Core Strategy Examination

Housing need and demand:

Response to Inspector's Key Concerns

December 2012

Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

Contents

It should be noted that the majority of this paper was prepared prior to the latest 2011-based short term sub-national population projections being released by ONS. However, we have tried to reflect this latest information in the paper where possible.

Introduction and Summary

1. This introductory section summarises our evidence about housing need and demand. The rest of the document responds to the detailed questions posed in the Annex to the Inspector's Key Concerns, ID/1.

2. Our objective assessment of housing need and demand has drawn upon a range of evidence sources rather than focusing on a single source of data, as there are inevitably weaknesses with individual measures in this field. A full list of these sources is provided in section 1. We have been able to strengthen previous work with additional analysis that has become available since submission of the Core Strategy, although it should be noted that this analysis supplements and builds on (rather than replaces) the sources of evidence drawn upon in developing the Core Strategy including that presented in the Housing Context Paper 2011 (EP4)..

3. The latest information on population and households indicates that over the past 20 years, the population of the borough has increased by an average of around 1,000 people per year, and 450 households per year. At the 2011 Census, the total population of the borough was just under 138,000, within just under 55,500 households.

4. The 'historic' level of population increase is slightly below the level of future population increase identified for the borough at the time of the South East Plan publication (the ONS 2006-based sub-national population projections).

5. In the first few years of the South East Plan period, Reigate and Banstead Borough Council delivered a relatively high level of housing growth compared to the South East Plan 'annual average' target of 500 homes per year, as part of the Council's New Growth Point status. The increase in the rate of new homes being provided corresponded with an increase in the level of migration into the borough. This is subsequently reflected in the ONS 2008- and 2010-based sub-national population projections, which include considerably higher levels of net in-migration than previous projections.

6. Whilst sub-national projections are an indicator of future growth, they are based on past trends. It is therefore considered reasonable to set these in the context of the drivers behind recent trends, both related to policy and wider macro-economic issues. We have therefore provided some analysis of past development rates, recent in-migration trends and the implications of the latest Census 2011 data.

7. Building on this analysis, we identify the likely impact of other - and what we consider to be more realistic - scenarios for demographic change in the borough. The paper also provides more information about other evidence of housing need and demand, including our assessment of the level of need for homes in the future that will be generated by the local population, and evidence about the level of market demand and need for affordable housing.

8. In summary:
    a. 'Locally generated' housing needs within the borough (ie need for housing arising from within the local population) are projected to be between 270 and 443 homes per year, with a figure of between 270 and 304 homes per year reflecting revised, but what are considered to be realistic, assumptions about the future rate of decline of household sizes.

b. Market demand within the borough is assessed to be 278 homes per year[1]. The need for affordable housing is assessed to be 366 homes per year[2].

c. Using long term trends in migration and recent Census 2011 information about the rate of household decline an annual growth in households of between 490 and 680 per year is indicated.

d. The 460 homes per year target within the Core Strategy therefore:
- makes provision to meet the full need for housing arising from within the local population
- makes provision to meet assessed market demand
- provides for an ambitious level of affordable housing provision (100 homes per year), and
- makes allowance for continued in-migration into the borough from other parts of the housing market (and wider) area.

9. The level of housing provision set out in the Core Strategy is supported by sustainability appraisal and consultation. It takes account of the fact that as a highly constrained borough, there are limits to the quantum of growth that can be accommodated in a sustainable manner: this reflects national policy objectives that require objectively assessed needs to be balanced against other considerations. It is in line with the South East Plan, and reflects longer term delivery rates seen in the borough, providing for internally-generated natural change and continuing net in-migration. It also represents a challenging target for the borough: a rate of 460 homes per year is supported by our focus in the short to medium term on regeneration initiatives and already allocated sites, but goes beyond the capacity indicated by our assessment of land supply within the urban area, reflecting the commitment of the Council to continue to take a proactive approach to embracing sustainable growth and development.

[1] SHMA 2008 (EP8)
[2] SHMA update 2011 (EP1a) Based on meeting the affordable housing backlog over the plan period - although the SHMA also recognised that – as for any area of high cost market housing – it is not economically viable or sustainable to deliver this level of affordable housing.

1. What is the evidence base which has been used to determine the full, objectively assessed needs for market and affordable housing (NPPF paragraph 47)?

1.1 The evidence base which has been used to determine the full, objectively assessed needs for market and affordable housing is summarised in Figure 1. It should be noted that much of the initial work testing housing numbers was carried out prior to publication of the final NPPF and was therefore shaped by guidance in PPS3. However, the draft NPPF was available towards the latter stages of the testing process and was therefore taken into account, as were other national policy statements, such as the Plan for Growth (March 2011).

1.2 Underlying the Council's approach is the view that, to gain an *objective* understanding of the needs for market and affordable housing, a range of pieces of evidence (each with their own strengths and weaknesses) need to be considered and weighed against each other. Figure 1 demonstrates the wide range of evidence drawn upon.

Figure 1 Evidence base used to help determine need for market and affordable housing

Evidence source/document	**Date**
Census 2001 including travel to work and origin-destination statistics	2001-base date
ONS mid year estimates	Various
ONS population projections	2004-based 2006-based 2008-based 2010-based
CLG household projections	2004-based 2006-based 2008-based
Draft South East Plan	2006
South East Plan Panel Report	2007
Adopted South East Plan	2009
New Growth Points Bid/Programme of Development	2006/8
East Surrey Strategic Housing Market Assessment	2008
SHMA update	2012
Chelmer Balanced Migration projections	2010, based on ONS 2008-based projections
Experian Economic Forecasts	2010
CLG Affordability data	Various

1.3 It should be noted that this paper also includes reference to 2011 Census first release information which was not available at the time of submission. 2011-based subnational population projections were released by ONS when this paper was substantially complete, however where possible this new information has also been included.

2. What are the latest population & household forecasts for the Borough?

2.1 *Current position*: Figure 2 summarises the latest population and household data that is available for Reigate & Banstead. Census 2011 data has only recently become available, and it should be noted that this information was not available at the time that the Core Strategy was submitted. The 2011 Census population figure of 137,800 compares with the original ONS 2011 mid-year estimate (MYE) of 138,600 (which has since been revised to 138,400).

Figure 2 Reigate & Banstead: population and households

	Census 2011	Census 2001	Census 1991	Change 1991-2011
Total population	137,800	126,523	117,772	20,028
Household population	134,300	123,259	114,808	19,492
Households	55,400	51,694	46,448	8,952
Average household size	2.42	2.38	2.47	-
Dwellings	*58,344**	52,895	*47,887*	*10,457#*

Source: Census

** figure derived from completions (2001-2011) + Census 2001 figure* *# completions 2001-2011*

2.2 *Population projections*: Figure 3 sets out headline 2010 ONS population projections for Reigate and Banstead for the Core Strategy period. To set these in context Annex 1 also provides a breakdown of projections for the East Surrey Housing Market Area and for the wider Gatwick Diamond area. 2011-based sub-national projections have recently been released, however these only cover the period to 2021. Figure 4 summarises these.

Figure 3 ONS 2010-based subnational population projections for Reigate & Banstead

	2010 based ONS sub-national population projections
March 2011 (Census)	137,800
2012	140,400
2017	149,500
2022	158,100
2027	165,700
Total change 2012-27	*25,300*
% change 2012-27	*18%*
Annual average change 2012-27	*1,687*

Source: ONS

Figure 4 2011-based sub-national projections for Reigate & Banstead

	2011 based ONS sub-national population projections
March 2011 (Census)	137,800
2011	138,400
2021	158,700
Total change 2011-21	*20,300*
% change 2011-21	*15%*
Annual average change 2012-21	*2,030*

Source: ONS

2.3 *Household projections*: Figure 5 sets out the latest (2008-based) CLG household projections (again, for the purposes of comparison, Annex 1 provides a breakdown of projections for the East Surrey Housing Market Area and for the wider Gatwick Diamond area). These are based on the 2008-based ONS sub-national projections which suggested an annual average population increase across the period of just over 1,500. The Census 2011 household figure of 55,400 households compares with CLG 2008-based household estimates/projections of 57,500 households in 2011 – this indicates an overestimation in the number of households by around 2,000.

Figure 5 CLG household projections for Reigate & Banstead

	2008 based CLG sub-national household projections
March 2011 (Census)	55,400
2012	58,365
2017	62,675
2022	67,052
2027	71,191
Total change 2012-27	*12,826*
% change 2012-27	*22%*
Annual average change 2012-27	*855*

Source: ONS/CLG

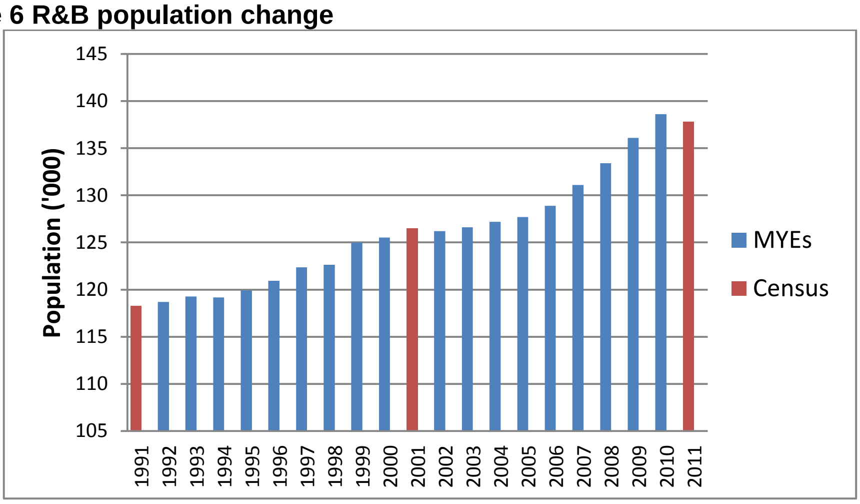
3. What assumptions have been made about levels of migration and natural change? Where is the analysis of the components of future population and household change to justify the assertion that the Growth Points initiative has been responsible for greater in-migration in the recent past than is anticipated in future years, and that trend-based projections overstate future need?

3.1 A range of evidence has been drawn upon to substantiate the view that the ONS/CLG short-term trend based projections (introduced above) overstate the future level of growth, most notably that arising from the migration component of change. The first part of this section provides an analysis of recent trends, the second part considers the components of change within national projections and the third part suggests some alternative scenarios for future housing and population growth.

Analysis of recent trends

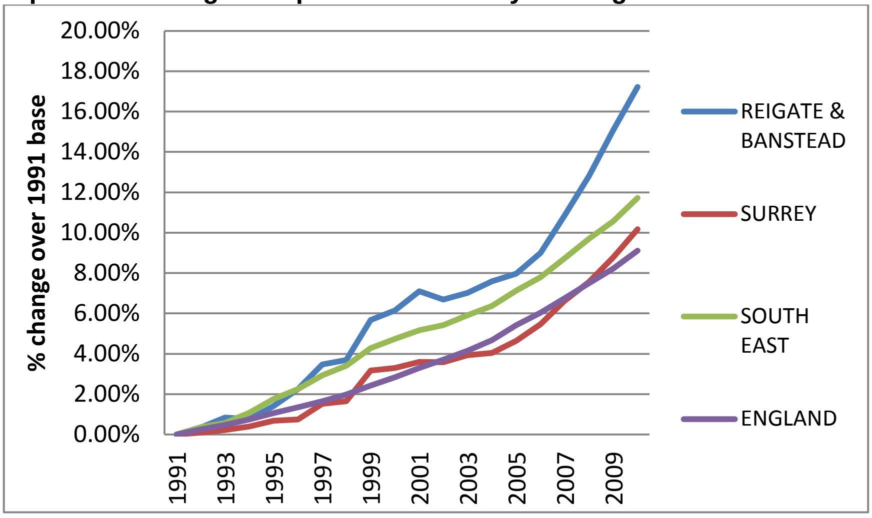
3.2 The population of the borough has increased from 117,800 in 1991 to 137,800 in 2011 (Figure 6). The increase has been particularly sharp towards the end of this period, with the population of the borough growing by 7.5% between 2006 and 2010, compared to just below 3% nationally and 4.5% across Surrey as a whole (Figure 7).

Figure 6 R&B population change



Source: ONS Mid Year Estimates; Census

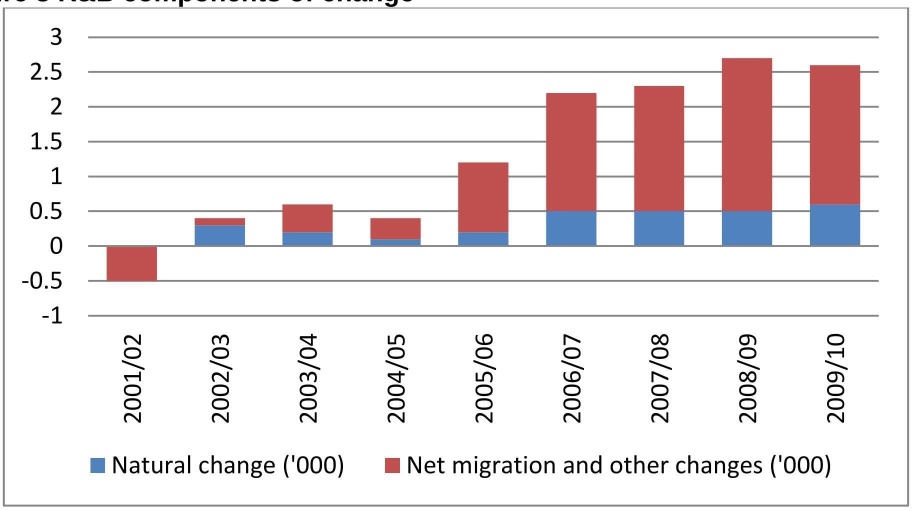
Figure 7 Population change compared with county and region



Source: ONS Mid Year Estimates

3.3 Analysis of ONS mid-year estimates demonstrates the change in recent years in the level of natural change and in-migration to the borough (Figure 8) – the increased level of in-migration is clearly apparent, along with a smaller increase in natural change.

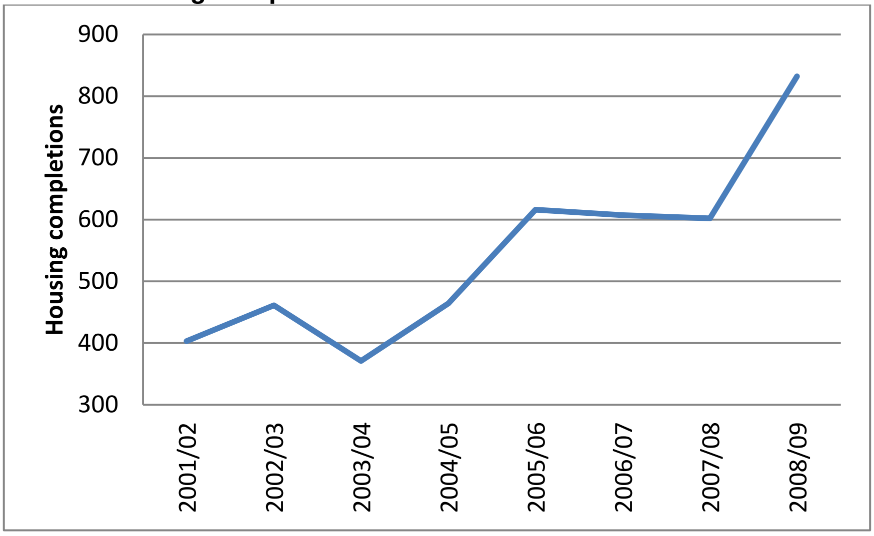
Figure 8 R&B components of change



Source: ONS Mid Year Estimates

3.4 *In-migration:* The increased level of in-migration corresponds with an increase in housing completions in the borough. This would make sense: when more new homes are available, the number of people moving in to the borough is likely to increase (similarly, the propensity for newly forming households to out-migrate may also be reduced). Levels of housing completions in the early part of the South East Plan period were higher than average, reflecting the Council's commitment to frontload housing development as part of the New Growth Point Initiative (Figure 9). NGP aspirations have subsequently been impacted by the economic downturn - further information about this is provided in Section 7 below.

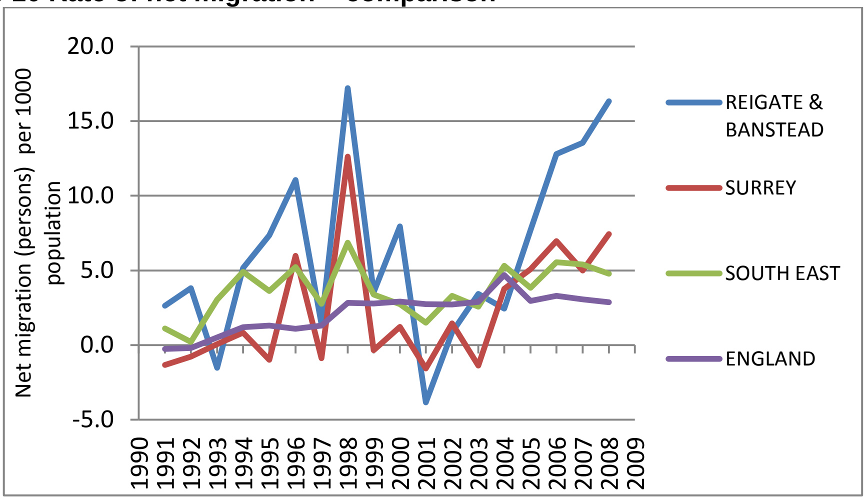
Figure 9 R&B housing completions



Source: RBBC Housing Monitor

3.5 Figure 10 demonstrates that the rate of net migration into Reigate and Banstead has also been notably higher than the average seen elsewhere in the country, suggesting that the sharp increase in the borough may be a result of local circumstances.

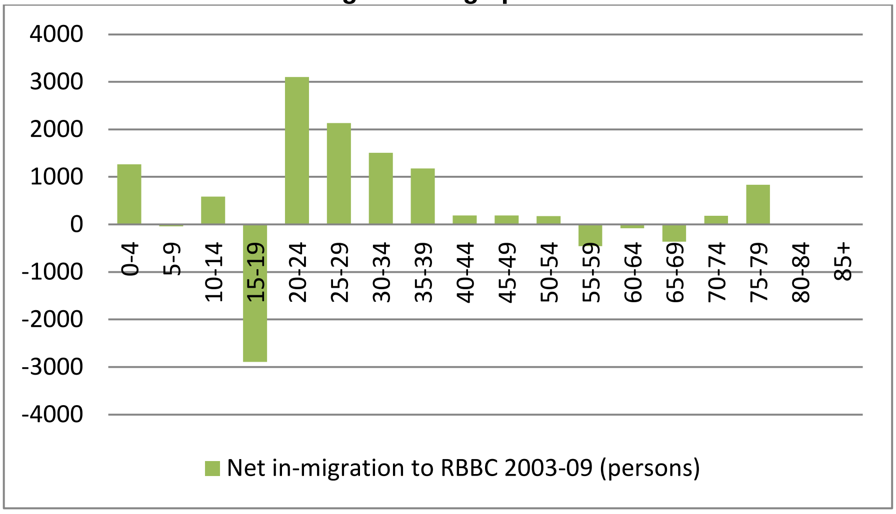
Figure 10 Rate of net migration – comparison



Source: ONS

3.6 *Natural change:* Levels of natural change have also increased in recent years. This is to be expected within an increasing overall population, and may also be as a result of wider demographic trends towards an increasing birth rate and longer life expectancy. It is also likely to be partly driven by the movement of younger families into the borough, particularly in the Redhill area. Figure 11 shows the age profile of those moving in to the borough in recent years.

Figure 11 R&B breakdown of migration: age profile



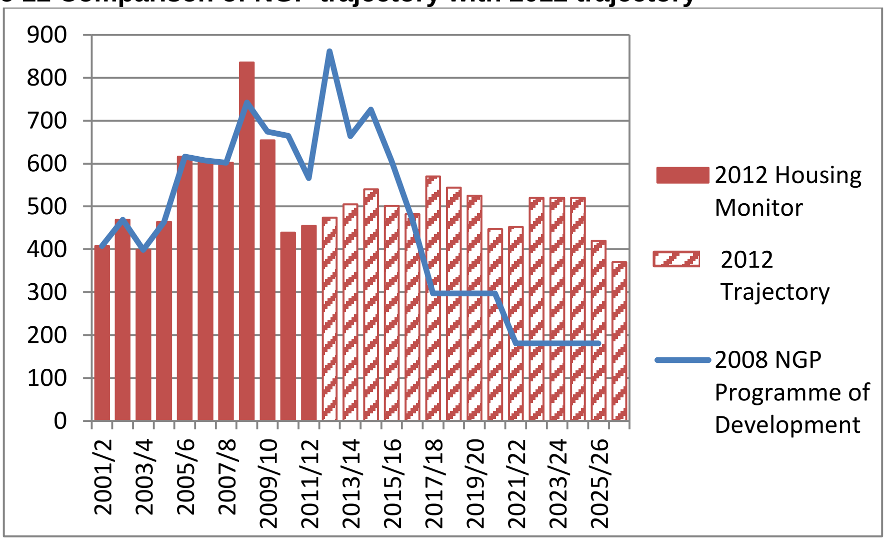
Source: Chelmer

Analysis of future projections

3.7 The increased levels of in-migration in recent years are projected forward in ONS and CLG household projections. The Council contends that in reality this trend is unlikely to be representative of future growth because of the 'frontloaded' housing delivery previously referred to and the impact of the recent economic downturn on the housing market and migration trends moving forward.

3.8 The economic downturn, including the more limited availability of finance, has effectively 'dampened' the anticipated frontloading of housing delivery between 2006 and 2016 inherent in the original New Growth Points programme, delaying delivery of regeneration proposals and the Horley North West sector. It is unlikely that the 'boom' conditions experienced by the house building sector in the mid 2000s will return in the foreseeable future. For this reason, the Core Strategy does not include phased housing targets but rather assumes a much 'flatter' and steadier development trajectory (see also section 7). Figure 12 below compares the NGP housing trajectory with the latest 2012 information.

Figure 12 Comparison of NGP trajectory with 2012 trajectory

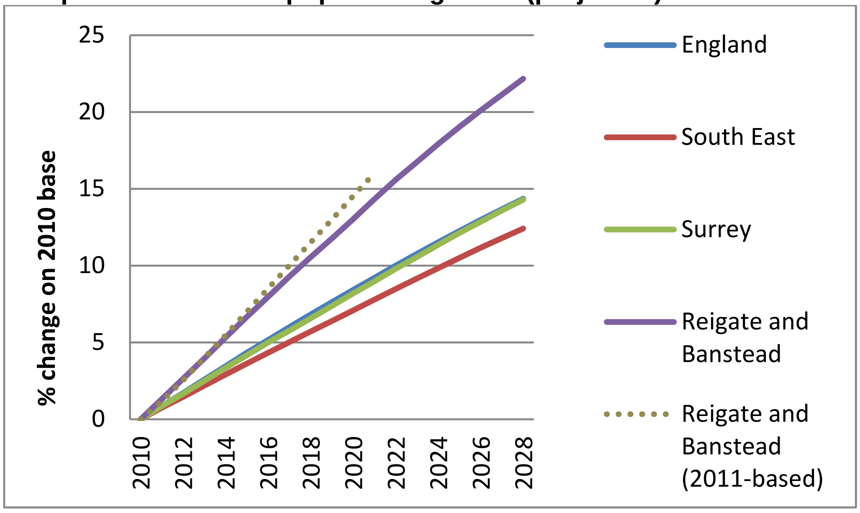


Source: NGP/Housing Monitor

Overall rate of growth

3.9 Figure 13 compares the projected growth rate for Reigate & Banstead with the county and region, which demonstrates that – just as the rate of growth over the past five years has been higher in the borough - the rate of growth *projected* for Reigate & Banstead is considerably greater than that across England, the South East or Surrey.

Figure 13 Comparison of rate of population growth (projected)



Source: ONS (data is 2010-based unless indicated otherwise)

3.10 2008 CLG household projections for the borough show a similar disparity between projected growth in England, the South East and Surrey compared to that in Reigate & Banstead.

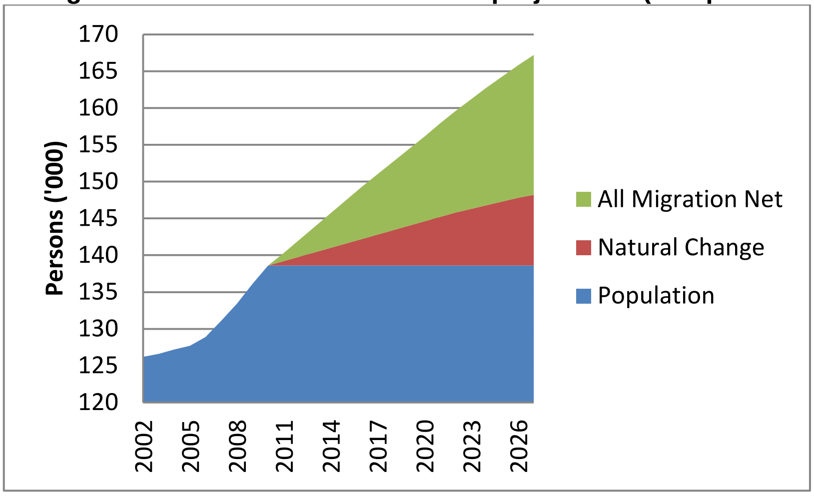
Components of change

3.11 ONS population projections are based on the latest mid-year estimates and a set of assumptions about the rate of natural change and migration made on the basis of observed trends, mainly over the preceding five years. Analysis of these components of change helps understand what sits behind the projected rate of change for the borough.

Migration

3.12 Figure 14 shows the components of change in the ONS 2010 population projections. These projections indicate a population growth of 25,600 people between 2012 and 2027, one third of which is projected to arise from natural change and two thirds from in-migration.

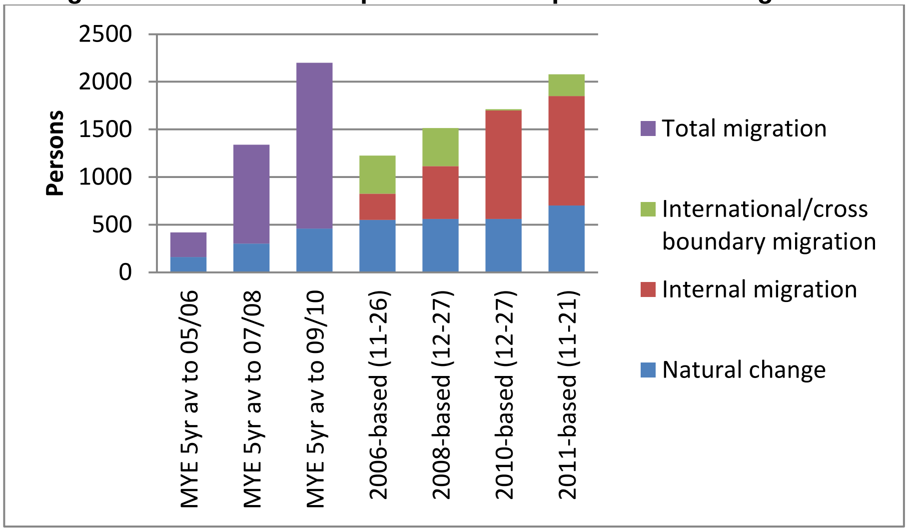
Figure 14 Reigate & Banstead – MYE and 2010 projections (components of change)



Source: ONS

3.13 Figure 15 shows the component of change assumptions made in recent years' ONS population projections, compared to five-year rolling average mid-year estimates, and demonstrates the considerable increase in assumed net migration between different years' projections, as well as variations in the nature of that in-migration.

Figure 15 Reigate & Banstead – comparison of components of change



Source: ONS

3.14 *Internal migration*: Figure 16 demonstrates considerable differences between assumptions about net internal migration in the 2008-based ONS projections and the 2010-based and 2011-based projections, and recent trends.

Figure 16 Comparison of internal net migration assumptions and estimates

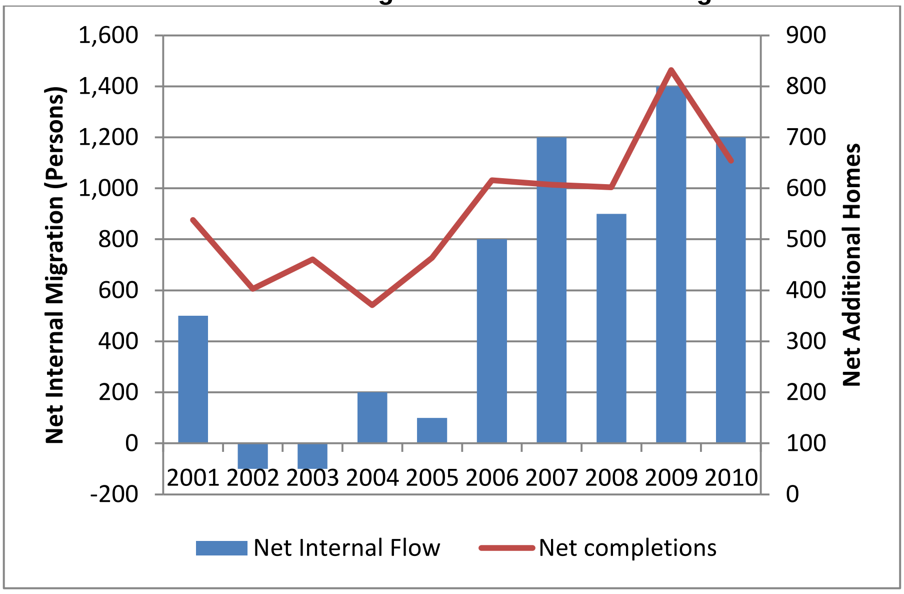
Source	Time period	Average annual net internal migration
2008-based sub-national projections	2012-2027	550
2010-based sub-national projections	2012-2027	1,140
2011-based sub-national projections	2011-2021	1,150
ONS Internal Migration Estimates	2001-2009	545

Source: ONS

3.15 It is not apparent that the difference between the 2008 and 2010 projections results from methodological changes as the approach adopted by the ONS is the same in both cases.

3.16 It is, however, noted that the five year period in the run up to the 2010 projections saw a sharp increase in levels of in-migration which corresponds with the highest level of housebuilding seen in the borough in recent years, whereas the 5 year period prior to 2008 partially pre-dates the Council's New Growth Point 'frontloading' of housing delivery (Figure 17).

Figure 17 Trends in net internal migration and housebuilding



Source: RBBC/ONS

3.17 On this basis, the assumptions about net internal migration in the 2008 sub-national projections, which correspond more closely with longer term trends seen in the borough, are considered to be the most appropriate basis to guide assumptions of future long-term internal migration: i.e. based on the context of a healthy economy and residential development industry but not disproportionately impacted by the initiative to front-load housing delivery.

3.18 *International migration*: The 2008-based, 2010-based and 2011-based ONS projections also demonstrate considerable differences in terms of the assumed scale of future international migration (Figure 18).

Figure 18 Comparison of international migration assumptions and estimates

Source	Time period	Average annual net international and cross boundary migration
2008-based sub-national projections	2012-2027	400
2010-based sub-national projections	2012-2027	13
2011-based sub-national projections	2011-2021	230

Source: ONS

3.19 In this instance, the difference is likely to be explained by a change in ONS methodology over the period, with the 2008-based figures derived from a modelling exercise, and 2010-based and 2011-based figures derived using administrative data sources to distribute in-migrants from the national to the local authority level. As a result, the 2010-based and 2011-based projections assumptions about future levels of international in-migration are likely to be better aligned with actual evidence.

Natural change

3.20 Figure 19 summarises recent projections' assumptions about natural change as compared to past trends. Whilst it is clear that the projections assume a higher level of natural change when compared to longer term trends, the 2008-based and 2010-based assumptions are in line with more recent trends and reflect the fact that not only does the borough have a relatively high number of young families but also that birth rates nationally are holding up and life expectancy is rising. The 2011-based projections are higher as a result of slightly higher birth rate assumptions applied over the next 10 years.

Figure 19 Comparison of natural change assumptions and estimates

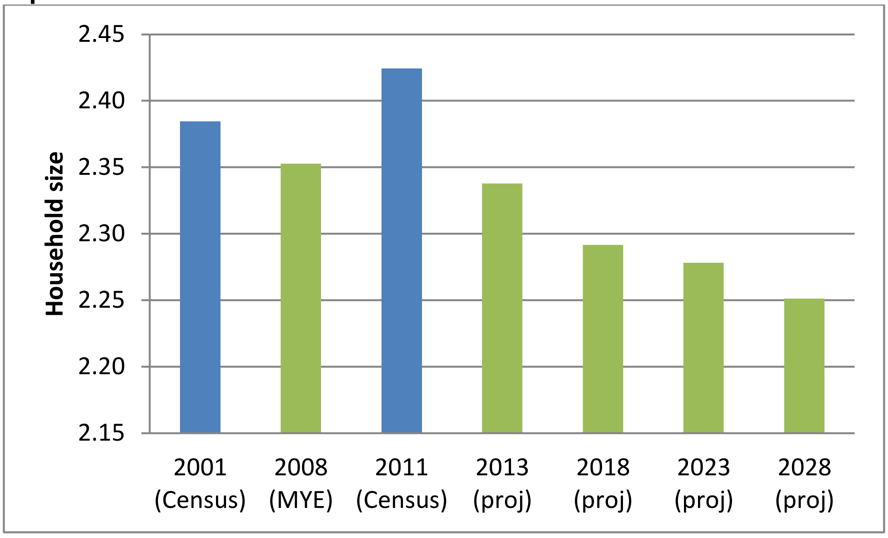
Source	Time period	Annual Natural Change
2008-based sub-national projections	2012-2027	556
2010-based sub-national projections	2012-2027	563
2011-based sub-national projections	2011-2021	700
ONS Mid Year Estimates	2001/2-09/10	322
	2005/6-09/10	460

Source: ONS

Household size

3.21 The latest ONS/CLG household projections assume a notable decline in household size. For the South East, household size is assumed to fall from 2.35 in 2008 to 2.22 in 2028. However, this decline is not substantiated by the Census 2011 data, which indicates that household sizes in the borough have in fact increased over the last 10 years (Figure 20), with a similar trend seen across Surrey as a whole.

Figure 20 Comparison of household size[3]



Source: ONS/CLG

<u>Implications of demographic assumptions</u>

3.22 This section briefly explores some of the implications of the assumptions inherent in the ONS/CLG projections by presenting some alternative scenarios. These scenarios are indicative and have been prepared to show the relative impact of adjusting certain assumptions for more realistic trajectories. Workings are provided in Annex 2**.**

Scenario 1: Overall rate of change

3.23 Applying a rate of population change more in line with what is projected for Surrey, the South East, and England as a whole over the plan period (11% as opposed to 18%, as suggested by the 2010-based sub-national population projections) results in a population growth of around 1,050 per year.

Scenario 2: Migration

3.24 The analysis earlier in this section indicates that the 2008-based ONS sub-national population projections include what are perhaps more reasonable assumptions about the future level of internal migration for Reigate & Banstead (when considered against longer-term trends), whereas the 2010-based and 2011-based projections include more evidence-based assumptions about future levels of international migration than the 2008 projections. The effect of projecting future population based on combining different assumptions about international migration and natural change are set out below. Further information is provided in Annex 2.

a. Population growth of around 1,130 per year based on 2008-based assumptions of internal migration and natural change and 2010-based international migration assumptions.

b. Population growth of around 1,287 per year based on 2008-based assumptions of internal migration and natural change and 2011-based international migration assumptions.

c. Population growth of around 1,427 per year based on 2008-based assumptions of internal migration and 2011-based natural change and international migration assumptions.

[3] For the purposes of this exercise projected ‘household population’ has been assumed to be 97% of the total population, in line with the ratio implied by the 2011 Census.

This suggests a rate of change in population more aligned with that being projected for the county, region and nationally (see Scenario 1 above) and with longer term trends derived from Census information.

Variable: Household size

3.25 Whilst over the last 10 years household sizes have increased in the county and borough, it is not considered realistic to assume that this trend will continue over the plan period: recent trends may be attributable to specific circumstances created by the recession (for example reducing household formation rates), and it is likely that over the longer term, demographic trends which drive a declining household size will continue to occur. However, it is clear that the *rate* of decline envisaged in the CLG household projections is not being borne out in reality. Applying a less aggressive decline in household size results in a slower rate of household growth. A continuing steady decline at the rate seen between 1991 and 2011 indicates a household size of around 2.38 by 2027; the implication of a higher rate of decline to 2.36 has also been tested. Figure 21 summarises.

Figure 21 The possible effect of declining household sizes (2012-2027)

Starting point	**Total popln growth**	**Total h'hold popln growth**[4]	**Annual growth in households**	
			(a) Decline in h'hold size from 2.42-2.38	(b) Decline in h'hold size from 2.42-2.36
2010-based projections	25,300	24,541	750	789
Scenario 1	15,746	15,274	491	527
Scenario 2a	16,900	16,393	522	558
Scenario 2b	19,900	19,303	603	640
Scenario 2c	21,400	20,758	644	681

Source: RBBC/ONS

4. How do these compare with the forecasts on which the SEP housing requirement was based? If the latest forecasts are materially different to the SEP evidence base, has any analysis been undertaken to assess the continuing appropriateness of the SEP housing requirement for the CS?

4.1 Figure 22 summarises the information that was available at stages in the South East Plan preparation. A comparison against the Census baseline has also been included, as has information from the 'Scenario 1' and 'Scenario 2' exercises above.

[4] For the purposes of this exercise the 'household population' has been assumed to be 97% of the total population, in line with the ratio implied by Census 2011 data.

Figure 22 Comparison of evolving South East Plan target with ONS projections, past growth and Scenarios

Stage in South East Plan process	Available population projections	Average annual population change[5]	RBBC housing figure (av dpa, 2006-2026)
Draft South East Plan	2002-based	830 (2007-27)	387
Panel Report	2004-based	635 (2006-26)	462
Final South East Plan	2006-based	1,185 (2006-26)	500
-	2008-based	1,587 (2011-26)	-
-	2010-based	1,713 (2011-26)	-
Census baseline		*1,128 (2001-11)* *1,001 (1991-2011)*	-
Scenario 1		*1,050 (2012-2027)*	-
Scenario 2a		*1,127 (2012-2027)*	-
Scenario 2b		*1,324*	
Scenario 2c		*1,427*	

Source: South East Plan documents, ONS

4.2 As the information above demonstrates, the ONS population (and related CLG household) forecasts for the borough have fluctuated over the years, and the latest forecasts indicate a higher future level of population and housing growth than indicated by those available at the time of South East Plan preparation/adoption.

4.3 As identified above, there are some shortcomings in these projections - particularly with regard to migration assumptions and household size. The Scenario 1 and 2 figures presented are more reflective of past trends and the 2006-based projections that were available at the time the South East Plan was adopted.

4.4 The discussion below sets out the ways in which the Council has assessed the appropriateness of the housing target included within the Core Strategy (which reflects that in the South East Plan).

<u>Balanced migration forecasts</u>

4.5 The Council commissioned balanced migration forecasts to determine what the likely level of 'internally generated' population and households would be. This effectively provided a 'control' scenario to ensure that as a minimum the Council was seeking to provide for its own local needs. It should be noted that these forecasts assume that migration trends into the borough, whilst in absolute terms equating to zero, continue to reflect the current demographic profile of in- and out-migrants.

Figure 23 Balanced migration 'control' scenario

	2011	2026	Total change	Change per year
Total population	137,800	146,108	8,308	554
Household population	134,439	141,856	7,417	494
Households	57,533	64,171	6,638	443
Dwellings	58,285	65,010	6,725	448

Source: Chelmer 2011

4.6 The household size assumptions within these forecasts are based on 2008 CLG information and predate the Census 2011 release. As previously discussed but set

[5] For the purposes of comparison, the timeframe of the South East Plan (2006-2026) has been used where possible.

out again in Figure 24 below, the Census indicates a rise in household size between 2001 and 2011 and demonstrates that the decline assumed in household forecasts is not currently occurring.

Figure 24 Household size

	1991	2001	2011	2026
Census (R&B)	2.47	2.38	2.42	-
Census (Surrey)	2.49	2.38	2.43	-
Balanced migration forecasts (R&B)	-	-	2.34	2.21

Source: ONS/Chelmer

4.7 Whilst no specific forecasts have been commissioned to reflect the most recent Census data, a simple exercise to apply alternative household size assumptions to the anticipated household population growth under the balanced migration scenario has been undertaken (see Annex 3). This indicates that the growth in households may not be as rapid as indicated by the original control scenario and that:

a. Annual growth in households is likely to be around 270 per year assuming household sizes decline at the same rate that they have declined between 1991 and 2011, that is, to a household size of around 2.38 by 2026.

b. Households will grow by just over 300 per year assuming a faster decline in household size to 2.36.

4.8 This analysis demonstrates that the level of housing provision proposed will fully meet locally generated needs across the plan period as well as accommodating an element of continued in-migration into the borough.

Sustainability testing and consultation

4.9 The Council also carried out sustainability testing on a range of housing levels as part of its Outstanding Issues document. This work tested a series of housing levels from 300 homes per year to 940 homes per year, and concluded that the most sustainable level of growth would be between 420 and 500 homes per year. The sustainability appraisal for different levels of growth is available in Annex F of the Sustainability Appraisal Report (BP8).

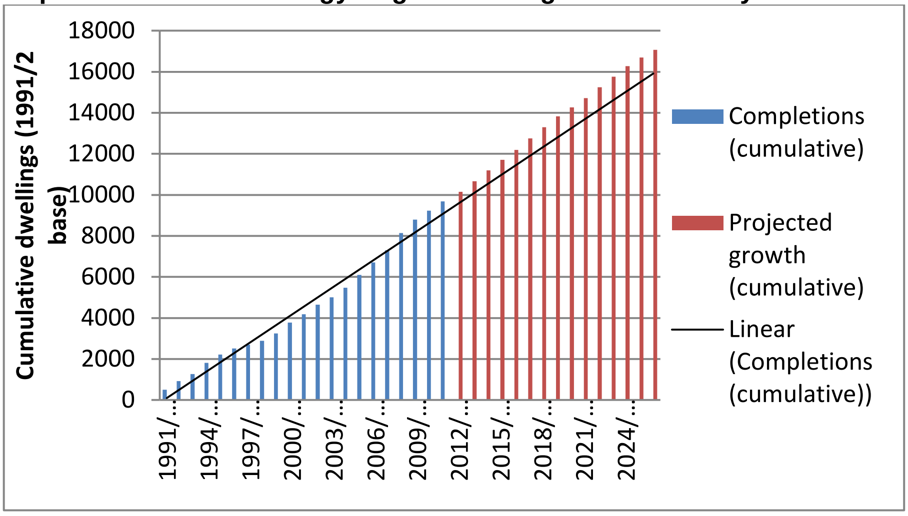
Consultation

4.10 The housing range considered most sustainable (420-500 homes per year) was consulted upon in Autumn 2011. A range of views on the scale and distribution of housing were received: 460 homes per year was the most popular option within the consultation range, although developers generally favoured 500 homes per year or suggested higher figures. Further information about this consultation is available in the Consultation Statement (BP12).

Longer term delivery trends

4.11 Longer term delivery trends give an indication of what level of growth is likely to be able to be sustained in the borough. Whilst past delivery rates have to some extent been influenced by housing targets themselves, this analysis helps ‘smooth out’ some of the exceptional circumstances seen over the mid-late 2000s. This graph demonstrates that the level of growth proposed in the Core Strategy reflects a continuation of, and slight increase on, past delivery trends.

Figure 25 Comparison of Core Strategy target with longer term delivery trends



Source: RBBC housing monitors/Core Strategy

5. Did the SEP housing requirement take account of lower growth in later years (after 2016)?

5.1 Reigate & Banstead is recognised in the South East Plan as a New Growth Point. The South East Plan does not include explicit phasing policies in relation to housing, rather it includes a total housing provision figure that is translated into an 'annual average' figure. However bullet (ii) of Policy H2[6] recognises that local authorities should take into account the 'ability to accelerate the rate of housing delivery in …New Growth Points'.

5.2 This is supported by the views of the South East Plan Panel, specifically in relation to Reigate & Banstead. They considered that 'The NGP status will…facilitate the frontloading of the proposed housing allocation to the first half of the plan period [20.61]' and 'wholly support[ed]' the Borough Council's concerns to ensure that urban regeneration is not discouraged by the unnecessary release of greenfield sites [20.62]'.

5.3 The principle of 'frontloading' and focus on regeneration and Horley sectors in the short to medium term was, therefore, considered to be robust and justified. In reality, the ongoing impact of the economic downturn has been to slow delivery of major developments in the borough to the extent that they will not be completed within the NGP period to 2016, so in reality the 'frontloading' will not be so extreme; however the principle of 'regeneration first' is still considered robust.

6. The SHMA (EP1) provides an objective assessment of affordable housing needs over the plan period, but little detail of market housing needs. How has the need for market housing been determined?

<u>Affordable housing</u>

[6] It should be noted that bullet (i) of H2 has been deleted by the Courts.

6.1 The 2012 SHMA update identifies that 366 affordable homes per year would be needed in Reigate & Banstead over the plan period, although it is acknowledged in the SHMA that meeting the need for affordable units is clearly not economically viable or sustainable and is a normal situation when setting targets in high cost areas of market housing.

6.2 *Affordable housing provision across the housing market area*: The 2008 SHMA includes an assessment of affordable housing needs across the market area, however provides figures on the basis that the backlog would be provided for over a 5 year period. For the purposes of comparison therefore, the AH requirement in the table below for Reigate & Banstead is also based on the borough meeting the backlog (as identified in the 2012 SHMA) over a 5 year period (ie 540 homes per year).

Figure 26 Comparison of affordable need and planned affordable housing provision

	Affordable shortfall (dealing with backlog over 5 years)	Local AH target	Local AH target as % of AH shortfall
Elmbridge	698	77	11%
Epsom & Ewell	470	63	13%
Mole Valley	968	47.5	5%
Reigate & Banstead[7]	540	100	19%
Tandridge	449	50	11%
East Surrey Total	**3125**	**337.5**	**11%**

Source: LPAs, 2008 SHMA It should be noted that these figures are based on dealing with the AH backlog over a 5 year period.

Market demand

6.3 The SHMA update (as amended, EP1a) provides an assessment of affordable housing needs over the plan period. This update was undertaken at the borough-level as there was not the appetite at the time for a housing market area-wide update to the SHMA. The update focused specifically on affordable housing needs.

6.4 The SHMA 2008 (EP8) looked at level of need and demand across the wider East Surrey Housing Market Area. The two studies should therefore be read in conjunction with one another. The market demand figures were derived in accordance with SHMA practice guidance – the methodology is set out in the SHMA. Figure 27 summarises the 2008 SHMA conclusions on market demand along with information about household projections for the purpose of comparison. This demonstrates that Reigate & Banstead is making a positive contribution to meeting its own market demand but also market demand within the wider HMA.

Figure 27 Comparison of market demand and planned growth

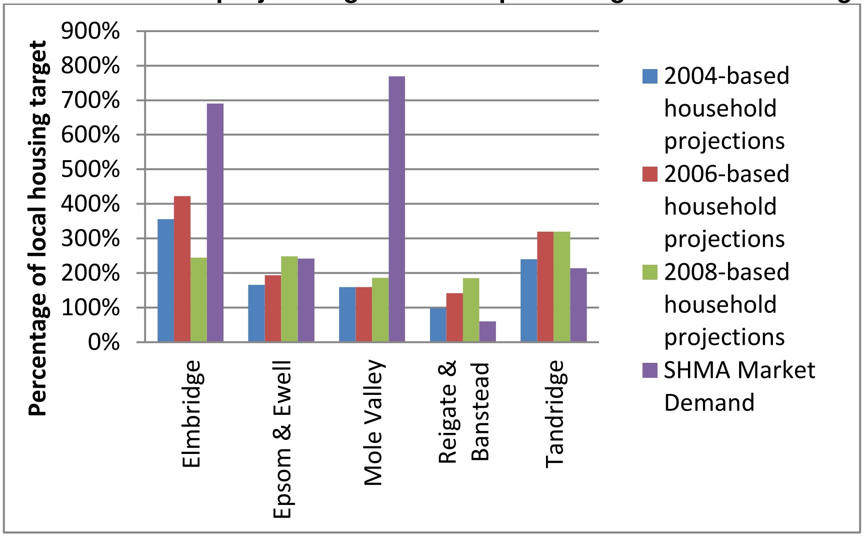
	SHMA Market Demand	Local housing target	% of market demand met by local target
Elmbridge#	1,553	225	14%
Epsom & Ewell#	438	181	41%
Mole Valley#	1,446	188	13%
Reigate & Banstead*	278	460	165%
Tandridge#	268	125	47%
East Surrey Total	**3,983**	**1,179**	**30%**

*^ dealing with backlog over 5 years (for comparative purposes only) *2012 figure # 2008 figure*

[7] Reigate & Banstead figure from 2012 SHMA update

6.5 Figure 28 compares housing demand and sub-national household projections against local targets.

Figure 28 Market demand and projected growth as a percentage of local housing targets



Source: CLG/SHMA

7. Does the demand for new housing grow at a consistent rate over the plan period, or are there variations which require a different rate of delivery over the three 5 year periods of the plan? Does the Growth Points initiative imply a higher rate of delivery up to 2016, as suggested in the SEP?

7.1 The New Growth Points Initiative did imply a higher rate of delivery up to 2016. Figure 12 above illustrates the NGP trajectory in 2008, where the principle of ‘frontloading’ can be seen. However, also as noted above, the recent economic downturn has had an impact on the ‘frontloading’ of housing delivery, particularly affecting the progress of the Horley NW sector development. The Core Strategy does not therefore include an explicit phasing of development, and therefore the anticipated housing trajectory is relatively flat.

7.2 Government projections indicate that the rate of natural change in the borough will decrease towards the end of the plan period, largely as a result of an ageing population. Whilst government projections also indicate in-migration may be declining by 2027, we have no clear evidence to suggest that the demand for new housing from this source will vary substantially over the plan period – given the location of the borough, its proximity to London, and the relatively constrained land supply across the housing market area, it is likely that current levels of need and demand will be sustained into the future.

8. Conclusions

8.1 This paper has been prepared in response to the Inspector's questions in relation to housing need and demand as set out in the Key Concerns paper (June 2012).

8.2 It sets out the range of evidence about housing need and demand in Reigate & Banstead. It explores some of the limitations of data sources and considers the possible implications of some alternative assumptions. It also sets this information in a wider geographic context, provides a comparison between the overall level of growth and that set out in the South East Plan, and includes information about the growth trajectory being proposed.

8.3 Our assessment indicates that:

a. 'Locally generated' housing needs over the plan period (based on the 'balanced migration' scenario) are likely to be between 270 and 440 homes per year, with a figure of 270-300 considered to be most realistic.
b. Market demand within the borough is likely to require provision of around 280 homes per year, whilst affordable housing need is assessed to be around 370 homes per year.

8.4 The borough is an attractive place to live, and in-migration is projected to continue into the future. There is a degree of uncertainty about the level of future in-migration pressures but - taking into account longer term trends - we have identified that this could lead to an annual household growth (including locally generated natural change) of between 490 and 680.

8.5 Evidence of need and demand is, of course, only one part of the 'planning' equation. Reigate and Banstead is a highly constrained borough, with large parts of the borough falling within the Surrey Hills Area of Outstanding Natural Beauty or affected by flood risk. The majority of the borough is also covered by the Metropolitan Green Belt policy designation, which should only be altered in exceptional circumstances.

8.6 It is clear from national guidance that, whilst providing for objectively assessed needs for market and affordable housing, the level of constraint in an area (including AONB, Green Belt and areas at risk of flooding) must also be taken into account, and that these competing policy objectives need to be balanced.

8.7 Safeguarding the quality of life and environment is integral to securing a sustainable future for the borough, and existing and future residents. Reigate and Banstead Borough Council is committed to growth. Our plan provides for locally generated housing needs to be provided for, and for market demand to be catered for. Our housing target, the highest currently being proposed for any Surrey authority also allows for some continued migration into the borough, at what is considered to be a sustainable level. We are therefore providing for some of the housing needs and market demand of other authorities.

8.8 We accept that providing for this level of housing growth will be challenging and require the release of some greenfield (and Green Belt) sites. But our growth aspirations also need to be set within the wider context of ensuring the resilience of our existing communities (through regeneration initiatives) and the natural environment (through protection and enhancement of our landscapes, biodiversity and 'green fabric') not only in this plan period but beyond. There are therefore clear limits to the scale of growth that can be accommodated in a sustainable way (balancing social, environmental and economic objectives), and the manner in which development pressures are managed is an important aspect of our strategy.

Annex 1
Breakdown of projections for the East Surrey and Gatwick Diamond areas

Table A1.1: ONS 2010-based population projections

	Area	2012	2027	Total change	% change	Annual average change
Elmbridge	ES	131,400	141,900	10,500	8%	700
Epsom and Ewell	ES/GD	74,800	88,500	13,700	18%	913
Mole Valley	ES/GD	85,600	95,100	9,500	11%	633
Reigate & Banstead	ES/GD	140,400	165,700	25,300	18%	1,687
Tandridge	ES/GD	83,700	94,300	10,600	13%	707
Crawley	GD	108,700	125,800	17,100	16%	1,140
Horsham	GD	132,600	146,200	13,600	10%	907
Mid Sussex	GD	135,500	150,100	14,600	11%	973
East Surrey	**-**	***515,900***	***585,500***	***69,600***	***13%***	***4,640***
Gatwick Diamond	**-**	***761,300***	***865,700***	***104,400***	***14%***	***6,960***

Table A1.2: CLG 2008-based household projections

	Area	2013	2028	Total change	% change	Annual average change
Elmbridge	ES	56,000	66,000	10,000	18%	667
Epsom and Ewell	ES/GD	31,000	37,000	6,000	19%	400
Mole Valley	ES/GD	37,000	43,000	6,000	16%	400
Reigate & Banstead	ES/GD	59,000	72,000	13,000	22%	867
Tandridge	ES/GD	35,000	41,000	6,000	17%	400
Crawley	GD	45,000	54,000	9,000	20%	600
Horsham	GD	57,000	68,000	11,000	19%	733
Mid Sussex	GD	57,000	65,000	8,000	14%	533
East Surrey	**-**	***218,000***	***259,000***	***41,000***	***19%***	***2,733***
Gatwick Diamond	**-**	***321,000***	***380,000***	***59,000***	***18%***	***3,933***

Annex 2
Implications of varying demographic assumptions on population and households

Scenario 1: Overall rate of population change

Table A2.1: Impact of varying assumptions about rate of population change

	Total projected change 12-27 (per year)*	% change on 2012 base	Average % change	Average % change applied to RBBC (per year)
England	6,243,200 (416,213)	11.76%	11.22%	
South East	877,700 (58,513)	10.18%		
Surrey	133,900 (8,927)	11.71%		
Reigate & Banstead	25,300 (1,687)	18.02%		15,746 (1,050)

** 2010-based ONS projections*

Scenario 2: Migration assumptions

Table A2.2: Baseline information

	Population change
2008-based population projections (constrained to 2011 MYE)	
Population change (2012-2027)	23,600
Natural Change	8,400
Net Internal Migration	8,300
Net International & Cross Border	6,000
2010-based population projections (constrained to 2011 MYE)	
Population change (2012-2027)	25,300
Natural Change	8,400
Net Internal Migration	17,100
Net International & Cross Border	200
2011-based population projections (constrained to 2011 MYE)	
Population change (2011-2021) *(extrapolated 2012-2027)*	20,300 *(29,700)*
Natural Change (extrapolated)	7,000 *(9,900)*
Net Internal Migration (extrapolated)	11,500 *(17,000)*
Net International & Cross Border (extrapolated)	2,300 *(3,200)*

Table A2.3 Scenario 2a - 2008 based internal migration and natural change; 2010 based international migration

	Population change
Natural Change	8,400
Net Internal Migration	8,300
Net International & Cross Border	200
Population change (2012-2027)	16,900
Population change (annual average)	1,126

Table A2.4 Scenario 2b – 2008 based internal migration and natural change; 2011 based international migration

	Population change
Natural Change	8,400
Net Internal Migration	8,300
Net International & Cross Border	3,200
Population change (2012-2027)	19,900
Population change (annual average)	1,326

Table A2.4 Scenario 2c - 2008 based internal migration; 2011 based natural change and international migration

	Population change
Natural Change	9,900
Net Internal Migration	8,300
Net International & Cross Border	3,200
Population change (2012-2027)	21,400
Population change (annual average)	1,427

Variable: Household size

Table A2.5: Impact of varying assumptions about household size: on 2010 ONS projections

	2012	2027	Total change	Change per year
2010 based projections				
Total Population	140,400	165,700	25,300	1687
Assume total household population = 97% of total population				
Household population	136,188	160,729	24,541	1636
Assume declining household size to 2.38				
Households	56,276	67,533	11,257	750
Assume declining household size to 2.36				
Households	56,276	68,106	11,829	789

Table A2.6: Impact of varying assumptions about household size: on Scenario 1 outputs (from Table A2.1)

	2012	2027	Total change	Change per year
Scenario 1 outputs				
Total Population	140,400	156,146	15,746	1,050
Assume total household population = 97% of total population				
Household population	136,188	151,462	15,274	1,018
Assume declining household size to 2.38				
Households	56,276	63,639	7,363	491
Assume declining household size to 2.36				
Households	56,276	64,179	7,903	527

Table A2.7: Impact of varying assumptions about household size: on Scenario 2a outputs (from Table A2.3)

	2012	2027	Total change	Change per year
Scenario 2a outputs				
Total Population	139,600	156,500	16,900	1,127
Assume total household population = 97% of total population				
Household population	135,412	151,805	16,393	1,093
Assume declining household size to 2.38				
Households	55,955	63,784	7,828	522
Assume declining household size to 2.36				
Households	55,955	64,324	8,369	558

Table A2.8: Impact of varying assumptions about household size: on Scenario 2b outputs (from Table A2.4)

	2012	2027	Total change	Change per year
Scenario 2b outputs				
Total Population	139,800	159,700	19,900	1,327
Assume total household population = 97% of total population				
Household population	135,606	154,909	19,303	1,287
Assume declining household size to 2.38				
Households	56,036	65,088	9,052	603
Assume declining household size to 2.36				
Households	56,036	65,639	9,604	640

Table A2.9: Impact of varying assumptions about household size: on Scenario 2c outputs (from Table A2.4)

	2012	2027	Total change	Change per year
Scenario 2c outputs				
Total Population	140,000	161,400	21,400	1,427
Assume total household population = 97% of total population				
Household population	135,800	156,558	20,758	1,384
Assume declining household size to 2.38				
Households	56,116	65,781	9,665	644
Assume declining household size to 2.36				
Households	56,116	66,338	10,222	681

Annex 3
Implications of varying assumptions about household change on balanced migration projections

Table A3.1: Impact of varying assumptions about household size: on ‘balanced migration’ population projections

	2011	2026	Total change	Change per year
Balanced migration				
Household population	134,439	141,856	8,308	554
Household size	2.34	2.21	7,417	494
Total households	57,533	64,171	6,638	443
Assume declining household size from 2.42 to 2.38				
Household population	134,439	141,856		
Household size	2.42	2.38		
Total households	55,553	59,603	4,050	270
Assume declining household size from 2.42 to 2.36				
Household population	134,439	141,856		
Household size	2.42	2.36		
Total households	55,553	60,108	4,555	304