

REPORT TO:	Special Planning Policy Committee - 21 February 2023
SUBJECT:	Arun Housing Absorption Study
LEAD OFFICER:	Neil Crowther, Group Head of Planning
LEAD MEMBER:	Councillor Richard Bower
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:	
The recommendations supports:- <ul style="list-style-type: none"> • Improve the Wellbeing of Arun; • Delivering the right homes in the right places. 	
DIRECTORATE POLICY CONTEXT:	
The proposals will help to enhance the quality of the natural and built environment, protect the district's natural and heritage assets and to promote economic growth in a sustainable manner, striking a balance between the need for development and the protection of scarce resources.	
FINANCIAL SUMMARY:	
There are no financial implications arising from this study.	

1. PURPOSE OF REPORT

- 1.1. The report seeks the Planning Policy Committee to note that the evidence in the Arun Housing Market Absorption Study be used for the Local Plan Update (when it resumes) and be uploaded to the Council's evidence base website. A briefing for all members on this study was held on 6 February 2023.

2. RECOMMENDATIONS

- i. To note the Arun Housing Absorption Study as evidence to inform plan making and that it is uploaded to the Arun evidence pages.

3. EXECUTIVE SUMMARY

- 3.1. Icen Projects consultancy were commissioned by Arun District Council to prepare a Housing Market Absorption Study. This aims to consider the ability of Arun's housing market to deliver the current housing requirement set out in the adopted Local Plan, including as a basis for informing future plan making. The report concludes that the Arun housing market appears strong but structurally weak, fuelled by in migration a lower value economy and ageing demographic contributing to an affordability gap. It is too early to gauge the absorption rate for Strategic Allocations and there is a need to reassess absorption rates within the next 2 - 3 years as they come on stream.

4. DETAIL

4.1. In May 2022 Icen Projects were commissioned to undertake a Housing Absorption Study in Arun district to inform housing delivery performance and the update of the Arun Local Plan housing policies. The main reason for this commission was because it was considered essential to understand whether the housing market was capable of delivering the housing numbers required at a national level that were included within the 2018 Local Plan. Officers consider that it is essential to understand whether there is a ceiling to house building that is unrelated to housing targets or the number of planning permissions and whether there is a point at which any housing target within a Local Plan or set by national standard methodology might not be relevant because the market might never deliver at these rates.

4.2. The study methodology analysed: -

- Arun's demographic and economic context
- Arun's housing Market
- Housing delivery Trends
- Arun's Housing Land Supply & Trajectory

Key Analysis

Arun's demographic and economic context

4.3. The study's key analysis shows that Arun's housing market is principally being sustained by demand from older, more wealthy homeowners moving into the District from other areas (particularly from Horsham, Worthing and Chichester) where housing is substantially more expensive. This is reflected in Arun's older age group profile (36% of residents aged over 60 compared to other areas), although recently, there is evidence of in migration from younger families and middle-aged groups drawn in by relatively lower house prices who are seeking to release equity or make lifestyle choices (e.g. trading up or seeking larger space). At the same time Arun's economy is structurally weak (e.g. a greater level of lower paid/skilled jobs) so that younger resident households with the relatively low earnings, are unable to compete. This has a notable impact on affordability in the District with lower quartile and median affordability ratios higher in Arun than the wider South East and for some measures the county.

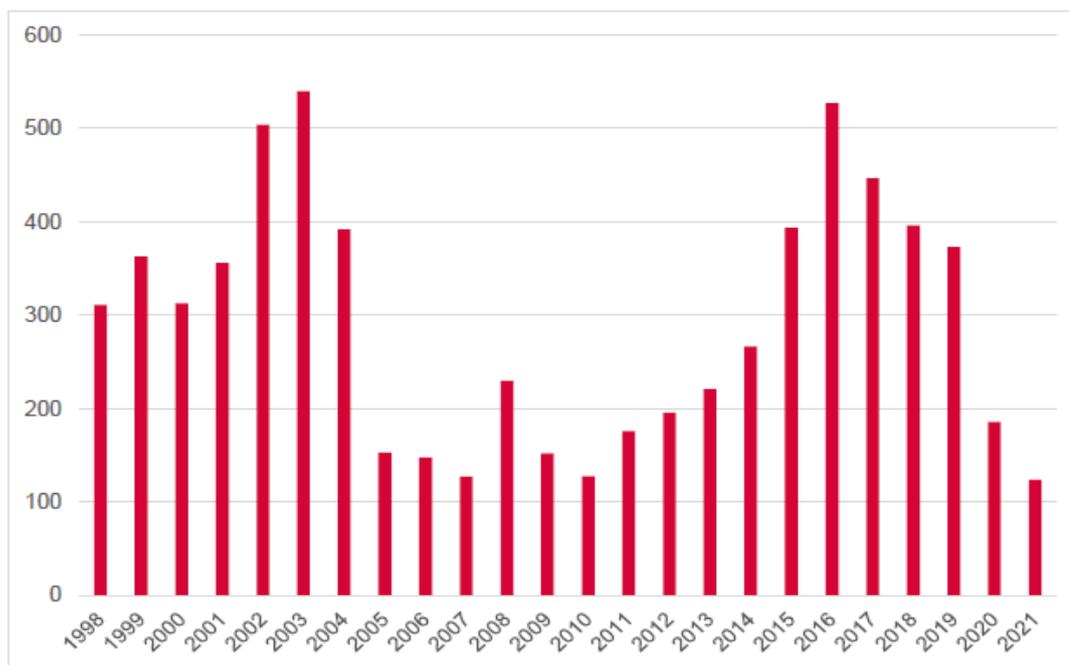
Arun's Housing Market

4.4. Arun's housing market shows that house prices are lower in Arun District when set against West Sussex and the South East, offering a more affordable area to move to in comparison to neighbouring authorities. Average house prices in Arun are £325,000 compared to £490,000 - £515,000 in London/Surrey. Values are also lower than Chichester, Mid-Sussex, Adur, Worthing & Horsham. This has resulted in in-migration of approx. 1,700/year coming to live in Arun from outside of Arun.

4.5. Arun's economy has been growing faster than West Sussex as a whole over the past 5 years but average wages are significantly lower than the average.

- 4.6. Arun has a higher than average rate of owner occupiers. Average sales per year have averaged 3,500 over the past 20 years with the rate being around 3,300/year at the moment. Significantly, new build sales as a proportion of total sales have significantly declined in recent years, though this is in line with national trends.
- 4.7. There are 8 major house builders in the District (Persimmon & Redrow are most active). There are notable omissions (Berkeley, Thakeham, Countryside, Crest and Bloor). There are several SME regional housebuilders.

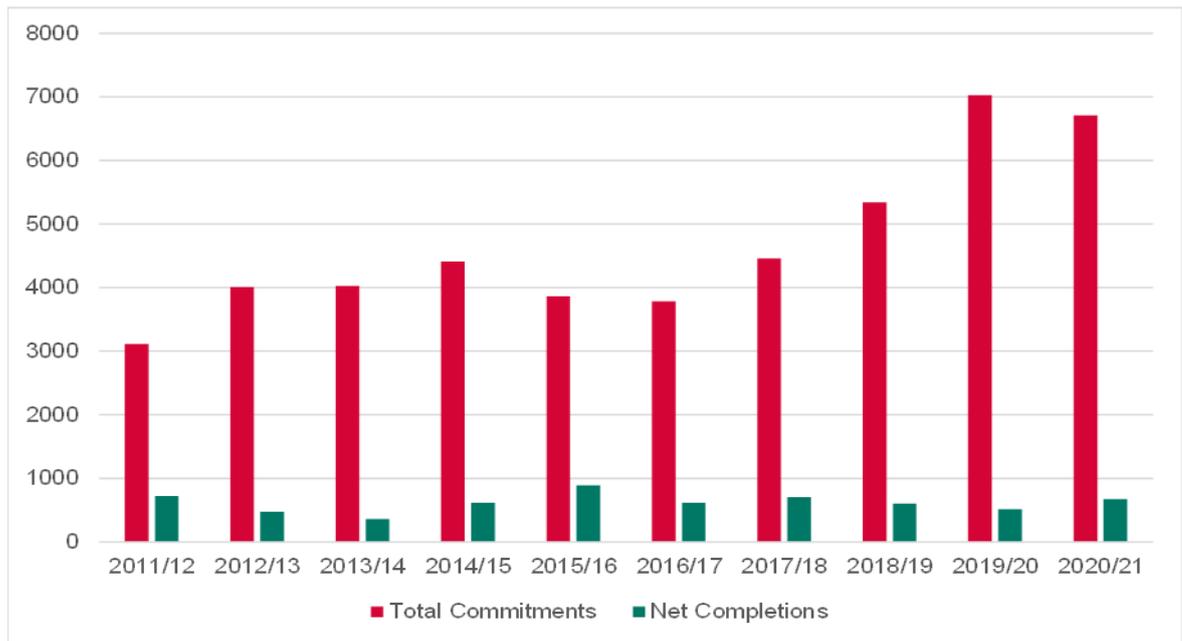
Figure 3.11: New-Build Sales, 1998 to 2021, Arun District



Housing Delivery Trends

- 4.8. The study considers that Arun has a healthy housing market - yet delivery has been held back because of the over reliance on large Strategic Sites that have not delivered their share of the stepped housing trajectory because of the long lead times from allocation to gaining planning consent, having regard to all the barriers encountered that frustrate coordinating quality development schemes, joined up placemaking and necessary infrastructure delivery.
- 4.9. Historic delivery rates (i.e. housing completions) have been low (around 550 dwellings per annum over the last 20 years i.e. running at 50% of the annualised Local Plan requirement) and more recently, modest (rising to around 620 dpa since 2016 partly explained by delivery of older strategic sites in the past, and via enabling affordable housing delivery in some years). In only two of the past 20 years has delivery exceeded 700 dwellings/year.
- 4.10. Despite the identified planning inertia from the Strategic Allocations, monitoring shows that overall planning consents have been significantly high and rising compared to completions such that commitments exceed completions by many times (as tabled below).

Figure 5.4: Total Commitments vs Completions, Year-on-Year



4.11. The study points out that the average 550 dpa delivery rate is largely being sustained by sites of less than 300 units. For this reason, the study considers that Arun may be on the cusp of seeing a step change in housing delivery (setting aside the economic downturn) when the Strategic Allocations – most of which now benefit from planning permissions, begin to build out over the next 2 - 4 years.

4.12. However, delivery on strategic sites since 2016 (Angmering, Courtwick & North Littlehampton) has been between 50 – 70 dwellings/year/per site. Rates of over 120 dwelling/year/per site are required over the coming years if delivery is going to be achieved at over 1,000/year.

4.13. The study notes that, at March 2021, 2,500 dwellings should have come forward on strategic sites according the original assumptions presented by promoters at the Local Plan examination. However, none were delivered on the new allocations within the 2018 Local Plan by this time. A shortfall of 2,500 dwellings equates to nearly all of the shortfall in the 5 year land supply and it is clear that the time taken to bring forward these sites has massively impacted the housing land supply position in Arun. BEW and Bersted have only just been submitted over 4 years since adoption of the Plan and it is taking 3 years from outline permission to submit reserved matters on many other sites.

4.14. Because of these delays in granting permission, the study finds that it is too early to conclude on whether there is a market capacity issue in the context of housing absorption rates (i.e. ability to sell completed houses) in particular with regard to Strategic Developments.

The Local Plan Housing Trajectory

4.15. The study comments that the Local Plan trajectory was informed by what promoters (and Statements of Common Ground) told the Council at the Local Plan examination. Yet as of April 2022 strategic allocations only recently benefit from planning permissions and are yet to start to deliver completions. The study states that the Local Plan Inspector has been shown to be right in his description of the trajectory as 'optimistic'. Average lead-in times for strategic sites of over 500 homes are 5 years or more to first completions.

Developing a New Local Plan

4.16. Following the above study analysis, which finds that Arun's housing market is healthy and resilient, while the economy is weak leading to affordability issues and the market is held back by the planning delay (i.e. over reliance on Strategic Sites with long lead times), the study turns to consider what the appropriate growth rate might be to inform the Local Plan update (when this resumes).

4.17. Over the past 20 years, housing growth rates have been 0.8% (of total housing stock) in Arun. This rises to 0.9% over the past 8 years. This data highlights the scale of the issue in Arun because the national target is 1.1% and, to achieve 1,000 dwellings/year, a rate of 1.2% is required. To achieve the actual requirement in the Standard Housing Methodology, the rate rises to 1.6%. This rate would be significantly above the national rate as well as rates currently being seen in Mid-Sussex & Horsham. There are obviously some reservations about how realistic these rates of growth are in terms of achievability.

4.18. The study comments that a rate of 1.6% would be 'challenging' for Arun, even before the current weakening in the economy, and now looks very unrealistic with the current strategy.

4.19. The study considers, nevertheless, that there is clear potential for housing delivery rates over the next decade in Arun to be substantially stronger than the past. Recent planning progress on strategic sites indicates that Arun is potentially on the cusp of seeing an increase in housing delivery - although now, the weakening economy could see a reduction in build out rates with rising interest rates impacting on construction and infrastructure costs.

4.20. Therefore, comparatively, sustaining 1,000 dwellings/year would represent 1.2% per annum growth in the housing stock which the study considers to be more realistic over the economic cycle (with years of stronger and weaker delivery against this). Growth of up to 1.4% is 'less realistic'.

4.21. To maintain delivery rates of 1,000+ dwellings/year the Council will need to maintain 5-year housing land supply at least 4,800 deliverable dwellings (i.e. with detailed or reserved matters consent).

Actions to Support Housing Delivery

4.22. Finally, to support higher housing delivery, the study makes number of recommendations for consideration which includes better resources (a national issue); better pre-app planning and screening at validation; a stronger intervention role for Strategic Development Team (to overcoming infrastructure delay liaising with developers and providers and finance sources e.g. Homes England, to boost Arun's attraction for national providers and improve residential values for the build out rate); greater diversity of smaller to medium sites; product differentiation (e.g. retirement housing, build-to-rent and affordable ownership, self- and custom-build) to encourage the SME and smaller specialist providers across Arun's sub areas (i.e. The two larger coastal towns, smaller inland settlements and those in the north of the District).

Officer Comment

4.23. Officers welcome the report which provides a wealth of evidence on the character and nature of Arun's housing market and the role that planning has had in its operation. It is very much recognised that this report provides a market perspective and has tried to cover the spectrum of market and planning evidence. There are many positive recommendations and incites on how Arun can try to boost housing delivery and make it more relevant to addressing the needs of existing residents (i.e. not fuelling in migration), and some of these may also become part of the council's housing Delivery Test Action Plan and inform plan making.

4.24. However, the key hypothetical question concerning whether the natural housing absorption rate is different to any housing target (set locally or nationally) remains an area for debate. Officers agree with the study that the annualised growth rates of 1.6% and 1.4% (see paragraphs 4.15 to 4.20 above) are likely to be unrealistic challenges for any Local Plan update in Arun. At face value the study concludes that 1.2% (i.e. close to the current Local Plan target of 1,000 dpa) is more realistic across the economic cycle, through Strategic sites no longer being a barrier. What this means is that the current requirements in the Local Plan will not be achieved and the Council will not 'catch up'.

4.25. There are genuine and robust concerns (from officers and members) around what the housing requirements in Arun will ever be able to be sustained by the housing market in Arun. That was the purpose of this study. Whilst the study has not yet concluded on this matter (because the author considers that it is too early to do so), it does provide a large amount of useful evidence on the scale of the issue and what is required to change over the next 2 – 4 years in order to be able to conclude on this. Arun District Council has done a lot since the adoption of the Local Plan to boost delivery and planning permissions have significantly increased. We now need to see that translated into higher house building rates. Evidence over the coming years will inform the Council whether delivery growth rates are realistic or whether the number of permissions is not the key factor in housing delivery (because this will not be the issue constraining delivery).

Conclusion

- 4.26. The Housing Absorption Study is valuable independent evidence and advice that the Council can choose to consider - together with other advice and expertise, for action to boost housing delivery rates and to address identified structural weaknesses via the Local Plan Update (when it resumes). There will be a need to ensure provision is made for continued monitoring and assessment of housing absorption rates as significant scale delivery is achieved on the Strategic Allocations over the next few years albeit, recognising that delivery in individual years will be influenced by the wider market/economic cycle.
- 4.27. Should the Council resolve to resume preparation of the Local Plan in summer 2023, this work would need to be revisited closer to examination so that further evidence on delivery can be considered before the Council conclude what the housing targets in a future Local Plan should be.

5. CONSULTATION

- 5.1. No consultations have been undertaken.

6. OPTIONS / ALTERNATIVES CONSIDERED

- 6.1. The Council can choose to accept the study and its conclusions as part of the Local Plan evidence base and upload it to the web site or not to accept the Study - although this would significantly undermine the legal requirement for robust evidenced based future plan making.

7. COMMENTS BY THE GROUP HEAD OF CORPORATE SUPPORT/SECTION 151 OFFICER

- 7.1. The implementation of the recommendations will require further budget resources to commissioned further absorption study work as Strategic Allocations rebuilt out.

8. RISK ASSESSMENT CONSIDERATIONS

- 8.1. Implementing the recommendation will minimise the risk that the Local Plan update when it resumes will be found unsound at examination.

9. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER

- 9.1. There are no Governance or legal implications arising from this Study.

10. HUMAN RESOURCES IMPACT

- 10.1. There are no implications arising from the Study proposals.

11. HEALTH & SAFETY IMPACT

- 11.1. The proposals may help to improve housing delivery through evidenced plan making, having a positive impact on health and wellbeing.

12. PROPERTY & ESTATES IMPACT

12.1. There are no direct implications for the Councils general fund asset portfolio.

13. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

13.1. The proposals may help to improve access to housing through plan making for all sections of the community, having a positive impact on health and wellbeing.

14. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

14.1. This report as is will have no impact to climate change or sustainability. However, it will likely lead to projects and activities which do. Therefore, climate change and the environment will be seriously considered when housing locations are selected, and housing is developed to ensure as little impact as possible is inflicted. This is in line with the Council's vision document.

15. CRIME AND DISORDER REDUCTION IMPACT

15.1. There are no direct adverse implications for crime and disorder.

16. HUMAN RIGHTS IMPACT

16.1. There are no direct adverse implications for human rights.

17. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

17.1. There are no implications.

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BACKGROUND DOCUMENTS:

Background Paper 1: "Housing Market Absorption Study"
<https://www.arun.gov.uk/housing-planning-policy>