

To Pauline Butcher  
Programme Officer  
Mid Sussex District Plan

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Lewes Road  
Lindfield  
West Sussex  
RH16 2LD  
11 January 2017

Dear Pauline Butcher,

MSDC EXAMINATION ON 12/13 JANUARY 2017

I attach a paper for the Examination Hearings on 12/13 January.

I am sorry this is a late paper but I did not get MSDC's evidence (MSDC 4 refers) until late on Sunday 8 January in which MSDC proposed a new method for the calculation of affordable need and it has taken me ,alone,a couple of days to get this paper together.

NEIL KERSLAKE  
11 January 2017

AN ANALYSIS OF MSDC'S ARGUMENT THAT COMMITTED SUPPLY SHOULD BE SPREAD OVER THE FULL 17 YEAR PLAN PERIOD RATHER THAN A 10 YEAR PERIOD -EVIDENCE DOCUMENT MSDC 4 REFERS

1.FACTS

(i) The NPPG states in ID 2a-024-20140306, under the heading 'How should the current total affordable supply be calculated?' that you should "identify the committed supply of new affordable units at the point of assessment" i.e we must use the total committed supply (to calculate the current affordable supply) as at the date that the NPPG calculation is undertaken.

2.IS MSDC RIGHT TO SPREAD COMMITTED SUPPLY OVER THE 17 YEAR PLAN PERIOD ?

(i) Clearly MSDC is wrong to spread the committed supply over a the full 17 year plan period for two reasons:-

(a) Committed supply is the supply that you can use for the provision of new (and as yet unprovided housing) affordable housing going forward from the point of the NPPG assesment/calculation.

(b) Over the first 3 years of the Plan (2014/15 to 2016/17 - and we are almost at 31 March 2017) any affordable homes would have been supplied as part of the total housing supply over those 3 years and that actual affordable supply will have been used to reduce the MSDC waiting list for affordable homes allocation to those qualifying for affordable homes.

(ii) From paragraph 2(i) (a) and (b), above its undeniable that both logically and mathematically, it is correct to conclude that the committed total new housing supply (from which new affordable homes will be supplied) cannot be spread over the 17 year plan period and thus be spread back over the last 3 years. Any, spread must be made over the forward years of the plan from the date of the NPPG calculation and thus the maximum spread of the new affordable committed supply must be over the next 14 years only.

3.THE EFFECT OF USING A 14 YEAR SPREAD PERIOD FOR THE NEW AFFORDABLE COMMITTED SUPPLY

(A) Based on the Reasonable Preference Group test

(i) Dividing the agreed (by MSDC and the Forum only, but not by myself - see later) new total committed supply of 3900 units by 14 years gives an annual new supply of 279 dpa per year over the 14 year period (this compares with only 229 units under MSDC's 17 year spread). This spread based figure of 279 dpa must now be deducted from the planned housing supply of 800 dpa to give the net available committed supply of 521 dpa from which to calculate the net new affordable committed supply.

(i) At an affordable housing policy of 30%, then 521 dpa will produce 156 dpa of new affordable housing supply each year for 14 years. But the net affordable need is 185 dpa for the reasonable preference groups (the final number in the NPPG calculation as set out in Step A of the calculation tables produced by MSDC and by the Forum) and this figure is an agreed figure by the parties (MSDC and the Forum). Thus, there is a shortfall of 29 dpa against the



need target(185 minus 156)or a 16% shortfall against the reasonable preference groups affordable housing need.

(ii)If MSDC was to increase its affordable housing policy to 35% as it suggests(and I question this policy change below),then 521 dpa of committed supply each year would produce 182dpa of new affordable homes, giving a shortfall against the target net affordable need(185dpa) of 3 dpa or a 2% shortfall.

(B) Based on the Total Waiting List test

(iii)Based on a 30% affordable homes policy,we know from A(i) immediately above that 521 dpa of committed supply (left over from the 800 dpa Plan provision after deducting 279 dpa committed affordable supply) will produce 156dpa of new affordable housing each year over the 14 year period of spread.The target net affordable need is agreed by everyone to be 294dpa(Step A of the calculation) and the available new affordable supply is only 156dpa leaving an affordable housing shortfall each year of 138dpa or a 47% shortfall,

(iv)Similarly if MSDC was to change its affordable housing policy to 35% then this would provide 182 dpa of new affordable homes compared with a target net affordable housing need of 294 dpa and the shortfall against target would be 112dpa or a 38% shortfall.

(C)Increases required in MSDC's Total Housing Need Figure resulting from the shortfalls in sub paragraphs(A) and (B) (i) to (iv) immediately above are as follows:-

(i) For reasonable preference groups(at a 30% affordable policy),MSDC would need to increase its total housing by 97dpa to 897 dpa.to fully meet the preference groups affordable housing need.

(ii) For reasonable preference groups (at a 35% affordable policy), MSDC would need to increase its total housing by 10dpa to fully meet its preference groups affordable housing need.

(iii)For the total waiting list(at a 30% affordable policy),MSDC would need to increase its total housing by 460 dpa to 1260 dpa to fully meet its waiting list affordable housing need.

(iv)For the total waiting list(at a 35% affordable housing policy),MSDC would need to increase its total housing by 320 dpa to 1120dpa to fully meet its waiting list affordable housing need.

4.THERE IS A PROBLEM WITH THE COMMITTED SUPPLY OF AFFORDABLE FIGURE OF 1405(Step 3.5 of the calculation tables)USED BY BOTH MSDC AND BY THE FORUM

(i)Both sides(MSDC and the Forum) have accepted that the total committed supply is 3900 homes as at the date of the NPPG calculation.And both sides accept that this total committed supply will provide 1405 affordable homes(both have used these two figures in their calculation tables).-Step 3.5 in the calculation.



(ii) But it seems to be clear that either the total committed supply of 3900 homes is wrong or the 1405 affordable homes that this total committed supply will produce is wrong. This error is easily demonstrated by taking the 1405 affordable homes and comparing that with the total committed supply of 3900 homes which will show the percentage rate of affordable housing which has been applied. Now 1405 divided by 3900 produces an affordable percentage (policy rate) of 36% yet we know that the maximum affordable policy used by both sides in the calculation table is 30%; ergo either the affordable housing number of 1405 is wrong or the total committed supply is wrong. I do not know which figure is incorrect. If the 3900 total committed supply figure is correct then the affordable housing figure in Step 3.5 of the NPPG calculation must be 3900 multiplied by 30% gives 1170 affordable homes and not 1405 affordable homes. But if the 1405 affordable homes is correct then by grossing this up to get at the total committed housing supply would result in 1405 multiplied by 100 and divided by 30 giving a total committed housing supply of 4683 homes and not 3900 homes.

(iii) MSDC and the Forum must be able to sort out which of the these figures, at issue in sub paragraph (ii) immediately above, is right and which is wrong and get these two numbers right. Either way the NPPG calculations in paragraph 3 above will worsen significantly: if the 1405 affordable homes figure is wrong and it falls to 1170 then the net affordable need figure at Step A will increase significantly and so the shortfall in affordable supply will also be worse (a higher shortfall than the calculations in paragraph 3 above). The increase in the net affordable housing need will rise from 185 dpa to 209 dpa for reasonable preference groups and from 294 dpa to 318 dpa for the total waiting list. If the total committed supply figure of 3900 is wrong and it is increased to 4683, then the net available committed supply available from the 800 dpa Plan figure will fall significantly from 521 dpa to 332 dpa (800 minus 468 gives a figure of 332 dpa) and thus again the shortfall against the net affordable need figure at Step A will worsen (i.e. the shortfall will be significantly higher than those calculations in paragraph 3 above). The actual figures would be that on a net available new supply figure of 332 dpa, only 97 dpa of new affordable housing (based on a 30% housing policy) could be provided each year compared with the target need of 185 dpa for reasonable preference groups and 294 dpa for the total weighting list and with shortfalls of 88 dpa against target for reasonable preference groups and a shortfall of 197 dpa for the total waiting list, then MSDC's total housing need figure would have to increase by 293 to 1093 dpa for reasonable preference groups and by 657 dpa to 1457 dpa for the total waiting list in order to meet the required target net affordable need. These are big figures.

##### 5. SHOULD MSDC BE ALLOWED TO CHANGE ITS 30% AFFORDABLE HOUSING POLICY TO 35% AS IS SUGGESTED IN THEIR EVIDENCE

(i) On the one hand an increase in the affordable homes policy to 35% would be seen as being a social good. But on the other hand economics would suggest that if at any point in time it provides more affordable homes than are required then this would represent



a mis-allocation of resources and would not be good.

(ii) There is another very real and practical problem which concerns the Government's intentions on 'starter homes' which, based on their consultation paper, may result in all sites being required to provide 20% of the housing for starter homes which would be sold at a price discount of 20% of the market price up to a cap on house price of homes costing £250,000. These starter homes would then be categorised as affordable homes. Thus if the affordable homes policy was 30% currently, of which about 75% is for the social rented sector and about 25% for part buy/part rent, then if a further figure of 20% for starter homes is added to the existing 30% affordable housing policy, then the total affordable housing component of every development will rise from 30% to 50%. Unless Government foots the 20% discount bill rather than expect housebuilders to fund it themselves, there is a real prospect that for sites to be financially viable, housebuilders will insist that an affordable homes policy of 50% be dropped back to 40% or below and that would affect, dramatically, the scale of the current affordable housing provision that could be provided i.e. social rented housing provision would fall like a stone.

(iii) Based on sub paragraph (ii) immediately above it seems to me that it would be a hostage to fortune to allow MSDC to claim that it would now increase its affordable housing policy from 30% to 35% so that it could meet the affordable need calculation based on its calculations (the MSDC calculations are incorrect, and substantially so, as set out in my arguments in the earlier paragraphs of this paper).

(iv) There would need to be a proper public consultation and examination of any proposal by MSDC to increase its affordable housing policy from 30% to 35%.

#### 6. SHOULD THE SPREAD OF COMMITTED SUPPLY BE OVER A 10 YEAR PERIOD OR A 14 YEAR PERIOD ?

(i) I am clear that the committed supply should be spread over 10 years and not 14 years for the following reasons:-

(a) The NPPG makes it very clear that the total available stock of affordable housing (derived from the committed supply) should be subtracted from the total gross affordable housing need (i.e. the waiting list figures) and that resulting figure (Step A of the calculation table) should be converted into an annual flow. This annual flow backlog calculation is set out at Step B in the calculation tables of both MSDC and the Forum and they both agree that the annual flow backlog should be 10% of the total net need in Step A of the calculation table. Ergo, both sides agree that the spread of the annual backlog should be over a 10 year period.

(b) When I spoke to DCLG last week, I said that with the net affordable need (an absolute figure) having to be converted to an annual flow backlog and being spread over 10 years, it seemed logical for the committed supply (a similar absolute figure) to be converted into an annual figure that it too should be spread over 10 years and DCLG did not demur.

(c) If the committed supply is spread over 14 years to the very end of the Plan period then that would imply that MSDC do not believe that the current committed supply will be built and used for affordable housing provision within the next 10 years but MSDC believe that the delivery of that committed supply will go right up to the wire of the end of the Plan period and take the full 14 years to deliver. In my view, it is reasonable to expect that all of the committed supply, at today's date, will have been built and supplied (and people will be living in those affordable homes) within the next 10 years.

(iv) In all logic, if the absolute figure for the net affordable need is spread over 10 years then the absolute committed supply figure should also be spread over the same 10 year period.

## 7. CONCLUSION

(i) My conclusions are:-

(a) MSDC cannot use a 17 year spread period for committed supply and that it must be limited to a maximum of 14 years.

(b) Either the total committed supply of 3900 is wrong or the total committed affordable supply of 1405 is wrong.

(c) MSDC cannot expect to increase its affordable housing policy from 30% to 35% without prior public consultation and examination.

(d) A 10 year spread of the committed supply is the right method to be applied to the affordable housing calculation and not a 14 year spread.

NEIL KERSLAKE  
11 January 2017