

**HORSHAM DISTRICT
HOUSING NEEDS SURVEY
UPDATE**

FINAL REPORT

2006



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- I** Land Registry
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1 INTRODUCTION

1.1 Government Guidance

1.1.1 Government Guidance in Circular 6/98 and the Good Practice Guidance for Local Housing Needs Assessment require that local authorities have robust and up to date assessments of the housing needs in their area. These are required to support the Housing Strategy and bids for resources and Local Plan policies for affordable housing provision.

1.2 The 2003 Study

1.2.1 DCA conducted a wide ranging needs assessment study in the District between January 2003 and May 2003. This study examined housing requirements in both market and social sectors.

1.3 2001 Census

1.3.1 The 2001 Census results were not available during the 2003 Housing Needs Survey; therefore the tenure balance of the 2002 data has been examined and the data has been re-weighted in accordance with 2005 household numbers and Census Data. A copy of the weighting factors applied to the update report is provided in the appendices.

1.4 The Update Study Objectives

1.4.1 The objectives of this update study were to:-

- ◆ analyse the change in the housing market locally to provide current house prices and private sector rental costs to be able to re-assess income thresholds for access to market housing;
- ◆ re-analyse the housing survey database and utilise the information into the Assessment Model recommended in the Good Practice Guidance issued in March 2000;
- ◆ re-analyse the short, medium and longer term population forecasts for the District;
- ◆ prepare a report to provide an affordable need forecast to 2011;
- ◆ inform on-going Housing Strategy and support Local Development Framework (LDF) policies for affordable housing and for negotiation in accordance with Circular 6/98 and PPG3.

1.5 Definitions

1.5.1 DCA work to a definition of housing requirements that encompasses demand, need and preferences. Households that can enter the general market without intervention of any sort can be defined as demand, whereas those households unable to enter the general market without some form of intervention can be defined as having a housing need. Our methodology enables us to identify this distinction by asking for both a household's characteristics in terms of size, current property condition and income and a household's view on suitability of current housing and preferences for moving or modification.

1.5.2 Affordability in our view is defined by the relationship between local incomes and the local general housing market. Our definition of affordable housing is as follows:-

Affordable housing is that provided with subsidy, both for rent and low cost market housing, for people who are unable to resolve their housing requirements, in the general housing market because of the relationship between local housing costs and incomes. This definition covers housing for social rent, shared ownership, low cost home ownership and sub-market rent.

1.5.3 The types of affordable housing which comply with our definition are as follows:-

- ◆ *Units for rent, the major requirement;*
- ◆ *shared ownership with grant;*
- ◆ *shared equity where land value is retained to provide housing for sale at below market levels and where control of the 'equity discount' can be retained as long as they are needed;*
- ◆ *discounted market rented housing.*

1.5.4 The issue of affordability is central to our approach. Within the project, a range of data is captured on actual incomes and costs of housing and the likely level of incomes and the accessible costs of housing for moving or newly forming households. Secondary data is also examined on incomes, house prices and rent levels. Thus a reliable indicator of affordability is derived that leads towards the identification of real options for meeting housing need.

1.6 Methodology

1.6.1 The study consisted of the following elements:-

- i. analysis of the existing base of primary data gathered in 2003 which gathered information on housing needs to 2005 and is still currently valid;
- ii. A housing market survey utilising the Land Registry and Halifax databases and a telephone survey of estate agents on the cost of access level property and on the supply and cost of private rented housing;
- iii. Secondary data analysis drawing upon HIP and Housing Register data on the flow of social stock and need, 2001 Census, household and population projections and other national research.

1.6.2 As a database therefore the achieved sample of 4,982 achieved in 2003 is robust and is more than double the 1,250 minimum level identified as a normal sample in the ODPM Guidance.

2 THE HORSHAM HOUSING MARKET

2.1 Introduction

- 2.1.1 This report was commissioned by Horsham District Council to provide an update on house prices in the District. It has been conducted on the same structure as that in the 2003 Housing Needs Survey. Comparisons in prices over the period and the available data on income change have also been analysed.
- 2.1.2 Three data searches were commissioned to provide information on house price and sales volumes across Horsham:-
- ◆ from the Halifax, as the largest mortgage lender, analysing lending in the Region;
 - ◆ from the Land Registry, providing data on all sales in the area for the past year;
 - ◆ Estate Agency survey to assess access prices for new households in each sub-area.
- 2.1.3 The records include house price information by categories of dwellings, also included in the analysis is information about the volumes of sales of each type of dwelling.
- 2.1.4 As explained in 2.1.2 above, these indices are not absolutely comparable. Land Registry increase levels tend to be lower because they include cash transactions but they are less reliable on a quarterly basis because they only calculate actual transactions and the figures are affected by changes in the mix of properties between the current and the previous periods. Halifax data measures a constant mix of properties by type and size which removes the changing mix factor but does not of course include lower price cash transactions.
- 2.1.5 This information sets the context for the key issue of the affordability of housing in the area, and in particular the analysis can be related to the problems of low income evaluated through the household postal survey.

2.2 National Picture

- 2.2.1 House prices in the fourth quarter of 2005 have increased by 2.1% compared to the third quarter of 2005, where 1.8% increase was reported. The overall sound UK economic background and the lowest mortgage rates since the 1950s have boosted housing demand for a sustained period but turnover has reduced substantially, prices have stabilised and some property prices have reduced over the last three quarters of 2005.
- 2.2.2 UK house price inflation for the year ending 31st December 2005 was recorded by Halifax Index at 5.1% and the Land Registry at 4.3%.

2.3 Regional Picture

Table 2-1 House Price Inflation

	Change over year to 31 st December 2005 %	Change over quarter to 31 st December 2005 %
South East	+ 2.7	+ 2.2
West Sussex	+ 0.0	- 1.8

Source: ¹ Halifax House Price Index, © Copyright HBOS plc.
² Land Registry, © Crown Copyright (Land Registry)

- 2.3.1 The annual rate of house price inflation in the Halifax Index in the South East Region at 31st December 2005 was 2.7%, lower than the UK average of 5.1%.
- 2.3.2 House prices in the South East Region show a rise, increasing by 2.2% during the fourth quarter of 2005.
- 2.3.3 House prices in West Sussex remained the same over the last year by 0.0% as calculated by Land Registry. There was a decrease during the fourth quarter of 2005, decreasing by 1.8%

2.4 The Housing Market

- 2.4.1 The Regional Market is shown in Table 2-2 below, which details the prices paid for the main categories of house types for the whole of the South East Region with comparisons against a different source of house price index data.

Table 2-2 Average Region & County House Prices - All Buyers 2005

Property Type	South East Region		West Sussex	
	Land Registry Average Price	Halifax Average Price	Land Registry Average Price	Land Registry % of sales
Terraced	178,187	184,852	183,834	25.9
Semi-detached	215,336	226,340	221,189	24.4
Detached	368,609	392,921	348,414	26.3
Bungalows	*	237,818	*	*
Flats & maisonettes	150,713	152,312	141,977	23.4
All properties	229,083	221,328	226,417	100.0

Source: *Halifax House Price Index, 4th Quarter 2005.*

Land Registry Residential Property Price Report, 4th Quarter 2005.

** Land Registry figures do not identify bungalows separately.*

- 2.4.2 The Halifax data is based on actual sales of mortgaged properties and the information is a real indication of actual prices prevailing in the purchases being made in the Region. The Land Registry data incorporates all sales transactions in the Region and more specifically in the Horsham District.
- 2.4.3 Prices vary between the different data sources and the Land Registry figures would be expected to be lower in all cases given that these figures include non-mortgaged sales.
- 2.4.4 The table below examines average house prices for the Horsham area as recorded by the Land Registry in December 2005 against house prices for Horsham at the time of the previous Housing Needs Survey in 2003, using 4th Quarter 2002 data.

Table 2-3 Average House Prices for the District - All Buyers 2005 and 2002

Property Type	Horsham District		
	Land Registry Average Price		Change 2002 - 2005 %
	2005	2002	
Terraced	199,622	163,628	+ 22.0
Semi-detached	235,686	201,676	+ 16.9
Detached	397,656	338,496	+ 17.5
Flats & maisonettes	154,266	123,547	+ 24.9
All properties	266,549	231,354	+ 15.2

Source: Land Registry Residential Property Price Report, 4th Quarter 2005 / 4th Quarter 2002.

- 2.4.5 The overall house price increase in the District is 15.2%. The increase in the price of terraces 22.0% and flats 24.9% is in excess of wage inflation in the three year period and by 101% and 115% respectively over the six years from December 1999. Incomes in the Horsham District are assessed independently to have increased by 2.3% for the two years to April 2005.

2.5 Halifax First Time Buyer Review 2006

- 2.5.1 The Halifax First Time Buyer Review 2006 indicates that the average price paid by first time buyers in the South East remained static in 2005 at £163,253. This is over three times more than in 1995.
- 2.5.2 The affordability difficulties confronting first time buyers have significantly reduced the number entering the market. The age of a first time buyer in 1995 was 31 and has increased to 33 in 2005.
- 2.5.3 This is also reflected in the fact that there was an estimated total of 320,000 first-time buyers in 2005, the lowest annual total since 1980. The number of FTB's last year was 40% lower than in 2002 (532,000).
- 2.5.4 The average deposit required in the South East was £29,870, 18% of the purchase price. In 1995 the average deposit was £6,335, 12% of the purchase price. 77% of all first time buyer purchases in the region were flats (41%) and terraced houses (38%).

2.6 Horsham District Sales

Table 2-4 Average Sales Levels for the District – 2005 and 2002

Property Type	Horsham District	
	Land Registry % of Sales	
	2005	2002
Terraced	23.1	22.2
Semi-detached	24.8	22.9
Detached	33.5	37.7
Flats & maisonettes	18.6	17.2
All properties	100.0	100.0

- 2.6.1 The largest volume of sales in the Horsham District in 2005 were for detached houses (33.5%) selling at an average price of £397,656. Semi-detached houses average £235,686 and are 24.8% of sales. Terraced properties average £199,622 and are 23.1% of sales. Flats / maisonettes sell at an average price of £154,266 and account for 18.6% of sales. Due to the average price and volume of sales, flats and maisonettes are assessed to be the main entry property for first time buyers.
- 2.6.2 The sales levels of terraced properties and semi-detached properties in 2005, 23.1% and 24.8% respectively are slightly higher than 2002 levels (22.2% and 22.9% respectively). Sales levels of detached properties are higher in 2003 at 37.7% than in 2005 where they make up 33.5% of sales in the District. Sales levels of flats / maisonettes in 2005 at 18.6% are slightly higher than 2003 where they make up 17.2% of sales.

2.7 Sub-Area Structure

- 2.7.1 In order to further analyse house prices in the area the District has been divided into four sub-areas as used in the 2003 Housing Needs Survey. The areas contained within them are listed below:-

Table 2-5 Sub-area Breakdown

Sub-Areas
<p>Horsham</p> <p><i>Including Horsham Neighbourhoods, North Horsham</i></p>
<p>Villages / Rural North</p> <p><i>Including Ruser, Colgate, Lower Beeding, Nuthurst, Southwater, Itchingfield, Billingshurst, Broadbridge Heath, Slinford, Rudgwick, Warnham</i></p>
<p>Villages / Rural South-East</p> <p><i>Including Henfield, Woodmancote, Upper Beeding, Steyning, Bramber, Shermanbury, Cowfield, West Grinstead, Ashurst, Wiston</i></p>
<p>Villages / Rural South-West</p> <p><i>Including Shipley, Washington, Ashington, Thakeham, Storrington, Sullington, West Chiltingham, Pulborough, Parham, Coldwaltham, Amberley</i></p>

2.8 Entry Sales Levels in the District

- 2.8.1 Entry to the market is clearly dependent on availability, a factor which is particularly critical for low income households who can only enter the market in any numbers where there is an adequate supply of affordable dwellings.
- 2.8.2 First-time buyers as new entrants to the Housing Market do not purchase properties at average prices as they do not have average incomes. Although average prices are useful for comparisons in general they are not the purchase levels used in assessing the ability of households to access local markets.

- 2.8.3 In broad terms new purchasers of either flats or terraced properties buy in the lowest quartile of prices i.e. the bottom 25%. We have therefore made the only comparison available from Land Registry data which is at District wide level. In Horsham this is £175,625, 51.8% lower than the all property price of £266,549 in Table 2-3.
- 2.8.4 DCA have therefore undertaken a survey of the local estate agents to ascertain the cost of the cheapest units available both for private rent and for sale in each of the 4 sub-areas.

Table 2-6 Entry Sales Levels in Horsham – January 2006.

Property Type	Horsham	Rural / Villages North	Rural / Villages South-East	Rural / Villages South-West	District-Wide
1-Bed Flat	114,133	122,488	105,000	107,317	110,354
2-Bed Flat	128,100	133,393	129,133	137,300	122,312
2-Bed Terraced	159,967	166,150	169,833	161,475	161,927
3-Bed Terraced	172,617	183,283	171,633	189,833	176,421

Source: DCA House Price Survey January 2006

- 2.8.5 Although the average price of flats / maisonettes according to the Land Registry survey is £154,266 entry sales levels vary across the Horsham District with the lowest entry prices for a 1-bed property starting at around £105,000 in Rural / Villages South-East, rising to £122,488 in Rural / Villages North. 2-bed flats cost from £128,100 in Horsham, rising to £137,300 in Rural / Villages South-West.
- 2.8.6 Terraced properties cost from £159,967 for a 2-bed property in Horsham rising to £169,833 in Rural / Villages South-East. 3-bed terraces start at £171,633 in Rural / Villages South-East, rising to £189,833 in Rural / Villages South-West.

2.9 The Private Rented Sector

- 2.9.1 Some of the main private renting agencies operating in the District were approached to assess rental costs and stock availability. Estate agents comments on the private rented sector are also provided but the evidence available is largely empirical.
- 2.9.2 The prevailing private sector rent levels at both the average and lower quartile (entry-level) of cost by type, size and location from the estate agency sources approached.

Table 2-7 Average and Lowest Quartile Rent Levels in the Horsham District (£/month) – January 2006

Property Type	Horsham		Rural / Villages North		Rural / Villages South-East		Rural / Villages South-West		District-Wide	
	Average	Entry	Average	Entry	Average	Entry	Average	Entry	Average	Entry
1-Bed Flat	561	517	568	553	697	660	515	443	586	543
2-Bed Flat	674	613	655	630	754	717	635	602	679	640
2-Bed Terraced	747	702	760	703	697	660	714	682	731	687
3-Bed Terraced	798	760	803	785	775	755	762	732	784	758
2-Bed Semi	691	650	736	673	749	705	820	738	749	692
3-Bed Semi	517	763	819	723	776	755	836	773	812	754

Source: - DCA House Price Survey January 2006

- 2.9.3 Entry rental costs in the private rented sector vary by location within the District. The private rented sector costs from £443 a month in Rural / Villages South-West, rising to £660 a month in Rural / Villages South-East (see Table 2-7 above) for a one bedroom flat, the smallest unit. For a 2-bed flat, rents range from £602 per month in Rural / Villages South-West to £717 in Rural / Villages South-East
- 2.9.4 In the case of 2-bed terraced houses, we found that the entry rent levels are £660 p.m. in Rural / Villages South-East, rising to £703 p.m in Rural / Villages North. For a 3-bed terraced property the private rented sector costs from £732 in Rural / Villages South-West rising to £785 in Rural / Villages North.
- 2.9.5 Semi-detached properties can be rented from £650 p.m. in Horsham rising to £738 in Rural / Villages South-West for a 2 bed semi. For a 3 bed semi detached property, rents range from £723 in Rural / Villages North rising to £773 in Rural Villages South-West.

2.10 Conclusions

- 2.10.1 UK house price inflation for the year ending 31st December 2005 was recorded by Halifax Index at 5.1% and the Land Registry at 4.3%.
- 2.10.2 The Land Registry average price for all dwellings in Horsham District during the year was £266,549.
- 2.10.3 The largest volume of sales in the Horsham District in 2005 were for detached houses (33.5%) selling at an average price of £397,656. Semi-detached houses average £235,686 and are 24.8% of sales. Terraced properties average £199,622 and are 23.1% of sales. Flats / maisonettes sell at an average price of £154,266 and account for 18.6% of sales. Due to the average price and volume of sales of flats and maisonettes, flats and maisonettes are assessed to be the main entry property for first time buyers.
- 2.10.4 The increase in the price of terraces 22.0% and flats 24.9% is in excess of wage inflation in the three year period and by 72% and 81% respectively over the five years from 2000. Incomes in the Horsham District are assessed independently to have increased by 2.3% for the two years to April 2005.
- 2.10.5 House prices have increased in the last two years by 24.9% for flats / maisonettes and 22.0% for terraced properties. An income of around £33,300 is needed to buy a one bedroom flat in Rural / Villages South-East rising to £38,800 in Rural / Villages North and a two bedroom would require an income of £38,700 in Rural / Villages South-West rising to £42,200 in Rural / Villages North.
- 2.10.6 Similar cost variation applies in the private rented sector across the Horsham District. Based on rent at 25% of gross income a one bed flat in Rural / Villages South-West requires £21,300 per annum rising to £31,700 in Rural / Villages South-East. A 2-bed flat requires an income of £38,700 in Rural / Villages South-West rising to £34,400 in Rural / Villages South-East. To rent a 2-bed terraced house would require an annual income of £31,700 in Rural / Villages South-East rising to £33,700 in Horsham and Rural / Villages North.
- 2.10.7 Mortgage interest rates are at their lowest level for over 40 years and people who cannot enter the market under these circumstances may never be able to do so, short of some collapse in the market or a significant change in their income level. Further house price increases above wage inflation in 2006 would make access to market housing more difficult to achieve and would impact on households with marginal incomes significantly.
- 2.10.8 Entry to market housing has therefore become more difficult for new households than it was in 2003 increasing the need for subsidised housing especially in the much higher priced rural areas.

3 HOUSING COSTS AND INCOME

3.1 Introduction

3.1.1 The ability of a household to satisfy its own housing requirement is fundamentally a factor of the relationship between local house prices and households income. This section of the report assesses the income levels required to access the cheapest units available in reasonable supply from the research detailed in Section 2 and the change in incomes from the previous survey update in 2003 utilising national secondary data.

3.2 Purchase Income Thresholds

3.2.1 The cheapest entry level prices of the smallest units were assessed to enable threshold income levels to be calculated. These are based on 95% mortgage availability and a 3x gross income lending ratio. Table 3-1 below outlines the entry i.e. the lowest income ranges needed to enter the market in the main settlements in the District.

Table 3-1 Entry-level Purchase Income Thresholds 2006

Area	Income Thresholds (£)		
	1 bed Flat	2 bed Flat	2 bed Terrace
Horsham	36,100	40,600	50,700
Rural / Villages North	38,800	42,200	52,600
Rural / Villages South-East	33,300	40,900	53,800
Rural / Villages South-West	34,000	38,700	51,300

DCA Update Survey 2006

3.2.2 The increase in average prices has a direct and significant impact on the income requirement to access owner occupation and the average income requirements change from December 2002 to December 2005 is shown below Table 3-2. The average income requirements refer to the average income required to purchase in Horsham.

Table 3-2 Average Income Requirements 2003 – 2005 (£)

Property Type	2003 (£)	2005 (£)	Change %
Terraced	51,815	63,213	+ 22.0
Flats	39,123	48,850	+ 24.9

2002 requirements relate to Land Registry price report, 4th Quarter 2002

2005 requirements relate to Land Registry price report, 4th Quarter 2005

3.2.3 Table 3-2 above shows that the District-wide level incomes at which the Housing Market can be accessed have increased for terraced houses and flats since the 2003 Housing Needs Survey. The income needed to access terraced properties has increased to £63,213, an increase of 22.0% and access to flats / maisonettes has increased requiring an income of £48,850 compared to £39,123 in 2003, an increase of 24.9%.

3.3 Rental Income Thresholds

- 3.3.1 The cheapest rental prices of the smallest units have been assessed in order to calculate the rental income threshold levels. These are based on rent at 25% of gross income (equivalent to 30% of net income). Table 3-3 below shows the income levels needed to enter the private rented market in the District.

Table 3-3 Entry-level Rental Income Thresholds 2006

Area	Income Thresholds (£)		
	1 bed Flat	2 bed Flat	2 bed Terrace
Horsham	24,800	29,400	33,700
Rural / Villages North	26,500	30,200	33,700
Rural / Villages South-East	31,700	34,400	34,600
Rural / Villages South-West	21,300	28,900	32,700

- 3.3.2 Based on rent at 25% of gross income (i.e. 30% of net), a one bed flat in Rural / Villages South-West requires £21,300 per annum, rising to £31,700 in Rural / Villages South-East. A 2-bed flat requires an income of £28,900 in Rural / Villages South-West, rising to £34,400 in Rural / Villages South-East. To rent a 2-bed terraced house would require an annual income of £34,600 in Rural / Villages South-East, rising to £33,700 in Horsham and Rural / Villages North. Incomes generally required are similar to or below the Horsham District average income of £35,404 as found in the Annual Survey of Hours and Earnings 2005, reflecting the relatively balanced housing costs in the District.
- 3.3.3 In the 2003 Housing Needs Survey, income requirements ranged from £20,150 to £27,850 for a 1-bed flat and from £25,200 to £28,800 for a 2-bed flat. For a 2-bed terraced property, income requirements ranged from £28,100 to £30,500.

3.4 Secondary Research

- 3.4.1 The Joseph Rowntree Foundation published the results of a study undertaken across the Country examining the ability of working households, both existing and newly forming, to become homeowners. The study entitled '*Can Work – Can't Buy*' conducted by Professor Steve Wilcox uses the Halifax database for House Prices of the lowest quartile prices for 4/5 room dwellings and calculates affordability ratios based on working household incomes from the New Earnings Survey. This study was updated in 2004 and, based on local prices for 2 and 3-bedroom dwellings and drawing on a range of data sources, provided a range of analyses of the difficulties of working households aged 20 to 39 in accessing home ownership in all areas at the end of 2003.
- 3.4.2 In 2005 the survey has been further updated to take account of local prices and increase in incomes, it broadly follows but refines, the earlier analyses. This study named "Affordability and the Intermediate Housing Market" was conducted for the Joseph Rowntree Foundation and provides an analysis at local authority level of the capacity of younger working households to buy in their local housing market in 2004.
- 3.4.3 The Joseph Rowntree Foundation Study shows in the 2005 Report that Horsham has a house price-to-income ratio 3rd out of the 7 local authority areas in the West Sussex at 5.19 to 1. This ratio has increased from 4.73 since the previous JRF update at the end of 2003. The report highlights that outside London, access to home ownership is problematic throughout the South East, where average house price to gross earned income ratios average 4.55 to 1.

- 3.4.4 It should be noted that in reaching these figures an income ratio higher than what usually applies has been taken into account, as the analysis assumes a maximum mortgage of 3.75 times household income for working households with one earner, and 3.25 times household income for households with two (or more) earners. Both of these levels exceed the latest Guidance levels of 3.5 and 2.9 times respectively. They also assume an 82% mortgage availability only, well below the 95% level applying in the 2000 Good Practice Guidance.
- 3.4.5 This is compared with the previous 2003 update which stated, "All ratios should be considered in relation to the ratio of mortgage advance to household gross earned income, which rarely exceeds 3.5 to 1". This ratio would only apply to professionals and it is more likely that the majority of local households would achieve mortgage ratios below 3.5 to 1 and closer to the average of the Council of Mortgage Lenders for first time buyers in 2004 of 3.03 to 1.
- 3.4.6 Table 3-4 highlights the data and house price to income ratio for Horsham and the South East Region.

Table 3-4 Purchase Income Thresholds

Area	Working Households		
	2004 Prices for 2/3 bedroom dwellings (£)	Income £	Ratio
Horsham	215,557	41,508	5.19
South East	188,543	41,426	4.55

Source: Joseph Rowntree Foundation 2005 Update

- 3.4.7 House prices to income ratios across the 7 West Sussex authorities range from 4.11 to 1 in Crawley, to the 6.21 to 1 in Chichester.
- 3.4.8 The updated 2005 Joseph Rowntree Foundation "Affordability and the Intermediate Housing Market" also relates to the ability of the intermediate market to assist younger working households to buy in their local housing market.

Table 3-5 Working Households Unable to Buy

Area	Working Households	
	Broad Band * (%)	Narrow Band ** (%)
Horsham	59.9	36.9
South East	52.9	33.8
London	59.6	35.0

* The proportion of working households who cannot afford to buy at the lower quarter point of house prices for two- and three-bedroom homes.

** The proportion of working households who can afford social housing rent without housing benefit but cannot afford to buy at the lowest decile point of house prices for two- and three-bedroom dwellings. Source: Joseph Rowntree Foundation 2005

- 3.4.9 The data shows that for Horsham 59.9% of working households cannot afford to buy at the lower quartile point of house prices, and 36.9% cannot afford in the lowest decile. This is higher than the regional average for the South East (52.9% and 33.8% respectively) and the broad band category in particular is slightly higher in Horsham than in London. This is an important group as it reveals those in the upper end of difficulty in terms of accessing the market.

3.5 Annual Survey of Hours and Earnings

- 3.5.1 Income data is always difficult to gather at local level. Most data is regionally based and we have used the 2005 Annual Survey of Hours and Earnings (ASHE) prepared by the Office for National Statistics (formerly known as the New Earnings Survey). This provides data at County and District-wide level of full time employees on adult rates who have been in the same job for more than a year.
- 3.5.2 Although the ASHE does provide useful data on personal income distribution related to area of residence, there are indications within the new ASHE of unreliable and unavailable data within certain areas. Where this applies to data that affects the Local Authority, the County wide level data has been used as a more reliable source. In this case, the Horsham District level ASHE data has been used.
- 3.5.3 The ASHE 2005 shows an average income of £35,404 for Horsham District, a 2.3% (1.1% per annum) increase on the 2003 figure of £34,624 which was the timing of our previous Housing Needs Survey.
- 3.5.4 It is particularly important to examine the distribution of income rather than the average figure, especially in relation to the proportion of households with the capacity to access the private sector market for rent or sale.
- 3.5.5 There is a wide distribution of earnings illustrated from the ASHE. Analysis of the data for the District shows that: -
- ◆ 10% earned less than £14,319;
 - ◆ 25% earned less than £18,669;
 - ◆ 50% earned less than £26,974;
 - ◆ 75% earned less than £44,254;
- * Data used has been termed as 'acceptable' and 'reasonably precise' by ASHE.*
- 3.5.6 The ASHE data on the spread of incomes, important in any area, with diverse house prices and markets, shows that for the District at April 2005, 10% of people earned less than £14,319; 50% less than £26,974 and 75% of people earned less than £44,254.
- 3.5.7 The increases in house prices over the last three years have excluded a large proportion of 'first-time buyers' from the owner occupied market. We believe therefore that the proportion of affordable housing provided on new sites should encompass more subsidised intermediate housing than would have been the case two years ago when it was a more marginal element of affordable need.
- 3.5.8 Access to the market has been based on the updated house price information detailed in Section 2. We have also undertaken analysis of the income levels of local households, to be able to assess the proportion of people now able to enter market housing.
- 3.5.9 Table 3-6 highlights the 2003 incomes of existing households from the 2003 Housing Needs Survey and current 2006 incomes. As the average incomes for Horsham have increased by 2.3% between the years 2003 and 2005, as highlighted by the ASHE, the 2003 annual income boundaries taken from the 2003 HNS Survey have an income inflation of 3.4% (0.3% times 12 quarters) applied to determine the 2006 annual income boundaries for Horsham District.

Table 3-6 Incomes of Existing Households 2003 & 2006

Annual Income 2003	Annual Income 2006	%
Below £10,000	Below £10,340	12.1
£10,000 - £23,000	£10,340 - £23,782	24.8
£23,001 - £30,000	£23,783 - £31,020	13.2
£30,001 - £40,000	£31,021 - £41,360	14.9
£40,001 - £50,000	£41,361 - £51,700	12.4
£50,001 - £60,000	£51,701 - £62,040	7.1
£60,001 - £75,000	£62,041 - £77,550	6.2
£75,001 - £100,000	£77,551 - £103,400	4.9
Above £100,000	Above £103,400	4.4
Total		100.0

3.5.10 Table 3-7 below highlights the 2003 and 2006 incomes of concealed households from the 2003 Housing Needs Survey. The 2003 annual income boundaries taken from the 2003 HNS Update have an income inflation of 3.4% applied to determine the 2006 annual income boundaries.

Table 3-7 Incomes of Concealed Households 2003 & 2006

Annual Income 2003	Annual Income 2006	%
Below £10,000	Below £10,340	20.3
£10,000 - £12,500	£10,340 - £12,925	15.9
£12,501 - £15,000	£12,926 - £15,510	17.0
£15,001 - £17,500	£15,511 - £18,095	12.1
£17,501 - £20,000	£18,096 - £20,680	12.7
£20,001 - £25,000	£20,681 - £25,850	11.0
£25,001 - £30,000	£25,851 - £31,020	5.3
£30,001 - £40,000	£31,021 - £41,360	4.1
£40,001 - £60,000	£41,361 - £62,040	0.4
Above £60,000	Above £60,040	1.2
Total		100.0

3.5.11 Table 3-8 below outlines the income required by concealed households to access owner occupation based on the lowest and highest purchase income thresholds across the District for 1 and 2-bed flats and 2-bed terraced properties, as illustrated in Table 3-1.

Table 3-8 *Concealed Households – Incomes Needed to Enter the Market through Owner Occupation and % Unable to Buy*

Type of Property	Area	(£) Income Required	% of concealed households unable to purchase
1-Bed Flat	Rural / Villages South-West (cheapest)	34,000	95.6
2-Bed Flat	Rural / Villages South-East (most expensive)	40,900	98.2
2-Bed Terraced	Horsham (cheapest)	50,700	98.6
2-Bed Terraced	Rural / Villages South-East (most expensive)	53,800	99.5

3.5.12 Using the income requirements from Table 3-1, Table 3-8 shows that 95.6% of concealed households are unable to buy a 1-bed flat in Rural / Villages South-West and 98.2% cannot afford a 2-bed flat in Rural / Villages South-East. In Horsham 98.6% cannot afford to buy a 2-bed terraced property, this rises to 99.5% of concealed households in Rural / Villages South-East.

3.5.13 Table 3-9 below outlines the income required by concealed households to access the private rented accommodation based on the lowest and highest rental income thresholds across the District for 1 and 2-bed flats and 2-bed terraced properties, as illustrated in Table 3-3.

Table 3-9 *Concealed Households – Incomes Needed to Enter the Private Rented Market and % Unable to Afford to Rent*

Type of Property	Area	(£) Income Required	% of concealed households unable to Rent
1-Bed Flats	Rural / Villages South-West (cheapest)	21,300	79.3
2-Bed Flats	Rural / Villages South-East (most expensive)	34,400	95.6
2-Bed Terraced	Rural / Villages South-East (cheapest)	31,700	94.6
2-Bed Terraced	Rural / Villages South-East (most expensive)	34,600	95.7

- 3.5.14 Table 3-9 above shows that 79.3% of concealed households cannot afford to rent a 1-bed flat in Rural / Villages South-West and 95.6% cannot rent a 2-bed flat in Rural / Villages South East. For 2-bed terraced properties 94.6% cannot afford to rent in Rural / Villages South East, rising to 95.4% in Horsham and Rural / Villages North.

3.6 Social Tenant Incomes

- 3.6.1 CORE (COntinuous REcording) is a system developed jointly by the National Housing Federation (NHF) and the Housing Corporation. CORE is used to record information on both Registered Social Landlords (RSL) lettings and sales in England. The CORE data for Horsham shows the combined household incomes of new tenants in the social sector in 2004. The mean average income was £11,105 and the median was £9,880. 75% of households earned below £14,456 pa.

3.7 Summary

- 3.7.1 An income of around £33,300 is needed to buy a one bedroom flat in Rural / Villages South-East rising to £38,800 in Rural / Villages North and a two bedroom would require an income of £38,200 in Rural / Villages North rising to £40,900 in Rural / Villages South-East.
- 3.7.2 Similar cost variation applies in the private rented sector across the Horsham District. Based on rent at 25% of gross income a one bed flat in Rural / Villages South-West requires £21,300 per annum rising to £31,700 in Rural / Villages South-East. A 2-bed flat requires an income of £28,900 in Rural / Villages South-West rising to £34,400 in Rural / Villages South-East. To rent a 2-bed terraced house would require an annual income of £31,700 in Rural / Villages South-East rising to £33,700 in Horsham and Rural / Villages North.
- 3.7.3 The Annual Survey of Hours and Earnings (ASHE) 2005 show an average income of £35,404 for the Horsham District a 2.3% increase on the 2003 figure of £34,624. The ASHE data on the spread of incomes, important in any District with diverse house prices and markets, shows that for Horsham at April 2005, 25% of people earned less than £18,669, 50% less than £26,974 and 75% less than £44,254 per annum.
- 3.7.4 The Joseph Rowntree Foundation Study shows in the 2005 Report that Horsham has a house price-to-income ratio 3rd out of the 7 local authority areas in the West Sussex at 5.19 to 1. This ratio has increased from 4.73 since the previous JRF update at the end of 2003. The report highlights that outside London, access to home ownership is problematic throughout the South East, where average house price to gross earned income ratios average 4.55 to 1.
- 3.7.5 The implication of incomes having risen by only 2.3% since 2003 directly impacts concealed household's ability to access the market through owner occupation. Updating the incomes of concealed households from the 2003 survey; 95.6% of concealed households are unable to buy a 1-bed flat in Rural / Villages South-West and 98.2% cannot afford a 2-bed flat in Rural / Villages South-East. In Horsham 98.6% cannot afford to buy a 2-bed terraced property, this rises to 99.5% of concealed households in Rural / Villages South-East.
- 3.7.6 A similar pattern is found when looking at concealed household's ability to access the market through private rented accommodation. 70.7% of concealed households in Rural / Villages South-West cannot afford to rent a 1-bed flat and 95.3% cannot rent a 2-bed flat in Rural / Villages South East. For 2-bed terraced properties 94.4% cannot afford to rent in Rural / Villages South East, rising to 95.2% in Horsham and Rural / Villages North.

4 POPULATION GROWTH AND HOUSEHOLD FORMATION PROJECTIONS

4.1 Introduction

- 4.1.1 In this section of the report a short background commentary is provided to the demographic element of housing demand in Horsham District. The purpose is two-fold. First, to provide a context in which the results of the postal questionnaire can be interpreted. Secondly, to give a more specific focus on the demand for affordable housing provision and to make projections for five and ten year periods.
- 4.1.2 Modelling housing needs is a very complex procedure and it is only very recently that attempts have been made to model local housing needs. Most of the established procedures are aimed at the provision of national level estimates of housing need, including:-
- ◆ simple estimates such as those provided by the ODPM, which measured the crude dwelling to household surplus (and concluded no additional building was necessary to meet need);
 - ◆ a second approach by the Audit Commission measured household growth minus expected private sector output;
 - ◆ Glen Bramley's¹ work focused on local supply and demand to calculate for a particular point in time the proportion of new households unable to buy in the market (minus social sector re-lets);
 - ◆ Steve Wilcox² described a 'Net Stock' approach which calculates net household increase and adds a factor for concealed households before deducting new private sector output to arrive at estimates of need in the social sector.
- 4.1.3 Kleinman and Whitehead³ have devised a so-called 'Gross Flows' approach which looks at gross household formation, tenure choice, demand from in-migrants and deducts these from new social output and re-lets to yield a measure of social housing requirements.
- 4.1.4 How these national models translate to the local level is not at all clear. Kleinman and Whitehead have attempted a 'Gross Flows' analysis for Cambridge but relied entirely on secondary data for their estimates. This is a problem in the model particularly for the incorporation of measures of concealed households and factors relating to affordability are not considered directly but by modelling the tenure propensities of new households.
- 4.1.5 Our method emphasises the affordability issue and gives much greater weight to the issue of concealment of households than most of the 'national' level studies.
- 4.1.6 The affordability measure is derived from primary data collected in the household's surveys and from access to the Land Registry database on house prices and the concealment issue is also addressed through the survey findings. Since our study is targeted at Horsham District, there are inevitable limitations because local housing markets encompass much wider areas than a single Local Authority area.

¹ Bramley, G. (1996) Housing with Hindsight; household growth, housing need and housing development in 1980's. CPRE.

² Wilcox, S (1999) The Vexed Question of Affordability. Edinburgh Scottish Homes

³ Whitehead C and Kleinman, M. (1992); A Review of Housing Needs Assessment; London; Housing Corporation.

4.2 Demographic Analysis

- 4.2.1 There are four basic components to changes in the number and composition of households. The aim of this section of the report is to highlight the issues which are relevant to the evaluation of housing needs in Horsham District particularly the changes in:-
- ◆ the age distribution of the population arising from births, deaths and ageing of the indigenous population;
 - ◆ family units such as marriage, divorce and child bearing patterns;
 - ◆ the number and composition of households arising from migration, particularly due to employment opportunities in the area;
 - ◆ the probabilities that family units form a separate household, particularly in response to changes in incomes in the labour market area.
- 4.2.2 In local area forecasting new household formation is mainly due to responses to income and employment opportunities. New household formation is also affected by life cycle patterns. This purely demographic influence on the number of households contributes to about 40% of the growth in the number of new households at any one time (Dicks, 1988; Ermisch, 1985).
- 4.2.3 The general demographic forecast in the tables in this section have been provided by West Sussex County Council and are ONS 2001-based sub national population projections. The 2001 Census Data has been taken into consideration in the production of these population projections.
- 4.2.4 The factors which combine to produce the population and household forecasts are:- population age-sex structures, headship rates, survival factors, infant mortality, fertility rates, base numbers of dwellings, vacancy rates, building / demolition programmes and the age-sex structure of migrants. The summary of this data is provided in the following tables with the population changes from 2001 – 2016.
- 4.2.5 These projections are produced periodically by the Government and use the 2001 mid year estimate as their starting point. They assume the continuation of current trends in fertility and mortality and migration moves into and out of the area. They do not reflect change due to future housing development in the area.

4.3 Population Projections

- 4.3.1 The projections in Table 4-1 are based on the predictions made by West Sussex County Council (2001-based). These figures are based on the assumptions outlined in paragraphs 4.2.1 to 4.2.4 regarding mortality, fertility and migration etc, and are contained in population projections for Horsham for the period 2001 -2016 provided by West Sussex County Council.

Table 4-1 Population Change in Horsham District, 2001 - 2016

	2001	2006	2011	2016	Change
Total Population	122,300	125,283	128,821	135,576	
Change		+ 2,983	+ 3,538	+ 6,755	+ 13,276
% Change		+ 2.4	+ 2.8	+ 5.0	+ 10.9

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- 4.3.2 The table shows an increase in the population of Horsham District of 13,276 over the forecast period. A steady increase is seen across the forecast period, with the main increase occurring between 2011 and 2016 (6,755; 5.0%).

4.4 Age Structure Forecast 2001 - 2016

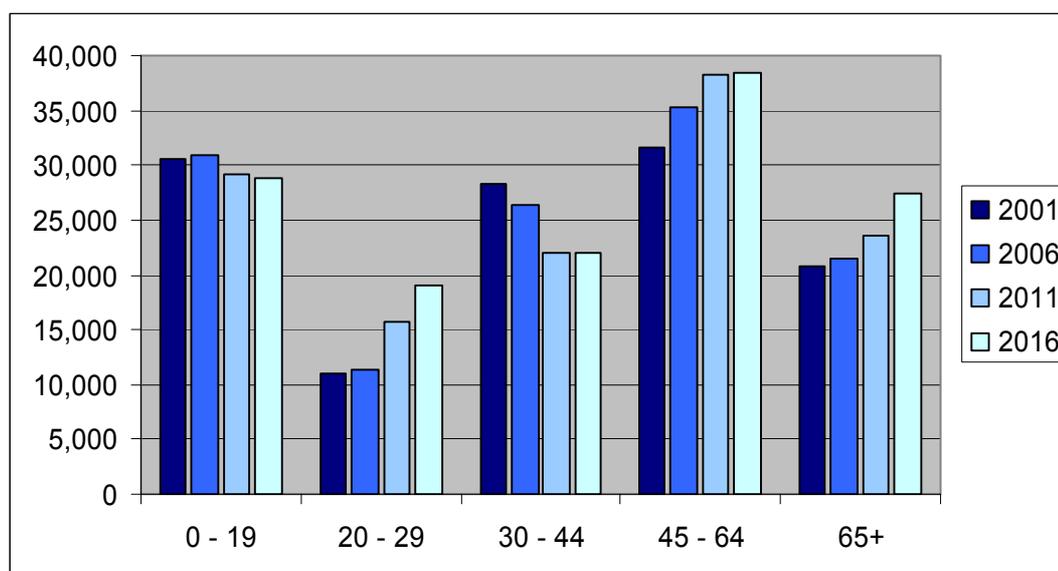
4.4.1 The next stage in the forecast is to disaggregate the population data into age bands because there may be changes in the population structure with significant housing implications. Table 4-2 is based on the net migration model and for this purpose best represents the position.

Table 4-2 Population Age Band Forecast, Horsham District 2001 - 2016

	2001	2006	2011	2016	Change
0 - 19	30,600	30,877	29,226	28,767	- 1,833
20 - 29	11,000	11,327	15,731	19,076	+ 8,076
30 - 44	28,300	26,365	22,032	21,937	- 6,363
45 - 64	31,700	35,212	38,244	38,415	+ 6,715
65 +	20,700	21,551	23,589	27,374	+ 6,674
Total	122,300	125,283	128,821	135,576	+ 13,276
% Change		+ 2.4	+ 2.8	+ 5.0	+ 10.9

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Figure 4-1 Population Age Band Forecast, Horsham District 2001- 2016



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4.4.2 Percentage change is measured between year bands, not the base population. This is a better representation of the incremental change.

4.4.3 Figures are rounded to the nearest 100 so totals may not agree with the sum of their rounded counter parts.

4.4.4 As we show above there will be an average rise in the population of Horsham of approximately 0.7% per annum over the forecast period according to the forecast model. There is projected to be around 13,276 more people in the District in 2016 than in 2001.

- 4.4.5 The 0-19 age range shows a decrease overall (1,833; 6.0%). A steady fall is seen throughout the forecast period, with the largest decrease of 1,651 people occurring between 2006 and 2011 (5.3%).
- 4.4.6 The 20-29 age range comprises new households forming and will have implications for future affordable housing need both in the short and longer term. Overall this age group shows a large rise (8,076; 73.4%), with the most significant increase seen between 2006 and 2011 (4,404; 38.9%).
- 4.4.7 The 30-44 age group, the main economically active and household forming and moving group shows a decline overall (6,363; 22.5%). Numbers fall steadily throughout the forecast period, with the largest fall between 2006 and 2011 (4,333; 16.4%).
- 4.4.8 The 45-64 age group shows an increase in numbers with an increase of 6,715 people (21.2%). The main increase occurs between 2003 and 2006 (3,512; 11.1%).
- 4.4.9 A significant feature here is the growth of the population in the over 65 age group with an increase of 6,674 people (32.2%) seen over the forecast period. Numbers rise throughout the forecast period, with the largest rise of 3,785 (16.0%) occurring between 2011 and 2016.
- 4.4.10 Numbers in the 80+ age group increase by 1,319 (22.7%) up to 2016. Numbers increase steadily to 2016, but with the greatest rise in percentage terms occurring between 2011 and 201 (531; 8.1%). Given the resource demands often associated with very elderly people, these are significant figures.

Table 4-3 Numbers of 80+ in Horsham District, 2001 - 2016

	2001	2006	2011	2016	Change
80+	5,800	6,273	6,588	7,119	
Change		+ 473	+ 315	+ 531	+ 1,319
% Change		+ 8.2	+ 5.0	+ 8.1	+ 22.7

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4.5 Forecast Change in Households 2001 - 2016

- 4.5.1 Table 4-4 outlines the household formation forecasts for the Horsham District in the 15 year period from 2001 to 2016. It is based on the statistics provided by West Sussex County Council, and we consider it the best available forecast on currently available data of household change in the District.

Table 4-4 Forecast Change in Households in Horsham District, 2001 - 2016

	2001	2006	2011	2016	Change
Households	50,037	52,253	54,689	58,657	
Household change		+2,216	+2,436	+3,968	+8,620
% change		+4.4	+4.7	+7.3	+17.2

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- 4.5.2 There have been significant changes in household formation over the last decade which result in much higher household numbers compared to population growth and average household size. There is a large increase in single person households through elderly people living longer, separation and divorce and young people forming single person households.

4.6 Summary

- ◆ The forecasts to 2016 are based on the assumptions outlined in paragraphs 4.2.1 to 4.2.4 regarding mortality, fertility and migration etc, and are contained in population projections for Horsham District for the period 2001 - 2016 provided by West Sussex County Council.
- ◆ The population is projected to increase by 13,276 people, increasing over the forecast period to 2016.
- ◆ The 0-19 age range shows a decrease overall (1,833; 6.0%). A steady fall is seen throughout the forecast period, with the largest decrease of 1,651 people occurring between 2006 and 2011 (5.3%).
- ◆ The 20-29 age range comprises new households forming and will have implications for future affordable housing need both in the short and longer term. Overall this age group shows a large rise (8,076; 73.4%), with the most significant increase seen between 2006 and 2011 (4,404; 38.9%).
- ◆ The 30-44 age group, the main economically active and household forming and moving group shows a decline overall (6,363; 22.5%). Numbers fall steadily throughout the forecast period, with the largest fall between 2006 and 2011 (4,333; 16.4%).
- ◆ The 45-64 age group shows an increase in numbers with an increase of 6,715 people (21.2%). The main increase occurs between 2003 and 2006 (3,512; 11.1%).
- ◆ A significant feature here is the growth of the population in the over 65 age group with an increase of 6,674 people (32.2%) seen over the forecast period. Numbers rise throughout the forecast period, with the largest rise of 3,785 (16.0%) occurring between 2011 and 2016.
- ◆ Numbers in the 80+ age group increase by 1,319 (22.7%) up to 2016. Numbers increase steadily to 2016, but with the greatest rise in percentage terms occurring between 2011 and 201 (531; 8.1%). Given the resource demands often associated with very elderly people, these are significant figures.
- ◆ Alongside the significant change in total population, household formation is forecast to rise by 17.2% over the period to 2016 due to a large increase in single person households, through elderly people living longer, separation and divorce and young people forming single person households. Households are forecast to rise by 17.2% and population is set to rise by 10.9%.

5 HOUSING NEEDS ASSESSMENT

5.1 Survey Weighting

- 5.1.1 In undertaking this update the data file has been re-weighted using 2006 revised household numbers and social stock by sub-area and 2001 Census tenure proportions (adjusted by four years new dwellings) to draw key data used in the Model. The social sector stock has been weighted to the actual figures for 2006 provided by Horsham District Council.
- 5.1.2 The 2001 Census data provides useful data on private sector tenants. They now represent 5,196 households (9.8%) but only 3,282 (6.6%) rent from a private landlord. A further 415 (0.8%) rent from an employer, relative or friend and 1,067 (2.1%) live rent free and are likely to be in tied accommodation.

Table 5-1 Tenure of Present Households

Question 1

Tenure	2006 %	N ^{os.} implied	Local Area Census 2001 **
HA rented *	11.3	6,033	11.2
Shared ownership	0.4	219	0.5
Private rented	6.8	3,613	7.0
Other / tied to employment	3.0	1,583	2.7
Owner occupier - mortgage	45.7	24,417	45.7
Owner occupier - outright	32.9	17,547	32.9
Total	100.1	53,412	100.0

* Includes Council Rent at 2001 Census; stock has since been transferred

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5.2 Model Structure

- 5.2.1 The model is structured on a 'flows' basis, taking account of recent experience over the previous three years and examining projections over the next two years. It has to be assumed that this 'annualised' data will occur each year to 2011. The primary data gathering will of course be undertaken again before 2011, but unless there are major changes in house prices and incomes it is unlikely that there will be much variation in the overall situation.

6 ODPM NEEDS ASSESSMENT MODEL

6.1 Affordable Housing Needs Assessment Model

6.1.1 The overall assessment of housing need is calculated using the ODPM Basic Needs Assessment Model, which is structured from the survey data to take account of the key demand sources, households requiring subsidised housing, homeless households not assessed in the survey, households living in unsuitable housing whose needs can only be resolved in a different dwelling and concealed household formation emanating from demographic change.

6.2 Income Requirement Assumptions

6.2.1 Each category has been adjusted to ensure that proper account is taken of households who can access the owner occupied market without assistance (income > £33,300 / £40,900) and to eliminate any double counting between categories. The Private Rent Sector costs significantly exceed those in social rent. These are estimated at an access cost of £543 / £687 per month for the vast majority of households in this sector, requiring an annual income of at least £26,100 / £33,000 per annum to rent a 1 or 2-bed property.

6.3 Basic Model Structure

6.3.1 There are a total of 18 'stages' in the needs assessment model, combined into three distinct sections assessing:-

- B - The Backlog of Existing Housing Need
- N - Newly Arising Need
- S - Supply of Affordable Units
- $(B + N) - S =$ Overall annual net shortfall (or surplus) of affordable housing.

6.4 B – The Backlog of Existing Housing Need

6.4.1 The first stage of the backlog calculation identifies existing households living in accommodation unsuitable for their needs who need to move to resolve their difficulty. **Stage 1** identifies the number of households who specified one or more reasons why their accommodation was inadequate. There were a total of 9,111 reasons for inadequacy given, relating either to property size, condition, heating, affecting health, cost or insecurity of tenure.

6.4.2 Households who stated their accommodation was too small, without specifying any other reason, were tested against the ODPM 'Bedroom Standard' to determine whether they are actually overcrowded and only those households who are overcrowded are assessed to be in inadequate housing.

6.4.3 4,043 households gave "Too Small" as one of their reasons but 1,144 also have other reasons and the net group who need to be tested as to actual overcrowding is 2,899 households. 1,003 households are overcrowded by the Bedroom Standard but 49 of them are moving to a new home outside the District. This leaves a figure of 954 overcrowded households, of whom 110 have other reasons than "Too Small" and are overcrowded and are already included in the total household number.

Table 6-1 Inadequate Households Test

Households specifying unsuitability issues		6,489
MINUS Reason "Too Small" <u>only</u>	2,899	3,590
PLUS Technically 'overcrowded'	954	4,544
MINUS Duplication	110	4,434
Assessed in inadequate housing		4,434

- 6.4.4 The net figure of 4,434 is used in **Stage 1** of the model.
- 6.4.5 The second stage of the unsuitability assessment removes RSL Rented tenants and shared ownership households from the calculation of those in inadequate housing, because any move would release a unit of affordable housing, and it is therefore assumed that there would be no overall net effect on the annual flow model.
- 6.4.6 There are 929 RSL rented households living in unsuitable accommodation. Of these there are only 282 who are technically overcrowded by the 'bedroom standard'. 77 households contain a new household about to form which will resolve the overcrowding situation.

Table 6-2 Council / RSL Rented Inadequacy

RSL Rented Unsuitable & Overcrowded	282
MINUS – New Forming Solution	77
MINUS – Moving & Overcrowding Resolved by Stock Flow	171
Net unresolved need (4 / 5 bedroom)	34

- 6.4.7 Only 50 units of the RSL rented stock of 6,033 units are 4+ bedroom and in the year to 2005 only 4 re-lets of these units became available and therefore there is a need to develop further 4+ bedroom stock to address the needs of these households.
- 6.4.8 Only 895 (929 – 34) need to be removed from the total of households with an unsuitability, and this figure is applied in the model at **Stage 2**.
- 6.4.9 The next stage of the unsuitability assessment removes from the total those households whose unsuitability can be resolved 'in situ' (i.e. in their current accommodation). This is derived from HNS data testing the reason for inadequacy of those households who stated their accommodation was inadequate, mainly relating to repairs or improvements to the home.
- 6.4.10 We assess that households who stated their accommodation was too small, those whose rent / mortgage was too expensive, housing was affecting their health, whose tenancy was insecure or whose home was too large all require a move.
- 6.4.11 The calculation results in a total of 1,898 cases where an 'in situ' solution is most appropriate and this figure is also applied at **Stage 2**, giving a total of 2,793 households who need to be removed from the unsuitability calculation at this stage, leaving a net figure of 1,641 households who need to move to resolve their difficulty.
- 6.4.12 The final stage of the unsuitability assessment takes the sub-total calculated above (**Stage 1** MINUS **Stage 2**) and applies to this total the proportion of households unable to afford to buy or rent a home of a suitable size in order to resolve their difficulty.
- 6.4.13 The 2000 Guidance states that "for existing owner occupiers in unsuitable housing it is important to take account of the existing equity owned" as this would assist a move to suitable accommodation.

- 6.4.14 The 2004 SEERA Guidance however acknowledges that this is extremely complex and the data gathered might not be very accurate and suggests that best practice is to ask the specific question asked in this survey that if the household needs to move to resolve their difficulty, could they afford a home of a suitable size within the District.
- 6.4.15 We did not apply this question prior to the 2004 SEERA Guidance but have done so recently and the table below shows the results of a range of Districts not dissimilar to Horsham, one of which is significantly cheaper. Levels of 69% to 78% have been found in these areas, reflecting that equity is only one aspect of moving to alternative accommodation and the problem affects a high proportion of households.

Table 6-3 Households in Unsuitable Accommodation Unable to Afford to Move

Local Authority	% Unable to Afford
Elmbridge	77.6
Berwick-upon-Tweed	74.2
Tandridge	71.1
Tunbridge Wells	70.9
Southampton	69.9
Reigate & Banstead	69.7
Ashford	69.2
Maidstone	69.0

- 6.4.16 Although the 2003 questionnaire did not attempt to identify specific levels of equity, we do take account of it by totally excluding owner occupiers with no mortgage and those with a mortgage who have lived in their existing home for more than five years. Of 810 households in this category we have assessed only 277 as to their ability to move. Other survey experience shows that even quite high proportions of those with no mortgage are not able to afford a home of a suitable size and our figure is almost certainly an underestimate.
- 6.4.17 Of the 1,641 households needing to move, 602 (36.7%) cannot afford to move. This includes 432 private tenants, all 27 households in RSL rent who remain in the group, 44 households in accommodation Tied to Employment and 99 of the owner occupiers. This figure of 36.7% (applied at **Stage 3**) may therefore be a low estimate of the proportion unable to afford to buy or rent in the District, compared with our recent national experience since we began asking the SEERA Guidance question.
- 6.4.18 Homeless households are counted in the Backlog of Need although we ensure that they are not double counted from any other source. Council records at March 2005 show that 88 households are in temporary accommodation, of which 6 are in hostel or Bed & Breakfast accommodation. Those "homeless at home" or in other general stock would be captured in the survey. 6 is therefore the figure applied at **Stage 4**.
- 6.4.19 The total resultant calculated backlog having taken into account unsuitability, homeless and potential households is then multiplied by a 20% quota at **Stage 6** to progressively eliminate the backlog calculated over a five year period, in accordance with Government Guidance, although the Council can make a Policy decision to eliminate the backlog over a longer period (e.g. 10 years or years to the end of the Local Plan period).

Table 6-4 Backlog of Need – Basic Needs Assessment Model

B - BACKLOG OF NEED		
1.	Households in unsuitable housing	4,434
2.	MINUS – RSL tenants	895
	MINUS – in-situ solution most appropriate or leaving District	1,898
		2,793
	<i>Households in unsuitable housing and need to move</i>	<u>1,641</u>
3.	TIMES - Proportion unable to afford to buy or rent	36.7%
4.	PLUS - Backlog - homeless households	602
5.	TOTAL BACKLOG NEED	6
6.	TIMES - Quota to progressively reduce backlog *	(20%)
7.	ANNUAL NEED TO REDUCE BACKLOG	122

6.5 N – Newly Arising Need

- 6.5.1 The first calculation involved in assessing newly arising need is to establish how many new households intend to form each year, then determine how many of these households have insufficient income to buy or rent in the market and therefore fall into need.
- 6.5.2 Good Practice Guidance recommends that the total of concealed households identified in the survey is annualised at the average level of those forming in the next two years.

Table 6-5 Time of Move – New Forming Households

Time of Move	N ^{os} implied	Annual Average
Within 1 year	882	925
1 - 2 years	967	

- 6.5.3 The table shows that the annual average new household formation level is 925 households per annum.
- 6.5.4 We found that 24.1% of new forming households were being formed with a partner who lived separately elsewhere in the District, the only group who would cause a double count. In order to avoid double counting due to two-person household formation, duplication is removed.

Table 6-6 Double Counting Removal

New household formation (gross p.a.)	925
MINUS - Two person formation (24.1%) x 0.5	111
Total	814

- 6.5.5 This results in an annual average formation level of 814 households per annum, used at **Stage 8** of the model.
- 6.5.6 The income requirements for private rental are much lower than those to purchase and have therefore been used to test future new forming households ability to both purchase in the lower quartile stock and access private rental of 1, 2 and 3 bedroom units suitable for their requirements. Based on the income of newly forming households 91.0% are considered to be unable to rent in the market. This proportion is used in **Stage 9** of the Model.

- 6.5.7 The Council data on ex-institutional population moving into the community is 14 households over the last year, and this figure is used in **Stage 10** of the Model.
- 6.5.8 Existing Households falling into priority need is based on new applicants on the waiting list falling into need in the previous year. Council data shows that 130 households were accepted as homeless and in priority need during the year. The net registration of households on the waiting list during the year was 378 households. Additionally, analysis of the waiting list shows that excluding homeless households, 47% of the 248 other applicants (i.e. 117) are assessed as being in need. The total of 247 households (130 + 117) falling into need per year is used at **Stage 11**.
- 6.5.9 The survey data identified 467 in-migrant households in the last five years who live in social rented accommodation (93 per annum). Council records show in-migrant lettings in the last year to be 20 households. Although many in-migrant households will have a local address by the time they register with the authority, we have used the Council data. Additionally there were 981 in-migrant households over the last year living in the private rented sector, though none of these were in receipt of housing benefit. An average annual figure of 20 households unable to afford market housing is used at **Stage 12**.

Table 6-7 Newly Arising Need – Basic Needs Assessment Model

N - NEWLY ARISING NEED		
8.	New household formation	814
9.	TIMES Proportion unable to buy or rent in market	(91.0%) 741
10.	PLUS - Ex-institutional population moving into community	14
11.	Existing households falling into priority need	247
12.	In-migrant households unable to afford market housing	<u>20</u>
13.	TOTAL NEWLY ARISING NEED	1,022

6.6 S – Supply of Affordable Units

- 6.6.1 The annual supply of affordable units over the last three years is used in the model as a prediction for future annual affordable housing supply which is likely to arise.
- 6.6.2 It is important firstly to establish the average stock re-let level and we have studied data from both the HIP returns and CORE for the three years to 31/03/2005, which shows the following:-

Table 6-8 2003 to 2005 Affordable Housing Supply (HIP & CORE)

RSL Re-lets	2002 / 03	2003 / 04	2004 / 05	Average
HIP Return	535	477	430	481
CORE Data *	350	341	232	308
Average	443	409	331	395

* © CORE, Housing Corporation

- 6.6.3 The overall figure for the three year period in the HIP return is 481 units per annum. However further investigation with the Council revealed that the CORE data appears to be more consistent and reliable in relation to RSL re-lets and although we could use an average of the two figures, the CORE average of 308 units per annum is used at **Stage 14** of the needs model.

- 6.6.4 Shared ownership units are estimated at 332, based on 2001 Census numbers of 270 plus 62 units built up to March 2005. Assuming a resale rate based at 5.1%, the same as social stock re-lets, 17 units would become available each year. This number is also incorporated at **Stage 14**.
- 6.6.5 **Stage 15** of the needs model involves assessing how increased vacancies and units taken out of management will have an effect on the annual flow of affordable housing. The calculation takes the average annual right to buy level, multiplied by the average re-let rate of the stock. The table below shows the right to buy levels from the HIP returns for the three years to 31/03/2005.

Table 6-9 2003 to 2005 Right to Buy Levels (HIP)

	2002 / 03	2003 / 04	2004 / 05	Average
Right to Buy	71	60	21	51

- 6.6.6 The average annual right to buy level is 51 units per annum. With an average stock re-let rate of 5.1% per annum, this leads to a total of 3 units per annum applied at **Stage 15**.
- 6.6.7 **Stage 16** of the needs model takes account of the predicted annual new affordable housing supply. The HIP returns for the three years to 31/03/2005 show the following trends:-

Table 6-10 2003 to 2005 New Affordable Housing Supply (HIP)

Supply	2002 / 03	2003 / 04	2004 / 05	Average
New RSL Supply	67	102	77	82
Other New Supply	0	0	0	0
Total	67	102	77	82

- 6.6.8 The average annual new supply total is 82 units per annum, however new unit delivery is planned to increase significantly in 2005 / 06 to 227 units but then only to be 37 units in 2006 / 07, less than half the average of the last three years. In view of the unpredictable annual level of supply over the period a figure of zero has been applied to **Stage 16** of the model as the predicted annual new affordable supply. It will be important to monitor actual delivery in future annual updates to check progress in addressing the overall scale of need.

Table 6-11 Supply of Affordable Units – Basic Needs Assessment Model

S - SUPPLY OF AFFORDABLE UNITS		
14.	Supply of social re-lets (308) and Shared Ownership re-sales (17)	325
15.	MINUS Increased vacancies (if applicable) and units taken out of management. Right to Buy	(51 x 5.1%) <u>3</u>
	<i>Net social re-lets</i>	322
16.	PLUS - Committed units of new affordable supply (See 6.6.8)	0
17.	AFFORDABLE SUPPLY	322

6.7 Affordable Housing Needs Assessment Model

B - BACKLOG OF NEED		
1.	Households in unsuitable housing	4,434
2.	MINUS – RSL tenants	895
	MINUS – in-situ solution most appropriate or leaving District	1,898
		2,793
	<i>Households in unsuitable housing and need to move</i>	<u>1,641</u>
3.	TIMES - Proportion unable to afford to buy or rent	36.7%
4.	PLUS - Backlog - homeless households	602
		6
5.	TOTAL BACKLOG NEED	608
6.	TIMES - Quota to progressively reduce backlog *	(20%)
7.	ANNUAL NEED TO REDUCE BACKLOG	122
N - NEWLY ARISING NEED		
8.	New household formation	814
9.	TIMES Proportion unable to buy or rent in market	(91.0%)
10.	PLUS - Ex-institutional population moving into community	14
11.	Existing households falling into priority need	247
12.	In-migrant households unable to afford market housing	<u>20</u>
13.	TOTAL NEWLY ARISING NEED	1,022
S - SUPPLY OF AFFORDABLE UNITS		
14.	Supply of social re-lets (308) and Shared Ownership re-sales (17)	325
15.	MINUS Increased vacancies (if applicable) and units taken out of management. Right to Buy	(51 x 5.1%)
	<i>Net social re-lets</i>	<u>3</u>
		322
16.	PLUS - Committed units of new affordable supply (See 6.6.8)	0
17.	AFFORDABLE SUPPLY	322
	Annual need to reduce backlog (B)	122
	Newly arising need (N)	<u>1,022</u>
	TOTAL AFFORDABLE NEED (B + N)	1,144
	Affordable supply (S)	<u>322</u>
18.	OVERALL ANNUAL SHORTFALL (B + N) - S	<u>822</u>

* Elimination over a five year period is recommended in the Guidance for model purposes but the Council can make a Policy decision to do so over a longer period (e.g. 10 years or years to the end of the Local Plan period).

7 KEY FINDINGS

7.1 The Housing Market, Costs and Incomes

- 7.1.1 The house price inflation increase for the District since 4th quarter 2002 is 15.2%.
- 7.1.2 The increase in the price of terraces 22.0% and flats 24.9% is in excess of wage inflation in the three year period and by 101% and 115% respectively over the six years from December 1999.
- 7.1.3 In terms of the entry level stock, flats / maisonettes are assessed to be the main access property for first time buyers, due to sales levels (18.6% of all sales in the District) and the average price at £154,266.
- 7.1.4 The sales levels of terraced properties and semi-detached properties in 2005, 23.1% and 24.8% respectively are slightly higher than 2002 levels (22.2% and 22.9% respectively). Sales levels of detached properties are higher in 2003 at 37.7% than in 2005 where they make up 33.5% of sales in the District. Sales levels of flats / maisonettes in 2005 at 18.6% are slightly higher than 2003 when they make up 17.2% of sales.
- 7.1.5 The increase in the price of flats / maisonettes (24.9%) is massively in excess of wage inflation in the two year period from 2003. Incomes in Horsham are assessed independently to have increased by 2.3% to April 2005. Projected to March 2006 suggests an increase of 3.4%.
- 7.1.6 Access to market housing has therefore become more difficult for new households than it was in 2003, increasing the need for subsidised housing of some form.

7.2 Population and Household Changes

- 7.2.1 The most significant feature in terms of population change is the growth in the population of the over 45-64 age group. An increase of 6,715 people (21.2%). The main increase occurs in the current period between 2003 and 2006 (3,512; 11.1%).
- 7.2.2 Another prominent feature is the fall in the 30-44 age group. This main economically active group shows a decrease over the forecast period (6,363; 22.5%). Numbers fall steadily throughout the forecast period, with the largest fall between 2006 and 2011 (4,333; 16.4%).
- 7.2.3 A significant feature here is the growth of the population in the over 65 age group with an increase of 6,674 people (32.2%) seen over the forecast period. Numbers rise throughout the forecast period, with the largest rise of 3,785 (16.0%) occurring between 2011 and 2016.
- 7.2.4 The "older" retirement group, those 80 and over grows by 1,319 (22.7%) up to 2016. Numbers increase steadily to 2016, but with the greatest rise in percentage terms occurring between 2011 and 2016 (531; 8.1%). Given the resource demands often associated with very elderly people, these are significant figures.

7.3 Affordable Housing Needs Requirement

- 7.3.1 The total affordable housing need annually is for 1,144 units. Net re-lets of the existing social stock, after RTB impact, average 322 units, based on the average of recent years.
- 7.3.2 Even after allowing for this level of supply, there will still be an annual affordable housing shortfall of 822 units a year. These units will need to come from new sites, conversions and market purchase by RSL's to reduce the shortfall figure each year.

- 7.3.3 Additionally, 931 existing households and 467 concealed households intend to leave Horsham District over the five year period 2003 - 2008 because of a lack of affordable housing. These are very high figures compared even to other surveys in the South East. These households have not been included in our assessment of affordable housing need, though we could be justified in doing so.
- 7.3.4 Essentially planning should be providing for balanced communities, which acknowledge the need for social compatibility if the problems of housing in the past are not to be repeated. The increases in average house prices of between 22% and 25% for terraced houses and flats over the last three years have continued to exclude a large proportion of 'first-time buyers' from the owner occupied market, especially bearing in mind the increases of over 100% over a six year period, nearly 20% per annum.
- 7.3.5 The 2003 report recommended a target of 40% for affordable housing delivery and the data confirms that this level, which from experience is a level which is deliverable and still is able to provide for sustainable and balanced communities and developments. No change is recommended in this target.
- 7.3.6 The proportions of social rent and intermediate housing provided on new sites should in our view be broadly on a 2:1 ratio i.e. 25% rental and 15% intermediate market housing. This is roughly the levels which have been achieved and are planned over a four year period in the District.
- 7.3.1 The following summary is our assessment of the balance of affordable unit delivery between rental and subsidised low cost market housing by unit need numbers and percentages. Costs in the private market have continued to exclude potential new purchasers as has been confirmed by the Halifax First Time Buyer Review for 2005 (see section 2.5).
- 7.3.2 No change in the tenure balance has been suggested but generally proportions of intermediate housing are increasing in Council Delivery Strategies elsewhere in the Country. However, the South East Plan and affordable housing budgets envisage a greater focus on rented units in the short term.

Table 7-1 Affordable Need Summary

Total Annual Need	1,144	
Existing Stock Relets	<u>322</u>	
Net New Units	<u>822</u>	
New Rental	550	67%
Shared Ownership / Shared Equity	181	22%
Discounted Market Rent	<u>91</u>	<u>11%</u>
Total	<u>822</u>	<u>100%</u>

- 7.3.3 New Planning Guidance is due to be published following many consultation documents on affordable housing and sustainable development and balancing housing markets. This guidance will also contain the review of the 2000 Good Practice Guidance on Local Housing Needs Assessment and 2007 / 08 will be a key period for a full up-date of the 2003 Housing Needs Survey.