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# Social Rented Housing and First Homes Study

## Final Report

Iceni Projects Limited on behalf of  
Horsham District Council

September 2022

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ON BEHALF OF HORSHAM  
DISTRICT COUNCIL

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## EXECUTIVE SUMMARY

1. Horsham District Council have appointed Iceni Projects and Justin Gardner Consulting to analyse affordable housing in the District in order to inform local policy. Specifically, this report will form part of the evidence base for a new Local Plan which covers the period 2022 to 2039 and considers social rented housing and First Homes. Although due to time of drafting and data availability the analysis covers the period 2021-2038.

### Affordable Housing Need

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2. Analysis has been undertaken to estimate the need for affordable housing in the 2021-38 period. The analysis is split between a need for social/affordable rented accommodation and is based on households unable to buy or rent in the market and the need for affordable home ownership (“AHO”) – this includes housing for those who can afford to rent privately but cannot afford to buy a home and will include the potential market for First Homes.
3. The analysis has taken account of local housing costs (to both buy and rent) along with estimates of household income. Additionally, when looking at rented needs, consideration is given to estimates of the supply of social/affordable rented housing. For AHO, consideration is given to the potential supply of resales of low-cost home ownership properties (such as shared ownership).
4. When looking at rented needs, the analysis suggests a need for 492 affordable homes per annum across the District; the Council is therefore justified in seeking to secure additional affordable housing.
5. In terms of the split between social and affordable rented products, based on the evidence, the Council would be justified in seeking to prioritise securing affordable homes at social rents. The Council should default to securing social rents as a starting point for negotiations on S106 Agreements as the priority affordable housing tenure in case-by-case negotiations. Doing so would ensure that affordable homes are delivered for those on the lowest incomes and address the core need.
6. Despite the level of need being high, it is not considered that this would necessarily point to any requirement for the Council to increase the Local Plan housing requirement (above that suggested by the standard method for example). The link between affordable need and overall need (of all tenures) is complex and in trying to make a link it must be remembered that many of those picked up as having an affordable need are already in housing (and therefore do not generate a net additional need for a home).
7. Additionally, most of the affordable need is already part of the demographic projections which are used to drive the standard method and so any additional provision would arguably be double counting. That said, the level of affordable need across areas can form part of the consideration of the distribution of housing for different location, along with an understanding of demographic trends and economic growth.
8. When looking at the need for AHO products, the analysis also suggests a need across the District (for 386 per annum). In interpreting this figure, it should however be noted that there could be a significant additional supply from resales of market homes (below a lower quartile price) which arguably would mean there is a much more limited need for AHO.

9. Analysis does suggest that there are many households in Horsham who are being excluded from the owner-occupied sector (as evidenced by reductions in owners with a mortgage and increases in the size of the private rented sector). This suggests that a key issue in the District is about access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially mortgage restrictions (e.g. where employment is temporary) rather than simply the cost of housing to buy.
10. Overall, the analysis identifies a notable need for affordable housing, and it is clear that provision of new affordable housing is an important and pressing issue in the area. It does however need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.

### Size of Affordable Housing

11. Analysis has been undertaken to estimate the size requirements of different types of affordable housing (split between rented and home ownership) with the table below showing the conclusions which take account of data modelling and also the Council's Housing Register.

	Rented affordable housing	Affordable home ownership
1-bedroom	35%	25%
2-bedrooms	30%	40%
3-bedrooms	25%	25%
4+-bedrooms	10%	10%

Sources: Derived from a range of sources

12. Although these figures represent broad targets for sizes and tenures over the plan period, individual planning applications should duly engage with the local authority to determine the specific need for affordable housing types and sizes prior to developing the scheme.

### Social And Affordable Rented Housing

13. Analysis was carried out to look at housing costs for rented products (social and affordable rents) including the likely cost of affordable rents at different proportion of market rents. It is notable that current social rents are significantly cheaper than affordable or market rents. Focussing on 2-bedroom homes, a social rent is about 60% of the cost of a lower quartile market rent, whereas affordable rents are around 80% of lower quartile market rents.
14. This latter point is an important one to note as theoretically an affordable rent should be a maximum of 80% of the market and with the average figure being 80% it is likely that some are actually in excess of this figure.
15. However, as the rental value from which any discount is made will be the actual rental value of the home it will be affected by factors such as location (as well as the likelihood that a new-build product attracts some degree of premium). Therefore, the direct comparison between lower quartile market rents and affordable rents should be treated with some caution (and it can be noted that the affordable rent (2-bed) is equivalent to 72% of the median market rent). Regardless, this analysis does show how difficult it may be to make affordable rents genuinely affordable in a local context.
16. On the basis of current market and affordable rents, only around 27% of households in affordable housing need could afford an affordable rent (without claiming benefits) although with higher

discounts from market values considerably more households would be likely to be able to afford affordable rented housing.

17. That said, some caution should be exercised, as the full market value for any specific dwelling can vary depending on factors such as location, built-form, quality and size (e.g. a larger 2-bedroom home will be more expensive than a smaller one).
18. There is also a potential issue in that affordability tests used by Affordable Housing Providers could mean that eligible households fail for affordable rents even though the rent would be fully covered by benefits – therefore lower affordable rents should be encouraged.
19. Overall, it is concluded that it would be reasonable to seek a higher level of discount than 20% from the market and it is considered that providing lower Affordable Rents (at 60% of market values, including service charges) would be a sensible starting point, subject to the viability of delivering housing at these costs.
20. The Council should aim to secure social rented housing as a starting point in S106 negotiations should also be encouraged where viable and this might particularly focus on larger homes where the gap between market and social rents are greatest. Doing so would ensure that affordable homes are delivered for those on the lowest incomes.

### **Affordable Home Ownership**

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21. Analysis has been carried out to look at the affordability of AHO. This includes Discounted Market Sales Housing (which will include First Homes) and shared ownership as these are likely to be the two main tenures of AHO moving forward – they are certainly the main forms being encouraged by Government at the current time.
22. Given current housing costs in the District there is evidence that in order to make 1-bedroom homes affordable, a discount of up to around 23% would be required; for 2-bedroom homes the equivalent discount is in the range of 24%-38% and up to 47% for 3-bedroom homes. If looking at First Homes, it is highly unlikely that 3-bedroom homes could ever be priced below the price cap of £250,000. Therefore, First Homes are likely to focus on 2-bedrooms (with some homes with 1-bedroom). The evidence of need indicates that some 3-bedroom homes should be provided as a Discounted Market Sale; however, the values (and necessary discounts) are likely to be too high to be viable to provide.
23. The evidence suggests that there is a case to seek a discount in excess of 30% - a higher discount will certainly make homes cheaper and therefore potentially open up additional households as being able to afford. Our suggestion is that a discount of 40% is sought in Horsham District. This will inevitably have an impact on viability and should therefore be tested through the Council's evidence base.
24. Regarding shared ownership, the analysis suggests that equity shares much in excess of 15% (10% being the lowest available figure in the Government's new shared ownership model) would not be particularly affordable other than for 1-bedroom homes where a 40% equity share might be affordable. The Council should therefore test the viability of providing shared ownership with lower equity shares, but again it is noted that this would potentially mean Affordable Housing Providers are less able to cross-subsidise other forms of (rented) affordable housing. It is not recommended that the provision of rented products is jeopardised where viability is an issue.

### **Accelerating Affordable Housing Delivery**

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25. The Council has already made strides to increase the volume of social rented housing including through setting up its own housing company to boost delivery rates, providing grant funding to housing associations and arguing for social rented housing through S106 Agreements.
26. On the basis of our review of the approach taken in other areas across the Country, we consider that the Council should also explore the following to increase affordable housing delivery:
- Seek out more opportunities to deliver social rented housing directly through Horsham District Homes by packaging up smaller sites to build out directly or partner with housing associations/smaller developers and consider unlocking housing sites which are constrained, stalled or due to lapse;
  - Strengthen the wording of the draft policy framework to make clear that social rented housing will be the default in negotiations for S106 Agreements and support exception sites where these accord with development policy;
  - Access more funding opportunities to unlock sites subject to infrastructure constraints or funding gaps. This could range from grant funding for social rented housing to specific funding pots to support CLTs bring forward 100% affordable schemes in smaller settlements;
  - Provide greater support to community-led housing groups and assist in the creation of new CLTs with a dedicated member of the team to encourage delivery of social rented housing at a local level;
  - Place a greater focus on using Right to Buy capital receipts to invest in new sites which could deliver new social rented housing or look to improve / expand existing affordable housing sites using the monies to do.

# 1. INTRODUCTION

1.1 Horsham District Council have appointed Iceni Projects and Justin Gardner Consulting (“JGC”) to analyse affordable housing in the district in order to inform local policy. Specifically, this report will form part of the evidence base for a new Local Plan which covers the period 2022 to 2039 and considers social rented housing and First Homes.

1.2 There are three aims of this study, these are:

- to identify the likely need for specific social rented housing provision in Horsham.
- provide recommendations on social housing delivery mechanisms available to the Council.
- to provide local plan policy recommendations with regards the requirements on developers to provide First Homes.

## Current Local Plan

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1.3 The Horsham District Planning Framework is the Council’s Local Plan and was adopted in 2015. This sets out the current housing policy for the District including the mix of housing. Policy 16 sets out the strategic policy for meeting local housing needs which includes provision to seek 20% affordable housing on sites providing between 5 and 14 dwellings and 35% on sites providing 15 or more dwellings. However, the Council accepts that it cannot seek affordable housing on sites with fewer than 10 homes due to the conflict with national policy.

## Draft Local Plan

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1.4 Horsham District Council were intending to make public for representations a Regulation 19 version of their new Local Plan in autumn 2021. A draft Regulation 19 was presented to its Cabinet but was not considered by full Council after receiving legal advice in relation to changes to the National Planning Policy Framework. In addition, progress on the Local Plan was affected following the issuing of a position statement<sup>1</sup> by Natural England in September 2021 which advised that development proposals in the Sussex North Water Supply Zone should not be allowed unless water neutrality can be demonstrated.

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<sup>1</sup> [https://www.horsham.gov.uk/\\_\\_data/assets/pdf\\_file/0019/106552/Natural-Englands-Position-Statement-for-Applications-within-the-Sussex-North-Water-Supply-Zone-September-2021.pdf](https://www.horsham.gov.uk/__data/assets/pdf_file/0019/106552/Natural-Englands-Position-Statement-for-Applications-within-the-Sussex-North-Water-Supply-Zone-September-2021.pdf)



- 1.5 That aside, the draft Regulation 19 Local Plan provides an indication of the direction of travel that local policy was heading towards. Policy 16 relates to Affordable Housing and sets out a draft policy which seeks at least 70% of homes to be social/affordable rent with 25% as First Homes and the remaining 5% as other intermediate properties.
- 1.6 The Council has put forward a circumstantial affordable housing policy which is aligned to whether a site is strategic, on a greenfield site or on a brownfield site as follows:
- On greenfield sites, a minimum of 45% affordable housing is required;
  - On brownfield sites, a minimum of 10% affordable housing is required; and
  - On strategic sites, a minimum of 35% affordable housing is required.
- 1.7 In the supporting text to the Policy, the Council also confirm that they are “embarking on direct delivery of affordable housing through a housing company.” They also note that because their homes will be affordable in perpetuity (because there is no Right to Buy), the Council will support delivery through Community Land Trusts (CLTs).
- 1.8 In relation to the potential to apply a local connection criteria to First Homes it is worth bearing in mind that the Council already has such a criteria which it uses to determine banding on the local housing register.
- 1.9 The criteria is particularly relevant for “sustaining rural communities and assisting people who live or have lived and work in them.” In order to qualify for a local connection, the applicant must have a two year local connection with their area of choice by either continuously residing in it, has a parent, adult child, brother or sister who lives there or is permanently employed there.

## 2. AFFORDABLE HOUSING NEED

2.1 This section provides an assessment of the need for affordable housing in Horsham. The analysis follows the Planning Practice Guidance (“PPG”) on Housing and Economic Needs Assessments [2a-018 to 2a-024] and provides two main outputs, linked to Annex 2 of the National Planning Policy Framework (“NPPF”) – this is firstly an assessment of the need for social/affordable rented housing and secondly to consider the need for affordable home ownership (“AHO”) products. The analysis follows the same methodology as used in the 2019 Strategic Housing Market Assessment (“SHMA”) for Horsham and Crawley produced by Iceni Projects in November 2019.

### Methodology Overview

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2.2 The method for studying the need for affordable housing has been enshrined in Government practice guidance for many years, with an established approach to look at the number of households who are unable to afford market housing (to either rent or buy) – it is considered that this group will mainly be a target for rented affordable homes (social/affordable rented) and therefore the analysis looks a need for ‘*affordable housing for rent*’ as set out in Annex 2 of the NPPF. The methodology for looking at the need for rented (social/affordable) housing considers the following:

- **Current affordable housing need:** an estimate of the number of households who have a need now, at the point of the assessment, based on a range of data modelled from local information – this figure is then annualised so as to meet the current need over a period of time;
- **Projected newly forming households in need:** using demographic projections to establish gross household formation, and then applying an affordability test to estimate numbers of such households unable to afford market housing;
- **Existing households falling into need:** based on studying past trends in the types of households who have accessed social/affordable rented housing; and
- **Supply of affordable housing:** an estimate of the likely number of lettings that will become available from the existing social/affordable housing stock.

2.3 The first three bullet points above are added together to identify a gross need, from which the supply of relets of existing properties is subtracted to identify a net annual need for additional affordable housing. For the purposes of this assessment, this analysis is used to identify the overall (net) need for social/affordable rented housing.

- 2.4 This approach has traditionally been used to consider the needs of households who have not been able to afford market housing (either to buy or to rent). As the income necessary to afford to rent homes without financial support is typically lower than that needed to buy, the ability of households to afford private rents has influenced whether or not they are in need of affordable housing.
- 2.5 The NPPF and associated guidance has expanded the definition of those in affordable housing need to include households who might be able to rent without financial support but who aspire to own a home, and require support to do so. The PPG includes households that “*cannot afford their own homes, either to rent, or to own, where that is their aspiration*” as having an affordable housing need.
- 2.6 The widened definition of affordable housing was introduced by national Government to support increased access to home ownership, given evidence of declining home ownership and growth in private renting over the last 20 years or so. The PPG does not however provide specific guidance on how the needs of such households should be assessed and so this study adopts a broadly consistent methodology to that identified in the PPG, and consider a current need; a newly-arising need on an annual basis; existing households falling into need; and an annual estimate of supply.
- 2.7 For some of the analysis in this section it has been necessary to draw on other sources of data (applied to local information) to make estimates of the need. The approach is consistent with the PPG [2a-020] and includes linking local Census data to national changes (as evidenced in national surveys such as the English Housing Survey).
- 2.8 Additionally, information drawn from local surveys previously undertaken by JGC across the country have been used to look at potential prevalence rates for some elements of need where comprehensive local data is lacking. This includes considering what proportion of households in the private rented sector (“PRS”) might have a need due to potential loss of accommodation (e.g. tenancies ending) although again such rates are applied to local information about the size of the sector.
- 2.9 This approach is considered to provide a reasonable view about likely local needs and is an approach that has been accepted through a range of Local Plan Examinations over the past five or more years. Our analysis of affordable housing need is therefore structured to consider the need for rented affordable housing, and separately the need for AHO. The overall need is expressed as an annual figure, which can then be compared with likely future delivery (as required by 2a-024).
- 2.10 Whilst the need for social/affordable rented housing and AHO are analysed separately, there are a number of pieces of information that are common to both assessments. In particular, this includes an understanding of local housing costs, incomes and affordability. The sections below therefore look at these factors.

## Local Price and Rents

- 2.11 The analysis below considers the entry-level costs of housing to both buy and rent across the District. The approach has been to analyse Land Registry and ONS data to establish lower quartile prices and rents. Using a lower quartile figure is consistent with the PPG and reflects the entry-level point into the market recognising that the very cheapest properties may be of sub-standard quality.
- 2.12 Data from the Land Registry for the year to September 2021 shows estimated lower quartile property prices by dwelling type. The data shows that entry-level costs to buy are estimated to start from about £175,000 for a second-hand flat and rising to £495,000 for a detached home. Looking at the lower quartile price across all dwelling types, the analysis shows a lower quartile price of £320,000. The figures are all based on cost of existing homes in the market although newbuild prices are considered later in this report when looking at potential costs of AHO properties.

**Table 2.1 Estimated lower quartile cost of housing to buy by type (existing dwellings) – year to September 2021 – Horsham**

	Lower quartile price
Flat/maisonette	£175,000
Terraced	£292,500
Semi-detached	£351,500
Detached	£495,000
All dwellings	£320,000

Source: Land Registry

- 2.13 It is also useful to provide estimates of property prices by the number of bedrooms in a home. Analysis for this draws together Land Registry data of homes sold with an internet search of asking prices of homes for sale (using sites such as Rightmove). The analysis suggests a lower quartile price of about £175,000 for a 1-bedroom home, rising to £570,000 for homes with 4-bedrooms.

**Table 2.2 Estimated lower quartile cost of housing to buy by size (existing dwellings) – year to September 2021 – Horsham**

	Lower quartile price
1-bedroom	£175,000
2-bedrooms	£270,000
3-bedrooms	£395,000
4-bedrooms	£570,000
All Dwellings	£320,000

Source: Land Registry and Internet Price Search

- 2.14 A similar analysis has been carried out for private rents using ONS data – this covers a 12-month period to September 2021. For the rental data, information about dwelling sizes is provided (rather

than types); the analysis shows an average lower quartile cost (across all dwelling sizes) of £875 per month.

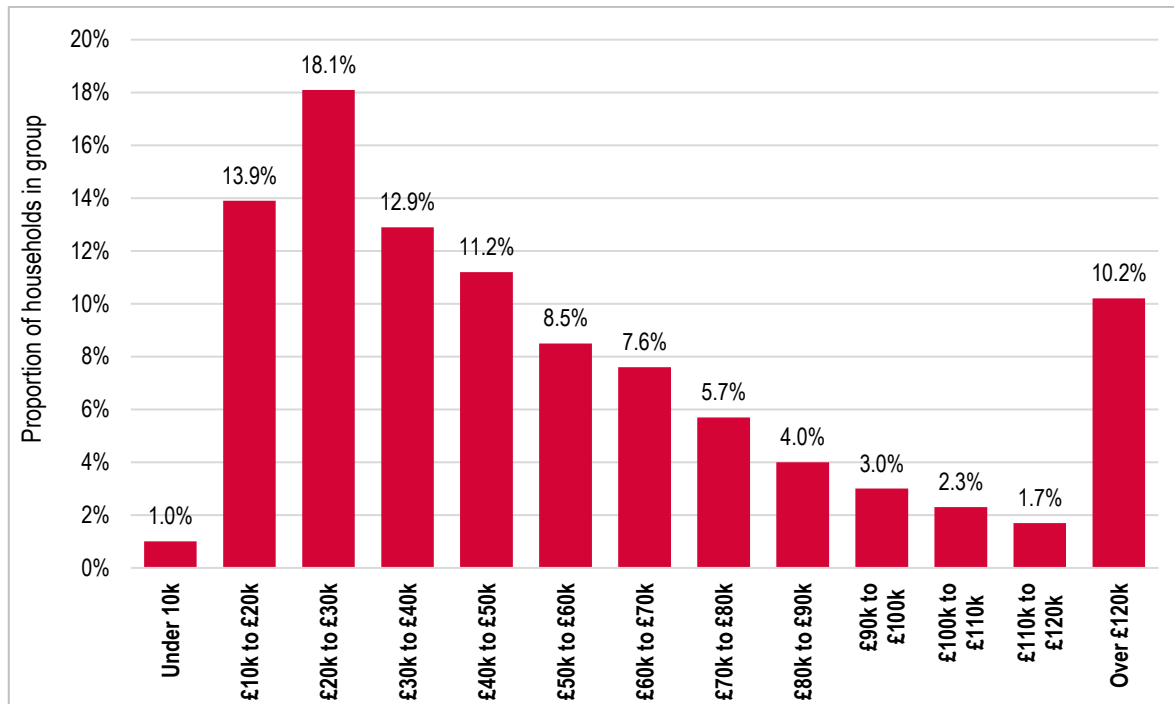
**Table 2.3 Lower Quartile Market Rents, year to September 2021 – Horsham**

	Lower Quartile rent, pcm
Room only	£475
Studio	£575
1-bedroom	£750
2-bedrooms	£925
3-bedrooms	£1,168
4-bedrooms	£1,450
All properties	£875

Source: ONS

### Household Incomes

- 2.15 Following on from the assessment of local prices and rents it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability (i.e. the ability of a household to afford to buy or rent housing in the market without the need for some sort of subsidy). Data about total household income has been based on ONS modelled income estimates, with additional data from the English Housing Survey (EHS) being used to provide information about the distribution of incomes.
- 2.16 Drawing all of this data together an income distribution for the whole District has been constructed for 2021. The figure below shows that around 15% of households have incomes below £20,000 with a further third in the range of £20,000 to £40,000. Overall, the average (mean) income is estimated to be around £57,100, with a median income of £43,500; the lower quartile income of all households is estimated to be £25,100.

**Figure 1.1 Distribution of household income (2021) – Horsham**

Source: Derived from a range of data as discussed

### Affordability Thresholds

- 2.17 To assess affordability two different measures are used; firstly to consider what income levels are likely to be needed to access private rented housing (this establishes those households in need of social/affordable rented housing) and secondly to consider what income level is needed to access owner occupation (this, along with the first test helps to identify households in the 'gap' between renting and buying). This analysis therefore brings together the data on household incomes with the estimated incomes required to access private sector housing. Additionally, different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower incomes than existing households).
- 2.18 A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis – the PPG does not provide any guidance on this issue. Department for Communities and Local Government (“CLG”) SHMA guidance<sup>2</sup> prepared in

<sup>2</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/11812/Strategic\\_Housing\\_Market\\_Assessments-Practice\\_Guidance.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/11812/Strategic_Housing_Market_Assessments-Practice_Guidance.pdf)

2007 suggested that 25% of income is a reasonable start point, it also noted that a different figure could be used depending on local housing costs.

- 2.19 At £875 per calendar month, lower quartile rent levels in Horsham are typically above average in comparison to those seen nationally (a lower quartile rent of £585 for England in the year to September 2021). This would suggest that a proportion of income to be spent on housing could be higher than the bottom end of the range (with the range starting from 25%). On balance, it is considered that a threshold of 30% of gross lower quartile pay is reasonable in a local context, to afford an £875 pcm rent this would imply a gross household income of about £35,000 (and in net terms, i.e. after deductions for tax and national insurance, the rent would likely be around 38% of income).
- 2.20 In reality, many households may well spend a higher proportion of their income on housing and therefore would have less money for other living costs – for the purposes of this assessment these households would essentially be assumed as ideally having some form of subsidised rent so as to ensure a sufficient level of residual income.
- 2.21 Generally, the income required to access owner-occupied housing is higher than that required to rent and so the analysis of the need for social/affordable rented housing is based on the ability to afford to access private rented housing. However, local house prices and affordability are important when looking at the need for AHO.
- 2.22 For the purposes of this assessment, the income thresholds for owner-occupation assume a household has a 10% deposit and can secure a mortgage for four and a half times their salary. These assumptions are considered to be broadly in line with typical lending practices although it is recognised that there will be differences on a case by case basis.
- 2.23 The table below shows the estimated incomes required to both buy and privately rent a lower quartile priced property. This shows a notable ‘gap’ across the District. The information in the table below is taken forward into further analysis in this section to look at affordable needs in different locations.

**Table 2.4 Estimated Household Income Required to Buy and Privately Rent (LQ Property)**

	To buy	To rent (privately)	Income gap
Horsham District	£64,000	£35,000	£29,000

Source: Based on Housing Market Cost Analysis

### **Need for Social/Affordable Rented Housing**

- 2.24 The sections below work through the various stages of analysis to estimate the need for social/affordable housing in the District. Final figures are provided as an annual need (including an

allowance to deal with current need). As per the PPG [2a-024], this figure can then be compared with likely delivery of affordable housing.

#### Current Need

- 2.25 In line with PPG [2a-020], the current need for affordable housing has been based on considering the likely number of households with one or more housing problems. The table below sets out the categories in the PPG and the sources of data being used to establish numbers. The PPG also includes a category where households cannot afford to own despite it being their aspiration – this category is considered separately in this report (under the title of the need for AHO).

**Table 2.5 Main sources for assessing the current need for affordable housing**

	Source	Notes
Homeless households (those in temporary accommodation)	DLUHC Statutory Homelessness data	Household in temporary accommodation at end of quarter.
Households in overcrowded housing	Census table LC4108EW	Analysis undertaken by tenure and updated by reference to national changes (from the English Housing Survey (EHS))
Concealed households	Census table LC1110EW	Number of concealed families
Existing affordable housing tenants in need	Modelled data linking to past survey analysis	Excludes overcrowded households – tenure estimates updated by reference to the EHS
Households from other tenures in need	Modelled data linking to past survey analysis	

Source: PPG [2a-020]

- 2.26 It should be noted that there may be some overlap between categories (such as overcrowding and concealed households, whereby the overcrowding would be remedied if the concealed household moved). The data available does not enable analysis to be undertaken to study the impact of this and so it is possible that the figures presented include an element of double counting (although this is likely to be small). Additionally, some of the concealed households may be older people who have moved back in with their families and might not be considered as in need.
- 2.27 The table below shows the initial estimate of the number of households with a current housing need. These figures are before any 'affordability test' has been applied to assess the ability of households to meet their own housing needs; and has been termed 'the number of households in unsuitable housing.' Overall, the analysis estimates that there are currently some 3,250 households living in unsuitable housing (or without housing).



**Table 2.6 Estimated Number of Households Living in Unsuitable Housing**

	Homeless/ concealed households <sup>3</sup>	Households in overcrowded housing	Existing affordable housing tenants in need	Households from other tenures in need	Total
Horsham District	568	1,354	144	1,187	3,253

Source: DLUHC Live Tables, Census 2011 and Data Modelling

- 2.28 In taking this estimate forward, the data modelling next estimates housing unsuitability by tenure. From the overall number in unsuitable housing, households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). The analysis also excludes 90% of owner-occupiers under the assumption (which is supported by analysis of survey data) that the vast majority will be able to afford housing once savings and equity are taken into account.
- 2.29 A final adjustment is to slightly reduce the unsuitability figures in the PRS to take account of student-only households (not a significant issue in Horsham) – such households could technically be overcrowded/living in unsuitable housing but would be unlikely to be allocated affordable housing (student needs are essentially assumed to be transient). Once these households are removed from the analysis, the remainder are taken forward for affordability testing.
- 2.30 The tables below show it is estimated that there are around 1,760 households living in unsuitable housing (excluding current social tenants and the majority of owner-occupiers) in Horsham.

**Table 2.7 Unsuitable Housing by Tenure and Number to Take Forward into Affordability Modelling (Horsham)**

	In Unsuitable Housing	Number to Take Forward for Affordability Testing
Owner-occupied	924	92
Affordable housing	661	0
Private rented	1,100	1,099
No housing (homeless/concealed)	568	568
Total	3,253	1,760

Source: DLUHC Live Tables, Census 2011 and Data Modelling

- 2.31 Having established this figure, it needs to be considered that a number of these households might be able to afford market housing without the need for subsidy. To consider this, the income data has been used, with the distribution adjusted to reflect a lower average income amongst households living in unsuitable housing – for the purposes of the modelling an income distribution that reduces

<sup>3</sup> A household living in a multi-family household in addition to the primary family e.g. a young couple living with their parents

the average household income to 88% of the figure for all households has been used to identify the proportion of households whose needs could not be met within the market (for households currently living in housing). A lower figure of 42% has been used to apply an affordability test for the concealed/homeless households who do not currently occupy housing.

- 2.32 These two percentage figures have been based on a consideration of typical income levels of households who are in unsuitable housing (based mainly on estimates in the PRS) along with typical income levels of households accessing social rented housing (for those without accommodation).
- 2.33 The figures referred to above have been based on analysis of the English Housing Survey (mainly looking at relative incomes of households in each of the private and social rented sectors) as well as consideration of similar information collected through household surveys across the country by JGC. These modelling assumptions are considered reasonable and have not been challenged through the Local Plan process in other locations (where the same assumptions have been used).
- 2.34 Overall, just over half of households with a current need are estimated to be likely to have insufficient income to afford market housing and so the estimate of the total current need is around 1,000 households across the District.

**Table 2.8 Estimated Current Affordable Housing Need (for social/affordable rented housing)**

	In unsuitable housing (taken forward for affordability test)	% Unable to Afford Market Housing (without subsidy)	Revised Gross Need (including Affordability)
Horsham District	1,760	56.8%	999

Source: CLG Live Tables, Census 2011 and Data Modelling

- 2.35 The estimated figure shown above represents the number of households with a need currently. For the purposes of analysis, it is assumed that the local authority would seek to meet this need over a period of time. Given that the next Local plan is expected to look at needs in the period from 2022 to 2039, the need is annualised by dividing by 17 (to give an annual need for 59 dwellings). This does not mean that some households would be expected to wait 17-years for housing as the need is likely to be dynamic, with households leaving the current need as they are housed but with other households developing a need over time.

#### Newly Forming Households

- 2.36 The number of newly forming households has been estimated through demographic modelling with an affordability test also being applied. This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below, 5 years previously, to provide an estimate of gross household formation.

- 2.37 The number of newly-forming households is limited to households forming who are aged under 45 – this is consistent with CLG guidance (from 2007) which notes after age 45 that headship (household formation) rates ‘plateau’. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households.
- 2.38 The number of newly forming households has been estimated through demographic modelling (linked to the 2018-based Sub-National Population Projections (“SNPP”) and 2014-based Household Representative Rates (“HRRs”)). This is considered to provide the best view about trend-based household formation in Horsham.
- 2.39 In assessing the ability of newly forming households to afford market housing, data has been drawn from previous surveys undertaken nationally by JGC. This establishes that the average income of newly forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).
- 2.40 The analysis has therefore adjusted the overall household income data to reflect the lower average income for newly forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average. In doing this it is possible to calculate the proportion of households unable to afford market housing. For the purposes of the need for social/affordable rented housing this will relate to households unable to afford to buy OR rent in the market.
- 2.41 The assessment suggests overall that just under half of newly forming households will be unable to afford market housing (to rent privately) and this equates a total of 533 newly forming households will have a need per annum on average across the District.

**Table 2.9 Estimated Need for Social/Affordable Rented Housing from Newly Forming Households (per annum)**

	Number of new households	% unable to afford	Annual newly forming households unable to afford to rent
Horsham District	1,114	47.9%	533

Source: Projection Modelling/Affordability Analysis

#### Existing Households Falling into Affordable Housing Need

- 2.42 The second element of newly arising need is existing households falling into need. To assess this, information about past lettings in social/affordable rented has been used. The assessment looked at households who have been housed in general needs housing over the past three years – this group will represent the flow of households onto the Housing Register over this period. From this, newly

forming households (e.g. those currently living with family) have been discounted as well as households who have transferred from another social/affordable rented property. An affordability test has also been applied to estimate if any of these households are likely to be able to afford market housing to rent, although income levels for this group are generally estimated to be relatively low.

- 2.43 This method for assessing existing households falling into need is consistent with the 2007 SHMA guide which says on page 46 that *'Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless household applicants).'* Following the analysis through suggests a need arising from 93 existing households each year across the District.

#### Supply of Social/Affordable Rented Housing Through Relets

- 2.44 The future supply of affordable housing through relets is the flow of affordable housing arising from the existing stock that is available to meet future need. This focusses on the annual supply of social/affordable rent relets.
- 2.45 The PPG on Housing and Economic Development Needs Assessments suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. Information from CoRe has been used to establish past patterns of social housing turnover. The figures are for general needs lettings but exclude lettings of new properties and also exclude an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.
- 2.46 On the basis of past trend data it has been estimated that 193 units of social/affordable rented housing are likely to become available each year moving forward for occupation by newly forming households and existing households falling into need from other tenures.

**Table 2.10 Analysis of Past Social/Affordable Rented Housing Supply, 2017/18 – 2019/20 (average per annum) – Horsham**

	Total Lettings	% as Non-New Build	Lettings in Existing Stock	% Non-Transfers	Lettings to New Tenants
2017/18	484	70.0%	339	62.2%	211
2018/19	380	73.7%	280	63.2%	177
2019/20	440	74.8%	329	58.2%	191
Average	435	72.7%	316	61.1%	193

Source: CoRe/LAHS

- 2.47 The PPG model also includes the bringing back of vacant homes into use and the pipeline of affordable housing as part of the supply calculation. These have however not been included within

the modelling in this report. Firstly, there is no evidence of any substantial stock of vacant homes (over and above a level that might be expected to allow movement in the stock). Secondly, with the pipeline supply, it is not considered appropriate to include this as to net off new housing would be to fail to show the full extent of the need, although in monitoring it will be important to net off these dwellings as they are completed.

#### Net Need for Social/Affordable rented Housing

- 2.48 The table below shows the overall calculation of affordable housing need. The analysis shows that there is a need for 492 dwellings per annum across the area. The net need is calculated as follows:

$$\text{Net Need} = \text{Current Need (allowance for)} + \text{Need from Newly-Forming Households} + \text{Existing Households falling into Need} - \text{Supply of Affordable Housing}$$

**Table 2.11 Estimated Need for Social/Affordable Rented Housing (per annum)**

	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Relet Supply	Net Need
Horsham District	59	533	93	685	193	492

Source: Range of sources as discussed

- 2.49 The estimated need for rented affordable housing in this study is higher than calculated in the 2019 SHMA where the annual need was calculated to be 344 dwellings per annum. The table below shows that the main reasons for the difference are a higher estimated need from newly forming households (likely to be linked to stronger demographic trends in recent years) and a reduction in the future relet supply of housing. Both studies clearly identify a need for rented affordable housing and suggest the Council should seek to maximise delivery where opportunities arise.

**Table 2.12 Comparison of estimated rented affordable housing need (2019 and 2022)**

	2019	2022
Current need	42	59
Newly forming households	415	533
Existing households falling into need	151	93
Total Gross Need	607	685
Relet Supply	263	193
Net Need	344	492

Source: Range of sources as discussed (2019 data from Table 37 of SHMA)

#### The Relationship Between Affordable Need and Overall Housing Need

- 2.50 The PPG encourages local authorities to consider increasing planned housing numbers where this can help to meet the identified affordable need. Specifically, the wording of the PPG [2a-024] states:

*‘The total affordable housing need can then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the strategic plan may need to be considered where it could help deliver the required number of affordable homes’*

- 2.51 However, the relationship between affordable housing need and overall housing need is complex. This was recognised in the Planning Advisory Service (PAS) Technical Advice Note of July 2015. PAS conclude that there is no arithmetical way of combining the OAN (calculated through demographic projections) and the affordable need. There are a number of reasons why the two cannot be ‘arithmetically’ linked.
- 2.52 Firstly, the modelling contains a category in the projection of ‘existing households falling into need;’ these households already have accommodation and hence if they were to move to alternative accommodation, they would release a dwelling for use by another household – there is no net need to provide additional homes. The modelling also contains ‘newly forming households;’ these households are a direct output from the demographic modelling and are therefore already included in the overall housing need figures.
- 2.53 This just leaves the ‘current need’; much of this group will be similar to the existing households already described (in that they are already living in accommodation) although it is possible that a number will be households without housing (mainly concealed households) – these households are not included in the demographic modelling and so are arguably an additional need, although uplifts for market signals/affordability (as included in the Government’s standard method) would be expected to deal with such households.
- 2.54 The analysis estimates an annual need for 492 rented affordable homes, which is notionally 52% of a Local Housing Need of 948 dwellings per annum (as calculated using the standard method (uncapped)). However, as noted, caution should be exercised in trying to make a direct link between affordable need and planned delivery, with the key point being that many of those households picked up as having a need will already be living in housing and so providing an affordable home does not lead to an overall net increase in the need for housing (as they would vacate a home to be used by someone else).
- 2.55 It is possible to investigate this in some more detail by re-running the model and excluding those already living in accommodation. This is shown in the table below which identifies that meeting these needs would lead to an affordable need for 367 homes per annum across the District – notionally 39% of the standard method. This figure is theoretical and should not be seen to be minimising the need (which is clearly acute). It does however serve to show that there is a substantial difference in the figures when looking at overall housing shortages.

- 2.56 The analysis is arguably even more complex than this – it can be observed that the main group of households in need are newly forming households. These households are already included within demographic projections and so the demonstrating of a need for this group again should not be seen as over and above any need derived through the normal process of looking at need. Indeed, only the 27 per annum (i.e. the current need) is in addition to demographic projections and this scale of uplift will already have been included in figures when moving from a demographic start point to an estimate of housing need (if using the standard method).

**Table 2.13 Estimated Need for Affordable Housing (social/affordable rented) excluding households already in accommodation – Horsham**

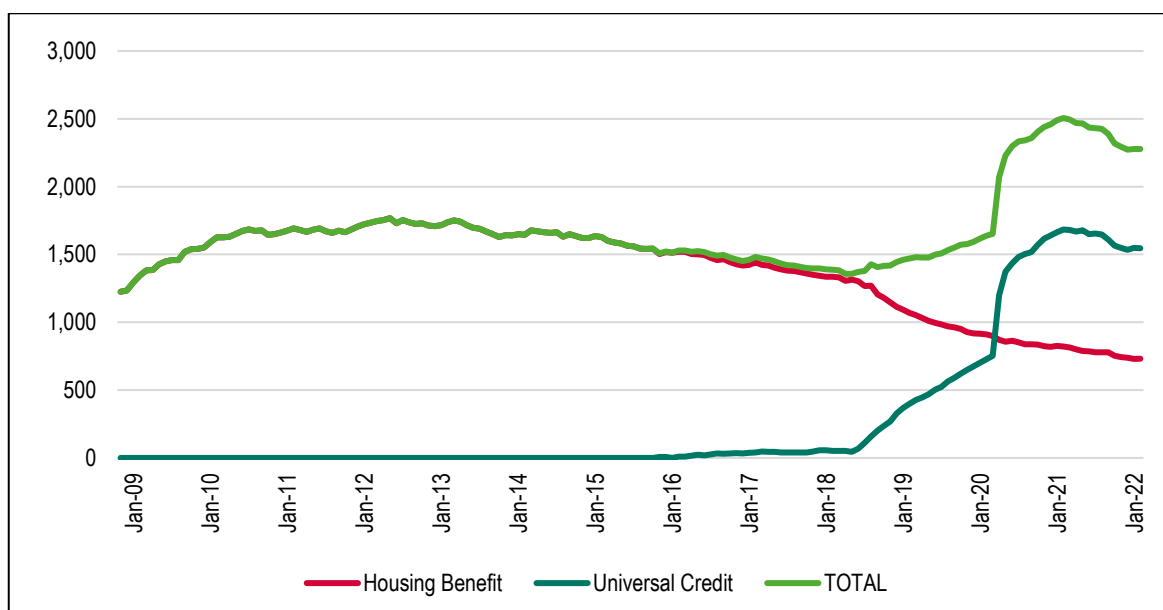
	Excluding existing households	Including existing households
Current need	27	59
Newly forming households	533	533
Existing households falling into need	0	93
Total Gross Need	560	685
Re-let Supply	193	193
Net Need	367	492

*Source: Range of sources as discussed*

- 2.57 Additionally, it should be noted that the need estimate is on a per annum basis and should not be multiplied by the plan period to get a total need. Essentially, the estimates are for the number of households who would be expected to have a need in any given year (i.e. needing to spend more than 30% of income on housing). In reality, some (possibly many) households would see their circumstances change over time such that they would ‘fall out of need’ and this is not accounted for in the analysis.
- 2.58 One example would be a newly forming household with an income level that means they spend more than 30% of income on housing, as the household’s income rises they would potentially pass the affordability test and therefore not have an affordable need. Additionally, there is the likelihood when looking over the longer-term that a newly-forming household will become an existing household in need and would be counted twice if trying to multiply the figures out for a whole plan period.
- 2.59 The discussion above has already noted that the need for affordable housing does not generally lead to a need to increase overall provision (with the exception of potentially providing housing for concealed households although this should be picked up as part of an affordability uplift). It is however worth briefly thinking about how affordable need works in practice and the housing available to those unable to access market housing without Housing Benefit. In particular, the increasing role played by the PRS in providing housing for households who require financial support in meeting their housing needs should be recognised.

- 2.60 Whilst the PRS does not fall within the types of affordable housing set out in the NPPF (other than affordable private rent which is a specific tenure separate from the main ‘full market’ PRS), it has evidently been playing a role in meeting the needs of households who require financial support in meeting their housing need. Government recognises this, and indeed legislated through the 2011 Localism Act to allow Councils to discharge their “homelessness duty” through providing an offer of a suitable property in the PRS.
- 2.61 It is also worth reflecting on the NPPF (Annex 2) definition of affordable housing. This says: *‘Affordable housing: housing for sale or rent, for those whose needs are not met by the market’* [emphasis added]. Clearly where a household is able to access suitable housing in the PRS (with or without Housing Benefit) it is the case that these needs are being met by the market (as within the NPPF definition). As such the role played by the PRS should be recognised – it is evidently part of the functioning housing market.
- 2.62 Data from the Department of Work and Pensions (DWP) has been used to look at the number of Housing Benefit supported private rented homes. As of February 2022, it is estimated that there were around 2,300 benefit claimants in the PRS in Horsham. From this, it is clear that the PRS contributes to the wider delivery of ‘affordable homes’ with the support of benefit claims, and further complicates any attempts to find a relationship between affordable need and overall housing need.
- 2.63 The figure below shows the trend in the number of claimants in the District. This shows there has been a notable increase since March 2020, which is likely to be related to the Covid-19 pandemic. However, even the more historical data shows a substantial number of households claiming benefit support for their housing in the private sector (typically around 1,500 households).

**Figure 1.2 Number of Housing Benefit claimants in the PRS – Horsham**



Source: Department of Work and Pensions



- 2.64 Whilst housing delivery through the Local Plan can be expected to secure additional affordable housing it needs to be noted that delivery of affordable housing through planning obligations is an important, but not the only means, of delivery affordable housing; and the Council should also work with housing providers to secure funding to support enhanced affordable housing delivery on some sites and through use of its own land assets.
- 2.65 Overall, it is difficult to link the need for affordable housing to the overall housing need; indeed, there is no justification for trying to make the link. Put simply the two do not measure the same thing and that when interpreting the affordable need figure, consideration needs to be given to the fact that many households already live in housing, and do not therefore generate an overall net need for an additional home. Further issues arise as the need for affordable housing is complex and additionally the extent of concealed and homeless households needs to be understood as well as the role played by the PRS.
- 2.66 Regardless of the discussion above, the analysis identifies a notable need for affordable housing, and it is clear that provision of new affordable housing is an important and pressing issue across the District. It does however need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. As noted previously, the evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.

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### **Establishing a Need for Affordable Home Ownership**

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- 2.67 The Planning Practice Guidance confirms a widening definition of those to be considered as in affordable need; now including *'households which can afford to rent in the private rental market, but cannot afford to buy despite a preference for owning their own home.'* However, at the time of writing, there is no guidance about how the number of such households should be measured.
- 2.68 The methodology used in this report therefore draws on the current methodology, and includes an assessment of current needs, and projected need (newly forming and existing households). The key difference is that in looking at affordability an estimate of the number of households in the 'gap' between buying and renting is used. There is also the issue of establishing an estimate of the supply of AHO homes – this is considered separately below.
- 2.69 The analysis has been developed in the context of First Homes with the Government proposing that 25% of all affordable housing secured through developer contributions should be within this tenure. A definition of First Homes (from the relevant PPG [70-001]) can be found later in this document.

### Gross Need for Affordable Home Ownership

- 2.70 The first part of the analysis seeks to understand what the gap between renting and buying actually means in the District – in particular establishing the typical incomes that might be required. The information about incomes required to both buy and rent in different locations has already been provided earlier in this section and so the discussion below is a broad example.
- 2.71 Using the income distributions developed (as set out earlier in this section) along with data about price and rents, it has been estimated that of all households living in the PRS, around 25% already have sufficient income to buy a lower quartile home, with 29% falling in the rent/buy ‘gap’. The final 46% are estimated to have an income below which they cannot afford to rent privately (i.e. would need to spend more than the calculated threshold of their income on housing costs) although in reality it should be noted that many households will spend a higher proportion of their income on housing.
- 2.72 These figures have been based on an assumption that incomes in the PRS are around 88% of the equivalent figure for all households (a proportion derived from the English Housing Survey) and are used as it is clear that AHO products are likely to be targeted at households living in, or who might be expected to access, this sector (e.g. newly forming households).
- 2.73 The finding that a significant proportion of households in the PRS are likely to have an income that would allow them to buy a home is also noteworthy and suggests that for many households, barriers to accessing owner-occupation are less about income/the cost of housing and more about other factors.
- 2.74 As an example, these factors could include the lack of a deposit or difficulties obtaining a mortgage (for example due to a poor credit rating or insecure employment). However, some households will choose to privately rent, for example as it is a more flexible option that may be more suitable for a particular household’s life stage (e.g. if moving locations with employment).
- 2.75 To study current need, an estimate of the number of household living in the PRS has been established, with the same (rent/buy gap) affordability test (as described above) then applied. The start point is the number of households living in private rented accommodation; as of the 2011 Census there were some 6,500 households living in the sector across the District. Data from the English Housing Survey (EHS) suggests that since 2011, the number of households in the PRS has risen by about 19% - if the same proportion is relevant to Horsham then the number of households in the sector would now be around 7,700.
- 2.76 Additional data from the EHS suggests that 60% of all PRS households expect to become an owner at some point (4,620 households if applied to Horsham) and of these some 40% (1,850 households)

would expect this to happen in the next 2-years. These figures are taken as the number of households potentially with a current need for AHO before any affordability testing.

- 2.77 As noted above, on the basis of income it is estimated that around a third of the PRS sit in the gap between renting and buying. Applying this proportion to the above figures would suggest a current need for around 542 AHO units (32 per annum if annualised over a 17-year period).
- 2.78 In projecting forward, the analysis can consider newly forming households and also the remaining existing households who expect to become owners further into the future. Applying the same affordability test (albeit on a very slightly different income assumption for newly forming households – see paragraph 2.40) suggests an annual need from these two groups of around 372 dwellings (324 from newly forming households and 48 from existing households in the PRS).
- 2.79 Bringing together the above analysis suggests that there is a need for around 404 AHO homes (priced for households able to afford to rent but not buy) per annum across the District. This is before any assessment of the potential supply of housing is considered.

**Table 2.14 Estimated Gross Need for Affordable Home Ownership (per annum)**

	Current need	Newly forming households	Existing households falling into need	Total Gross Need
Horsham District	32	324	48	404

Source: Range of sources as discussed

#### Potential Supply of Housing to Meet the Affordable Home Ownership Need and Net Need

- 2.80 As with the need for social/affordable rented housing, it is also necessary to consider if there is any supply of AHO products from the existing stock of housing. Again, it is the case that at present the PPG does not include any suggestions about how the supply of housing to meet these needs should be calculated.
- 2.81 One source is likely to be resales of products such as shared ownership and an analysis of CoRe data about the resale of affordable housing shows an average of around 17 resales per annum across the District (based on data for the 2016-19 period). These properties would be available for those households in need and can be included as the potential supply.
- 2.82 In addition, it should be noted that the analysis looks at households unable to afford a lower quartile property price. By definition, a quarter of all homes sold will be priced at or below a lower quartile level.
- 2.83 According to the Land Registry, in Horsham there were a total of 2,594 resales (i.e. excluding newly-built homes) in the last year (year to September 2021) and therefore around 649 would be priced

below the lower quartile. This is 649 homes that would potentially be affordable to the target group for AHO products and is thus a potential supply that is well in excess of the level of need calculated.

- 2.84 It is then possible to provide a best estimate of the supply of lower quartile homes that are bought by the target group of households (assumed to be first-time buyers). Whilst dated, a report by Bramley and Wilcox in 2010 (Evaluating requirements for market and affordable housing) noted that around 40% of first-time buyers with a mortgage buy at or below the lower quartile<sup>4</sup>. Other recent data suggests that first time buyers account for around half of home purchase loans<sup>5</sup> with a total of around 65% of all homes being bought with a loan (35% as cash buyers<sup>6</sup>).
- 2.85 Bringing this together would point to 32.5% of homes being bought by first-time buyers and around 13% of all homes being a lower quartile home bought by a first-time buyer (32.5% \* 40%) – this would point to around half of all lower quartile sales as being to first-time buyers (as half of 25% (of all sales) is 12.5%). Therefore, for the purposes of estimating a ‘need’ half of all lower quartile sales are included in the supply.
- 2.86 Iceni can therefore now provide three supply estimates which can be considered in the context of the estimated need. These are:
- Only count the supply from AHO resales (17 per annum);
  - Include the supply from AHO and half of resales of lower quartile homes (342 per annum (324+17)); and
  - Include the supply from AHO and all resales of lower quartile homes (666 per annum (649+17)).
- 2.87 The Table below shows the estimated net need from applying these three supply scenarios. Only including the resales of AHO shows a need for 386 dwellings per annum and this reduces to 62 if 50% of lower quartile sales are included. If all lower quartile sales are included in the supply, then there is a substantial surplus of AHO shown.

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<sup>4</sup> [https://thinkhouse.org.uk/site/assets/files/1614/2010\\_20nhpau\\_202.pdf](https://thinkhouse.org.uk/site/assets/files/1614/2010_20nhpau_202.pdf)

<sup>5</sup> <https://www.mortgagesolutions.co.uk/news/2022/01/24/first-time-buyer-numbers-rose-to-nearly-410000-in-2021/#:~:text=First%2Dtime%20buyers%20accounted%20for,39%20per%20cent%20in%202009>

<sup>6</sup> <https://www.ft.com/content/e0ad2830-094f-4e61-acaa-d77457e2edbb>

**Table 2.15 Estimated Need for Affordable Home Ownership (per annum)**

	AHO resales only	AHO resales plus 50% of LQ sales	AHO resales plus 100% of LQ sales
Total gross need	404	404	404
LCHO supply	17	342	666
Net need	386	62	-262

Source: Derived from a range of sources

#### Implications of the Analysis

- 2.88 Given the analysis above, it would be reasonable to conclude that there is a need to provide housing under the definition of ‘affordable home ownership’ – although this conclusion is based on only considering supply from resales of affordable housing (notably shared ownership). If supply estimates are expanded to include market housing for sale below a lower quartile price then the need for AHO is less clear-cut.
- 2.89 Regardless, it does seem that there are many households in Horsham who are being excluded from the owner-occupied sector. This can be seen by analysis of tenure change, which saw the number of households living in private rented accommodation increasing by 71% from 2001 to 2011 (with the likelihood that there have been further increases since). Over the same period, the number of owners with a mortgage dropped by 10%. That said, some households will choose to privately rent, for example as it is a more flexible option that may be more suitable for a particular household’s life stage (e.g. if moving locations with employment).
- 2.90 On this basis, and as previously noted, it seems likely in Horsham that access to owner-occupation is being restricted by access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially some mortgage restrictions (e.g. where employment is temporary) rather than simply being due to the cost of housing to buy (although this will be a factor).
- 2.91 The NPPF (last updated in July 2021) gives a clear direction that 10% of all new housing (on larger sites) should be for AHO (in other words, if 20% of homes were to be affordable then half would be AHO) and it is now the case that policy compliant planning applications would be expected to deliver a minimum of 25% affordable housing as First Homes (as a proportion of the total affordable housing), with Councils being able to specify the requirement for any remaining affordable housing (subject to at least 10% of all housing being for AHO).
- 2.92 Firstly regarding the 10%, it is not clear that this is the best solution in the District. The NPPF does provide some examples of where the 10% might not be required (paragraph 65), most notably that the 10% would be expected unless this would ‘*significantly prejudice the ability to meet the identified affordable housing needs of specific groups*’. In Horsham, the clear need for additional rented housing – and indeed justification for prioritising social rented housing – would arguably mean that

providing the AHO would ‘prejudice the ability’ to meet the needs of the ‘specific group’ requiring rented accommodation and as a result, a lower percentage may therefore be justified.

- 2.93 Regarding the 25% of affordable housing as First Homes, it is not clear whether there is any scope to challenge the ‘minimum of 25%’, nor what role other tenures of AHO (such as shared ownership) might play. However, it is clear from the analysis that in principle, the Council would be justified in challenging the percentage requirement owing to the significant need for rented affordable housing. It is also possible that provision of First Homes could squeeze out other forms of AHO such as shared ownership, although it is likely that there will still be a role for this type of housing given typically lower deposit requirements.
- 2.94 Whilst there are clearly many households in the gap between renting and buying, they in some cases will be able to afford homes below lower quartile housing costs. That said, it is important to recognise that some households will have insufficient savings to be able to afford to buy a home on the open market (particularly in terms of the ability to afford a deposit) and AHO homes – and shared ownership homes in particular – will therefore continue to play a role in supporting some households in this respect.
- 2.95 The evidence points to a clear and acute need for rented affordable housing for lower income households, and it is important that a supply of rented affordable housing is maintained to meet the needs of this group including those to which the authorities have a statutory housing duty. Such housing is notably cheaper than that available in the open market and can be accessed by many more households (some of whom may be supported by benefit payments).
- 2.96 In terms of the split between social and affordable rented products, based on the evidence, the Council would be justified in seeking to prioritise securing affordable homes at social rents. The Council should default to securing social rents as a starting point for negotiations on S106 agreements as the priority affordable housing tenure in case-by-case negotiations. Doing so would ensure that affordable homes are delivered for those on the lowest incomes and address the core need.
- 2.97 However, there will inevitably be a series of considerations both at a strategic level and for specific schemes. In viability terms, there will be the consideration of the balance between the cost of housing and the amount that can be viably provided, for example, it is likely that affordable rented housing is more viable, and therefore a greater number of units could be provided.
- 2.98 In addition, there will also be a role for AHO on any 100% affordable housing schemes that may come forward (as well as through Section 106). Including a mix of both rented and intermediate homes to buy would make such schemes more viable, as well as enabling a range of tenures and therefore potential client groups to access housing.

- 2.99 In addition, it should also be noted that the finding of a ‘need’ for AHO does not have any impact on the overall need for housing. It seems clear that this group of households is simply a case of seeking to move households from one tenure to another (in this case from private renting to owner-occupation); there is therefore no net change in the total number of households, or the number of homes required.

### **Affordable Housing Need - Summary**

Analysis has been undertaken to estimate the need for affordable housing in the 2021-38 period. The analysis is split between a need for social/affordable rented accommodation and is based on households unable to buy or rent in the market and the need for AHO (AHO) – this includes housing for those who can afford to rent privately but cannot afford to buy a home and will include the potential market for First Homes.

The analysis has taken account of local housing costs (to both buy and rent) along with estimates of household income. Additionally, when looking at rented needs, consideration is given to estimates of the supply of social/affordable rented housing. For AHO, consideration is given to the potential supply of resales of low-cost home ownership properties (such as shared ownership).

When looking at rented needs, the analysis suggests a need for 492 affordable homes per annum across the District; the Council is therefore justified in seeking to secure additional affordable housing.

In terms of the split between social and affordable rented products, based on the evidence, the Council would be justified in seeking to prioritise securing affordable homes at social rents. The Council should default to securing social rents as a starting point for negotiations on S106 agreements as the priority affordable housing tenure in case-by-case negotiations. Doing so would ensure that affordable homes are delivered for those on the lowest incomes and address the core need.

Despite the level of need being high, it is not considered that this would necessarily point to any requirement for the Council to increase the Local Plan housing requirement (above that suggested by the standard method for example). The link between affordable need and overall need (of all tenures) is complex and in trying to make a link it must be remembered that many of those picked up as having an affordable need are already in housing (and therefore do not generate a net additional need for a home).

Additionally, most of the affordable need is already part of the demographic projections which are used to drive the standard method and so any additional provision would arguably be double counting. That said, the level of affordable need across areas can form part of the consideration of

the distribution of housing for different location, along with an understanding of demographic trends and economic growth.

When looking at the need for AHO products, the analysis also suggests a need across the District (for 386 per annum). In interpreting this figure, it should however be noted that there could be a significant additional supply from resales of market homes (below a lower quartile price) which arguably would mean there is a much more limited need for AHO.

Analysis does suggest that there are many households in Horsham who are being excluded from the owner-occupied sector (as evidenced by reductions in owners with a mortgage and increases in the size of the PRS). This suggests that a key issue in the District is about access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially mortgage restrictions (e.g. where employment is temporary) rather than simply the cost of housing to buy.

Overall, the analysis identifies a notable need for affordable housing, and it is clear that provision of new affordable housing is an important and pressing issue in the area. It does however need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.



### 3. SPECIALIST AFFORDABLE HOUSING

- 3.1 This section studies the characteristics and housing needs of the older person population and the population with some form of disability. The two groups are taken together as there is a clear link between age and disability. It responds to Planning Practice Guidance on *Housing for Older and Disabled People* published by Government in June 2019. It concludes with an assessment of the need for specialist affordable accommodation for older people.

#### Understanding the Implications of Demographic Change

- 3.2 The population of older persons is increasing, and this will potentially drive a need for housing which is capable of meeting the needs of older persons. Initially below a series of statistics about the older person population of Horsham are presented.

#### Current Population of Older People

- 3.3 The table below provides baseline population data about older persons in Horsham and compares this with other areas. The population data has been taken from the published 2020 ONS mid-year population estimates (MYE). The table shows that Horsham has an older age structure than other areas with 23% of the population being aged 65 and over, this compares with 19% regionally and 19% nationally.

**Table 3.1** Older Persons Population, 2020

	Horsham	West Sussex	South East	England
Under 65	77.1%	76.8%	80.3%	81.5%
65-74	11.9%	11.9%	10.3%	9.9%
75-84	7.7%	7.8%	6.5%	6.1%
85+	3.3%	3.5%	2.8%	2.5%
Total	100.0%	100.0%	100.0%	100.0%
Total 65+	22.9%	23.2%	19.7%	18.5%
Total 75+	11.0%	11.3%	9.4%	8.6%

Source: ONS Mid-Year Population Estimates

#### Projected Future Change in the Population of Older People

- 3.4 Population projections can next be used to provide an indication of how the number of older persons might change in the future with the table below showing that Horsham is projected to see a notable increase in the older person population. The latest ONS population projections show a 44% increase in the population aged 65 and over in the 2021-38 period – the population aged Under 65 is in contrast projected to increase by just 2%.

- 3.5 In total population terms, the projections show an increase in the population aged 65 and over of 15,100 people. This is against a backdrop of an overall increase of 17,400 – population growth of people aged 65 and over therefore accounts for 87% of the total projected population change.

**Table 3.2** Projected Change in Population of Older Persons, 2021 to 2038 – Horsham

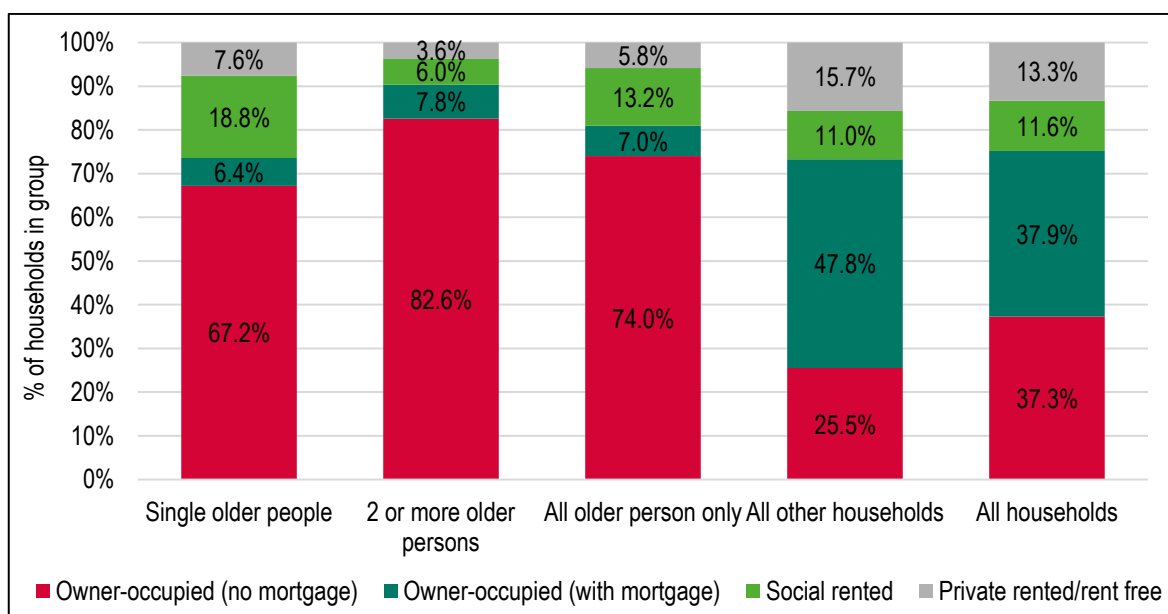
	2021	2038	Change in population	% change
Under 65	112,343	114,642	2,299	2.0%
65-74	17,422	22,794	5,372	30.8%
75-84	11,772	17,564	5,792	49.2%
85+	5,002	8,898	3,896	77.9%
Total	146,539	163,898	17,359	11.8%
Total 65+	34,196	49,256	15,060	44.0%
Total 75+	16,774	26,462	9,688	57.8%

Source: ONS

#### Characteristics of Older Person Households

- 3.6 The figure below shows the tenure of older person households. The data has been split between single older person households and those with two or more older people (which will largely be couples). The data shows that the majority of older persons households are owner occupiers (81% of older person households), and indeed most are owner occupiers with no mortgage and thus may have significant equity which can be put towards the purchase of a new home. Some 13% of older persons households across the District live in the social rented sector; the proportion of older person households living in the private rented sector is relatively low (about 6%).
- 3.7 There are also notable differences for different types of older person households with single older people having a much lower level of owner-occupation than larger older person households – this group also has a much higher proportion living in the social rented sector.

Figure 3.1 - Tenure of Older Persons Households in Horsham, 2011



Source: 2011 Census

### Prevalence of Disabilities

- 3.8 The table below shows the proportion of people with a long-term health problem or disability (LTHPD) drawn from 2011 Census data, and the proportion of households where at least one person has a LTHPD. The data suggests that some 28% of households in Horsham contain someone with a LTHPD – this figure is lower than seen across other areas.
- 3.9 The figures for the population with a LTHPD also typically show a proportion below other areas – some 15% of the population having a LTHPD. These findings are interesting given the older population structure in the District, and the fact that older people are typically more likely to have some form of health problem or disability.

**Table 3.3** Households and People with a Long-Term Health Problem or Disability, 2011

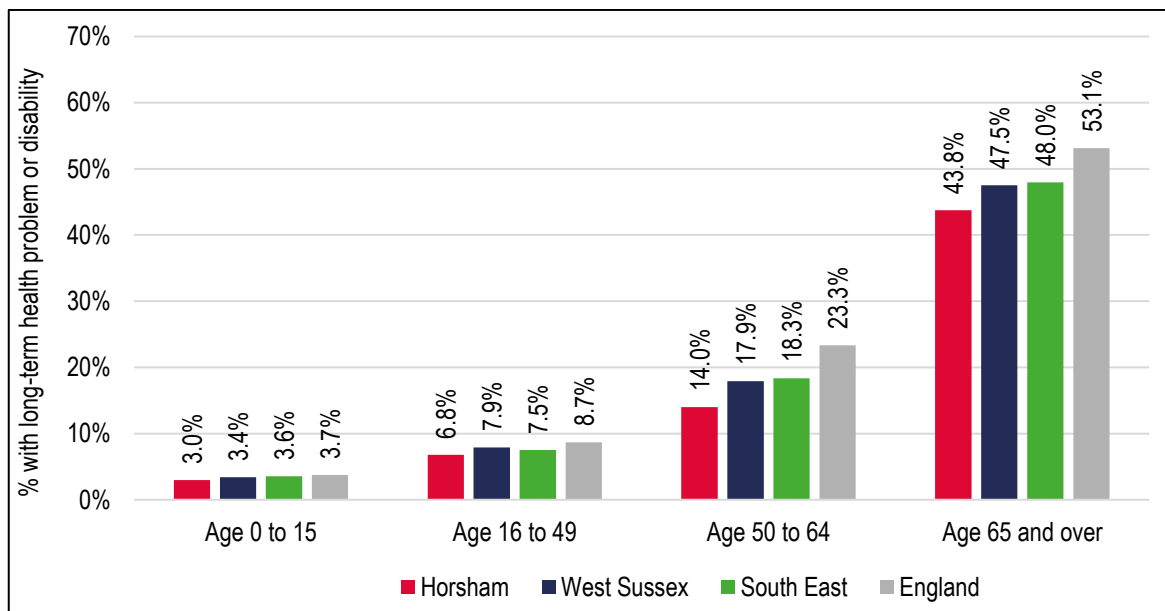
	Households Containing Someone with a Health Problem		Population with a Health Problem	
	No.	%	No.	%
Horsham	15,133	27.6%	19,407	14.8%
West Sussex	107,127	31.0%	138,880	17.2%
South East	1,048,887	29.5%	1,356,204	15.7%
England	7,217,905	32.7%	9,352,586	17.6%

Source: 2011 Census

- 3.10 As noted, it is likely that the age profile will impact upon the number of people with a LTHPD, as older people tend to be more likely to have a LTHPD. The figure below shows the age bands of people with a LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely

to have a LTHPD. The analysis also typically shows lower levels of LTHPD in each age band within Horsham when compared with the local, regional and national position.

Figure 3.2 - Population with Long-Term Health Problem or Disability by Age



Source: 2011 Census

### Health Related Population Projections

- 3.11 The incidence of a range of health conditions is an important component in understanding the potential need for care or support for a growing older population.
- 3.12 The analysis undertaken covers both younger and older age groups and draws on prevalence rates from the PANSI (Projecting Adult Needs and Service Information) and POPPI (Projecting Older People Population Information) websites. Adjustments have been made to take account of the age specific health/disabilities previously shown.
- 3.13 Of particular note are the large increases in the number of older people with dementia (increasing by 60% from 2021 to 2038 and mobility problems (up 62% over the same period). Changes for younger age groups are smaller, reflecting the fact that projections are expecting older age groups to see the greatest proportional increases in population. When related back to the total projected change to the population, the increase of people aged 65+ with a mobility problem represents 16% of total projected population growth.
- 3.14 It should be noted that there will be an overlap between categories (i.e. some people will have both dementia and mobility problems). Hence the numbers for each of the illnesses/disabilities should not be added together to arrive at a total.

**Table 3.4** Projected Changes to Population with a Range of Disabilities – Horsham

Disability	Age Range	2021	2038	Change	% Change
Dementia	65+	2,044	3,270	1,226	60.0%
Mobility problems	65+	5,297	8,118	2,822	53.3%
Autistic Spectrum Disorders	18-64	578	594	17	2.9%
	65+	263	382	118	44.9%
Learning Disabilities	15-64	1,519	1,558	39	2.6%
	65+	586	839	253	43.2%
Challenging behaviour	15-64	28	29	1	2.5%
Impaired mobility	16-64	3,683	3,702	19	0.5%

Source: POPPI/PANSI and ONS

- 3.15 Invariably, there will be a combination of those with disabilities and long-term health problems that continue to live at home with family, those who chose to live independently with the possibility of incorporating adaptations into their homes and those who choose to move into supported housing.
- 3.16 The projected change shown in the number of people with disabilities provides clear evidence justifying delivering ‘accessible and adaptable’ homes as defined in Part M4(2) of Building Regulations, subject to viability and site suitability. The Council should ensure that the viability of doing so is also tested as part of drawing together its evidence base although the cost of meeting this standard is unlikely to have any significant impact on viability and would potentially provide a greater number of homes that will allow households to remain in the same property for longer.

### Need for Specialist Accommodation for Older Persons

- 3.17 Given the ageing population and higher levels of disability and health problems amongst older people, there is likely to be an increased requirement for specialist housing options moving forward. The box below shows the different types of older persons housing which are considered.

#### Definitions of Different Types of Older Persons’ Accommodation

**Age-restricted general market housing:** This type of housing is generally for people aged 55 and over and the active elderly. It may include some shared amenities such as communal gardens, but does not include support or care services.

**Retirement living or sheltered housing (housing with support):** This usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services, but provides some support to enable residents to live independently. This can include 24-hour on-site assistance (alarm) and a warden or house manager.

**Extra care housing or housing-with-care (housing with care):** This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24-hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.

**Residential care homes and nursing homes (care bedspaces):** These have individual rooms within a residential building and provide a high level of care meeting all activities of daily living. They do not usually include support services for independent living. This type of housing can also include dementia care homes.

- 3.18 The need for specialist housing for older persons is typically modelled by applying prevalence rates to current and projected population changes and considering the level of existing supply. There is no standard methodology for assessing the housing and care needs of older people.
- 3.19 The current and future demand for elderly care is influenced by a host of factors including the balance between demand and supply in any given area and social, political, regulatory and financial issues. Additionally, the extent to which new homes are built to accessible and adaptable standards may over time have an impact on specialist demand (given that older people often want to remain at home rather than move to care) – this will need to be monitored.
- 3.20 There are a number of ‘models’ for considering older persons’ needs, but they all essentially work in the same way. The model results are however particularly sensitive to the prevalence rates applied, which are typically calculated as a proportion of people aged over 75 who could be expected to live in different forms of specialist housing. Whilst the population aged 75 and over is used in the modelling, the estimates of need would include people of all ages.
- 3.21 Whilst there are no definitive rates, the PPG [63-004] notes that *‘the future need for specialist accommodation for older people broken down by tenure and type (e.g. sheltered housing, extra care) may need to be assessed and can be obtained from a number of online tool kits provided by the sector, for example SHOP@ for Older People Analysis Tool)’*. The PPG does not specifically mention any other tools and therefore seems to be indicating that SHOP@ would be a good starting point for analysis. Since the PPG was published the Housing Learning and Information Network (Housing LIN) has removed the Shop@ online toolkit although the base rates used for analysis are known.
- 3.22 The SHOP@ tool was originally based on data in a 2008 report (More Choice Greater Voice) and in 2011 a further suggested set of rates was published (rates which were repeated in a 2012 publications). In 2016, Housing LIN published a review document which noted that the 2008 rates

are ‘outdated’ but also noting that the rates from 2011/12 were ‘not substantiated’. The 2016 review document therefore set out a series of proposals for new rates to be taken forward onto the Housing LIN website.

- 3.23 Whilst the 2016 review rates do not appear to have ever led to an update of the website, it does appear from reviewing work by Housing LIN over the past couple of years as if it is these rates which typically inform their own analysis (subject to evidence based localised adjustments).
- 3.24 For clarity, the table below shows the base prevalence rates set out in the various documents described above. For the analysis in this report the age-restricted and retirement/sheltered have been merged into a single category (housing with support).

**Table 3.5** Range of suggested baseline prevalence rates from a number of tools and publications

Type/Rate	SHOP@ (2008) <sup>7</sup>	Housing in Later Life (2012) <sup>8</sup>	2016 Housing LIN Review
Age-restricted general market housing	-	-	25
Retirement living or sheltered housing (housing with support)	125	180	100
Extra care housing or housing-with-care (housing with care)	45	65	30-40 (‘proactive range’)
Residential care homes	65	(no figure apart from 6 for dementia)	40
Nursing homes (care bedspaces), including dementia	45		45

Source: Range of sources as identified

- 3.25 In interpreting the different potential prevalence rates it is clear that:

- The prevalence rates used should be considered and assessed taking account of an authority’s strategy for delivering specialist housing for older people. The degree for instance which the Council want to require extra care housing as an alternative to residential care provision would influence the relative balance of need between these two housing types;
- The Housing LIN model has been influenced by existing levels of provision and their view on what future level of provision might be reasonable taking account of how the market is developing, funding availability etc. It is more focused towards publicly commissioned provision. There is a degree to which the model and assumptions within it may not fully

<sup>7</sup> Based on the More Choice Greater Voice publication of 2008 ([https://www.housinglin.org.uk/assets/Resources/Housing/Support\\_materials/Reports/MCGVdocument.pdf](https://www.housinglin.org.uk/assets/Resources/Housing/Support_materials/Reports/MCGVdocument.pdf)). It should be noted that although these rates are from 2008, they are the same rates as were being used in the online toolkit when it was taken offline in 2019.

<sup>8</sup> [https://www.housinglin.org.uk/assets/Resources/Housing/Support\\_materials/Toolkit/Housing\\_in\\_Later\\_Life\\_Toolkit.pdf](https://www.housinglin.org.uk/assets/Resources/Housing/Support_materials/Toolkit/Housing_in_Later_Life_Toolkit.pdf)

capture the growing recent private sector interest and involvement in the sector, particularly in extra care; and

- The assumptions in these studies look at the situation nationally. At a more local level, the relative health of an area's population is likely to influence the need for specialist housing with better levels of health likely to mean residents are able to stay in their own homes for longer

- 3.26 Iceni and JGC have therefore sought to consider these issues and the appropriate modelling assumptions for assessing future needs. Nationally, there has been a clear focus on strengthening a community-led approach and reducing reliance on residential and nursing care – in particular focussing where possible on providing households with care in their own home. This could however be provision of care within general needs housing; but also care which is provided in a housing with care development such as in extra care housing.
- 3.27 We consider that the prevalence rates shown in the 2016 Housing LIN Review is an appropriate starting point; but that the corollary of lower care home provision should be a greater focus on delivery of housing with care. Having regard to market growth in this sector in recent years, and since the above studies were prepared, we consider that the starting point for housing with care should be the higher rate shown in the SHOP@ report (this is the figure that would align with the PPG).
- 3.28 Rather than simply taking the base prevalence rates, an initial adjustment has been made to reflect the relative health of the local older person population. This has been based on Census data about the proportion of the population aged 65 and over who have a long-term health problem or disability (LTHPD) compared with the England average.
- 3.29 In Horsham, the data shows better health in the older persons population and so the prevalence rates used have been decreased slightly (by an average of about 18%) – these figures are based on comparing the proportion of people aged 65 and over with a LTHPD in Horsham (43.8%) with the equivalent figure for England (53.1%).
- 3.30 A second local adjustment has been to estimate a tenure split for the housing with support and housing with care categories. This again draws on suggestions in the 2016 Review which suggests that less deprived local authorities could expect a higher proportion of their specialist housing to be in the market sector. Using 2019 Index of Multiple Deprivation (IMD) data, the analysis suggests Horsham is the 290<sup>th</sup> most deprived local authority in England (out of 317) – i.e. a lower than average level of deprivation – this suggests a greater proportion of market housing than a local authority in the middle of the range. To be clear this is market housing within the categories described above (e.g. housing with support and housing with care).



- 3.31 The table below shows estimated needs for different types of housing linked to the population projections. The analysis is separated into the various different types and tenures; drawing on the need for affordable specialist accommodation.
- 3.32 Overall, the analysis suggests that there will be a notable need for housing with support and housing with care, but this is principally a need in the market sector. There is a need for 29 affordable units with support and 63 affordable units with care. The analysis also suggests a need for some additional residential care bedspaces.

**Table 3.6** Specialist Housing Need using adjusted SHOP@Review Assumptions, 2021-38 – Horsham

		Housing demand per 1,000 75+	Current supply	Current demand	Current shortfall/surplus (-ve)	Additional demand to 2038	Shortfall/surplus by 2038
Housing with support	Market	65	1,127	1,083	-44	625	581
	<b>Affordable</b>	<b>38</b>	<b>988</b>	<b>645</b>	<b>-343</b>	<b>372</b>	<b>29</b>
Total (housing with support)		103	2,115	1,727	-388	998	610
Housing with care	Market	27	216	454	238	262	500
	<b>Affordable</b>	<b>10</b>	<b>202</b>	<b>168</b>	<b>-34</b>	<b>97</b>	<b>63</b>
Total (housing with care)		37	418	622	204	359	563
Residential care bedspaces		33	122	553	431	319	750
Nursing care bedspaces		37	985	622	-363	359	-4
Total bedspaces		70	1,107	1,175	68	678	746

Source: Derived from Demographic Projections and Housing LIN/EAC

- 3.33 The provision of a choice of attractive housing options to older households is a component of achieving good housing mix. The availability of such housing options for the growing older population may enable some older households to downsize from homes which no longer meet their housing needs or are expensive to run and free up housing for other households. The availability of housing options which are accessible to older people will also provide the opportunity for older households to 'rightsize' which can help improve their quality of life.
- 3.34 It should also be noted that within any category of need there may be a range of products. For example, many recent market extra-care schemes have tended to be focused towards the 'top-end' of the market and may have significant service charges (due to the level and quality of facilities and services). Such homes may therefore only be affordable to a small proportion of the potential market, and it will be important for the Council to seek a range of products that will be accessible to a wider number of households if needs are to be met.

## Specialist Affordable Housing – Summary

A range of data sources and statistics have been accessed to consider the characteristics and housing needs of the older person population and the population with some form of disability. The two groups are taken together as there is a clear link between age and disability. The analysis responds to Planning Practice Guidance on Housing for Older and Disabled People published by Government in June 2019 and concludes with an assessment of the need for specialist accommodation for older people; drawing out the need for affordable specialist housing.

The data shows that Horsham has a slightly older age structure and lower overall levels of disability compared with the national average – age specific rates of disability are notably lower than seen nationally. The older person population has some distinct characteristics, including a high representation in the owner-occupied sector and is projected to increase notably in the future. An ageing population means that the number of people with disabilities is likely to increase substantially.

Key findings for the 2021-38 period include:

- A 44% increase in the population aged 65+ (potentially accounting for 87% of total population growth);
- A 60% increase in the number of people aged 65+ with dementia and a 53% increase in those aged 65+ with mobility problems;
- A need for 610 housing units with support (sheltered/retirement housing) which is comprised of a need for 29 affordable units (5%);
- A need for 563 additional housing units with care (e.g. extra-care) which is comprised of a need for 63 affordable units (11%); and
- A need for additional residential care bedspaces - 746 over the period

## 4. SIZE OF AFFORDABLE HOUSING REQUIRED

4.1 The analysis below moves on from looking at the overall need to consider the sizes of homes (by number of bedrooms) needed in each of the broad tenure groups (rented affordable housing and AHO). A model has been developed to understand how households in different tenures occupy homes (by age) and how this might change in the future. The analysis also considers the size requirement of households in the Council's Housing Register.

### Modelled Estimate of the Mix of Housing

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4.2 The model starts with the current profile of housing in terms of size (bedrooms) and tenure. Within the data, information is available about the age of households and the typical sizes of homes they occupy. By using published demographic projections it is possible to see which age groups are expected to change in number, and by how much.

4.3 On the assumption that occupancy patterns for each age group (within each tenure) remain the same, it is therefore possible to assess the profile of housing needed over the assessment period to 2038 (from 2021). This can also reasonably be applied across the Plan period of 2022-2039.

4.4 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table CT0621 which provides relevant data for all local authorities in England and Wales from the 2011 Census).

4.5 Replicating the existing occupancy patterns at a local level would however result in the conclusions being skewed by the existing housing profile. On this basis a further model has been developed that applies regional occupancy assumptions for the South East region. Assumptions are applied to the projected changes in the age structure of households. A further step looks at the degree of overcrowding and under-occupation within the housing stock and makes adjustments to improve the fit of households with the sizes of homes they occupy.

4.6 The analysis has been used to derive outputs for two broad categories (noting that this model is also designed to look at market housing but that is not relevant to this assessment). These are:

- **Affordable home ownership (inc. First Homes)** – which is taken to follow the occupancy profile in the PRS (this is seen as reasonable as the Government's desired growth in home ownership looks to be largely driven by a wish to see households move out of private renting); and

- **Rented affordable housing** – which is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow would include social and affordable rented housing.

4.7 By following the methodology set out above and drawing on the sources shown, a series of outputs have been derived to consider the likely size requirement of housing within each of the broad tenures at a local authority level. Two tables are provided, considering both local and regional occupancy patterns. The data linking to local occupancy will to some extent reflect the role and function of the local area, whilst the regional data will help to establish any particular gaps (or relative surpluses) of different sizes/tenures of homes when considered in a wider context. A further table is provided combining the outputs from the two models.

4.8 Overall, the analysis suggests it make little difference to the outputs when looking at local and regional occupancy. Overall, the analysis suggests that AHO should focus on 2-bedroom homes, along with some 1- and 3-bedroom properties. For the rented sector the focus is particularly on 1- and 2-bedroom homes along with a smaller proportion of homes with 3+-bedrooms. The model does not identify any significant need for homes with 4+-bedrooms.

**Table 4.1 Modelled Mix of Housing by Size and Tenure in Horsham (linked to local occupancy patterns)**

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
AHO	25%	39%	27%	10%
Affordable housing (rented)	43%	31%	25%	2%

Sources: *Housing Market Model*

**Table 4.2 Modelled Mix of Housing by Size and Tenure in Horsham (linked to regional occupancy patterns)**

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
AHO	25%	37%	27%	11%
Affordable housing (rented)	38%	31%	28%	3%

Sources: *Housing Market Model*

**Table 4.3 Modelled Mix of Housing by Size and Tenure in Horsham (combining methodologies)**

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
AHO	25%	38%	27%	10%
Affordable housing (rented)	40%	31%	26%	3%

Sources: *Housing Market Model*

4.9 With a further adjustment to take account of overcrowding and under-occupation, some small difference are made in the modelling. This mainly impacts on the AHO sector with a slightly lower need being shown for 3+-bedroom homes.

**Table 4.4 Modelled Mix of Housing by Size and Tenure in Horsham (combining methodologies) and adjustment for overcrowding and under-occupation**

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
AHO	28%	41%	23%	8%
Affordable housing (rented)	40%	33%	23%	4%

Sources: *Housing Market Model*

- 4.10 Finally, the table below shows need by size of home required of households on the Council's Housing Register. Data for this has been drawn directly from the local authority's housing team in August 2022 and can be compared with the affordable housing (rented) category in the above tables. The analysis shows the main needs in the short-term are for smaller (1- and 2-bedroom) homes, but that around 47% of the register has a need for a home with 3+-bedrooms. This should continue to be monitored.

**Table 4.5 Size requirement of housing shown on the Housing Register (2022)**

	% of households
1-bedroom	30%
2-bedrooms	23%
3-bedrooms	36%
4+-bedrooms	11%
Total	100%

Sources: *Local Authority Housing Statistics*

### **Indicative Targets for Different Sizes of Properties by Tenure**

- 4.11 The data sources discussed above are brought together to form some conclusions about the sizes of homes required in each of the two broad tenures.

#### **Social/Affordable Rented Housing**

- 4.12 For social/affordable rented housing, a number of factors are recognised. This includes recognising that it is unlikely that all affordable housing needs will be met and that it is likely that households with a need for larger homes will have greater priority (as they are more likely to contain children). That said, there is also a possible need for 1-bedroom social housing arising due to homelessness (typically homeless households are more likely to be younger single people).
- 4.13 The conclusions also consider the Housing Register, but recognise that this will be based on a strict determination of need using the bedroom standard; there will be some households able to afford a slightly larger home or who can claim benefits for a larger home than they strictly need (i.e. are not caught by the spare room subsidy ('bedroom tax') – this will include older person households).

4.14 In taking account of the modelled outputs, the Housing Register and the discussion above, it is suggested that the following mix of social/affordable rented housing (which is close to the modelled outputs) would be appropriate:

- 1-bedroom: 35%
- 2-bedrooms: 30%
- 3-bedrooms: 25%
- 4+-bedrooms: 10%

4.15 This suggested mix of rented affordable housing is the same as was suggested in the Horsham and Crawley SHMA of 2019:

#### Affordable Home Ownership

4.16 In the AHO sectors a profile of housing that closely matches the outputs of both the modelling and data provided by the Council is suggested. It is considered that the provision of AHO should be more explicitly focused on delivering smaller family housing for younger households. Based on this analysis, it is suggested that the following mix of AHO would be appropriate:

- 1-bedroom: 25%
- 2-bedrooms: 40%
- 3-bedrooms: 25%
- 4+-bedrooms: 10%

4.17 This mix of housing is again the same as was suggested in the 2019 SHMA. It should also be noted that these conclusions are based on an overall view about demand within this tenure, and does not at this stage consider whether or not it is likely that genuinely affordable products can be provided. The pricing and affordability of AHO is considered in more detail later in this report.

### Size of Affordable Housing - Summary

Analysis has been undertaken to estimate the size requirements of different types of affordable housing (split between rented and home ownership) with the table below showing the conclusions which take account of data modelling and also the Council's Housing Register. The size requirement recommendations are the same as in the 2019 SHMA.

Suggested size requirements for additional affordable rented housing by broad tenure are set out in the Table below.

	Rented affordable housing	AHO
1-bedroom	35%	25%
2-bedrooms	30%	40%
3-bedrooms	25%	25%
4+-bedrooms	10%	10%

Although these figures represent broad targets for sizes and tenures over the plan period, proposers of individual planning applications should duly engage with the local authority who will determine the specific need for affordable housing types and sizes, as informed by their most up-to-date evidence prior to developing the scheme.

## 5. SOCIAL AND AFFORDABLE RENTED HOUSING

### Introduction

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- 5.1 This section moves on from the assessment of overall need (and the mix of housing) to look at the affordability of rented housing. Previous analysis has studied the overall need for social and affordable rented housing with a focus on households who cannot afford to rent in the market. These households will therefore have a need for some form of rented housing at a cost below typical market rates.
- 5.2 Typically, there are two main types of rented affordable accommodation (social and affordable rented) with the analysis below initially considering what a reasonable split might be between these two tenures. In addition, it is recognised that affordable rented housing could be provided with a range of discounts from the open market rent.
- 5.3 One potential issue with the analysis is that it is quite difficult to know exactly what rent level a particular discount would equate to. This is because the market value of a property (of a similar size) could vary significantly depending on factors such as location and built-form. There is also the issue that a newly-built rental home could attract a premium when compared with an equivalent existing home in the market. Therefore, whilst pricing is investigated below, figures should be treated as indicative.

### Current Rent Levels

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- 5.4 The table below shows current rent levels in the District for a range of products along with relevant local housing allowance<sup>9</sup> (“LHA”) rates. Horsham falls into four different Broad Rental Market Areas (“BRMAs”) for the purposes of LHA, with the majority of the District (including the town of Horsham) being within the Crawley and Reigate BRMA – this area therefore being used for comparative purposes.
- 5.5 Data about average social and affordable rents has been taken from the Regulator of Social Housing (“RSH”) and this is compared with lower quartile and median market rents from ONS data. This analysis shows that social rents are lower than affordable rents; the analysis also shows that affordable rents are less than both lower quartile and median market rents.

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<sup>9</sup> The Valuation Office Agency determine LHA rates to calculate housing benefit for tenants renting from private landlords. LHA rates are based on private market rents being paid by tenants in the BRMA at a given time.



- 5.6 When looking at the LHA limits, the analysis shows fairly high figures for the Crawley & Reigate BRMA in all cases higher than the District lower quartile market rent. It should however be noted that parts of the District in other BRMAs tend to have lower LHA limits which does potentially mean that households seeking accommodation in those locations may struggle in some cases to secure sufficient benefits to cover their rent.

**Table 5.1 Comparison of Monthly Rent Levels for Different Products (2020/21)**

	Social rent	Affordable rent (AR)	Lower quartile (LQ) market rent	Median market rent	LHA (Crawley & Reigate)
1-bedroom	£407	£601	£750	£805	£748
2-bedrooms	£478	£741	£925	£1,025	£947
3-bedrooms	£549	£849	£1,168	£1,300	£1,197
4-bedrooms	£611	£974	£1,450	£1,750	£1,546
All	£488	£739	£875	£1,050	-

Source: RSH, ONS and VOA

- 5.7 To some extent it is easier to consider the data above in terms of the percentage one housing cost is of another and this is shown in the table below. Caution should be exercised when looking at the overall averages as these will be influenced by the profile of stock in each category and so the discussion focusses on 2-bedroom homes (this is the main stock size held by Affordable Housing Providers, 36% of social rented housing and 49% of affordable rents).
- 5.8 This shows that social rents are significantly cheaper than market rents (and indeed affordable rents) but that affordable rents (as currently charged) represent 80% of a current lower quartile rent (72% if comparing with a median rent) – this does imply that some affordable rents are actually more than 80% of a current lower quartile rent (as it is unlikely that all affordable rents are exactly 80% of the lower quartile market). This does not mean that the affordable rents are not being discounted by at least 20%; it is likely that the open market rent is higher than the rent levels (mainly for existing homes) shown by ONS in their private rented market statistics.

**Table 5.2 Difference between rent levels for different products (2020/21)**

	Social rent as % of affordable rent	Social rent as % of LQ market rent	Social rent as % of median market rent	Affordable rent as % of LQ market rent	Affordable rent as % of median market rent	LQ market rent as % of median market rent
1-bedroom	68%	54%	51%	80%	75%	93%
2-bedrooms	65%	52%	47%	80%	72%	90%
3-bedrooms	65%	47%	42%	73%	65%	90%
4-bedrooms	63%	42%	35%	67%	56%	83%
All	66%	56%	46%	84%	70%	83%

Source: RSH, ONS and VOA

### Affordability of Current Social/Affordable Rents

- 5.9 An analysis has been undertaken to compare the income distribution of households with the cost of different products – initially based on actual affordable and social rents as published by the Regulator of Social Housing. For comparative purposes a lower quartile market rent is used to determine the group of households who cannot afford a market rent and would therefore benefit from a subsidised rent.
- 5.10 For the affordability test, a standardised average rent for each product has been used (figures standardised on the basis of estimated need for social/affordable rented housing shown in the previous section). The table below suggests that around 27% of households who cannot afford to rent privately could afford an affordable rent, with a further 42% being able to afford a social rent (but not an affordable one). A total of 30% of households would need some degree of benefit support to be able to afford their housing (regardless of the tenure).
- 5.11 It is clear when based on income alone that only a small proportion (around a quarter) of households unable to afford market rents would be able to afford an affordable rent at current costs without the need to claim benefits (or where it would be assumed they are spending too high a proportion of their income on housing costs). Clearly reducing the cost of affordable rents would bring more households into the able to afford (without benefit) category.

**Table 5.3 Estimated need for affordable rented housing (current affordable rents)**

	% of households able to afford
Afford affordable rent	27%
Afford social rent	42%
Need benefit support	30%
All unable to afford market	100%

Source: Affordability analysis

- 5.12 The finding that only 27% of households can afford an affordable rent does not automatically lead to a policy conclusion on the split between the two types of housing. For example, many households who will need to access rented accommodation will be benefit dependent and as such could technically afford an affordable rent – hence a higher proportion of affordable rented housing might be appropriate – indeed the analysis does identify a substantial proportion of households as being likely to need benefit support. Conversely, providing more social rents might enable households to return to work more easily. Affordable rents which are only accessible to households in receipt of benefits can be a disincentive to work because tenants may need to move before they can ‘afford’ to return to work.
- 5.13 There is a potential additional issue with charging affordable rents as tenancies could be refused on affordability grounds if the rent constitutes too high a proportion of income (even in cases where the

full rent is to be covered by Housing Benefit or the housing allowance of Universal Credit). This does point to a need to consider larger discounts for affordable rents and/or a greater proportion of social rented housing within the affordable mix. The likely mechanism for achieving this would be negotiation between the Council and the developer and/or Registered Provider.

### **Affordable Rents at 60%, 70% and 80% of the Market**

- 5.14 The analysis below seeks to investigate the potential impact of providing affordable rents at a 20%, 30% and 40% discount from market rents (i.e. rents at 60%, 70% and 80%). Two analyses are provided, one where the discount is applied to lower quartile rents and a second linked to the median rent. In reality, it is possible that the open market rents (prior to any discount) could be even higher than the median values, if they have a premium due to being a newbuild product. The table below shows the rent levels that would apply if using these levels of discount from the lower quartile and median values.

**Table 5.4 Estimated Monthly Rental Costs at Different Levels of Discount**

	Discount from lower quartile market			Discount from median market		
	20% (80% of market)	30% (70% of market)	40% (60% of market)	20% (80% of market)	30% (70% of market)	40% (60% of market)
1-bedroom	£600	£525	£450	£644	£564	£483
2-bedrooms	£740	£648	£555	£820	£718	£615
3-bedrooms	£934	£818	£701	£1,040	£910	£780
4-bedrooms	£1,160	£1,015	£870	£1,400	£1,225	£1,050

Source: Derived from ONS data

- 5.15 These figures have been modelled in the same way as for existing rent levels to look at the proportion of households able to afford different rent levels. In all cases the social rent is as previously set out and so it is only the first two categories in the table below that vary. The outputs based on existing rents have also been included for reference. The analysis suggests when looking at a 20% discount from median rents that very few households are able to afford housing (just 12%) although higher discounts do see a greater proportion of households being able to afford an affordable rent.

**Table 5.5 Estimated Affordability at Different Levels of Discount**

	Based on existing rents	Discount from lower quartile market			Discount from median market		
		20% (80% of market)	30% (70% of market)	40% (60% of market)	20% (80% of market)	30% (70% of market)	40% (60% of market)
Afford affordable rent	27%	22%	36%	51%	12%	25%	40%
Afford social rent	42%	47%	34%	19%	58%	45%	29%
Need benefit support	30%	30%	30%	30%	30%	30%	30%
All unable to afford market	100%	100%	100%	100%	100%	100%	100%

Source: Affordability Analysis

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## Consideration of the Evidence

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- 5.16 On the basis of this analysis, in line with our conclusions in Section 2, there is clear justification for the Council seeking to secure social rents as a starting point for negotiations on S106 Agreements as the priority affordable housing tenure in case-by-case negotiations. Doing so would ensure that affordable homes are delivered for those on the lowest incomes.
- 5.17 In instances where it is necessary for the Council to secure homes at affordable rents, it can be concluded that the Council would be reasonable to seek, through negotiation, a higher level of discount than 20% from the market. It is considered that providing lower affordable rents at around 60% of market values, including service charges would be a sensible starting point.
- 5.18 There will inevitably be a series of other considerations both at a strategic level and for specific schemes. For example, there may be funding streams that are only available for a particular type of housing, and this may exist independently to any local assessment of need. Additionally, there will be the consideration of the balance between the cost of housing and the amount that can be viably provided. For example, it is likely that affordable rented housing is more viable than social rented housing due to the application of a lower discount, and therefore a greater number of units could be provided.
- 5.19 It also needs to be considered that having different tenures on the same site may be difficult – e.g. if tenants are paying a different rent for essentially the same size/type of property and services.
- 5.20 Nevertheless, it is concluded that the Council should, when negotiating with applicants, default to securing as far as possible affordable homes at social rent levels. This is in line with the evidence set out, and will address the needs of those with the lowest incomes – a core issue identified in this report. In terms of Local Plan policy, this aim will need to be tested for viability.
- 5.21 The approach is generally justified in the context of the NPPF requiring that the needs of groups with specific housing requirements are addressed through the planning process, and given the evidence presented in this report.
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### **Social And Affordable Rented Housing - Summary**

Analysis was carried out to look at housing costs for rented products (social and affordable rents) including likely costs of affordable rents at different proportion of market rents. It is notable that current social rents are significantly cheaper than affordable or market rents. Focussing on 2-bedroom homes, a social rent is about 60% of the cost of a lower quartile market rent, whereas as affordable rents are around 80% of lower quartile market rents.

This latter point is an important one to note as theoretically an affordable rent should be a maximum of 80% of the market and with the average figure being 80% it is likely that some are actually in excess of this figure. However, as the rental value from which any discount is made will be the actual rental value of the home it will be impacted by factors such as location (as well as the likelihood that a newbuild product attracts some degree of premium). Therefore, the direct comparison between lower quartile market rents and affordable rents should be treated with some caution (and it can be noted that the affordable rent (2-bed) is equivalent to 72% of the median market rent). Regardless, this analysis does show how difficult it may be to make affordable rents genuinely affordable in a local context.

On the basis of current market and affordable rents, only around 27% of households in need could afford an affordable rent (without claiming benefits) although with higher discounts from market values considerably more households would be likely to be able to afford affordable rented housing. That said, some caution should be exercised, as the full market value for any specific dwelling can vary depending on factors such as location, built-form, quality and size (e.g. a larger 2-bedroom home will be more expensive than a smaller one).

There is also a potential issue in that affordability tests used by Affordable Housing Providers could mean that eligible households fail affordability tests for affordable rents even though the rent would be fully covered by benefits – therefore lower affordable rents should be encouraged. Overall, it is concluded that it would be reasonable to seek a higher level of discount than 20% from the market and it is considered that providing lower Affordable Rents (at 60% of market values, including service charges) would be a sensible start point, subject to the viability of delivering housing at these costs.

The Council should aim to secure social rented housing as a starting point in S106 negotiations and this might particularly focus on larger homes where the gap between market and social rents are greatest. Doing so would ensure that affordable homes are delivered for those on the lowest incomes. It is not a given that Local Plan policy can set a specific requirement for social rented housing, as this will need to first be tested for viability. However, the approach is generally justified in the context of the NPPF requiring that the needs of groups with specific

housing requirements are addressed through the planning process, and given the evidence presented in this report.

## 6. AFFORDABLE HOME OWNERSHIP

### Introduction

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- 6.1 The analysis and discussion above suggest that there are a number of households likely to fall under the PPG definition of needing AHO (including First Homes) – i.e. in the gap between renting and buying – but that the potential supply of low-cost housing to buy makes it difficult to fully quantify this need. However, given the NPPF, the Council is likely to need to consider some additional homes on larger sites as some form of AHO.
- 6.2 The analysis below focusses on the cost of discounted market sale (which would include First Homes) to make them genuinely affordable before moving on to consider shared ownership (in this case suggestions are made about the equity shares likely to be affordable and whether these shares are likely to be offered). It is considered that First Homes and shared ownership are likely to be the main AHO tenures moving forward although it is accepted that some delivery may be of other products. This section also provides some comments about Rent to Buy housing.
- 6.3 The reason for the analysis to follow is that it will be important for the Council to ensure that any AHO is sold at a price that is genuinely affordable for the intended target group – for example there is no point in discounting a new market home by 30% if the price still remains above that for which a reasonable home can already be bought in the open market.

### Discounted Market Sales Housing (focussing on First Homes)

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- 6.4 In May 2021, the MHCLG (now DLUHC) published new PPG regarding First Homes. The key parts of this guidance are set out below:

*First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of ‘affordable housing’ for planning purposes. Specifically, First Homes are discounted market sale units which:*

- a) must be discounted by a minimum of 30% against the market value;*
- b) are sold to a person or persons meeting the First Homes eligibility criteria (see below);*
- c) on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,*
- d) after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).*

*First Homes are the government’s preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations.*

- 6.5 In terms of eligibility criteria, a purchaser should be a first-time buyer with a combined annual household income not exceeding £80,000 (or £90,000 in Greater London) and a mortgage needs to fund a minimum of 50% of the discounted purchase price. Local authorities can set their own eligibility criteria, which could for example involve lower income caps, a local connection test, or criteria based on employment status. Regarding discounts, a First Home must be sold at least 30% below the open market value. However, local authorities do have the discretion to require a higher minimum discount of either 40% or 50% (if they can demonstrate a need for this).
- 6.6 As noted above, the problem with having a percentage discount is that it is possible in some locations or types of property that such a discount still means that the discounted housing is more expensive than that typically available in the open market. This is often the case as new build housing itself attracts a premium. The preferred approach in this report is to set out a series of purchase costs for different sizes of accommodation which ensure these products are affordable for the intended group. These purchase costs are based on current lower quartile rental prices and also consideration of the income required to access the PRS and then estimating what property price this level of income might support (assuming a 10% deposit and a 4.5 times mortgage multiple). Below is an example of a calculation based on a 2-bedroom home:
- Previous analysis has shown that the lower quartile rent for a 2-bedroom home in Horsham is £925 per month;
  - On the basis of a household spending no more than 30% of their income on housing, a household would need an income of around £3,083 per month to afford (£925/0.30) or £37,000 per annum; and
  - With an income of £37,000, it is estimated that a household could afford to buy a home for around £185,000. This is based on assuming a 10% deposit (mortgage for 90% of value) and a four and a half times mortgage multiple – calculated as  $£37,000 \times 4.5 \times 0.9$ .
- 6.7 Therefore, £185,000 is a suggested purchase price to make First Homes/discounted home ownership affordable for households in the rent/buy gap in Horsham. This figure is essentially the equivalent price that is affordable to a household who can just afford to rent privately. In reality, there will be a range of incomes in the rent/buy gap and so some households could afford a higher price; however, setting all homes at a higher price would mean that some households will still be unable to afford.
- 6.8 On this basis, it is considered reasonable to look at the cost of First Homes as a range from the equivalent private rent figure up to the cost at which around half of households in the rent/buy gap could afford. The upper end of the range cost is based on a midpoint of the cost of open market purchase and the relevant private rented figure.



- 6.9 Using the example of a 2-bedroom home, the equivalent private rented figure - as calculated above - is £185,000 and the open market purchase is £270,000, giving a midpoint of £227,500). The use of a midpoint would mean that only around half of households in the rent/buy gap could afford, and therefore any housing provided at such a cost would need to also be supplemented by an equivalent number at a lower cost (which might include other tenures such as shared ownership).
- 6.10 To estimate what levels of discount these prices might equate to it is necessary to estimate the likely cost of a home prior to any discount; calculating the Open Market Value (OMV). This is not straightforward as housing costs will vary depending on location and the type of scheme, however, it is the case that homes will be newbuild and are likely to attract a newbuild premium.
- 6.11 The table below shows the lower quartile cost of existing and new homes by type from Land Registry data; to boost the sample of new homes data from the last 5-years has been used. The analysis clearly identifies that newbuild homes are generally more expensive than existing homes in the stock although the overall average 'premium' will be heavily influenced by the profile of homes.
- 6.12 If the figures for different dwelling types are standardised on the basis of the volume of sales in different categories then it is estimated that the typical newbuild premium in the District is around 11% - this figure has therefore been used in calculations of OMV and against which a discount can be judged.

**Table 6.1 Lower quartile cost of housing to buy (existing and newly-built dwellings) – 5-years to September 2021 – Horsham**

	Existing dwellings	Newly-built dwellings	New-build premium
Flat/maisonette	£172,800	£227,100	31%
Terraced	£280,200	£340,000	21%
Semi-detached	£330,400	£351,300	6%
Detached	£462,200	£455,000	-2%
All dwellings	£293,600	£328,200	12%

Source: Land Registry

- 6.13 The table below therefore sets out a suggested purchase price for AHO/First Homes. The tables also show an estimated OMV and the level of discount likely to be required to achieve affordability. As noted, the OMV is based on taking the estimated lower quartile price by size and adding 11%. It should be noted that the discounts are based on the OMV as estimated, in reality the OMV might be quite different for specific schemes and therefore the percentage discount would not be applicable. For example, if the OMV for a 2-bedroom home were to actually be £350,000 (rather than the modelled £299,700) then the discount would be in the range of 35% and 47%.
- 6.14 On the basis of the specific assumptions used, the analysis points to a discount of up to 40% for 2-bedroom homes and a figure of up to 50% for larger (3+-bedroom) properties. Given there is a cap

of £250,000 on the purchase price (and looking at the estimated pricing below), it may be difficult for 3+-bedroom homes to be provided as First Homes. Given that a single discount figure is likely to be needed for plan making purposes it is suggested that a 40% discount is reasonable, with the expectation that most First Homes will be 2-bedroom.

- 6.15 It will however be important for the local authority to ensure that any discount above 30% does not prejudice the viability of provision of rented forms of affordable housing (for which there is a more acute need).

**Table 6.2 AHO prices – data for year to September 2021 – Horsham**

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£150,000-£162,500	£194,300	16%-23%
2-bedrooms	£185,000-£227,500	£299,700	24%-38%
3-bedrooms	£233,600-£314,300	£438,500	28%-47%
4+-bedrooms	£290,000-£430,000	£632,700	32%-54%

Source: Derived from a range of sources as described

- 6.16 It should also be noted that the analysis above is for the whole of the local authority area; the pricing of housing will vary across the District and therefore adjustments to the figures might be appropriate in some instances. That said, affordable needs are calculated at a District-level and so using an expectation of an authority-wide affordability calculation should ensure affordable products on sites regardless of location.

### Key Points in Relation to First Homes

- 6.17 The paragraphs below seek to answer a series of questions in relation to First Homes. This should help the Council in deciding the appropriate approach, although ultimately there will be choices and decision to be made by the Council that this report can only comment on.
- *Is there a justification for a discount of greater than 30%, if so, what should it be and should the discount be variable depending upon property size?*
- 6.18 As set out in paragraph 5.13, the evidence suggests that there is a case to seek a discount in excess of 30% - a higher discount will certainly make homes cheaper and therefore potentially open up additional households as being able to afford. Our suggestion is that a discount of 40% is sought in Horsham District. This will inevitably have an impact on viability and should therefore be tested through the Council's evidence base.
- 6.19 Regarding property size, the analysis does suggest that larger homes could potentially need a higher discount to make them affordable (with 3-bedroom homes needing at least a 43% discount to get below the £250,000 cap).

6.20 Ultimately, it is not clear from the PPG if different discounts are allowable in policy. If they are, then the Council could consider a 30% discount for homes with 1-bedrooms and potentially 40% for 2-bedroom homes. This is however likely to have an impact in viability terms on delivering other forms of affordable housing such as social rented housing which should be the priority for the Council on the basis of the evidence. It is also clear that the discount required for larger properties suggests that First Homes with 3 or more bedrooms are unlikely to be delivered in the District.

- *Is the maximum price of £250K after discount an appropriate maximum sales value?*

6.21 In Horsham the answer to this is certainly, yes. Horsham is a high price areas and there is really no scope for this price cap to be lowered (it cannot be increased). As can be seen from previous analysis, a 30% price discount on a 2-bedroom home (with 2-bedroom homes expected to make up a large proportion of First Homes) would still lead to an estimated purchase price of around £210,000 (a figure close to the cap).

- *Is the national threshold of £80,000 for household income appropriate?*

6.22 The analysis in this report assumes a household could secure a 4.5 times mortgage multiple (and a 10% deposit). Applying these figures to a £250,000 home would lead to an income of £50,000. It should however be noted that these findings are based on a specific set of assumptions about mortgage multiples and deposit availability and in reality, individual households will have their own specific circumstances.

6.23 That said, it is considered that an £80,000 threshold looks to be too high; households with that level of income would be expected to be able to buy a home in the area without the need for any discount. On balance and recognising that not all households will be able to secure a 4.5 time mortgage it is considered that an income cap of around £60,000 might be appropriate in the case of Horsham.

- *What size of property is appropriate to be seen as a First Home?*

6.24 The analysis strongly indicates that it is going to be difficult to secure First Homes larger than 2-bedrooms and remain within the £250,000 cap. Given that previous analysis has suggested that much of the need/demand for AHO is 2-bedroom homes (and some 1-bedroom) it is appropriate for the provision of First homes to focus on smaller homes, and particularly those with 2-bedrooms.

6.25 The Council may need to consider how to deliver larger (3+-bedroom) homes as AHO given the likely difficulty in getting First Homes below the price cap. This might include encouraging larger shared ownership homes, or potentially seeking other forms of housing such as affordable rents instead of AHO for homes with three or more bedrooms. Overall, it will be important for any products to be genuinely affordable for local households in need.

- *What is the level of need for such products?*

6.26 The analysis is clear that there are a significant number of households whose incomes sit in the range of being able to afford to privately rent, but not being able to buy a home. However, when the potential supply of suitable homes for this group is considered (i.e. to include resales of existing homes in the stock) the actual need is far from clear-cut. It can however be concluded that as long as First Homes are made available for an affordable price, it is likely there will be a strong demand (although some households in the rent/buy gap may not choose a discounted product given that the discount is held in perpetuity).

6.27 From the analysis of need, it is not recommended that the Council seeks more than 25% of affordable housing as First Homes. Indeed, it is clear from the analysis that, in principle, the Council would be justified in challenging the percentage requirement owing to the significant need for rented affordable housing.

6.28 It is also possible that provision of First Homes could squeeze out other forms of AHO such as shared ownership, although it is likely that there will still be a role for this type of housing given the typically lower deposit requirements.

- *Should the Council set local eligibility criteria?*

6.29 First Homes are designed to help people to get on the housing ladder in their local area, and in particular to ensure that key workers providing essential services are able to buy homes in the areas where they work. The Council can therefore prioritise key workers for First Homes, and are encouraged to do so, especially if they have an identified local need for certain professions.

6.30 To ensure First Homes are available to local residents and workers, a local connection eligibility criteria could be used. This could be in-line with any criteria within local allocations policy and, for example, could require potential purchasers to demonstrate that they:

- Live in Horsham (for a period of time (possibly 2-years));
- Work over 16 hours a week in Horsham, or
- Have a close relative (parent, adult son or daughter or adult sibling) who has lived in Horsham for a period of time.

6.31 Additional preference could be given to essential workers. Annex 2 of the NPPF also includes the needs of essential local workers within its definition of affordable housing *“housing for sale or rent, for those whose needs are not met by the market (including housing that provided a subsidised route to home ownership and/or is for essential local workers”*.

6.32 Essential local workers are defined in Annex 2 of the NPPF as *‘Public sector employees who provide frontline services in areas including health, education and community safety – such as NHS staff, teachers, police, firefighters and military personnel, social care and childcare workers’*. Essential Local Workers are considered in more detail later in this section.

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### Shared Ownership

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6.33 Whilst the Government has a clear focus on First Homes, they also see a continued role for Shared Ownership, launching a ‘New Model for Shared Ownership’ in early 2021 (following a 2020 consultation) – this includes a number of proposals, with the main one for the purposes of this assessment being the reduction of the minimum initial share from 25% to 10%. A key advantage of shared ownership over other tenures is that a lower deposit is likely to be required than for full or discounted purchase. Additionally, the rental part of the cost will be subsidised by a Registered Provider and therefore keeps monthly outgoings down.

6.34 For the purposes of the analysis in this report it is considered that for shared ownership to be affordable, total outgoings should not exceed that needed to rent privately.

6.35 Because shared ownership is based on buying part of a property, it is the case that the sale will need to be at open market value. Where there is a large gap between the typical incomes required to buy or rent, it may be the case that lower equity shares are needed for homes to be affordable (at the level of renting privately). The analysis below therefore seeks to estimate the typical equity share that might be affordable for different sizes of property with any share lower than 10% likely to be unavailable. The key assumptions used in the analysis are:

- OMV at LQ price plus 11% (reflecting likelihood that newbuild homes will have a premium attached and that they may well be priced above a LQ level) – it should be noted that this is an assumption for modelling purposes and consideration will need to be given to the OMV of any specific product;
- 10% deposit on the equity share;
- Rent at 2.75% pa on unsold equity;
- Repayment mortgage over 25-years at 4%;
- Service charge of £100 per month for flatted development (assumed to be 1- and 2-bedroom homes); and
- It is also assumed that shared ownership would be priced for households sitting towards the bottom end of the rent/buy gap and so the calculations assume that total outgoings should be no higher than the equivalent private rent (lower quartile) cost for that size of property;

- 6.36 The table below shows that to make shared ownership affordable, equity shares in the region of no more than about 20% could work for 2-bedroom homes. It seems likely that it will be difficult to make shared ownership ‘work’ for homes with 3+-bedrooms. The Council could consider additional rented homes of these sizes where it is difficult to make homes genuinely affordable.
- 6.37 As with conclusions on First Homes, it should also be noted that the analysis below is predicated on a particular set of assumptions (notably about likely OMV). In reality costs do vary across the area and will vary from site to site. Therefore, this analysis should be seen as indicative with specific schemes being tested individually to determine if the product being offered is genuinely (or reasonably) affordable.

**Table 6.3 Estimated Affordable Equity Share by Size – Horsham**

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms
OMV	£194,250	£299,700	£438,450	£632,700
Share	43%	19%	15%	0%
Equity Bought	£83,333	£56,044	£66,206	£0
Mortgage Needed	£75,000	£50,440	£59,585	£0
Monthly Cost of Mortgage	£396	£266	£315	£0
Retained Equity	£110,917	£243,656	£372,244	£632,700
Monthly Rent on Retained Equity	£254	£558	£853	£1,450
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£750	£925	£1,168	£1,450

Source: Data based on Housing Market Cost Analysis

- 6.38 In policy terms, whilst the analysis has provided an indication of the equity shares possibly required by size, the key figure is actually the total cost per month (and how this compares with the costs to access private rented housing). For example, whilst the table suggests a 19% equity share for 2-bedroom home, this is based on a specific set of assumptions. Were a scheme to come forward with a 19% share, but a total cost in excess of £925 per month, then it would be clear that a lower share is likely to be required to make the home genuinely affordable. Hence the actual share can only be calculated on a scheme-by-scheme basis. Any policy position should seek to ensure that outgoings are no more than can reasonably be achieved in the PRS, rather than seeking a specific equity share.

### Rent to Buy

- 6.39 A further affordable option is Rent to Buy; this is a government scheme designed to ease the transition from renting to buying the same home. Initially (typically five years) the newly built home will be provided at the equivalent of an affordable rent (approximately 20% below the market rate). The expectation is that the discount provided in that first five years is saved in order to put towards a deposit on the purchase of the same property. Rent to Buy can be advantageous for some households as it allows for a smaller ‘step’ to be taken on to the home ownership ladder.

- 6.40 At the end of the five-year period, depending on the scheme, the property is either sold as a shared ownership product or to be purchased outright as a full market property. If the occupant is not able to do either of these then the property is vacated.
- 6.41 In order to access this tenure it effectively requires the same income threshold for the initial phase as a market rental property although the cost of accommodation will be that of affordable rent. The lower than market rent will allow the household to save for a deposit for the eventual shared ownership or market property. In considering the affordability of rent-to-buy schemes there is a direct read across to the income required to access AHO (including shared ownership), it should therefore be treated as part of the AHO products suggested by the NPPF.

### Essential Local Workers

- 6.42 Annex 2 of the NPPF also includes the needs of essential local workers *‘Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provided a subsidised route to home ownership and/or is for essential local workers’ [emphasis added]. Essential local workers are defined as *‘Public sector employees who provide frontline services in areas including health, education and community safety – such as NHS staff, teachers, police, firefighters and military personnel, social care and childcare workers.’**
- 6.43 To give an indication of the number of essential workers in Horsham analysis has been undertaken looking at Standard Industrial Classification 2007 (SIC) categories – this shows employment sectors based on industry, and for the purposes of this analysis the public administration, education and health industries have been used to represent ‘essential workers’. The analysis shows that around 24% of resident workers are considered ‘essential workers’ in the District – this figure is lower than seen regionally and nationally.

**Table 6.4 Number and proportion of essential workers in a range of areas**

	Horsham		South East	England
	Resident workers	% of workers	% of workers	% of workers
Agriculture, energy and water	1,647	2.5%	2.1%	2.3%
Manufacturing	5,084	7.6%	7.2%	8.9%
Construction	5,134	7.7%	8.0%	7.7%
Distribution, hotels and restaurants	13,061	19.5%	20.6%	21.5%
Transport and communication	7,302	10.9%	10.7%	9.1%
Financial, Real Estate, Professional & Administration	14,633	21.9%	18.6%	17.5%
Public administration, education and health	16,194	24.2%	27.7%	28.2%
Other	3,809	5.7%	5.1%	5.0%
All industries	66,864	100.0%	100.0%	100.0%

Source: 2011 Census

- 6.44 The 2011 Census also enables analysis to be conducted as to the tenure of workers by industry. It can be seen that essential workers see a fairly average profile, with similar levels of owner-occupation, social renting and private renting as is seen across the whole District.

**Table 6.5 Housing tenure by industry of employment (2011) – Horsham**

	Owner-occupied	Social rented	Private rented
Agriculture, energy and water	73%	9%	18%
Manufacturing	79%	8%	13%
Construction	77%	9%	14%
Distribution, hotels and restaurants	68%	14%	19%
Transport and communication	79%	6%	15%
Financial, Real Estate, Professional and Administration	81%	5%	14%
Public administration, education and health	75%	9%	17%
Other	68%	9%	22%
All industries	76%	8%	16%

Source: 2011 Census

- 6.45 It is also possible to consider the affordability of housing for essential workers by considering local salaries. An online assessment of local jobs (across West Sussex) for nurses, firefighters, teachers, police officers and childcare was undertaken in May 2022. This showed a range of salaries, but typically in the range of about £25,000 to £35,000 per annum. The average salary was around £30,000 although it does need to be noted that there are a variety of roles with a range of salaries in these professions depending on level of expertise and experience.
- 6.46 The latest 2021 Annual Survey of Hours and Earnings (“ASHE”) shows an average gross full-time income across the District of around £35,000, suggesting that essential workers may typically have slightly lower incomes than other groups, although differences are not substantial.
- 6.47 With a salary of £30,000, an individual might be able to buy a home for around £150,000 (based on a 10% deposit and 4.5 times mortgage multiple) and with two salaries at this level would be able to afford around £300,000. This latter figure would allow the household to afford to buy a home across much of the District, but the single income would make home ownership difficult (particularly in higher value locations), and this population could be a potential target for AHO products.
- 6.48 Overall, the analysis does not point towards there being a particular and specific need for affordable housing for essential workers. Such workers make up a lower part of the workforce than is the case in many areas and they are about as likely to be owner-occupiers as other industry groups. However, on the basis of local incomes (notably for single income essential workers), access to the owner-occupied sector may be restricted by income and it may be appropriate to consider whether or not some affordable properties should be set aside for essential local workers.



### **Affordable Home Ownership - Summary**

Analysis has been carried out to look at the affordability of AHO. This includes Discounted Market Sales Housing (which will include First Homes) and shared ownership as these are likely to be the two main tenures of AHO moving forward – they are certainly the main forms being encouraged by Government at the current time.

Given current housing costs in the District there is evidence that in order to make 1-bedroom homes affordable, a discount of up to around 23% would be required; for 2-bedroom homes the equivalent discount is in the range of 24%-38% and up to 47% for 3-bedroom homes. If looking at First Homes, it is highly unlikely that 3 and 4-bedroom homes could ever be priced below the price cap of £250,000. Therefore First Homes are likely to focus on 2-bedrooms (with some homes with 1-bedroom). The evidence of need indicates that some 3-bedroom homes should be provided as a Discounted Market Sale; however, the values (and necessary discounts) are likely to be too high to be viable to provide.

The evidence suggests that there is a case to seek a discount in excess of 30% - a higher discount will certainly make homes cheaper and therefore potentially open up additional households as being able to afford. Our suggestion is that a discount of 40% is sought in Horsham District. This will inevitably have an impact on viability and should therefore be tested through the Council's evidence base.

Regarding shared ownership, the analysis suggests that equity shares much in excess of 15% (10% being the lowest available figure in the Government's new shared ownership model) would not be particularly affordable other than for 1-bedroom homes where a 40% equity share might be affordable. The Council should therefore test the viability of providing shared ownership with lower equity shares, but again it is noted that this would potentially mean Affordable Housing Providers are less able to cross-subsidise other forms of (rented) affordable housing. It is not recommended that the provision of rented products is jeopardised where viability is an issue.

## 7. DELIVERING SOCIAL RENTED HOUSING

7.1 This section sets out the recommended framework for achieving higher levels of social rented affordable housing delivery in Horsham, focussing on key areas for exploration for the Council. It seeks to address what the Council can do, drawing on examples of policy, funding and direct delivery mechanisms from other local authorities in the Country.

7.2 Overall, delivery of affordable housing will be linked to the delivery of market housing through developer contributions. However, this section does not examine how the supply of market housing can be accelerated.

### **The Council's Current Position**

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7.3 The Council currently secures the delivery of affordable housing through developer contributions drawn from S106 Agreements, the provision of grant funding to plug funding gaps and unlock sites and also directly through the Council's own housing delivery vehicle – Horsham District Homes ("HDH") – which was established in 2019.

7.4 In respect of the latter, the Council established its own affordable housing company following a model seen in other local authority areas. The company is separate from the Council but wholly owned by it and it uses the revenue generated to deliver additional affordable housing. The three objectives of the company are as follows:

- Giving a boost to the existing delivery of affordable housing in the District;
- Making the best use of commuted section 106 sums; and
- Providing a financial return to the Council for further investment in housing and in District facilities.

7.5 Horsham District Homes has already brought forward a number of schemes and demonstrated the value that can be added through the Council owning its own housing company. This includes the following schemes:

- Slinfold – a 2 bedroom end of terrace property; allocated to a resident on the Council's housing register;
- Slinfold – 4 x 1 bedroom flats; and
- Billingshurst – 2 x 3 bedroom homes and 1 x 4 bedroom home which will be adapted for the mobility impaired.

- 7.6 The Council are also looking to reduce the number of empty homes in the District, of which there are around 350 homes which have been empty for six months or longer. The biggest incentive for bringing these homes back into use is the opportunity for rent. The Council have a partnership with the Sussex YMCA to offer a leasing scheme to owners of empty homes, as an alternative to improving or letting the property themselves.
- 7.7 In respect of grant funding, the Council has been active in supporting the delivery of affordable housing, regularly working in partnership with Saxon Weald – a housing association. On a recent site on Blenheim Road, Horsham the Council supported Saxon Weald to deliver nine new flats as affordable housing which was largely grant funded by the Council and Homes England at a cost of around £800,000. In June 2022, the Cabinet also approved an additional grant of £360,000 to facilitate the delivery of 12 affordable rented properties to be delivered by Saxon Weald at the Cobblers in Slinfold.

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### **A More Direct Role for the Council**

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- 7.8 The Council has already made strides to have a direct influence on affordable housing delivery through establishing its own housing company and supporting housing associations with grant funding; however, to support delivery of affordable housing at social rent levels specifically, the Council could investigate opportunities to ‘package up’ a portfolio of small site opportunities in a particular neighbourhood which it could then present to housing associations as a portfolio which achieves critical mass to justify investment and deliver social rented homes.
- 7.9 This might include land owned by the Council, including underused sites identified through a review of the Council’s estate; but could also involve a programme of selected small site acquisitions to support affordable housing.
- 7.10 In order to support the delivery of social rents specifically, the Council could provide grants to plug funding gaps and entice an RP to take on the package of sites – this is something the Council is already doing.
- 7.11 The Council could take these opportunities forward through Horsham District Homes directly or it could offer to partner with RPs such as Saxon Weald or other smaller developers as part of a Joint Venture to unlock the sites.
- 7.12 Through its housing company, the Council may also seek to focus on sites challenged with physical or policy constraints to deliver social rented housing. The Council should also monitor sites with planning permissions which are on the verge of lapsing and engage with the landowners. In some cases, this might result in the Council’s housing company taking over the site to bring it forward.

### Case Study: Oxford City Council

Oxford City Council's housing company, OX Place (formerly Oxford City Housing Ltd) completed its first 64 homes in 2021/22. This included a series of schemes delivered directly by the Council securing homes at social rents. The Council also delivered a further 70 affordable homes through its acquisition programme with 66 of those homes for social rent.

The Council continues to develop a supply programme to deliver more affordable housing through multiple work streams, including the delivery of units through OCH); direct delivery by the Council; joint ventures, such as Barton Park; regeneration schemes; acquisitions; and enabling activity with Registered Providers.

OX Place intends to build more than 2,000 new homes for rent and sale in and around Oxford in the next 10 years which will include more than 1,100 affordable homes. Approximately 750 affordable homes are in the OX Place development pipeline for delivery in the next five years.

In order to achieve this, OX Place is working with seven selected developers. The appointment of development partners is part of OX Place's £1bn sustainable housing development framework for factory built homes assembled onsite using modern methods of construction. This framework embeds an eco-friendly approach to new developments and will be a key driver in OX Place's journey to zero carbon by 2030.

In addition, Oxford City Council has previously transferred 10 properties to its housing company with these homes having been identified, when void, as being on large plots where additional affordable housing may be possible.

After investigation, if a new-build option was not considered practicable, then consideration was given to whether an extension were possible to the existing home, to meet the high housing needs of a small number of households on the Housing Register who require larger homes (usually of four, five or six bedrooms or more). The new homes and extended properties are purchased back into the Council on completion, to be let at social rents.

- 7.13 Similarly, in terms of those sites where delivery has stalled, the Council can liaise with the developer and landowner to encourage commencement and assist with delivery if affected by other regulatory regimes or agreements.

### Establishing A Clear and Supportive Policy Framework

- 7.14 The Council, through its current and emerging Local Plan, is already championing the delivery of affordable housing through policy. In the draft Regulation 19 version of the new Local Plan presented

to Cabinet in July 2021 under *Policy 16 Affordable Housing*, the Council has set out a number of affordable housing requirements which vary depending on whether a site is brownfield: 10% of all housing; strategic: 35% of all housing or greenfield: 45% of all housing.

- 7.15 As currently drafted, the policy sets out that development is expected to provide 70% of the total affordable housing provision as social or affordable rented properties. The Council notes that social rented provision will be strongly supported in appropriate locations. On the basis of the evidence set out in this report, there is scope for the Council to now require social rented provision in full as the starting position for negotiations and the policy text could be amended accordingly. However the Council will need to assess the viability of requiring a set proportion of social rented housing, and may need to balance against other policy requirements (in particular the quantity of all types of affordable housing, which may reduce if social rented housing becomes a requirement).
- 7.16 In addition to the specific affordable housing policy, the Council can develop policies to support the submission of planning applications on rural exception sites which would deliver all homes at social rent levels. The draft Regulation 19 Local Plan under Policy 18 Rural Exception Homes is clear that in exceptional circumstances, small-scale development of new affordable homes will be supported on land outside of existing settlement boundaries. This is on the basis that an identified local need is evidenced, and the homes meet the need of that Parish as well as other criteria.
- 7.17 The Council is also clear that the involvement of Community Land Trusts (“CLT”) in the delivery of new affordable homes, whether as part of a mixed tenure housing development or as an appropriately sited rural exception site under Policy 18 will be supported in principle. The Council will support schemes for suitably located affordable housing being brought forward through Neighbourhood Plans, including those being delivered through CLTs.

### **Providing Support to Community-Led Housing Groups**

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- 7.18 As noted under Policy 18 in the emerging draft Regulation 19 Local Plan, the Council has expressed support for CLTs and other community-led housing groups which can deliver sites; often for affordable housing at social rent levels. There are however requirements such as demonstrating a local need for such housing through a report which requires resource and skill to produce.
- 7.19 Across the District, there is one CLT: the North Horsham CLT. At present, the Sussex Community Hub Service, Action in Rural Sussex (“AIRS”) is supporting the work of the CLT which is partly funded by Horsham District Council as well as other authorities across Sussex. The CLT has been working towards signing an interim agreement with a Housing Association and as of the end of 2021, was in a position to sign a tripartite agreement between the HA and the Sussex Community Hub.

- 7.20 A total of 24 possible sites were identified as part of a formal consultation process and put forward to the North Horsham CLT as well as additional sites which have come forward outside of the process with the aim of providing affordable housing for local people. However, recognising the challenges, the Chair's Report of the Annual General Meeting, it was noted that "a great many skills, expertise and finance to develop genuinely affordable homes will be needed."
- 7.21 The Council is already providing funding support to AIRS and its community hub; however, there are opportunities for dedicated staff at the Council with the expertise and space to focus on supporting community-led housing and increase the number of CLTs in the District. This could be in the form of a Community Engagement Officer which works directly with CLTs to assist with funding opportunities and developing skills.

### **Case Study: East Cambridgeshire District Council**

East Cambridgeshire is a rural District Council with high housing demand and significant housing affordability pressures. The District also faces significant challenges in providing affordable homes; however, it has been working to resolve this through actively promoting and supporting community-led housing since 2012.

The Council has employed a Community Land Trust Advisor since 2013. It now has three advisors, both employed through the Council's trading arm. They provide free specialist advice and support throughout the development process.

The Council has provided start up grants of up to £5,000 for new CLTs and a £40,000 revolving loan fund to help with pre-development costs. Loans through the Fund are repayable on successful completion of a scheme, but are written off if it is unsuccessful.

- 7.22 Community-led housing provides a way of delivering a greater number of social rented homes as CLTs will aim to overcome barriers presented by small, often complex sites that may be of little interest to larger, mainstream developers.

### **Accessing More Funding**

- 7.23 As well as direct delivery, the Council (in isolation or in conjunction with the LEP) can also seek external funding such as the Housing Infrastructure Fund and Levelling Up Fund. This will help deliver the necessary infrastructure to unlock stalled sites. The Council should work constructively with Government and other partners to take advantage of these funding opportunities.
- 7.24 A key funding route is the Affordable Homes Programme 2021-26 which is funding specifically for the supply of new build affordable housing. The programme provides grant funding to support the

capital costs of developing homes for affordable rent or sale and is supported by a total fund of £7.39 billion distributed by Homes England from April 2021 with the aim of delivering up to 130,000 affordable homes by March 2026 outside of London.

7.25 The Government website<sup>10</sup> lists all the available funding programmes available including housing development support for local government projects<sup>11</sup> which deal with:

- Project Governance and Requirements;
- Land, Site Feasibility, Environment and Sustainability;
- Planning and Development; and
- Building and Procurement.

7.26 The Council could also provide resources for smaller developers and community-led housing groups to understand what funding is available to them including the Community Housing Fund Revenue Programme as well as provide support in accessing these funds.

### **Right to Buy and Council Buy Back**

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7.27 A number of local authorities around the country also actively promote the opportunity for homeowners, who have bought their home under the Right to Buy scheme within the last 10 years, to sell the property back to the local authority. The Council could consider re-purchasing the property at the current market value and then use this home as part of its housing stock at social rent levels.

7.28 In addition, authorities could use capital funds available to purchase homes which represent value for money and bring homes back into use at social rent levels in areas most in need. Alternatively, the Government has also committed to ensuring that additional retained Right to Buy receipts are used to replace homes sold under the Right to Buy.

### **Case Study: South Lakeland**

South Lakeland District Council has a longstanding commitment to deliver 1,000 homes for rent between 2014 and 2025. The Council's Housing Strategy 2016 to 2025 contains an action to consider alternative methods of delivery of affordable housing to meet the Council's affordable housing targets for affordable rent and affordable sale homes.

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<sup>10</sup> <https://www.gov.uk/topic/housing/funding-programmes>

<sup>11</sup> <https://www.gov.uk/government/collections/housing-development-support-for-local-government-projects>

The Council currently holds £5.47m of capital receipts from Right To Buy sales and the Council ring-fences that money to provide affordable housing grants for registered social housing providers, and acquire land for the delivery of affordable housing.

In March 2022, the Council purchased a site in Heversham; providing the opportunity to deliverable energy efficient affordable housing. Monies from the capital receipts was used to buy the site, which already has planning permission for six houses (two affordable houses and four at market value). A feasibility study will be carried out on the site to determine the viability of it providing for 100% affordable.

- 7.29 In June 2022, the Government announced plans to extent the Right to Buy to housing association tenants. There is therefore a growing risk associated with the new Right to Buy in that overall social housing stock could be depleted. As a result, it is important that the focus is on replacing all units lost on a one-for-one basis.

### **Delivering Social Rented Housing - Summary**

The Council has already made strides to increase the volume of social rented housing including through setting up its own housing company to boost delivery rates, providing grant funding to housing associations and arguing for social rented housing through S106 Agreements.

On the basis of our review of the approach taken in other areas across the Country, we consider that the Council should also explore the following to increase affordable housing delivery:

- Seek out more opportunities to deliver social rented housing directly through Horsham District Homes by packaging up smaller sites to build out directly or partner with housing associations/smaller developers and consider unlocking housing sites which are constrained, stalled or due to lapse;
- Subject to viability testing, strengthen the wording of the draft policy framework ideally to make clear that social rented housing will be the default in negotiations for S106 agreements and support exception sites where these accord with development policy;
- Access more funding opportunities to unlock sites subject to infrastructure constraints or funding gaps. This could range from grant funding for social rented housing to specific funding pots to support CLTs bring forward 100% affordable schemes in smaller settlements;
- Provide greater support to community-led housing groups and assist in the creation of new CLTs with a dedicated member of the team to encourage delivery of social rented housing at a local level;



- Place a greater focus on using Right to Buy capital receipts to invest in new sites which could deliver new social rented housing or look to improve / expand existing affordable housing sites using the monies to do.