

# Updated Housing Needs Evidence

**Arun District Council**

Final Report

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## **Prepared by**

GL Hearn  
280 High Holborn  
London WC1V 7EE

T +44 (0)20 7851 4900  
glhearn.com

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## Quality Standards Control

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This document must only be treated as a draft unless it has been signed by the Originators and approved by a Business or Associate Director.

DATE	ORIGINATORS	APPROVED
September 2016	Justin Gardner, JGC Nick Ireland, Planning Director, GLH	Nick Ireland Planning Director

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### Limitations

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

## 1 SUMMARY AND CONCLUSIONS

- 1.1 This report provides an updated assessment of housing need in Arun District. The Council has submitted its Local Plan for examination; and initial hearings have been held to consider the Objectively Assessed Housing Need (OAN). The Inspectors wrote to the Council in February 2016, identifying that the Objectively Assessed Need for housing in Arun was for 845 dwellings per annum, equating to 16,900 dwellings over the 2011-31 plan period. This was based on 2012-based population and household projections, together with an adjustment to support stronger household formation amongst those aged 25-34.
- 1.2 The purpose of this report is firstly to consider whether there are any implications for the OAN arising from the 2014-based Sub-National Population Projections, issued by ONS in May 2016, and associated Household Projections, published by CLG in July 2016. The report then provides an updated assessment of the need for different types of homes, including for different sizes of properties, starter homes, private rented accommodation, student housing and self/custom build development.
- 1.3 The report is intended to be treated as an Addendum to GL Hearn's March 2015 Report entitled *Objectively Assessed Need for Housing: Arun District*.

### Overall Need

- 1.4 2014-based population and household projections are based on more recent population trends, and show stronger population growth – with the District's population expected to grow by 30,600 persons (20.4%) over the 2011-31 period. This represents a relatively strong growth rate of 0.99% per annum. Stronger population growth, driven by higher expected net in-migration (principally from other parts of the country), resulting in an increase in the assessed housing need to 18,380 homes (919 dwellings per annum) over the plan period. The report thus identifies an objectively assessed need (OAN) for 919 dpa.
- 1.5 The difference between the latest projections and those derived from the 2012-based SNPP, at 8.7%, is not insignificant. Whilst inevitably there are uncertainties regarding future trends, GL Hearn does consider that there is a reasonable basis for adjusting housing provision within the plan to take account of the latest official projections.

### Need for Different Types of Homes

- 1.6 This report then moves on to consider the need for different types of homes. The report identifies the following strategic mix of homes as an appropriate starting point for monitoring housing provision. Consideration should however be given to site specific circumstances, local needs

evidence and existing housing mix in the locality, in applying this to individual development schemes.

**Table 1: Suggested broad mix of housing by size and tenure – Arun**

	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms
Market	5-10%	40-45%	35-40%	10-15%
Intermediate/Starter Homes	15-20%	50-55%	25-30%	0-5%
Affordable Rented	35-40%	35-40%	15-20%	5-10%

- 1.7 The need for Starter Homes is assessed, these being potentially available to first-time buyers aged between 23-39 at a discount of at least 20% to the Open Market Value of properties. The needs analysis points to a potential current need from 514 households, with a newly-arising need for 33 homes per annum moving forwards. This translates into a need over the 2015-20 period for 135 Starter Homes per annum, which would be equivalent to around 11% of the total need. Expressed over the remainder of the plan period, the need shown falls to 65 per annum, equating to 6% of the total housing need. A relatively low need for Starter Homes in Arun reflects in particular the strong differential between earnings and house prices, with few younger households expected to have an income of £44,100 which is considered necessary to access a Starter Home product. The evidence would justify a requirement for Starter Homes of up to 10% of provision.
- 1.8 The population of older persons is expected to grow significantly over the plan period, increasing by 55% (21,800 persons). A growing older population of older persons, particularly for those aged in their 70s, 80s and above, is projected to result in an increased need for specialist accommodation for older persons. This report identifies a need for 2,257 units of specialist accommodation over the plan period, such as sheltered or extra care provision. This is equivalent to 113 homes per annum, and equates to 12% of the overall housing need. The report recommends that broadly 60% of provision of specialist housing should be for market, and 40% for affordable housing.
- 1.9 In addition there is a need for 991 residential care/ nursing home bedspaces (an average of 50 per annum). This need is for C2 accommodation, and is separate and additional to the overall need / OAN for housing ( for 18,380 dwellings). If provision of nursing/ care home bedspaces exceeds 50 per annum, it would be realistic to count the additional provision against the housing target on the basis of the general housing released.
- 1.10 The report points to potential growth in the Private Rented Sector, and suggests that support should be given to Build-to-Rent development schemes, but that for such schemes the Council may need to recognise that viability differs from general market housing schemes. It shows a need for self- and custom-build development – which again is a relatively small sector but one which has growth potential. Widening the range of sectors delivering housing provides the potential to assist in boosting housing delivery.

## 2 INSPECTOR'S OAN CONCLUSIONS

- 2.1 Arun District Council submitted its Local Plan to the Secretary of State for examination on 30<sup>th</sup> January 2015. A hearing to consider the OAN was held on 14<sup>th</sup> January 2016, following which the independent Inspectors – Roy Foster and Jonathan Bore - appointed by the Secretary of State to examine the soundness and legal compliance of the Plan wrote to the Council to set out their conclusions on OAN (IDED18). The letter was dated 2<sup>nd</sup> February 2016.

### Demographic Factors

- 2.2 GL Hearn's 2015 Report indicated that the 2012-based Sub-National Population Projections (SNPP) expected the District's population to grow by 26,800 persons between 2011-31 (17.9%). This translated into a need for 16,240 homes (821 per annum), taking account of 2013 Mid-Year Population Estimates. This represented stronger population growth than had occurred in the District in both the short-term (since 2008) and longer-term (since 2001). GL Hearn suggested that this could in part reflect issues in the recording of migration in the past (which may have been over-estimated), and recommended that an adjusted trend-based demographic projection was considered, showing population growth of 18,700 (12.5%) over the 2011-31 period. This resulted in a need for 14,640 homes (732 dwellings per annum, dpa).
- 2.3 The Inspectors however noted three factors which suggest a need for caution in applying an adjustment to the trend-based demographic projections. Firstly, ONS considers that migration errors would have had a bigger impact in the earlier 2000s because of improved methods of investigating this factor over time, and by implication have had a moderate/ lower effect on the input period to the 2012-based SNPP. ONS 2014-based Sub-National Population Projections expect higher net migration (and faster population growth) to the UK than the earlier 2012-based set. Secondly, population growth had already exceeded the 2012-based SNPP judged by the 2013 and 2014 MYEs. Thirdly, work underpinning the London Plan concludes that net population outflows will take place from London into the wider South East of which Arun is part.
- 2.4 On this basis they concluded (Paragraph 1.28) that "a rounded figure of 820pa represents a reasonably broad-based starting figure for the OAN, consistent with Hearn's demographic starting point. For the reasons previously stated (1.11 – 1.12 above) we do not see a case to partly-discount UPC." Higher recent population growth has part of the justification for drawing these conclusions.

### Employment Issues

- 2.5 The Inspectors found that jobs growth of 333 per annum (2011-31), based on the latest Experian forecasts, compared favourably with past trends of employment growth of about 140 pa over the period 1997-2012, and that this would require between 779 dpa (based on the current commuting ratio) or 681 dpa (if the commuting ratio was brought into balance). They however professed



scepticism as to the practicality or desirability of changes in commuting dynamics. They concluded overall that *“economic or employment factors therefore do not point to any demonstrable need for uplift of the demographically based elements of the OAN. If anything they could be argued to exert some downward pressure upon the demographic elements of the OAN”* (Para 1.15).

## Market Signals

- 2.6 In respect of market signals, GL Hearn’s 2015 Report had found some modest affordability pressures and made an adjustment based on turning household formation rates to the pre-recession levels of 2001 over the period to 2021. The Inspectors’ set out that *“it may be debatable whether or not this adjustment is logically more of a demographic factor rather than market signal-related. Nonetheless, it is appropriate to make it”* (Para 1.21). In conclusions the Inspectors go on to describe this adjustment (rounded to 25pa) *“mainly as a demographic adjustment.”*
- 2.7 The Inspectors’ broader conclusion on market signals was that *“the evidence on market signals does not point to significant further numerical adjustments. It may be that any market weakness in Arun is better addressed (in its circumstances) by policies identifying the kinds of housing most affordable to Arun residents below the median earning levels and targeting appropriate proportions of new homes as much as possible at meeting those needs, possibly by building on the basis of the strategic mix recommended in Hearn table 33, rather than making any further uplift”* (Para 1.23).

## Affordable Housing Need

- 2.8 The net need for affordable housing of 480 dpa; with the 2015 Report concluded that whilst there would be no technical need to increase the OAN, that there are choices to make concerns how such needs are met. The Inspectors reiterate the conclusions of the 2015 OAN Report that the affordable housing needs evidence *“provide some justification for considering higher housing provision’ in order to enhance its delivery”* and outline that this is carried through as part of the uplift described under market signals.

## Conclusions on OAN

- 2.9 The Inspectors conclude at Paragraph 1.28 that a figure of 820 dpa represents the demographic starting point. An upward adjustment of 25 dpa should be added to this *“to assist an increase in household formation for the key 25-34 age group, mainly as a demographic adjustment.”* They conclude that overall it is not seen as necessary to make further adjustments to the OAN, *“since employment-related issues (modestly negative) are seen as generally balanced out by market signals and affordable housing pressures (modestly positive).”* The OAN is thus defined as 845 dwellings per annum, 2011-31.

## Unmet Housing Needs

- 2.10 There is evidently a significant unmet housing need from other authorities within the Sussex Coast Housing Market Area, and whilst this is not relevant in defining OAN as it is a policy issue, it is of relevance in establishing a housing target.
- 2.11 The Inspectors' conclusions on this issue were that *"the suspension may offer an opportunity to explore any potential scope for the content of ALP to achieve greater alignment with the requirements of relevant neighbours in order to address the issue more urgently. This objective should be pursued as far as possible in the forthcoming work."* The Inspectors' expected in particular that the sustainability appraisal would test higher levels of provision, over-and-above the District's own OAN.

### 3 2014-BASED POPULATION & HOUSEHOLD PROJECTIONS

- 3.1 This section of the report seeks to consider whether there are any implications on the objectively-assessed housing need of the 2014-based Sub-National Population Projections, issued by ONS in May 2016, or the associated CLG Household Projections, published in July 2016.
- 3.2 Planning Practice Guidance is clear that wherever possible local needs assessments should be informed by the latest household projections, and a meaningful change in the housing situation should be considered in this context, but cautions that *"this does not mean that housing assessments are rendered outdated every time new projections are issued."* The emphasis is therefore to consider whether the new household projections result in a meaningful change in the situation.

## Population Change

- 3.3 The 2014-based SNPP expect population growth in Arun of 30,600 between 2011-31 (20.4%). This is above the rate of growth expected at a county, regional and national level (Table 2).

**Table 2: Projected Population Growth (2011-31) – 2014-based SNPP**

	Population 2011	Population 2031	Change in population	% change
Arun	149,811	180,407	30,596	20.4%
West Sussex	808,919	949,339	140,420	17.4%
South West	8,652,784	10,053,159	1,400,375	16.2%
England	53,107,169	60,853,179	7,746,010	14.6%

Source: ONS

- 3.4 The 2014-based SNPP expects stronger population growth than the 2012-based set, with population growth over the plan period expected to be higher by 4,200 persons (16% higher).

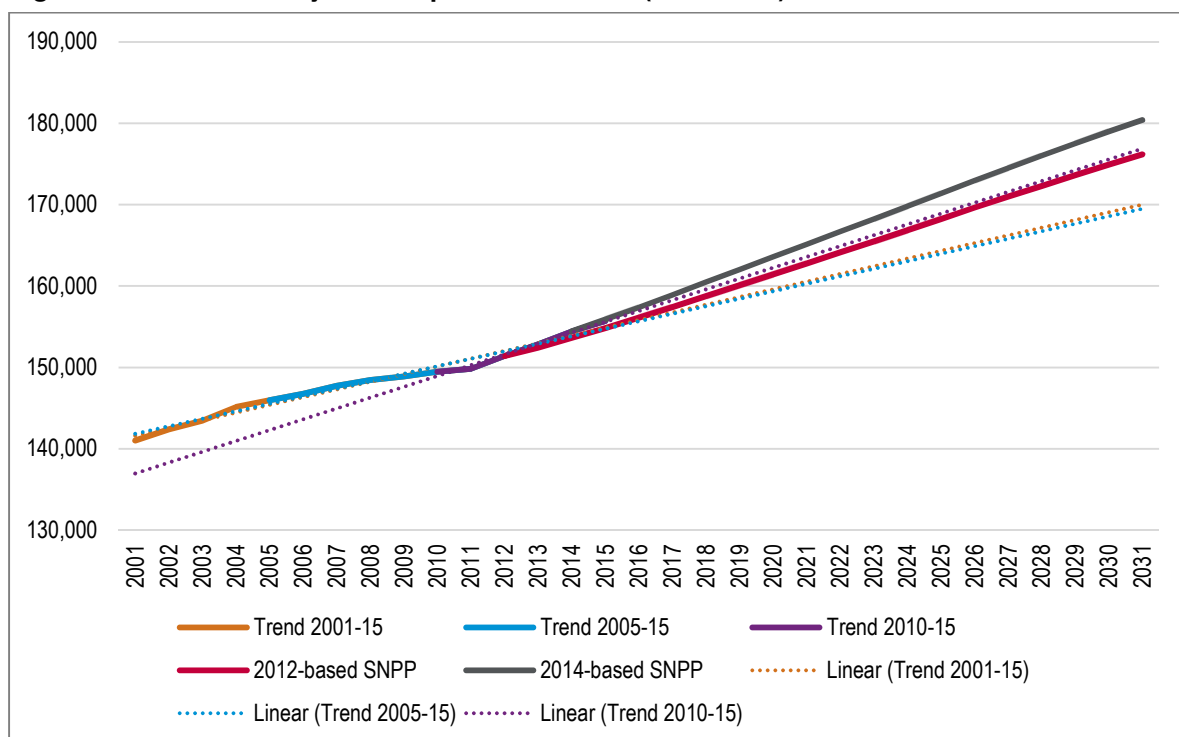
**Table 3: Projected Population Growth (2011-31) – Comparing Projection Releases**

	2012-based SNPP	2014-based SNPP	Difference
Arun	26,379	30,596	4,216

Source: ONS

- 3.5 What is also notable is that the rate of population growth is notably stronger than has been seen over either the short- or longer-term.

**Figure 1: Past and Projected Population Growth (2001-2031) – Arun**



Source: ONS

- 3.6 The 2014-based SNPP expects the District's population to grow at a rate of 0.99% per annum, which is above that expected in the previous 2012-based SNPP (0.86% pa). Given the data above, the projected growth rate moving forward in the 2014-based SNPP is above that seen over the previous 5-years (0.84%) and more substantially higher than seen over the previous 10-years (0.67%).

**Table 4: Past and Projected Rates of Population Growth**

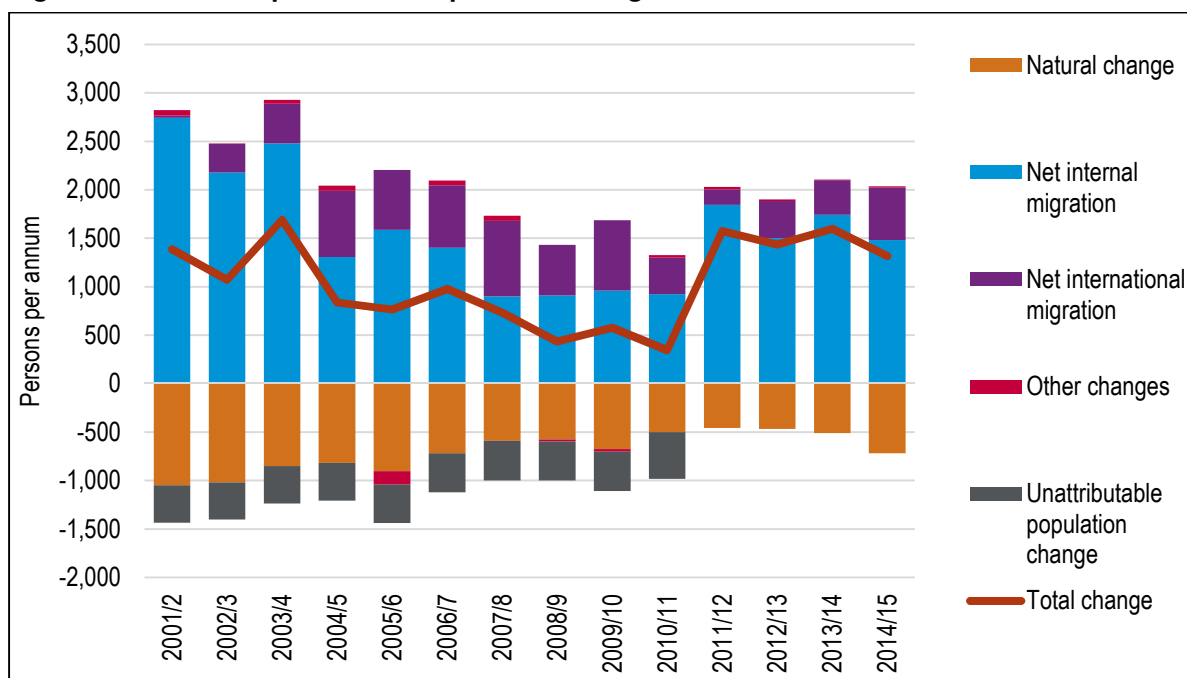
	Compound Annual Growth Rate	Period
5-years	0.84%	2010-15
10-years	0.67%	2005-15
2012-based SNPP	0.86%	2012-31
2014-based SNPP	0.99%	2014-31

- 3.7 It is clear therefore that population growth in the 2014-based SNPP is relative high both compared to historical trends, and compared to wider benchmarks. However it is necessary to interrogate the different components of population change before drawing conclusions on whether or not this is reasonable.

### Components of Population Change

- 3.8 To understand the population projection, it is useful trends in the components of population growth. Over the five-year period feeding into the 2014-based SNPP natural change and international migration are modestly positive (both with 32 persons per annum respectively), but population growth is driven by internal migration (between different parts of the UK), with net internal migration of 389 persons per annum between 2009-14. This compares to net internal migration of 310 over the five-year period preceding the 2012-based SNPP.

**Figure 2: Past Components of Population Change**



Source: ONS

- 3.9 As set out in GL Hearn's previous report, there was a negative level of Unattributable Population Change equivalent to over 4,000 persons over the 2001-11 decade. This could reflect issues associated with accuracy of the Census data in 2001 and/or 2011, and/or the accuracy of recording of migration between these points.
- 3.10 As our 2015 Report set out, the UPC is more likely to be associated in Arun with recording of migration, but we cannot be certain as to the degree to which migration data should be adjusted or to how an over-estimation of migration might have affected different years within the 2001-11

decade. As ONS has implemented a programme to improve migration statistics, it is likely that the latter years of data would be less susceptible to error than earlier years of the 2001-11 decade. The ONS does not include any adjustments for UPC within the forward projections. The Inspector has commented on the appropriateness of adjustments for UPC in his findings on OAN (see Section 2).

- 3.11 What is however clear from Figure 2 is that population growth over the 2011-15 period has been notably stronger than seen over much of the previous decade.
- 3.12 In the forward projections, internal migration from other parts of the UK is an important driver of population trends. Internal migration is 10% stronger in the 2014-based SNPP, relative to the previous set. Net internal migration to Arun District is 4.5 times the scale of net international migration to the District. Net international migration is slightly stronger than projected in the previous 2012-based projections, but the differential between the two sets of projections is influenced to a greater extent by recent trends in internal migration. Natural change is negative, indicating that deaths outnumber births.

**Table 5: Projected Components of population change – 2012- and 2014-based SNPP (2011-31) – Arun<sup>1</sup>**

	2012-based SNPP	2014-based SNPP
Natural Change	-543	-539
Internal Migration	1,535	1,691
International Migration	327	376
Total Change	1,319	1,530

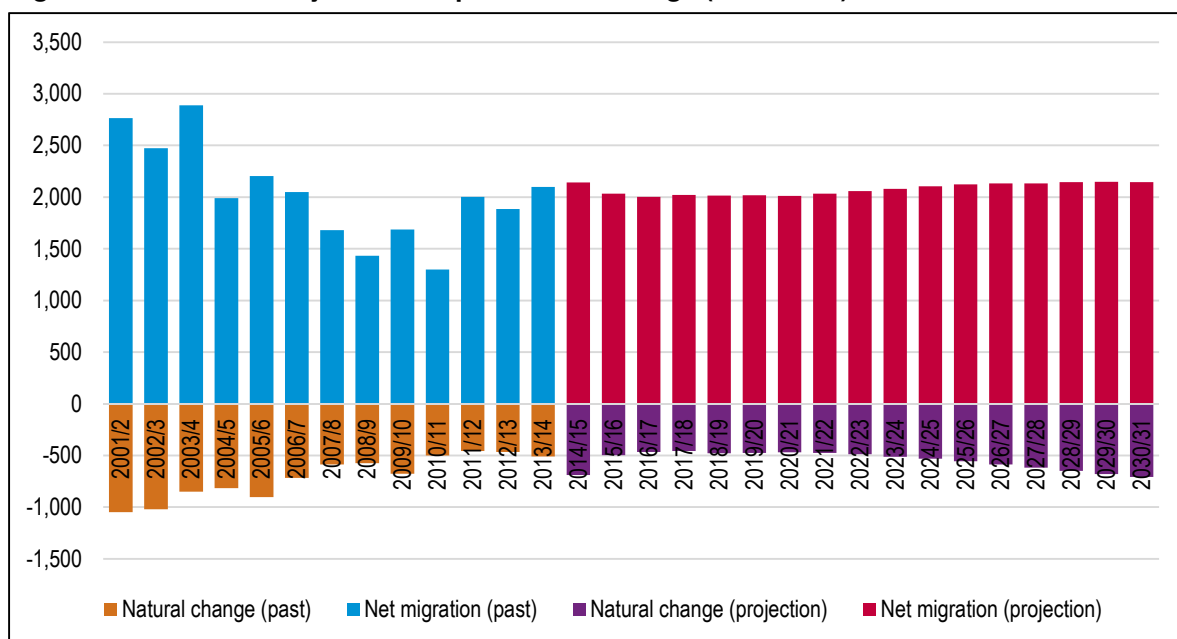
Source: ONS

- 3.13 International migration is modest as a component of overall population change. The ONS projection methodology constrains international migration within Sub-National Population Projections to its national projections. The ONS 2014-based Population Projections assume that net international migration to the UK would fall from 330,000 in 2013/14 to 185,000 in 2020/21 and continue at that level thereafter. In 2014-15, net international migration was of 336,000. In contrast the 2012-based SNPP projected net international migration of 165,000.
- 3.14 Whilst there are evidently uncertainties about future UK immigration policy, inflows from the EU currently account for around 50% of immigration nationally. There are potential short-term upsides associated with people seeking to move to the UK before “Brexit” occurs. Fundamentally, the SNPP already assume a substantial reduction in net migration to the UK and there is no robust evidence that Brexit would lead to lower international migration than is currently assumed in the SNPP. Trends can be reviewed in the medium-term.

<sup>1</sup> It should be noted that the figures in the table do not quite add up; this is mainly due to small adjustments made by ONS to ensure consistency with national projections.

- 3.15 Figure 3 below brings together data about migration (both past trends and the future projection) along with information about natural change. This shows that natural change is expected to increase slightly until about 2018 (i.e. becoming less negative), before starting to fall as the projection works through to 2031 – this reflects age structure changes. Net migration is generally projected to be fairly constant over time. Over the whole projection period (2014-31) the level of natural change is projected to be -610 per annum, with net migration averaging about 2,100 people each year.

**Figure 3: Past and Projected Components of Change (2001-2031) – Arun**



Source: ONS

- 3.16 Net migration evidently varies year-on-year. Table 6 profiles migration over different time periods historically, and compares this to the forward projections. In interpreting the data, it should be borne in mind that there is a potential over-estimation of migration over the 2001-11 period. The published data shows particularly strong net migration over the past 13-years (2001-14) and a lower level over the five years to 2014. The 2014-based SNPP shows net migration that is above the levels seen over the past five years but at a level in-line with the 13-year average (but above the 10-year average). Migration averages in the 2012-based SNPP are generally in-line with levels seen over the past 5- or 10-years.

**Table 6: Average net migration in a range of past and projected time periods (annual averages)**

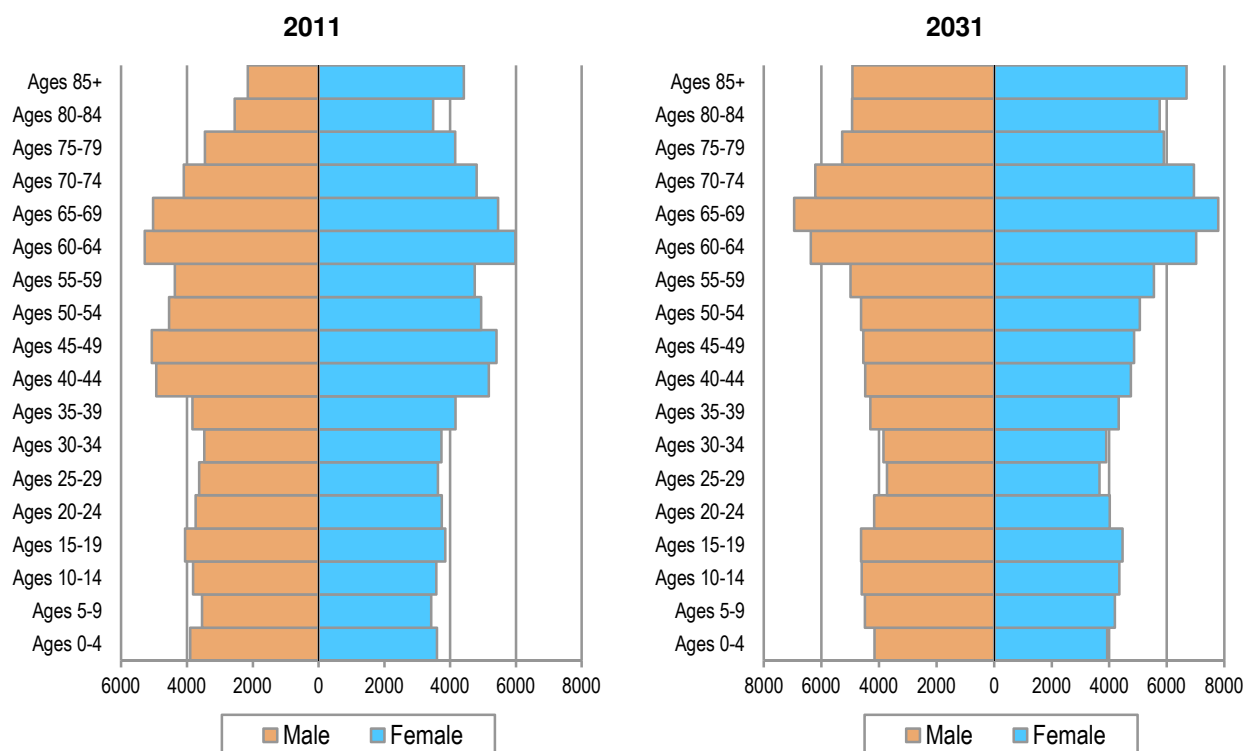
	Average annual net migration	
	2012-based SNPP	2014-based SNPP
<b>Past 13-years (2001-14)</b>	2,035	
<b>Past 10-years (2004-14)</b>	1,832	
<b>Past 5-years (2009-14)</b>	1,794	
<b>Next 5- years (2014-19)</b>	1,742	2,043
<b>Next 10-years (2014-24)</b>	1,802	2,042
<b>Next 17-years (2014-31)</b>	1,881	2,079

Source: ONS

## Age Structure Changes

3.17 With the overall change in the population will also come changes to the age profile. Figure 4 below shows population pyramids for 2011 and 2031. The 'pyramids' clearly show the growth in population overall and highlight the ageing of the population with a greater proportion of the population expected to be in age groups aged 60 and over (and even more so for older age groups) – in particular the oldest age group (85+) shows an increase from 6,600 people to 11,600. A growing population towards the top of the pyramid to a large extent will reflect improving life expectancy.

**Figure 4: Distribution of Population 2011 and 2031 (2014-based SNPP) – Arun**



Source: ONS

- 3.18 Table 7 below also summarises the findings for key (5 year) age groups. The largest growth will be in people aged 65 and over. In 2031 it is estimated that there will be 61,400 people aged 65 and over. This is an increase of 21,800 from 2011, representing growth of 55%. The population aged 85 and over is projected to increase by an even greater proportion, 77%. Looking at the other end of the age spectrum the data shows that there are projected to be around 18% more people aged under 15. Most other age groups see modest increases in population (although the number of people aged 40-49 is projected to fall).

**Table 7: Population Change 2011 to 2031 by five-year age bands – Arun**

Age group	Population 2011	Population 2031	Change in population	% change from 2011
Under 5	7,499	8,086	587	7.8%
5-9	6,965	8,690	1,725	24.8%
10-14	7,396	8,961	1,565	21.2%
15-19	7,916	9,082	1,166	14.7%
20-24	7,478	8,187	709	9.5%
25-29	7,262	7,394	132	1.8%
30-34	7,216	7,740	524	7.3%
35-39	8,005	8,635	630	7.9%
40-44	10,116	9,231	-885	-8.8%
45-49	10,485	9,410	-1,075	-10.2%
50-54	9,490	9,692	202	2.1%
55-59	9,117	10,546	1,429	15.7%
60-64	11,262	13,384	2,122	18.8%
65-69	10,492	14,732	4,240	40.4%
70-74	8,904	13,156	4,252	47.7%
75-79	7,606	11,179	3,573	47.0%
80-84	6,038	10,688	4,650	77.0%
85+	6,564	11,615	5,051	76.9%
Total	149,811	180,407	30,596	20.4%

Source: ONS

- 3.19 It is also useful to compare the age structure projections from the 2014-based SNPP with similar figures in the 2012-based version. The simplest way to compare the figures is to look at the age structure in 2031 – this is shown in the table below. This analysis shows that the population in 2031 is projected to be 2.4% higher in the 2014-based SNPP than was the case for the 2012-based version; most age groups see an increase in the range of about 2%-5%. The most notable difference between the projections can however be seen in the age group of people aged 85 and over, where the 2014-based SNPP is some 800 people lower (the only age group with a lower projected population level by 2031) – this will potentially have some downside to estimates of household growth (studied later in this document) due to the 85 and over age group having the highest household representative rates.



**Table 8: Difference in age structure in 2031 (2012- and 2014-based SNPP) – Arun**

Age group	2012-based	2014-based	Difference	% difference from 2012-based
Under 5	7,803	8,086	283	3.6%
5-9	8,293	8,690	397	4.8%
10-14	8,626	8,961	334	3.9%
15-19	8,837	9,082	245	2.8%
20-24	7,979	8,187	207	2.6%
25-29	7,220	7,394	173	2.4%
30-34	7,557	7,740	183	2.4%
35-39	8,381	8,635	253	3.0%
40-44	8,998	9,231	233	2.6%
45-49	9,124	9,410	286	3.1%
50-54	9,352	9,692	339	3.6%
55-59	10,266	10,546	279	2.7%
60-64	13,008	13,384	376	2.9%
65-69	14,273	14,732	458	3.2%
70-74	12,763	13,156	393	3.1%
75-79	10,823	11,179	356	3.3%
80-84	10,483	10,688	206	2.0%
85+	12,401	11,615	-786	-6.3%
Total	176,190	180,407	4,216	2.4%

Source: ONS

## Household Growth Projections

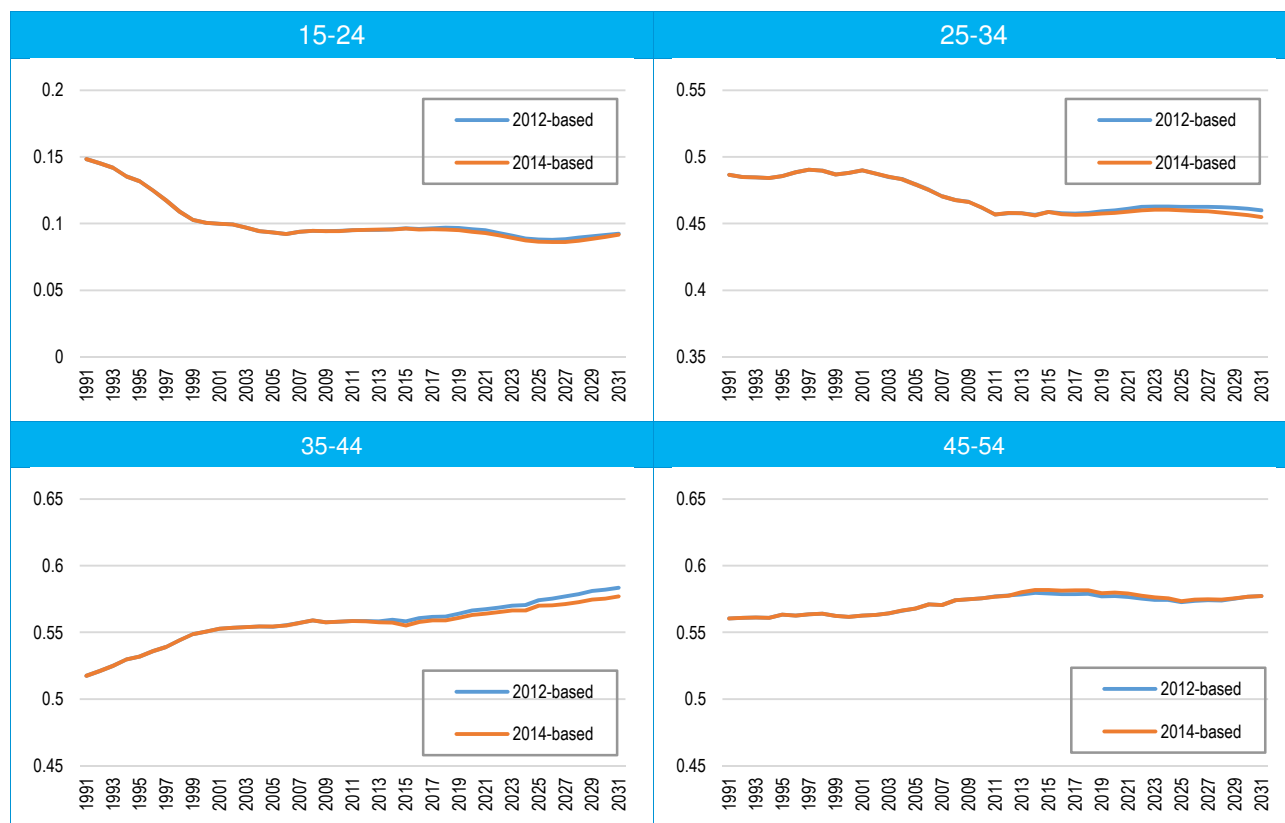
- 3.20 To convert population estimates into households, the concept of headship rates is used. Headship rates can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)).
- 3.21 On the 12th June 2016, CLG published a new set of (2014-based) Household Projections. The projections contain two core analyses: The Stage 1 household projections project household formation based on data from the 1971, 1981, 1991, 2001 and 2011 Censuses with outputs for age, sex and marital status. The Stage 2 household projections consider household types and the methodology report accompanying the projections is clear that these projections are based on just two data points – from the 2001 and 2011 Censuses.
- 3.22 Overall outputs on total household growth are constrained to the totals from the Stage 1 Projections. This means that both sets of projections show the same level of overall household growth (when set against the last set of SNPP) but some of the age specific assumptions differ. Differences can however occur between the Stage 1 and 2 headship rates when modelled against different population projections (due to differences in the age structure).

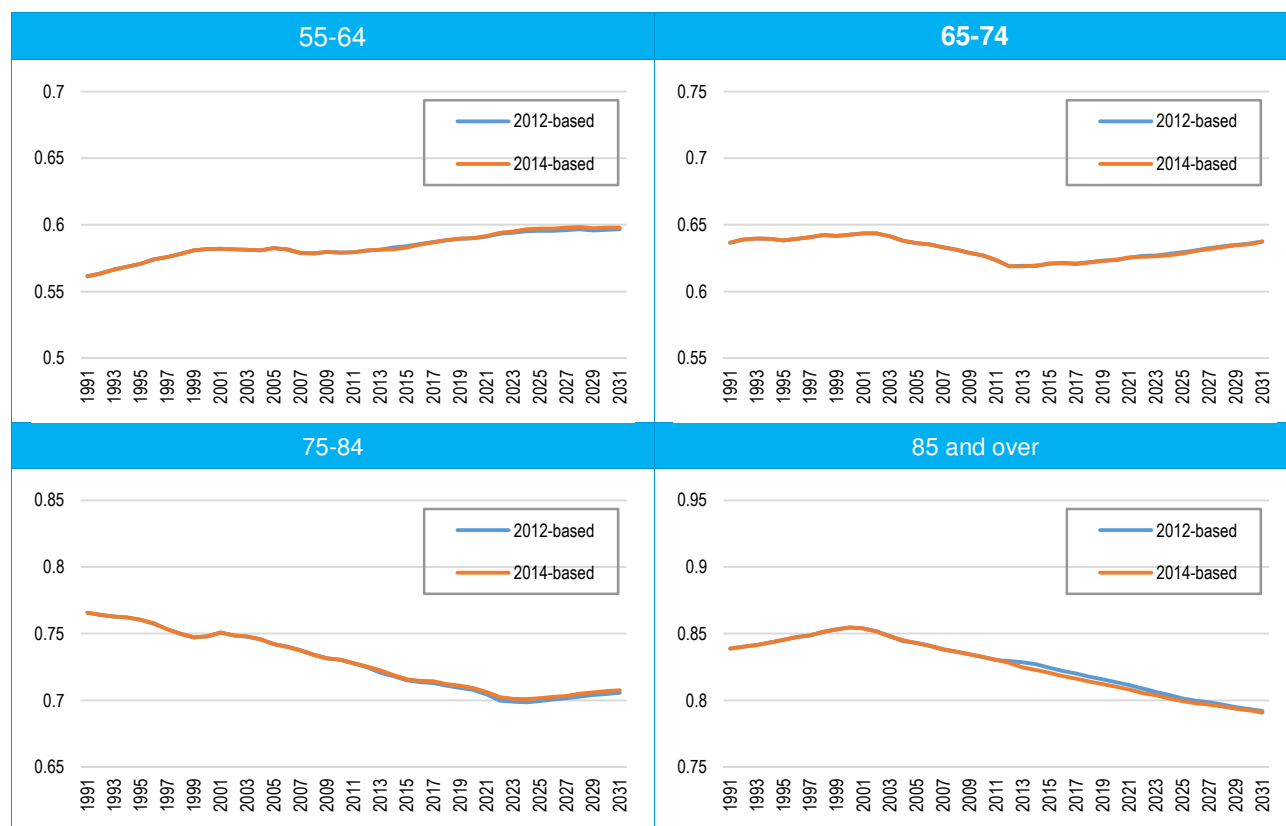
3.23 Overall, it is considered that the Stage 1 projections should be favoured over the Stage 2 figures for the purposes of considering overall household growth; this is for two key reasons: a) the Stage 1 figures are based on a long-term time series (dating back to 1971 and using 5 Census data points) whereas the Stage 2 figures only look at two data points (2001 and 2011) and b) the Stage 2 figures are constrained back to Stage 1 values, essentially meaning that it is the Stage 1 figures that drive overall estimates of household growth in the CLG Household Projections themselves. The analysis to follow therefore focuses on Stage 1 figures.

3.24 Figure 5 shows headship rates for different age groups across the District. It is evident from the analysis that household formation amongst households in their late 20s and early 30s fell over the 2001-11 decade. Despite this, the projections show a levelling off of the rate for this group moving forward to 2031. The 2014-based Household Projections also expect household formation rates amongst older age groups to fall over time. Given improving life expectancy this 'trend' looks to be reasonable (as it would be expected that more people would remain living as couples).

3.25 Overall, the analysis shows there to be very little difference between the figures by age from each of the 2012- and 2014-based household projections.

**Figure 5: Projected household formation rates by age of head of household – Arun**





Source: Derived from CLG data

- 3.26 By applying the above headship rates, it is possible to estimate the projected household growth. This is shown in Table 9. It should be noted that the analysis also takes account of the institutional population and information about this has also been drawn from the 2014-based CLG Household Projections (other than the 2012-based scenarios which takes relevant data from that projection).
- 3.27 The analysis shows a growth in households of around 16,800 over the 20-year period (842 per annum) using the 2014-based SNPP. This is about 10% higher than the projected level of household growth in the 2012-based Household Projections.

**Table 9: Projected Household Growth 2011-31 – range of scenarios – Arun**

	Households 2011	Households 2031	Change in households	% increase
2012-based SNPP	66,812	82,152	15,340	23.0%
2014-based SNPP	66,826	83,661	16,835	25.2%

Source: Derived from ONS and CLG data

## Housing Need

- 3.28 Estimated housing need is calculated by applying an allowance of 5.6% for vacant and second homes (based on the 2011 Census) to the projected household growth.

- 3.29 The analysis shows an annual need for 889 dwellings in the District when using the 2014-based SNPP. This is some way above equivalent figures when based on the previous (2012-based) release (810 dwellings per annum). These figures are based on the household formation rates in the 2014-based Projections.

**Table 10: Projected Housing Need 2011-31 – 2014-based Household Formation Rates**

	Per annum	Total (2011-31)
2012-based SNPP	810	16,206
2014-based SNPP	889	17,786

Source: Derived from ONS and CLG data

- 3.30 As set out above, there is however potentially a case for making adjustments to household formation rates for those aged for those aged 25-34, to support improvements in affordability.. This is the one age group identified earlier as showing notable decreases in headship/household formation rates since about 2001. We have therefore modelled a return of the household formation rates for this age group to 2001 levels by 2031. Including this adjustment results in an increase of 30 dwellings per annum to the 2014-based Household Projections. The resultant housing need associated with the 2014-based projections is for 919 dwellings per annum over the 2011-31 period. This is 9% above that shown in the previous 2012-based Projections.

**Table 11: Estimated housing need including vacancy allowance – per annum (returning 25-34 headship rates back to 2001 levels)**

	Returning 25-34 headship rates back to 2001 levels	Stage 1 headship rates	Difference	Uplift %
2012-based SNPP	838	810	28	3%
2014-based SNPP	919	889	30	3%

Source: Derived from ONS and CLG data

## Implications

- 3.31 From a technical perspective the 2014-based SNPP is a robust projection which shows higher housing growth as recent population growth, particularly over the period since 2011, has been stronger. The rate of population growth expected, as Table 1 showed, is expected in this projection to be above regional/ national averages.
- 3.32 There are however inevitable uncertainties associated in particular with projecting migration. The 2014-based projections expect both stronger net migration from both other parts of the country, and internationally. The former represents the more significant element, with international net migration

in the 2014-based SNPP contributing 18% to the total average net migration expected. Within the SNPP, net international migration is already expected to fall over the period to 2020/21.

- 3.33 As the projections are based on trends over the period from 2008/9 – 2014, any impact associated with UPC can be expected to be modest, and there is little basis for justifying an adjustment to the projections for this factor.
- 3.34 Whilst there are evidently uncertainties about future UK immigration policy, there are potential short-term upsides associated with people seeking to move to the UK before “Brexit” occurs. Fundamentally, the SNPP already assume a substantial reduction in net migration to the UK and there is no robust evidence that Brexit would lead to lower international migration than is currently assumed in the SNPP. The main driver of the increased population growth shown in the latest projections is internal (rather than international) migration.
- 3.35 The difference between the latest projections and those derived from the 2012-based SNPP, at 8.7%, is not insignificant. Whilst inevitably there are uncertainties regarding future trends, GL Hearn does consider that there is a reasonable basis for adjusting housing provision within the plan to take account of the latest official projections.

## **4 THE ROLE OF STARTER HOMES IN MEETING HOUSING NEEDS**

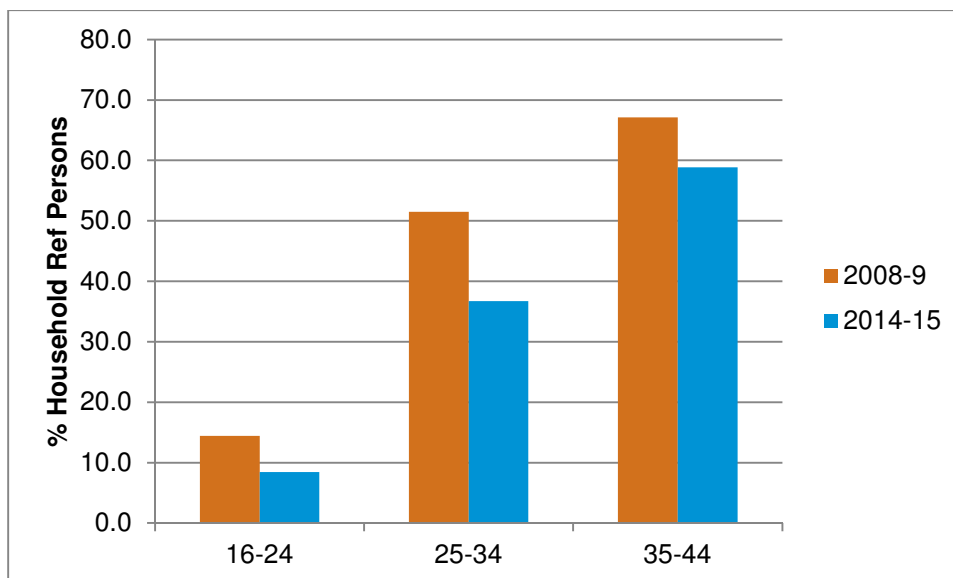
- 4.1 This section provides an analysis of the potential need for Starter Homes. It seeks to follow a methodology which is broadly consistent to that used in assessing the need for affordable housing in the 2015 OAN Study. There is no specific official guidance from Government on how need for starter homes should be assessed.
- 4.2 The Housing and Planning Act 2016, which received Royal Assent on 12<sup>th</sup> May, sets a statutory requirement for local authorities to promote the delivery of Starter Homes. Starter Homes are defined as:
- a new dwelling;
  - available for purchase by qualifying first-time buyers only aged 23 or over and under 40;
  - to be sold at a discount of at least 20% of the market value;
  - to be sold for less than the price cap, which is currently £250,000 outside London; and
  - subject to any restrictions on sale or letting specified in regulations to be made by the Secretary of State.
- 4.3 The Act includes powers to allow the Secretary of State to make regulations which prevent the granting of planning permission unless a minimum number of Starter Homes are included (or a financial contribution paid). In March 2016, the Government published its proposed approach to the Starter Homes regulations for consultation. It proposed that:

- Starter Homes would be required on all developments of 10 or more units (or on sites of 0.5 hectares or above), subject to certain exceptions to be specified in the regulations;
- 20% of all homes should be delivered as Starter Homes. This national requirement would effectively be set through the Regulations;
- The sale of a Starter Home for full market value is to be prevented in the first 5-years from initial sale, with a tapered approach for up to 8-years (i.e. the owner (and occupier) will get an increasing proportion of market value after the initial 5-year period);
- The property is not to be rented out during the restricted period (i.e. in the first 8-years from purchase); and
- Exemptions are possible when provision is unviable and also potentially for particular types of housing (such as residential care, estate regeneration and student housing).

4.4 The Regulations have not yet been made by Government, however the general directions seems to be clear. The policy is set against a context where there has been a substantial decline in home ownership amongst younger households over the past 15 years.

4.5 Figure 6 shows recent trends nationally over the last six years and indicates that there has been a further substantive decline in home ownership amongst those in their 20s and 30s. It is these households which are targeted in the Starter Homes Initiative.

**Figure 6: Home Ownership amongst Younger Households, England**



Source: Survey of England Housing

4.6 Starter Homes are to be included within the definition of affordable housing, although it is difficult to see how such accommodation will be 'affordable' in the traditional meaning of the word – this is simply because the sort of income levels likely to be required to access a Starter Home will in many instances be above the levels needed to access market housing generally (e.g. in the private rented sector). The issue of income levels is discussed later in this section.

- 4.7 Whilst Starter Homes will not meet affordable need in a traditional sense (and the inclusion of Starter Homes within the definition of affordable housing looks to be quite a radical change) there is some consistency with Paragraph 50 in the NPPF which seeks to 'widen opportunities for home ownership'. Starter Homes can therefore be seen to be meeting an aspiration rather than a need and the analysis in this section is therefore primarily aimed at establishing the scope for households (within a defined target group) to access Starter Homes.
- 4.8 The analysis seeks to establish the potential market for Starter Homes in Arun (defined for simplicity at the potential 'need'). Whilst there is no published methodology for assessing this (unlike for affordable housing need as currently defined in the PPG) it does seem logical that the 'need' can be considered in a similar way (i.e. that there is a "current need" and will be a "future need" as the population age structure changes and cohorts move through time). Hence the analysis seeks to consider likely need (on an annual basis) taking account of both a current and projected need.
- 4.9 The analysis undertaken looks at a gross need with no reduction for estimated supply. This makes sense given that at present Starter Homes are not available as a product. It also makes the analysis slightly more straight forward.
- 4.10 It should also be recognised that in reality there is a degree of overlap between the potential market for shared ownership homes, homes sold under the Government's Help-to-Buy Scheme and Starter Homes.

### Starter Homes – Target Group

- 4.11 To start out, it is useful to understand why the Starter Home initiative has been introduced. One of the key reasons is the fall in the number of younger owner-occupiers across the Country over the past 15-year or so. We can use Census data to consider tenure changes in Arun: these indicate that the number of households living in private rented accommodation has increased by around 4,200 between 2001-11, whilst the number of owners with a mortgage has dropped by around 2,600. The trend over the decade has been of a falling number of young households able to move into home ownership, and increases in those renting.

**Table 12: Change in Tenure 2001-11 (all households) – Arun**

Tenure	2001	2011	Change	% change
Outright owner	26,102	28,581	2,479	9.5%
Owned with mortgage	23,812	21,239	-2,573	-10.8%
Social rented	5,703	5,886	183	3.2%
Private rented	6,021	10,211	4,190	69.6%
Other	1,095	789	-306	-27.9%
<b>TOTAL</b>	<b>62,733</b>	<b>66,706</b>	<b>3,973</b>	<b>6.3%</b>

Source: Census (2001 and 2011)

- 4.12 If the proportion of households in each tenure group had stayed the same in 2011 as it was in 2001 then it would have been expected that there would be 6,400 households living in the Private Rented Sector. The actual number is about 3,800 higher than this and therefore it is arguable that this is the number of households who might be considered as 'would be owner-occupiers' and therefore a potential target group for Starter Homes. For some young households, renting may have however been a lifestyle choice or desired because of its flexibility.
- 4.13 The data above shows information for all households and it needs to be recognised that the Starter Home Initiative is to be targeted at non-owners aged 23 or over and under 40. Interrogating changes for this age group is difficult as the two Census (2001 and 2011) use different age bandings and do not typically include an 'up to 40' band in the data, nor any differentiation at age 23. It is however possible to provide an indication of the change in tenure by looking at households aged under 35. This is shown in the table below. It should be noted that to provide consistent analysis, both groups of owners have been merged, whilst the private rented category also includes the 'other' category as shown in the table above.
- 4.14 For the Under 35 age group, the analysis again shows a sharp increase in the number of households living in private rented accommodation in Arun District. Surprisingly the growth in this age group is slightly below that for all households although it does need to be borne in mind that overall this age group also saw a decline in household numbers overall. The analysis also highlights a very significant decrease in the number of owner occupiers (decreasing by over 40% in just 10-years). This analysis does provide some support for widening access to owner-occupation for younger people.

**Table 13: Change in tenure 2001-11 (all households aged under 35) – Arun**

Tenure	2001	2011	Change	% change
Owned	4,871	2,778	-2,093	-43.0%
Social rented	1,065	837	-228	-21.4%
Private rented	2,231	3,701	1,470	65.9%
<b>TOTAL</b>	<b>8,167</b>	<b>7,316</b>	<b>-851</b>	<b>-10.4%</b>

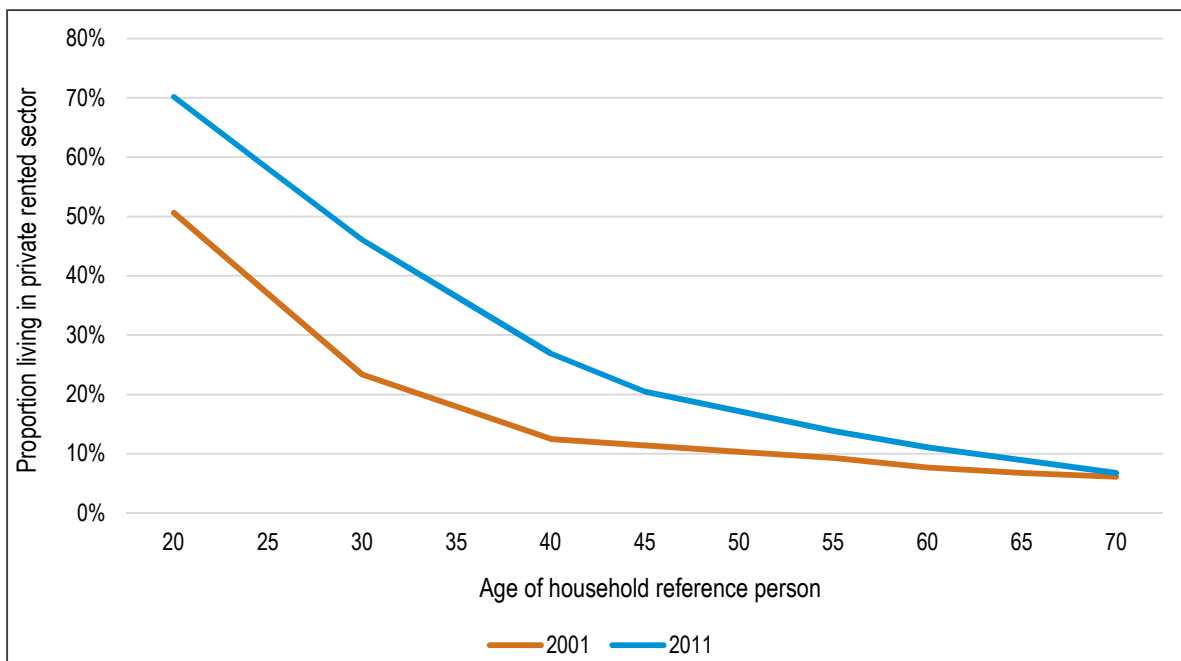
Source: Census (2001 and 2011)



## Estimating Households in the Target Group

- 4.15 To look at the current need for Starter Homes, an analysis has been undertaken to estimate the size of the target group for such housing. This has been assumed to be the difference between the number of households living in the Private Rented Sector in 2011 with the number that might have been expected if there were no changes in the proportion of households in this sector from 2001 (the analysis then being limited to households where the household reference person is aged under 40 and aged 23 or over).
- 4.16 Arguably there will be other households who might be in this target group, particularly those currently living with parents; however, these are not included in the current need as it is assumed that they will be picked up as part of the projection of need (i.e. at the time at which they might be expected to form an independent household). Additionally, there could be some households living in social rented housing who might be part of this target group; however, in this case it is not considered that many (if any) would have sufficient levels of income to afford a Starter Home (and even if they did, they might well wish to remain in their current subsidised housing).
- 4.17 The first part of the analysis looks at the proportion of people (by age) who live in private rented accommodation. As noted above this analysis is slightly imperfect as the Census source used does not allow for a split to be made at age 40. Additionally, data from each of the 2001 and 2011 Census use slightly different age bandings within published analysis. We have therefore plotted the data available and drawn a trend line between the available data points to establish what proportion of different age bands live in the Private Rented Sector.
- 4.18 Figure 7 below shows this analysis, which clearly identifies high levels of private renting amongst younger age groups, the analysis also shows an increase in the proportion of households privately renting in 2011 compared with 2001 – the biggest increase looks to be for households aged up to 30 with the proportion of 30-year olds privately renting in 2011 estimated to be 46%, compared with about 23% in 2001.

**Figure 7: Change in proportion of households living in private rented housing (2001-11) by age – Arun**



Source: Census (2001 and 2011)

- 4.19 Table 14 below summarises the information from the figures above to make an estimate of the changes in the proportions living in the private rented sector for various age bands up to age 40 – whilst Starter Homes are not available for people aged under 23 a band from age 20 is included due to data availability issues. The analysis clearly identifies an increase in the proportion in the private rented sector for all age groups.

**Table 14: Change in proportion of households living in private rented housing (2001-11) by age – Arun**

	2001	2011	Change
20-24	20-24	43.8%	64.1%
25-29	25-29	30.2%	52.1%
30-34	30-34	20.6%	41.2%
35-39	35-39	15.2%	31.7%

Source: Census (2001 and 2011)

- 4.20 To work out the current size of the target group of households for Starter Homes, the change in the proportion of households in the private rented sector is multiplied by the number of households in each age band. This analysis is shown in the table below and identifies around 2,223 households as currently being a potential target for Starter Homes.

**Table 15: Estimated Current Target Group for Starter Homes – Arun**

	Number of households (2015)	% in target group	Number in target group (2015)
23-24	515	20.3%	105
25-29	2,935	21.9%	643
30-34	3,877	20.6%	800
35-39	4,104	16.5%	676
TOTAL	11,431		2,223

Source: Census (2001 and 2011) and demographic projections

- 4.21 The analysis above has considered the current target group for Starter Homes. It is also necessary to understand how many new households will be expected to join this group moving forward. To study this, a similar analysis is carried out to that in the main affordable needs modelling in the 2015 Report. This seeks to estimate the number of new households in each of the age bands up to age 40. The new households are calculated as the number of household reference persons (HRP) in an age band who were not an HRP five years previously. The analysis is based on annual figures over the full projection period to 2031 and shows that each year an additional 160 households are expected to fall into the target group for Starter Homes.

**Table 16: Estimated Projected Target Group for Starter Homes (per annum) – Arun**

	Number of newly forming households	% in target group	Newly-forming Households in Target Group
23-24	90	20.3%	18
25-29	339	21.9%	74
30-34	209	20.6%	43
35-39	147	16.5%	24
TOTAL	785		160

Source: Census (2001 and 2011) and demographic projections

## Affordability of Starter Homes

- 4.22 To understand the likely affordability of Starter Homes in the District a similar analysis to that typically undertaken for affordable housing needs modelling has been undertaken. This essentially seeks to estimate the income levels likely to be required to access housing and the income profile of the target group (i.e. non-owners aged 23 to 39). Income estimates are then compared with the estimated level of income required to access such housing.

### Income Thresholds for accessing Starter Homes

- 4.23 In looking at the cost of housing it needs to be recognised that Starter Homes will be a newbuild product (and therefore there may be a small price premium relative to existing stock) and that discounts on open market value (OMV) of at least 20% will be available. To establish the likely OMV we have looked at Land Registry data for newbuild properties and taken a lower quartile value to equate to a typical cost; the use of a lower quartile is trying to recognise that Starter Homes are likely to be towards the lower end (in price terms) of the newbuild market. In 2015/16, the lower quartile newbuild price in Arun, from the Land Registry source, was estimated to be around £245,000.
- 4.24 To convert the property price into an income level it has been assumed that there will be a 20% discount and it has also been assumed that a household will have a 10% deposit. Whilst a deposit may potentially be an issue for a number of households, it is the case that Starter Homes will potentially be able to be bought in conjunction with other incentives (such as Help-to-Buy ISAs). Finally, it is assumed that a mortgage could be secured for four times the household income. This is slightly higher than the typical multiples used in such analysis (which often use 3 to 3.5 times income) but again reflects the fact that there is likely to be some keenness from Government to ensure that prospective households are able to access the finance they need. For the Help-to-Buy Scheme, the maximum income multiple is for instance 4.5.
- 4.25 Table 17 below therefore works through the calculations to determine what level of income might be required to be able to buy a Starter Home. The analysis shows that an income of about £44,100 would be needed (with a 20% discount, 10% deposit and 4 times income mortgage multiple).

**Table 17: Estimated income level required to access Starter Homes – Arun**

	20% discount
Open Market Value	£245,000
With discount	£196,000
Minus deposit (amount of mortgage)	£176,400
Income required	£44,100

Source: Derived from Land Registry data

- 4.26 It is worth briefly reflecting on the estimated level of income required to afford a Starter Home. The latest Valuation Office Agency data for private rental costs suggests in the year to March 2016 that the 'average' lower quartile property cost £565 per month to rent. On the basis of a 25% affordability threshold (i.e. the proportion of income to be spent on housing costs) this would equate to an annual income of £27,120<sup>2</sup>. This compares with the figure of £44,100 for Starter Homes derived above. This shows that Starter Homes are not 'affordable' in the traditional sense of the definition as those households able to afford a Starter Home will also be able in most cases to afford private rented housing. There may however be non-owners who can afford a Starter Home with the analysis below now seeking to look at the likely numbers.

### **Income levels**

- 4.27 The next step in the process is to consider income levels. The difficulty here is that we are wanting to focus on a very particular group of households (non-owners aged 23-39) about which specific data does not readily exist. However, it is considered that the majority of the target group will be households living in private rented accommodation and so some consideration of income levels in this sector will help to get an idea of our target group. Additionally, it is possible to look at HMRC data about the incomes of people in different age bands. The analysis of the incomes of the target group of households therefore essentially has two stages:
- How do income levels of each age group compare with the overall average?
  - How do income levels of those living in the private rented sector vary from other households?
- 4.28 Table 18 below shows average (median) income before tax for people aged both under and over 40 (the data is from the Survey of Personal Incomes 2013-14) for the whole of the Country but only includes taxpayers. This indicates that the income levels of people aged under 30 are lower than those of people aged over 40 but that people aged 30-39 typically have slightly above average incomes.
- 4.29 It should however be remembered that this is an imperfect analysis and in reality it is probable that income levels amongst older people are relatively higher (if for example there are other non-tax incomes such as from dividends). Additionally, the figures are for individual taxpayers rather than households (which is the category used for the affordability analysis); hence the figures in the last column should be given some weight although the actual income levels shown are of limited use.

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<sup>2</sup> Note: that 25% is at the very bottom end of what might be a reasonable range to use and is used herein for modelling purposes

**Table 18: Estimated income levels by age (United Kingdom)**

Age group	Median income (before tax)	% of all taxpayers
20-24	£15,200	69.4%
25-29	£20,200	92.2%
30-34	£24,000	109.6%
35-39	£26,100	119.2%
All ages (including 40 and over)	£21,900	-

Source: National Statistics -Distribution of median and mean income and tax by age range and gender

- 4.31 When looking specifically at households in the private rented sector we have looked at data from the English Housing Survey. In 2013-14 (the latest year for which data is available) this source shows an average (mean) income of £580 per week in the private rented sector, compared with £672 for all households – the private rented sector is therefore at about 86% of the overall average.
- 4.32 On the basis of this analysis, it is concluded for the purposes of modelling the incomes of the target group by age can be calculated by multiplying age specific differences in incomes by the typical proportion of all household income seen in the private rented sector. The table below shows estimated median incomes in Arun for the target group for Starter Homes by age; the figures shown are calculated as a proportion of the overall median income in the District which as of 2015 has been estimated to be £27,400 per annum.
- 4.33 The analysis suggests that younger households in the target group will have relatively low incomes, however by the time a household moves in to their 30s, income levels are similar to those seen across the whole District.

**Table 19: Estimated income levels by age for Starter homes target group – Arun**

Age group	Multiplier from all household income	Estimated median income
23-24	0.60	£16,436
25-29	0.80	£21,843
30-34	0.95	£25,952
35-39	1.03	£28,223

Source: Derived from a range of analysis (as described)

### Affordability

- 4.34 In taking this information forward, an income distribution has been constructed for each age group based on the distribution for all households. This is then applied to the income thresholds already derived to estimate the likely proportion of households in each age group who might be able to afford a starter home. This is shown in the table below and shows that only about 11% of households aged 23-24 would be expected to be able to afford a Starter Home. This figure rises to

28% when considering the 35-39 age group. This would suggest that **only the best off minority of households aged under 40 will be able to afford Starter Homes in Arun.**

- 4.35 These figures essentially include anyone with an income above the thresholds derived and analysis based on these figures should be considered as indicative; for example, some of the higher earners in this category would have the choice between Starter Homes and other owner-occupied products and may not choose the discounted new build option.

**Table 20: Affordability of Starter Homes by age band**

Age group	% able to afford Starter Home
23-24	10.8%
25-29	18.0%
30-34	24.5%
35-39	28.4%

Source: Derived from a range of analysis (as described)

### Bringing the Analysis Together – the Potential Need for Starter Homes

- 4.36 The analysis below brings together the analysis of the number of households in a target group for Starter Homes along with the affordability estimates. Analysis is provided separately for the current and future need and then brought together into a single annual estimate of the potential need for Starter Homes. The figures are initially presented as an annual figure for the period to 2031 (from 2015) – i.e. a 16-year period.

- 4.37 Table 21 below shows the estimated current need for Starter Homes; this is 514 households. Annualised, this represents 32 homes per annum over the period to 2031.

**Table 21: Estimated Current Need for Starter Homes**

	Size of target group	% able to afford	Number able to afford
23-24	105	10.8%	11
25-29	643	18.0%	115
30-34	800	24.5%	195
35-39	676	28.4%	192
TOTAL	2,223	-	514
Annualised	-	-	32

Source: Derived from a range of analysis (as described)

- 4.38 Table 22 shows a similar analysis for future newly forming households; this analysis indicates a potential need for around 33 Starter Homes each year.

**Table 22: Estimated Future Need for Starter Homes (per annum)**

	Size of target group	% able to afford	Number able to afford
23-24	18	10.8%	2
25-29	74	18.0%	13
30-34	43	24.5%	11
35-39	24	28.4%	7
TOTAL	160	-	33

Source: Derived from a range of analysis (as described)

- 4.39 The analysis can also be brought together (i.e. adding the current and future need) to provide an annual estimate of the likely need for Starter Homes. The Government's pledge is to deliver 200,000 Starter Homes out of a total of 1 million homes by 2020. Hence the analysis below also looks at meeting the current need over five years. The table below that over the next five years, the potential 'need' for Starter Homes is around 135 per annum, but this figure roughly halves if this 'need' is sought to be met by 2031 (the end of the plan period).

Scenario	Current need (pa)	Future need (pa)	Total need (pa)
2015-31	32	33	65
2015-20	103	33	135

Source: Derived from a range of analysis (as described)

- 4.40 Housing completions over the 2011-15 period totalled 2,158 dwellings. The net need over the 2015-31 period (based on 919 dpa) is therefore for 16,222 dwellings (1014 dpa). The starter home need relative to this would be equivalent to 6% of housing provision over the remainder of the plan period.
- 4.41 In the short-term to 2020, the residual requirement (using a Sedgfield method) would be for 6,113 total dwellings over the 2015-20 period taking account of completions since 2011. The Starter Homes need (135 pa x 5 = 675) represents 11% of this.
- 4.42 The detailed implementation of key aspects of the statutory framework for Starter Homes is to be set out in regulations made by the Secretary of State. Whilst the technical consultation on regulations undertaken in Spring 2016 indicated that Government was minded to set a clear percentage requirement for the number of starter homes required on new residential developments, there have since been a number of changes including a new Prime Minister and ministerial team. Regulations have not yet been released, and the timeframes for putting these in place appear to be slipping. GL Hearn understand that Government's housing priorities are changing, albeit that delivery of Starter Homes was a manifesto commitment. Against this context, we consider that Government could provide greater flexibility to local authorities in setting policies for Starter Homes.



- 4.43 The Council will evidently need to review policies as appropriate, but it may be that the local plan policy could be drafted flexibly to enable account to be taken of future national regulations in determining the requirement for starter homes within individual development schemes.
- 4.44 On balance, this analysis herein would suggest that there may be insufficient demand for 20% of housing to be provided as Starter Homes in Arun, given in particular the District's low earnings profile. Were national policy or regulations to afford a degree of flexibility in the proportion of homes to be provided within this tenure, then the Council will need to balancing the needs for more traditional forms of affordable housing and starter homes. This could well be through seeking a lower proportion of Starter Homes; such as up to 10% provision, recognising the needs evidence and reality that these households with the potential to afford such a product will already be able to meet their own needs in the housing market (through renting privately). We would however advise the Council to test provision of 10% and 20% Starter Homes within its updated residential development viability evidence.
- 4.45 Starter Homes will count as C3 housing and thus towards the delivery of the District's housing targets. Should Government amends the definition of affordable housing, as it has suggested it will, starter homes would also count towards affordable housing delivery.

## **5 OLDER PERSONS HOUSING NEEDS**

- 5.1 This section considers the need for specialist (supported) housing in Arun. The focus is on the needs of older person households and the ageing population. Planning Practice Guidance recognises the need to provide housing for older people as part of achieving a good mix of housing.
- 5.2 A key driver of change in the housing market over the next few years is expected to be the growth in the population of older persons. Indeed, as population projections show, the number of older people is expected to increase significantly over the next few years. In this section we draw on a range of sources including our population projections, 2011 Census information and data from POPPI (Projecting Older People Population Information).
- 5.3 The population of older persons is expected to rise. Many older households are equity rich and are able to exercise housing choice. Many will choose to remain in general housing stock which in some cases they may have lived in for many years. However if options are available, some households may choose to downsize, or move into specialist housing for older persons. For those towards the older end of the age spectrum, some may require specialist support. There is a general move way from residential institutions towards providing care support in someone's home through

adaptation and floating support, and models such as extra care. It is particularly important to provide a choice of housing options for older persons.

## Demographic Changes

- 5.4 28% of Arun's population is currently aged over 65: an above average proportion relative to the county, regional and national averages.

**Table 23: Older Person Population (2015)**

		Under 65	65-74	75-84	85+	Total	Total 65+
Arun	Popn	111,736	22,548	14,636	6,812	155,732	43,996
	% of popn	71.7%	14.5%	9.4%	4.4%	100.0%	28.3%
West Sussex	% of popn	77.7%	11.6%	7.3%	3.5%	100.0%	22.3%
South East	% of popn	81.2%	10.1%	6.0%	2.7%	100.0%	18.8%
England	% of popn	82.3%	9.6%	5.7%	2.4%	100.0%	17.7%

Source: ONS 2015 Mid-Year Population Estimates

- 5.5 The 2014-based SNNPP (rebased to take account of 2015 Mid-Year Estimates) shows that the population aged 65 and over expected to increase by 55% over the 20-years from 2011. This compares with overall population growth of 20% and an increase in the Under 65 population of just 8%. The projected growth in the population aged 65 and over is similar to that projected across the County, region and England.

**Table 24: Projected Change in Population of Older Persons (2011 to 2031)**

	Under 65	65-74	75-84	85+	Total	Total 65+
Arun	8.0%	43.8%	60.3%	76.9%	20.4%	55.0%
West Sussex	6.7%	49.1%	58.7%	83.0%	17.4%	57.9%
South East	7.1%	48.3%	62.7%	93.5%	16.2%	59.8%
England	6.8%	43.5%	56.8%	88.3%	14.6%	54.1%

Source: ONS subnational population projections (2014-based) and MYE

## Indicative Need for Specialist Housing

- 5.6 Given the ageing population and higher levels of disability and health problems amongst older people there is likely to be an increased requirement for specialist housing options moving forward. The analysis in this section draws on data from the Housing Learning and Information Network (Housing LIN) along with our demographic projections to provide an indication of the potential level of additional specialist housing that might be required for older people in the future.
- 5.7 Table 25 shows the current supply of specialist housing for older people. At present it is estimated that there are around 2,750 units. This is equivalent to 128 units per 1,000 people aged 75 and over.

The analysis shows a slightly higher proportion of the stock is in the market than the affordable sector (62% vs. 38%).

**Table 25: Current Supply of Specialist Housing for Older People (2015)**

Type of housing	Market	Affordable	Total	Supply per 1,000 aged 75+
<b>Sheltered</b>	1,647	960	2,607	121
<b>Extra-Care</b>	68	73	141	7
<b>Total</b>	1,715	1,033	2,748	128

Source: Housing LIN

5.8 A toolkit has been developed by Housing LIN, in association with the Elderly Accommodation Council and endorsed by the Department of Health, to identify potential demand for different types of specialist housing for older people and model future range of housing and care provision. It suggests that there should be around 170 units of specialised accommodation (other than registered care home places) per thousand people aged over 75 years.

5.9 The table below, Table 26, shows the change in the population aged 75 and over and what this would mean in terms of provision at 170 units per 1,000 population. The analysis shows a potential need for 2,257 specialist homes for older people – 113 per annum over the plan period. This would include sheltered and extra care housing. This need falls within a C3 use class, and would count towards delivery of the housing target based and the OAN of 18,360 dwellings (2011-31).

**Table 26: Projected need for Specialist Housing for Older People (2011-31)**

	Population aged 75+ (2011)	Population aged 75+ (2031)	Change in population aged 75+	Specialist housing need (@ 170 units per 1,000)
Arun	20,208	33,482	13,274	2,257

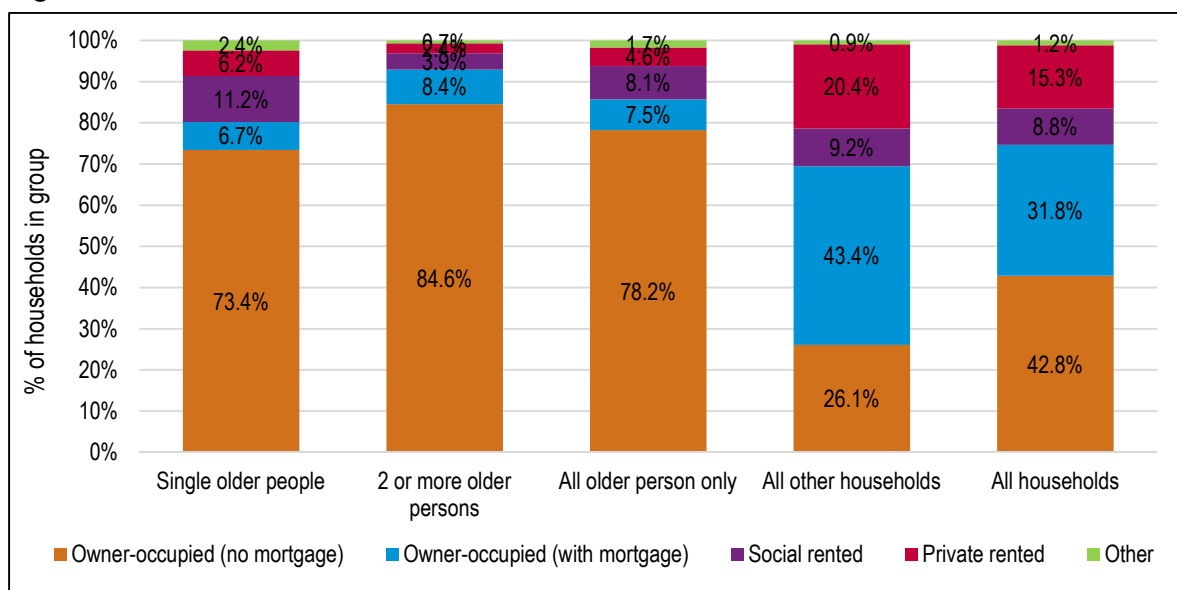
Source: Derived from demographic projections and Housing LIN

5.10 Figure 8 shows the tenure of older person households – the data has been split between single older person households and those with two or more older people (which will largely be couples). The data shows that older person households are relatively likely to live in outright owned accommodation (78%); the proportion of older person households living in the private rented sector is relatively low (5% compared with 15% of all households in the District).

5.11 There are however notable differences for different types of older person households with single older people having a much lower level of owner-occupation than larger older person households – this group also has a much higher proportion living in the social rented sector.

- 5.12 Given that the number of older people is expected to increase in the future and that the number of single person households is expected to increase this would suggest (if occupancy patterns remain the same) that there will be a notable demand for affordable housing from the ageing population. That said, the proportion of older person households who are outright owners (with significant equity) may mean that market solutions will also be required to meet their needs.

**Figure 8: Tenure of Older Person Households – Arun**



Source: 2011 Census

- 5.13 The analysis therefore shows that the current profile of older person households is significantly biased towards outright ownership, with the current supply also having a slightly higher proportion of market homes. Moving forward we would suggest that additional specialist housing should be split roughly 60:40 between the market and affordable sectors. This reflects the likely 'market' for specialist housing products as well as the current tenure profile of older person households (including the likely increase in the number of single person older households where levels of home ownership are slightly lower).
- 5.14 The analysis is not specific about the types of specialist housing that might be required; we would consider that decisions about mix should be taken at a local level taking account of specific needs and the current supply of different types of units available (for example noting that at present the dominant type of housing is traditional sheltered accommodation). There may also be the opportunity moving forward for different types of provision to be developed as well as the more traditional sheltered and Extra-Care housing.

- 5.15 Within the different models and assumptions made regarding the future need for specialist retirement housing (normally defined as a form of congregate housing<sup>3</sup> designed exclusively for older people which usually offers some form of communal space, community alarm service and access to support and care if required), there may for example be an option to substitute some of this specialist provision with a mix of one and two bedroomed housing aimed to attract 'early retired' older people which could be designated as age specific or not. Such housing could be part of the general mix of one and two bedroom homes but built to building regulations standards in order to attract retired older people looking to 'down size' but perhaps not wanting to live in specialist retirement housing.
- 5.16 Our experience when carrying out stakeholder work as part of other SHMA commissions typically identifies a demand for single floor living such as bungalows or accessible flats. Where developments include single floor living are found it is clear that these are very popular to older people downsizing. It should be acknowledged that providing significant numbers of bungalows involves cost implications for the developer given the typical plot size compared to floor space – however providing an element of single floor living should be given strong consideration on appropriate sites, allowing older households to downsize while freeing up family accommodation for younger households.

### Registered Care Accommodation

- 5.17 As well as the need for specialist housing for older people the analysis needs to consider the need for residential and nursing home bedspaces, which would fall within a C2 use class. At present (according to Housing LIN) there are around 2,320 spaces in nursing and residential care homes in Arun. Given new models of provision (including Extra-care housing) it may be the case that an increase in this number would not be required. There will however need to be a recognition that there may be some additional need for particular groups such as those requiring specialist nursing or for people with dementia.
- 5.18 As with the analysis of potential need for specialist accommodation, the analysis below considers changes to the number of people aged 75 and over who are expected to be living in some form of institutional housing.
- 5.19 Residents in care/ nursing homes are counted within the demographic modelling as part of an institutional population (alongside students in halls of residence, boarders, prison population etc.) as opposed to the household population which is used in the calculation of the OAN figures hereien.

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<sup>3</sup> a type of housing in which each individual or family has a private bedroom or living quarters but shares with other residents a common dining room, recreational room, or other facilities

- 5.20 The CLG Household Projections model assumes holds constant the institutional population of persons aged under 75 in the projections. However for those 75+ living in institutions, which will mainly comprise those in care/ nursing home accommodation, it holds the proportion of people living in institutions constant but allows the absolute numbers of persons in institutions to rise.
- 5.21 The growth in population aged over 75 in institutions is thus a direct output of the demographic modelling which indicates an increase of 991 people living in institutions over the 2011-31 period (50 per annum). This represents an assessment of need for C2 nursing/ care home bedspaces.
- 5.22 This need for 50 nursing/ care home bedspaces per annum is based on the institutional population and represents a need for C2 accommodation. It is separate from the household population which is used in the calculation on the OAN for housing of 18,380 dwellings.

**Table 27: Potential Need for Residential Care Housing**

	Institutional population aged 75+ (2011)	Institutional population aged 75+ (2031)	Change in institutional population aged 75+
Arun	2,433	3,424	991

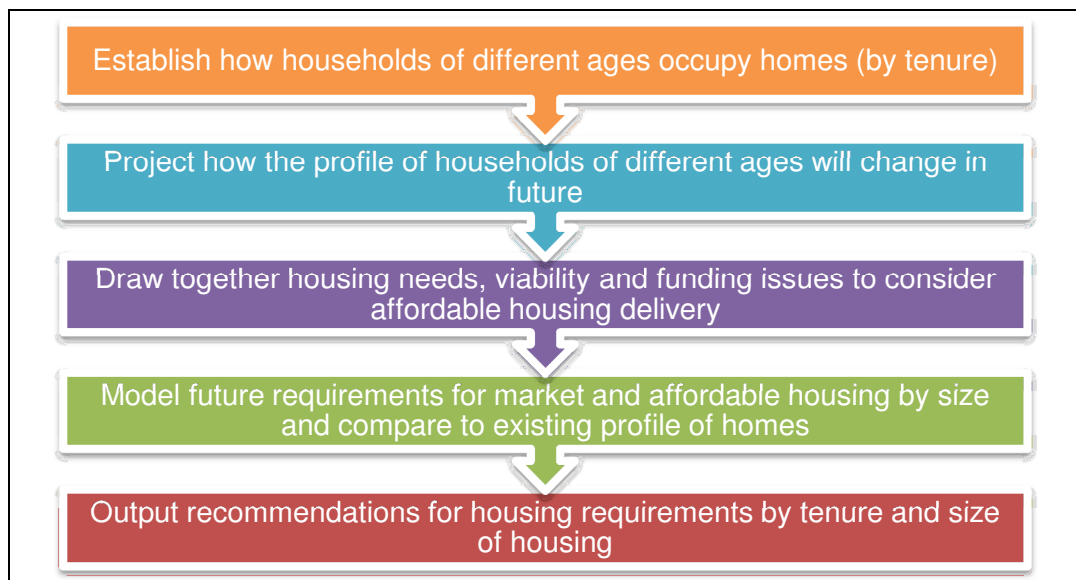
Source: Derived from demographic projections

- 5.23 It considering housing supply issues, it is important that if delivery of C2 nursing/ care home accommodation is to be counted towards the housing target, that the need for such accommodation is added onto the OAN in calculating that target. Alternatively the Council may choose to derive a housing target on the basis of the OAN figures which are for C3 dwellings; and on this basis should not normally count delivery of C2 nursing/ care home bedspaces towards the delivery of that target. Fundamentally if the Council intends to include C2 class uses in their assessment of 5-year housing land supply as it will be necessary to include figures on both the need and supply side of the equation.
- 5.24 However, an increase in residential care bedspaces which exceeds the identified need for C2 bedspaces (50 per annum) can be expected to release C3 housing, as residents move from the general dwelling stock to nursing/ care homes. Where this level of provision is exceeded (monitored on a cumulative basis over the plan period), the additional C2 nursing/ care home bedspaces could reasonably be counted towards the C3 housing provision target on the basis of the estimated supply of residential accommodation which it releases for other households. GL Hearn considers that it would be reasonable to assume an average of 1.5 persons per dwelling in terms of the stock released.

## 6 NEED FOR DIFFERENT SIZES OF HOMES

- 6.1 This section considers how the OAN figure of 18,380 dwellings over the 2011-31 plan period (919 dpa) splits down into a need for different sizes of homes. It considers the appropriate mix of housing (by size) in each of the market and affordable sectors.
- 6.2 It follows a consistent approach to that used within the 2013 Strategic Housing Market Assessment and subsequent updates. The methodology in previous studies for Arun looked at age/sex specific occupancy patterns and projected how these would change as the population profile of the area changes in the future. The methodology employed with regard to the latest population and household projections is identical to this and is summarised in the figure below.

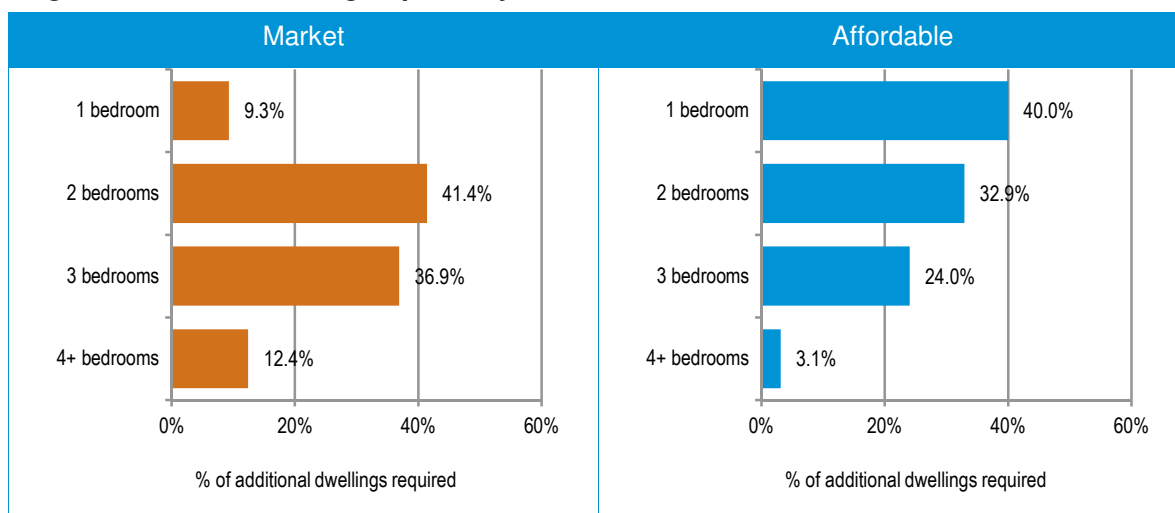
**Figure 9: Stages in the Housing Market Model**



### Market and Affordable Housing (broad sectors)

- 6.3 Figure 10 summarises the analysis undertaken in the two sectors. The analysis clearly shows that for affordable housing, the profile of homes needed is focused more strongly towards smaller properties; whereas in the market sector, demand for two- and three-bed properties predominate.
- 6.4 Compared with analysis previously carried out, this report is suggesting a profile slightly more skewed (over the plan period as a whole) towards homes with 3 or more bedrooms. This is the case in both the market and affordable sectors, and is driven by a slightly different age profile within the 2014-based projections compared with the 2012-based version.

**Figure 10: Size of housing required by broad tenure 2011 to 2031 – Arun**



Source: Housing Market Model

- 6.5 The Council's Housing Register shows that the majority of demand for affordable housing is for 1 and 2 bed properties with a similar profile of need to that shown in the modelling, albeit that specific figures invariable change over time. Over the last 5 years, the profile of need for different types of properties has shifted towards a need for smaller homes arising from single persons and smaller families.

### Intermediate Housing and Starter Homes

- 6.6 The analysis above has considered needs in each of the market and affordable sectors. In the affordable sector, the data is largely based on households within or projected to need rented accommodation (social/affordable rented housing). It is therefore useful to also consider what profile of dwellings might be appropriate in the intermediate sector; for the purposes of this analysis it is assumed that the size need for Starter Homes will be broadly the same as for Intermediate Housing (e.g. shared ownership products).
- 6.7 Unfortunately, similar data about occupancy patterns in the intermediate sector is not readily available and so it is not possible to undertake the same sort of analysis. In addition, with the intermediate sector in Arun being relatively small (less than 1% of households were living in shared ownership accommodation as of the 2011 Census) it is difficult to provide robust local data.
- 6.8 Hence to assess potential size requirements in the intermediate sector, an analysis has been carried out to look at the size of shared ownership homes sold over the past three years at a national level. It is assumed that the profile of sales will be broadly consistent with the need for such accommodation. This analysis draws on data from CoRe and shows that the majority of sales are of two-bedroom homes (over half) with virtually all of the remaining sales being of 1- and 3-bedroom



homes. GL Hearn would expect a similar profile of dwelling sizes needed for intermediate and starter homes in Arun. The Council's experience is that demand for larger 4+ bed properties for shared ownership is limited.

**Table 28: Past Sales of Shared Ownership Accommodation (England)**

	2012/13	2013/14	2014/15	Average
1-bedroom	19.5%	17.0%	17.5%	18.0%
2-bedrooms	54.2%	52.5%	52.4%	53.0%
3-bedrooms	24.4%	28.4%	28.4%	27.0%
4+ bedrooms	2.0%	2.1%	1.7%	1.9%
TOTAL	100.0%	100.0%	100.0%	100.0%

Source: CoRe

## Overall Conclusions

- 6.9 The data above can be brought together to form a view about a reasonable profile of housing by size in each tenure group. The analysis draws from the outputs of the modelling over the period to 2031 although in the affordable sector additional account is taken of issues around the demand for and turnover of one bedroom homes; as well as the limited stock and turnover of four-bedroom affordable homes and role which provision of larger stock can play in releasing properties for other households.
- 6.10 The table below therefore provides an indicative view of size requirements in each sector. The analysis clearly shows the different profiles in the different broad tenures with affordable (rented) need being more heavily skewed towards smaller dwellings and market housing predominantly homes with three or more dwellings – intermediate housing and Starter Homes fit in between these two profiles.

**Table 29: Suggested broad mix of housing by size and tenure – Arun**

	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms
Market	5-10%	40-45%	35-40%	10-15%
Intermediate/Starter Homes	15-20%	50-55%	25-30%	0-5%
Affordable Rented	35-40%	35-40%	15-20%	5-10%

Source: Housing Market Model and CoRe

## 7 OTHER MARKET SEGEMENTS

7.1 We have sought to consider in this section a number of wider market segments, namely:

- Private Rented Sector;
- Self- and Custom-Build Housing; and
- Student Housing Needs.

### Private Rented Sector

7.2 The Private Rented Sector has been a key growth sector in the housing market over the last 10-15 years. At a national level, the latest data from the English Housing Survey indicates that 19% of all households are private renters, with a rapid growth over the last decade seeing this rise from 11% to 19% (compared to a 1 percentage point increase over the previous decade). 70% of private renters nationally are aged under 45. Private renters have on average lived at their current address for four years.

7.3 Nationally 27% of private renters are one person households, 23% are couples with dependent children, and 13% lone parents with dependent children. It is clear that the sector accommodates a range of households: from single people, to couples and families.

7.4 Whilst delivery of Starter Homes may assist some younger households in moving into home ownership, it seems reasonable to expect some further growth in private renting. Funding constraints influencing the supply of social/ affordable rented housing will affect this; coupled with high relative costs of home ownership relative to local incomes.

7.5 Most private rented supply is currently provided by small landlords who rent individual or small numbers of properties. There has however been a growing interest from institutional investors in the sector, and are a number of new-build PRS schemes in different areas of the country (though currently no evident build-to-rent provision in Arun or surrounding districts). Whilst currently the Build-to-Rent market is small, it is one where there is evident growth potential. Some of the benefits of institutionally delivered and managed PRS supply include the on-going management of stock, as well as in some situations a range of facilities and services provided on-site.

7.6 GL Hearn considers that there is some potential for this sector to grow in the District, particularly through development in town centre locations. The viability of such development is however fundamentally different to a more traditional mixed tenure scheme (where the development receives 'receipts' from sales upfront) and this would need to be taken into account in negotiating Section 106 Agreements.

## Self- and Custom-Build Housing

- 7.1 *Laying the Foundations – a Housing Strategy for England 2010* sets out that only one in 10 new homes in Britain were custom built – a lower level than in other parts of Europe. It identifies barriers to self or custom-build development as including:
- A lack of land;
  - Limited finance and mortgage products;
  - Restrictive regulation; and
  - A lack of impartial information for potential custom home builders.
- 7.2 Government aspires to make self-build a 'mainstream housing option' by making funding available to support self-builders and by asking local authorities to champion the sector. Up to £30m of funding has been made available via the Custom Build programme administered by the HCA to provide short-term project finance to help unlock group custom build or self-build schemes. The fund can be used to cover eligible costs such as land acquisition, site preparation, infrastructure, S106 planning obligations etc.
- 7.3 Local authorities are now required to establish and maintain a register of those interested in building or commissioning their own home. This was introduced by the Self- and Custom Homebuilding Act 2015. Arun District Council has established a Self-Build Register in 2016, however as this is relatively newly-established this does not as yet provide comprehensive information on demand. Quantitative information regarding levels of demand for self-build is thus hard to come by.
- 7.4 The website BuildStore provides some information on current needs. It indicates that at the time of preparation of this report there were 180 persons registered on its Custom-Build Register as looking to build accommodation in Arun; and 451 active Plot Search subscribers across the District. This provides an indicative assessment of need for self/ custom-build development in the District. Further quantitative information will be provided by the Council's Self-Build Register in due course.
- 7.5 From a development point of view, key issues with this market are associated with skills and risk: whilst there may be a notable number of people with an 'interest' in self-build, there is in some circumstances a significant financial outlay, risk and time-cost associated with self-build.
- 7.6 GL Hearn would recommend that the Council considers a flexible policy which enables a level of provision for self / custom-build development to be negotiated through provision of plots on larger development sites in the district, based on the relevant information on need as revealed by the Council's Self-Build Register at the time of submission of planning applications.

## Student Housing Needs

- 7.7 Chichester University's Bognor Regis Campus currently accommodates 1,326 Full-time Equivalent (FTE) students, as at the 2015/16 Academic Year. It provides higher education in languages, teacher education and includes the university's business school. There are 230 student bedspaces on campus.
- 7.8 The University secured planning consent in June 2016 for expansion of the campus to deliver a new Engineering and Digital Park. Through discussions with the University, we understand that student numbers are expected to climb to 2,700 in 2024/5 (with potential for a second phase of development to result in further growth thereafter).
- 7.9 The University currently provides accommodation principally for first year students. The planning consent supports development of 289 additional bedspaces. Given the growth in student accommodation, it is expected that 1,085 additional students will live off-campus – including at home and in the private rented sector. On the basis of a typically three year course, and an assumption of some students living locally, it is reasonable to expect that 500-600 additional students might live in the Private Rented Sector, principally within the District and Chichester.
- 7.10 In respect of housing targets and monitoring, the demographic projections herein hold the institutional population in the District constant. They therefore do not assume that the number of bedspaces in student halls of residence increases; and students are assumed to reside within the household population. The implication of this is that delivery of new student accommodation can reasonably be counted in assessing housing delivery against the OAN for C3 dwellings (18,380 dwellings). GL Hearn would either consider that a student cluster flat could reasonably be considered as a proxy for a dwelling; or that the contribution of student accommodation development to the housing target could be counted on the basis of the an average of 5 bedspaces to one dwelling (consistent broadly to the assumed headship rate for those in typical student age groups).

## **Appendices**

**APPENDIX A:** Appendix heading 1

**APPENDIX B:** Appendix heading 2

**APPENDIX C:** Appendix heading 3