



Note to the Mid Sussex District Plan Examination

Our ref 15322/MS/MS
Date 7th December 2016
To Mid Sussex District Plan Examination
From Mid Sussex Developer Forum

Subject STATEMENT ON OAN, UNMET NEEDS, AND STRATEGY

1.0 **INTRODUCTION**

1.1 At the examination session on 1st December 2016, it was agreed that the broad agenda for the 'wrap-up' hearing session scheduled for 9th December should focus on the following matters, unresolved from the first three days of hearings:

- 1 OAN: including market signals, employment, and affordable housing;
- 2 Unmet Needs from Crawley; and
- 3 Future strategy for the plan, including a plan review mechanism to address unmet needs from, in particular, Brighton and Hove.

1.2 The Developer Forum has engaged with Mid Sussex District Council (MSDC) and supplied a draft of this note with Appendices on 5th December with the intention of seeking common ground. This has been achieved to some extent in respect of some factual matters on employment and affordable housing.

2.0 **OBJECTIVELY ASSESSED NEEDS**

2.1 Based on the hearings to date, the following position was established:

- 1 A 'policy off' approach is required in calculating OAN;
- 2 The starting point for OAN in Mid Sussex of 730 dpa is agreed;
- 3 An uplift over official projections is endorsed by NPPF and PPG;
- 4 The Inspector indicated that it was his preliminary view that MSDC's uplift of 24 dpa (based on an adjustment to headship rates) is unlikely to be an adequate response to problems of affordability; and
- 5 Further consideration was needed on other components of the OAN calculation (including market signals, the new employment forecasts tabled by MSDC, and affordable housing need) before it was possible to conclude on the overall OAN figure.

Market Signals

2.2 The Inspector indicated that more evidence-based justification was needed to support the Developer Forum's proposed 25% market signal uplift which had been based on a 'benchmarking' approach.

- 2.3 Attached at **Appendix A** is a paper produced by NLP that – having considered a range of alternative methodologies for establishing the scale of uplift in response to market signals - has demonstrated that the original 25% proposed is the minimum justified market signals uplift that, in line with the PPG, is “reasonable” and is an amount that “*on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability, and monitor the response of the market over the plan period*” (PPG ID: 2a-021).
- 2.4 If applied to the official projections (730 dpa) this means 913 dpa. If applied to projections adjusted for headship rates¹ this means 944 dpa.

Employment Forecasts

- 2.5 Attached at **Appendix B** is a paper produced by Barton Willmore. It considers the new Oxford Economics (OE) forecast (EP36a) tabled by MSDC which indicates 424 jpa (2014-2031) and concludes that:
- 1 For these forecasts to be accepted they would need to be presented as part of an economic evidence base, across the HMA/Functional Economic Area so that the full implications could be understood;
 - 2 Within the OAN exercise, any forecasts should be considered alongside past trends, which the OE dataset shows to be 514 jpa (1991-2014), and is agreed by MSDC;
 - 3 OE use projected population levels as an input to the forecasts, and these are not compatible with the agreed starting point for OAN (the 2014 SNPP) and are unlikely to be realistic;
 - 4 OE make adjustments to commuting flows which are not explained;
 - 5 In light of the above, Barton Willmore find that the OE forecasts – sitting in isolation – would not be consistent with the rest of the Plan’s evidence base and thus be in conflict with para 158 of the Framework;
 - 6 Notwithstanding, even if accepted, the OE figures (forecast and past trends) would , drawing on POPGROUP modelling, be associated with housing growth of between 832-893 dpa (424 jpa forecast) and 912-978 dpa (512 jpa past trends) (Source: See Table 1 at Appendix B); and
 - 7 The original jobs forecasts (drawn from EP35 and EP36) generate commensurately higher housing figures of 853 -1,101 dpa (see Appendix 2, page 9 of Developer Forum Matters Statement). However, there is a lack of clarity over which Experian job growth figures should have been applied in EP36 because BW and MSDC both appear to have confirmation from Experian that their respective figures are correct.
- 2.6 For points 6 and 7, all the input assumptions except household formation rates have been agreed with MSDC.

¹ As proposed by NLP in its estimate (see Developer Forum Matters Statement Appendix 3 Figure 4)

Affordable Housing

- 2.7 At the first day of the Hearings, there was a lack of agreement between the parties over how household formation and affordable housing supply commitments should be treated in the affordable housing needs assessment.
- 2.8 Having discussed with MSDC, the following is understood (see **Appendix C**):
- 1 The Council has updated a number of its data inputs to the affordable housing calculation, the most significant of which is to accept that 'New Household Formation (gross)' (Step 2.1 in the Affordable Housing Table – including at App 3 of **Appendix C**) should be a gross figure.
 - 2 However, there continues to be disagreement on the following:
 - Step 2.1 and the correct calculation for 'New Household Formation (gross)' based on annual gross household formation in the 16-44 age groups within the CLG 2014-based household projections. MSDC's approach arrives at a figure of 1,055 per annum (based on 15 years 2014-2029), whereas the Forum considers the correct figure is 1,209 per annum (based on five years 2014-2019) or 1,218 per annum (based on 15 years 2014-2029);
 - Step 3.3 and how to apply the figure for 'committed supply of new affordable housing' (which has gone up from 1,223 to 1,405 – a figure not in dispute). The disagreement continues to be whether this should be included (MSDC) or excluded (the Forum) from the calculation when it comes to considering affordable need as a likely proportion of total housing delivery given the probable percentage of affordable housing to be delivered by market housing-led developments. The Forum considers MSDC is double counting.

The Forum's position on both these points is explained at **Appendix C**.
 - 3 The Forum's concluded position is that MSDC's approach is not justified and does not comply with the PPG. The Forum calculates that affordable housing need is between 398 dpa (reasonable preference groups) to 507 (total waiting list) which means at its likely delivery as a proportion of mixed market and affordable housing developments (30%), some 1,327 to 1,690 dpa would be required to meet affordable needs in full.

Concluding on OAN

- 2.9 Having established the above, the output for each of the steps is as follows:

Table 1 Schedule of OAN inputs

Step	Input	Outputs
1	Demographic starting point i. Adjusted for headship rates	730 dpa 755 dpa
2	Market Signals Uplift of 25%	913 – 944 dpa
3	Employment Growth (EP36a) i. OE Forecasts (EP36a)	853 – 1,101 dpa 832 – 978 dpa
4	Affordable Housing Need (30% delivery)	1,327 – 1,690 dpa

2.10 In concluding on OAN, it is necessary to consider how far uplifts to the figure concluded upon through the demographic starting point and market signals, in response to employment growth and to address affordable housing need, in particular, are reasonable. In this regard, the original conclusions of Barton Willmore and NLP remain that a total OAN figure of 1,000 dpa is appropriate and justified, and could be reasonably expected to occur, it being a 1.6% stock growth figure which is similar to or below that seen in many other locations².

3.0 UNMET NEEDS FROM CRAWLEY

3.1 The Inspector indicated at the hearing that a starting assumption might be that Mid Sussex should accommodate no less than the 150 dwellings per annum (dpa) distributed to Horsham in its Plan.

3.2 The residual unmet need from Crawley's OAN is 184 dpa.

3.3 Crawley is bound to the north by Mole Valley, Reigate and Banstead and Tandridge. None of these are within the North West Sussex HMA. Each is predominantly Green Belt, particularly in the areas contiguous with Crawley.

3.4 The Reigate and Banstead Plan was adopted in 2013 with a housing requirement set below its OAN due to constraints. Mole Valley and Tandridge are yet to prepare their Local Plans, but both authorities will need to review their Green Belt in order to address housing need. Mole Valley's SHMA concludes it has an OAN of at least 391 dpa³ (2015-2035) compared to a build rate of 171dpa (2007-14). Tandridge has an OAN of 470 dpa⁴ (2013-2033) compared to a build rate of 254⁵ (2006-2016).

3.5 There is no basis for concluding that the three Surrey Local Authorities will be in a position to meet the unmet needs of Crawley.

3.6 Paragraph 47 of the Framework states that local planning authorities should "*use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area*". Given the established position of the adopted Horsham Plan, the full OAN for the HMA to be met by Mid Sussex is whatever figure is concluded for OAN in Mid Sussex (the Forum estimate is for 1,000 dpa) **plus** the 184 dpa from Crawley. Any concluded figure below this amount would not be consistent with the requirement of paragraph 182 of the Framework.

² See Developer Forum Matters Statement Appendix 3 Figure 4

³ Strategic Housing Market Assessment for Kingston Upon Thames and North East Surrey Authorities (2016)

⁴ The Objectively Assessed Housing Needs of Tandridge (2015)

⁵ Tandridge Housing Land Supply Statement (2016)

4.0

FUTURE STRATEGY INCLUDING REVIEW MECHANISM

4.1

Whether this OAN can be met in full will be determined by the application of paragraph 14 of the Framework and the further work needed on the SA, which MSDC will need to undertake. However, the Forum considers that there are no in-principle barriers to accommodation of the increase in the proposed housing requirement to a figure in excess of 1,100 through Main Modifications. This is because:

- 1 Numerous other local plans across the country have seen increases in the proposed housing requirement of this scale successfully put forward through Main Modifications during their examination process⁶;
- 2 Neighbourhood Plans will in any event need to be updated to reflect the new Plan and insofar as they need to allocate further sites to reflect its housing requirement, that is something they can and should do (as per para 184 of the Framework). The Plan should include clearer strategic policies to help ensure general conformity;
- 3 Forum members have interests in significant land holdings with as yet unallocated sites capable of delivering many thousands of additional dwellings as may be required. The Council could also issue a further call for sites. Further, the PPG (ID 3-011) states that “*Plan makers should not simply rely on sites that they have been informed about but actively identify sites through the desktop review process that may have a part to play in meeting the development needs of an area*”. The land and broad locations identified through this combined process should be appraised as part of its new SA. It could also choose to bring forward allocations for sites of under 500 units as part of Main Modifications; and
- 4 The Forum does not advocate a ‘stepped trajectory’, but given the five year housing land supply (5YHLS) obligations and the shortfall and 20% buffer, if – MSDC having identified all deliverable sites - there are residual concerns about the ability of the Plan to sustain a 5YHLS in the immediate term, given an increase in OAN, and the time it takes for new allocations to come forward, MSDC does have the option of pursuing a stepped trajectory⁷ which could be justified if it is proved necessary to enable the plan to both meet OAN and be ‘effective’.

4.2

Looking ahead, an immediate Plan review is required to address the unmet needs from other areas, notably (but not confined to) Brighton and Hove. The Forum has seen the suggested drafting put forward on behalf of Mayfield Market Town (See **Appendix D**) and agrees something along these lines would be a sensible way forward (albeit it needs to be accompanied by a clear mechanism for agreeing apportionment), provided that this Plan provides for Crawley’s unmet needs and thus meets full needs generated within the North West Sussex HMA as required by para 47 of the Framework.

⁶ Examples include Stratford-on-Avon (35%), South Derbyshire (37%), Ribble Valley (40%), Swale (44%), Bath and North East Somerset (48%), North Somerset (50%), Rother (54%), Cherwell (70%)

⁷ Examples elsewhere include Gravesham, West Northants, East Staffordshire and Birmingham

APPENDIX A:

NLP PAPER ON MARKET SIGNALS



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Subject MID SUSSEX MARKET SIGNALS UPLIFT

1.0 **INTRODUCTION**

- 1.1 There is no dispute between the Council and the Developer Forum that the housing need figure suggested by household projections should be adjusted to reflect market signals. There is a dispute as to the appropriate quantum of such an uplift.
- 1.2 At the examination session on 29th November 2016 the Inspector indicated that it was his preliminary view that the 24dpa uplift (equivalent to 3.2%) made by the Council to respond to 'market signals' within the OAN calculation was insufficient. Although an alternative uplift factor of 25% was put forward by the Developer Forum, the Inspector indicated that this required further justification.
- 1.3 It is clear from the PPG advice that the degree of uplift is a matter of judgement. Any uplift should be one that is made consistent with the requirements of the PPG as expressed in paragraphs ID2a-019 to ID2a-020 on market signals. The extent of increase in planned supply should be that, which on reasonable assumptions and consistent with the principles of sustainable development, could be expected to improve affordability.
- 1.4 This note provides further analytical evidence prepared on behalf of the Developer Forum which seeks to consider what is an appropriate scale of market signals uplift for Mid Sussex¹. This note was supplied in draft to the Council on the evening of 5th December, but no specific feedback on the approach has been received at the time of writing (11am 7th December).
- 1.5 This note contains a number of references and links to publically accessible documents as sources. Many of these are not currently before the Examination as Core Documents, but relevant extracts are quoted where applicable and all can be viewed online in full on the links provided. Should the Inspector or any other party wish for these to be submitted formally as core documents to the examination, we would be pleased to do so.

¹ It is not intended to review the market signals for Mid Sussex to explore whether an uplift is justified. That point is taken to have been accepted in the existing evidence before the examination.

2.0 THE PRINCIPLE OF MARKET SIGNALS UPLIFT TO IMPROVE AFFORDABILITY

- 2.1 The purpose of a market signals uplift is to ensure the government's housing aims (as expressed in the NPPF) are met and to ensure this is reflected in assessments of need by making *"upward adjustment to planned housing numbers compared to ones based solely on household projections"* (PPG ID2a-020) where market signals indicate such an adjustment is necessary. The principle of providing 'more' than 'unvarnished' household projections in England has long been established through successive assessments of the country's problems with lack of housing supply.
- 2.2 A literature review of these assessments is included at **Appendix 1**. They demonstrate, over a sustained period, a consensus over the need to increase supply above household projections to deliver improvements in housing affordability. This has continued to underpin successive Governments' approach to assessing housing need, including within the PPG. Across these reports, the evidence would suggest that - at the national level - an uplift of between **20.9% and 44.2%** above the number of homes implied by household projections alone would be necessary to deliver improvements in affordability.
- 2.3 Under the current planning system, achieving a national outcome for housing supply is the product of implementing a large number of individual local plans. As such it is fundamentally necessary to link any local strategies to the overarching national principles which are driving Government policy (i.e. 'think global, act local'). Each area will have its role to play in contributing towards the Government's aims; some more than others, based on their circumstances.
- 2.4 It is acknowledged that housing supply is but one factor influencing the affordability of housing (availability of credit and household incomes being two other key influencers), but the role of the planning system in increasing supply to achieve this is clearly an important lever available to government, and one that it seeks to apply through PPG-compliant assessments of OAN.
- 2.5 Whilst the above places the market signals uplift within the national context, how this overarching principle, is applied to local evidence in Mid Sussex is considered below.

3.0 HOW DO WE DEFINE AN IMPROVEMENT IN AFFORDABILITY?

- 3.1 The PPG states that the ratio between lower quartile house prices and the lower quartile income or earnings can be used to measure affordability and this is the metric around which we have focused our analysis in this paper. Although the PPG (ID: 2a-020) sets out that plan maker should *"increase planned supply by an amount that... could be expected to improve affordability"*, the reference case for that improvement is not stated.

- 3.2 The PPG (ID2a-003) requires that the assessment of need “*should be proportionate and does not require local councils to consider purely hypothetical future scenarios, only future scenarios that could be reasonably expected to occur.*”
- 3.3 In this regard, any improvement to affordability should be one that is reasonably expected to occur. Measuring improvements in affordability should make reference not only to *current* levels of affordability but also to any forecast *change* in affordability were housing supply to progress at a level consistent with official projections (i.e. 730 dwellings per annum). In this regard, evidence already before the examination shows that the Lower Quartile affordability ratio has worsened in recent years from just over 10 in 2013 (Doc MSDC2, para 2.2.6 bullet point 5) to 12.59 in Spring 2015 (Doc 1/14681, Appendix 8 – NLP Review of OAN, para 3.29).
- 3.4 The Office for Budget Responsibility (OBR) produces forecasts of both house prices and wages and analysis on the inter-relationship between the two factors². We present analysis later in this note (and at **Appendix 2**) which applies these assumptions to Mid Sussex; this forecasts that if housing supply increased in line to match household projections (i.e. at 730 dpa) plus an allowance for unmet needs at a total of 800 dpa, the affordability ratio would worsen to around 14.00.
- 3.5 On this basis, we consider that, at a minimum, any increase in planned supply (as required by the PPG³) should as a minimum be such as to stabilise, and preferably improve, the current affordability ratio in Mid Sussex (12.59). Even stabilising the affordability ratio at the current level would represent a better outcome than the reference case of continued worsening affordability in the District. This is a goal that was recognised by the NHPAU in its work and by the House of Lords Select Committee on Economic Affairs⁴ both of which we review in **Appendix 1**.
- 3.6 In light of the scale of uplift potentially now required across the country in order to redress the worsening affordability ratio, ‘success’ in the terms set out in the PPG of improving affordability might simply be seen as slowing the rate of deteriorating affordability and improving it relative to what it otherwise would have been were just the demographic projections provided for.

² ‘Working paper No.6: Forecasting house prices’ (July 2014) Office for Budgetary Responsibility, Toby Auterson (paragraph 3.12) - http://budgetresponsibility.org.uk/docs/dlm_uploads/WP06-final-v2.pdf

³ ID 2a- paragraph 20 3rd sub-paragraph

⁴ ‘Building more homes’ 1st Report of Session 2016–17 (15 July 2016) House of Lords Select Committee on Economic Affairs (HL Paper 20) - paragraphs 81 and 84
<http://www.publications.parliament.uk/pa/ld201617/ldselect/ldeconaf/20/20.pdf>

4.0 **AN EVIDENCE-BASED MARKET SIGNALS UPLIFT FOR MID SUSSEX**

4.1 There are numerous methodological approaches that can be adopted in seeking to quantify an appropriate market signals uplift for Mid Sussex based on local evidence of affordability and market signals in the District. The PPG does not set out a single definitive approach. Indeed, it suggests (ID: 2a-020) that the approach is one where – having established that an uplift is required:

- the adjustment should be one that is reasonable;
- The scale of adjustment should be related to the relative scale of affordability constraints and other indicators of high demand. The greater the improvement in affordability needed, the larger should be the additional supply response;
- Plan makers should not attempt to estimate the precise impact of an increase in housing supply;
- They should increase planned supply by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability;
- They should then monitor the response of the market over the plan period.

4.2 On a most simple basis, applying the scale of uplifts identified as required to address affordability at the national level of between 20.9% and 44.2% would indicate a housing supply requirement of between 883 and 1,053 dpa in Mid Sussex (based on the 730dpa starting point). Naturally, such an approach assumes other Local Plans would also make appropriate adjustments in their market signals⁵ and Mid Sussex Plan must assume the planning system will be operating in accordance with Government policy in this regard, rather than planning to fail based on perceived approaches in other authorities where the guidance may not have been applied rigorously.

4.3 However, it is also clear that we need to look at the circumstances of Mid Sussex in identifying an appropriate scale of uplift, given the greater problems of affordability in that district. We have therefore looked at a range of alternative approaches at the local level, and then draw these together to arrive at a conclusion as to the appropriate uplift.

1. Mid Sussex District Council MSDC1 position

4.4 Mid Sussex District Council, within MSDC1 (page 6), draws upon the findings of the University of Reading model to consider what scale of uplift may be required to improve affordability. Using a conclusion from RD20 that in the

⁵ Evidence later in this document (and at Appendix 3) suggests this is now taking place across many SHMAs.

South East a **50%** increase in private housing supply would improve affordability by approximately 12%, the Council indicated that:

“For Mid Sussex, increasing housing supply by 50% (i.e. a Plan provision of around 1,100-1,200dpa) would reduce the ratio of lower-quartile house price to earnings from 10.2 to 9”

- 4.5 Using the same approach, with the current lower quartile affordability ratio for Mid Sussex of 12.59 for 2015 (CLG Live Table 576), would indicate a 50% increase on the baseline of 730dpa to 1,095dpa would be sufficient to improve the lower quartile affordability to 11.1. Although the Council indicated in MSDC1 that a significant reduction in affordability ratio would “*have no material effect*”, the Council’s approach is not consistent with how other bodies have defined ‘success’ as summarised above in paragraphs 3.1-3.6 and in our review at Appendix 1, where “*stabilising*” affordability is seen as a legitimate policy goal.

2. OBR house price forecast and University of Reading model

- 4.6 The Office for Budget Responsibility (OBR) produced Working paper No.6 Forecasting house prices in July 2014⁶. The report identifies the following with regards to future average earnings growth and median house price growth (the components of an affordability ratio) in paragraph 3.12:
- “Using some long-run assumptions for real income growth (2.2 per cent a year, including growth in the number of households of 1 per cent a year) and housing supply (keeping pace with the number of households), and assuming the housing discount rate and wage share variable are stationary, the model predicts around 3.3 per cent real house price growth a year in steady state. In addition, assuming consumer price inflation in line with the Bank of England’s 2 per cent target implies 5.3 per cent a year nominal house price growth in steady state.”*
- 4.7 The University of Reading’s affordability model, as set out previously, found a high price elasticity (-2.0) in relation to increases in stock at regional level in England, implying in effect that for every 1% increase in supply, relative prices would be expected to fall by 2%.
- 4.8 Based on the analysis contained in the above two reports, affordability calculations undertaken by NLP for Mid Sussex District (See Appendix 2) would suggest that 1,070dpa are needed in order to maintain an affordability ratio of 12.59 by 2031, all other things being equal (including housing needs being met in surrounding areas). By comparison, provision of 800 dpa would, all other things being equal, lead to the lower quartile affordability ratio

⁶ ‘Working paper No.6: Forecasting house prices’ (July 2014) Office for Budgetary Responsibility, Toby Auterson - http://budgetresponsibility.org.uk/docs/dlm_uploads/WP06-final-v2.pdf

increasing to 14.08 by 2031. Delivery of 1,070dpa would represent an uplift of 46.6% above the baseline demographic starting point of 730dpa.

4.9 There has been some significant degree of economic change since July 2014. Updating the model to account for the OBR's November 2016 economic outlook⁷ would indicate average house price growth of 4.42% per annum and average wage growth of 3.54% per annum over the period to 2021 (the horizon of OBR's economic outlook). This is a narrowing between the two in comparison to OBR's 2014 paper. Applying this over the OBR's economic outlook horizon to 2021 would indicate 918dpa, or an uplift of **25.8%** would necessary to hold the affordability ratio constant at 12.59 over the period to 2021. Beyond this, the modelling using updated assumptions does suggest a need for an even greater percentage uplift to maintain the ratio between 2021 and 2031, but this could be monitored as part of a Plan review, in line with the PPG. Using this approach, self-evidently, reducing the ratio below 12.59 would necessitate an even greater scale of uplift.

4.10 Even then, it should be noted the above modelling assumes a price elasticity of -2.0 which could be seen as cautious. Recent research by Regeneris⁸ indicates that at a Local Authority level a price elasticity of -1.0 is more appropriate (1% increase in supply brings about 1% fall in price) and better reflects factors at the local authority level (paras 4.19-4.22). However, this would involve taking a different view to the OBR position.

3. Barker Review increase

4.11 The Barker Review used a baseline figure of 140,000 dwellings against which to measure its proposed increase on past supply in order to 'improve the housing market'. Its conclusion of an additional 120,000 dwellings per annum needed implied an increase in housebuilding of 85.7% over past supply levels. Whilst this has not been met at a national level in the period since (and has led to a much further worsening in affordability), it continues to provide a benchmark for how much Mid Sussex might need to improve supply against recent delivery to similarly bring about an improvement in the local housing market (assuming the scale of problem now is, at best, similar to the level it was in 2004).

4.12 Over the past 10 years (2006-2015), which has seen the affordability ratio increase from 10.57 to 12.59, Mid Sussex has delivered an average of 516 dwellings per annum. A Barker Review style 85.7% increase on this supply position would imply a need for 958dpa in order to improve the housing market.

⁷ Economic and fiscal outlook (November 2016) Office for Budgetary Responsibility - <http://cdn.budgetresponsibility.org.uk/Nov2016EFO.pdf>

⁸ Why supply matters: the elasticity of house prices at a local level (January 2016) Regeneris Consulting - <https://drive.google.com/file/d/0B3JZDh2pal1PaVJncno2dU92Tk0/view>

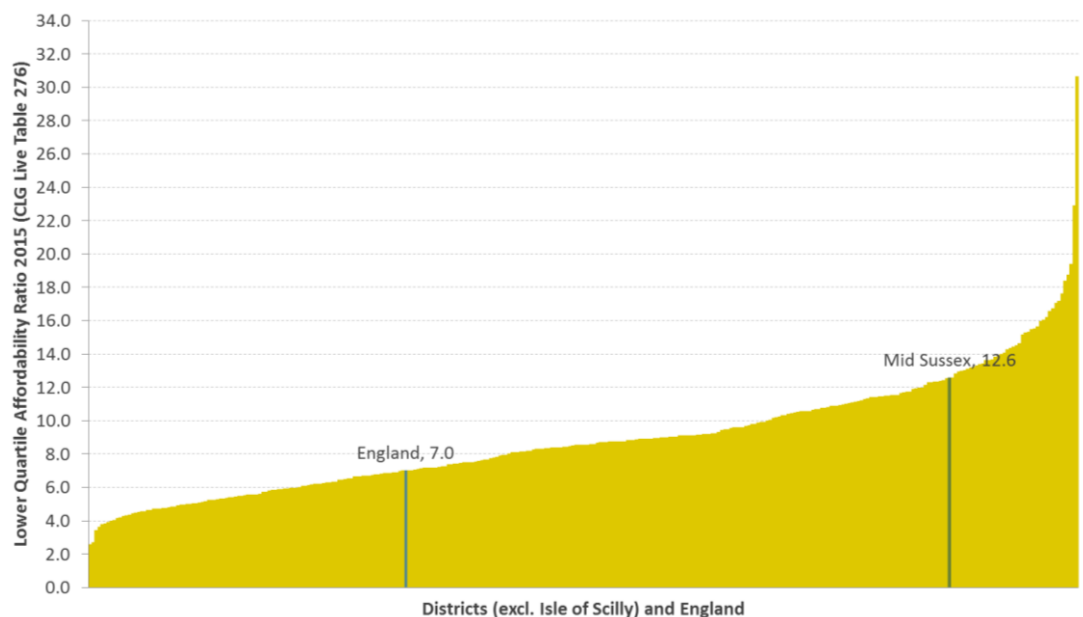
This would be equivalent to a market signals uplift of **31.2%** on the demographic starting point.

4. Mid Sussex weighted apportionment of national needs

4.13

Mid Sussex is relatively worse in respect of affordability than the national equivalent, with a lower quartile affordability ratio of 12.6 compared with 7.0 nationally. All other things being equal, to improve affordability across the Country, Mid Sussex would need to make a proportionately greater uplift than those where affordability issues are less acute. If we accept the national position set out above - that the minimum national level of delivery required is c.250,000 dpa (e.g. as in the July 2016 House of Lords Select Committee report – see paragraph 81) - then this would imply a 35,000 dwelling uplift above the most recent 2014-based household projections. We can then consider how this required uplift should be shared between 320+ Local Planning Authorities across the country in order to seek to hold the affordability ratio (at least at a national level) constant. In doing so, we broadly adopt a localised version of the approach adopted by the NHPAU as summarised in Appendix 1.

Figure 1 Distribution of LQ Affordability Ratios 2015



Source: CLG Live Table

4.14

We have modelled three alternative scenarios for market signals uplifts across the country, with outcomes as follows:

- a Each district with an affordability ratio above the national ratio makes a market signals uplift in proportion to its difference with the national figure – this would see Mid Sussex address 0.71% of the overall 35,000

dwelling uplift, equating to 249 dpa and a 34.1% uplift on the starting point;

- b Each district with an affordability ratio above the national ratio makes a market signals uplift in proportion to its difference with the national figure (weighted 50%) and its projected household growth (weighted 50%) – this would see Mid Sussex address 208 dpa of the overall amount (0.59%), equating to a 28.5% uplift; and
- c Every district (whether above or below the national ratio) makes a market signals uplift in proportion to its difference with the lowest affordability ratio, Copeland at 2.6, (weighted 50%) and its projected household growth (weighted 50%) – this would see Mid Sussex address 163 dpa of the overall amount (0.47%), equating to a 22.3% uplift.

4.15 Given a) is simply weighted by the affordability ratio, and takes no account of the baseline scale of growth anticipated in the district, it is considered that using the approach indicated at b) and c) would better reflect the scale of uplift that when adopted in LPAs across the country, could provide sufficient housing to hold the affordability ratio steady in each location. This would suggest an uplift of between **22.3%** and **28.5%** for Mid Sussex.

5. Benchmarking stock increases

4.16 The Savills research on market capacity contained at Appendix 3 to the Developer Forum's hearing statement provides analysis looking at the proportional stock increases in Mid Sussex in comparison to a range of other comparator Districts. It is notable that Mid Sussex, with completions at around 1% of stock annually (Figure 4), is below a number of other areas which experience lower affordability pressures.

4.17 Areas including, East Cambridgeshire, South Cambridgeshire, Milton Keynes, West Oxfordshire, Kettering, East Northants and Tonbridge and Malling have all delivered new housing at a rate of about 1.5% of stock per annum (in some cases, more), and see lower affordability ratios (Figure 9) and similar or lower house price growth (Figure 8). On a comparative basis, this analysis demonstrates that, all else being equal, a greater growth rate in housing stock will help to moderate affordability pressures.

4.18 If Mid Sussex were to increase rates of delivery to 1.5% of stock per annum, this would be equivalent to a delivery rate of 919dpa (1.5% of 2015 dwelling stock of 61,620 as per CLG Live Table 100). 919dpa represents an uplift **25.9%** on the starting point of 730dpa and could be seen to be a level of stock increase which could reasonably be expected to moderate increases in affordability to levels seen in those more affordable comparator locations where housing stock has been growing at such a rate.

6. Benchmarking market signal uplifts elsewhere

4.19 The Forum continues to consider, as set out in our hearing statement, that benchmarking Mid Sussex against market signal uplifts elsewhere in the Country is a relevant and helpful indicator of the scale of market signals uplift considered reasonable against the PPG. At Appendix 3 we set out a table of where Market Signal uplifts are being applied either through current SHMAs or in Inspector's findings on Local Plans. Whilst the position is varied, it does on a general basis confirm two principles:

- 1 that such percentage rate adjustments are being applied in numerous authorities across the Country reflecting the guidance in the PPG; and
- 2 that broadly the more acute the affordability problem (as indicated by the affordability ratio) the greater the adjustment that SHMA consultants, Councils and Inspectors are applying.

4.20 On a linear extrapolation of these uplifts, Mid Sussex at a lower quartile affordability ratio of 12.59 would correspond with a market signals uplift of between 20% and 25% (see graph at Appendix 3).

4.21 The questions raised in respect of the analysis in the NLP OAN report (page 46 of Appendix 8 in hearing statement 1/14681 on behalf of Wates) which benchmarks Mid Sussex against Eastleigh (10%) and Canterbury (20%) are noted. However, whilst there may be differences in terms of the planning and housing market contexts, Mid Sussex is - in the case of Eastleigh - not a dissimilar area in terms of socio-demographics with ONS placing both within the '7a1-Prosperous Country' sub-group area classifications, meaning ONS do class them as "*statistical neighbours*".⁹ Canterbury does fall into a separate group classification, falling under a Coastal and Heritage grouping, however, all three Districts do comprise of several towns surrounded by a wider rural hinterland.

4.22 Under this approach, the Developer Forum's judgement was that a **25%** uplift for Mid Sussex would be the most appropriate response to market signals in the District.

7. Rate of development (backlog) comparator

4.23 Actual supply in Mid Sussex has fallen below planned supply as indicated by the housing requirement contained within the South East Plan. Table 7.1 of the Forum's hearing statement sets out the relevant provision, with the cumulative

⁹ ONS 2011 Area Classifications - <http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/guide-method/geography/products/area-classifications/ns-area-classifications/ns-2011-area-classifications/maps/subgroup.pdf>

undersupply between 2006 and 2014 either 3,127 based on the Council's assessment or 3,182 based on the Forum's.

4.24 The PPG¹⁰ states in respect of the rate of development indicator that *“future supply should be increased to reflect the likelihood of under-delivery of a plan.”*

4.25 The PPG is concerned with instances when in the past, fewer homes have been built than planned for, with the commensurate response that future supply should be increased to reflect the likelihood of under delivery. Such an uplift would ensure that, at a minimum, the starting-point household projections would be met by housing delivery. In Mid Sussex, delivery has been at only 53% of planned supply; a shortfall of 47% (Developer's Forum hearing statement para 7.2). Uplifting the starting point of 730dpa by **47%** would lead to an overall figure of 1,073dpa to reflect the likely under-delivery of a plan.

5.0 **Summary & Conclusion**

5.1 Bringing the range of techniques and evidence together, Table 1 illustrates the range of potential 'market signals' applicable based on national and locally specific evidence. The median estimate of uplift across all the approaches is **25.8%**, and there is a clear clustering of uplifts around 25%, with seven of the twelve approaches pointing towards that level of market signals uplift as the minimum necessary to improve affordability in Mid Sussex.

5.2 In particular, our affordability modelling specifically for Mid Sussex, based on OBR assumptions, suggests that delivery of the housing requirement at 800dpa will be associated with a further deterioration in the lower quartile affordability ratio from 12.59 to between 13.59 and 14.00 over the plan period. Against that reference case, it is considered that a market signals uplift would need to be one that delivers dwellings well above 800dpa, in order to deliver an improvement affordability over the plan period. In simple terms, an increase of substantially in excess of 25% would be needed to reduce the house price to earnings affordability ratio below its current level. It should, therefore, be viewed as a minimum.

¹⁰ ID 2a- 19 sub-paragraph 5

Table 1 Synthesis of Market Signals Analysis

Approach/Source	Uplift & MSDC Supply Figure	
	Uplift to baseline 730dpa (%)	Implied supply (dpa)
National Based		
Barker Review increase on households	20.9%	883
NHPAU Supply Range	25.6%	917
Bramley & Watkins	25%	913
House of Lords Select Committee	39.5%	1,018
Redfern Review	44.2%	1,053
Local Based		
MSDC1 approach (based on RD20)	50%	1,095
OBR based affordability modelling	25.8%	918
Barker Review increase on past supply	31.2%	958
Weighted apportionment of national uplift	22.3%-28.5%	893-938
Benchmarking stock increases	25.9%	919
Benchmarking market signal uplifts	25%	913
Rate of development comparator	47.0%	1,073

- 5.3 Based on the above, it continues to be the Developer Forum's judgement and conclusion that the uplift for market signals is fully justified at **25%** and that, based on the evidence, that would be the minimum level that is commensurate with stabilising the affordability ratio at the current level and delivering improvements over the reference case of a worsening lower quartile affordability ratio towards 14.00.
- 5.4 The Developer Forum continue to consider that the uplift for market signals should be seen as a separate, and in addition to, the specific adjustment for suppressed household formation amongst younger age groups; they are contained in separate stages of the PPG OAN calculation and are required for two distinct functions:
- The demographic adjustment ensures demand and the correct demographic-led need is properly identified;
 - The market signal uplift ensures that supply is boosted over and above this to improve affordability.
- 5.5 As such – notwithstanding Table 1 above which calculates results of the different uplifts with reference to the 730 dpa agreed starting point – it is necessary to continue to add on the 24dpa (equivalent to an additional 3.3% uplift to the official projections) to the 730 dpa figure before then making the market signals adjustment to arrive at a robust estimate of full OAN for Mid Sussex alongside consideration of employment growth and affordable housing needs.

Appendix 1: The Evidential Basis for Market Signals Uplifts to Improve Affordability

Barker Review

- 1 The Barker Review of Housing Supply¹¹ was a seminal report that continues to influence government policy. Published in 2004 and using a baseline figure of 140,000 private sector dwelling starts in 2002-03, the report concluded that to reduce the long term price trend from 2.7% per annum seen prior to 2004, to the 1.1% per annum seen as an average across the EU, would require an increase of 120,000 additional private homes per annum, totalling 260,000 per annum to 2026, alongside an increased provision of social sector housing. The Barker Review concluded that such a level would be necessary for *“improving the housing market”* and ensure that *“affordability is increasingly improved over time”* (paras 1.39 and 1.40).
- 2 In making such a recommendation, the Review acknowledged that this was in excess of projected rates of household formation (at that point estimated at 179,000 per annum). Even today, with household projections in England at around 210,000 households per annum¹² and equating to around 215,000 dwellings per annum (incorporating a notional 2.5% vacancy rate), the 260,000 dwellings per annum concluded within the Barker Review as necessary to increasingly improve affordability would represent a national average uplift of **20.9%** above the demographic projection.
- 3 Flowing from the Barker Review, Government commissioned the development of an Affordability model by Reading University, designed to relate affordability to housing supply in the medium to long term. The key findings from the 2007 version of the model was that the elasticity of house prices with respect to housing stock is found to be relatively high, at -2.0 i.e. a 1% increase in stock at the regional level leads to a 2% fall in house prices, everything else being equal (RD20, page 32). This has informed much subsequent work by Government.

National Housing & Planning Advice Unit (NHPAU)

- 4 The NHPAU was founded by Government as direct response to the recommendations of the Barker Review. In October 2007, it published work entitled ‘Developing a target range for the supply of new homes

¹¹ ‘Review of Housing Supply, Delivering Stability: Securing our Future Housing Needs’ (March 2004), Kate Barker - http://news.bbc.co.uk/nol/shared/bsp/hi/pdfs/17_03_04_barker_review.pdf

¹² CLG 2014-based household projections

across England'¹³ flowing from analytical modelling (using the Reading University model) on the impact of the Government's housing supply target for housing affordability prospects over the medium and long-term. Its conclusion was that a supply range from a minimum of 240,000 dpa (the Government's annual target at that point) and a high 280,000 dpa should be tested (Table 18), going on to identify (para 4.68):

- 5 "NHPAU believes that there is a realistic possibility of stabilising the affordability of market housing over the long-term if a supply target for 270,000 net additions to stock, in the right place and of the right type can be adopted through the planning system for delivery before or by 2016."
- 6 At 270,000 dwellings per annum, this would represent a national average **25.6%** uplift above the bare demographic projection of the 2014-based household projections.
- 7 Crucially, the NHPAU concluded that if stabilising affordability in each region is the goal, then the most efficient way to achieve that is to proportionately increase supply in the areas where affordability is most severe. Thus it focussed 80% of its uplifts (over the then RSS targets) across the South East, the South West and the East of England.

Bramley & Watkins

- 8 Academic research by Bramley & Watkins¹⁴ has looked at the potential for modelling housing markets at a local level to inform planning decisions. One aspect it considers is affordability impacts of supply changes at the sub-regional level. It includes modelled scenarios that conclude "*very high*" increases in supply (over other elements within the model) across the South East, defined as 35%, can deliver notable improvements to affordability, including some improvement to affordability in London. This implies that high uplifts just short of **35%**, such as around **25%** in high value areas surrounding London, would be sufficient to address affordability at a local level (i.e. without spill-over benefits to surrounding areas).

¹³ 'Developing a target range for the supply of new homes across England' (October 2007), NHPAU - <http://webarchive.nationalarchives.gov.uk/20120919132719/http://www.communities.gov.uk/document/s/housing/pdf/523984.pdf>

¹⁴ 'Housebuilding, demographic change and affordability as outcomes of local planning decisions; exploring interactions using a sub-regional model of housing markets in England' (2 October 2014) Bramley & Watkins, Heriott Watt University (Published in Progress in Planning 2015) - [https://pureapps2.hw.ac.uk/portal/en/publications/housebuilding-demographic-change-and-affordability-as-outcomes-of-local-planning-decisions\(23dfd394-4dc7-406d-ad05-3ee18fdd8497\).html](https://pureapps2.hw.ac.uk/portal/en/publications/housebuilding-demographic-change-and-affordability-as-outcomes-of-local-planning-decisions(23dfd394-4dc7-406d-ad05-3ee18fdd8497).html)

- 9 Interestingly, this methodological approach is applied by the Bramley to a review of the Bristol Area SHMA for Business West¹⁵. It concludes that an uplift of 50-60% is appropriate compared to 7.5% suggested by the SHMA.

House of Lords Select Committee on Economic Affairs

- 10 In July 2016, the House of Lords Select Committee on Economic Affairs published their report '*Building More Homes*'¹⁶ which was the output of the House of Lords' inquiry into the housing market. It reflects on past failure to build sufficient numbers of homes, highlighting how supply has substantially undershot the recommended amounts within the Barker Review. It also draws upon evidence provided to the inquiry by HM Treasury (HMT) which indicated (para 81) that "*The modelling suggests that in order to keep the house prices to earnings ratio constant, somewhere between 250,000 and 300,000 homes per year need to be built.*" albeit the report goes on to note (footnote 91) that "*Due to low interest rates building 250,000–300,000 homes above may now be insufficient to keep the price: earnings ratio constant*"
- 11 Ultimately based on the evidence brought to the inquiry, the select committee concluded that:
- "To address the housing crisis at least 300,000 new homes are needed annually for the foreseeable future."*
- 12 At 300,000 dwellings per annum, this represents a **39.5%** uplift on the 2014-based household projection equivalent, and although at the upper end of the range identified by HMT, the qualification within the report suggests it would be the figure necessary to keep the affordability ratio constant.

Redfern Review

- 13 The Redfern Review¹⁷ was an independent review of the causes of falling home ownership, and associated housing market challenges. Published in November 2016, it was informed by a housing market model and built by Oxford Economics which looked at the impacts of different supply assumptions on prices and home ownership. The review ultimately concludes (para 33):

¹⁵ Business West: Wider Bristol Housing Market Area Strategic Housing Assessment 2015: Commentary by Bramley <http://initiativewest.co.uk/content/uploads/2015/12/Final-Bramley-WoE-SHMA-critique-30Nov2015.pdf>

¹⁶ 'Building more homes' 1st Report of Session 2016–17 (15 July 2016) House of Lords Select Committee on Economic Affairs (HL Paper 20) - <http://www.publications.parliament.uk/pa/ld201617/ldselect/ldeconaf/20/20.pdf>

¹⁷ 'The Redfern Review into the decline of home ownership' (16 November 2016) - http://www.redfernreview.org/wp-content/uploads/2016/01/TW082_RR_online_PDF.pdf

“...looking forward, if the number of households in the UK were to grow at around 200,000 per year, new supply of 300,000 dwellings per year over a decade would be expected to cut house price inflation by around 5 percentage points (0.5 percentage points a year)... In other words boosting housing supply will have a material impact on house prices, but only if sustained over a long period.”

- 14 The accompanying report by Oxford Economics¹⁸ identifies that *“To put downward pressure on prices new supply would need to outstrip underlying household formation”*. It actually models a boost in housing supply of 100,000 above their baseline forecast of 210,000 dwellings per annum, concluding that 310,000 dpa *“helps to keep prices in check”* up to 2026, albeit still rising marginally. Although no corresponding analysis is presented on the affordability ratio (i.e. accounting for changes in income over that period), the adoption of 310,000dpa as a figure to keep prices in check would represent a **44.2%** uplift over the demographic baseline suggested by the 2014-based projections. A lower percentage would be sufficient to hold affordability constant if household incomes increased in a corresponding manner.

¹⁸ ‘Forecasting UK house prices and home ownership’ (November 2016) Oxford Economics - <http://www.redfernreview.org/wp-content/uploads/2016/11/20161114-Redfern-Review-modelling-paper.pdf>

Appendix 2 – OBR based Affordability Forecasting

OBR 2014-based forecast assumptions

Affordability Calculator																	
Local Authority	Mid Sussex																
Inflation (1.00 If none)																	
Earnings Rate of increase (proportional) (Source: OBR)	1.022																
Housing Price Rate of increase (proportional) (Source: OBR)	1.033																
Change in ratio if 1.0% household growth needs met, i.e. 1.1% housing growth																	
LQ Earnings		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
		£19,452	£19,880	£20,317	£20,764	£21,221	£21,688	£22,165	£22,653	£23,151	£23,661	£24,181	£24,713	£25,257	£25,812	£26,380	£26,960
LQ House Price		£245,000	£253,085	£261,437	£270,064	£278,976	£288,183	£297,693	£307,516	£317,664	£328,147	£338,976	£350,162	£361,718	£373,655	£385,985	£398,723
LQ Ratio		12.59	12.73	12.87	13.01	13.15	13.29	13.43	13.58	13.72	13.87	14.02	14.17	14.32	14.48	14.63	14.79
Number of houses		61,290	61,903	62,522	63,147	63,779	64,416	65,061	65,711	66,368	67,032	67,702	68,379	69,063	69,754	70,451	71,156
			1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Affordability Calculator																	
Local Authority	Mid Sussex																
Inflation (1.00% none)			Implicit growth in OBR Model														
Earnings Rate of increase (proportional) (Source: OBR)		1.022	The OBR model is based on an embedded assumption that household growth of 1.0% per annum will occur (and that this housing will be delivered to meet that need). Therefore, any 'increase' in supply in the model, for considering the University of Readings price elasticity (-2.0), is measured against this implicit growth in the OBR model.														
Housing Price Rate of increase (proportional) (Source: OBR)		1.033															
Change in ratio if 1.0% household growth needs met, i.e. 1.1% housing growth																	
LQ Earnings	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	£19,452	£19,880	£20,317	£20,764	£21,221	£21,688	£22,165	£22,653	£23,151	£23,661	£24,181	£24,713	£25,257	£25,812	£26,380	£26,960	£27,553
LQ House Price	£245,000	£253,085	£261,437	£270,064	£278,976	£288,183	£297,693	£307,516	£317,664	£328,147	£338,976	£350,162	£361,718	£373,655	£385,985	£398,723	£411,880
LQ Ratio	12.59	12.73	12.87	13.01	13.15	13.29	13.43	13.58	13.72	13.87	14.02	14.17	14.32	14.48	14.63	14.79	14.95
Number of houses	61,290	61,903	62,522	63,147	63,779	64,416	65,061	65,711	66,368	67,032	67,702	68,379	69,063	69,754	70,451	71,156	71,867
		1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
TOTAL annual dwelling increase		1,070	Against 1.1% growth														
No Houses	61,290	62,360	63,430	64,500	65,570	66,640	67,710	68,780	69,850	70,920	71,990	73,060	74,130	75,200	76,270	77,340	78,410
Supply Change above underlying assumptions		0.75%	0.72%	0.69%	0.66%	0.63%	0.61%	0.58%	0.56%	0.53%	0.51%	0.49%	0.46%	0.44%	0.42%	0.40%	0.38%
Price Change		-1.49%	-1.43%	-1.37%	-1.32%	-1.26%	-1.21%	-1.16%	-1.11%	-1.06%	-1.02%	-0.97%	-0.93%	-0.89%	-0.85%	-0.81%	-0.77%
House Prices (accounting inflation, for Rate of increase and rate of reduction)	£245,000	£249,431	£254,091	£258,985	£264,119	£269,497	£275,126	£281,012	£287,162	£293,584	£300,285	£307,274	£314,559	£322,150	£330,056	£338,289	£346,857
New Ratio	12.59	12.55	12.51	12.47	12.45	12.43	12.41	12.41	12.40	12.41	12.42	12.43	12.45	12.48	12.51	12.55	12.59

OBR November 2016 Economic Outlook forecast assumptions (OBR forecast is to 2021, but proportional change held constant thereafter)

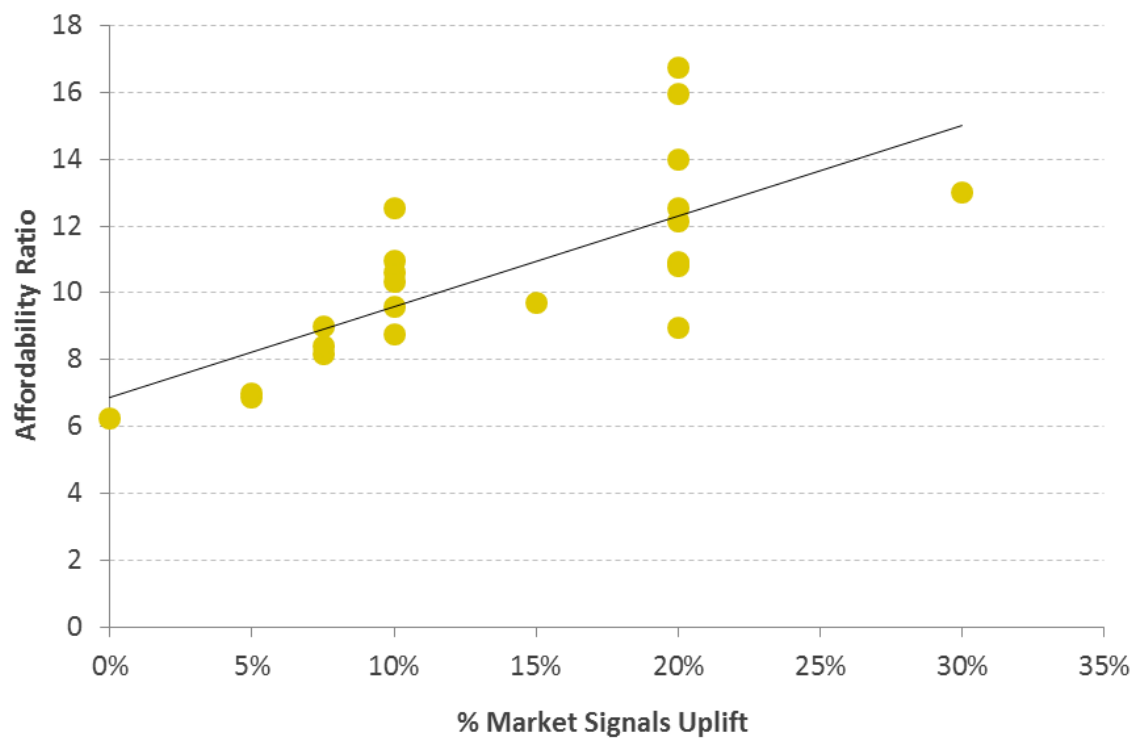
Affordability Calculator																			
Local Authority	Mid Sussex																		
Inflation (1.00 if none)	1	Implicit growth in OBR Model																	
Earnings Rate of increase (proportional) (Source: OBR)	1.0354	The OBR model is based on an embedded assumption that household growth of 1.0% per annum will occur (and that this housing will be delivered to meet that need). Therefore, any 'increase' in supply in the model, for considering the University of Readings price elasticity (-2.0), is measured against this implicit growth in the OBR model.																	
Housing Price Rate of increase (proportional) (Source: OBR)	1.0442																		
Change in ratio if 1.0% household growth needs met, i.e. 1.1% housing growth		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	
LQ Earnings		£19,452	£20,141	£20,854	£21,592	£22,356	£23,148	£23,967	£24,816	£25,694	£26,604	£27,545	£28,521	£29,530	£30,576	£31,657.92	£32,778.61	£33,938.97	
LQ House Price		£245,000	£255,829	£267,137	£278,944	£291,273	£304,148	£317,591	£331,629	£346,287	£361,592	£377,575	£394,264	£411,690	£429,887	£448,888	£468,729	£489,446	
LQ Ratio		12.59	12.70	12.81	12.92	13.03	13.14	13.25	13.36	13.48	13.59	13.71	13.82	13.94	14.06	14.18	14.30	14.42	
Number of houses		61,290	61,903	62,522	63,147	63,779	64,416	65,061	65,711	66,368	67,032	67,702	68,379	69,063	69,754	70,451	71,156	71,867	
			1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	
TOTAL annual dwelling increase		800	Against 1.1% growth 139																
No Houses		61,290	62,090	62,890	63,690	64,490	65,290	66,090	66,890	67,690	68,490	69,290	70,090	70,890	71,690	72,490	73,290	74,090	
Supply Change above underlying assumptions			0.31%	0.29%	0.27%	0.26%	0.24%	0.23%	0.21%	0.20%	0.18%	0.17%	0.15%	0.14%	0.13%	0.12%	0.10%	0.09%	
Price Change			-0.61%	-0.58%	-0.54%	-0.51%	-0.48%	-0.45%	-0.42%	-0.39%	-0.36%	-0.34%	-0.31%	-0.28%	-0.26%	-0.23%	-0.21%	-0.18%	
House Prices (accounting inflation, for Rate of increase and rate of reduction)		£245,000	£254,333	£264,107	£274,344	£285,065	£296,294	£308,055	£320,374	£333,279	£346,797	£360,960	£375,799	£391,346	£407,638	£424,711	£442,603	£461,355	
New Ratio		12.59	12.63	12.66	12.71	12.75	12.80	12.85	12.91	12.97	13.04	13.10	13.18	13.25	13.33	13.42	13.50	13.59	

Affordability Calculator																		
Local Authority	Mid Sussex																	
Inflation (1.00 if none)	1	Implicit growth in OBR Model																
Earnings Rate of increase (proportional) (Source: OBR)	1.0354	The OBR model is based on an embedded assumption that household growth of 1.0% per annum will occur (and that this housing will be delivered to meet that need). Therefore, any 'increase' in supply in the model, for considering the University of Readings price elasticity (-2.0), is measured against this implicit growth in the OBR model.																
Housing Price Rate of increase (proportional) (Source: OBR)	1.0442																	
Change in ratio if 1.0% household growth needs met, i.e. 1.1% housing growth	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	
LQ Earnings		£19,452	£20,141	£20,854	£21,592	£22,356	£23,148	£23,967	£24,816	£25,694	£26,604	£27,545	£28,521	£29,530	£30,576	£31,657.92	£32,778.61	£33,938.97
LQ House Price		£245,000	£255,829	£267,137	£278,944	£291,273	£304,148	£317,591	£331,629	£346,287	£361,592	£377,575	£394,264	£411,690	£429,887	£448,888	£468,729	£489,446
LQ Ratio		12.59	12.70	12.81	12.92	13.03	13.14	13.25	13.36	13.48	13.59	13.71	13.82	13.94	14.06	14.18	14.30	14.42
Number of houses		61,290	61,903	62,522	63,147	63,779	64,416	65,061	65,711	66,368	67,032	67,702	68,379	69,063	69,754	70,451	71,156	71,867
			1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
TOTAL annual dwelling increase		918	Against 1.1% growth															
No Houses		61,290	62,208	63,126	64,044	64,962	65,880	66,798	67,716	68,634	69,552	70,470	71,388	72,306	73,224	74,142	75,060	75,978
Supply Change above underlying assumptions			0.50%	0.48%	0.45%	0.43%	0.41%	0.39%	0.37%	0.36%	0.34%	0.32%	0.30%	0.29%	0.27%	0.25%	0.24%	0.22%
Price Change			-1.00%	-0.95%	-0.91%	-0.87%	-0.83%	-0.79%	-0.75%	-0.71%	-0.68%	-0.64%	-0.61%	-0.57%	-0.54%	-0.51%	-0.48%	-0.45%
House Prices (accounting inflation, for Rate of increase and rate of reduction)		£245,000	£253,390	£262,179	£271,385	£281,028	£291,128	£301,705	£312,782	£324,382	£336,530	£349,251	£362,574	£376,526	£391,138	£406,442	£422,471	£439,260
New Ratio		12.59	12.58	12.57	12.57	12.57	12.57	12.59	12.60	12.62	12.65	12.68	12.71	12.75	12.79	12.84	12.89	12.94

Appendix 3 Market Signals Uplifts being applied in Other Locations

Table 2 Market Signals Uplifts

LPA	SHMA/Inspectors Report	Market Signals Uplift	Affordability Ratio
Eastleigh	Inspectors Report	10%	8.74
Canterbury	SHMA & Inspectors Report	20%	10.80
Cambridge	SHMA	30%	13.02
South Cambridgeshire	SHMA	10%	10.98
High Peak	SHMA & Inspectors Report	5%	6.89
Braintree	SHMA	15%	9.69
Chelmsford	SHMA	20%	10.92
Sefton	Inspectors Report	0%	6.23
Uttlesford	Inspectors Report	10%	12.55
Aylesbury Vale	SHMA	10%	10.59
Chiltern	SHMA	20%	15.96
South Bucks	SHMA	20%	16.73
Wycombe	SHMA	20%	10.9
Uttlesford	SHMA	20%	12.55
East Herts	SHMA	20%	12.14
Harlow	SHMA	20%	8.97
Epping Forest	SHMA	20%	14.00
Stevenage	SHMA	10%	9.58
North Hertfordshire	SHMA	10%	10.32
Bristol	SHMA	7.5%	8.18
North Somerset	SHMA	7.5%	8.39
South Gloucestershire	SHMA	7.5%	9.00
Tamworth	Inspectors Report	5%	7.00



APPENDIX B:

**BARTON WILLMORE PAPER ON
EMPLOYMENT FORECASTS**

Note to the Mid Sussex Local Plan Examination

Employment Growth

December 2016

a) INTRODUCTION

- 1.1 Following discussion of the Inspector's question 1.4 regarding an appropriate range for projected jobs growth in Mid Sussex District Council (MSDC), this paper provides further information to clarify the issue. It should be read in conjunction with Appendix 1 to this paper which provides an economic-led statement of agreement between the Forum and MSDC which shows areas of agreement and disagreement in respect of the economic-led assumptions.
- 1.2 The response briefly summarises the policy and practice guidance background in which the assessment of economic-led growth should be considered, before setting out the Council's evidence base submitted prior to the examination. This includes an evaluation of the Oxford Economics job forecast (EP36a) submitted on 25th November, just days prior to the opening of the hearing sessions.

b) NATIONAL PLANNING POLICY FRAMEWORK (NPPF) AND PLANNING PRACTICE GUIDANCE (PPG)

- 1.3 In preparing Local Plans, the NPPF (para 158) requires local planning authorities (LPAs) use an adequate, up-to-date and relevant evidence base. It states that:

"Local planning authorities should ensure that their assessment of and strategies for housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals".

- 1.4 In determining who LPAs need to work with when undertaking their Housing and Economic Development Needs Assessment (HEDNA), paragraph ID2a-007 of PPG's HEDNA section states the following:

"Local planning authorities should assess their development needs working with the other local authorities in the relevant housing market area or functional economic market area in line with the duty to cooperate. This is because such needs are rarely constrained precisely by local authority administrative boundaries."

- 1.5 This confirms that an assessment of need across the Housing Market Area (HMA) or functional economic area (FEA) should be produced. Paragraph ID2a-008 confirms the area which should be assessed, as follows:

"Needs should be assessed in relation to the relevant functional area, i.e. housing market area, functional economic area in relation to economic uses."

1.6 The PPG is very clear that economic growth should be considered across the HMA/FEA. This should be read in conjunction with paragraph 160 of the NPPF which seeks to ensure that local authorities work with county and neighbouring authorities and Local Enterprise Partnerships (LEPs) to ensure a lack of housing does not create a barrier to investment. The only evidence presented by the Council which covers the HMA/FEA is the Northern West Sussex Economic Growth Assessment (EP35).

1.7 The PPG moves on to paragraph ID2a-018 and outlines how the assessment of job growth should be based on past trends and/or forecasts, as follows.

“Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area.”

1.8 In summary, policy and guidance requires that the evidence base for employment growth is:

- Aligned with its housing assessment;
- Prepared as part of the duty-to-cooperate between local authorities across housing market areas;
- Based on past trends and/or economic forecasts.

c) MSDC EVIDENCE BASE

i) EP35 and EP36

1.9 Prior to MSDC adding EP36a (October 2016 Oxford Economics forecast) to the Examination Library a few days before the opening of the hearing sessions, the Council’s hearing statement (MSDC2) stated the baseline range of job growth was between 491 jobs per annum (jpa) and 521 jpa, 2014-2031.¹ These figures were both from Experian economics job forecasts and drawn from examination documents EP35 (i) and EP36.

1.10 As identified in Appendix B to Welbeck Strategic Land’s hearing statement (Ref 1/20534), the reporting of 491 jpa in EP36 is incorrect. This is due to EP36 reporting the incorrect total number of jobs for the year 2030 in Table 3.11, page 57 of EP36, and for the year 2031 in Table 3.6, page 52 of EP36. This has been clarified by the source of the data, Experian Economics.²

¹ Paragraph 2.3.3, page 12, MSDC2

² Annexe 1, Appendix 2, Mid Sussex Developers Forum Examination Statement – Housing.

- 1.11 However the Council have also forwarded a statement from the authors of the report, Chilmark Consulting, which appears to contradict the explanation received by Barton Willmore from Experian.
- 1.12 There remains uncertainty from the source of these forecasts, Experian Economics, as to what the correct figures should be.
- 1.13 Notwithstanding the explanation provided to the Council, amending the two tables in EP36 for the correct figures suggested to Barton Willmore by Experian, results in average job growth of either 645 jpa (2011-2031) or 687 jpa, (2014-2031).
- 1.14 The corrected range of forecast job growth in the Council's evidence base (EP35(i) and EP36), prior to the submission of EP36a, would therefore have been as follows:
- 521 jpa³ – 645 jpa⁴, 2011-2031;
 - 507 jpa⁵ – 687 jpa⁶, 2014-2031.
- 1.15 However as discussed above, the Council have not agreed this range based on the explanation they have received from their consultant, Chilmark Consulting. Barton Willmore have sought further clarification on this point from Experian.
- 1.16 As set out in PPG, economic growth should be assessed across the HMA/FEA. Notwithstanding the submission of EP36a, the only document to comprehensively consider economic growth across the HMA/FEA, as required by PPG, is document EP35 (i) – the 'Northern West Sussex Economic Growth Assessment' (EGA). This was a document jointly commissioned by MSDC, Crawley Borough Council (CBC), and Horsham District Council (HDC).
- 1.17 Alongside the consideration of 'baseline' economic forecasts, EP35 (i) also considered 'alternative higher growth' scenarios. These were provided for the three authorities of the HMA using a consistent approach which explored the potential for enhanced higher-value economic growth within a number of key growth sectors identified by the Gatwick Diamond and the Coast to Capital Local Enterprise Partnership (LEP). ⁷

³ EP35(i)

⁴ EP36

⁵ EP35(i)

⁶ EP36

⁷ EP35(i), paragraph 7.43, page 127

- 1.18 Local Planning Authorities are required to work collaboratively on strategic planning priorities in consultation with LEPs.⁸ The Coast to Capital LEP Strategic Economic Plan (SEP) identifies Burgess Hill as a 'Priority Growth Location'. The full LEP SEP is not part of the District Plan Examination Library, however the 'Executive Summary' report is included as document EP60.
- 1.19 For MSDC the 'alternative' growth scenario increased the baseline projection from 521 jpa, 2011-2031, to 671 jpa, 2011-2031.⁹ This 'alternative' scenario included an assumption that a development of 15ha and 50,000m² of employment space to the north-west of Burgess Hill would come forward over the Plan period. Policy DP8 of examination document BP1 confirms that this development was granted outline planning permission by the Council in November 2015.¹⁰ Document EP35 outlines how this development has the potential to provide an additional 3,000 jobs over and above the baseline position by 2031.¹¹ Before arriving at a conclusion on the overall level of job growth in the district, the impact of this development on baseline job growth (such as that provided by EP36a) should also be considered to remain consistent with document EP35(i).
- 1.20 Discussions regarding the 'alternative higher growth' scenario have been ongoing over the past week, and there is acceptance that this figure of job growth is in the evidence base. However as Appendix 1 shows, MSDC's view is that this is a 'policy on' aspirational job growth figure. This is agreed in Appendix 1.
- 1.21 However notwithstanding this agreement, given the NPPF requires assessments of housing and employment to be integrated (NPPF para 158) any economic forecast that the Council chooses to rely upon for its housing need assessment would need to be shown to be consistent with its existing employment evidence base and take account of the factors considered in those documents.

ii) EP36a – Oxford Economics (OE) October 2016 Baseline Job Forecast

- 1.22 Document EP36a submitted by the Council provides an OE baseline job growth forecast for MSDC alone over the Plan period. The forecast is dated October 2016 and shows forecast growth of 424 jpa, 2014-2031. It is not accompanied by any accompanying explanatory notes or justification in terms of its relationship to the Council's existing evidence base on employment.

⁸ Paragraph 180, page 43, National Planning Policy Framework

⁹ EP35(i), Figure 7.4, Page 130

¹⁰ Policy DP9, page 37, BP1

¹¹ Paragraphs 7.43 to 7.45, page 127, EP35(i)

- 1.23 EP36a also provides historical data dating back to 1991, although the Council have not published the full data set in the Examination Library (as of 07 December 2016). However following correspondence with the Council's officers, MSDC have helpfully provided Barton Willmore with the full data set from OE.
- 1.24 PPG ID2a-018 states how 'past trends and/or forecasts' should be considered in respect of the likely change in job numbers. Following MSDC's decision to share the full data set, it can be seen that the period up to the base date of the Plan (1991-2014) shows growth of 514 jpa over 23 years.
- 1.25 It is considered to be entirely appropriate in this case to consider past trends alongside the forecast, for a number of reasons. The first is the extremely low assumption of net international migration the OE forecast is underpinned by (see paragraphs 1.25-1.31 below) which constrains the OE forecast. Second the past trend is calculated over a 23-year period over which the economy has experienced two recessions and positive growth in the intervening periods. In the context of paragraph 160 of the NPPF which states how a lack of housing should not be a barrier to investment, to ignore past trends in Mid Sussex would be inappropriate.
- 1.26 A reasonable range of growth based solely on EP36a is therefore considered to be 424-514 jpa, 2014-2031. The Council have agreed that EP36a shows this range in the economic-led OAN statement of agreement (Appendix 1).
- 1.27 Notwithstanding the range of job growth provided by the full OE dataset, no analysis is provided by MSDC as to how this interacts with forecast job growth across the HMA/FEA incorporating Crawley and Horsham, and other neighbouring authorities within the Coast to Capital LEP, such as Brighton & Hove City Council. MSDC's endorsement of the Gatwick Diamond Local Strategic Statement (EP62(i)) and MSDC's membership of the Greater Brighton City Deal (EP59) also requires analysis as part of a full economic assessment across the FEA.
- 1.28 Furthermore, in order for the OE forecasts in EP36a to be adopted as the determining factor, the equivalent OE forecasts for the wider HMA/FEA should also be obtained and considered as part of a NPPF and PPG compliant assessment. Both of these factors should be considered in the context of assessing OAN across the HMA.

Oxford Economics methodology and assumptions

- 1.29 The assumptions of the OE methodology must also be considered in respect of population, commuting, and economic activity rates (EARs). This is because some economic forecasts are influenced by these factors – which are also input assumptions for assessments of housing need. The methodology statement accompanying the latest OE forecast is attached as Appendix 2 to this paper.

Migration

- 1.30 The first assumption underpinning the economic forecasting – population growth – is a key component.
- 1.31 In respect of the components which make up the population growth across the country, OE use the latest 2014-based ONS Sub National Population Projections (SNPP) assumptions in respect of birth and death rates. This is considered to be appropriate in the context of it being agreed at the District Plan hearing sessions that the 2014-based ONS SNPP, and the subsequent 2014-based CLG household projections (730 dwellings per annum) represent the starting point estimate of OAN.
- 1.32 However in terms of migration, OE do not use the assumption underpinning the agreed starting point. Instead OE make their own assumption of UK migration over the full projection period, explained in the methodology statement (Appendix B) as follows:

“Oxford Economics expect UK net migration to average 90,000 per annum compared to 185,000 in the official projections. In the short term we expect migration to remain high until the UK leaves the EU. Given that immigration has been central to the leave campaign, we assume that the government is unwilling to compromise on the free movement of labour and actively reduces the level of immigration.” (our emphasis)

- 1.33 An assumption of a reduction to 90,000 net international migrants per annum is considered to be extremely unrealistic, thereby constraining the job forecasts, for the following reasons:
1. The 2014-based ONS SNPP, which has already been agreed in the examination hearings as the starting point estimate of OAN in Mid Sussex, is underpinned by average international net migration to the UK of 185,000 people per annum, over double the future OE assumption of 90,000 people per annum;

2. Notwithstanding the decision of the EU referendum in June 2016, international net migration to the UK in the most recently recorded year (ending June 2016) has been recorded at 335,000 people,¹² 81% higher than the ONS SNPP assumption, and 270% higher than OE's future assumption. The ten year average has been 250,000 per annum, and in the last seven quarters, the annual rate has been over 300,000 per annum.
3. In this context, the official projections therefore already factor in a significant 45% reduction in current international migration from 2020/21, and these assumptions have been accepted by the Council as the 'starting point' for the assessment of housing need;
4. Analysis of non-EU migration alone shows an average of 187,000 non-EU net migrants per annum over the past decade. This is despite this being an aspect of international migration that is within control of UK Government. Despite a Government policy objective since 2010 to reduce net migration to the "tens of thousands", all of the past eight quarters have recorded non-EU net migration alone in excess of the total long term international migration assumption of the ONS SNPP (185,000 people per annum). Not once in the past decade has non-EU migration to the UK been lower than 138,000 people (see Figure 3 below).
5. In this context the OE assumption of only 90,000 people per annum is considered to be highly unrealistic, notwithstanding the referendum result to leave the EU.

1.34 Whatever views might be taken on future migration levels, there is no official basis for generating alternative assumptions on international migration compared to those set out in the official projections. In response to a written question on 10 November 2016, Gavin Barwell (Minister of State for Housing and Planning) confirmed that the household projections produced by CLG should be the starting point for calculating housing need. As part of his answer he considered the level of international net migration assumed by the starting point estimate (185,000 people per annum) and commented as follows:

¹² Migration Statistics Quarterly Report: Dec 2016, Office for National Statistics

“The Office for National Statistics population projections on which these are based already assume a significant decline in net migration: a fall of 45% by 2021 from the level in mid-2015.”

- 1.35 The OE forecast (EP36a) presented by the Council is therefore considered to be underpinned by an unrealistically low assumption of future net international migration to the UK that is not supported by official projections. The effect of this headline assumption is that it will have suppressed the OE estimates of job growth across the country, including the 424 jpa forecast for Mid Sussex over the 2014-2031 period.
- 1.36 If the OE forecast were to be underpinned by the migration assumption of the latest 2014-based ONS SNPP – agreed as the starting point estimate – the job growth forecast by OE would be higher.

Net Commuting

- 1.37 OE do not make any specific forecast for net commuting. The OE methodology statement confirms this as follows:

“Net commuting is the sum of people based employment less resident employment. No specific forecasting for this measure is required - it is calculated from the forecasted elements discussed above.”

- 1.38 This is considered to be a limitation of the OE model, the output of which (EP36a) shows fluctuating commuting ranging from -6,400 to -8,900 people during the Plan period. This is because of the way it makes assumptions about different population and job levels not just in Mid Sussex but in surrounding local authorities with which Mid Sussex might have a commuting relationship. The assumptions it uses to calculate its commuting assumptions are not clearly presented or explained so cannot be interrogated.
- 1.39 Assuming a change in commuting patterns during the Plan period as part of the calculation of OAN has been confirmed in the High Court as a ‘policy on’ step.¹³ This decision was recently upheld in the Court of Appeal.¹⁴ It is therefore inappropriate to assume a change either way (in or out commuting), and the ratio should remain constant unless there is agreement between HMA authorities through the duty-to-cooperate.

¹³ Paragraph 34 (i), page 13, Oadby and Wigston Borough Council and (1) Secretary of State for Communities and Local Government (2) Bloor Homes Limited, [2015] EWHC 1879 (Admin), 03 July 2015

¹⁴ [2016] EWCA Civ 1040, Case No: C1/2015/2447

- 1.40 The Planning Advisory Service (PAS) OAN guidance also warns against the manipulation of commuting ratios, identifying that a ‘policy on’ approach must be agreed through the duty to co-operate.

“Another risky approach is to plan for recalling commuters, so the ratio of workplace jobs to resident workers – and hence to population and number of dwellings – is assumed to rise over the plan period. Like increasing activity rates, this assumption means that more jobs can be accommodated for a given number of dwellings, or a given number of jobs needs fewer dwellings. But the expected shift in commuting should be believable, and acceptable to the other local authorities affected by it. Strategies of recalling commuters should not be adopted unilaterally; they require cross-boundary agreement in line with the Duty to Cooperate.”¹⁵

- 1.41 A constant commuting ratio is not applied in OE’s methodology due to it being an economic rather than a demographic-led model. Using the PopGroup model we are able to ‘fix’ the commuting ratio and thereby apply a ‘policy off’ approach.
- 1.42 The commuting ratios assumed in Barton Willmore’s demographic modelling comes from two official sources; the 2011 Census, and the Annual Population Survey (APS). The APS approach is the most up-to-date, being based on 2015 data. However it is susceptible to fluctuation year on year. A range incorporating the 2011 Census ratio and the APS ratio is therefore considered a robust approach.

EP36a – Implications for housing need in Mid Sussex

- 1.43 Notwithstanding the limitations of the OE forecast presented as EP36a, Barton Willmore have used the PopGroup demographic model (as used by the Council), to determine a range of potential housing need based on the forecast and past trend of job growth provided by EP36a. This is set out in Table 1 below:

Table 1: EP36a – Economic-led OAN

Jobs Growth Scenario	PopGroup Scenario Total Dwellings 2014-2031 (dwellings per annum)					Average
	Scenario 1	Scenario 2	Scenario 3	Scenario 4		
EP36a Forecast 2014-2031 (424 jobs per annum)	14,146 (832)	14,479 (852)	14,842 (873)	15,180 (893)		14,662 (862)
EP36a Past Trend 1991-2014 (514 jobs per annum)	15,503 (912)	15,907 (936)	16,220 (954)	16,629 (978)		16,065 (945)

Source: Barton Willmore Demographic Modelling

¹⁵ Paragraph 8.16, page 36, Objectively Assessed Need and Housing Targets Technical Advice Note, Planning Advisory Service (PAS), July 2015

- 1.44 The range of sensitivity scenarios are based on two 'blended' approaches to household formation rates, and two approaches to net commuting assumptions. This range has been provided to provide as much transparency as possible in the context of PPG's advice that establishing future need is not an exact science.¹⁶ A range is considered to align with this guidance more than seeking to establish a single figure for OAN.
- 1.45 The 'blended' approach to household formation rates applied by Barton Willmore is explained and justified in more detail in paragraphs 3.13-3.15 of Appendix B to Welbeck Strategic Land's hearing statement (Ref 1/20534). In short, the two approaches respond to the clear suppression of the most recent 2014-based CLG household projections for the 25-34 and 35-44 age groups, by applying a gradual 50% and 100% return to 2008-based household formation rates over the Plan period. All other age groups remain as per the published household formation rates in the 2014-based projections. This 'blended' approach has been endorsed by the Planning Inspectorate in recent Section 78 appeals and Local Plan Examinations.¹⁷
- 1.46 In brief the scenarios applied in Table 1 (above) listed in the table can be described as follows:

Scenario 1:

- Household Formation Rates (HFRs) – 50% return from the latest 2014-based CLG HFRs to 2008-based HFRs between 2014 and 2033 in the 25-44 age group only. All other age groups as published by the 2014-based CLG household projections;
- Commuting Ratio – 2011 Census Ratio (1.19) held constant.

Scenario 2:

- Household Formation Rates (HFRs) – As scenario 1;
- Commuting Ratio – Alternative APS commuting (1.25) held constant.

Scenario 3:

- Household Formation Rates (HFRs) – 100% return from the latest 2014-based CLG HFRs to 2008-based HFRs between 2014 and 2033 in the 25-44 age group only. All other age groups as published by the 2014-based CLG household projections;
- Commuting Ratio – 2011 Census Ratio (1.19) held constant.

¹⁶ PPG ID2a-014

¹⁷ Paragraph 29, Appeal Decision APP/G2435/W/15/3005052; paragraphs 40 and 42, Appeal Decision APP/C3240/W/15/3025042; paragraph 3.8, page 7, Cornwall Local Plan Inspector's report, June 2015

Scenario 4:

- Household Formation Rates (HFRs) – As scenario 3;
- Commuting Ratio – Alternative APS commuting (1.25) held constant.

EP36a – Summary

- 1.47 In summary, the following key points should be noted in respect of EP36a;
- Forecast job growth over the Plan period (2014-2031) is 424 jpa;
 - Past trends from the base date of EP36a (1991) to 2014 shows 514 jpa;
 - Based on PPG ID2a-018, the range of past trend/forecast job growth 424-514 jpa agreed between with MSDC, should be considered for the purposes of establishing OAN;
 - The forecast job growth (424 jpa) is underpinned by a very low, unrealistic international net migration assumption which is not consistent with official ONS population projections, and markedly lower than past trends. They will therefore be constrained by this assumption and should be treated with significant caution;
 - The OE model does not apply a 'policy off' commuting assumption;
 - EP36a does not provide forecast job growth across the HMA or the FEA. Economic growth should be assessed across the HMA/FEA;
 - By virtue of the above factors, the use of the OE forecasts in EP36a would not be consistent with the rest of housing need assessment being applied by the Council or its own economic evidence base, thereby not being consistent with paragraph 158 of the NPPF.
- 1.48 Based on the evidence available and given the need to ensure that housing does not constrain economic growth, it would seem necessary to plan on the basis of the upper end of the range of possible reported job growth figures as reflected in the EGA and Burgess Hill reports (as corrected).
- 1.49 Including EP36a, the range established from the Council's evidence base is **between 424 and 687 jobs per annum**. However as the economic-led OAN statement of agreement shows, MSDC consider the range to be between **424 and 521 jobs per annum**.

APPENDIX 1

ECONOMIC-LED OAN STATEMENT OF AGREEMENT BETWEEN MSDC AND THE DEVELOPERS FORUM

ECONOMIC-LED OAN STATEMENT OF AGREEMENT BETWEEN MID SUSSEX DISTRICT COUNCIL AND THE DEVELOPERS FORUM

Assumption	MSDC	Barton Willmore/ Developers Forum	Agreed between MSDC and Barton Willmore/Developers Forum?
Fertility and Mortality Rates	ONS 2014-based SNPP		AGREED
Migration	ONS 2014-based SNPP		AGREED
Dwelling vacancy/second homes rate	2.3% (Source: Census 2011)		AGREED
Communal population	CLG 2014-based household projections		AGREED
Commuting assumption	1.19 (2011 Census) – 1.25 (APS 2015 data)		AGREED
Economic Activity Rates	Office for Budget Responsibility November 2015 Fiscal Report Economic Activity Rate Forecasts, applied to local economic activity for MSDC recorded by the 2011 Census		AGREED
Unemployment rate	2.85% (2014) falling to 2.63% (2017), remaining constant thereafter.		AGREED
EP36a job growth range	1. Forecast job growth: 424 jobs per annum, 2014-2031 2. Past trends job growth: 514 jobs per annum, 1991-2014		AGREED
Full range of annual job growth in the evidence base (EP35(i)/EP36/EP36a)	Oxford Economics (Nov 16) – 424-514 (EP36a)	Oxford Economics (Nov 16) – 424-514 (EP36a)	AGREED
	Experian (May 2013) – 521 (EP35)	Experian (May 2013) – 521 (EP35)	AGREED
	Experian (May 2013) plus 'alternative higher growth' (EP35) – 671 ¹	Experian (May 2013) plus 'alternative higher growth' (EP35) – 671 ²	AGREED
	Experian (December 2015) - 478 (EP36)	Experian (December 2015) - 687 (Housing Matters Statement)	NOT AGREED (Note: Both parties have confirmation from Experian that their respective figures are correct)
	Range: 424-521jpa	Range: 424-687jpa	NOT AGREED
Household Formation Rate adjustment applied to economic-led PopGroup scenarios	CLG 2014-based Household Projections	Range based on: 1) 50% return to 2008-based rates in the 25-44 age group, all other age groups as published in the latest 2014-based CLG projections. 2) 100% return to 2008-based rates in the 25-44 age group, all other age groups as published in the latest 2014-based CLG projections.	NOT AGREED

¹ This scenario from EP35(i) includes the baseline Experian forecast, potential for enhanced higher-value economic growth plus additional job growth generated by the employment space granted outline consent in November 2015, as set out in policy DP9 of examination document BP1. Whilst the Council agree that this is the number stated in the evidence base, it notes this is a 'policy on' aspirational figure. As stated in para 7.54 of EP35(i) the figure "should be regarded as an illustration of the growth potential of each local economy under different circumstances rather than a prescriptive forecast of future employment growth" and "planning to meet the employment and spatial implications associated with the minimum baseline scenario [521jpa at time of writing] would in itself constitute positive planning for growth".

² Ibid

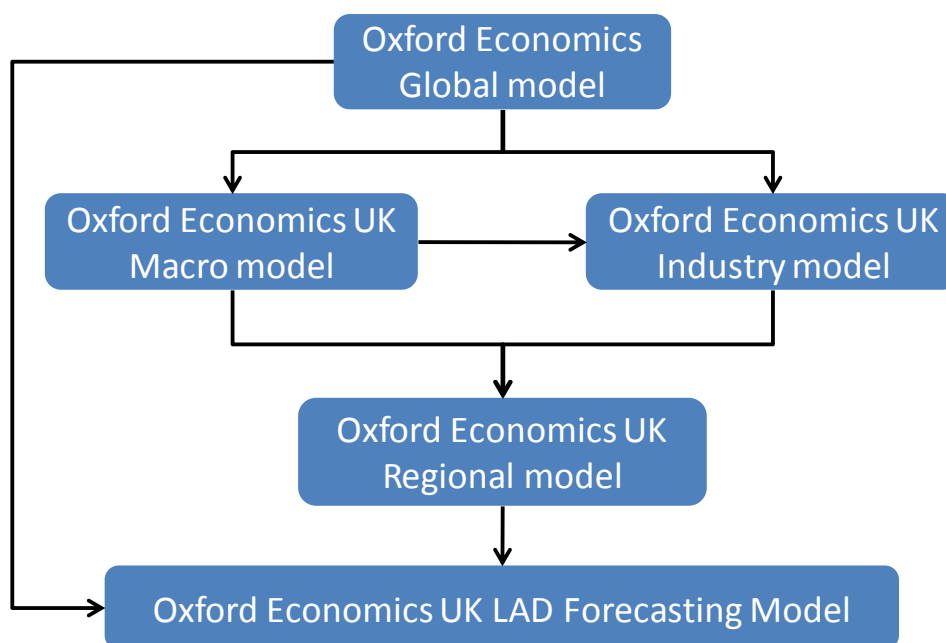
APPENDIX 2

OXFORD ECONOMICS LOCAL AUTHORITY DISTRICT FORECASTING MODEL METHODOLOGY NOTE

Local Authority District Forecasting Model

Oxford Economics Local Authority District Forecasting Model sits within the Oxford suite of forecasting models. This structure ensures that global and national factors (such as developments in the Eurozone and UK Government fiscal policy) have an appropriate impact on the forecasts at a local authority level. This empirical framework (or set of 'controls') is critical in ensuring that the forecasts are much more than just an extrapolation of historical trends. Rather, the trends in our global, national and sectoral forecasts have an impact on the local area forecasts. In the current economic climate this means most, if not all, local areas will face challenges in the short-term, irrespective of how they have performed over the past 15 years.

Figure 1.1: Hierarchical structure of Oxford Economics' suite of models

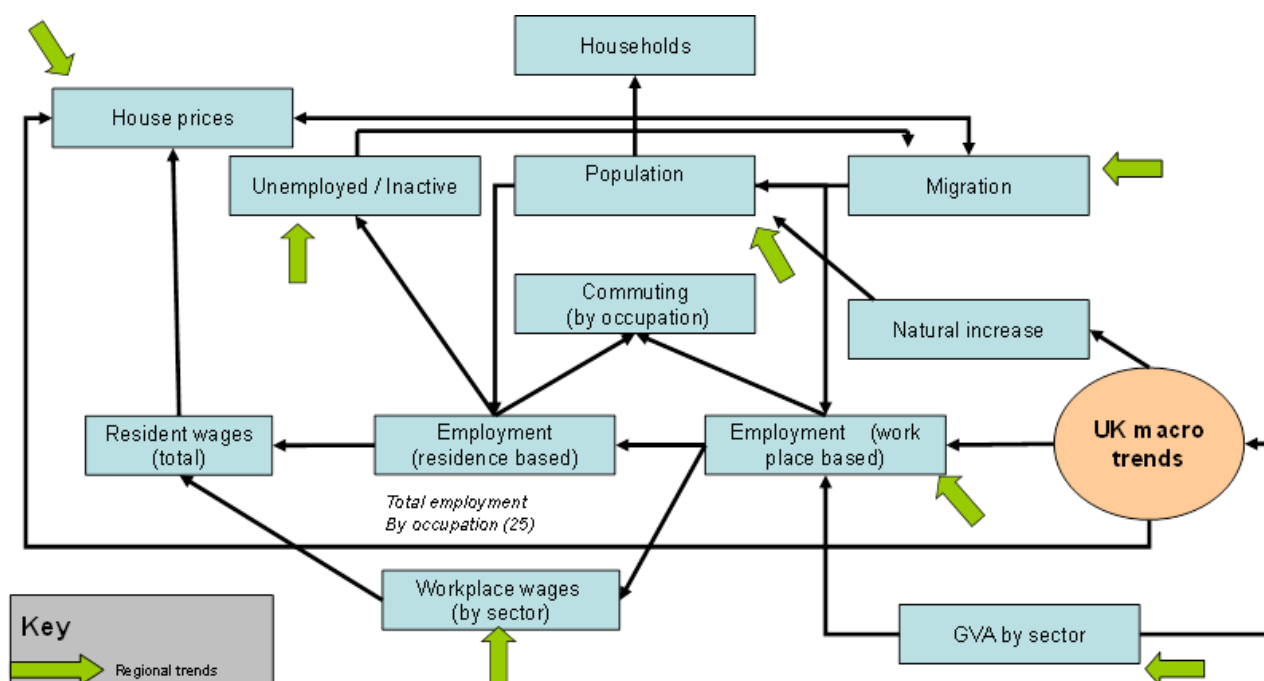


Our local forecasting model depends essentially upon three factors:

- National/regional outlooks – all the forecasting models we operate are fully consistent with the broader global and national forecasts which are updated on a monthly basis.
- Historical trends in an area (which implicitly factor in supply side factors impinging on demand), augmented where appropriate by local knowledge and understanding of patterns of economic development built up over decades of expertise, and
- Fundamental economic relationships which interlink the various elements of the outlook.

The main internal relationships between variables are summarised in Figure 1.2. Each variable is related to others within the models. Key variables are also related to variables in the other Oxford Economics models.

Figure 1.2: Main Relationships

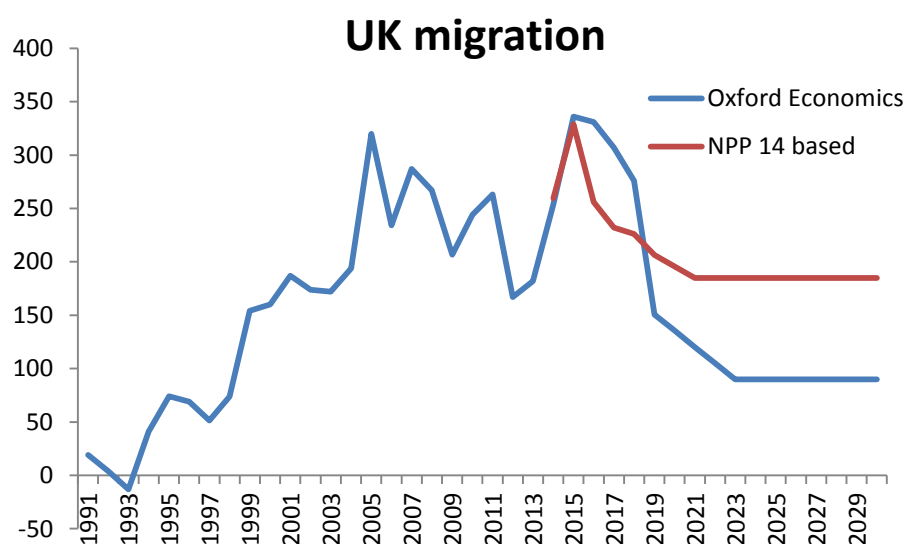


The forecasts are produced within a fully-integrated system, which makes assumptions about migration, commuting and activity rates when producing employment and population forecasts.

Data and assumptions

Population

Oxford Economics produce their own forecasts of population which are economically driven and thus differ from the official population projections. Official births and deaths projections from the 2014-based population projections are used but we have our own view on UK migration. The chart below sets out the Oxford migration forecast for the UK compared with the 2014-based population projection. Oxford Economics expect UK net migration to average 90,000 per annum compared to 185,000 in the official projections. In the short term we expect migration to remain high until the UK leaves the EU. Given that immigration has been central to the leave campaign, we assume that the government is unwilling to compromise on the free movement of labour and actively reduces the level of immigration.



Oxford Economics population forecasts are derived from an economically driven model whereas official projections are trend based and do not consider how demand in the economy (and the likely impact on employment rates) affects migration.

At the local level, migration is linked to the employment rate forecast. If the employment rate within an area is falling too fast, migration reacts as the model assumes that people would not be attracted into this area to live, given that the employment prospects are weak. This ensures that the relationship between the labour market outlook and the demographic forecast is sensible. This series is scaled to be consistent with the migration forecast for the region from the UK Regional Model.

The total population forecast is then constructed using the forecast of migration and the natural increase assumptions. Natural increase for local areas is forecast based upon recent trends in both the historical data and the official projections.

Working age population

Working age population data is also collected from the Mid-Year estimates (MYE) for each area up to 2015. It is defined at all people aged 16 to 64.

The share of working age to total population is forecast using both trends in the official projections and trends in the regional forecast from our UK Regional Model. This is applied to the total population forecast and scaled to be consistent with the working age population for the region and UK.

Population aged 16 plus

Population aged 16 plus data is also collected from the Mid-Year estimates (MYE) for each area up to 2015.

The share of population aged 16 plus to total population is also forecast using both trends in the official projections and trends in the regional forecast from our UK Regional Model. This is applied to the total population forecast and scaled to be consistent with the forecast of population aged 16 plus the region and UK..

Employees in employment

There are two key sources for the employee jobs data – ONS Workforce Jobs (WFJ) and the Business Register and Employment Survey (BRES):

- The WFJ series is reported on a quarterly basis, providing estimates of employee jobs by sector (based on the 2007 Standard Industrial Classification – SIC 2007) for the UK and its constituent government office regions, over the period 1981 Q3 to 2016 Q1.
- The BRES is an employment survey which has replaced the Annual Business Inquiry (ABI). Similar to WFJ, BRES data is based upon SIC 2007, but it is only published for the years 2008-14. Prior to this, ABI and Annual Employment Survey (AES) data is available for employee jobs data, however this is based on an older industrial classification (SIC 2003). Data is available at local authority level and more detailed sector definitions. It is worth noting that the BRES is first and foremost a survey and is therefore subject to volatility, particularly when the level of detail becomes more refined. The survey is collected in September of each year and not seasonally adjusted.

There are a number of steps in constructing regional employee jobs, due to changes in sectoral classifications across the various sources, and restrictions on data availability over particular periods of time. Initially, we take employee jobs data for each sector directly from the BRES over the years 2009-14, which reflects recent methodological changes to the BRES in accounting for working proprietors. This relates to September figures and is based upon SIC 2007 sectors. In 2008, levels of employee jobs are constructed by extrapolating back the trend in the old BRES. Data from the ABI and AES is used to construct the data back to 1991.

This constructed local dataset is then scaled to be consistent with the UK employee jobs series from WFJ, by applying an adjustment factor to all sectors which converts the data to annual average values (seasonally adjusted). This is measured on a workplace basis.

The starting point in producing employment forecasts is the determination of workplace-based employees in employment in each of broad 19 SIC2007 based sectors consistent with the regional and UK outlooks. At local authority level some of the sectors are driven predominantly by population estimates, others by total employment in the area and the remainder relative to the regional performance (largely exporting sectors). All sectors are also influenced by past trends in the local area. Taken in totality, employment is cross referenced with a number of variables (including population, relative performance across similar areas, historical cyclical performance and known policy) for checking and validation purposes. Where necessary, manual adjustments are made to the projected trends to reflect this validation process. The methods of sectoral projection are as follows, each of which are forecast based upon recent trends:

- Agriculture - share of the region
- Mining and quarrying - share of the region
- Manufacturing - share of the region
- Electricity, gas, & steam - share of the region
- Water supply; sewerage, waste management - share of the region
- Construction - location quotient based upon total employment
- Wholesale and retail trade - location quotient based upon consumer spending
- Transportation and storage - location quotient based upon consumer spending
- Accommodation and food service activities - location quotient based upon consumer spending
- Information and communication - share of the region
- Financial and insurance activities - share of the region
- Real estate activities - location quotient based upon total employment
- Professional, scientific and technical activities - location quotient based upon total employment
- Administrative and support service activities - location quotient based upon total employment
- Public administration and defence - location quotient based upon population
- Education - location quotient based upon population
- Human health and social work activities - location quotient based upon population
- Arts, entertainment and recreation - location quotient based upon consumer spending
- Other service activities - location quotient based upon consumer spending

Self-employment

Self-employment data by region is taken from Workforce jobs (19 sector detail). The data is broken down into detailed sectors using both employee trends and the UK data for self-employment by 2 digit SIC2007 sector. Data for the local authorities is Census based (and scaled to the regional self-employed jobs estimates) and is broken down using the employees

in employment sectoral structure. The sectors are forecast using the growth in the sectoral employees in employment data and the estimates are scaled to the regional estimate of self-employment by sector.

Total employment (jobs)

Total employment includes employees in employment, the self-employed and Her Majesty's Forces. This is measured on a workplace basis. No specific forecasting for this measure is required - it is calculated from the forecasted elements discussed above.

Note that this estimate is a jobs and not people measure (i.e. one person can have more than one job and would be counted more than once in this indicator).

Total employment (people)

The data for employment from the Business Register and Employment Survey (BRES) measures jobs rather than individuals. Given the need to focus on people, we convert the number of jobs into numbers of employed people. One person can have more than one job, but working people would only be counted once in this indicator.

To do this we measure and project numbers of full-time and part-time employees in each area. Shares of part-time employees (which are trend forecasts linked to national projections) are applied to the workplace employee estimates described above. Full-time employees are simply the total of employees minus the part-time employees.

Individuals are assumed to hold only one full-time job each. Part-time jobs are assumed to account for half a full-time job. The self-employed people are added to the full-time employees plus half of the part-time employees to arrive at an estimate of workplace based employment. An adjustment factor is applied to ensure consistency with the Census. No specific forecasting for this measure is required; it is calculated from the forecasted elements discussed above.

Unemployment

Claimant count unemployment data is taken from ONS, via NOMIS. Annual average values are calculated from the monthly data. The latest data available is March 2016.

Unemployment is projected based on regional trends and a measure of overall labour market tightness (relative employment rate) in the local area. It is not at present directly affected by migration though they do impact indirectly through the employment rate (which has working age population as its denominator).

Unemployment rate is defined as claimant count unemployment as a percentage of the working age population. No specific forecasting of this measure is required.

ILO Unemployment

ILO unemployment data is taken from the Labour Force Survey via NOMIS. The latest year of available data is 2014. ILO unemployment is forecast based upon trends in the claimant count series and controlled to the regional ILO unemployment forecast.

ILO unemployment rate is defined as ILO unemployment as a percentage of the economically active. No specific forecasting of this measure is required.

Resident employment

This is a measure of the number of people living in an area who are in work. Resident employment data is taken from the Annual Population Survey. The latest year of available data is 2015. Given that this data is survey based and tends to be very volatile, data is 'smoothed' by taking a 3 year average.

Residence employment is based on a commuting matrix taken from the 2011 Census. This matrix tells us where employed residents of an area work. Using this information each available job (see workplace employment people based above) is allocated to a resident of a given authority. This method assumes the proportions of commuting do not change over time.

Employment rate is defined as residence employment as a percentage of the population aged 16 plus. No specific forecasting of this measure is required.

Net commuting

Net commuting is the sum of people based employment less resident employment. No specific forecasting for this measure is required - it is calculated from the forecasted elements discussed above.

Economically active/labour force

Labour force is the sum of resident employment and unemployment. No specific forecasting for this measure is required - it is calculated from the forecasted elements discussed above.

Economic activity rate is defined as economically active as a percentage of the population aged 16 plus. No specific forecasting of this measure is required.

Economically inactive

Economically inactive is the product of population aged 16 plus less the economically active. No specific forecasting for this measure is required - it is calculated from the forecasted elements discussed above.

Economic inactivity rate is defined as economically inactive as a percentage of the population aged 16 plus. No specific forecasting of this measure is required.

Gross Value Added

GVA forecasts are available for detailed sectors for the UK regions from our UK Regional Model. For areas within the region, data on total GVA is available at NUTS 3 level. This includes counties and former Metropolitan counties. Our forecasts at local authority level are obtained firstly by calculating an 'expected' GVA in each area. This is calculated by multiplying the region's GVA per employee in each sector by workplace employment in each sector within each local authority area. An adjustment factor based upon relative earnings is

also applied as areas with higher wages should produce higher levels of GVA. Expected GVA is then scaled to add the GVA at NUTS 3 level and the regional sectoral forecasts from the UK Regional Model.

Workplace based earnings

Data on workplace based earnings by local authority is available from the Annual Survey of Hours and Earnings (ASHE).

Workplace based earnings to forecast in line with 'expected earnings'. Expected earnings within each area is forecast using UK earnings forecasts by sector and the sectoral forecast of that local area. These earnings estimates are then scaled to be consistent with regional earnings forecasts.

Residence based wages

Data on residence based earnings by local authority is available from the Annual Survey of Hours and Earnings (ASHE).

Residence based earnings to forecast using residence employment and weighted averages of commuting patterns and workplace growth. These earnings estimates are then scaled to be consistent with regional earnings forecasts.

House prices

Data on house prices at local authority level is available from National Statistics. The data used is median house prices.

House prices are forecast using population growth, relative unemployment rates and resident earnings forecasts. These estimates are scaled to be consistent with the regional house price forecast from our UK regional model.

Consumer Spending

Data on consumer spending at a local authority level is not published and is constructed using consumer spending per head in each region and local authority population.

Consumer spending is forecast using relative earnings, relative employment rates and population growth. These estimates are scaled to be consistent with the regional house price forecast from our UK regional model.

Household incomes

Data on household incomes at a local authority level is not published and is constructed by applying the regional spending ratio to the consumer spending estimates in each area. No specific forecasting of this measure is required.

APPENDIX C:

POSITION ON AFFORDABLE HOUSING NEED

Note to the Mid Sussex District Plan Examination

Our ref 15322/MS/MT
Date 7th December 2016
To Mid Sussex District Plan Examination
From Mid Sussex Developer Forum

Subject MID SUSSEX AFFORDABLE HOUSING NEEDS

1.0 **INTRODUCTION**

1.1 At the examination session on 29th November 2016 the Inspector asked the respective parties to see whether agreement could still be reached on the affordable housing needs calculation. The areas in dispute were around Step 2.1 (the figure to use for newly forming households) and Step 3.3 (how to incorporate committed supply of affordable housing into the calculation).

1.2 Mid Sussex District Council (MSDC) has since updated its affordable housing needs calculation, presenting a new position with updated figures for the waiting list, household formation, the committed supply of affordable housing, re-lets and intermediate re-sales. This was supplied to the forum on 5th December 2016.

1.3 Having discussed this, MSDC and the Developer Forum have come to agreement on some aspects of the revised calculation, which is set out in the separate statement of common ground. However, there remain areas of disagreement in respect of:

- a The calculation of 'gross household formation' from the 2014-based household projections; and
- b The approach to including the committed supply of affordable housing.

1.4 This note presents the Developer's Forum position in respect of these two points having reviewed the Council's new evidence. The Forum's position has been explained to MSDC in a telephone conversation between Martin Taylor of NLP and Nathan Spilsted of MSDC on 6th December.

2.0 **THE CALCULATION OF GROSS HOUSEHOLD FORMATION**

2.1 The Council and Developer forum has sought to reach agreement on the gross household formation figure which should be used as an input to the affordable housing needs calculation at Step 2.1. Although it has now been agreed that a gross household formation figure should be used, based on the 15-44 age

groups from the CLG 2014-based household projections, the calculated figure is still in dispute.

- 2.2 MSDC arrive at a figure of **1,055** per annum over the 15 year period 2014-2029.
- 2.3 The Developer Forum arrive at figure of **1,209** per annum (based on five years 2014-2019 as set out in 1/20534 Appendix B, Barton Willmore OAN November 2016 Update, Paragraph 4.36) or 1,218 per annum (based on 15 years 2014-2029 and matching the period used by the Council for ease of comparison).
- 2.4 The Forum considers that the difference between the parties is down to a different approach in the way the Council has sought to calculate gross household formation which has the effect of excluding younger age groups most in need later in the plan period. For comparison, the respective calculations are set out in Appendix 1 of this note. It shows how the Council has calculated formation based on following cohorts (an age band of people) through the 15 year period, rather than limiting analysis to formation in specific age groups for each five year period. This has a number of effects of dampening true gross household formation rates:
- a It means that a cohort who, in 2014, are aged 40-44 are followed for 15 years until they are in the 55-59 age group by which time their household formation would have peaked and begun to fall (i.e. beginning to dissolve). The purpose of limiting the measurement of gross formation to younger ages is to reflect the fact that at around age 45, headship rates plateau; and
 - b In doing a) above and following cohorts that are aged 15-44 in 2014, it wholly excludes new cohorts that come into that age bracket and continue to work through the age bands in 2019, 2024 and 2029. For example the household formation of persons ageing from the 20-24 to the 25-29 age group (the largest new household forming age) in the period 2024-2029 is entirely excluded from Mid Sussex's calculation as at the 2014 based date those persons are in the 10-14 age bracket and therefore not captured in the calculation. This is illustrated in **Appendix 1**: by MSDC not highlighting (green/yellow) formation in those cohorts; it is excluded. This means the Council's approach will not be assessing the affordable housing needs of the youngest households in 2024 or 2029.
- 2.5 MDSC's approach to the calculation in future years (i.e. beyond the five year period) **excludes** formation amongst several younger age groups (where formation is higher), and instead captures formation amongst several older age cohorts (where formation is lower). This significantly reduces the overall annual average newly forming household rate that is utilised.
- 2.6 The Developer Forum's method (which remains the same as previously presented) does not make this error and fully reflects new formation for new cohorts coming through into household forming age bands the latter years of

the plan period (as those cohorts age on)..The approach of the Developer Forum is consistent with general practice in preparing SHMAs across England, including the North West Sussex SHMA (Para 5.20, bullet point 2 of EP26 – page 86). MSDC’s new approach is not consistent with its own SHMA.

- 2.7 The Developer Forum considers a figure of 1,218 (if using the full plan period) is the correct figure to apply at Step 2.1.

3.0 THE COMMITTED SUPPLY OF AFFORDABLE HOUSING

- 3.1 The point in respect of the committed supply of affordable housing remains as set out in para 5.3 of the Developer Forum’s hearing statement. It is a relatively simple one related to its use within the affordable housing calculation as part of the exercise described in the PPG¹:

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

- 3.2 The Forum’s challenge to MSDC’s approach relates not to the actual figure for **committed** supply, but to how it is accounted for on the ‘balance sheet’ when considering the **total** affordable housing needed over the plan period in the context of the **total** housing figure (of market and affordable housing).

- 3.3 In seeking to follow the PPG (ID2a-026), MSDC net-off the current **committed** supply of affordable housing (i.e. the 1,405 affordable dwellings with planning permission in the pipeline (which is secured principally as a % within overall commitments of c.3900²) to arrive at a ‘total **net** annual need for affordable’. That is the Council’s 185dpa figure.

¹ PPG ID 2a-029

² If one accepted the Council’s position in MSDC2 at Table 14 of 3,443 (large sites with permission) plus 317 (small sites with 40% discount)

- 3.4 The affordable housing calculation is based on a ten-year period (that being the period for addressing the backlog of current need). So, based on the Council's figures, the **total** amount of affordable housing that will need to be delivered over the this ten year assessment period³ is:
- **Net** needs of 1,850 (185 x 10 years) or 2,940 (294 x 10 years)⁴
Plus
 - 1,405 **committed** supply of affordable dwellings
equals
 - a **total** of 3,255 – 4,345 affordable dwellings (326 – 435 dpa) which will need to be delivered 2016-2026 if total needs identified are to be met.
- 3.5 The exercise required by PPG (ID: 2a-029) is then to consider whether the **total** OAN figure would need to be increased in order to address this total number.
- 3.6 MSDC currently assumes that its assumed OAN of 800 dwellings per annum (c.8,000 over the ten year affordable housing assessment period⁵) would meet the affordable needs of 185 dpa (1,850 over 10 years) because this **total** of 800 dpa (8,000) delivering 30% would supply 240 dpa (2,400) affordable homes. However, MSDC is comparing this **total supply** figure with a **net** needs figure.
- 3.7 In reality, c.3,900 units of the **total** 8,000 residual OAN is **committed** as completions/permissions, and these commitments are the mechanism for delivering the 1,405 **committed** supply of affordable dwellings (at around 35%).
- 3.8 Thus, to compare the 800 dpa (8,000) **total** figure for supply with the **net** figure for affordable need is to assume that the 3,900 commitments will deliver affordable homes twice. This is double counting.
- 3.9 Using the Council's figures for need⁶, the only logical approach is to:
- 1 compare **total** affordable need of 326 – 435 dpa (3,255 – 4,345)⁷ (without netting of commitments - i.e. 4,550) with **total** housing supply figure of 800 dpa (8,000) = AH is 40% - 54% of the total figure; **or**
 - 2 compare **net** affordable need (i.e. 1,850 – 2,940) with **net** (or residual) housing supply figure of 4,100 (8,000 minus 3,900 commitment) = AH is 45% - 72% of the total figure.

³ There have been completions 2014/15-2015/16 of 1,498 dwellings with 334 affordable completions³ (a delivery rate of 22%) (Source: BP18 Page 9 Figure 6)

⁴ Based on the two measures: Reasonable Preference and Total Waiting List

⁵ Excludes the shortfall of 102

⁶ These are disputed due to the issues associated with Gross Household Formation – see section 2.0

⁷ Based on the two measures: Reasonable Preference and Total Waiting List

- 3.10 It should be noted there are risks in this second approach (comparing net need with net supply) because it makes assumptions around deliverability of commitments which may be in dispute, separate to the debate on OAN.
- 3.11 What is imperative is that either **total** need and supply figures should be compared or **net** need and supply figures should be compared, not a mix and match approach.
- 3.12 Whichever approach is adopted, the housing supply figure of the plan is not sufficient to meet full affordable housing need at 30% rate - which is itself ambitious, because the average 2004/05 to 2014/15 was 26% (see Para 3.71 of Appendix 8 to Wates Matter Statement 1/14681) and 22% in the first two years of the Plan period (see footnote 3 on the preceding page). An uplift above 800 dpa is required to address this need and comply with paragraphs 47 and 159 of the Framework.
- 3.13 Overall, the Council has not supplied any justification that causes the Forum to change its position (expressed in its original Matters Statement) that the committed supply should be excluded from the calculation; or to put it another way, only added back-in when considering the residual housing supply required to be delivered by the Plan to meet total needs. This is at the heart of balance sheet accounting.
- 3.14 Therefore, the Developer Forum continue to concludes in respect of committed supply that (Developer Forum hearing statement para 5.3):
- “At the time of the assessment, this is yet to be delivered and should therefore not be used to offset the need. This is not least of importance due to the potential for double-counting, since if the Council’s need figure were to be compared to supply over the plan period (without omitting the ‘committed supply’ units that fed into the calculation of need) this would double-count those committed supply units.”*

4.0 **CONCLUSION ON AFFORDABLE HOUSING NEED**

- 4.1 At Appendix 2 are schedules summarising the latest position as understood by the Developers Forum in terms of the alternative calculations of affordable housing need, and total number of homes that would need to be supplied in order to meet each assumed affordable housing need figure at 30%. At the time of writing, the Forum has asked if the Council can agree the calculations.
- 4.2 The Forum considers the Council’s approach is not in compliance with the requirements of the PPG.
- 4.3 The Forum’s position continues to be that affordable housing need is 398 dpa (reasonable preference groups) to 507 (total waiting list) which means at likely delivery as a proportion of mixed market and affordable housing developments (30%) some 1,326 to 1,690 homes would be required to meet affordable needs in full. The Forum’s position is not that this should be the concluded OAN for

Mid Sussex, but that – as per the NPPF and PPG and explained in the Kings Lynn High Court Judgment⁸ – these needs should:

“have an important influence increasing the derived Full Objectively Assessed Need since they are significant factors in providing for housing needs within an area” (para 36).

⁸ Borough Council of Kings Lynn and West Norfolk v Secretary of State for Communities and Local Government and Elm Park Holdings Ltd [2015] EWHC 2464 (Admin)

Mid Sussex District Council Calculation (1,055 per annum)

[illegible]

Developer Forum Calculation (1,218 per annum)

ALL	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031							
0_4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0							
5_9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0							
10_14	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0							
15_19	90	87	85	85	84	84	86	88	91	95	96	99	102	104	104	104	102	102	15-44 Age Groups						
20_24	855	858	847	839	821	788	783	771	757	752	750	752	766	793	816	836	867	890							
25_29	2,559	2,582	2,643	2,625	2,658	2,729	2,718	2,692	2,681	2,644	2,578	2,558	2,519	2,474	2,456	2,453	2,471	2,516							
30_34	4,159	4,160	4,141	4,129	4,159	4,198	4,250	4,357	4,371	4,420	4,510	4,501	4,468	4,454	4,414	4,332	4,304	4,246							
35_39	4,869	4,976	5,086	5,273	5,321	5,312	5,312	5,295	5,281	5,321	5,376	5,437	5,550	5,584	5,623	5,697	5,674	5,620							
40_44	5,914	5,775	5,625	5,495	5,515	5,548	5,657	5,784	5,969	6,030	6,015	6,018	6,003	5,992	6,040	6,107	6,178	6,301							
45_49	6,530	6,472	6,439	6,421	6,330	6,261	6,113	5,949	5,808	5,806	5,846	5,958	6,094	6,273	6,345	6,325	6,327	6,316							
50_54	6,101	6,347	6,461	6,538	6,548	6,541	6,482	6,454	6,435	6,351	6,279	6,145	5,988	5,851	5,846	5,895	6,014	6,155							
55_59	5,334	5,398	5,604	5,804	6,021	6,206	6,443	6,563	6,647	6,660	6,653	6,598	6,577	6,556	6,480	6,408	6,282	6,129							
60_64	4,838	4,900	4,929	4,979	5,089	5,214	5,286	5,480	5,677	5,886	6,070	6,294	6,410	6,494	6,508	6,497	6,444	6,424							
65_69	5,319	5,341	5,367	5,029	4,838	4,843	4,901	4,941	4,997	5,115	5,242	5,335	5,530	5,734	5,945	6,136	6,358	6,480							
70_74	3,990	4,239	4,531	5,035	5,261	5,303	5,333	5,353	5,034	4,854	4,862	4,916	4,968	5,032	5,157	5,295	5,407	5,612							
75_79	3,363	3,385	3,307	3,424	3,598	3,844	4,078	4,359	4,842	5,067	5,113	5,145	5,162	4,865	4,701	4,703	4,747	4,798							
80_84	2,910	2,893	2,902	2,943	3,024	3,087	3,129	3,077	3,192	3,364	3,596	3,820	4,087	4,549	4,776	4,835	4,878	4,896							
85&	2,908	3,007	3,151	3,217	3,315	3,390	3,488	3,609	3,697	3,837	3,960	4,082	4,150	4,321	4,577	4,863	5,134	5,391							
TOT	59,738	60,419	61,122	61,838	62,583	63,348	64,058	64,776	65,480	66,197	66,944	67,658	68,377	69,076	69,781	70,490	71,186	71,876							
Number of Households					Change in No. Households (Formation)					Total Over 15 Years															
2014 Cohort	2014	2019	2024	2029	2014-19					2014-29					2014-2029										
0_4	0	0	0	104	0					0															
5_9	0	0	96	836	0					96					15-19 → 20-24					2,104					
10_14	0	84	750	2,453	84					666					20-24 → 25-29					5,367					
15_19	90	788	2,578	4,332	698					1,790					25-29 → 30-34					5,174					
20_24	855	2,729	4,510	5,697	1,874					1,781					30-34 → 35-39					3,518					
25_29	2,559	4,198	5,376	6,107	1,639					1,178					35-39 → 40-44					2,113					
30_34	4,159	5,312	6,015	6,325	1,153					703					40-44 → 45-49					955					
35_39	4,869	5,548	5,846	5,895	679					298					45-49 → 50-54					78					
40_44	5,914	6,261	6,279	6,408	347					18					50-54 → 55-59					346					
45_49	6,530	6,541	6,653	6,497	11					112					55-59 → 60-64					-412					
50_54	6,101	6,206	6,070	6,136	105					-136					60-64 → 65-69					99					
55_59	5,334	5,214	5,242	5,295	-120					28					65-69 → 70-74					56					
60_64	4,838	4,843	4,862	4,703	5					19					70-74 → 75-79					-495					
65_69	5,319	5,303	5,113	4,835	-16					-190															
70_74	3,990	3,844	3,596	4,863	-146					-248															
75_79	3,363	3,087	3,960	0	-276					873															
80_84	2,910	3,390	0	0	480					-3,390															
85&	2,908	0	0	0	-2,908					0															
					2014-2019					2014-2029															
					Age 15-44					Age 15-44															
					per annum					per annum															
					6,043					18,276															
					1,209					1,218															
					Age 15-49					Age 15-49															
					per annum					per annum															
					6,390					19,231															
					1,278					1,282															
					Age 15-74					Age 15-74															
					6,229					19,398															
					1,246					1,293															
					ALL																				
					3,525																				
					705																				

APPENDIX 2 – CALCULATIONS OF AFFORDABLE HOUSING NEED

Calculation of Affordable Housing Needs

The alternative scenarios for affordable housing need are set out in the two tables at the end of this note. The Forum believes the arithmetic and steps for these calculations are agreed with Mid Sussex District Council albeit the presentation of the MSDC approach with committed supply excluded was not accepted at the time the previous Statement of Common Ground was prepared.

There is not agreement between the parties on the calculated affordable housing need figure. The uncommon ground continues to be centred on two steps of the calculation:

- Step 2.1 and the correct calculation of a figure to use for 'New Household Formation (gross)' based on annual gross household formation in the 16-44 age groups within the CLG 2014-based household projections:
 - i MSDC now considers this should 1,055 per annum (based on 15 years 2014-2029). This is a change from 800 per annum as per the previous SofCG.
 - ii The Forum considers this should be 1,209 per annum (based on five years 2014-2019). A like-for-like comparison with the Council's approach over 15 years would be 1,218 per annum (based on 15 years 2014-2029);

The difference is owing to different approaches to calculating gross household formation for those age groups, as is explained in the respective parties' further evidence on affordable housing need.

- Step 3.3 and whether the 'committed supply of new affordable housing' should be included (MSDC) or excluded (the Forum) from the calculation when considering affordable need as a likely proportion of total housing delivery given the probable percentage of affordable housing to be delivered by market housing-led developments.

The overall position on affordable housing needs as it relates to the conclusion on full objectively assessed housing needs continues to be as set out in the respective parties' hearing statements and supporting evidence.

Affordable Housing Needs – Reasonable Preference Groups

Source: HEDNA Update (EP21) Table 17, HEDNA Addendum (EP22) Table 7 and Barton Willmore OAN (1/20534, Appendix B para 4.36)

Step	Stage 1: Current Housing Need (Gross)	MSDC – HEDNA Update/ Addendum	MSDC – Decemb er 2016	MSDC – Decemb er 2016 (excl. committ ed supply)	Develop er Forum (incl. committ ed supply)	Develop er Forum (excl. committ ed supply)	Agreed Position
1.1	Homeless Households and those in Temporary Accommodation	0	0	0	0	0	0
1.2	Overcrowding and Concealed Households	0	0	0	0	0	0
1.3	Households in Need in Reasonable Preference Groups	255	330	330	330	330	330
1.4	Total Current Affordable Housing Need (Gross) (1.1 + 1.2 + 1.3)	255	330	330	330	330	330
	Stage 2: Future Affordable Housing Needs						
2.1	New Household Formation (gross)	800	1,055	1,055	1,218	1,218	not agreed
2.2	Proportion of Households Unable to Buy or Rent	44.2%	44.2%	44.2%	44.2%	44.2%	44.2%
2.3	Existing Households Falling into Need and Housed per Annum	105	105	105	105	105	105
2.4	Total Newly Arising Need (Gross Per Year) (2.1 x 2.2 + 2.3)	459	571	571	643	643	~
	Stage 3: Affordable Housing Supply						
3.1	Affordable Dwellings Occupied by Households in Need	0	0	0	0	0	0
3.2	Surplus Affordable Housing Stock	0	0	0	0	0	0
3.3	Committed Supply of New Affordable Housing	1,223	1,405	0	1,405*	0	not agreed
3.4	Units to be taken out of Management	0	0	0	0	0	0
3.5	Total Available Affordable Housing Stock (3.1 + 3.2 + 3.3 - 3.4)	1,223	1,405	0	1,405	0	~
3.6	Annual Supply of Social Re-lets (net)	128	252	252	252	252	252
3.7	Annual Supply of Intermediate Affordable Housing for sale/let at sub-market level	43	26	26	26	26	26
3.8	Annual Supply of Affordable Housing (3.6 + 3.7)	171	278	278	278	278	~
A	Total Net Need (1.4 - 3.5)	-968	-1,075	330	-1,075	330	~
B	Annual Flow Backlog (10%) of Total Net Need 10yr period to relieve (A/10 years)	-97	-108	33	-108	33	~
C	Net Annual Housing Need (2.4 + Annual Flow (B) - 3.8)	191	185	326	257	398	~
	Annual total @ 30% AH Delivery	637	617	1,087	857	1,327	

* Committed supply included for illustrative purposes only to show impact of altering Step 2.1 with all other things being equal.

Affordable Housing Needs – Total Waiting List

Source: HEDNA Update (EP21) Table 18, HEDNA Addendum (EP22) Table 7 and Barton Willmore OAN (1/20534, Appendix B para 4.36)

Step	Stage 1: Current Housing Need (Gross)	MSDC – HEDNA Update/ Addendum	MSDC – December 2016	MSDC – December 2016 (excl. committed supply)	Developer Forum (incl. committed supply)	Developer Forum (excl. committed supply)	Agreed Position
1.1	Homeless Households and those in Temporary Accommodation	0	0	0	0	0	0
1.2	Overcrowding and Concealed Households	0	0	0	0	0	0
1.3	Households in Need	1,286	1,418	1,418	1,418	1,418	1,418
1.4	Total Current Affordable Housing Need (Gross) (1.1 + 1.2 + 1.3)	1,286	1,418	1,418	1,418	1,418	1,418
	Stage 2: Future Affordable Housing Needs						
2.1	New Household Formation (gross)	800	1,055	1,055	1,218	1,218	not agreed
2.2	Proportion of Households Unable to Buy or Rent	44.2%	44.2%	44.2%	44.2%	44.2%	44.2%
2.3	Existing Households Falling into Need and Housed per Annum	105	105	105	105	105	105
2.4	Total Newly Arising Need (Gross Per Year) (2.1 x 2.2 + 2.3)	459	571	571	643	643	~
	Stage 3: Affordable Housing Supply						
3.1	Affordable Dwellings Occupied by Households in Need	0	0	0	0	0	0
3.2	Surplus Affordable Housing Stock	0	0	0	0	0	0
3.3	Committed Supply of New Affordable Housing	1,223	1,405	0	1,405*	0	not agreed
3.4	Units to be taken out of Management	0	0	0	0	0	0
3.5	Total Available Affordable Housing Stock (3.1 + 3.2 + 3.3 - 3.4)	1,223	1,405	0	1,405	0	~
3.6	Annual Supply of Social Re-lets (net)	128	252	252	252	252	252
3.7	Annual Supply of Intermediate Affordable Housing for sale/let at sub-market level	43	26	26	26	26	26
3.8	Annual Supply of Affordable Housing (3.6 + 3.7)	171	278	278	278	278	~
A	Total Net Need (1.4 - 3.5)	63	13	1,418	13	1,418	~
B	Annual Flow Backlog (10%) of Total Net Need 10yr period to relieve (A/10 years)	6	1	142	1	142	~
C	Net Annual Housing Need (2.4 + Annual Flow (B) - 3.8)	294	294	435	366	507	~
	Annual total @ 30% AH Delivery	980	980	1,450	1,220	1,690	

* Committed supply included for illustrative purposes only to show impact of altering Step 2.1 with all other things being equal.

APPENDIX D:

DRAFT REVIEW CLAUSE

MID SUSSEX DISTRICT PLAN

DRAFT REVIEW CLAUSE

5 December 2016

It is proposed that these words be included in the adopted version of the District Plan.

(This assumes that the District Plan has first been modified to increase its OAN, to meet the unmet need arising in Crawley and to identify additional sites consistent with the increased housing requirement. If this is not the case, the soundness of the Plan may be questioned and/or any review would need to be more far reaching.)

1. The Localism Act 2011 places a “duty to co-operate” on local authorities and other specified organisations. The Mid Sussex District Plan should therefore be based on joint working and co- operation with neighbouring authorities to address larger than local issues. In particular, where it is reasonable to do so and consistent with achieving sustainable development, it should seek to meet unmet housing needs arising from neighbouring authorities in the region, including but not limited to those arising from other authorities within the Northern West Sussex and Greater Brighton/ Coastal West Sussex sub-regional housing market areas. The District Plan has been adopted on the basis of meeting some unmet housing needs from the sub region.
2. The Council accepts that its District Plan, taken together with the development plans for adjoining districts in the relevant housing market areas, fails to meet all of the objectively assessed housing needs of those parts of the sub-region relevant to Mid Sussex. There is evidence that in addition to the housing sought to be delivered through various recently adopted development plans (for Brighton & Hove City Council, Lewes District Council, Adur District Council and Worthing Borough Council) a further 35,351 dwellings are required over the next 15 years if the housing needs of the sub-region are to be met in full.
3. As part of its duty to continue to engage constructively, actively and on an ongoing basis with neighbouring authorities and public bodies with regard to strategic planning matters, including the provision for housing over sub-regional areas, Mid Sussex District Council is committed to working together with its neighbouring planning authorities to identify what proportion of the above unmet need can

reasonably and sustainably be met within its administrative boundaries having regard to both its environmental capacity and the environmental capacity of its neighbouring authorities. As part of discharging this duty, Mid Sussex Council will complete an urgent partial review of its District Plan within 2 years of the adoption of this District Plan (date to be specified in the plan when its adoption date is known). This partial review will be undertaken in co-operation with all neighbouring authorities where there are relevant cross-boundary issues, including Horsham district.

4. The purpose of the review will be to (a) assess what proportion of the overall unmet need can be satisfied within Mid-Sussex and (b) identify sufficient housing land to meet that need insofar as the need can be met within Mid Sussex consistent with approach required by paragraph 14 of the NPPF.