

Save West of Ifield Regulation 19 Response¹

Policy 37 – Meeting local housing needs

Summary

1. Policies and Guidance
2. Population growth
3. Need vs demand
4. Calculation of housing need for Horsham
5. Problems with the Standard Method

Summary

The Plan does not address Horsham’s unsustainable rate of population growth.

- Horsham’s rate of population growth is unsustainable, and greater than almost all other districts in the south-east. But the Plan fails to adequately explain or address the fact that Horsham District is experiencing and will continue to experience unsustainable population growth, caused by excessive house-building, driven by the Government’s Standard Method for calculating house-building targets. **This contravenes NPPF paragraph 8.**
- The Local Plan could and should propose much lower and more sustainable house-building targets than are being suggested by the Standard Method. Horsham Council should also argue more strongly that the Standard Method is not a legitimate way to calculate housing targets because there are significant issues which constrain development.
- The Plan does not provide a positive vision for the future. In fact, it does not provide a vision at all. The Plan appears to be entirely focussed on house-building, or accommodating the housing proscribed by government targets, rather than properly planning for sustainable growth in population and prosperity.

The Plan does not adequately address the future uncertainty around the constraints of water neutrality.

- Obviously, the Plan is being made during a period of uncertainty due to water neutrality. But this is not admitted and the implications of and contingencies for this uncertainty are not discussed. Instead paragraphs 10.11 – 10.13 offer a number of opaque statements alluding to house-building at a rate of 777 houses a year on average over the Plan, although this could increase to 1,130 houses a year after five years. But there is nothing which informs policy or decision-making.
- In fact, the reduction in annual average targets – from 911 to 777 over the Plan – is not significant.
- More significant is the fact that the five year review of the Plan will explore possibilities to revert to targets based on objectively assessed need (OAN) as calculated by the Standard Method, ie 911 a year on average. The review will also consider the potential to accommodate around 50% of Crawley’s unmet need. Given Crawley’s unmet need is stated in the Crawley draft Plan as 445 houses a year, it seems Horsham considering adding 220 to its OAN of 911 houses a year, ie increasing the Horsham housing target to 1,130 houses a year. This is not explained, or the implications considered, in the Plan.

Need vs Demand

- Housebuilding in Horsham over the past 20 years has very little to do with local need, and is almost entirely satisfying the demand from investors and households moving into the area from other Authorities, who have failed to meet their own needs. So is in excess of genuine local need, and is driving Horsham’s rapid population

¹ This report has been prepared on behalf of the Save West of Ifield residents’ group by Fenella Maitland-Smith – Government statistician, senior civil servant and now expert advisor to the European Commission. Her career in economic statistics includes 12 years at the Bank of England, 11 years at the UK Office for National Statistics, and six years at the IMF and OECD.

growth. If HDC's vision is to accelerate the provision of housing for people from other areas, the term 'local need' should not be used.

- The Plan acknowledges that Horsham is an attractive place to live, and presents anecdotal evidence that the majority of buyers and viewers of property in the District are from London, Surrey and other parts of the south-east. But it doesn't acknowledge that such a free-market strategy or policy is disastrous for areas like Horsham. The combination of a limitless demand for houses and flats with target-setting which will always put more houses in expensive areas and ratchet up growth rates, will lead to spiralling development and population growth. 65% of Horsham's population growth is due to people moving here from south London and Surrey and other parts of the south-east.
- Local Authorities should argue that genuine need should be estimated bottom-up using the ONS's projections of the components of population data and not the aggregate projection for the authority. A bottom-up approach which allows for careful consideration of the extent to which previous or existing overdelivery, Duty to Cooperate (DtC) or even the affordability adjustment are driving up calculations for internal migration and hence the aggregate projections. Housing targets should also be informed by social housing waiting lists, employment opportunities, etc.

The Standard method is fundamentally flawed

- The Standard Method does not address need or affordability, but is a device to deliver the government's policy target of 300,000 new houses a year, and to concentrate them in the most profitable areas. Coincidentally the government's 35% uplift for the 20 largest Cities and Urban Centres in England meant that with this uplift the combined national housing need figure met the 300,000 annual figure. It is a vicious circle which has the effect of 'ratcheting up' targets, based on strong growth in recent years, and will eventually result in exponential population growth in the more expensive areas.
- Horsham should argue that since a flow of households from Crawley to Horsham is already embedded in the ONS's population data, and will affect projections used in the Standard Method, and since Horsham is massively (unsustainably) over-building in any case, there is no case for any additional DtC building in Horsham. Effectively the DtC is embedded or 'baked-in' to Horsham's OAN.
- Of course, in areas like Crawley which experience negative net migration the OAN will tend to underestimate genuine need. This is another argument for using a bottom-up approach using the components of population change, and properly taking account of internal migration flows.

1. Policies and Guidance

NPPF

The relevant paragraphs of the NPPF are listed below, with our concerns.

Sustainable plan-making and decision-making:

Paragraph 11 explains that the presumption in favour of sustainable development is at the heart of the NPPF.

Para 8 sets out the three dimensions to sustainable development: social, economic and environmental.

The Plan fails to adequately explain or address the fact that Horsham District is experiencing and will continue to experience unsustainable population growth, caused by excessive house-building, driven by the Government's Standard Method for calculating house-building targets. **This contravenes NPPF paragraph 8.**

The Box under Paragraph 4.1 of the Plan does allude to this '*The national agenda is to bring forward a 'step change' in housing growth ... Our high-quality environment makes Horsham District an attractive place to live and work. This is why many people and businesses want to move here ... Ongoing population growth is likely to place increasing pressure on local, neighbourhood, district and strategic level services and facilities.*' But what the Plan doesn't go on to acknowledge is that such a free-market strategy or policy is disastrous for areas like Horsham. The combination of a limitless demand for houses and flats here from people moving away from the dysfunctional London property

market, with target-setting which will always put more houses in expensive areas and ratchets up growth rates, will lead to spiralling development and population growth. 65% of Horsham's population growth is due to people moving here from south London and Surrey and other parts of the south-east.

The Plan should be much more explicit about the unsustainable consequences of the Standard Method targets in an environment of almost limitless demand, and should make a case for 'exceptional circumstances', as per NPPF paragraph 61. The Plan could and should propose much lower and more sustainable house-building targets than are being suggested by the Standard Method.

Para 61 states 'To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals. In addition to the local housing need figure, any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for.'

So, Horsham finds itself facing excessively high 'objectively assessed need' (OAN) from the Standard Method calculations, in common with other expensive areas around London. But Horsham differs from many of these areas in not having any greenbelt and barely any environmental protection such as areas of AONB, so is more likely to be required to deliver housing for neighbouring authorities. This additional delivery will 'ratchet up' future OAN calculated by the Standard Method (see sections 4 and 5 of this report).

The NPPF policies around taking a longer-term view and presenting a **vision** are also relevant:

Para 15. The planning system should be genuinely plan-led. Succinct and up-to-date plans should provide a positive vision for the future of each area; a framework for addressing housing needs and other economic, social and environmental priorities; and a platform for local people to shape their surroundings.

Para 22. Strategic policies should look ahead over a minimum 15 year period from adoption, to anticipate and respond to long-term requirements and opportunities, such as those arising from major improvements in infrastructure. Where larger scale developments such as new settlements or significant extensions to existing villages and towns form part of the strategy for the area, policies should be set within a vision that looks further ahead (at least 30 years), to take into account the likely timescale for delivery

The Plan does not provide a positive vision for the future. In fact it does not provide a vision at all. The Plan appears to be entirely focussed on house-building, or accommodating the housing proscribed by government targets, rather than properly planning for sustainable growth in population and prosperity.

The analysis in this report shows that the Standard Method as it now stands is deeply flawed and is causing serious problems in many areas of the south-east, and especially Horsham. The analysis shows that the Standard Method does not produce genuine estimates of 'objectively assessed need' as claimed, but instead satisfies external market demand rather than need and concentrates house-building in the most expensive (profitable) areas. This is obviously contrary to what levelling-up should be about.

A more radical claim would be that the Standard Method itself is unsound. The use of the Affordability Adjustment to increase targets in expensive areas is unjustified and discredited (see section 5 of this report). Since there is no evidence that the Affordability Adjustment helps to reduce prices, and is neither an indication of demographic trends or an economically sound response to market signals, it could be argued that the Standard Method itself contravenes NPPF 61.

Review of the Standard Method is needed urgently.

Planning Practice Guidance states that the standard method for strategic policy making purposes is not mandatory "if it is felt that circumstances warrant an alternative approach but authorities can expect this to be scrutinised more

closely at examination. There is an expectation that the standard method will be used and that any other method will be used only in exceptional circumstances.”

HDC Local Plan

The OAN as calculated by the Standard Method is 911 new houses a year:

Para 10.4 *‘It is a requirement of the NPPF that the Council provides a strategy which, as a minimum, seeks to meet the District’s objectively assessed needs and is informed by agreements with other authorities, so that unmet need from neighbouring areas is accommodated where it is practical to do so and is consistent with achieving sustainable development. The standard methodology calculation for Horsham District in 2023 is calculated as 911 dwellings per annum. This is equivalent to providing a minimum of 15,487 homes in the 17-year period between 2023 and 2040.’*

Although because of water neutrality constraints this is reduced to 777 houses a year:

Para 10.21 *‘This policy sets out how the Council will meet the housing needs for this District and contribute to the delivery of unmet housing needs from other areas. The Council’s evidence base work has identified a total of 13,212 homes which are considered to be deliverable in the Plan period. Taking account of the need for flexibility of supply, this equates to an annualised target of 777 homes each year (and includes a 10% buffer for the first five years of the Plan period).’*

A stepped trajectory is proposed :

Para 10.27 *‘a housing target of 480 homes in the first five years of the Plan, with a target of 901 homes per year for the remaining 12 years of the Plan.’*

The Plan seems to be based on the assumption that at the five year review point water neutrality will no longer be constraint. So, for the first five years of the Plan there is no capacity to help neighbouring authorities with unmet housing need:

Para 4.7 *‘... the requirement for water neutrality has meant that Horsham District has moved from being a less constrained to a highly constrained area. ... 4.8 The starting point for the local plan strategy is to seek to meet the District’s own housing and other development needs as far as possible, within the constraints of water neutrality’*

Para 10.12: *‘At the current time it is not possible to meet the Standard Housing Methodology set for Horsham District, and is therefore also currently unable to contribute to meeting Crawley’s unmet housing needs.’*

Paragraph 4.20 suggests that this possibility will be revisited at the five year review point.

Para 4.20 *There is a requirement to review Local Plans on a five yearly basis to ensure that the plan remains up to date and continues to reflect the identified development needs for our District. ... there will be an opportunity for the Council to revisit the potential for the District to contribute to meeting the significant unmet housing needs for other authorities including Crawley and the South Coast.*

And the Plan also suggests that HDC could meet 50% of Crawley’s unmet need, presumably after five years, water neutrality permitting. Although this is not stated clearly:

Para 10.11 *‘Without any requirement for water neutrality, it was concluded that market forces, the need to deliver additional infrastructure and the physical availability of land for development meant that it is not possible for Horsham District to accommodate all of the unmet needs that have been identified for Crawley Borough. There was, however, considered to be **potential to accommodate around 50% of the overall level of Crawley’s unmet needs.**’*

So, given Crawley’s unmet need is stated in the Crawley draft Plan as 445 houses a year, Horsham is considering adding 220 to its OAN of 911 houses a year, ie increasing the Horsham housing target to 1,130 houses a year. But **there is no indication in the Plan that the overall figure could rise to 1,130 after the five year review.**

Obviously the Plan is being made during a period of uncertainty due to water neutrality. But this is not admitted and the implications of and contingencies for this uncertainty are not discussed. Instead paragraphs 10.11 – 10.13

offer a number of opaque statements alluding to house-building at a rate of 777 houses a year on average over the Plan, although this could increase to 1,130 houses a year after five years. But nothing which informs policy or decision-making. The plan makes no provision for the infrastructure which would be required to deliver these potential housing numbers.

As a result the Plan is ambiguous about whether any of the housing West of Ifield is 'for Crawley' or not. The Plan should be straightforward about the fact that the West of Ifield is allocated on the assumption that water neutrality constraints will disappear and DtC will be enacted.

Several other paragraphs suggest that the West of Ifield allocation is justified based on the fact that Crawley has unmet need, and references to West of Ifield being a new neighbourhood of Crawley:

Policy HA2 states that '*Land West of Ifield ... is allocated as comprehensive new neighbourhood to deliver the necessary infrastructure, services and facilities to meet the longer-term development of approximately 3,000 homes, of which it is anticipated at least 1,600 will be delivered in the period to 2040*'.

And that the affordable housing requirement for West of Ifield is increased to 40% (from 35%) to reflect the relationship of the site with Crawley:

Para 10.38 '*... Strategic greenfield sites are required to bear far greater infrastructure costs than smaller sites, and 35% affordable housing is usually considered appropriate in these locations. Strategic Policy HA2: Land West of Ifield is an exception, requiring 40% affordable housing given the particular housing needs evidenced in the Crawley Borough Local Plan 2024-2040 and a legacy of public land ownership. Specific affordable housing targets are also given for Build to Rent housing and elderly persons' housing, taking account of viability evidence.*

But it is not clear from the Spatial Strategy whether the housing supply figure is providing Horsham's identified housing need or Crawley's. Geographically, the West of Ifield expands the existing settlement Ifield which is in Crawley.

Underlying analysis

The remainder of this report sets out the data analysis and arguments behind the points above, under the headings:

- Unsustainable population growth
- Need vs demand
- Calculation of housing need for Horsham
- Problems with the Standard Method Demand vs need

NB some of the analysis below was done using the previous (2021) draft Plan, but the differences between these results and those using the 2023 draft are not material.

2. Unsustainable population growth

Horsham's rate of population growth is unsustainable, and much greater than other districts in the south-east

According to the ONS's population census Horsham's population grew by 11.8% in the 10 years between the 2011 and 2021, the highest of any local authority (LA) in Sussex or Surrey, and almost double the rate for England and Wales overall of 6.3%. See Table 1.

This rate of growth has not been sustainable, demonstrated by the shortage of water in the south-east region, the inability of water companies to treat sewage safely, and the failure of developers and LAs to deliver the necessary infrastructure? And how does this rate of growth fit with the Council's 30-year vision?

But this rate of population growth is set to continue as part of the Regulation 19 Local Plan. **The plan for 777 new houses a year on average over the Plan period is similar to the 800 houses a year in the existing (Plan (HDPF) and implies the same population growth over the next 10 year period.**

And with the possibility, or likelihood, of reverting to the OAN target of 911 a year, plus 220 DtC for Crawley, Horsham could be looking at an overall target of 1,130 houses a year, and significantly higher population growth than the 11.8% recorded at the 2021 census.

Table 1: Population change between 2011 and 2021, local authorities in Sussex, Surrey and Kent

LA name	Usual resident population, 2011	Usual resident population, 2021	Percentage change
Dartford	97,365	116,800	20.0
Maidstone	155,143	175,800	13.3
Ashford	117,956	132,700	12.5
Horsham	131,301	146,800	11.8
Swale	135,835	151,700	11.7
Crawley	106,597	118,500	11.2
Arun	149,518	164,800	10.2
Reigate and Banstead	137,835	150,900	9.5
Tonbridge and Malling	120,805	132,200	9.4
Runnymede	80,510	88,100	9.4
Chichester	113,794	124,100	9.1
Mid Sussex	139,860	152,600	9.1
Epsom and Ewell	75,102	80,900	7.7
Spelthorne	95,598	103,000	7.7
Wealden	148,915	160,100	7.5
Worthing	104,640	111,400	6.5
Elmbridge	130,875	138,800	6.1
Tandridge	82,998	87,900	5.9
Waverley	121,572	128,200	5.5
Adur	61,182	64,500	5.4
Gravesham	101,720	106,900	5.1
Surrey Heath	86,144	90,500	5.1
Sevenoaks	114,893	120,500	4.9
Thanet	134,186	140,600	4.8
Guildford	137,183	143,600	4.7
Woking	99,198	103,900	4.7
Dover	111,674	116,400	4.2
Canterbury	151,145	157,400	4.1
Rother	90,588	93,100	2.8
Lewes	97,502	99,900	2.5
Mole Valley	85,375	87,400	2.4
Eastbourne	99,412	101,700	2.3
Folkestone and Hythe	107,969	109,800	1.7
Brighton and Hove	273,369	277,200	1.4
Hastings	90,254	91,100	0.9
Tunbridge Wells	115,049	115,300	0.2

Source: Office for National Statistics – Census 2021

3. Demand vs need

Housebuilding in Horsham over the past 20 years has very little to do with local need, and is almost entirely satisfying the demand from investors and households moving into the area. So is in excess of genuine local need, and is driving Horsham’s rapid population growth.

If HDC’s vision is to accelerate the provision of housing for people from other areas, the term ‘local need’ should not be used.

Although a significant number move into Horsham from Crawley, on a net basis this accounts for around 25% of Horsham’s new houses (25% in 2019 when housing delivery in the District was around 1,000). ONS data² on internal migration suggest that 65% are occupied by movers from south London, Surrey, and other parts of the south-east.

Table 2³ shows the 20 local authorities into and from which the largest number of Horsham households moved between mid-2019 and mid-2020. These 20 represent a net inward flow of 718 households into Horsham in those 12 months.

The overall figure for all authorities was 707 net inward, which can be seen as the penultimate orange bar in Chart 1. Note how this makes up the majority of the target and delivery of houses of around 800 – 1,000 a year. And note also how the orange bar in Chart 1 has increased over time. The average net inward migration since 2001 is 416 a year.

While the largest net inflow is from Crawley (250 households net), the collective net inflow from Surrey, south London, Mid Sussex and coastal Sussex is around 450 households.

It’s not clear to what extent accommodating these latter groups can be described as ‘satisfying local need’. It would be interesting to know whether the new houses are being marketed in these areas.

The Horsham Housing Delivery Study Update⁴, November 2023 provides some flavour, albeit anecdotal:

Para 3.40 ‘Sales agents located in Horsham Town report ...
3.41 The profile of buyers is a mix of first-time buyers, couples and families **predominantly from Surrey and London**. One agent noted that they had seen a decrease in the number of first-time buyers following the end of Help to Buy. All agents consulted agreed that the area is attractive to commuters. It should be remembered that this was an important driver of the market pre-pandemic. 3.50 Sales

Table 2: Numbers of households moving into and leaving Horsham, mid 2019 to mid 2020

	Inward	Outward	Net inward
Crawley	376	120	256
Reigate and Banstead	134	43	91
Brighton and Hove	200	115	84
Croydon	78	14	64
Mole Valley	118	57	61
Sutton	58	11	47
Adur	98	55	43
Kingston upon Thames	43	9	35
Mid Sussex	209	180	30
Waverley	83	55	28
Tandridge	42	15	27
Wandsworth	48	23	25
Merton	28	11	17
Guildford	48	35	13
Wealden	34	28	6
Woking	13	14	-2
Worthing	117	120	-3
Scotland	24	40	-16
Chichester	106	143	-36
Arun	104	155	-52
Top 20:	1,960	1,243	718
All areas:	3,336	2,630	707

² Although we cannot say for sure that people moving into the area are exclusively occupying new housing – data do not exist on the demographics of the buyers of new housing specifically. But the ONS publishes the components of population change overall on a local authority basis, which gives an idea of the make-up of the buyers.

³ Source: ONS

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/methodologies/populationestimatesfortheukmid2020methodsguide#internal-migration>

⁴ https://www.horsham.gov.uk/data/assets/pdf_file/0013/131602/Horsham-Housing-Delivery-Study-UPDATE-Dec-2023.pdf

agents at Crest’s Harper’s View component of the Kilnwood Vale development describe a similar mix of buyers to that researched previously with around two thirds of buyers moving from the local area and **a third moving from inner and outer London** due to the comparatively lower house prices. Buyers are a mix between first-time buyers, occupiers and investors.’

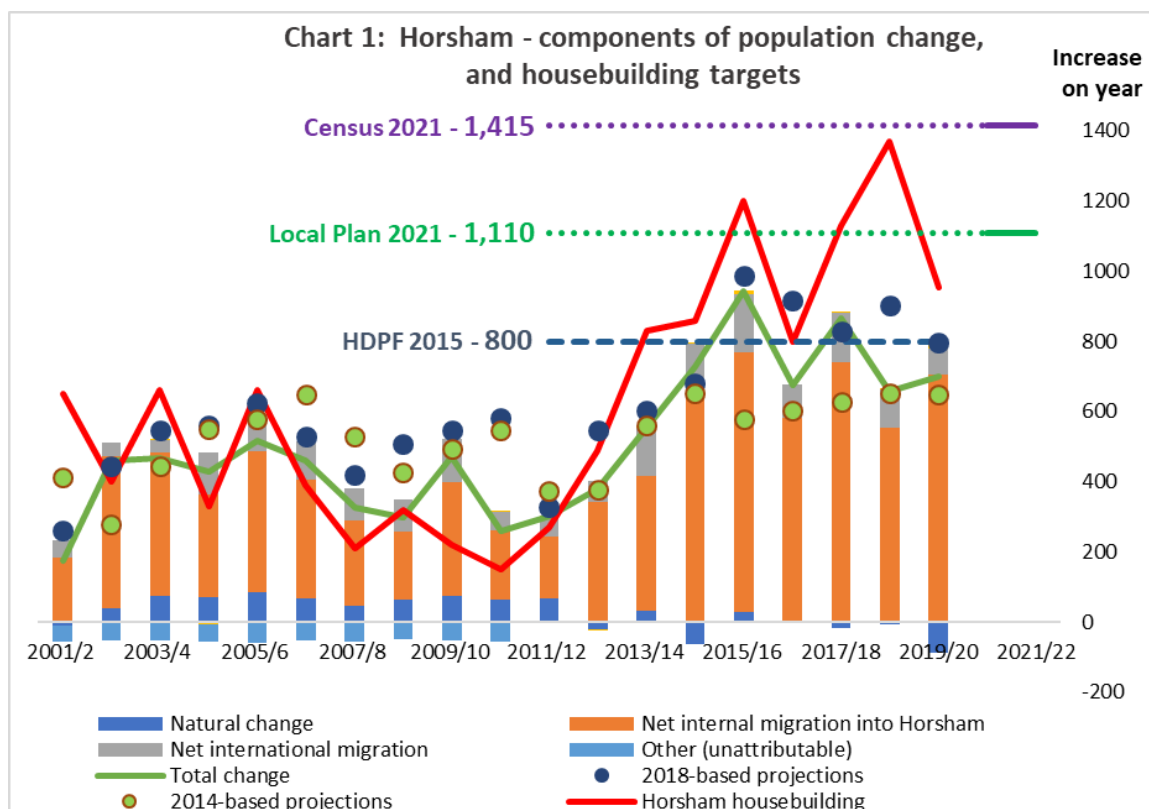
Chart 1 shows how **Horsham’s annual population change** (green line) is made up of births minus deaths (natural change – blue bars) and net migration (orange and grey bars).

So **Horsham’s population increase has been made up almost entirely of net internal⁵ migration** (orange bars). Births minus deaths have had little effect.

And it shows how this migration into Horsham is caused by new housebuilding – red line – which rose to 1,000 new houses a year in 2016. At a time when the Local Plan⁶ target was 800 a year. There is a good correlation between the orange bars and the red line – although a gap opens up in recent years.

Given the ONS’s 2018 based projections take this migration into account, and the 2021 Census results for Horsham are very close to the 2018 based projections, it’s a reasonable assumption that if they were used in an updated calculation of OAN, then the OAN would increase from 911 (current draft Plan) to roughly 1,215 new houses a year assuming unchanged affordability adjustment.

And if DtC remains around 200, then the new target becomes 1,415 new houses a year.



⁵ Internal migration refers to the movement of people between local authority areas within the UK.

⁶ This Local Plan was called the Horsham Development Planning Framework 2015. <https://www.horsham.gov.uk/planning/local-plan/read-the-current-local-plan>

But what is genuine local need?

ONS data⁷ show that Horsham's population change due to births, deaths and international migration is consistently low and adds only around 100 households to the district a year.

There are currently around 800 households waiting for social housing in Horsham according to the ONS, although the true need could be higher due to hidden households. The number of rough sleepers in Horsham is usually in single figures.

So, taking a purely bottom-up approach might suggest a minimum need of around 300 - 400 new houses of which 200 - 300 should be social housing.

So, a figure around 600 should provide space for delivery of social housing to address housing lists, and allow several hundred houses for internal migration into the District.

This is significantly lower than the SHMA and Plan OAN of 900+ a year, and **if the OAN is updated with ONS's 2018-based projections then as described above Horsham's OAN is increased to 1,250 a year.**

So the demand-based OAN is almost double the need calculated bottom-up using actual data on recent trends.

The problem is the government's Standard Method calculation⁸ which creates a vicious circle – a positive feedback loop where inflated targets in one planning period stoke further inflation in the next. See following sections.

4. Calculation of housing need for Horsham

Table 3 below shows how estimates of HDC's OAN have evolved over the past seven years. Prior to the requirement to use the government's Standard Method (ie in the existing plan – the HDPF) the OAN was 800 new houses a year, including 150 for neighbouring authorities' unmet need. Use of the Standard Method in the 2019 SHMA increased the OAN to 1,165 a year (assuming 200 duty to cooperate). The increase was due to the introduction of the 'affordability adjustment' as part of the Standard Method. The OAN presented in the current Plan is 911.

Note in Table 3 that the ONS's demographic projections suggest annual increases of around **600 households a year**, and that this is then adjusted upwards by 300+ due to the affordability adjustment, and then another 200 for duty to cooperate.

It could be argued that local need is represented by the 600, plus a degree of duty to cooperate, but that the 300+ affordability adjustment is nothing to do with local need but instead a strategy to increase Horsham District's population. Or, if not designed to increase population, it most certainly has this effect as people move into the District.

DLUHC's Standard Method for calculating 'objectively assessed need' consists of 2 steps:

Step 1 uses the ONS's statistical and demographic estimates (projections) of future numbers of households at local authority level.

- **2014**-based projections for Horsham suggest growth of 585 households per annum (hhpa) – draft Local Plan 2021

Step 2 applies an 'Affordability Adjustment' to Step 1.

- The 2020 adjustment was +53% for Horsham, which increases the 585hhpa by 312hhpa **to 897hhpa**. The adjustment changes annually, and in 2021 was 62% or 363 hhpa, suggesting 948 in total.

⁷ [Estimates of the population for the UK, England, Wales, Scotland and Northern Ireland - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

⁸ <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

Table 3: Evolution of HDC’s House-building Targets

	HDPF 2015	SHMA 2019	Draft Local Plan 2021
1. ONS demographic projection	615	597	585
2. Uplift for affordability	35 (6%)	368 (62% 2019)	312 (53% 2020)
SUB-TOTAL	650	965	897
Contribution to neighbouring LA unmet need	150	200 ?	213
TOTAL	800	1,165	1,110
	2011-2031	2019-2029	2019-2039

ONS Household Projections ... for England and UK

It’s well known that the ONS’s projections tend to overestimate population and household growth. Chart 2 shows how subsequent iterations of the projections tend to be lower than the previous versions. The green dotted line was the projection they were making in 2006, but by 2018 this has come down to the red line, because it is based on actual data on births, deaths and migration between 2006 and 2018.

NB the Standard Method uses the 2014-based projections, not the more recent 2018-base.

The yellow lines are the estimates – not projections – of numbers of households from ONS’s ongoing Labour Force Survey (LFS). So these are actual measurements, but are of course subject to sampling error. These estimates are lower than the projections, but it is notable that the projections are revised downwards towards these estimates, which adds weight to the LFS estimates providing the least bad signal of household growth.

Chart 3 gives an idea of the total numbers of new households – for the UK, so we can think about them in relation to the 300k policy target. The first set of bars shows how the projections for a single year – 2018 – have evolved. In 2014 – blue bar – the ONS was projecting over 250,000 new households in 2018, but by 2018 itself – red bar – the estimate for

Chart 2: Evolution of ONS’s projections of number of households (HHs) in England

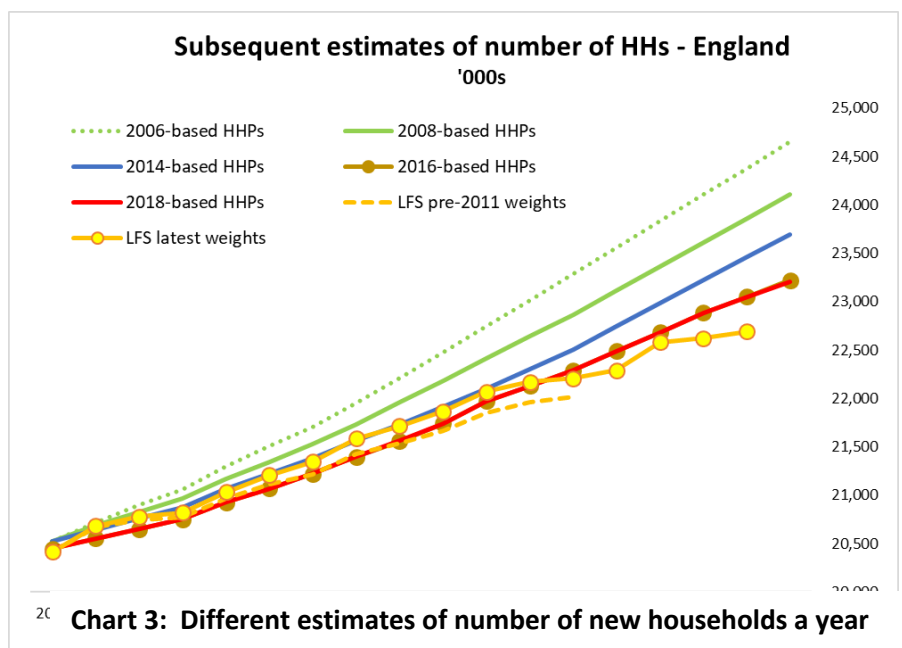
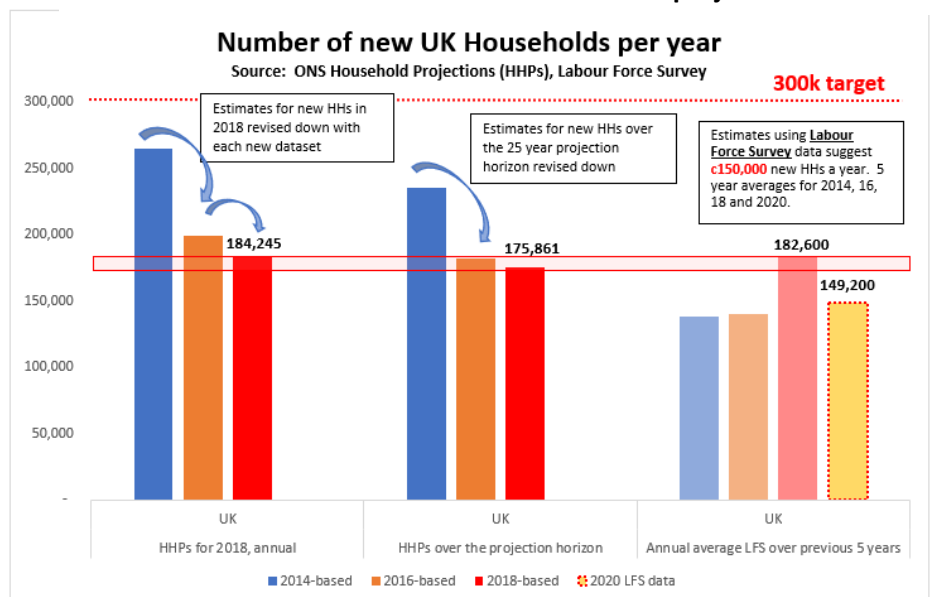


Chart 3: Different estimates of number of new households a year

Chart 3: Downward revisions to ONS household projections



2018 is down to 184k. The middle bars show how the average annual number of new households over the 25 year projection horizon has changed. It's a similar story of downward revisions through the vintages. And the 3rd set show the Labour Force Survey measurements of change in number of households – 5 yr averages to 2014, 2016, 2018 and 2020.

The consistent point is that **the most recent data suggest around 180k new households a year in the UK, or 150k from the LFS. Possibly half the government's 300k target.**

ONS population projections for Horsham

So for most of the UK the ONS's 2014-based household projections are revised down in subsequent datasets, **but the reverse is true for Horsham**. A spike appears in 2016. Why?

Chart 4 shows how the projections for Horsham have evolved. In 2014 (blue line) it looked fairly flat falling from 600 pa to 500 over 20 yrs. But the 2016 and 18 based projections shoot up in 2016. Which components of the ONS projections are driving this?

Chart 5 is similar to Chart 1, but we're now looking at it in more depth. It shows the 20 years from 2000 to 2020. Three economic periods are relevant: pre-financial crisis, financial crisis in the middle, and then most recent period. The green dots show the number of new households a year projected by the ONS in 2014, and the blue dots are the 2018-based projections – note how they diverge in 2016. The blue bars show 'natural' population change, ie births minus deaths. And it's very low for Horsham, even negative. The grey bars are international migration – around 100 additional households a year in the last 5 years. But the chart is dominated by the internal migration (Orange bars). **Horsham's population growth is almost entirely due to inward migration, on average 665 households a year for past 5 years.**

But why the increase in internal migration since 2014?

Chart 4: Evolution of ONS projections of change in number of households in Horsham

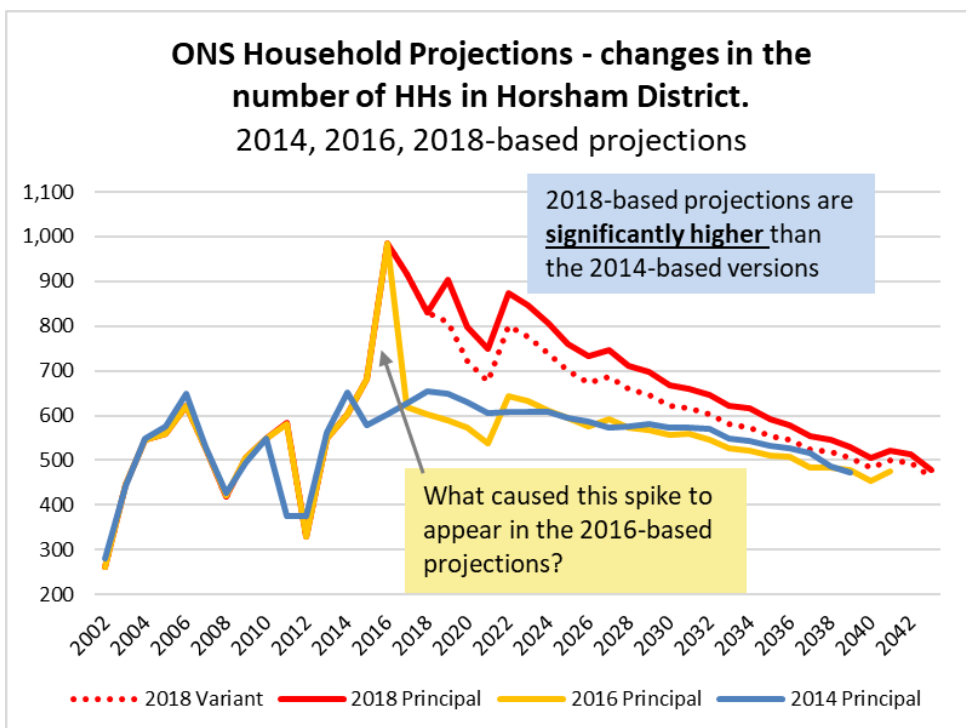
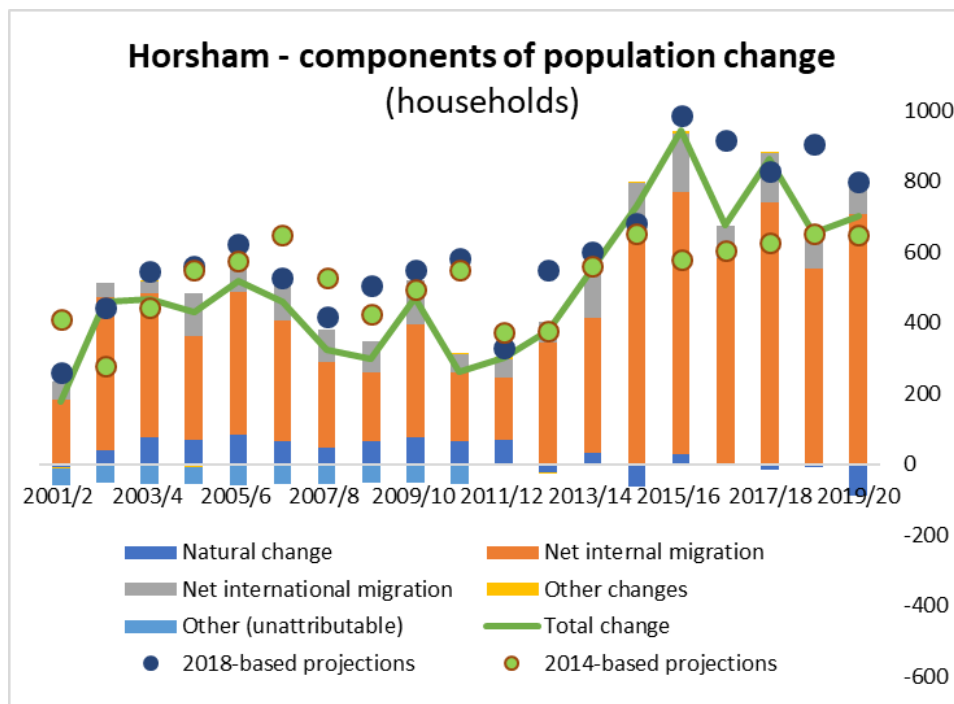


Chart 5: Components of change in Horsham's household numbers



If new house-building is added – Chart 6 (red line) – we see a strong correlation between it and internal migration (population change). Note that house-building rose to 1,000 new houses a year in 2016 at a time when the HDPF target was 800 a year. This increase was in response to increased demand due to Help to Buy, and the low interest rates continuing post-crisis.

Chart 6 also shows that the ONS’s 2018-based projections (blue dots) take this migration into account⁹, and that the ONS’s 2021 Census results for Horsham are very close to the 2018-based projections. So, using these in the standard method gives a new target of 1,215 new houses a year. This assumes unchanged affordability adjustment. Add 200 DTC and the target becomes 1,415. The current target and this possible new target are indicated on Chart 6 and included in Table 4.

Chart 6: Previous and possible house-building targets

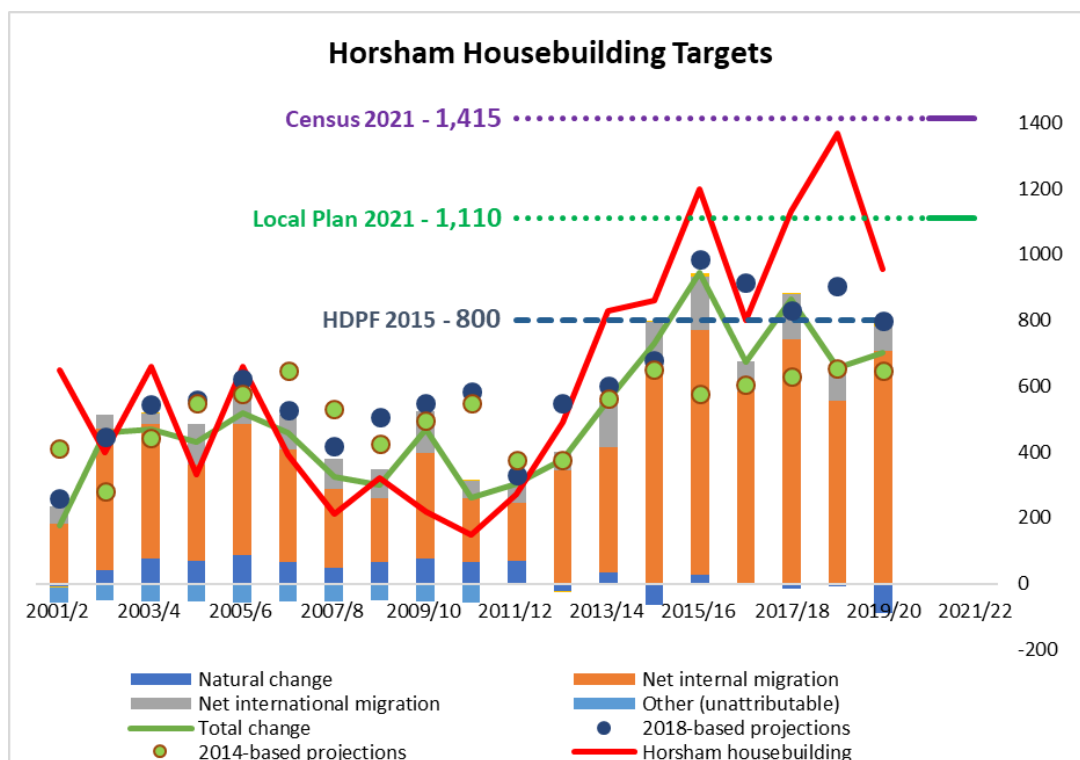


Table 4: Evolution of HDC’s House-building Targets, with Possible Future Target

	HDPF 2015	SHMA 2019	Draft Local Plan 2021	ONS 2018-based HHPs	2021 Census
1. ONS demographic projection	615	597	585	772	750
2. Uplift for affordability	35 (6%)	368 (62% 2019)	312 (53% 2020)	478 (62% 2021)	465 (62%)?
SUB-TOTAL	650	965	897	1,250	1,215
Contribution to neighbouring LA unmet need	150	200 ?	213	200 ?	200 ?
TOTAL	800	1,165	1,110	1,450	1,415
	2011-2031	2019-2029	2019-2039	2019-2029	2021-2031

So it is the recent rapid increase in housebuilding – higher than required by HDPF targets, the high affordability adjustment, and the fact that Horsham is an attractive place to live, that means 650 excess houses are being built a year, and the HDC target is likely to almost double from 800 to 1,400 a year. And future targets will be even higher, driven by the affordability adjustment, and the ratcheting-up of ONS’s projections.

⁹ The ONS’s projection methodology uses the trend of the previous five years, hence the 2018-based projections will reflect the rapid growth between 2013 and 2018.

5. Problems with the Standard Method

The Local Plan could and should propose much lower and more sustainable house-building targets than are being suggested by the Standard Method.

The Standard Method has two fundamental flaws:

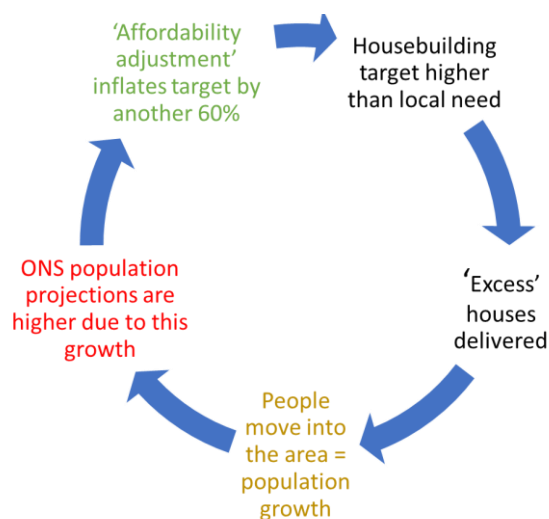
1. The way in which ONS population data are used has the effect of continuously ratcheting-up targets and hence population growth in areas which have recently experienced increases or growth. So the high population growth experienced by Horsham over the past 10 years, due to a combination of excess delivery of housing (950 houses a year on average over 2013 – 2022) and the DtC for Crawley (200 a year), will be used to forecast future population, and
2. The use of an ‘affordability adjustment’ which skews targets towards expensive areas (based on spurious economic arguments).

Looking at these issues in the context of Horsham, and the two steps of the Standard Method:

Step 1 uses the ONS’s population projections (red in diagram), which are based on the population trend of the previous five years, hence Horsham’s 2018-based projections¹⁰ (770 new households a year) reflect the rapid population growth between 2013 and 2018, driven by rapid growth in housebuilding (Broadbridge Heath, Southwater, Billingshurst, Kilnwood Vale, etc.). This compares to the 2014-based projections of 600 households a year. But including these high rates of inward migration in the projection has a compounding effect and leads to spiralling – and eventually exponential – growth. This is one aspect of the vicious circle of target setting, and should be replaced by a bottom-up approach using the components of population growth – births, deaths, etc. – rather than the overall figures; and

Step 2 (green in diagram) which applies the spurious ‘affordability adjustment’ to the ONS figures, based on the false premise that prices are high due to lack of supply. But this is a gross over-simplification of the housing market, and is widely discredited by economists in government^{11,12} and academia^{13,14} 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 Box below for a little more detail. The affordability adjustment adds another 50-60% to the ONS projections, giving targets of 900+ and 1,200+ for 2014 and 2018-based projections respectively. This is the other aspect of the vicious circle – over-building, pulling people into the area, and so pushing up the ONS’s projections of future population in Step 1, giving higher and higher targets and population growth.

The vicious circle caused by the Standard Method



¹⁰ [Household projections for England - Office for National Statistics](#)

¹¹ *Houses are assets not goods* – Bank of England research <https://bankunderground.co.uk/2019/09/06/houses-are-assets-not-goods-taking-the-theory-to-the-uk-data/>

¹² *UK house prices and three decades of decline in the risk-free real interest rate* – Bank of England Staff Working Paper, December 2019.

<https://www.bankofengland.co.uk/working-paper/2019/uk-house-prices-and-three-decades-of-decline-in-the-risk-free-real-interest-rate>

¹³ Simon Wren Lewis – Professor of Economics, University of Oxford. <https://mainlymacro.blogspot.com/2018/02/house-prices-and-rents-in-uk.html>

¹⁴ Nick Gallent - Professor of Housing and Planning, UCL.

https://discovery.ucl.ac.uk/id/eprint/1546192/1/Gallent_Housing_supply_investment_demand.pdf

House prices, supply and interest rates

In 2019 Bank of England researchers concluded^a:

“...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. ... we develop a simple asset-pricing model, and combine it with data for England and Wales. We find that the rise in real house prices since 2000 can be explained almost entirely by lower interest rates. Increasing scarcity of housing, evidenced by real rental prices and their expected growth, has played a negligible role at the national level.”

Also in 2019 a review^b of similar work by the Office for Budget Responsibility (HMT), Oxford University, UCL, and the IMF concludes:

‘The large body of literature on the responsiveness of house prices to supply indicates that even building 300,000 houses per year for 20 years would do little to reverse the price growth of the recent past. Such a strategy therefore does not offer an effective solution to the problem of high prices.’¹

^a Houses are assets not goods – Bank of England research <https://bankunderground.co.uk/2019/09/06/houses-are-assets-not-goods-taking-the-theory-to-the-uk-data/>

^b <https://housingevidence.ac.uk/wp-content/uploads/2019/08/20190820b-CaCHE-Housing-Supply-FINAL.pdf>

In conclusion:

- The Standard Method does not address need or affordability, but is a device to deliver the government’s policy target of 300,000 new houses a year, and to concentrate them in the most profitable areas. It has the effect of ‘ratcheting up’ targets, based on strong growth in recent years, and will eventually result in exponential population growth in the more expensive areas.
- Instead of a National Strategy to ensure the right development is built in the right place and that Authorities meet the needs of their residents, an under delivery of housing, in particular affordable housing in areas like London is resulting in migration to other areas such as Horsham which then results in unsustainable future housing need requirements.
- Local Authorities should argue that genuine need should be estimated using the ONS’s projections of the components of population data and not the aggregate projection for the authority. A bottom-up approach which allows for careful consideration of the extent to which previous or existing over delivery, DtC or even the affordability adjustment are driving up internal migration and hence the aggregate projections. Housing targets should also be informed by social housing waiting lists, employment opportunities, etc.
- Horsham should argue that since a flow of households from Crawley to Horsham is already embedded in the ONS’s population data, and will affect projections used in the Standard Method, and since Horsham is massively (unsustainably) over-building in any case, there is no case for any additional DtC building in Horsham. Effectively the DtC is embedded or ‘baked-in’ to Horsham’s OAN.
- Of course in areas like Crawley which experience negative net migration the OAN will tend to underestimate genuine need. This is another argument for using a bottom-up approach using the components of population change, and properly taking account of internal migration flows.