



GL Hearn

Housing Need in Horsham District

Horsham District Council

March 2015

Prepared by

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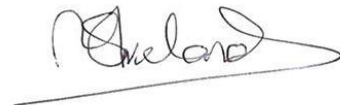
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Limitations

This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of GL Hearn; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

1 INTRODUCTION

- 1.1 GL Hearn has been commissioned by Horsham District Council to prepare an updated assessment of the need for housing, to inform proposed modifications to the Horsham District Planning Framework (HDPF).
- 1.2 The assessment of housing need in this report is undertaken taking account of:
- National Planning Policy Framework¹;
 - Planning Practice Guidance: Housing and Economic Development Needs Assessments².
- 1.3 The report assesses ‘housing need.’ The Planning Practice Guidance sets out that the need for housing describes both market and affordable housing, and is intended to address the scale of housing supply necessary to meet housing demand.
- 1.4 It is also clear that the assessment of development needs is an objective assessment, based on facts and unbiased evidence; and that constraints such as those related to land supply, historic under performance, viability, infrastructure or environmental constraints are not relevant to the assessment of need; but may be relevant in bringing together the evidence base in setting policies within plans.
- 1.5 National policy sets the bar high in regard to meeting housing need. The recent Royal Courts judgement in the case of *Gallagher Homes Ltd and Lioncourt Homes Ltd vs. Solihull Metropolitan Borough Council* makes a clear distinction between “objectively assessed needs” for housing and a “policy on” housing target which takes account of wider considerations. However it clearly sets out that the bar is set high in regard to meeting defined housing needs in the NPPF, describing this as ‘a consideration of particular standing.’
- 1.6 GL Hearn has previously prepared the following reports for Horsham District Council:
- Locally-Generated Needs Study 2010;
 - Additional Analysis Report 2010 (which considers need over a 2011-31 plan period);
 - Locally-Generated Needs Study 2011 Update;
 - Locally-Generated Needs Study: Census 2012 and South Downs National Park Update.
- 1.7 The focus of this report is on updating the previous assessments and in drawing together evidence to consider the Objectively Assessed Need (OAN) for housing. Housing need is assessed for Horsham District, which includes both the plan area for the HDPF and those parts of the District which fall within the South Downs National Park.

¹ CLG (March 2012) *National Planning Policy Framework*

² CLG (March 2014) *Planning Practice Guidance*

- 1.8 It takes account of the latest demographic data, namely the 2012-based Sub-National Population Projections published by the Office for National Statistics (ONS) in May 2014; and the 2012-based Household Projections published by the Department for Communities and Local Government (CLG) in February 2015.
- 1.9 The Horsham District Planning Framework (HDPF) has been submitted for Examination. This report takes into account the Inspector's Initial Findings regarding the soundness of the plan, where he deals with the Duty to Cooperate (DTC) as well as housing needs and supply.

National Policy and Guidance

- 1.10 The Coalition Government has reformed the policy framework for strategic planning, particularly on issues such as housing. Regional strategies have been revoked (the South East Plan³ was revoked in April 2013) and responsibility for planning on cross-boundary issues has been returned to local authorities.
- 1.11 The primary legislation to support this is the 2011 Localism Act which now imposes a 'duty to cooperate' on local authorities, requiring them to "engage constructively, actively and on an on-going basis" with the other authorities and relevant bodies. The Duty to Cooperate is applied as both a legal and soundness test to which development plans must comply.
- 1.12 National policies for plan-making are set out within the National Planning Policy Framework⁴. This sets out key policies against which development plans will be assessed at Examination and to which they must comply.

National Planning Policy Framework (NPPF)

- 1.13 The National Planning Policy Framework (NPPF) was published in March 2012. The Framework sets a presumption in favour of sustainable development whereby local plans should meet objectively assessed development needs, with sufficient flexibility to respond to rapid change, unless the adverse impacts of doing so would significantly or demonstrably outweigh the benefits or policies within the Framework indicate that development should be restricted.
- 1.14 The NPPF highlights the Strategic Housing Market Assessment (SHMA) as a key piece of evidence in determining housing needs. Paragraph 159 in the Framework outlines that this should identify the scale and mix of housing and the range of tenures which the local population is likely to need over the plan period which:

³ CLG (May 2009) *The South East Plan – Regional Spatial Strategy for the South East of England*

⁴ CLG (March 2012) *National Planning Policy Framework*

- Meets household and population projections, taking account of migration and demographic change;
 - Addresses the need for all types of housing, including affordable housing and the needs of different groups in the community; and
 - Caters for housing demand and the scale of housing supply necessary to meet this demand.
- 1.15 Paragraph 181 sets out that LPAs will be expected to demonstrate evidence of having effectively cooperated to plan for issues with cross-boundary impacts when their Local Plans are submitted for examining.
- 1.16 Paragraph 158 of the NPPF also emphasises the alignment of the housing and economic evidence base and policy. Paragraph 17 outlines that planning should also take account of market signals, such as land prices and housing affordability. Paragraph 173 also makes clear that plans must be deliverable.

National Planning Practice Guidance

- 1.17 New Planning Practice Guidance was issued by Government in March 2014 on ‘*Assessment of Housing and Economic Development Needs*’. This is relevant to this report in that it provides clarity on how key elements of the NPPF should be interpreted, including the approach to deriving an objective assessment of the need for housing. The approach in this report takes account of this Guidance.
- 1.18 The Guidance defines “need” as referring to ‘the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet this need.’ It sets out that the assessment of need should be realistic in taking account of the particular nature of that area, and should be based on future scenarios that could be reasonably expected to occur. It should not take account of supply-side factors or development constraints. Specifically the Guidance sets out that:
- “plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historical under performance, infrastructure or environmental constraints. However these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans.”*
- 1.19 The Guidance outlines that estimating future need is not an exact science and that there is no one methodological approach or dataset which will provide a definitive assessment of need. However, the starting point for establishing the need for housing should be the latest household projections published by the Department for Communities and Local Government (CLG). At the time of

preparation of this report these the latest projections are the 2012-based Household Projections⁵. It also outlines that the latest population estimates should be considered. The latest ONS population estimates are 2013 Mid Year Population Estimates published by ONS in June 2014.

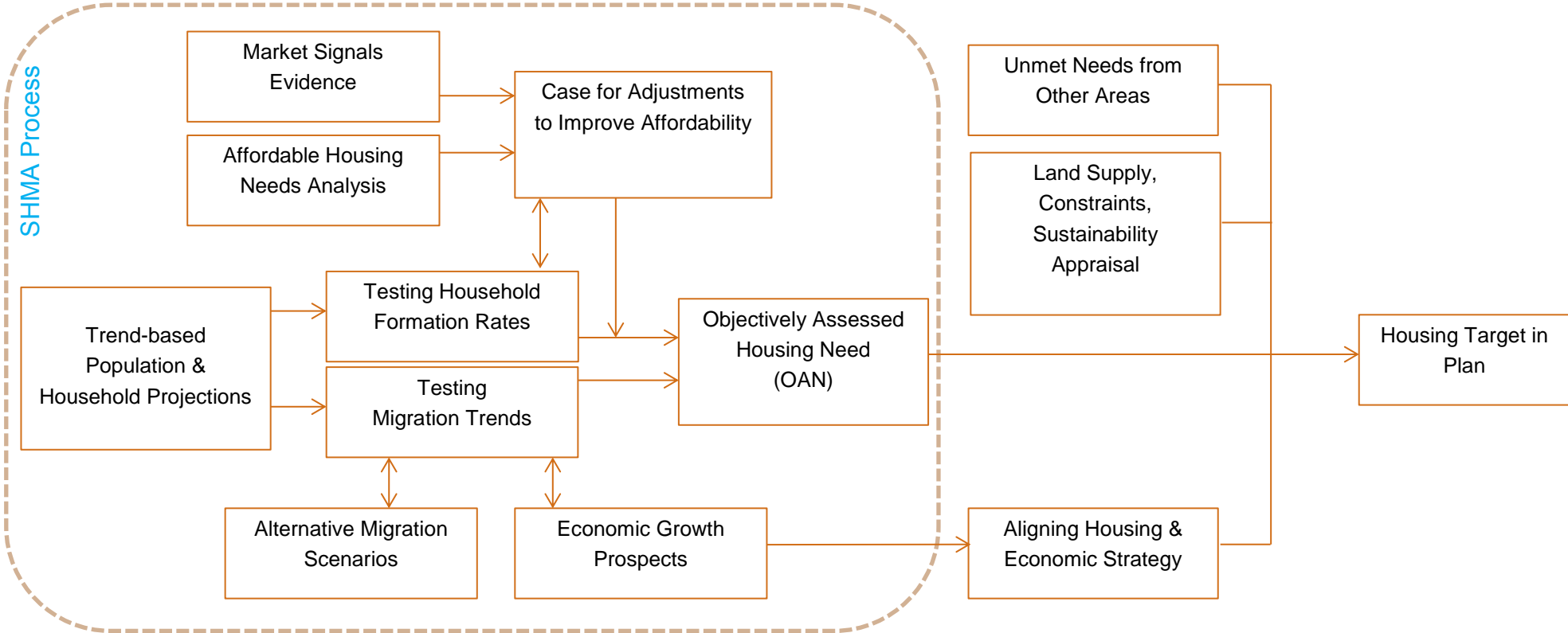
- 1.20 It sets out that there may be instances where these national projections require adjustment to take account of factors affecting local demography or household formation rates.
- 1.21 It suggests that proportional adjustments should be made where the market signals point to supply being constrained relative to long-term trends or to other areas in order to improve affordability.
- 1.22 Evidence of affordable housing needs is also relevant, with the Guidance suggesting that the total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing. In some instances it suggests this may provide a case for increasing the level of overall housing provision.
- 1.23 In regard to employment trends, the Guidance indicates that job growth trends and/or economic forecasts should be considered having regard to the growth in working-age population in the housing market area. It sets out that where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility and other sustainable options such as walking and cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing and infrastructure development could help to address these problems.

Overview of the Approach to Deriving OAN

- 1.24 The NPPF and Practice Guidance set out a clear approach to defining OAN for housing. We have sought to summarise this within the diagram below. This summarises the approach we have used to considering OAN.
- 1.25 This report considers housing need and factors relevant to setting targets for housing provision within the Horsham District Planning Framework. However decisions regarding future policies are a matter for the Council.

⁵ CLG (February 2015) *2012-based Household Projections*

Figure 1: Overview of Approach



Horsham District Planning Framework Examination

- 1.26 The Horsham District Planning Framework was submitted to the Secretary of State for Examination in August 2014.
- 1.27 The September 2012 Locally-Generated Needs Study provided the principal supporting evidence to the plan in defining housing need in Horsham District (including areas within and outside of the South Downs National Park area). This took account of information available in mid 2012, including initial results from the 2011 Census on the population in mid 2011 and 2010-based Sub-National Population Projections. Based on this evidence, the Council identified a need to provide 560 homes per annum to meet its own needs. It set out a housing target within the HDPF for 650 homes, in order both to meet the District's own needs, contribute to growth of the wider economy across the Gatwick Diamond and to meeting unmet needs in adjoining areas.
- 1.28 The Inspector's Initial Findings found that the Council had failed to justify the identified level of housing provision, and in particular that the Council's estimate of need did not properly reflect the most recent data available.

Demographic 'Starting Point'

- 1.29 Following the approach set out in the PPG, the Inspector first considers demographic trends. Demographic projections are sensitive in particular to migration levels and household formation rates. The Inspector concludes that a need for around 600 dwellings per annum might be considered a good starting point for a housing needs assessment (Paras 7 and 10).
- 1.30 The Inspector found that the approach adopted in the 2012 LGNS in projecting household formation rates to fall between recent and long-term trends was prudent, concluding that:

In Horsham, an area with no apparent significant changes in the rate of international immigration, changes to headship rates are more likely to have been affected by changes in the propensity to form new households, particularly among young adults. While this may revert to an increasing trend in the longer-term (and thus lower household sizes) recent national figures show little sign of improvement in average real incomes (and thus affordability of housing). The LGNS uses a balanced approach between recent and long-term trends, comparable to an indexed approach to the predictions of headship rates, which I consider prudent, rather than an immediate return to pre-recession levels of household formation."

- 1.31 The Inspector then outlines that there are other various factors (again following the approach in the PPG) which may require some adjustment to be made to demographically-modelled household projections, such as employment issues, affordable housing needs and market signals.

Accommodating Employment Growth

- 1.32 The Inspector next considered employment growth. The latest employment forecasts for the District were set out in the North West Sussex Economic Growth Assessment (EGA), dated April 2014. These indicated a baseline employment growth of 445 pa, totalling 8,890 jobs from 2011-31. However the Inspector questioned the realism of these forecasts – on the basis that they represented a significant increase on the growth forecast in the NW Sussex Economic Appraisal (October 2010); and a very significant increase on historic job growth between 1997 and 2013, of 273 jobs pa. He goes on to set out that:

Employment forecasts should be treated with caution and I have some doubts that there is a real need in Horsham District for job growth at the baseline rate predicted in the EGA. Nevertheless, the NPPF requires positive planning to meet employment needs and the forecasts are the most recent available. Some increase on the figure of 600 dpa to reflect aspirations for an increased rate of jobs growth appears reasonable.

Affordable Housing Need

- 1.33 The Inspector's Initial Findings set out that the affordable housing update in the 2014 SHMA indicates a minimum requirement for 225 dpa. In this respect, he concludes that it would not necessarily be appropriate to increase the amount of market housing to deliver more affordable housing, depending on other policy responses which might be available to the Council, but that it would be an advantage to increase overall housing provision .

Market Signals

- 1.34 In respect of market signals, the Inspector found that:

Horsham has been part of a HMA with affordability issues for many years. These do not appear to be worsening however; house price rises appear to have been similar to but just below the national rate. Delays in development rates at two major allocations at Kilnwood Vale and West Horsham appear to follow general patters after the recession in 2008, and were not solely related to the length of planning procedures.

Shortfalls in Housing Provision in Neighbouring Authorities

- 1.35 The Inspector found that the need to allow for provide for unmet housing needs in neighbouring authorities in accordance with the NPPF provided a “compelling reason to increase housing targets.”
- 1.36 The Inspector's Initial Findings clearly set out that Horsham is well placed to meet some of Crawley's unmet housing need, and that depending on the position of other Councils, particularly Mid Sussex, “up to 100 dpa could be considered an appropriate allowance for the needs of Crawley.”

1.37 He also noted that Brighton and Hove is highly constrained, but that it lies in a different HMA; concluding that:

Whether the rural, southern part of Horsham District would be an appropriate or attractive location for those wishing to live in Brighton is hard to estimate with any accuracy. In the longer term, the possibility of a new settlement may have to be considered .. but some small allowance might now be prudent.”

1.38 In respect of London, he noted that the Mayor’s evidence to the recent examination of the Further Alterations to the London Plan (FALP) indicates with confidence that the shortfall of 7,000 dpa can be met within London’s boundaries; and that there has been no indication from the Mayor that he is expecting the HDPF to meet any of London’s current needs.” Whilst the Inspector’s report in respect of the London Plan has been since been published, our understanding is that this is still the Mayor’s position.

Implications for Overall Housing Provision

1.39 Drawing the above factors together, the Inspector concluded the following:

I have found it difficult to draw all these points together to arrive at firm conclusions about a definitive level of housing need. However, the broad consensual baseline figure of about 600 dpa incorporates an assumption of job growth at a rate of more than 175 pa. Assuming a realistic allowance for employment growth of an additional 100 jobs pa, together with an allowance to meet the needs of Crawley and possibly Brighton and Hove, as proposed in the submitted Plan, would increase the total to at least 750 dpa. An annual target in the range of 750-800 dpa would have the advantage of providing the opportunity to achieve the minimum required number of affordable homes, assuming provision of about 30%, bearing in mind the minimum thresholds.”

1.40 The Inspector thus concluded that an annual housing target in the HDPF of at least 750 dpa would be appropriate in order to meet the District’s housing needs and contribute to meeting the unmet housing needs of Crawley and potentially Brighton and Hove.

Report Structure

1.41 This report updates the previous assessments and in drawing together evidence to consider the Objectively Assessed Need (OAN) for housing in Horsham District. It takes account of the latest demographic data, specifically the 2012-based Household Projections issued in 2015, and seeks to provide evidence to support Horsham District Council in identifying main modifications to the HDPF.

1.42 The remainder of the report is structured in the following way:

- Section 2: Trend-based Demographic Projections;
- Section 3: Economic-Driven Projections;
- Section 4: Affordable Housing Need;
- Section 5: Market Signals;
- Section 6: Conclusions.

2 TREND-BASED DEMOGRAPHIC PROJECTIONS

2.1 In this section consideration is given to demographic evidence of housing need. The analysis begins by providing an overview of demographic trends in Horsham before moving on to consider the most recent official population and household projections published by ONS and CLG respectively. The section also considers the interplay between population and employment growth.

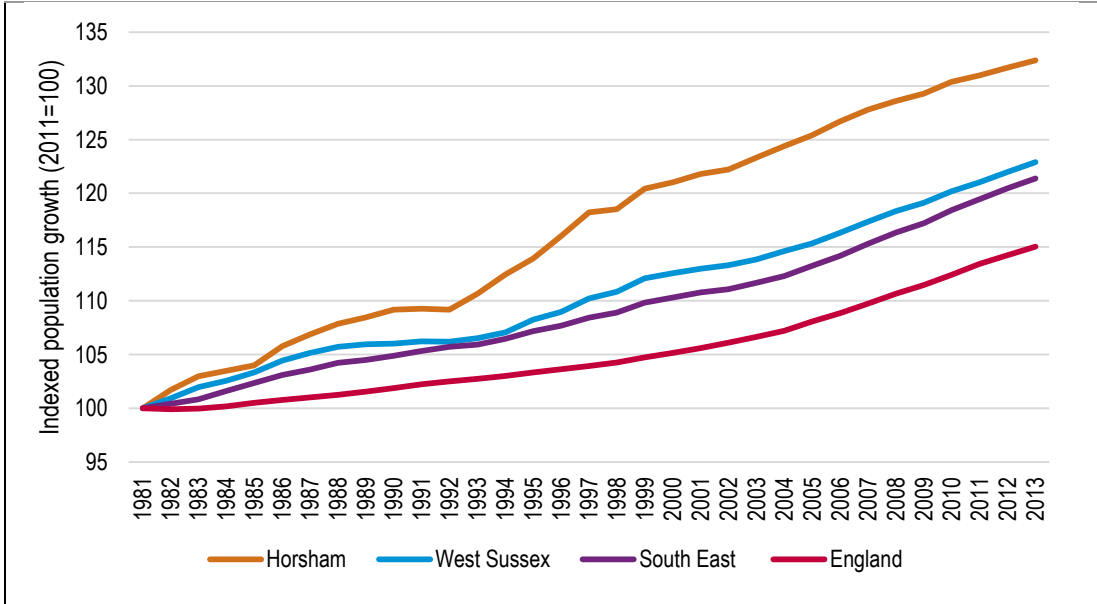
2.2 The core projections in this section look at housing needs in the period from 2011 to 2031 to align with the timeframe of the HDPF. Given that population data is available from ONS for the 2011-13 period the projections themselves start from 2013 (with data 2011-13 included in the modelling but being treated as fixed).

Population Dynamics in Horsham District

2.3 The population of Horsham in 2013 is estimated to be 132,900, based on ONS 2013 Mid Year Population Estimates. This is an increase of 10,600 people since 2001 – up from 122,300 - an 8.7% increase over the 12-year period. This level of population growth is slightly below that seen across West Sussex (8.8%), the South East (9.6%) and England (8.9%).

2.4 Figure 2 considers longer-term trends in population growth since 1981. Population growth in Horsham District was stronger than that in wider comparator areas in the 1980s and 1990s; but since 1999 has been more moderate.

Figure 2: Indexed Population Growth (1981-2013)

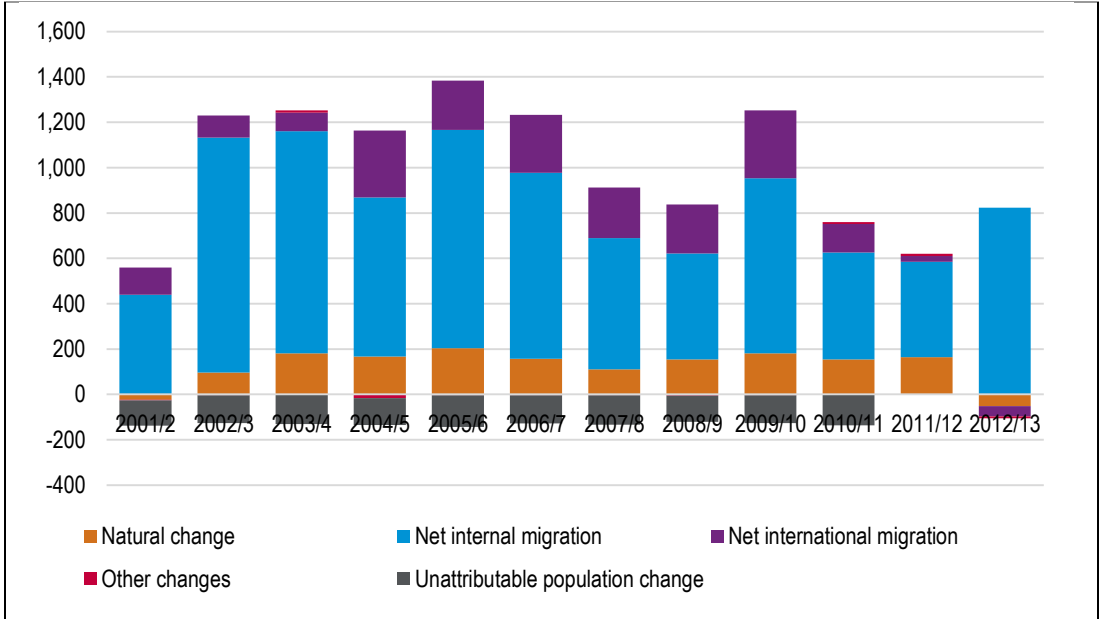


Source: ONS

2.5 Figure 3 below considers the drivers of population change in the District. Population change is largely driven by natural change (births minus deaths) and migration although within ONS data there is also a small other changes category and an unattributable population change (UPC). Unattributable population change could relate to inaccuracies in their the 2001 and 2011 Census data, or suggest that population growth had either been over- or under-estimated in the inter-Censal years. Because UPC links back to Census data a figure is only provided for 2001 to 2011.

2.6 The figure shows that migration is the key driver of population change and in particular internal migration (i.e. moves from one part of the Country to another). The data also shows fairly moderate natural change. Other changes are quite small, whilst UPC can be seen to be negative for those years where data is available. This suggests that the ONS components of change may have over-estimated past growth compared with what actually happened. We will return to discuss the impact of UPC on future population growth estimates later in this section.

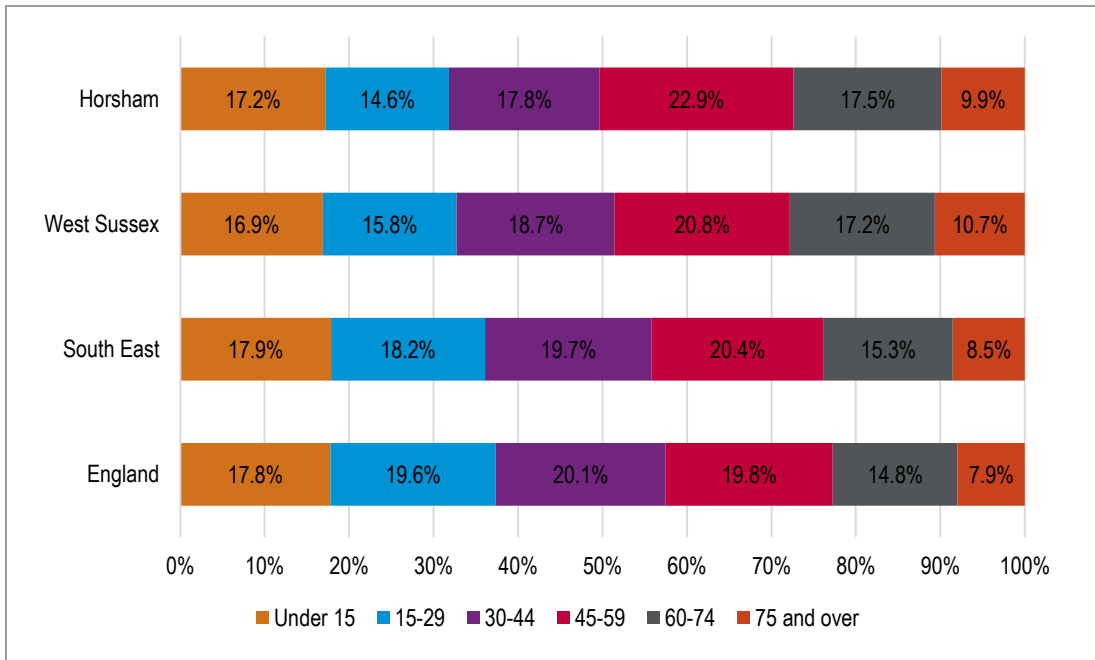
Figure 3: Components of Population Change, mid-2001 to mid-2013 – Horsham



Source: ONS

2.7 The age profile of the population is broadly similar to that seen across West Sussex, although there are a higher proportion of older people when compared with the region and nationally. As shown in Figure 4, some 27% of the population is aged 60 and over, compared with 28% in West Sussex, 24% regionally and 23% for the whole of England. Horsham has a relatively small population in the 15-29 age band, although this will to some extent be linked to student populations in other areas.

Figure 4: Population Age Profile (2013)



Source: 2013 Mid-Year Population Estimates

2.8 Table 1 below shows how the age structure of the population has changed over the 2001 to 2013 period. The data shows the most significant growth to have been in the 60-74 and 75+ age groups. The analysis also indicates a decline in the population aged 30-44, along with a very small reduction in the number of children (people aged under 15). The decline in persons 30-44 is a reflection of the movement of the large 30-44 age group in 2001 through the population structure.

Table 1: Change in Age Structure 2001 to 2013 – Horsham

Age group	2001	2013	Change	% change
Under 15	23,600	22,900	-700	-3.0%
15-29	18,000	19,400	1,400	7.8%
30-44	28,300	23,700	-4,600	-16.3%
45-59	25,800	30,500	4,700	18.2%
60-74	16,400	23,300	6,900	42.1%
75 and over	10,000	13,100	3,100	31.0%
Total	122,100	132,900	10,800	8.8%

Source: Census (2001), 2013 Mid Year Population Estimates

Demographic Projections

2.9 The PPG set out that *'household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need. The household projections are produced by applying projected household representative rates to the*

population projections published by the Office for National Statistics. Projected household representative rates are based on trends observed in Census and Labour Force Survey data’.

- 2.10 The most up-to-date projections are the 2012-based CLG Household Projections published in February 2015. These projections were underpinned by ONS (2012-based) Sub-National Population Projections (SNPP) – published in May 2014. Our analysis therefore initially considers the validity of the population projections and their consistency with past trends.

2012-based Sub-National Population Projections

- 2.11 The latest set of Sub-National Population Projections (SNPP) were published by ONS on the 29th May 2014. They replace the 2010- and 2011-based projections. Subnational population projections provide estimates of the future population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration which are constrained to the assumptions made for the latest national population projections. The new SNPP are largely based on trends in the 2007-12 period (2006-12 for international migration trends). The SNPP are only population projections and do not contain headship rates (which are needed to derive projections for household growth).
- 2.12 As the PPG sets out, the SNPP are not forecasts and do not attempt to predict the impact that future government or local policies, changing economic circumstances or other factors might have on demographic behaviour. The primary purpose of the subnational projections is to provide an estimate of the future size and age structure of the population of local authorities in England. These are used as a common framework for informing local-level policy and planning in a number of different fields as they are produced in a consistent way.
- 2.13 Table 2 shows projected population growth from 2011 to 2031 in Horsham District and wider areas. The data shows that the population of the District is expected to grow by around 17,300 people. This is a 13.2% increase – slightly below that expected across West Sussex and the South East but broadly in-line with the national average. It should be noted that due to inclusion within our modelling of mid-2013 population estimates for Horsham, the figures for the District do not exactly match those in the published SNPP. Figures for comparator areas are however taken directly from the SNPP.

Table 2: Projected Population Growth (2011-2031)

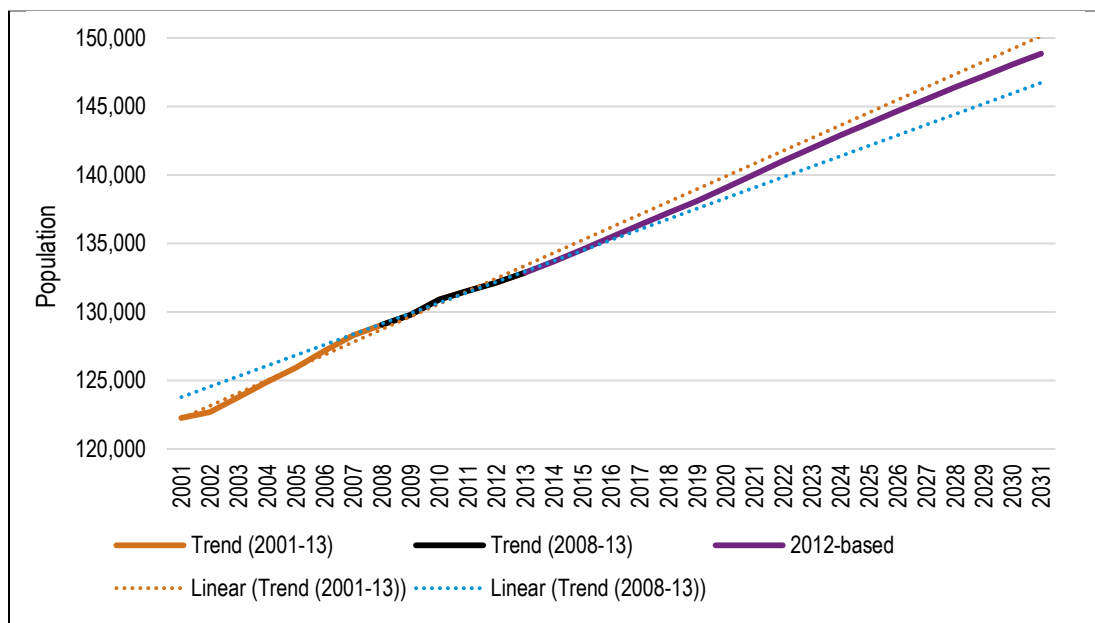
	Population 2011	Population 2031	Change in population	% change
Horsham	131,540	148,859	17,319	13.2%
West Sussex	808,900	938,200	129,300	16.0%
South East	8,652,800	9,979,900	1,327,100	15.3%
England	53,107,200	60,418,800	7,311,600	13.8%

Source: ONS

2.14 Figure 5 below shows past and projected population growth in the period 2001 to 2031 for Horsham. The data also plots a linear trend line for the last five years for which data is available (2008-13) and also a longer-term period from 2001 to 2013 – this being the longest period for which reasonable data about the components of population change (e.g. migration) is available.

2.15 The data shows that the population is expected to grow at a rate which is very slightly below long-term trends but slightly above that seen over the past five years.

Figure 5: Past and Projected Population Growth – Horsham

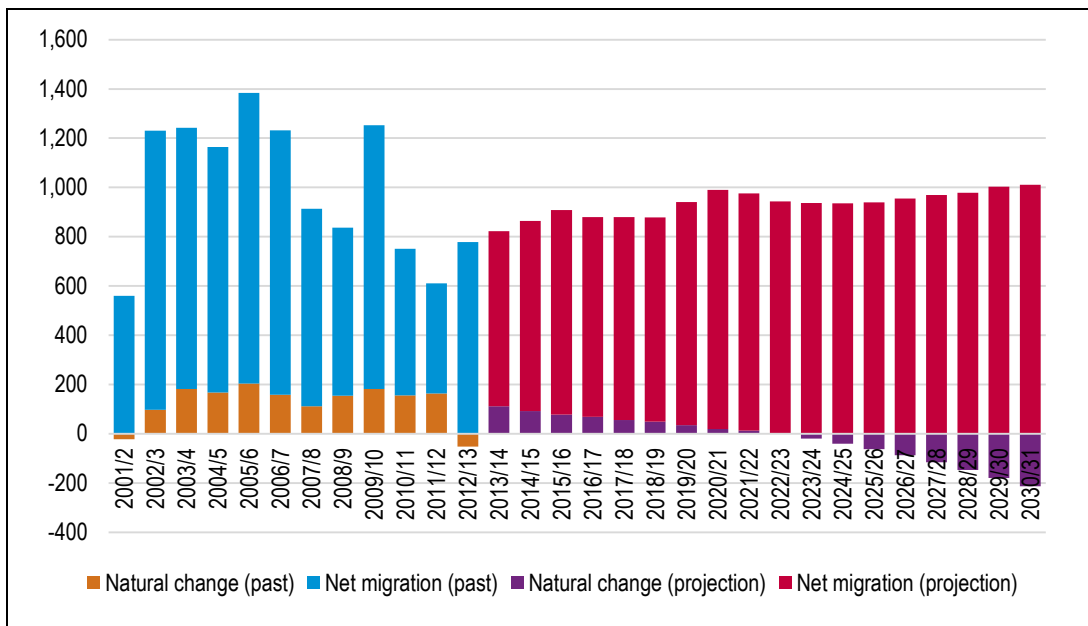


Source: ONS

2.16 Figure 6 assesses how natural change (the balance between births and deaths) and net migration (the balance between in- and out-migration) are expected to change in the projections, and compares this to past trends. This shows that after being slightly positive at the start of the projection period, natural change is expected to be negative, and at an increasing rate over time. This reflects changes in the population structure. Natural change is to some extent offset by an expected increase in net migration over time. When compared with the past trends in migration, the figures look to be reasonable. When looking at migration it is notable for the whole of the projection

period (2013-31) that the average level of migration is expected to be around 905 people (net) per annum – this figure is somewhat higher than the level seen in past trends, regardless of the period studied (865 per annum on average from 2001 to 2013 and 715 per annum for the past five years).

Figure 6: Components of Population Change, mid-2001 to mid-2031 – Horsham



Source: ONS

- 2.17 Overall, we would conclude that the SNPP is a reasonable projection to take forward into household growth modelling. Potentially an adjustment could be considered to take account of the Unattributable Population Change (UPC). However, this would reduce population growth and would be likely to see future growth below trend levels. For this reason no further consideration of UPC is given to these projections.
- 2.18 With growth in the population will also come age structure changes. Table 3 below summarise the findings for key (15-year) age groups under the 2012-based SNPP. The data shows that largest growth will be in people aged 60 and over; it is estimated that there will be 54,400 people aged 60 and over in 2031 – this is an increase of 19,500 from 2011, representing growth of 56%. The population aged 75 and over is projected to increase by an even greater proportion, 87%. Looking at the other end of the age spectrum the data shows that there are projected to be around 3% more people aged under 15, with small decreases shown for the 30-44 and 45-59 age groups.

Table 3: Population change 2011 to 2031 by fifteen year age bands (2012-based SNPP)

Age group	Population 2011	Population 2031	Change in population	% change from 2011
Under 15	22,874	23,497	623	2.7%
15-29	19,437	19,542	105	0.5%
30-44	25,056	24,088	-968	-3.9%
45-59	29,226	27,295	-1,931	-6.6%
60-74	22,350	30,939	8,589	38.4%
75+	12,597	23,499	10,902	86.5%
Total	131,540	148,859	17,319	13.2%

Household Growth

- 2.19 Having studied the population size and the age/sex profile of the population, the next step in the process is to convert this information into estimates of the number of households in the District. To do this the concept of headship rates is used. Headship rates can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)).
- 2.20 With the publication of new 2012-based CLG Household Projections a new set of headship rates is now available. These rates are considered to be more positive than the previous set (2011-based) and typically suggest higher rates of household growth for a given population. At a national level, the new projections show 10% higher growth in households over the 2012-21 period. For Horsham the figure is slightly lower (at 8%).
- 2.21 Table 4 below shows expected household growth in the 2012-based projections from 2011 to 2031 for Horsham and a range of other areas. The figures for Horsham District do not exactly match the CLG projections as we have included population data for 2013. All other areas show the data as published. The data suggest an increase in households of about 11,930 (597 per annum) over the 20-year period in Horsham District – this is a 22% increase; very slightly lower than expected across West Sussex but slightly above the regional and national average.

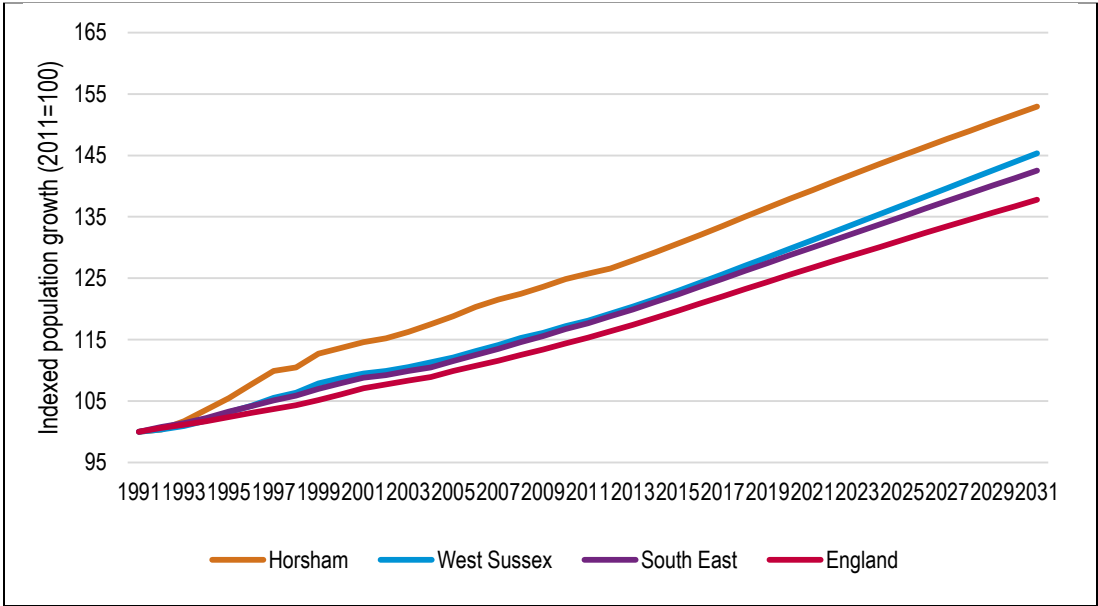
Table 4: Projected Household Growth (2011-2031)

	Households 2011	Households 2031	Change in households	% change
Horsham	55,036	66,970	11,934	21.7%
West Sussex	346,498	426,370	79,872	23.1%
South East	3,563,049	4,315,599	752,550	21.1%
England	22,103,878	26,406,679	4,302,801	19.5%

Source: ONS

2.22 The figure below shows household growth back to 1991 and projected forward to 2031. The analysis shows that growth in Horsham over the longer-term has been somewhat stronger than seen elsewhere. In all areas there is some evidence of a slight acceleration in growth rates from about 2012 onwards – this is consistent with the view that the new projections are taking a more positive view about household formation rates.

Figure 7: Indexed Household Growth (1991-2031)



Source: ONS

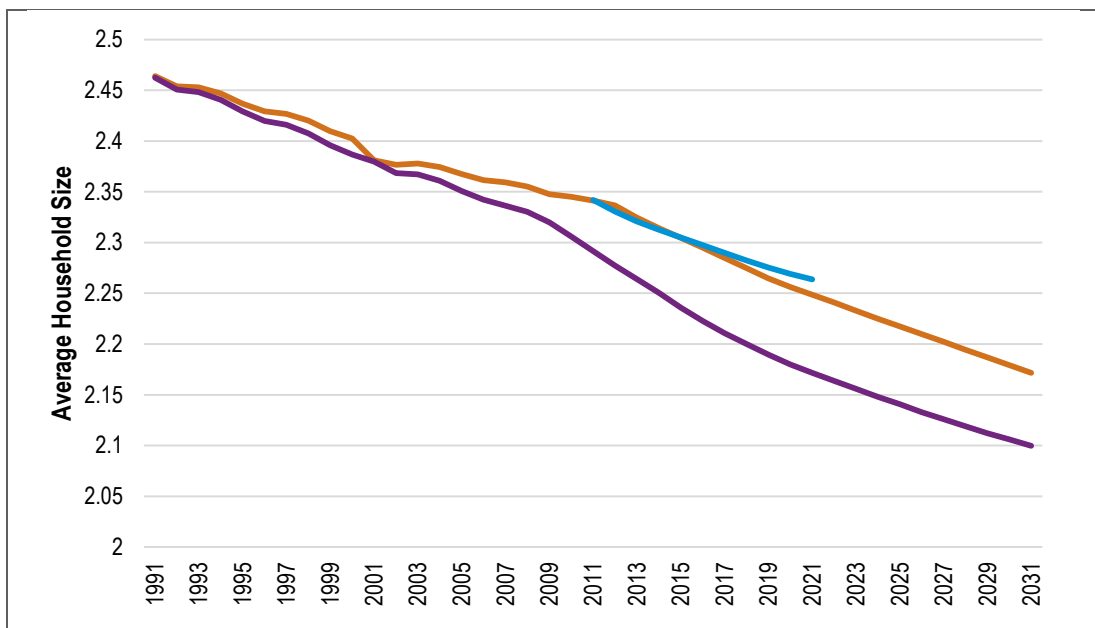
2.23 To consider the implications of the 2012-based household projections, we can compare projections for average household sizes. Figure 8 shows this based on each of 2012-, 2011- and 2008-based CLG household projections data. The data does show the 2012-based figures being slightly more positive than the 2011-based version. This can be seen by the newer projections expecting a greater decrease in average household sizes over time.

2.24 Interestingly in Horsham District, there is a trend of decreasing household sizes from 2001 to 2011 – this is a period where it is considered that there was some suppression in the housing market and at a national level household sizes remained broadly constant over this period. Hence there is some evidence that household formation was less suppressed in Horsham than in other areas. Moving forwards, average household size is expected to fall at a rate which is slightly faster than the past trends might suggest. This particularly reflects how the age structure of the population is expected to change moving forwards, with a growing number of older people living in smaller households.

2.25 Data from the 2008-based projections has also been included. This shows that average household sizes are above what might have been expected from this earlier release of data. However, looking at the period from 2012, the data suggests that the future trajectory in the 2012-based version is not

much different. Hence at face value it does look as if the new projections are returning rates of change to those experienced in the longer-term. Some caution should be exercised in the comparisons below as each are based on different population estimates – the size and structure of the population can have an impact on average household sizes, even if the same age specific rates were assumed.

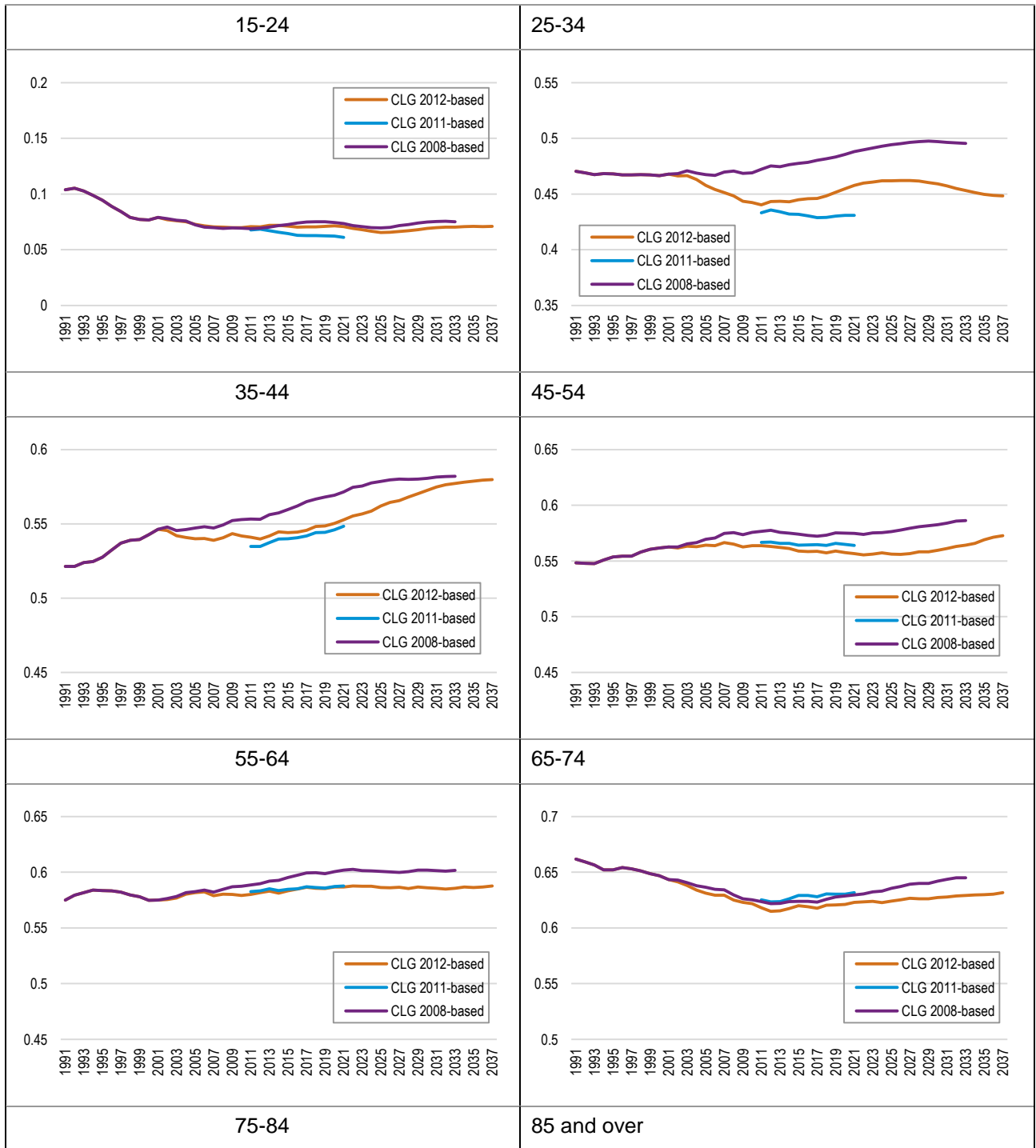
Figure 8: Past and Projected Trends in Average Household Size – Horsham

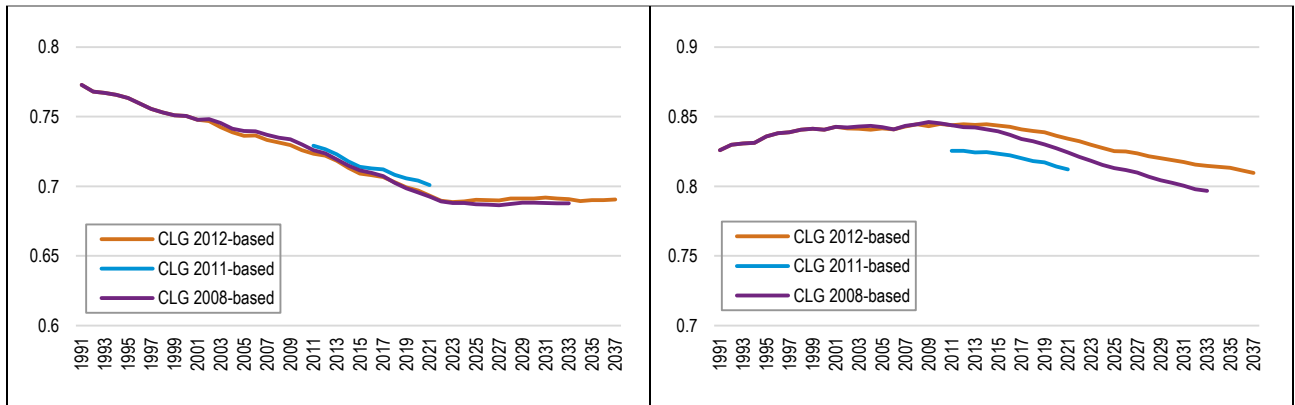


Source: Derived from ONS and CLG data

- 2.26 Changes in average household size are influenced by how the age structure of the population is expected to change, therefore it is important to understand how the different CLG projections expect household formation rates for different age groups to change. Figure 9 shows the headship rates used in each of the projections. Overall the 2012-based projections look fairly robust, with levels and rates of change being not dissimilar to those in the earlier (pre-recession) 2008-based projections.
- 2.27 The one area of potential concern is the 25-34 age band. The data suggests household formation for this age group fell between 2003-11. This however is not projected forwards – the projections show relatively stable household formation rates, with a modest improvement in household formation rates between 2011-31. The issue of household formation in the 25-34 age group is considered in more detail later in this report.

Figure 9: Projected Household Formation Rates by Age of Head of Household – Horsham





Source: Derived from CLG data

2.28 The table below brings together outputs in terms of household growth and housing need using the 2012-based headship rates and our core projection linked to the 2012-based SNPP. To convert households into dwellings, the data includes an adjustment to take account of vacant and second homes (a figure of 3.0% has been used; derived from 2011 Census data).

2.29 The data shows that by applying the 2012-based household formation rates there would be a need for 614 dwellings per annum. This figure would be considered as the starting point for assessing need following the approach set out in the PPG. It takes account of the most recent population and household projections.

Table 5: Projected household growth 2011-31 – 2012-based SNPP (as adjusted) and 2012-based Headship Rates

	2012-based Headship Rates
Households 2011	55,036
Households 2031	66,970
Change in households, 2011-31	11,934
Change in Households, per annum	597
Dwellings (per annum)	615

3 ECONOMIC-DRIVEN PROJECTIONS

3.1 As well as looking at demographic trends when considering what the housing requirement should be, the Planning Practice Guidance advised that consideration should be given to employment trends or forecasts. The PPG sets out that:

Plan makers should make an assessment of the likely growth in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population.

Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility and other sustainable options such as walking and cycling) and reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help to address these problems.

3.2 Paragraph 158 within the NPPF also emphasises the alignment of strategies for housing and employment within local plans. Balancing growth in jobs and homes also represents good spatial planning.

3.3 The Northern West Sussex Economic Growth Assessment 2014, prepared by NLP, considered the following scenarios for employment growth:

- Baseline: 8,890 additional jobs, 2011-31 (445 per annum);
- Higher-Growth: 12,720 additional jobs, 2011-31 (636 per annum);
- Capacity-based: 15,135 additional jobs, 2011-31(757 per annum).

3.4 The Baseline Scenario is derived from Experian's Regional Planning Service (May 2013) forecasts. The NLP report outlines that such forecasts tend to be most reliable at national and regional levels but are of use in indicating the broad scale and direction of employment growth in different sectors.

3.5 The higher growth and capacity-based scenarios, the NLP report outlines, incorporates to varying degrees a supply-based approach that assesses the potential uplift to economic growth that could be achieved if a certain number and type of sites were brought forward.

3.6 The Higher Growth Scenario models additional economic growth over and above the baseline associated with expansion of visitor and business tourism; additional housing development and delivery of key employment sites.

3.7 The Capacity-based Scenario is described in the NLP Report as 'purely theoretical' and tests the implications of development of up to three employment sites (providing 18 ha of land) which were not currently allocated or identified in the Council's HDPF Preferred Strategy. It can largely be dismissed as a reasonable scenario on this basis.

3.8 The Inspector considered employment growth at the initial HDPF Examination hearings. He questioned the realism of the economic forecasts set out in the EGA, noting that these represented a significant increase on the growth forecast in the NW Sussex Economic Appraisal (October 2010); and a very significant increase on historic job growth between 1997 and 2013, of 273 jobs pa. His report set out that:

Employment forecasts should be treated with caution and I have some doubts that there is a real need in Horsham District for job growth at the baseline rate predicted in the EGA. Nevertheless, the NPPF requires positive planning to meet employment needs and the forecasts are the most recent available. Some increase on the figure of 600 dpa to reflect aspirations for an increased rate of jobs growth appears reasonable.

3.9 In Paragraph 15 of his Initial Findings, the Inspector sets out that a realistic allowance for employment growth would be for 275 jobs per annum.

3.10 This analysis therefore considers what level of job growth might be supported by the SNPP and also what level of housing might be required to support an average of 275 jobs per annum in the 2011-31 period. To convert jobs into housing is however not a simple process and the analysis takes account of:

- Commuting patterns
- Double jobbing (i.e. the number of people with more than one job)
- Changes to employment rates (e.g. as a result of reducing unemployment or people working longer)

Commuting Patterns

3.11 Table 6 provides summary data about commuting to and from Horsham from the 2011 Census. The data shows that there are around 18% more people who live in the area (and are working) than currently work in the area. Horsham therefore sees a notable level of net out-commuting.

Table 6: Commuting Patterns in Horsham (2011)

	Number/ Ratio
Live and work in District	24,413
Home workers	9,937
No fixed workplace	5,664
Out-commute	26,688
In-commute	16,728
Work offshore or abroad	166
Total working in District	56,742
Total living in District (and working)	66,868
Commuting ratio	1.18

Source: 2011 Census

- 3.12 In translating the commuting pattern data into growth in the labour-force it is assumed that the commuting ratio remains at the same level as shown by the 2011 Census (i.e. assumes that 18% (net) of additional resident workers will out-commute). This essentially means that there would be expected to be a greater increase in working residents for a given number of jobs.

Double Jobbing

- 3.13 A number of people within any population may have more than one job (double jobbing). This can be calculated as the number of people working in the District divided by the number of jobs. Data from the Annual Population Survey (available on the NOMIS website) suggests that around 5.5% of workers have a second job (data averaged from the last four periods for which data is available). This gives a double jobbing ratio of 0.945 (i.e. the number of jobs can be discounted by 5.5% to estimate the required change in the workforce).
- 3.14 Hence to work out the change in the resident workforce required to match the expected number of jobs, we can multiply the commuting ratio by the amount of double jobbing and in turn multiply this by the number of jobs. On the basis of 275 jobs per annum the necessary increase in the resident workforce would therefore be 307 ($275 \times 1.18 \times 0.955$).

Employment Rate Changes

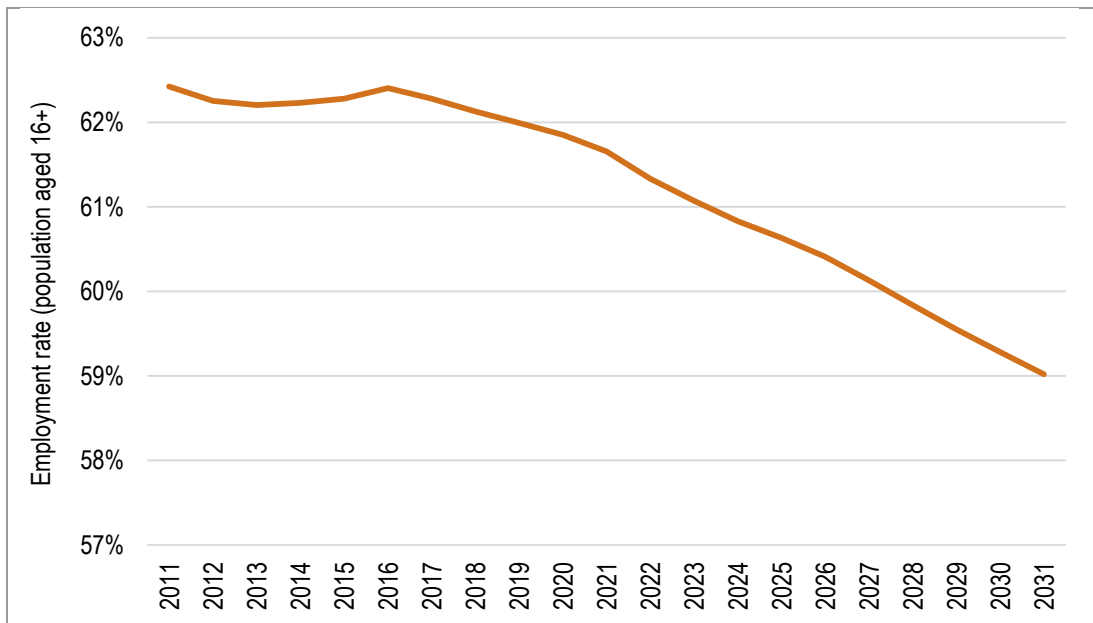
- 3.15 The analysis also needs to consider how economic participation and employment rates will change in the future. Although the past few years have seen an increase in unemployment there have generally been increases in the proportion of people who are economically active (particularly for females and people aged over 50). In the future we may see a continuation of these trends – particularly in relation to people working longer (partly linked to pensionable ages). We have modelled for there to be some increase in employment rates as we move through to 2031. This includes an increasing number of older people in the workforce.
- 3.16 Table 7 shows the age/sex specific rates assumed in the analysis. These have been based on consideration of a range of different forecasting houses forecasts and also take account of the 2011 Census results and trends in economic participation for different age groups between 2001-11. These, together with the impacts of changes to pensionable age, have been considered in modelling future trends in employment rates by age. It should be stressed that these figure reflect what we would consider to be a reasonable set of assumptions

Table 7: Employment Rates by Age and Sex – Horsham

Sex	Year	Aged 16 to 24	Aged 25 to 34	Aged 35 to 49	Aged 50 to 64	Aged 65 and over
Male	2011	60.7%	90.1%	93.0%	80.5%	17.6%
	2031	60.7%	90.4%	94.1%	85.6%	20.5%
Female	2011	62.4%	80.7%	80.6%	66.3%	9.4%
	2031	62.4%	87.1%	86.8%	77.1%	12.4%

3.17 Figure 10 below shows how the overall employment rate in Horsham is expected to change over time. The employment rate is based on the number of people in employment divided by the population aged 16 and over. The analysis shows little change in the rate to 2016 followed by a period where the rate is expected to decline. The period to 2016 reflects expectations of some improvements (particularly around reducing unemployment) with the decline in the rate thereafter being strongly linked to the demographic profile of the population (i.e. ageing).

Figure 10: Projected Change in Employment Rate – Horsham



3.18 Bringing the above together and running through the demographic model, the data shows that to generate an increase in the resident workforce of 310 per annum (equivalent to 275 jobs per annum based on current commuting patterns and double jobbing) would require provision of around 614 dwellings per annum. This is virtually identical to the outputs from the 2012-based population and household projections.

Table 8: Projected Household Growth 2011-31 – 2012-based SNPP (as adjusted) and Economic Growth Scenario

	2012-based	Jobs-led
Households 2011	55,036	55,036
Households 2031	66,970	66,967
Change in households	11,934	11,931
Per annum	597	597
Dwellings (per annum)	615	614

4 AFFORDABLE HOUSING NEED

- 4.1 The latest assessment of affordable housing need is set out a report entitled *Affordable Housing Needs Model Update – Northern West Sussex Housing Market Area* (Chilmark Planning, October 2014). This includes the analysis of affordable housing need, as well as consideration of market signals and the housing market geography.
- 4.2 Chilmark’s report sets out the full methodology used in the assessment of affordable housing need, as well as data sources and assumptions. The report uses the Basic Needs Assessment Model (as recommended in the Planning Practice Guidance). It is based on secondary data sources including the housing register, CORE data regarding affordable housing supply, and modelling of affordability to estimate the proportion of newly-forming households who cannot afford to buy or rent a home in the private sector without financial support.
- 4.3 Figure 11 below sets out the findings regarding the need for affordable housing. The analysis includes four estimates of current need – two scenarios (termed low estimates) are based on households on the Housing Register who fall within a ‘reasonable preference’ category (as defined in the 1996 Housing Act); with two more (termed high estimates) including all of those on the Register. The analysis assumed that current need is met over a 10 year period (i.e. by 2024).
- 4.4 The analysis indicates a net need for between 225 - 404 affordable homes per annum.

Figure 11: Affordable Housing Need, 2014-24

		Household Formation – All Ages		Household Formation – 16-44 Year Olds	
		Reasonable Preference Estimate	High Total Estimate	Reasonable Preference Estimate	High Total Estimate
Stage 1: Current Housing Need (Gross)					
1.1	Homeless Households and those in Temporary Accommodation	0	0	0	0
1.2	Overcrowding and Concealed Households	0	0	0	0
1.3	Households in Need	265	479	265	479
1.4	Total Current Affordable Housing Need (Gross) (1.1 + 1.2 + 1.3)	265	479	265	479
Stage 2: Future Affordable Housing Needs					
2.1	New Household Formation (Gross)	699	699	1049	1049
2.2	Proportion of Households Unable to Buy or Rent	45	45	45	45
2.3	Existing Households Falling into Need and Housed per Annum	134	134	134	134
2.4	Total Newly Arising Need (Gross Per Year) (2.1 x 2.2 + 2.3)	449	449	606	606
Stage 3: Affordable Housing Supply					
3.1	Affordable Dwellings Occupied by Households in Need	0	0	0	0
3.2	Surplus Affordable Housing Stock	0	0	0	0
3.3	Committed Supply of New Affordable Housing	624	624	624	624
3.4	Units to be taken out of Management	0	0	0	0
3.5	Total Available Affordable Housing Stock (3.1 + 3.2 + 3.3 - 3.4)	624	624	624	624
3.6	Annual Supply of Social Re-lets (net)	175	175	175	175
3.7	Annual Supply of Intermediate Affordable Housing for sale/let at sub-market level	13	13	13	13
3.8	Annual Supply of Affordable Housing (3.6 + 3.7)	188	188	188	188
Stage 4: Overall Need Calculation					
4.1	Total Net Need (1.4 - 3.5)	-359	-145	-359	-145
4.2	Annual Flow Backlog (10%) of Total Net Need - 10yr period to relieve	-36	-15	-36	-15
4.3	Net Annual Housing Need (2.4 + Annual Flow - 3.8)	225	246	382	404

Source: Chilmark Planning

- 4.5 The affordable housing need identified represents between 37-66% of the need identified through the demographic projections.

- 4.6 In looking at affordable housing need in context, it is important to understand how the housing market operates. Some households who are identified through the Basic Needs Assessment Model as having an affordable housing need are able to find suitable accommodation in the Private Rented Sector. Local Housing Allowance supplements their income contributing to rent payments.
- 4.7 We have used data from the Department of Work and Pensions (DWP) to look at the number of LHA supported private rented homes. As of February 2014 it is estimated that there were 1,644 benefit claimants in the private rented sector. This is 22% higher than the number observed five years earlier (in February 2009).
- 4.8 What this information does not tell us is how many lettings are made each year to tenants claiming benefit as this will depend on the turnover of stock. From English Housing Survey we estimate that the proportion of households within the private sector who are “new lettings” each year is around 13% (i.e. stripping out the effect of households moving from one private rented property to another). Applying this to the number of LHA claimants in the private rented sector gives us an estimate of 214 private sector lettings per annum to new LHA claimants in the Council area. This figure is derived from claimants rather than households and it is possible that there are a number of multiple LHA claimant households (i.e. in the HMO sector).
- 4.9 Policy 15 in the Horsham District Planning Framework seeks 35% affordable housing provision on sites providing 15 or more dwellings or 0.5 hectares; and 20% provision or an equivalent financial contribution on schemes of between 5-14 dwellings. The proposed modifications seek to adjust this reflecting new national policies.
- 4.10 It is not likely that all of the affordable housing need will be met through new affordable housing delivery. However this does not necessarily mean that there is a need for additional housing provision.
- 4.11 The Planning Advisory Service’s Technical Advice Note on *Objectively Assessed Need and Housing Targets* outlines that:
- Affordable housing need is a different kind of number from total need (the OAN), so the two numbers are not directly comparable and cannot be added together. The main measure of total need is one based on demographic projections, plus various adjustments. Affordable housing need is calculated separately through a different method, and the resulting numbers typically exceed what can be realistically delivered in practice – because the amount of affordable housing delivered is constrained by financial resources, regardless of the planned land supply.*
- 4.12 The Advice Note sets out that the affordable need should be assessed against the planned level of housing supply to consider whether a reasonable proportion of the affordable need will be met. It clarifies that caution needs to be used in interpreting the affordable housing needs figures, in that:

As defined in the PG, affordable need also includes housing for existing households – including those that are currently in unsuitable housing and those who will ‘fall into need’ in the plan period (i.e. their housing will become unsuitable for them). For the most part the needs of these households are not for net new dwellings. Except for those who are currently homeless or ‘concealed’. If they move into suitable housing they will free an equivalent number of existing dwellings, to be occupied by people for whom they are more suitable. If the affordable needs of existing households are included in the OAN, the resulting figure will be too large.

- 4.13 If we assume 30% of new housing is delivered as affordable housing, taking the target of 650 dwellings per annum in the current Core Strategy, annual affordable housing delivery would thus be of 195 dwellings. This would leave a shortfall of between 30 - 209 households. The needs of these households, the evidence suggests, could be met within the Private Rented Sector without any further growth in the Private Rented Sector or the number of LHA claimants within it. However it does provide some basis for considering higher housing provision overall – in order to enhance affordable housing delivery. We return to this question later in the report.
- 4.14 Whilst higher levels of housing provision would potentially deliver higher levels of new affordable homes and would contribute to addressing the affordable housing need, there is not specific need to increase overall housing delivery to ensure that the needs of all households are met.

5 MARKET SIGNALS

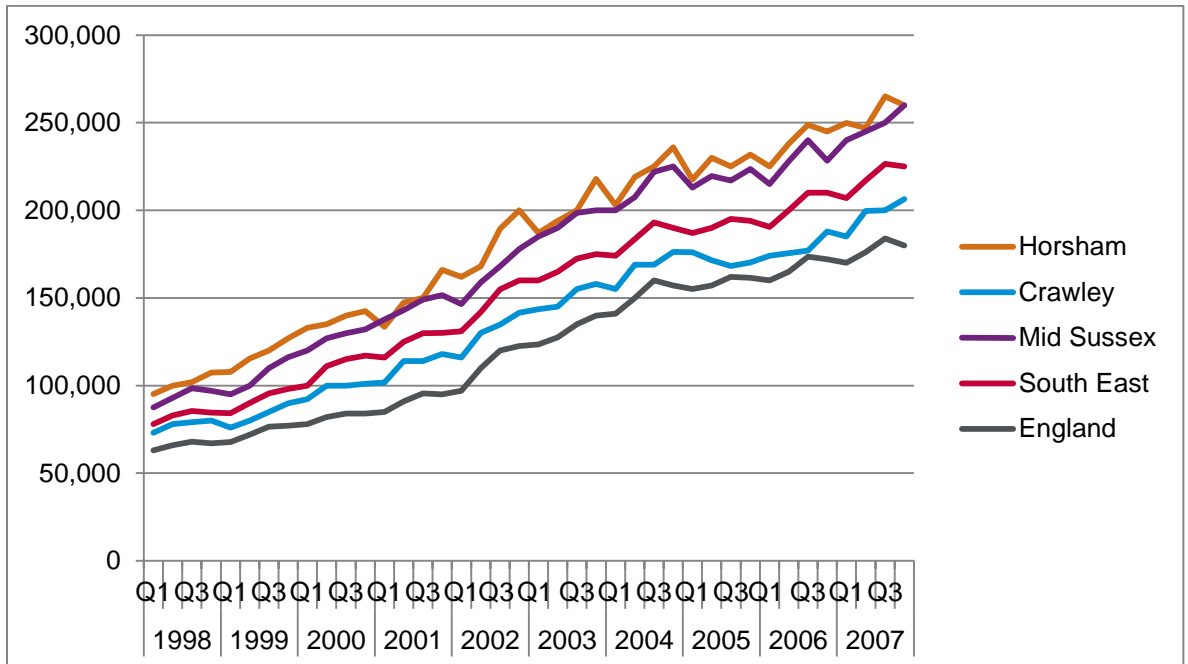
- 5.1 In line with the Planning Practice Guidance, we have sought to assess housing market dynamics and explore the degree to which there is evidence of supply-demand imbalance or affordability pressures.
- 5.2 The Planning Practice Guidance outlines that the assessment of housing need should be adjusted to take account of market signals, including:
- Land prices
 - House Prices
 - Rents
 - Affordability (Lower Quartile (LQ) Prices to Earnings)
 - Rates of Development
 - Overcrowding
- 5.3 It requires assessment of these indicators including comparisons to long-term trends in the housing market area, similar areas and nationally. Where there is evidence of comparatively worse affordability and a worsening trend, it recommends upward adjustment to the assessment of housing need.
- 5.4 We have considered these key indicators together with sales volumes which we consider to represent a good indicator of market demand for housing.

House Prices and Sales

House Prices

- 5.5 Across Horsham, the average (mean) house price of properties sold from the beginning of 2013 to the end of 2014 was £346,680 whilst the median was £299,950. These figures are above the corresponding figures for the wider Northern West Sussex HMA (Mean: £313,261; Median: £269,000) which is particularly a reflection of the influence of Crawley (a new town) on the HMA average prices.
- 5.6 Figure 12 profiles house prices in Horsham and the other local authorities in the HMA from 1998 to 2007 (i.e. the pre-recession decade). This demonstrates that price growth in Horsham has been broadly consistent with that seen across the HMA. Over the decade (1998-2007) prices increased by around 175% in Horsham, which is broadly in line with increases across the wider HMA and regional and national trends.

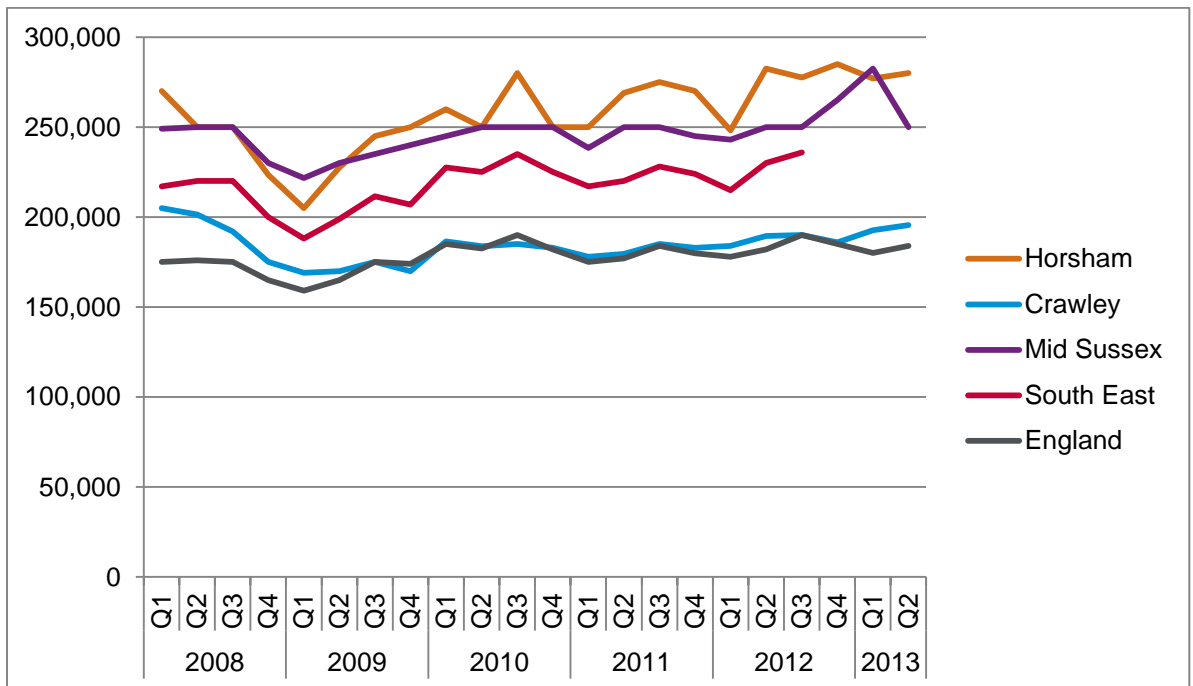
Figure 12: Median House Price (1998-2007)



Source: DCLG Live Tables: Land Registry Data

- 5.7 Since 2007, trends in house prices have been very different. All of the areas within the Northern West Sussex HMA posted notable price falls in late 2008 / early 2009 at the onset of the recession, as was the case regionally and nationally. House prices in Horsham and Mid Sussex rose throughout the second half of 2009. Median prices in Horsham continued to climb until 2012, since when they have remained level. Prices in Mid Sussex have remained more level across this period with an increase in late 2012 which has since subsided.
- 5.8 It is notable that over the past five years house prices have been broadly flat. Taking account of inflation, the value of homes has effectively fallen modestly over this period.

Figure 13: Median House Price (2008-2013)

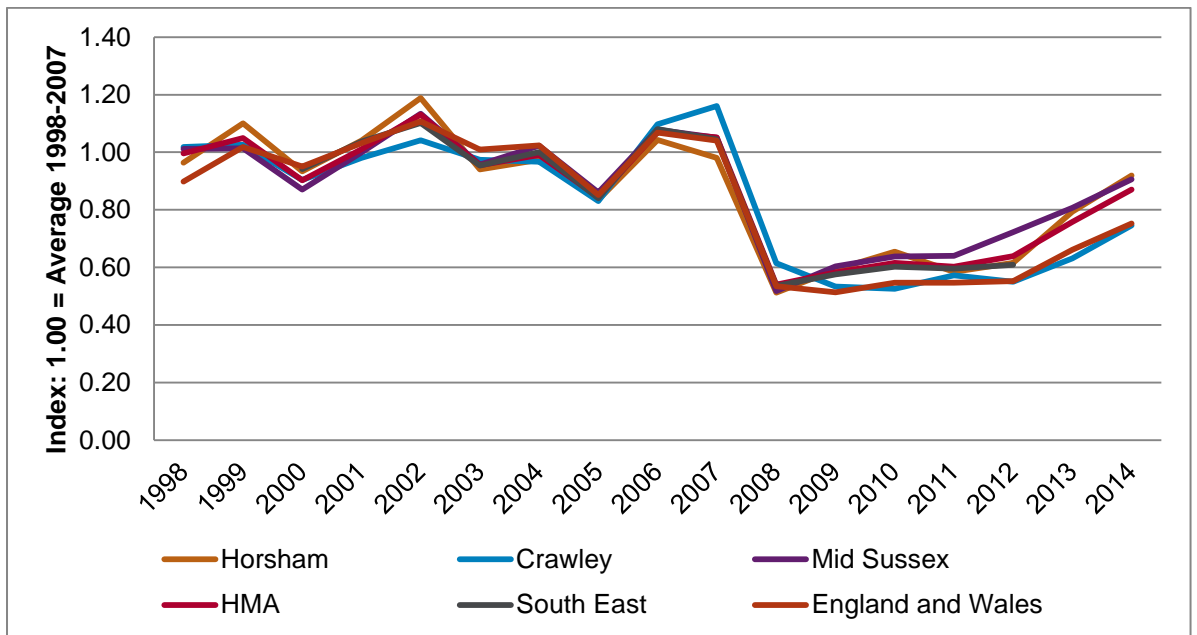


Source: DCLG Live Tables: Land Registry Data

Sales Volumes

- 5.9 Sales volumes are an important indicator of effective demand for market housing. We have benchmarked sales performance against long-term trends to assess relative demand. Figure 16 benchmarks annual sales across the local authorities of the Northern West Sussex HMA and wider geographies over the 1998 to 2014 period. It uses an index where 1 is the average annual sales over the 1998-2007 decade (prior to the credit crunch).
- 5.10 Sales volumes fell dramatically in 2008, driven by the economic downturn. Over the 2009-12 period we have seen some recovery, although effective demand for homes remained more than a third below levels over the pre-recession decade.
- 5.11 Although taken from a separate data set, sales data for the last 2 years shows that sales volume in Horsham and across the HMA continues to grow. Sales volumes remain below the pre-recession peak. In 2014 sales volumes in Horsham were equivalent to 92% of the pre-recession decade average. This is higher than the national figure of 75%, indicating quicker recovery in Horsham.

Figure 14: Indexed Analysis of Sales Trends (1998 – 2014)

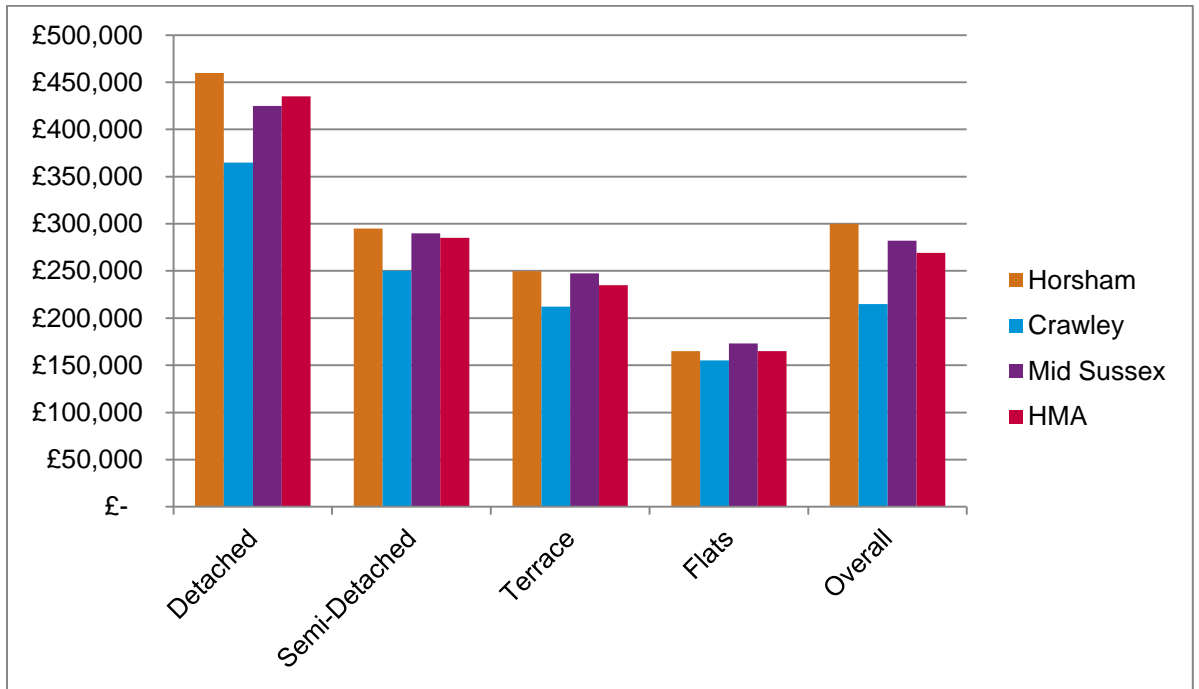


Source: HMLR/ DCLG Live Tables, Land Registry Data

- 5.12 We have also analysed house prices achieved over the last 2 years (January 2013 to December 2014) in Horsham and the wider HMA to gain an understanding of the differences in housing costs different property types in Horsham District compared to the wider HMA.

- 5.13 As can be seen in Figure 15, overall median house prices in Horsham are slightly above the HMA average. Median prices in Horsham and Mid Sussex are above the HMA average, whereas prices in Crawley are notably below average. These reflect differences in the housing offer and quality of place. In particular detached house prices in Horsham are £25,000 above the HMA average.

Figure 15: Median House Prices (2013 - 2014)

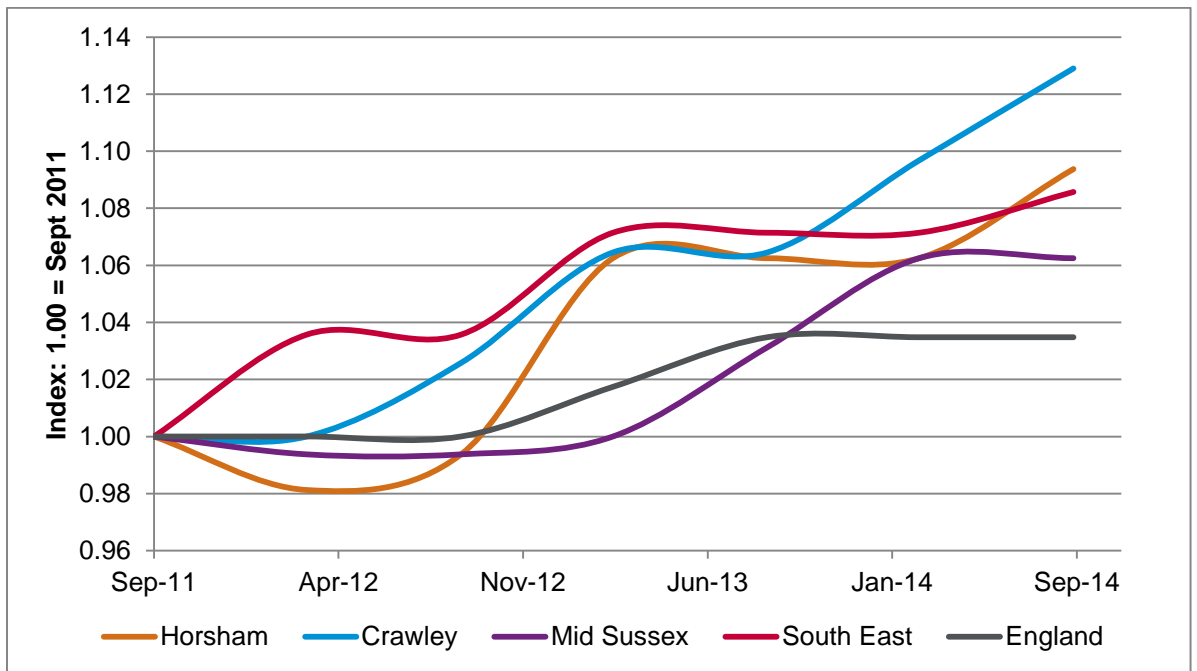


Source: GLH Analysis: Land Registry Price Paid Data

Rental Trends

- 5.14 Benchmarking median private rents shows that the median rental value in Horsham is £875pcm (per calendar month). The Crawley median is £875 and in Mid Sussex it is £850pcm. By way of comparison the South East median value of £760pcm and England median of £595pcm.
- 5.15 Figure 16 shows the change in median private rental prices from September 2011 to September 2014. This shows a general upward trend across all areas. Over this period median prices in Horsham have grown by 9%. This is below the level of growth seen in Crawley over this period (13%) but above the rate of growth seen in Mid Sussex (6%). By comparison, growth in the South East was 9% and across England was 3%.

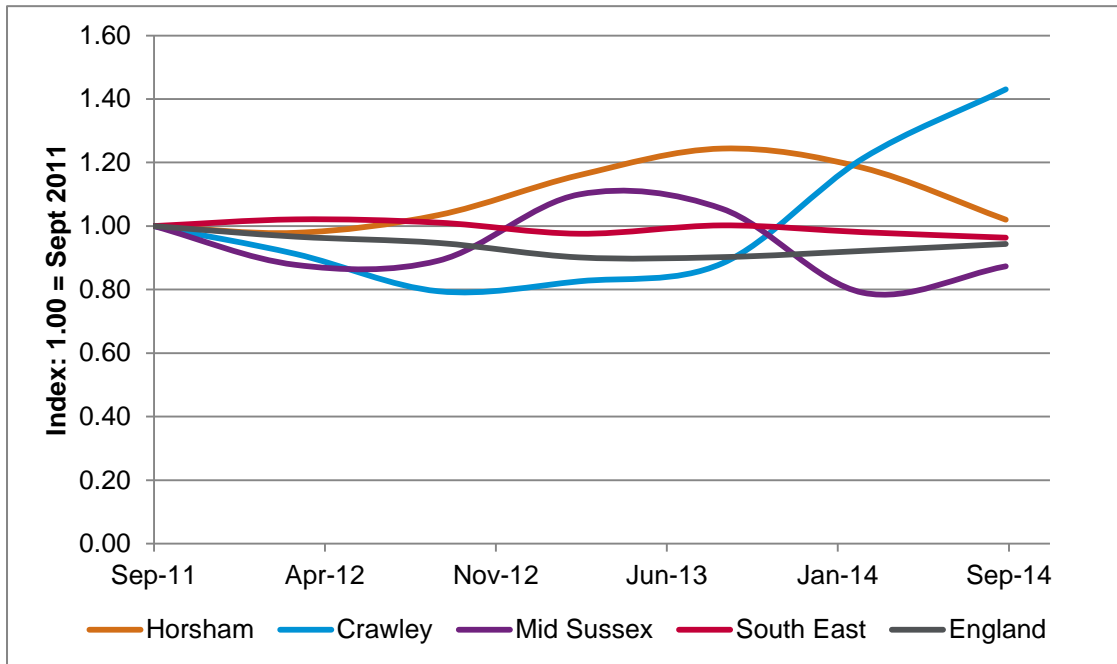
Figure 16: Benchmarked trend in median private rental values (2011-2014)



Source: VOA Private Rental Data

- 5.16 Figure 17 shows trends in the number of rental transactions recorded by the VOA from September 2011 to September 2014. Horsham experienced growth in transactions volumes until mid/late 2013 when numbers began to fall. As of September 2014, the number of rental transactions was up 2% overall over this period. By comparison, the number of rental transactions in Crawley has grown strongly over the most recent 12 months, while volumes in Mid Sussex have fallen.
- 5.17 Rental transaction levels across the South East and England more generally have broadly remained constant over the period, although nationally volumes are slightly down overall which may be an indication of households returning to owner occupation as a result of improved mortgage availability and the impact of Government schemes such as Help to Buy.

Figure 17: Trend in private rental transactions (2011 - 2014)



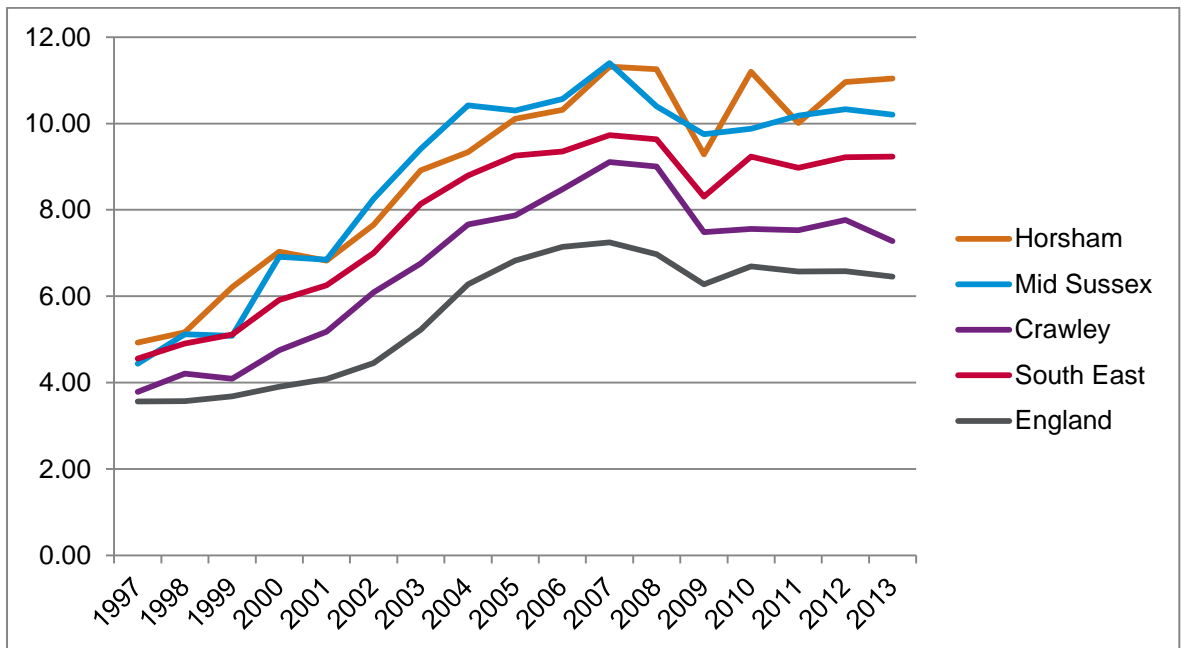
Source: VOA Private Rental Data

Affordability of Market Housing

Price-income ratios

- 5.18 In line with the Planning Practice Guidance, we have considered evidence of affordability by looking specifically at the relationship between lower quartile house prices and incomes. As a general observation, we can see that across all areas the affordability of market housing using this indicator has worsened quite markedly over the past 15 years; in line with the South East trend.
- 5.19 Horsham is the least affordable of the HMA authorities with lower quartile house prices slightly more than 11 times lower quartile earnings. Mid Sussex has a similar ratio at 10.2 times. Crawley is considerably more affordable with lower quartile prices to earnings ratio of 7.3.
- 5.20 The affordability ratio peaked in all areas in 2007. Following a post-recession slump the affordability ratio in Horsham has increased and is currently just below peak levels. The rest of the HMA has, in line with regional and national trends, experienced modest post-recession growth with current affordability ratios lower than the 2007 peak.

Figure 18: Lower Quartile Affordability Trend (1997-2013)



Source: CLG Housing Market Live Tables

5.21 We have also considered and compared this to the median price-earnings ratio to identify whether affordability is an issue across the market or within a particular segment. In Horsham and the Northern West Sussex HMA the median ratio is below the lower quartile ratio, indicating that affordability is somewhat more of an issue at the lower end of the market.

Figure 19: Comparison of lower quartile and median affordability (2013)

	Lower Quartile Ratio	Median Ratio
Horsham	11.04	10.89
Mid Sussex	10.20	9.76
Crawley	7.28	6.22
West Sussex	8.88	8.72
South East	9.20	8.75
England	6.45	6.72

Source: CLG Housing Market Live Tables

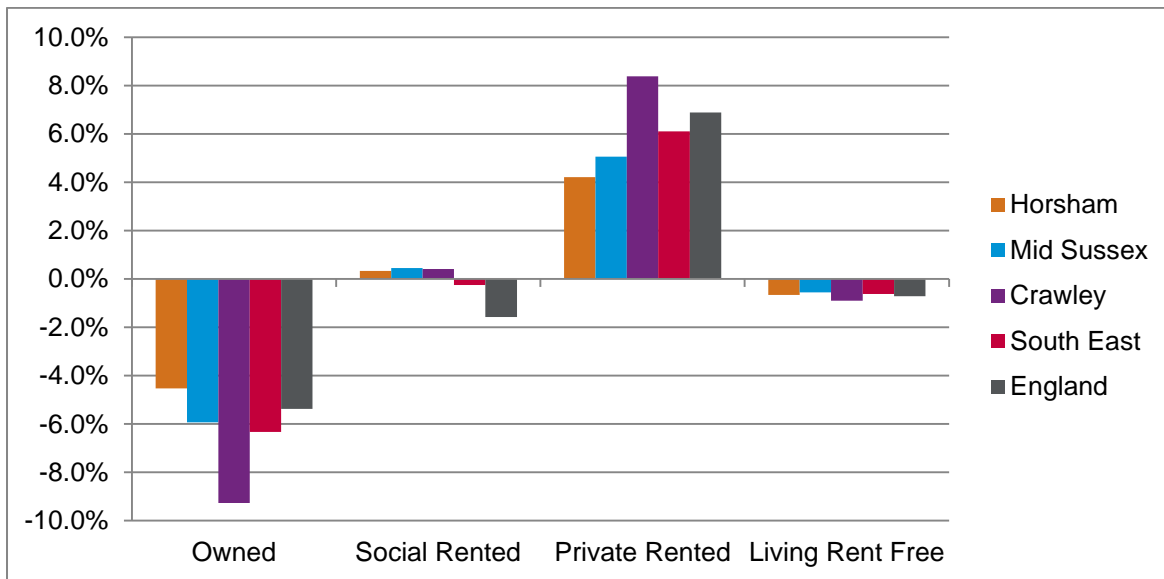
5.22 A combination of the deteriorating affordability of market homes, restricted access to mortgage products and a lack of social housing supply over the 2001-11 decade has resulted in fewer households being able to buy and increased pressures on the existing affordable housing stock. Influenced by this, we have seen a notable growth in households living in the Private Rented Sector (PRS).

5.23 As illustrated in Figure 20, owner occupation has fallen in all three of the HMA local authority areas between 2001-11 while all saw a substantial growth in the PRS. This change was most pronounced in Crawley where the drop in owner occupation and growth in PRS was well above regional and

national averages. The changes in Horsham and Mid Sussex were slightly lower than regional and national trends over the same period.

5.24 Horsham District saw 4.5 percentage point (pp) fall in owner occupying households, with a 0.3 pp increase in those in the social rented sector and 4.2 pp increase in those in the PRS.

Figure 20: Change in Households by Tenure in HMA, 2001-11



Source: 2001 & 2011 Censuses

Housing Completions

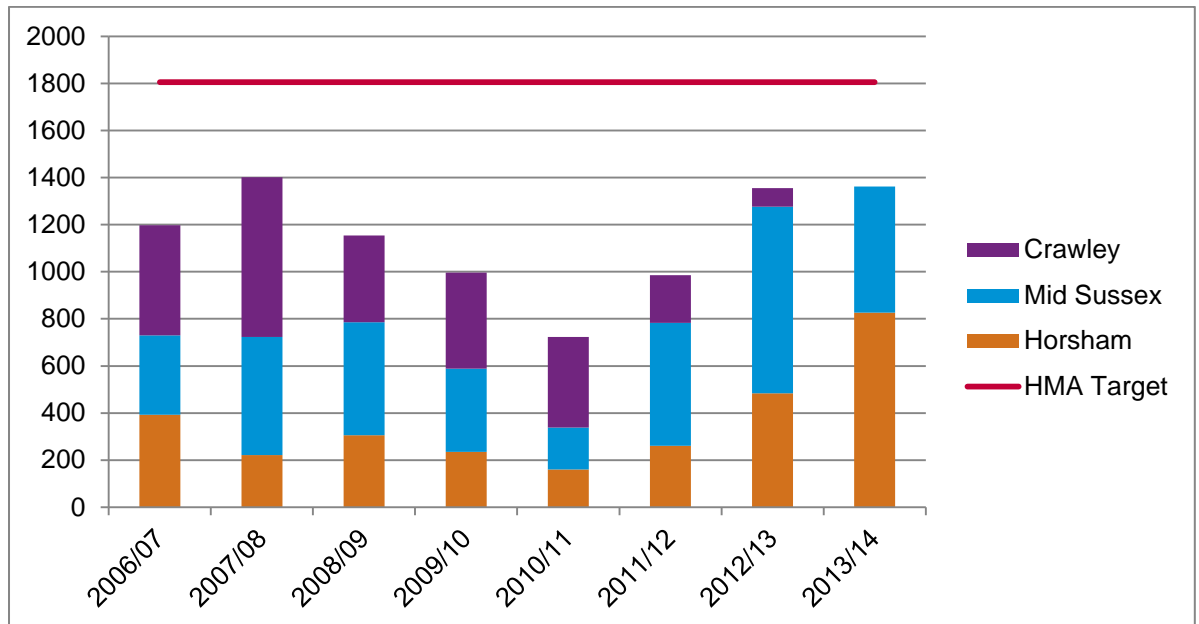
5.25 We have tracked housing delivery across the HMA back to 2006/07, the starting point for the South East Plan. Across the HMA housing completions have fallen short of targets, with 62% of the planned level of provision delivered between 2006/7 – 2012/13. There has been a net shortfall in housing delivery of 4,821 dwellings over this period.

5.26 Figure 21 overleaf shows the cumulative housing completions and target in the HMA authorities. The 2013/14 data does not include data for Crawley which was unavailable. This shows a consistent under delivery of housing completions across the HMA, although there have been improvements in recent years.

5.27 Over this period (2006/07 to 2013/14) Horsham delivered 56% of its housing target. This is likely at least in part to reflect housing market conditions (recognising for instance the correlation with the sales evidence considered above) but also the impact of economic conditions on the delivery of major strategic sites west of Crawley and west of Horsham. Housing delivery levels improved in

2012/2013 delivering 74% of the target and in 2013/2014 the figure was 67%. In the 2013/14 year there were 826 completions in Horsham which well exceeds the target.

Figure 21: Housing Supply vs. Past Targets, 2006/07 – 2013/14



Source: Local Authorities' Annual Monitoring Reports

Overcrowding

5.28 Below-target housing delivery, coupled with access to mortgage restrictions brought on by tighter regulation, is likely to have resulted in constrained household formation rates and contributed to the current need for affordable housing. Both the affordable housing evidence, and the demographic evidence, point to a shortfall in housing provision particularly since 2008/09.

5.29 A symptom of the under-provision is a growth of houses in multiple occupation and increased overcrowding as households fail to form properly. Across the HMA houses in multiple occupation (HMOs) grew by 41% between 2001 and 2011. We have also seen the number of over-occupied properties increase by a similar amount (43%).

Table 9: Changes in Over Occupied and Houses in Multiple Occupation (2001-2011)

	Over Occupied		HMO	
Horsham	2,158	2,929	3,887	5,003
Mid Sussex	2,015	3,199	4,221	6,049
Crawley	3,064	4,196	5,727	8,410
HMA	7,237	10,324	13,835	19,462

Source: 2001 & 2011 Censuses

5.30 In Horsham District the number of over-crowded households has increased by 771 over the 2001-11 period. The numbers of HMOs has increased by 2,116. These indicators suggest that a key impact of declining affordability has been an increase in shared households, and potentially younger persons living with parents for longer.

Drawing the Evidence Together

5.31 Drawing the evidence together, the market signals point to a decline in affordability over the 2001-11 decade and relative affordability pressures in Horsham District, showing:

- House prices which are moderately above county and regional benchmarks;
- Deteriorating house price to income ratios over the 2001-11 decade, with a relatively high LQ affordability ratio of 11.0 in 2013. This has been driven by growth in house prices;
- A modest increase in rental costs since 2011, but one which is below levels of inflation over this time period.

5.32 Cross-referencing this to the demographic data, over the 2001-11 period we did see a deterioration in levels of new household formation – particularly for those in their late 20s and early 30s. The level of household formation of those in their late 30s/ early 40s fell only very marginally and is projected to increase notably moving forwards.

5.33 Taking the market signals and affordable housing evidence together, there is a case for adjusting levels of new household formation based on seeking to improve affordability.

5.34 National research undertaken for the RTPI by the Neil McDonald and Peter Williams at Cambridge University indicates a particular effect of the decline in affordability between 2001 and 2011 and the economic recession has been young adults living within a parental home for longer or living in shared accommodation rather than separate accommodation. The impact of this, their research shows, has been most significant for the 25-34 age group.

5.35 A detailed interrogation of demographic dynamics in Horsham indicates that in demographic terms, the deterioration in affordability of market housing and the economic recession over the 2001-11 decade is likely to have influenced – at least in part – a decline in household formation rates in younger people, particularly amongst those aged between 25 and 34. This is the one age group identified earlier as showing some degree of suppression when balancing past trends and the future projection.

5.36 When we consider age-specific data it is notable that those aged 25-34 have lower headship rates than was expected in the 2008-based projections and that the rates have dropped considerably from 2001 to 2011. We have therefore run a sensitivity analysis which considers and seeks to

quantify the implication of returning the household formation rates of the 25-34 age group (as shown in Figure 9) back to 2001 levels by 2031.

- 5.37 This sensitivity in effect seeks to consider a scenario in which affordability and access to housing for younger households improves, and quantifies what level of housing provision might be associated with this, all other factors being equal. It models the implications of returning household formation rates over the period to 2031 back to levels seen in 2001 (i.e. before the rate started to decrease). If achieved, the effect would be to reduce the proportions of shared households and persons within this age group living with parents. We term this sensitivity analysis the ‘affordability adjustment.’ The number of younger households forming would increase.
- 5.38 In reality, other factors such as real growth in disposable income (allowing people to save), the availability of and access to mortgage finance, interest rates and economic confidence will all influence trends in household formation. There is a complex set of factors at play, and it is difficult to predict how these factors might interact in the future and the impact on household formation rates (in the absence of any supply-side constraints). Furthermore part of the changes in household formation rates for this age group may have been due to international migration.
- 5.39 The sensitivity analysis indicates that, all other things being equal, an uplift of around 22 homes per annum across the District would support an improvement in affordability and household formation rates amongst younger households.

Table 10: Projected Household Growth 2011-31 – 2012-based SNPP (as adjusted) and linked to 275 jobs per annum – with Affordability Adjustment

	2012-based	Jobs-led
Households 2011	55,036	55,036
Households 2031	67,390	67,387
Change in households	12,354	12,351
Per annum	618	618
Dwellings (per annum)	636	636

6 CONCLUSIONS

6.1 This report has been prepared to provide an updated assessment of housing need. It determines the Objectively Assessed Housing Need (OAN) for Horsham District. It then goes on to consider other factors which may influence setting policies for housing provision in the Horsham District Planning Framework (HDPF), namely unmet needs in adjoining areas. The report follows the approach set out in the Planning Practice Guidance on *Housing and Economic Development Needs Assessments*. It is intended to inform proposed modifications to the HDPF, the examination of which is on-going.

Housing Need for Horsham District

6.2 We would assess **full objectively assessed need for housing in Horsham District as 636 homes per annum over the 2011-31 period** (12,720 homes). This is based on the latest 2012-based Sub-National Population Projections, is consistent with supporting at least employment growth (labour demand) of 275 jobs per annum as recommended by the Inspector, and includes upwards adjustments to household formation rates relative to trends made which increase housing supply (of both market and affordable housing) and improving affordability, thus enabling a growing number of younger households in their 20s and 30s to form. This figure reflects the housing needs for the District as a whole.

6.3 The evidence also points to significant constraints to housing supply in a number of adjoining areas. The Inspector's preliminary findings indicate that higher housing provision – for between 750 – 800 homes – should be made; in particular to contribute to meeting unmet housing needs in Crawley and potentially making some small allowance to contribute to meeting Brighton and Hove's unmet housing needs. It is for the Council to judge how to bring together its evidence bases and what level of housing provision should be set out within the Proposed Modifications, taking account of these issues.

6.4 A higher level of overall housing provision would contribute to enhancing delivery of affordable housing to meet identified needs.

Needs for the HDPF Plan Area

6.5 GL Hearn has been working with the South Downs National Park Authority to prepare a Strategic Housing Market Assessment. This includes the development of demographic projections for the Park area. These are based on consistent population projections to those considered in this report, and take account of the age structure of the population within those parts of the Park which fall within Horsham District. Migration is modelled based on the District level figures.

6.6 This work indicates that housing need within those parts of the National Park which fall within Horsham District would equate to between 12-14 homes per annum. On this basis, **the assessed need for the HDPF plan area would be equivalent to 622-624 homes per annum.**