

Examination of the Horsham District Local Plan 2023-2040

Hearings: week 1 - April 2026

Written statement from Fenella Maitland-Smith¹, Save West of Ifield

Matter 1: The housing requirement

a. The identification of the appropriate basic local housing need figure for the purposes of the plan

Although the NPPF leaves little room for deviation away from using the Standard Method as the basis for calculating need, we would like to note the recent market evidence which supports our view that **the theoretical basis of the Standard Method is fundamentally flawed, and that its outputs bear no relation to genuine local need**. Rather it seems designed to skew housebuilding nationally towards the more expensive and hence profitable areas.

The SWOI Regulation 19 response *SWOI Reg 19 – Policy 37 – Meeting housing needs* explained our concerns with calculation of Objectively Assessed Need (OAN) using the Standard Method. The main concern is that use of the Affordability Adjustment has no theoretical or practical justification, and serves simply to ratchet-up housing targets and population growth to unsustainable levels. See the Appendix to this note for an updated version of our argument.

We also noted that **Horsham’s population is growing at a rapid (unsustainable) rate driven by house-building**. The growth is primarily due to net internal migration which we argue is itself due to the availability of housing for people from London and other parts of the south-east, ie **the housing is not needed to satisfy Horsham’s local need**.

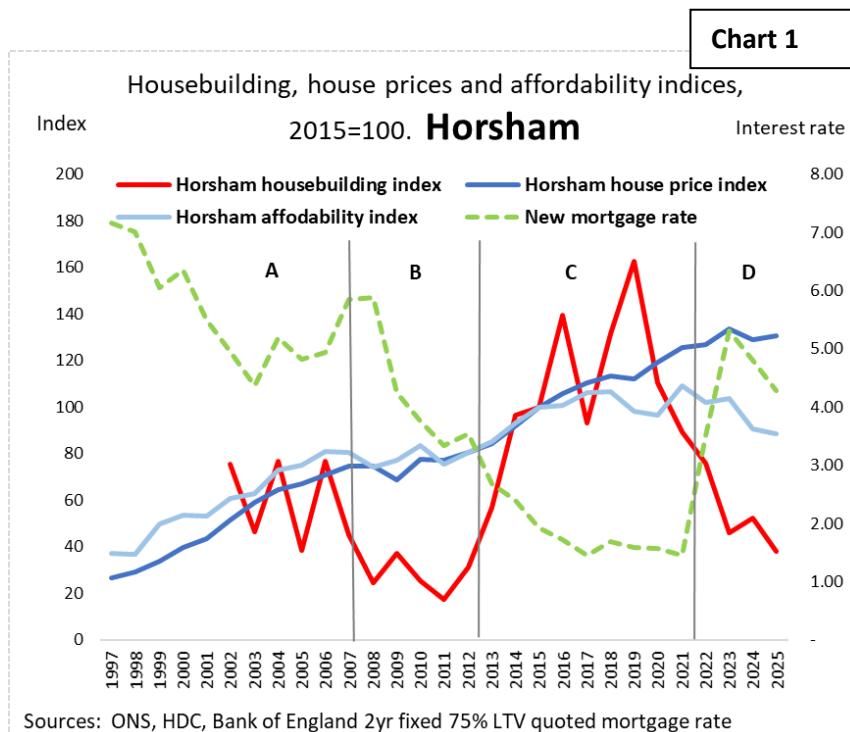
In 2019 75% of the increase in Horsham’s dwelling stock corresponded to the net internal migration into the district, i.e. 660 households a year (that’s not to say that these households are occupying the new houses). Chart 4 – in the Appendix – shows net internal migration (orange bars) and housebuilding (red line), and is an updated version of the chart we submitted at Regulation 19, to now show the impact of the pandemic, water neutrality constraints and recent international migration.

Assessment of genuine local need should include a bottom-up approach taking account of detailed information about local conditions, rather than relying on the top-down Standard Method which is a very blunt instrument as well as being theoretically incorrect.

Further to our Regulation 19 submission, we’ve looked at the **impacts on affordability of water neutrality and the energy price shocks, and the relationship with new housing supply**.

Chart 1 shows ONS’s house price and affordability data for Horsham and HDC’s housing completions data (all indexed to 2015=100 for ease of charting).

Housing completions (supply of new housing, red line) have been volatile, with an obvious trough post the financial crisis (period B), a rapid pick-up with the introduction of Help to Buy in 2013, a period of strong new supply from 2015 to 2019 (C), and a steady decline since the pandemic and through the period of water neutrality (D).





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According to the (supposed) theoretical basis of the Standard Method, house prices (dark blue line) should respond to these changes in supply by increasing when supply is tight and decreasing when supply increases. This is the (incorrect) justification for the affordability adjustment. But **we see virtually no evidence for such price sensitivity in Horsham: no price increases when supply was depressed (B and D) and no price falls when supply was elevated (C).**

In fact we see the opposite. Further to our Regulation 19 responses where we made the point that academic and government research shows that house prices are primarily sensitive to credit availability and price (mortgage interest rates), we present in Table 1 a simplistic indication of how these variables appear to be related to house price inflation across the time periods A – D (in Chart 1). In summary, we see a relationship between house price inflation and credit availability consistent with the academic research findings, whereas housing supply does not have the relationship assumed by the Standard Method. For example, note how low inflation – blue – is associated with constrained credit, whereas the relationship between housing completions and inflation appears to be the opposite of what the Standard Method assumes.

Table 1: Horsham house price inflation, housing completions, and credit availability and price

	A Pre-financial crisis (housing bubble)	B Post financial crisis	C Post Help to Buy	D Post energy-cost crisis
Horsham house price inflation (ann. ave)	9%	3%	6%	1%
UK credit availability	Credit easily available - loose lending criteria ↑	Credit constrained – tight lending criteria ↓	Credit available – lending criteria loosened ↑	Some tightening of lending criteria ↓
UK mortgage lending rates (ann. ave)	High ↓	Falling ↓	Low ↑	Sharp increase in 2022-23 ↓
Horsham housing completions (p.a.)	515 -	277 ↑	1,020 ↓	457 ↑

-  Expected to increase market demand and push up on house prices?
-  Expected to decrease market demand and push down on house prices?

Looking at the detail of Table 1, house price inflation was high averaging 9% a year before the financial crisis (A) despite robust supply of around 500 new houses a year. Credit conditions were very loose at this time and were pushing up house prices. After the crisis (B) supply was severely constrained (277 houses a year) but house prices only increased by 3% a year – mainly suppressed by tight mortgage lending criteria and lack of confidence. But when supply picked up to 1,020 houses a year (C) following the introduction of Help to Buy and other lending stimuli, inflation doubled to 6% - contrary to the Standard Method’s ‘expectation’ of strong supply keeping house price inflation low. Most recently (D) we see that supply has been constrained at 457 houses a year, but this has not pushed prices up and instead house price inflation has been flat at 1% a year. Note that this period has experienced tighter credit conditions, and rapidly increasing interest rates, which have pushed down on house prices. The recent improved affordability is also indicated in Table 3 of HDC’s recent *Housing Requirement Topic Paper: Matter 1*.

In conclusion, we restate our concern with the flawed Standard Method and we note that the improvement in affordability in recent years coincides with the significant fall in supply of new housing due to water neutrality. This is completely at odds with the narrative that housing is unaffordable due to a lack of supply and which is the basis for the Standard Method.

We restate our assertion that use of the Standard Method will overestimate genuine need and have no effect at all in terms of improving the affordability of housing in the area, but will simply drive higher rates of inward migration and unsustainable population growth.

b. The relationship of this figure to the base date of the plan

No comment.

c. The amount of unmet housing need from nearby districts to be accommodated

Paras 13 and 15 of HDC's *Housing Requirement Topic Paper* discuss the possibility of HDC meeting half of Crawley's unmet need, which would be 3,753 dwellings or 221 a year. HDC explain that they're taking this as their starting point because the Inspector of HDC's 2015 HDPF "established a principle that in respect of Crawley Borough's unmet needs" with his statement "...on a very rough basis it seems reasonable for Horsham to try to accommodate roughly half this number".

But there is no discussion of whether this principle is still valid and we suggest that this should be explored given the changes since 2015 such as the introduction of the Standard Method in 2018, and shocks such as COVID, water neutrality constraints, cost of living crisis and increase in asylum seekers in and around Crawley.

In addition, HDC seem to make clear in para 15 that **to provide half of Crawley's unmet need will be challenging**, but then go on in para 19 to suggest that the housing requirement SHOULD include this additional 3,753.

It seems that the principle is accepted without question, but there are questions around whether it can actually be delivered.

So what does Crawley actually need from Horsham – how much housing and of what type?

The following analysis builds on the SWOI Regulation 19 responses, and uses recent data available from the ONS.

Crawley's housing needs are very different to Horsham's due to population dynamics and levels of disposable income. The ONS's recent population data (2021 Census and components of annual population change) suggest that Crawley's population grew by 11.2% between 2011 and 2021 due to births outstripping deaths (blue bars in Chart 2), and due to significant net inward international migration (grey bars). Chart 2 shows the significant net international migration since 2021 partly due to refugees from Ukraine and Afghanistan.

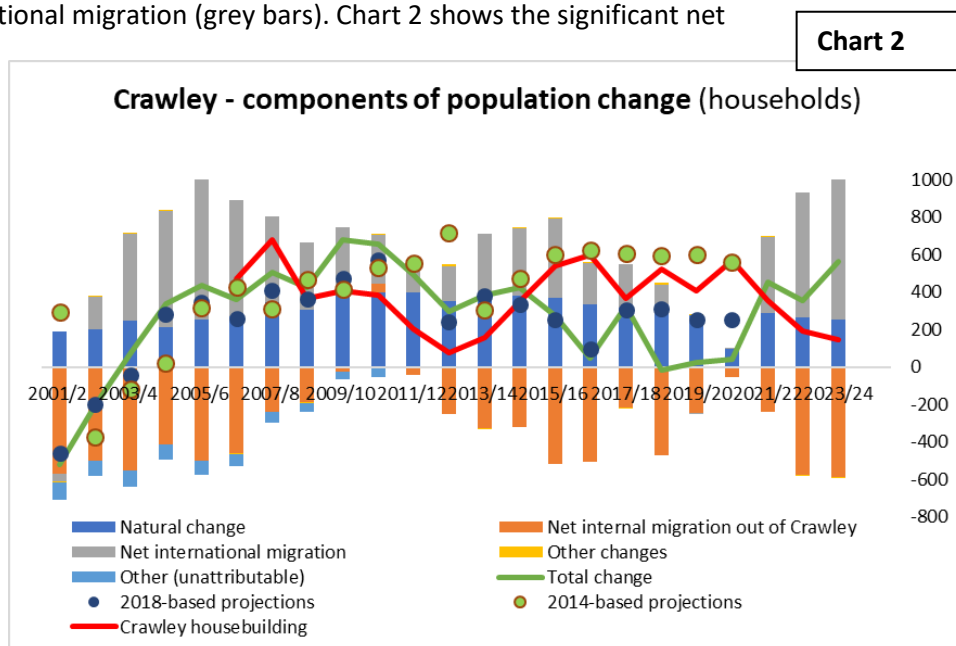
We also note that ONS data show significant net migration out of Crawley (orange bars) and that a significant proportion will be into Horsham (in 2019 the net migration from Crawley to Horsham was around 250 households of the 660 households a year moving into the District at the time. See Chart 4 in the Appendix).

What is Crawley's actual need? As discussed in our Regulation 19 response, the OAN calculated at that time of 750 a year seems reasonably consistent with what a bottom-up approach might suggest, i.e. that **Crawley has an overall minimum need of around 600-700 new houses of which at least 400 should be social housing.**

But what type of housing is needed?

Crawley Borough Council make clear in their response to the West of Ifield planning application that they require that development to deliver a high proportion of affordable housing: "The development provides only 35% provision for affordable housing when the evidenced need for Crawley is 40% in the adopted Crawley Borough Local Plan 2023-2040 and the emerging Horsham District Local Plan Framework Review 2024 and is insufficient to address local need. Furthermore, in the absence of a plan-led allocation there is no mechanism or safeguards in place to ensure that any of the affordable housing delivered by a future development in this location would be allocated to Crawley Borough residents."

Further evidence for a higher affordable housing need comes from the differences in earnings and disposable income, Chart 3 shows ONS data for the Crawley and Horsham residents:

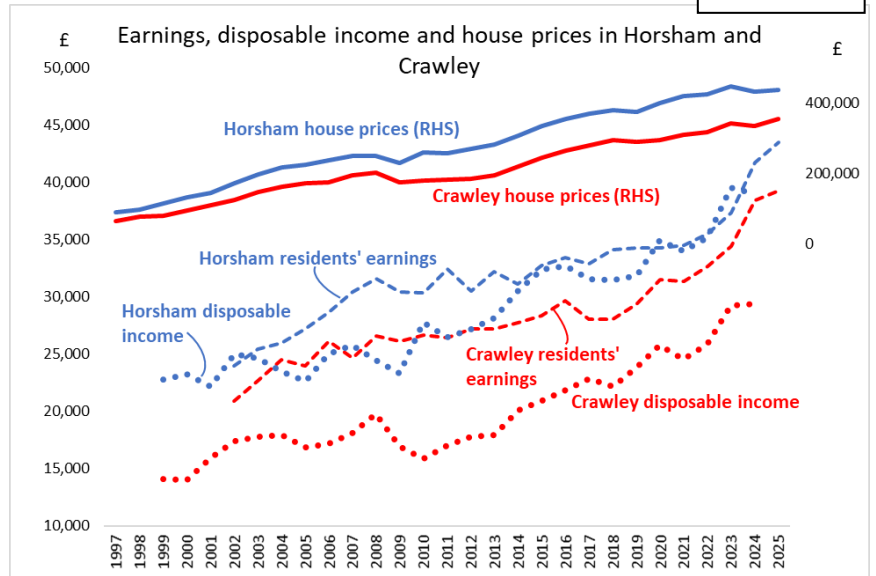


- The earnings received by residents,
- Disposable income of residents, and
- Median house prices.

The main points are that both the disposable incomes of Horsham residents, and house prices, are over 30% greater than in Crawley, and earnings are around 10% greater. This suggests that **any development intended to support Crawley's unmet need must take into account these differences, via significant %s of genuinely affordable housing.**

N.B. Chart 3 shows the earnings received by residents as opposed to workplace earnings which reflect the earnings paid by employers in the area. Crawley's workplace earnings are much higher than residents' earnings, and higher than Horsham's workplace earnings, due to the presence of Gatwick and Manor Royal within the Borough. Many of the more highly paid employees working in the Borough actually live outside it, partly contributing to Horsham's higher residents' earnings.

Chart 3



d. Whether any other factor should influence the housing requirement

No comment.

e. The appropriate housing requirement arising from a. to d.

No comment.

APPENDIX Problems with the Standard Method

The Standard Method for calculating housing need has the effect of disproportionately ramping up targets in the most expensive areas, which are also the most profitable for developers.

Targets are (unjustifiably) inflated via the 'affordability adjustment' which sets a new higher baseline from which the following Plan's target will be calculated. Every iteration of the Standard Method setting a new higher baseline from which the following Plan's target will be calculated. So the more frequently the 'vicious cycle' is turned, the faster the targets are ratcheted ever upwards.

The supposed rationale behind the affordability adjustment is totally incorrect and spurious. The argument is made that house prices in any area are high due to lack of supply, and that if incomes are not commensurate then supply should be increased to bring prices down.

But to expect prices to fall due to increased supply is to completely misunderstand the housing market and is widely discredited by economists in government and academia, who show empirically that increased supply does not bring down prices, but instead house prices primarily respond to interest rate change, as is currently observed. See research by the Bank of England, OBR, Oxford University, etc. as referenced in *SWOI Reg 19 response Policy 37*. To quote the Bank of England: "...housing is an asset, whose value should be determined by the expected future value of rents, rather than a textbook demand and supply for physical dwellings."

Similarly, everyone in the finance and property sectors, and everyone with a mortgage knows that house prices are largely driven by demand which is itself largely driven by the cost (interest rates) and availability of mortgages.

It is the case that demand can be almost infinite under certain market conditions - particularly when foreign investors are attracted by property in and around major cities in the UK, and when the housing market in London is particularly dysfunctional. No amount of supply will improve affordability.

So for the affordability adjustment to have such a high weight in the calculation of housing 'need' is entirely spurious. And for it to be given an even higher weight in the new version of the Standard Method, is absurd. The proposed change to use dwelling stock is however a slight improvement over use of the ONS overall HH projections, The Standard Method doesn't measure anything – certainly not local need, and not even demand – it's simply a means for increasing the volume of housebuilding in certain (profitable) areas.

Chart 4 shows the extent to which Horsham's population growth (green line) is due to people moving into the District (orange bars) and how this rises and falls in line with housebuilding (red line). It's hard to see therefore how the housebuilding benefits local people.

Chart 4

