussex SHMA identifies that the greatest pressure is for smaller properties – with 54% of households on the Housing Register requiring one-bed properties and a further 27% requiring 2-bed units. Comparing these requirements to annual lettings, the SHMA indicates that 1-bed and 4-bed dwellings are experiencing the greatest demand pressures. However, providing more 2-bed and 3-bed units would allow transfers between types of units, which would release smaller units to those currently on the waiting list. The SHMA therefore recommends that in terms of housing size and mix future affordable provision in the District should be aimed at providing 20% 1-bed, 30% 2-bed, 30% 3-bed and 20% 4 bed units. In DTZ's view this recommendation remains appropriate.

Recommendations

DTZ concludes that the likely increase in households in the District over the period 2006-31 is between 11,250 and 13,700 households, an annual equivalent increase of between 450 and 550 households pa. This is a level below that set out in CLG household projections, but reflects a level of population and household growth that is likely to occur in a tougher economic environment.

The range of additional households set out above gives a broad indication of the scale of housing requirements that Chichester District Council and the South Downs National Park Authority should seek to plan for over the period to 2031. However, we consider that constraints in the next 5 years and possibly longer, associated with housing market conditions and certain key infrastructure constraints, may make it difficult to achieve levels of housing delivery towards the upper end of this range. DTZ would therefore recommend that Chichester District Council and the South Downs National Park Authority take forward consultations on the basis of providing between 450 and 525 new homes pa (11,250 to 13,125 homes over the period 2006-2031).

It has not been DTZ's brief to assess in any depth what this would imply in terms of land allocations, and the practicality of identifying land and sites to accommodate this level of growth. However we have drawn attention to the environmental and infrastructure constraints that also need to be considered in determining an appropriate target for housing provision.

Since the overall indicative range in terms of the District housing requirement, based on the demographic analysis, is above that of historic levels of provision, and the market environment for development of new housing is more challenging than it was for a decade before 2007, DTZ has no doubt that achieving an uplift in delivery rates would be challenging.

In part this can be addressed by phasing planned delivery, so that more housing is delivered within the second half of the plan period – so greater levels of housing are delivered when the economic climate is likely to be more stable, and when the immediate constraints restricting growth in the South of the District have been addressed. It is not appropriate to make recommendations on the detailed phasing of housing delivery at this stage, as this will require a more detailed assessment of the constraints and infrastructure requirements relating to potential sites and locations. The two planning authorities should undertake this work in conjunction with the statutory bodies, infrastructure providers, landowners and developers as the basis for planning and phasing future housing development.

Having stated this, if the District is to raise overall average annual delivery rates, the authorities should maximise the level of housing delivery as early as possible. By so doing it will help to meet current shortfalls in housing supply, ease affordability issues for the local population, and maximise the financial incentives offered through government policy under the New Homes Bonus. The New Homes Bonus could be reinvested to support affordable housing provision or to help address infrastructure constraints.

Other policy initiatives that could be adopted to help boost housing delivery over the medium-long term include encouraging delivery of private market housing to aid the delivery of affordable housing through the affordable housing policy requirement, and by maximising the use of developer contributions to help deliver new homes and possibly through the introduction of a Community Infrastructure Levy). A proportion of funds received through developer contributions, and CIL could be used to help fund the infrastructure requirements that are currently constraining housing delivery and which would be needed for longer term housing growth.

To ensure that future housing is built at appropriate sizes to meet demand and to ease affordability issues, DTZ would recommend that policies are established that set indicative targets for the overall balance of new homes in terms of different sizes of dwellings. This would give some leverage over planning applications (without being overly prescriptive), as well as sending a message to developers.

In terms of affordable housing initiatives, DTZ feel that the 40% affordable housing targets can be justified in terms of need and that the current policy on tenure mix is appropriate. However, we recommend that the two planning authorities review and test whether the affordable housing targets are sound under the new regime for funding affordable housing – specifically the Affordable Rent programme and zero grant on S106 sites.

The study brief asks for the indicative housing requirements (before consideration of land supply issues) to be split between the South and the North of the District. The same assumption has been made for the sub-areas as for the whole of the District in that the upper end of the targets would be difficult to achieve. Based on the projected demographic split between the North and South of the District and an overall recommended guide range for the District of 450-525 new homes pa, this would imply a requirement of 70-95 additional households pa in the North over the plan period, and 380-430 additional households in the South.