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Strategic Housing Market Assessment

Final Report

Iceni Projects Limited on behalf of
Mid Sussex District Council

October 2021

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ICENI PROJECTS LIMITED
ON BEHALF OF MID SUSSEX
DISTRICT COUNCIL

Strategic Housing
FINAL REPORT

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1. INTRODUCTION

- 1.1 In March 2018, Mid Sussex District Council (“the Council”) adopted its District Plan which sets out a development strategy for the District to 2031. The District Plan identified an objectively housing need for 14,892 homes with an additional 1,498 homes to meet unmet needs arising from Crawley. This generated a minimum requirement of 16,390 homes over the plan period of 2014-2031.
- 1.2 The Council has subsequently prepared its Site Allocations Development Plan Document (“DPD”) which provides the detailed site allocations to meet the identified need and enable a five year housing land supply to be demonstrated over the remainder of the plan period. At the time of writing, this is currently undergoing Examination in Public.
- 1.3 To inform a District Plan Review as well as ongoing decision-taking, the Council has commissioned Icen Projects (“Icen”) and Justin Gardner Consulting (“JGC”) to prepare a Strategic Housing Market Assessment which will:
- Provide an overview of the housing market geography and consideration of the strength of relationship of Mid Sussex with other areas, probably in the context particularly of potential unmet housing needs
 - Consider and provide a robust evidence base on overall housing needs, addressing the standard method but also considerations identified in PPG 2a-010 (including the future growth of Gatwick) and the inter-relationship with the affordable housing need;
 - Provide an updated evidence base on housing needs of older and disabled people, including evidence regarding the needs for different forms of specialist accommodation, most likely using the categorisation set out within the housing for older and disabled people PPG;
 - Provide an updated evidence base justifying provision of accessible and adaptable, wheelchair accessible and user housing; and how these issues should be addressed through plan policies;
 - Provide an evidence base on the housing needs of younger people which will need to address specific forms of accommodation, including student housing and co-living accommodation, and establish if there is need for such development in Mid Sussex;
 - Provide an updated assessment of affordable housing need which addresses the widened definition of need in the 2019 NPPF, and advises on the appropriate mix of homes having regard to the evidence and current national policy and how this might change; and

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- Provide an up-to-date evidence base on other market segments. Self/custom-build housing is identified in the brief, but we consider that it would be appropriate also to address build-to-rent development, entry-level exception sites and service families.

1.4 This report addresses the brief in full and draws together the analysis in a set out conclusions which can be carried forward as part of drafting planning policy and supplementary planning guidance.

Housing Market Area

1.5 The Crawley and Horsham SHMA, published in November 2019 and prepared by Icenii, included a review of the housing market geography to determine whether the previously identified 'Northern West Sussex' Housing Market Area ("HMA") comprising Mid Sussex, Crawley and Horsham remained appropriate and sought to examine spatial inter-relationships with surrounding areas.

1.6 The study carried out a review of previous studies, including a study prepared by GL Hearn in December 2016 for the Sussex Coast authorities which confirmed strong links between Horsham, Crawley and Mid Sussex; endorsing their continued appropriateness as a housing market area based on a 'best fit' to local authority boundaries.

1.7 The study then reviewed the most up-to-date evidence in terms of house prices, migration flows and commuting patterns – some of which had informed previous studies – and found that the evidence continues to support the definition of a Northern West Sussex HMA. Notably, this has been tested and endorsed at the three authorities' local plan examinations

1.8 There is however evidence of an overlap with surrounding housing market areas. In the southern parts of Horsham and Mid Sussex, the evidence points to Steyning, Hurstpierpoint and Hassocks (and potentially Burgess Hill) as falling within this area of overlap. In the northern part of the area, the evidence shows a functional relationship with parts of Surrey – and in particular areas in Surrey to the south of the M25; with the strongest relationship (in house price and commuting terms) being with Horley.

1.9 This study endorses the analysis set out in the Crawley and Horsham SHMA and the conclusion that a Northern West Sussex HMA remains appropriate.

Structure of the Report

1.10 This report is structured as follows:

- Section 2: Planning Policy Context
- Section 3: Housing Stock and Supply Trends
- Section 4: Housing Market Dynamics
- Section 5: Overall Housing Need
- Section 6: Demographic Implications
- Section 7: Affordable Housing Need
- Section 8: Older Persons Housing Needs
- Section 9: Housing Mix and Family Households
- Section 10: The Needs of Specific Groups
- Section 11: Other Market Segments
- Section 12: Conclusions

2. POLICY CONTEXT

- 2.1 This section sets out an overview of the key national planning policy and guidance underpinning the preparation of this Local Housing Market Area Needs Assessment which applies at time of writing. There are potential implications for this assessment arising from the national policy proposals set out in the Government's White Paper: Planning for the Future (August 2020).
- 2.2 The changes proposed in the White Paper have been considered throughout the main body of our assessment, where necessary.

National Planning Policy Framework (February 2019)

- 2.3 The latest version of the National Planning Policy Framework (NPPF) was published by Government on 19th February 2019. Paragraph 7 in the NPPF states that the purpose of planning is to contribute to the achievement of sustainable development. It sets out that planning policies and decisions should play an active role in guiding development towards sustainable solutions, but in doing so should take local circumstances into account, to reflect the character, needs and opportunities of each area.
- 2.4 The development plan must include strategic policies to address each local planning authority's priorities for the development and use of land in its area. Plans should apply a presumption in favour of sustainable development and for plan-making, this means that plans should positively seek opportunities to meet the development needs of their area, and be sufficiently flexible to adapt to rapid change and strategic policies should, as a minimum, provide for objectively assessed needs for housing and other uses, as well as any needs that cannot be met within neighbouring authorities, where it is sustainable to do so.
- 2.5 In order to support the Government's objective of significantly boosting the supply of homes, Paragraph 59 in the NPPF states it is important that a sufficient amount and variety of land can come forward where it is needed, that the needs of groups with specific housing requirements are addressed and that land with permission is developed without unnecessary delay.
- 2.6 Paragraph 60 sets out that in order to determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals.
- 2.7 Paragraph 61 goes on to set out that within this context, the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies including,

but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, people who rent their homes and people wishing to commission or build their own homes.

2.8 Paragraphs 62 – 64 address affordable housing provision. They set out that where an affordable housing need is identified, planning policies should specify the type of affordable housing required and expect it to be met on-site unless off-site provision or a financial contribution in lieu can be robustly justified, or the agreed approach contributes to the objectives of creating mixed and balanced communities.

2.9 Para 63 states provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas. It should be noted that Mid Sussex is not a designated rural area.

2.10 Para 64 sets out that where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. In addition, other exemptions to this 10% requirement include instances where a site or proposed development:

- Provides solely for Build to Rent homes;
- Provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);
- Is proposed to be developed by people who wish to build or commission their own homes; or
- Is exclusively for affordable housing, an entry-level exception site or a rural exception site.

2.11 The NPPF's Glossary (Annex 2) provides an updated definition of affordable housing; as well as definitions of Build to Rent development, local housing need, old people; and self-build and custom housebuilding.

Planning Policy Guidance

2.12 The Government's Planning Practice Guidance includes a number of sections which are relevant to the assessment of housing need.

-
- 2.13 Guidance on *Housing and economic needs assessments*¹ sets out that housing need is “an unconstrained assessment of the number of homes needed in an area” and should be undertaken separately from assessing land availability, establishing a housing requirement figure and preparing policies to address this such as site allocations. Details of the standard method calculations for Mid Sussex and consideration of whether exceptional circumstances exist to deviate from this are addressed in Section 5 of this report.
- 2.14 Guidance in *Housing needs of different groups*² sets out how affordable housing need can be assessed, as well as the needs of students, and how planning policies can support rural communities. It makes clear that the housing needs of individual groups may well exceed, or be proportionally high in relation to, the overall housing need figure calculated using the standard method, as these will often be calculated having consideration to the whole population as opposed to new households.
- 2.15 Councils will need to take into account these needs including the need for affordable housing - having regard to the overall housing need identified, the extent to which this can be translated into a housing requirement figure over the plan period, and the anticipated deliverability of different forms of provision, having regard to viability.
- 2.16 The Guidance section for *Housing for older and disabled people*³ sets out that the need to provide housing for older people is critical, as people are living longer and the older population is increasing. It sets out that the health, lifestyle and housing needs of older people will differ greatly with housing needs ranging from accessible and adaptable general needs housing to specialist housing with high levels of care and support.
- 2.17 It provides guidance on how the housing needs of older and disabled people can be assessed, which IcenI has had regard to in this report, and sets out that this should inform clear policies within plans which may include specific site allocations to provide greater certainty to developers. Separate guidance is provided on Optional technical standards including for accessible and adaptable housing, use of national space standards and wheelchair-accessible housing.
- 2.18 Separate Guidance sections have also been prepared which address *Build to Rent*⁴ and *Self-Build and Custom Housebuilding*⁵. The Build-to-Rent Guidance requires authorities to assess need, and

¹ <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

² <https://www.gov.uk/guidance/housing-needs-of-different-groups>

³ <https://www.gov.uk/guidance/housing-for-older-and-disabled-people>

⁴ <https://www.gov.uk/guidance/build-to-rent>

⁵ <https://www.gov.uk/guidance/self-build-and-custom-housebuilding>

where a need is identified to include a plan policy setting out the circumstances and locations where build-to-rent development will be encouraged.

- 2.19 The Self-Build Guidance section sets out the requirements of the Self-Build and Custom Housebuilding Act 2015 (as amended) including the requirements on Councils to maintain a Register of those interested in self-build housing and to grant consents to meet the need shown. It also sets out that needs assessments can consider other secondary data sources.

Housing and Social Care Legislation

- 2.20 Wider legislation affecting housing need includes the 1996 Housing Act (as amended), the Housing and Social Care Act 2012, the 2014 Care Act and 2017 Homelessness Reduction Act.
- 2.21 The 2014 Care Act sets out local authorities' duties in relation to assessing people's needs and their eligibility for publicly funded care and support. Under the Act, local authorities must carry out an assessment of anyone who appears to require care and support and focus the assessment on the person's needs and how they impact on their wellbeing, and the outcomes they want to achieve. Local authorities must also consider other things besides care services that can contribute to the desired outcomes (e.g., preventive services, community support and specialised housing needs).
- 2.22 The Homelessness Reduction Act 2017 places new legal duties on English councils so that everyone who is homeless or at risk of homelessness will have access to meaningful help. Local Authorities have a duty to produce homelessness strategies to prevent homelessness in their respective areas.

Current Planning Policies in Mid Sussex

Mid Sussex District Plan 2014-2031

- 2.23 The Mid Sussex District Plan was adopted in March 2018 and sets out the intended distribution of development across Mid Sussex and development management policies. This report is intended to feed into the review of the Local Plan which may influence the future level and distribution of development.
- 2.24 Policy DP4 sets out that the minimum housing requirement for the District is 16,390 dwellings between 2014 and 2031. It outlined a distribution of development across the District, which sought to focus development at Burgess Hill, East Grinstead and Haywards Heath (minimum of 10,653 dwellings), followed by smaller settlements of Copthorne, Crawley Down, Cuckfield, Hassocks and Keymer, Hurstpierpoint and Lindfield (minimum of 3,005 dwellings) with smaller villages and hamlets taking more limited development (approximately 2,282 dwellings). The intended distribution of development by location is shown in the Table below.

Table 2.1 DP4: Housing Distribution (DP 2018)

Settlements	Min Requirement over Plan Period
Settlement Category 1 – Burgess Hill, East Grinstead, Haywards Heath	10,653
Settlement Category 2 – Copthorne, Crawley Down, Cuckfield, Hassocks and Keymer, Hurstpierpoint and Lindfield	3,005
Settlement Category 3 – Albourne, Ardingly, Ashurst Wood, Balcombe, Bolney, Handcross, Horsted Keynes, Pease Pottage, Sayers Common, Scaynes Hill, Sharpthorne, Turners Hill and West Hoathly	2,200
Settlement Category 4 – Ansty, Staplefield, Slaugham, Twineham and Warninglid	82
Settlement Category 5 – Hamlets such as Birch Grove, Brook Street, Hickstead, Highbrook and Walstead	n/a
Windfalls	450

Source: Mid Sussex District Plan 2014-2031

- 2.25 A number of strategic sites are allocated, including existing commitments from the Local Plan 2004, Small Scale Housing Sites DPD (2008) and Neighbourhood Plans. This includes strategic development at the main settlements including to the north and north-west of Burgess Hill for 3,500 dwellings, the east of Burgess Hill for 480 dwellings as well as at the larger Category 2 settlement for land at Clayton Mills, Hassocks for 500 dwellings and at medium sized Category 3 settlements including 600 new dwellings at Pease Pottage.
- 2.26 Policy DP30 seeks to ensure that new housing developments provide a mix of dwelling types and sizes that reflect current and future local housing needs. This should include affordable housing provision, as well as consideration for older people, vulnerable groups and those wishing to build their own homes. Strategic sites should also provide permanent pitches for Gypsies and Travellers and Travelling Showpeople as required by the Council's evidence.
- 2.27 Policy DP31 seeks a minimum of 30% affordable housing provision on schemes of 11 dwellings or more/more than 1,000sqm. For schemes in the High Weald AONB providing 6-10 dwellings but with a floorspace of less than 1,000sqm, a commuted payment for off-site provision, equivalent to 30% affordable housing on-site provision is required. Policy DP32 also allows for Rural Exception sites to come forward.

Small Scale Housing Allocations Document (2008)

- 2.28 The Small Scale Housing Allocations DPD allocates small-scale sites for housing development. It was adopted in April 2008 and forms part of the Development Plan for the district, alongside the

District Plan and Neighbourhood Plans. There is only one allocated site outstanding from the DPD under SSH/6 known as Station Goods Yard for 60 homes.

Emerging Planning Policies in Mid Sussex

Site Allocations Document (Submission Draft – July 2020)

- 2.29 The Council has prepared this Development Plan Document (DPD) to allocate sufficient housing and employment sites to meet residual needs up to 2031 and set out additional Strategic Policies necessary to deliver sustainable development. This document was submitted for Examination in December 2020, with hearings taking place in June 2021.
- 2.30 The document includes draft allocations of 22 housing sites to deliver 1,764 additional dwellings. These sites are proposed to meet a residual housing need requirement of 1,280 dwellings up to 2031, having had consideration for up-to-date completion, commitment and windfall figures.
- 2.31 The majority of homes, equal to 1,409 dwellings will be delivered in the three main towns of Burgess Hill, East Grinstead and Hayward’s Heath, with 105 dwellings proposed for the larger villages under Settlement Category 2, 238 dwellings for the medium-sized villages in Category 3 and 12 dwellings for the smaller villages in Category 4.
- 2.32 For context, the Table below includes the “Updated Minimum Residual Housing Figure” for each Settlement Category alongside the expected yield from the housing supply set out in the Site Allocations DPD. The position set out in the Table is accurate for 1st April 2020.

Table 2.2 Policy SA10 Settlement Hierarchy and Delivery (DPD 2021)

Category	Settlements	Min Requirement over Plan Period	Updated Min Residual Housing Figure	Site Allocations – Housing Supply	Difference between Residual and Supply
1: Town	Burgess Hill, East Grinstead, Haywards Heath	10,653	706	1,409	+703
2: Larger Village	Copthorne, Crawley Down, Cuckfield, Hassocks and Keymer, Hurstpierpoint, Lindfield	3,005	198	105	-93
3: Medium Village	Albourne, Ardingly, Ashurst Wood, Balcombe, Bolney, Handcross,, Horsted Keynes, Pease Pottage,	2,200	371	238	-133

	Sayers Common, Scaynes Hill, Sharpthorne, Turners Hill, West Hoathly				
4: Smaller Village	Ansty, Staplefield, Slaugham, Twineham, Warninglid	82	5	12	+7
5: Hamlets	Birch Grove, Brook Street, Hickstead, Highbrook, Walstead	n/a	n/a	n/a	n/a
	Windfall	450			
	TOTAL	16,390	1,280	1,764	+484

Housing Strategy and Homelessness Policies

Mid Sussex Homelessness and Rough Sleeping Strategy 2020-2025

- 2.33 This Strategy sets out the Council's priorities for addressing homelessness in the District over the period 2020-2025.
- 2.34 This identifies five priorities to address homelessness including: preventing and relieving homelessness; minimising the use of and improving temporary accommodation; preventing recurring homelessness; tackling rough sleeping and homelessness among vulnerable groups; and, enabling access to suitable and affordable accommodation.
- 2.35 Action plans to meet each of these five priorities are set out, which establishes the individual actions, desired outcomes, the lead on these actions and timescales. The Council intends to work closely with formal and informal partners, including the charitable and voluntary sectors to meet the aims of the strategy.

3. HOUSING STOCK AND SUPPLY TRENDS

3.1 In this section we move on to profile the current housing offer. An important starting point for considering the future mix of homes needed is an understanding of the existing housing offer (by type, tenure and size) and how the mix of properties varies between tenures and within each area.

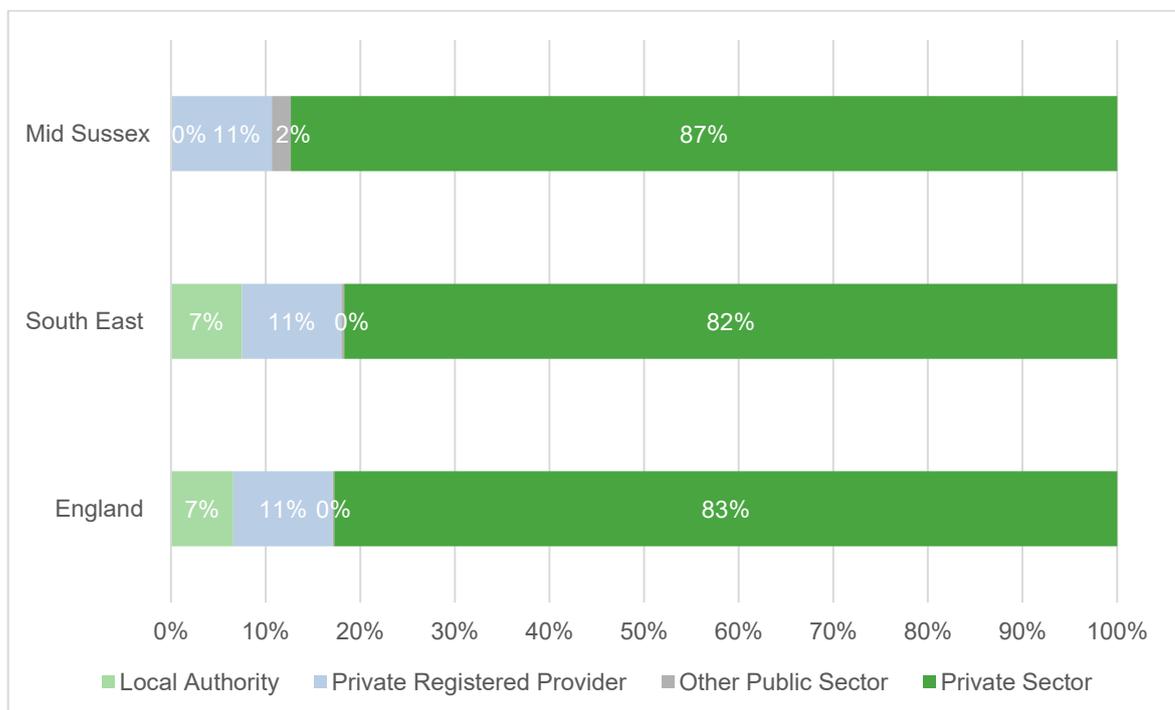
Housing Offer

Tenure Profile

3.2 There were 64,455 dwellings in Mid Sussex in 2019. Of these, 87% are in the private sector (which includes both owner-occupied and private rented properties) and 13% owned by public sector organisations (including the Council and Registered Providers).

3.3 Mid Sussex has a very small proportion⁶ of local authority housing since its stock was transferred to a Registered Provider over 30 years ago, whilst other public sector housing makes up a larger proportion compared to that in the South-East and England.

Figure 3.1 Tenure Profile, 2019



Source: MHCLG Table 100

⁶ Local authority housing stock equals 1,310 dwellings, when rounded this equates to 0% proportion.

3.4 Within the private sector, there is limited reliable local data available on the split between owner occupied housing and private renting. The 2011 Census showed:

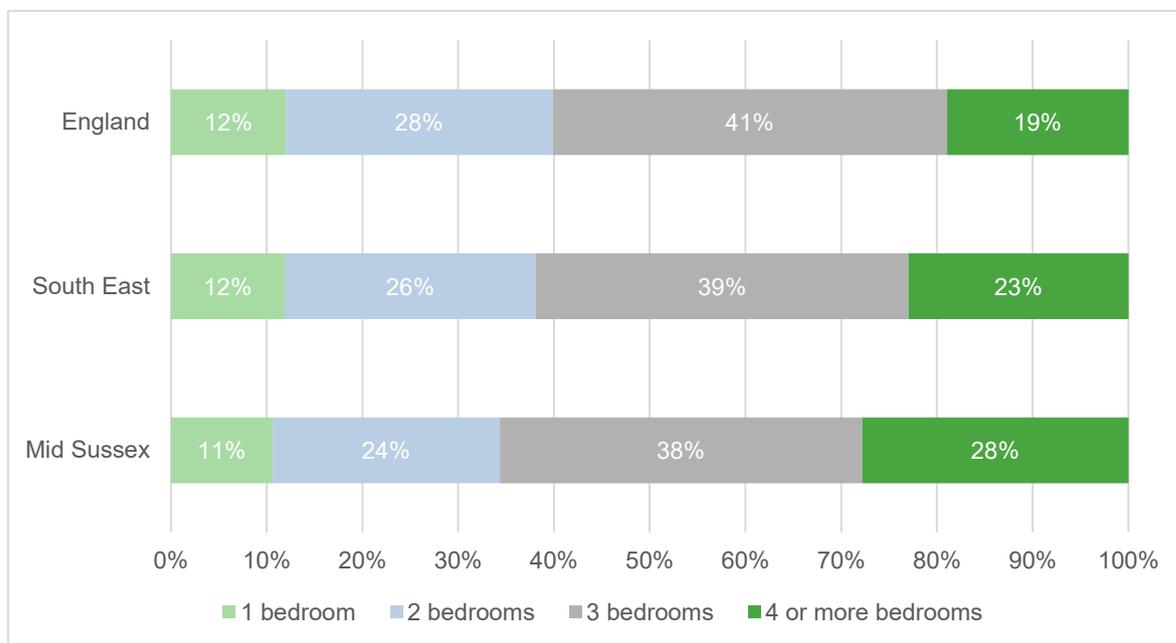
- Levels of home ownership in Mid Sussex were higher than comparator areas (76%), compared to the South East (69%) and England (65%).
- In Mid Sussex, 18% of the dwellings were in the private rented sector. This compares to 20% in the South East and 21% in England.

3.5 The English Housing Survey can be used to assess trends at a national level. What this shows is that across England, the private rented sector now accommodates 20% of all households, with this proportion having doubled since 2006-7. Growth in private rented sector accelerated from 2006/7; however, this appears to have slowed in more recent years (since 2014).

House Types and Sizes

3.6 To assess the profile of homes of different sizes, we have used 2011 Census data as a baseline. In Mid Sussex District, 38% of the stock consisted of 3 bedrooms with higher proportions of 4+ bedrooms (28%) when compared to the region and nationally.

Figure 3.2: Housing Stock by Number of Bedrooms, 2011

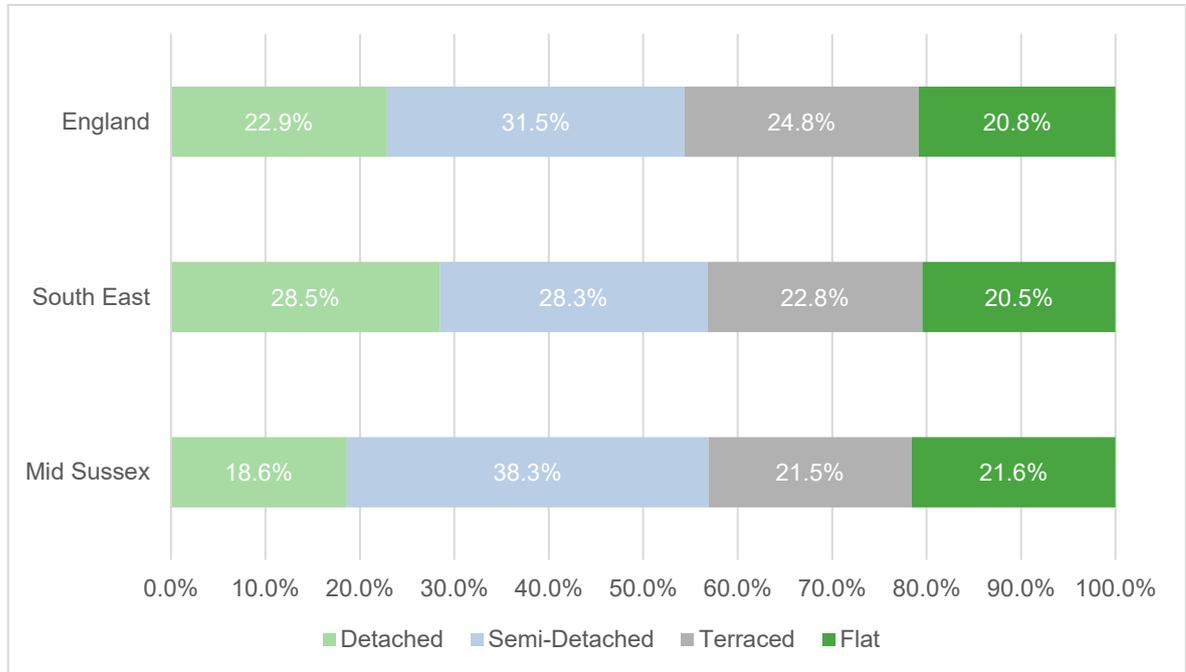


Source: 2011 Census

3.7 In terms of the types of properties in Mid Sussex, the majority (38.3%) are semi-detached, which is significantly higher than the proportion of these types of properties for the South East (28.3%) and England (31.5%). Mid Sussex District has a lower proportion of detached homes compared to the

South East and England (18.6% compared to 28.5% and 22.9% respectively), whilst the proportion of terraced and flatted properties more similarly aligns with the proportions for the region and country.

Figure 3.3 Housing Stock by Type, 2011



Source: Census 2011

3.8 The Regulator of Social Housing provides a summary overview of social rented units by type for local authorities in England. Currently in Mid Sussex, there are 32 private registered providers (RPs). 5.9% of the stock is owned by small RPs⁷ and 94.1% is owned by large PRPs⁸

⁷ <1,000 units owned

⁸ 1,000+ units owned, PRPs refers to providers of social housing in England that are registered with the social housing regulator, but are not LAs (this is the definition of PRP in the 2008 Housing Act)

Table 3.1 Total Social Units by Provision Type, 2020

	Mid Sussex	South East
General Needs Rented	5,950	300,366
LCHO (Shared Ownership / Equity)	728	45,210
Supported Housing	137	15,703
Housing for Older People	809	39,128
Total	7,624	400,407

Source: *The Regulator of Social Housing, 2020*

How Households Occupy Housing

- 3.9 Overcrowding is defined as the number of properties which have fewer rooms than their households require. The requirement is calculated based on the size, age and relationship of household members. Under-occupied properties on the other hand are those with more bedrooms than the household needs. For instance, an under-occupied property can relate to a couple with no children living in a two or more-bedroom property.
- 3.10 There has been a notable increase in overcrowded households at a national level (including young people living with their parents for longer) and Houses in Multiple Occupation (HMOs). This has been a symptom of affordability pressures, restrictions on access to mortgage finance and housing under-supply.
- 3.11 The English Housing Survey (2016-2017) states the rate of overcrowding in England for 2016/17 was 3%, with approximately, 682,000 households living in overcrowded conditions. Overcrowding was more prevalent in the rented sectors than for owner occupiers. Only 1% of owner occupiers nationally (183,000 households) were overcrowded in 2016-17 compared with 7% of social renters (268,000) and 5% of private renters (231,000).
- 3.12 The English Housing Survey indicates that the number and proportion of overcrowded households in the owner-occupied sector has remained relatively stable over the last 20 years or so. In the social rented sector, overcrowding peaked at 7% in 2010-11, before dropping to 6% in 2012-13. It remained at 6% until 2014-15 but increased to 7% in 2015-16 where it remained in 2016-17.
- 3.13 However, the proportion of overcrowded households in the private rented sector increased from 3% in 1995-96 to a peak of 6% in 2011-12, and since then has decreased slightly to 5%. The rapid overall growth in private renters between 1995-96 and 2016-17 explains the pronounced increase in actual numbers of overcrowded households from 63,000 in 1995-96 to 231,000 in 2016-17.

- 3.14 This national trend is evident in Mid Sussex where the proportion of residents living in over-occupied properties increased by 59% between 2001 and 2011. Given increasing affordability pressures, it is likely to have had further growth since.
- 3.15 We have measured the occupancy of housing against the Census occupancy rating, which allows comparison of trends over time. In 2011, the proportion of overcrowded dwellings was 6% for Mid Sussex (as a total of the current housing stock).

Table 3.2 Changes in Under and Over Occupied Households, Occupancy Rating, 2001-2011

	Under-occupying households			Over-occupying households		
	2001	2011	% Change	2001	2011	% Change
Mid-Sussex	42,396	45,006	6%	2,015	3,199	59%
South-East	2,539,347	2,660,553	5%	195,392	265,974	36%
England	15,274,290	16,027,853	5%	1,457,512	1,928,596	32%

Source: 2001 and 2011 Census

- 3.16 Under occupation in Mid Sussex increased by 6% between 2001 and 2011. However, the bedroom standard can be used to provide a more accurate representation of overcrowding and under-occupancy, as it takes account of the age/sex of occupants and relationships between them.
- 3.17 In terms of under-occupancy, in 2011 78% of the housing stock in Mid Sussex District was under-occupied, which is significantly higher when compared to the region (73%) and nationally (75%). This is influenced by high owner occupation and the age structure; whereby older owner occupying households can afford in essence to have more bedrooms than they might necessarily need or this group may indeed lack suitable alternative housing options.

Table 3.3 Under and Over Occupied Households, Bedroom Standard, 2011

	Under-Occupying Households	Over-Occupying Households
Mid Sussex	75%	2%
South East	71%	4%
England	69%	5%

Source: Census 2011

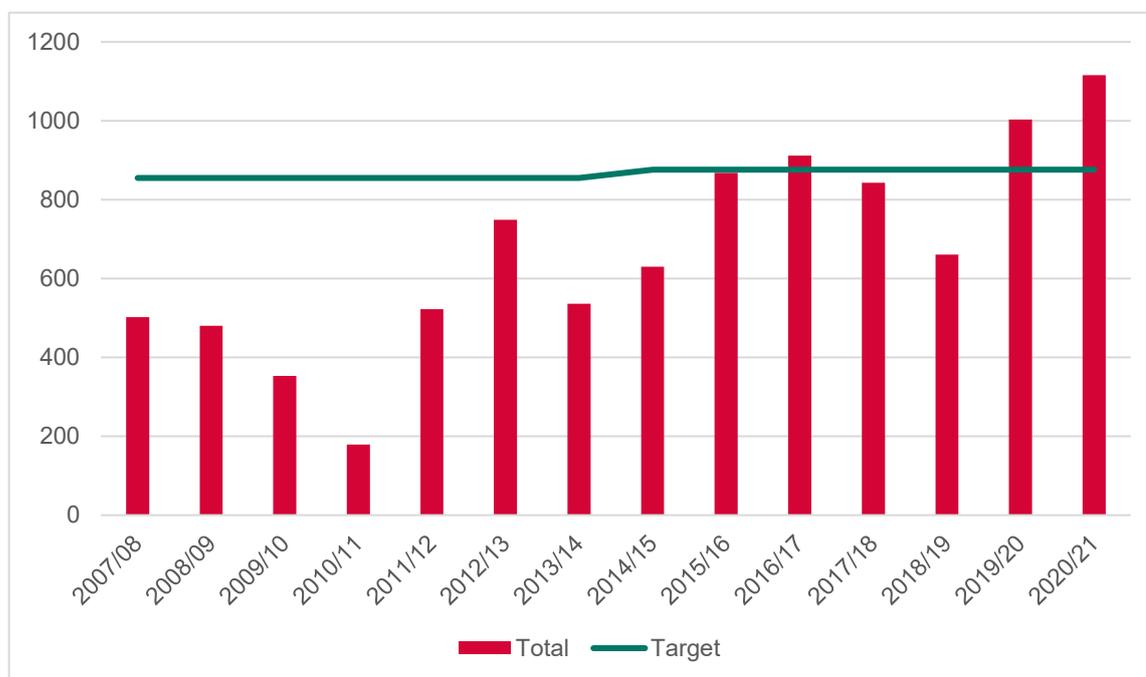
Housing Supply Trends

Housing Completions

- 3.18 IcenI has examined housing completions data for Mid Sussex District Council dating back to 2007/08. With the exception of 2016/17, 2019/20 and 2020/21, there has been an under-delivery in the District.

Since the current Local Plan period began in 2014, 93% of the District's housing target has been delivered, equating to an overall shortfall of 339 homes.

Figure 3.3 Housing Supply vs Target, 2007/08-2020/21



Source: Data supplied by Local Authority and AMRs

3.19 Net housing completion numbers by tenure have been analysed for the period 2007/08 to 2018/19. Over this period, Mid Sussex delivered a total of 1,638 affordable homes equal to 22% of housing completions on all sites, including those on sites below the Affordable Housing provision threshold where affordable housing provision is not required. Since the beginning of the plan period in 2014/15, the proportion of affordable homes delivered equalled 19% of housing completions on all sites. Following this period 214 affordable homes were delivered in 2019/20 with a further 245 being delivered during 2020/21.

Table 3.4 Housing completions in Mid Sussex, 2007/08 – 2020/21

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Market	397	322	196	94	320	641	414	409	755	744	746	559	789	871	7,257
Affordable	105	158	157	85	202	108	122	221	113	168	97	102	214	245	2,097

Source: Completion data supplied by Local Authority and AMRs

4. HOUSING MARKET DYNAMICS

- 4.1 This section considers the recent housing market dynamics in Mid Sussex District in respect of house prices, sales, rental values and affordability. This section also includes local intelligence from our engagement with estate and lettings agents.

Housing Market Dynamics

House Prices

- 4.2 The median value of house sales in Mid Sussex in the year ending September 2020 was £375,000. This was a 15% (£47,500) above the South of England average and 51% (£126,000) above the national average. Relative to the national average, prices for all properties in Mid Sussex District are substantially stronger (pointing to stronger relative demand).

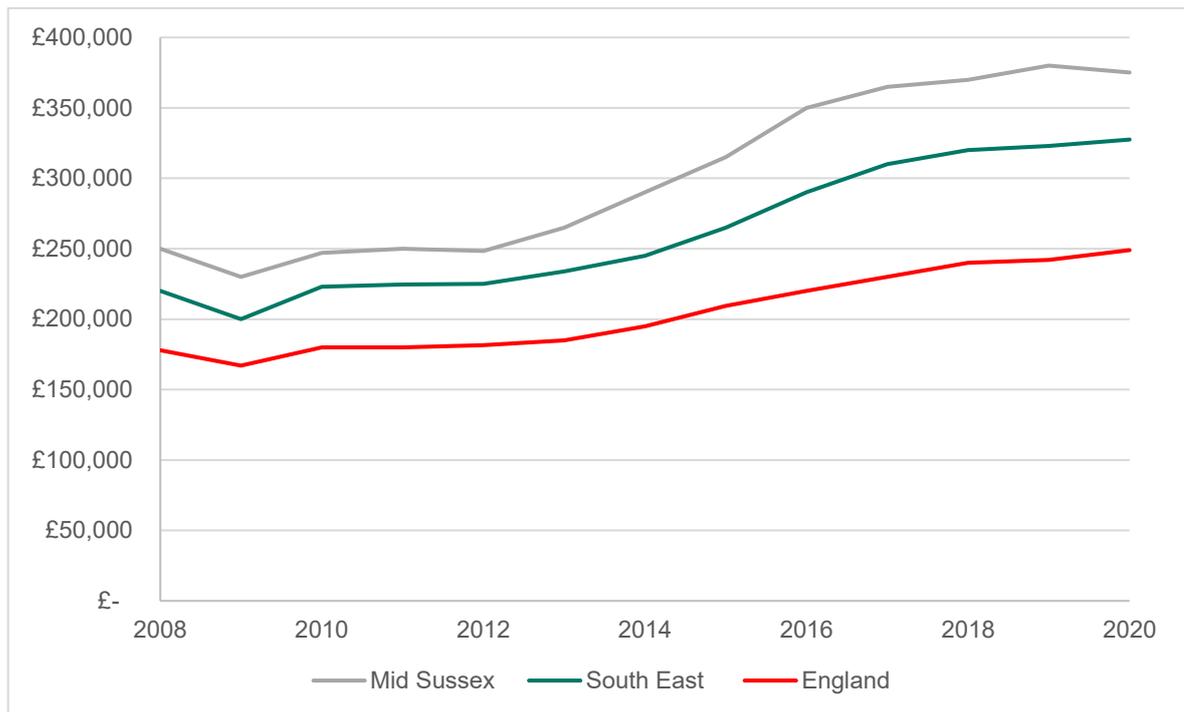
Table 4.1 Median House Prices, 2020

	Detached	Semi-Detached	Terraced	Flat/Maisonette	All Sales
Mid Sussex	£537,500	£380,000	£312,500	£232,500	£375,000
South East	£500,000	£339,950	£279,950	£205,000	£327,500
<i>Differential</i>	<i>£37,500</i>	<i>£40,050</i>	<i>£32,550</i>	<i>£27,500</i>	<i>£47,500</i>
England	£350,000	£223,000	£195,000	£216,000	£249,000
<i>Differential</i>	<i>£187,500</i>	<i>£157,000</i>	<i>£117,500</i>	<i>£16,500</i>	<i>£126,000</i>

Source: Icen Analysis of ONS Small Area House Price Statistics, Year Ending September 2020

- 4.3 The Figure below charts growth in the median house price over the period since 1995. House prices in Mid Sussex closely followed the national trend across England over time, with stronger price growth in Mid Sussex in the pre-recessionary period between 2003-08, a more significant dip during the recession and a strong recent increase from 2015 to 2017 before levelling off.

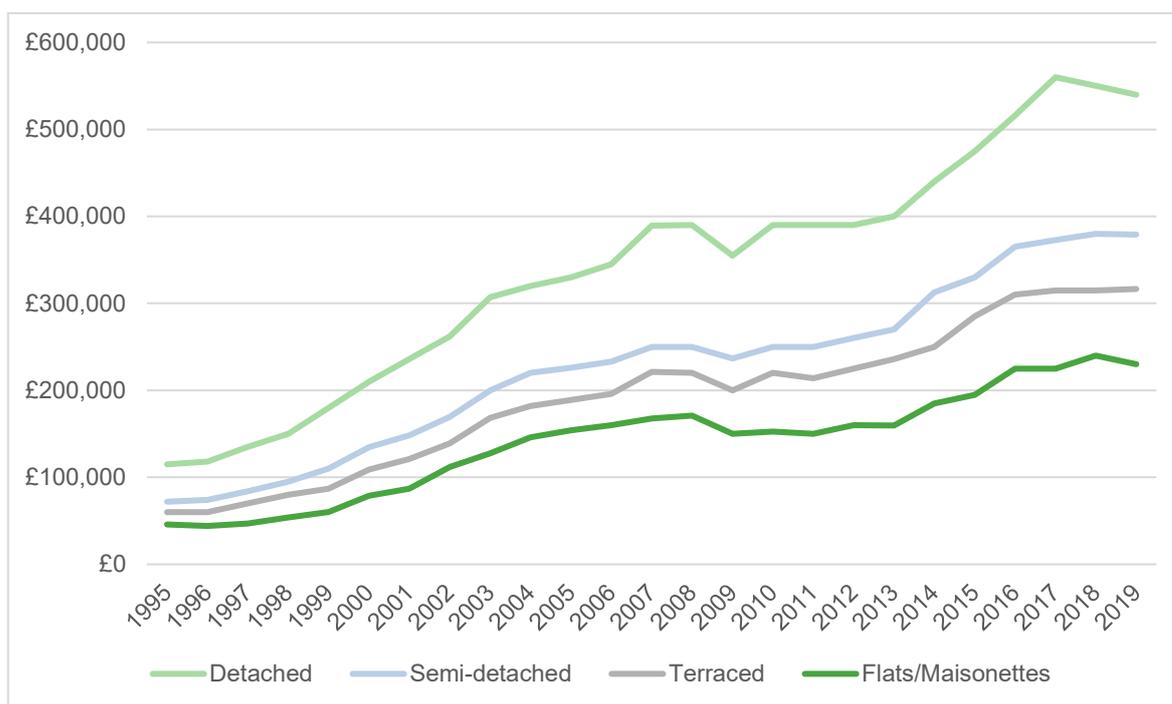
Figure 4.1 Median House Prices 2008-2020



Source: Icenii analysis of ONS Small Area House Price Statistics

- 4.4 Trends in the values of different types of properties in Mid Sussex District are shown in Figure 3.2 below. It shows that in the longer-term, the strongest value growth has been for detached properties which continued to increase until 2017, after which values experienced a decrease to £540,000.
- 4.5 Meanwhile, semi-detached, terraced and flatted properties have all seen similar trends in value growth over time. Values in 2019 were £129,225 above the 2008 peak for semi-detached homes, £96,500 for terraced homes and £59,000 for flatted homes.

Figure 4.2 Trends in Median Price by Property Type, Mid Sussex



Source: Icen analysis of ONS Small Area House Price Statistics

4.6 An analysis of changes in the median house price over time shows the cyclical nature of the market. Prices grew by 5.1% per annum between 2014-19, which is slightly higher than the growth seen between 2009-14 (4.9%) and notably greater than for 2004-9 (1.7%). The strongest growth in absolute and percentage terms over the last 10 years has been in values of detached and semi-detached properties.

Table 4.2 Annual Growth in House Prices in Mid Sussex over different time periods

	2014-19		2009-14		2004-09	
	PA	CAGR	PA	CAGR	PA	CAGR
Detached	£20,000	4.2%	£17,000	4.4%	£2,333	2.1%
Semi-Detached	£13,345	3.9%	£15,150	5.7%	£1,117	1.5%
Terraced	£13,300	4.8%	£10,010	4.6%	£1,197	1.9%
Flat/Maisonette	£9,000	4.5%	£7,000	4.3%	£267	0.5%
All Sales	£84,000	5.1%	£12,600	4.9%	£1,267	1.7%

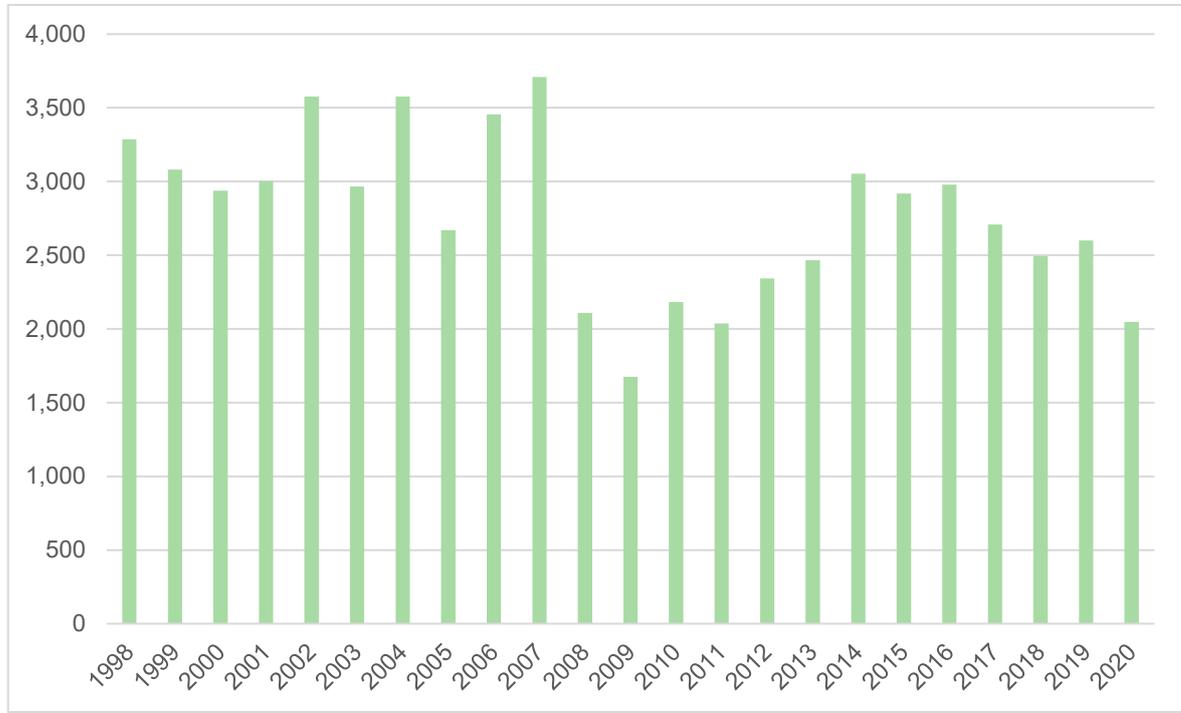
Source: Icen analysis of ONS Small Area House Price Statistics

Sales

4.7 Transaction levels (sales) reflect the relative buoyancy of the market and provide an indication of 'effective demand' for market housing. Sales volumes average 3,124 per annum over the 10-year period to 2008. They fell dramatically as a result of the 'credit crunch', before picking up from 2012 onwards as availability of mortgage finance improved and as a result of Government support for the housing market. Sales of market housing in Mid Sussex District have however been trending down since 2016, with the exception of 2019. It would appear that despite a record year of completions in

2020, the implications of COVID-19 and a slow down of the market in the first lockdown were significant on sales volumes.

Figure 4.3 Sales of Market Housing in Mid Sussex District, 1998-2020



Source: Icen analysis of ONS Small Area House Price Statistics

- 4.8 Structural issues with the housing market have inhibited a recovery in sales volumes to pre-2008 levels at a national level which is also clear in Mid Sussex District. Access to mortgage finance is more restricted with lower availability of mortgages on high loan to value ratios and requirements for 'stress testing', which includes assessing the ability of households to pay higher interest rates than the current level.
- 4.9 A growing older population which typically moves less often has also restricted housing market activity and chains, with fewer older households moving in part because of a compression of prices between 2- and 3-bed properties according to analysis from UK Finance. A consistent low inflation environment has less reduction in the real value of debt.
- 4.10 The growth in house prices has created affordability issues which serve both to restrict the ability of non-homeowners to purchase a home and has led to significant rises in Stamp Duty, which means that the 'transactional cost' of moving is now significant, with many households looking to extend homes, rather than move. It is this combination of issues which underlies lower market housing sales and transactional activity over the last decade.

4.11 Reflecting on the low number of sales transactions in the year ending December 2020, it does not appear that the 'Stamp Duty' holiday introduced as part of the COVID-19 response had an immediate impact; however, this could filter through in future datasets.

4.12 The analysis below benchmarks sales trends relative to average over the 1995-2009 period. It shows a strong correlation between sales trends in Mid Sussex and nationally, however the sales appear to have been more buoyant in Mid Sussex since 2009, compared to regionally and nationally. This indicates that whilst these national trends are affecting the market in Mid Sussex, it is not to the same extent as is being felt across the region and country.

Figure 4.4 Comparative Analysis of Long-Term Trends in Sales of Market Housing

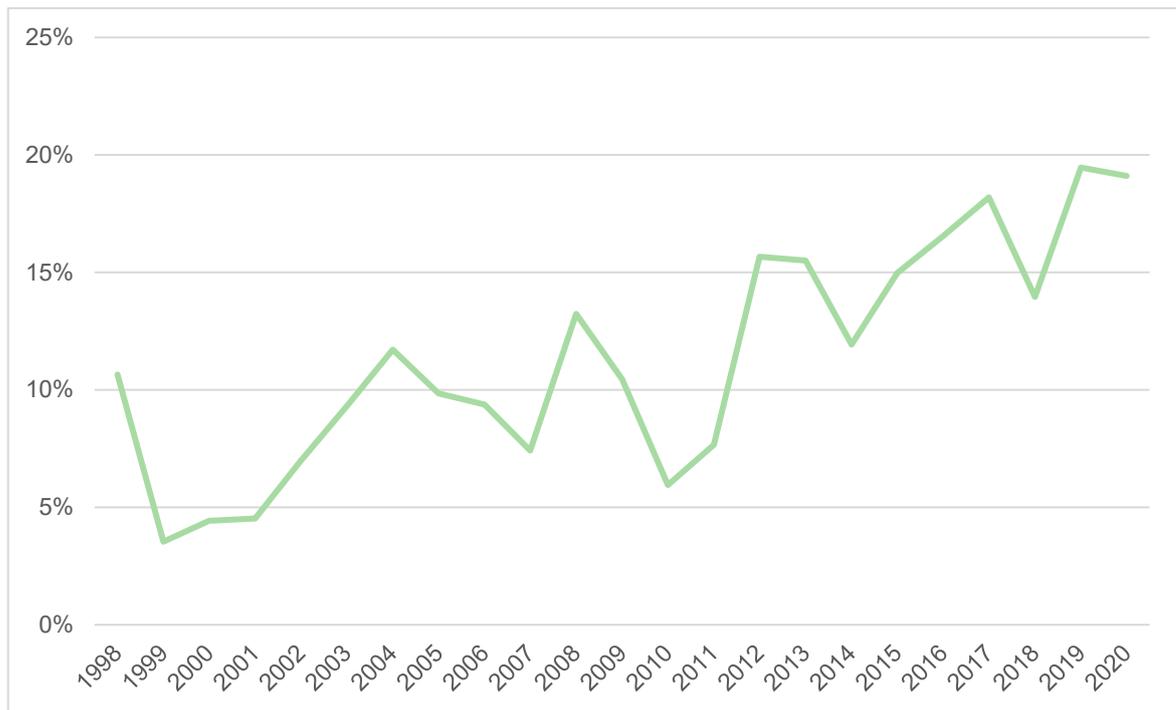


Source: Icen analysis of ONS Small Area House Price Statistics

4.13 The drop in sales volumes seen since 2016 is likely to have been influenced by the effects of macro-economic uncertainty on the market - linked to Brexit - coupled with changes to mortgage interest relief which have affected the buy-to-let market.

4.14 Influenced by Government support for the housing market, in many areas we have seen growth in the proportion of sales accounted for by new-build properties, including within Mid Sussex. New-build sales in 2020 accounted for 19% of total sales; but the evidence would suggest potential for this to grow further.

Figure 4.5 New-Build Sales Trends in Mid Sussex



Source: IcenI analysis of ONS Small Area House Price Statistics

4.15 Our analysis suggests that new-build sales volumes have been strongly supported by the Government’s Help-to-Buy Equity Loan Scheme, which has supported an average of 50% of new-build sales over the 2013-20 period.

Table 4.3 Market Support from Help-to-Buy Equity Loan, Mid Sussex

	2013	2014	2015	2016	2017	2018	2019	2020	Total
Total New-Build Sales	382	364	437	493	493	348	506	391	3,414
Sales with HTB Loan	66	139	159	211	167	230	365	358	1,695
% Supported	17%	38%	36%	43%	34%	66%	72%	92%	50%

Source: IcenI Analysis of HTB Equity Loan Statistics and New-Build Sales (from ONS Small Area House Price Statistics)

Private Rental Values

4.16 IcenI have also reviewed current private rents in Mid Sussex District against the regional and national average. The data is drawn from the Valuation Office Agency (“VOA”) Private Rental Market Statistics. Median monthly rents vary from £635 for a Studio to £1,600 for 4+ bed properties in Mid Sussex.

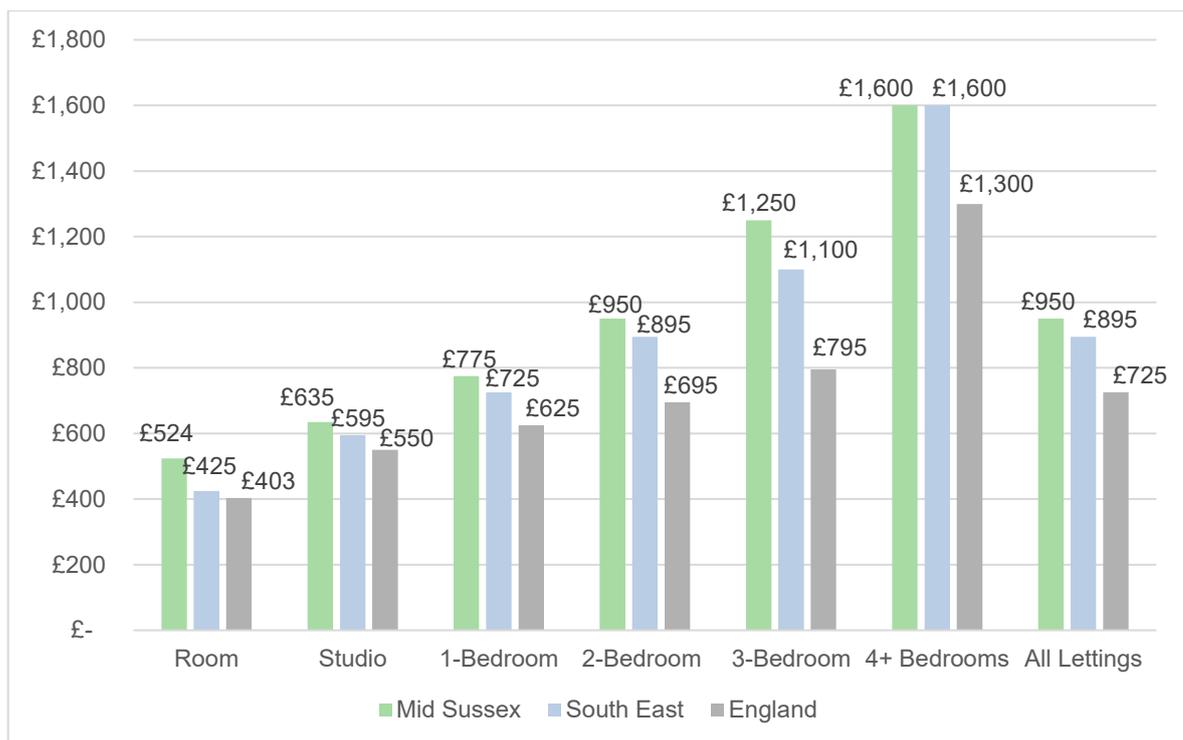
Table 4.4 Monthly Rents in Mid Sussex, Year to September 2020

	Count of Rents	Lower Quartile	Median	Upper Quartile
Room	10	£500	£524	£540
Studio	20	£610	£635	£650
1-bed	280	£725	£775	£800
2-bed	470	£875	£950	£1,025
3-bed	220	£1,150	£1,250	£1,360
4+ bed	90	£1,500	£1,600	£1,795
All Lettings	1,090	£800	£950	£1,175

Source: IcenI Analysis of ONS Private Rental Market Statistics

- 4.17 The median rent for all properties is 6% above the South East average and 31% above the England average. Rents in Mid Sussex for all property sizes are all above the national and regional average, with the exception of properties with 4+ bedrooms which is the same as the regional average.

Figure 4.6 Monthly Rents vs Wider Comparators, Year to September 2020



Source: IcenI analysis of ONS Private Rental Market Statistics

- 4.18 IcenI have also sought to consider rental trends over the last 5 years to provide a relative indication of where there is a supply/demand imbalance. The evidence indicates that over this period rents have grown by an average of 12%. The strongest growth has been for smaller properties with studio properties growing by 19%. This points to some need for growth in the stock of smaller property types - particularly in more urban locations in the Mid Sussex District.

Table 4.5 Rental Growth in Mid Sussex, 2014/15 – 2019/20

	2014/15	2019/20	Change	% Change
Studio	£525	£625	£100	19%
1-bed	£675	£750	£75	11%
2-bed	£825	£950	£125	15%
3-bed	£1,100	£1,150	£50	5%
4+ bed	£1,600	£1,650	£50	3%
All Lettings	£850	£950	£100	12%

Source: IcenI analysis of ONS Private Rental Market Statistics. Note there is no data for rooms in Mid Sussex in 2014/15

Engagement with Estate and Lettings Agents – District-Wide

Sales Market

- 4.19 IcenI have engaged with local estate agents within the Mid Sussex District, all agents referred to a vibrant sales market across the whole district. The market has been buoyant since the summer months of 2020 and remains busy, this was attributed to the stamp duty land tax holiday and the effects of
- 4.20
- 4.21
- 4.22 -19 by agents.
- 4.23 As a specific consequence of the effects of Covid-19 agents referred to a trend of buyers coming from smaller properties within outer London Boroughs looking for larger properties with outside space within the Mid Sussex District. Potential buyers are attracted by the efficient transport links into central London, the abundance of green space and families are interested in the schools.
- 4.24 Agents also suggested there is a recent pattern of people already residing the in the District or surrounding areas wanting to stay within the locality but upsize to have more bedrooms and a garden, this was attributed to the need for home offices and buyers wanting more outside space. Rural and semi-rural locations are becoming increasingly popular as potential buyers do not need to be within walking distance of the train station.
- 4.25 Agents agreed there is a shortage of detached and semi-detached housing stock currently on the market within the district and an abundance of flats without outside space which are less popular in the current housing market.

Rental Market

- 4.26 Rental agents also referred to a busy rental market with demand outstripping supply of properties to rent across the whole District. Agents suggested there has been a surge of people moving out of London looking to rent within the area before buying a property. There is less of a trend of renters looking for rural and semi-rural properties when compared to the sales market however agents attributed this to lack of supply and therefore renters have limited choice in terms of location.

Engagement with Estate and Lettings Agents

- 4.27 Icenis has contacted local estate and lettings agents in each of the District's main towns in order to understand how market buoyancy, profile of buyers/renters and type of homes sought differs in each. Our review is set out for each town in turn below.

Burgess Hill

- 4.28 Burgess Hill is currently very active with greater demand than supply of properties. Agents referred to the area being popular with a range of buyers and those looking to rent, and is popular with families. The rural areas around Burgess Hill have become increasingly popular over the last six months to a year as a result of Covid-19. However, in general people like to be within proximity of the town to utilise its amenities. Rental market agents suggested rural properties have become increasingly sought after, although there is not enough supply to accommodate this demand.
- 4.29 The area attracts a high proportion of buyers and renters from outside the District, including London, particularly the outer London Boroughs, but there is still demand from people currently residing within the District, looking to stay within the District but within a larger property. Some agents referred to a projected continued increase of people moving out of London into more rural areas such as Mid Sussex due to the decreased need to commute.
- 4.30 Many families look for 3-4 bedroom properties with a garden in town or village locations. The demand for smaller properties comes from professional couples and there is a modest demand for flats. Covid-19 has resulted in flats without outside space being much harder to sell in recent months.
- 4.31 Agents suggested first time buyers are interested in the Burgess Hill area although the price of properties often limits the type of property they are able to afford, some agents therefore referred to a gap in the market of properties suitable for first time buyers. There is demand for new build properties within the town, particularly with first-time buyers and younger families. New build housing schemes which offer the Help To Buy Scheme are popular within Burgess Hill.
- 4.32 House prices within the area have risen in recent months, influenced in part by the Stamp Duty Land Tax holiday which is increasing demand. However, prior to Covid-19 house prices had stayed consistent. Agents suggested house prices are likely to return to where they were prior to Covid-19

after the Stamp Duty holiday has ended, however, if the demand from buyers from London continues this could maintain the higher house prices in the District.

- 4.33 Rental prices within the town have risen slightly in the last six months, due to the supply issues landlords are able to charge higher prices to rent out their properties. In general agents referred to the unaffordability of rental properties in the town, making it difficult for younger people to be able to rent.
- 4.34 All sales and rental agents referred to a need for more elderly friendly properties, primarily in the form of bungalows and apartments within close proximity to amenities. Agents referred to retirement flats being unpopular within and surrounding the town due to the high service charges. There is a trend of older people trying to downsize but a lack of suitable properties limits where they can move to. Often families move into their larger properties elderly people are vacating.
- 4.35 The town attracts a small number of investors looking for properties to upgrade and sell on or rent out. Plots of land to build your own home are popular but are not often on the market.

Haywards Heath

- 4.36 The trends within Burgess Hill are also reflected in Haywards Heath. The sales and lettings markets are very buoyant, it attracts a range of buyers and renters but particularly families looking for larger properties with gardens in rural and semi-rural locations, but within reach of the train station to provide transport links to London and Brighton.
- 4.37 Letting agents have also seen this trend on the rental market with rural properties becoming increasingly popular, however as with Burgess Hill there is a significant under supply of rental properties. Both rental and sales agents referred to the need for a greater supply of larger houses with up to 5 bedrooms with gardens, particularly within Lindfield and Cuckfield areas.
- 4.38 Much like Burgess Hill, the town also attracts both buyers and renters outside the district including London and the Home Counties. Agents referred to some people coming from outside of the District and temporarily living in rental accommodation before buying a property within the area. Haywards Heath has efficient transport links to London and therefore it is regarded as an attractive place to live for buyers and renters that need to commute into London.
- 4.39 Sales agents suggested the current Stamp Duty Land Tax holiday has resulted in properties within the £500,000- £800,000 price bracket having increased interest due to the significant savings made when purchasing a property of this price.
- 4.40 Rental agents highlighted to popularity of buy to let developments. Rental prices have been increasing in the area due to high demand, agents referred to the highest rental prices since 2015.

There is a trend in London renters being able to afford the increased prices, however local people are finding it increasingly difficult to pay these increasing rental prices.

- 4.41 Due to the interest from families within the area, family sized homes with gardens are sought after in rural and semi-rural locations both on the rental and sales market. More recently families have shown interest in the more rural village locations due to the change in lifestyle from Covid-19, both on the sales and the rental markets. There is a smaller demand for flats, particularly those without outside space, however some agents referred to first time buyers only being able to afford flats to buy within the area.
- 4.42 Smaller properties are of interest to couples and first-time buyers although, as with Burgess Hill there is a limited number of affordable properties within Haywards Heath. Agents suggested new-build properties would be of interest to a large proportion of buyers within the area, although character properties are always sought after. Self-build plots are highly sort after in the area but there is limited availability of these on the market.
- 4.43 Agents referred to a large proportion of downsizers looking for village locations. Generally, elderly people prefer town centre locations as they prefer to be close to amenities, this demand is primarily made up of people looking for bungalows.

East Grinstead

- 4.44 The sales and letting markets are also busy within East Grinstead; agents stated the markets have been continually busy since the end of the first Covid-19 lockdown restrictions in 2020. On the sales market agents suggested properties over the £300,000 price bracket are highly sought after, also flats are more popular in this area compared to the towns of Burgess Hill and Haywards Heath.
- 4.45 Agents referenced a continuing stream of buyers and renters coming from outside of the District over the past 5 years but there has been a recent surge of people coming from outside of the District as a result of Covid-19. Agents referred to approximately 50 percent of buyers on the sales market coming from London and the outskirts of London.
- 4.46 Sales and lettings agents suggested there is a pull towards the rural and semi-rural locations. The profile of buyers is varied although a large proportion is families with some professional couples. This trend is also reflected on the rental market, although there is limited interested from the elderly on the rental market, although agents suggested if there is interest from older people they are often looking for bungalows. Particularly in the sales market, there is a market for older people downsizing into smaller properties, they are often also often looking for bungalows.
- 4.47 The town benefits from commuter links to London which are utilised by families and young couples, although both sales and lettings agents referenced people are currently looking for more rural

properties given the lessened need to commute. Sales and lettings agents suggested more larger properties of 4 and 5 bedrooms within a 3-mile radius of the East Grinstead are needed.

- 4.48 Sales and rental agents also described a need for the appropriate elderly accommodation in the form of bungalows within the towns. Lettings agents suggested Build to Rent accommodation would be attractive to young professionals and some families.
- 4.49 There is more of a market for first-time buyers within East Grinstead due to slightly lower house prices compared to the south of District, although there is still affordability issues in this part of the District. Agents refer to a popular new build sales market within the area, particularly for those schemes offering Help to Buy incentives.
- 4.50 Agents stated house prices have risen marginally as a result of Covid-19 resulting in increased demand in the area, they suggested the high house prices within the area make it difficult for first time buyers to purchase houses.
- 4.51 Rental agents suggested rental prices have increased due to Covid-19, with properties being remarketed at higher prices per calendar month. However, some tenants are choosing to stay within rental properties when rental agents would have previously expected them to purchase a property.
- 4.52 There is some interest from investors in the area and agents refer to a popular demand for land to build property on, although these opportunities are rare.

Market Affordability

- 4.53 The median house price-to-earnings ratio in Mid Sussex in 2020 at 12.62 is significantly higher than both the South East and England averages, at 9.92 and 7.84 respectively, pointing to stronger relative affordability pressures. This is based on workplace-based earnings.
- 4.54 Residents' earnings are higher than workplace-based earnings, by an average of around £7,000 per year. The median house price for residents is therefore a lower figure of 10.16 times earnings.

Table 4.6 Median House Prices to Earnings Ratio in Mid Sussex, 2020

	Residence-based	Workplace-based
Median House Price, Yr. to Sept 2020	£375,000	£375,000
Median Annual Earnings, 2020	£36,905	£29,705
Median House Price-to-Income Ratio	10.16	12.62

Source: ONS House Price to Earnings Ratio

- 4.55 Over the last 15 years the median house price-to-earnings ratio has increased by just over 3 points, from 9.48 in 2005 to 12.62 in 2020. It has seen significantly greater comparative growth than has

been evident across the South East or nationally pointing to a stronger comparative deterioration in affordability in the District.

- 4.56 This increase has largely occurred over the last 5 -year period (2015-20). As affordability is an input into the Government's standard method, this influences future housing needs. It is worth highlighting that affordability is not influenced by housing completions alone but rather a range of macro-economic factors. This is evidenced by the fact that the District experienced record completions in recent years alongside an increase in the affordability ratio.

Table 4.7 Trend in Workplace-based House Price-to-Earnings Ratio

	2005	2010	2015	2020	5 Year Change	15 Year Change
Mid Sussex	9.48	8.75	11.23	12.62	1.39	3.14
South East	7.84	8.11	9.13	9.92	0.79	2.08
England	6.79	6.85	7.52	7.84	0.32	1.05

Source; ONS House Price to Earnings Ratio

5. OVERALL HOUSING NEED

- 5.1 This section considers overall housing need in the Mid Sussex District. It considers the basis of the current housing requirement; and then considers what current national policy means regarding the (unconstrained) local housing need in Mid Sussex District.

Local Plan Housing Requirement

- 5.2 The Mid Sussex District Plan was adopted on 28th March 2018. The Plan looks over a plan period of 2014 to 2031. The Plan's strategy for housing provision under Policy DP4: Housing sets out that the Council will plan for a minimum housing requirement of 16,390 homes over the plan period including a contribution towards unmet need arising in the Northern West Sussex Housing Market Area from Crawley equal to an 1,498 homes during the plan period.
- 5.3 The District Plan follows a stepped trajectory approach to the annual housing requirement for the purposes of monitoring. The annual provision in this stepped trajectory is 876 homes per annum over the period 2014/15-2023/24 and thereafter, 1,090 homes per annum from 2024/25-2030/31.
- 5.4 The Framework (paragraph 33) sets out that policies in local plans should be reviewed at least once every five years and should then be updated where necessary.⁹ The Framework directs that where strategic policies are more than five years' old and have not been 'reviewed and found not to require updating,' housing need should be considered using the standard method in Planning Practice Guidance and this should form the basis for assessing five- year housing land supply and housing delivery.
- 5.5 As the Local Plan works towards its five -year anniversary, in order for the Council to consider whether the Local Plan housing requirement needs updating or not, it is necessary to consider the latest evidence on housing need. This would also form the basis of considering housing need in the preparation of the District Plan Review.

⁹ This is a legal requirement as set out in Regulation 10A of the Town and Country Planning (Local Planning) (England) Regulations 2012.

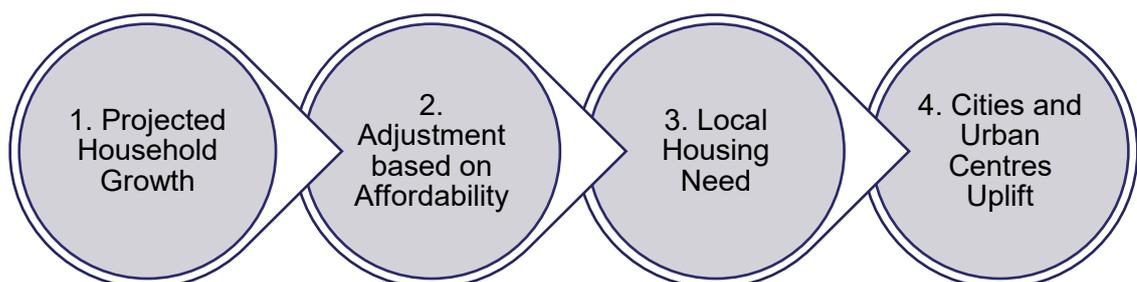
Standard Method for Calculating Local Housing Need

- 5.6 In 2018, the Government amended the NPPF and released new Planning Practice Guidance to introduce the ‘standard method’ for calculating local housing need. This replaced the approach to defining Objectively Assessed Needs (OAN) set out in the 2014 Planning Practice Guidance.
- 5.7 The Government’s intention in doing so was to introduce a standardised approach using consistent data sources for all local authorities nationally to calculate housing need. Its ambitions were to make the process of doing so simpler, quicker and more transparent, with the intention of speeding up plan-making.
- 5.8 The 2019 NPPF now sets out in Para 60 that to determine the minimum number of homes needed, *“strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach¹⁰ which also reflects current and future demographic trends and market signals. In addition to the local housing need figure, any need that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for.”*

The Current Standard Method

- 5.9 The standard method set out at the time of writing in the Planning Practice Guidance adopts a four-stage approach. The four-step process is set out in the Figure 5.1 below.

Figure 5.1 Overview of the Current Standard Method for Calculating Local Housing Need



- 5.10 Step One, in considering housing need against the standard method is to establish a demographic baseline. This baseline is drawn from the 2014-based Household Projections and should be the

¹⁰ The glossary definition of local housing need in the NPPF sets out that use of a justified alternative approach can only be taken forwards in the context of preparing strategic policies.

annual average household growth over a ten- year period, with the current year being the first year i.e. 2021 to 2031.

5.11 Step Two, is to consider the application of an affordability uplift to the demographic baseline, to take account of market signals (i.e. relative affordability of housing). The adjustment increases the housing need where house prices are high relative to workplace incomes. It uses the published ONS workplace-based median house price to median earnings ratio for the most recent year for which data is available. The latest (workplace-based) affordability data is currently for 2020 and was published by ONS in March 2021.

5.12 The PPG states that for each 1% increase in the ratio of house prices to earnings, where the ratio is above 4, the average household growth should be increased by a quarter of a per cent, with the calculation being as follows:

$$\text{[Adjustment Factor} = ((\text{local affordability ratio} - 4)/4) \times 0.25\text{]}$$

5.13 Step Three is to consider whether a cap should be applied to the affordability adjustment to ensure that the figure which arises through the first two steps does not exceed a level which can be delivered. There are two situations where a cap is applied; however, it is the first which is relevant in Mid Sussex District Council:

- The first is where an authority has reviewed its plan (including developing an assessment of housing need) or adopted a plan within the last five years. In this instance the need may be capped at 40% above the requirement figure set out in the Local Development Plan.
- The second situation affects plans and evidence that are more than five years old. In such circumstances, a cap may be applied at 40% of the higher of the projected household growth or the housing requirement in the most recent plan, where this exists.

5.14 A final, step four, was introduced by the Government through an amendment to the standard method as set out in the PPG on 16th December 2020. This additional step applies only to Cities and urban centres which fall within the top 20 largest in England and it is therefore not relevant for the purpose of assessing housing need in Mid Sussex. By way of context, the fourth step would see an uplift of the figure generated by steps 1 to 3 by 35%.

5.15 The Table below outlines the calculation of the minimum local housing need using the methodology above, as set out currently in the PPG, drawing on the three relevant steps for Mid Sussex District.

- 5.16 A minimum LHN of 1,093 homes per annum is derived based on household growth of 710 per annum, taking from the 2014-based Household Projections, with an affordability uplift of 154% applied to this based on the 2020 median workplace-based affordability ratio.

Table 5.1 Minimum Local Housing Need, Standard Method

Local Authority	Mid Sussex
Setting the Baseline:	
Household Growth (p.a.) over next 10 years, 2021-31	710
Affordability Adjustment:	
Median workplace-based affordability ratio, 2020	12.62
Adjustment Factor	154%
Step 2 Housing Need Figure	1,093
Cap:	
Date of plan adoption	28 th March 2018
Plan more than 5 years old	No
Housing requirement in last adopted plan	964
Cap @ 40% above Last Adopted Plan	1,350
Minimum Local Housing Need (p.a.)	1,093

- 5.17 Notably, the minimum local housing need generated by the current LHN methodology is in line with the upper figure of the stepped annualised housing requirement in the District Plan (i.e. 1,090 homes over the period 2024/25-2030/31), albeit the District Plan figure includes a contribution towards unmet needs from Crawley, whereas the Standard Method figure does not.

Wider Considerations in Assessing Housing Need

- 5.18 The PPG sets out that the standard method does not predict the impact that future Government policies, changing economic circumstances or other factors may have. The PPG¹¹ states that there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates. It outlines the circumstances where this may be appropriate, which include:

- Where funding is in place to promote and facilitate additional growth (i.e. Housing Deals, City Growth Deals, etc.); or

¹¹ Paragraph: 010 Reference ID: 2a-010-20190220

-
- Where strategic infrastructure improvements are likely to drive an increase in the homes needed locally; or
 - An authority agreeing to take on unmet need from neighbouring authorities, as set out in a Statement of Common Ground.

5.19 The PPG¹² also requires consideration to be given to the inter-relationship with the assessed need for affordable housing. It sets out that:

“The total affordable housing need [once assessed] can then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, taking into account the probable percentage of affordable housing to be delivered by eligible market housing led developments. An increase in the total housing figures included in the plan may need to be considered where it could help deliver the required number of affordable homes.”

Growth Funding

5.20 At the time of writing, there is no funding in place to promote and facilitate additional growth in Mid Sussex District. There are also no discussions ongoing relating to growth funding at this time and therefore Icenis has not considered this as relevant to housing need in Mid Sussex.

Strategic Infrastructure Improvements: The Potential Implications of Gatwick Airport Growth

5.21 The key consideration relating to strategic infrastructure improvements in Mid Sussex District is Gatwick Airport. Gatwick Airport lies adjacent to the north boundary of the District and therefore potential growth at Gatwick could impact upon the need for housing in Mid Sussex.

5.22 The expansion of Gatwick Airport in respect of a potential second runway for the airport as well as the desire to increase capacity through its existing runways is well documented and widely publicised. In September 2012, the Government set up a commission chaired by Sir Howard Davies – “the Airport Commission” – tasked with examining the need for additional UK airport capacity before recommending how this can be met in the short, medium and long term.

5.23 Over the period from 2013 to 2015 relating to the Airport Commission process, Gatwick Airport made numerous detailed submissions to promote a second runway at Gatwick Airport as a long-term proposal. A Final Report was published by the Airport Commission in July 2015 which unanimously concluded a third runway at Heathrow Airport was the strongest case; before the Government

¹² Paragraph: 024 Reference ID: 2a-024-20190220

-
- expressed support for this option in October 2016¹³, as “the right one for the UK”. The proposed third runway at Heathrow remains a live prospect following a Supreme Court ruling in December 2020.
- 5.24 Following the recommendation in the Airports Commission that the government explore how UK airports could grow their domestic and international connectivity before the opening of a new runway¹⁴, in June 2018 the government published the ‘Beyond the Horizon: The Future of UK Aviation’ Policy Statement which considered the needs case for making best use of existing runways across the UK concluded that “as a result of the consultation and further analysis to ensure future carbon emissions can be managed, government believes there is a case for airports making best use of their existing runways across the whole of the UK”.
- 5.25 In response, in July 2019 Gatwick Airport published a final masterplan - following a 12-week period of public consultation on a draft masterplan in winter 2018/19 - which outlines how the airport intends to develop and grow over the next 15 years. This masterplan included using new technology to build capacity and resilience on the main runway; bringing the existing standby runway into routine use for departures alongside the main runway by the mid-2020s; and recommended that planning policy continues to safeguard land for an additional runway although the airport is no longer actively pursuing plans for an additional runway.
- 5.26 On 18th July 2019, Gatwick Airport Ltd. (“GAL”) confirmed that it had started preparing a Development Consent Order (“DCO”) application to bring the standby runway into routine use and on 28th August they submitted a notice to the Planning Inspectorate of their intention to prepare an application for development consent.
- 5.27 At the time of writing, it is understood via the Centre for Aviation¹⁵ that public consultation will take place during 2021 before going into the planning process with a view to getting the planning permission during the course of 2023. The intention would therefore be to use the additional runway for smaller, departing aircraft alongside the main runway by the mid-2020s.
- 5.28 The published masterplan notes that in the year 2017/18, the airport handled 45.7 million passengers. With the planned improvements in capacity and resilience on the existing runway this is likely to increase by 2032 to 61 million passengers per annum (mppa) and with a successful DCO

¹³ <https://www.gov.uk/government/news/government-decides-on-new-runway-at-heathrow>

¹⁴ Paragraph 16.40 Airports Commission

¹⁵ <https://centreforaviation.com/analysis/reports/gatwick-airport-to-proceed-with-second-runway-conversion-522981>

application (bringing the existing standby runway into routine use for departures alongside the main runway) passenger numbers are likely to increase up to 70mppa by 2032.

- 5.29 Whilst it is recognised that a detailed assessment will be needed to assess the potential housing impact of this growth, a high-level assessment has been undertaken as part of this assessment.
- 5.30 To inform the Airports Commission RPS and Optimal Economics were commissioned by GAL in 2013 to prepare an initial technical report¹⁶ (“the 2013 report”) on the employment implications of providing a full second runway and of the likely consequential scale of additional housing provision that could be needed to house airport related works.
- 5.31 Although now dated and prepared to inform the assessment of the subsequent housing need arising from a full second runway rather than the routine use of the northern runway, the 2013 report is helpful in understanding the potential impact of growth at Gatwick, in that it considers three options/scenarios of increased passenger numbers which can be used to broadly review the potential impact of the airport’s current expansion plans:
- Option 1 - 66.3mppa
 - Option 2 - 82mppa; and
 - Option 3 - 87mppa
- 5.32 The 2013 report and all forecasts within it are based on 2012 estimates of Gatwick Airport related employment and passenger numbers. In terms of passenger numbers, the report (paragraph 2.12) notes traffic of 33.8mppa in 2012 and assumes that this will increase to 50mppa by 2050 with no second runway.
- 5.33 In a context whereby the airport would typically handle 45.7mppa (outside of the implications of Covid-19) and the 2019 Masterplan anticipates that the airport could process up to 61mppa with a single runway by 2032, and up to 70mppa with the use of the emergency runway by 2032; it is considered that the planned growth sits between Option 1 and Option 2 in the 2013 report.
- 5.34 The projected employment figures in the 2013 report relate to a study area which was drawn around the local authority areas within which at least 1% of the 2012 Gatwick Airport workforce lived. This exercise gave rise to a study area including 14 local authority areas. Within this study area, the report

¹⁶ Gatwick Airport Second Runway – Employment and Housing Technical Report, March 2014

identified that Mid Sussex had the third highest proportion of Gatwick employees (8.2%) following Crawley (31.8%) and Reigate & Banstead (9.4%).

- 5.35 The 2012 Gatwick related employment across the study area is shown in the table below at a total of 31,100 jobs. In 2012, there were 928,700 people in employment in the Gatwick Study Area comprising 775,400 employees and 153,000 people who were self-employed. The total Gatwick related employment therefore accounted for 3.3% of total employment in the study area in 2012.

Table 5.2 Gatwick Related Employment in the Study Area, 2012

Type of Employment	Study Area Jobs
Direct On-Airport Employment	21,000
Direct Off-Airport	2,200
Indirect	1,900
Induced	6,000
Total	31,100

Source: Table 2.1, Gatwick Airport Second Runway – Employment and Housing Technical Report, March 2014

- 5.36 The two main drivers of employment growth at Gatwick are air traffic growth and productivity. Each of the three options/scenarios generates different employment levels as different assumptions are made regarding traffic growth and ultimate capacity. Consequently, the 2013 report draws on forecasts which show total Gatwick-related employment by each of the three options on the basis of low productivity and high productivity assumptions (1% and 2% annual growth rate of labour productivity).
- 5.37 The Table below sets out the three traffic growth options looking ahead to 2050/51 alongside the additional employment associated with the 'base case' i.e. continued growth with one runway and growth from second runway throughout the period for each option.

Table 5.3 The 2013 Report Growth Scenarios at 2050/51

Option	Traffic at 2050/51	Traffic Growth 2011/12 - 2050/51 ¹⁷	Total Additional Jobs 2011/12 - 2050/51	
			Low Productivity	High Productivity
Option 1	66mppa	32.2mppa	14,000	11,900
Option 2	82mppa	48.2mppa	21,800	19,200
Option 3	87mppa	53.2mppa	24,100	21,300

Source: Icen Analysis of Gatwick Airport Second Runway – Employment and Housing Technical Report, March 2014

¹⁷ Set against the 2011/12 baseline of 33.8 mppa

5.38 It is considered appropriate to focus on the total jobs created using the high productivity assumption only, given the UK's Industrial Strategy's aim is to boost productivity by backing businesses to create good jobs and increase the earning power of people throughout the UK with investment in skills, industries and infrastructure. This is also in line with the 2014 technical report: which states that "*the figure of 2% is very close to the long run trend in the UK economy while the 1% figure may be regarded as a pessimistic estimate which reflects the possibility that the recent economic crisis has adversely affected the long-term capacity of the UK to grow*".

5.39 On this basis, we can calculate the ratio of additional jobs to mppa growth as a result of continued growth with a single runway and with the addition of a second runway. This is shown in the table below.

Table 5.4 Calculating Additional Jobs per Million Passengers Per Annum (MPPA)

Option	Total Additional Jobs 2011/12 - 2050/51	Traffic Growth 2011/12 - 2050/51 (mppa)	Additional Jobs per MPPA
Option 1	11,900	32.2	370
Option 2	19,200	48.2	398
Option 3	21,300	53.2	400

Source: Icen Analysis of Gatwick Airport Second Runway – Employment and Housing Technical Report, March 2014

5.40 Given that the total proportion of overall growth now being considered sits between Options 1 and 2 overall (i.e. 70mppa against 66 and 82mppa respectively), we consider it is appropriate to take the average of these two options, which is 384 jobs per mppa. This can then be applied to the two growth generating scenarios set out in the 2019 Masterplan i.e.:

- Scenario 1 making best use of the existing runway: 61mppa by 2032; equal to growth of 15.3mppa¹⁸; and
- Scenario 2 making the best use of the emergency runway: 70mppa by 2032; equal to growth of 24.3mppa

5.41 In respect of both scenarios relating to Gatwick Airport's current expansions plans, the estimated additional jobs created across the study area is 5,875 jobs and 9,331 jobs for Scenario 1 and Scenario 2 respectively for the fifteen-year period looking to 2032. This is shown in the Table below.

¹⁸ Set against 2017/18 baseline of 45.7mppa

Table 5.5 Additional Jobs – Current Expansion Plans – Study Area

Scenario	Jobs to MPPA Ratio	Traffic Growth to 2032	Study Area Additional Jobs to 2032
Scenario 1	384 per mppa	15.3 mppa	5,875
Scenario 2	384 per mppa	24.3 mppa	9,331

Source: Icen Analysis of Gatwick Airport Second Runway – Employment and Housing Technical Report, March 2014

- 5.42 If we continue to assume that 8.2% of Gatwick’s workforce live in Mid Sussex – as set out in paragraph 5.37 above – this would result in the need for 482 additional jobs under Scenario 1 (making best use of the existing runway); and 765 additional workers under Scenario 2 (making best use of the emergency runway) in Mid Sussex District over the 15 year period from 2018 to 2032. This is shown in the Table below.

Table 5.6 Proportion of Additional Jobs in Mid Sussex

Scenario	Study Area Additional Jobs to 2032	Proportion of Mid Sussex Workforce	Mid Sussex Additional Jobs to 2032
Scenario 1	5,875	9.4%	482
Scenario 2	9,331	8.2%	765

Source: Icen Analysis of Gatwick Airport Second Runway – Employment and Housing Technical Report, March 2014

- 5.43 If we compare this level of jobs growth for the District with the level of workforce growth generated by planning for housing need derived the standard method – which is set out in table 6.17 of this report – equal to between 18,356 persons over the period to 2038; it is considered that the additional jobs created as a result of the proposed expansion plans at Gatwick Airport would be captured by the workforce supported under the standard method.
- 5.44 On this basis, it is considered that Gatwick’s current expansion plans would not justify an increase in the need for homes in the District over and above what the standard method indicates.
- 5.45 It should be noted that this assessment is based on a number of assumptions which includes, for example, regarding long/short haul expansion and subsequent workforce requirements, and that as and when further proposals come forward in relation to Gatwick Airport’s expansion or new evidence is published it will have to be reviewed accordingly.

Affordable Housing Need

- 5.46 The adopted Mid Sussex District Plan under Policy DP31 sets out an affordable housing requirement of 30% for all developments providing 11 dwellings or more or with a maximum combined gross floorspace of more than 1000m². In respect of residential developments in the High Weald Area of Outstanding Natural Beauty providing 6-10 dwellings, but with a floorspace of less than 1000m² a commuted sum equal to 30% on-site affordable housing provision is required.

-
- 5.47 Since the beginning of the plan period in 2014 up to the 31st March 2020 delivery of affordable housing has averaged at 19% of housing completions across all sites. It should be noted that this also included sites that sit below the affordable housing threshold where provision of affordable housing is not required. Following this period 214 affordable homes were delivered in 2019/20 with a further 245 being delivered during 2020/21.
- 5.48 It is inappropriate to use a mechanical relationship to consider how affordable housing provision and overall housing need relate to one another. The affordable housing need is a point-in-time assessment based on current housing costs relative to earnings and takes account of current supply. The reality is that many households with an affordable housing need, including those who aspire to own a home, are existing households living in the private rented sector.
- 5.49 Furthermore, the intention behind the affordability uplift in the standard method is to improve the affordability of market housing over time. This envisages reducing the cost of market housing relative to earnings, and in doing so would reduce the affordable housing need.

Overall Housing Need: Summary

In line with the standard method for calculating housing need as set out currently in the PPG, a minimum local housing need of 1,093 homes per annum is identified for Mid Sussex District.

This is derived based on household growth of 710 per annum, taking from the 2014-based Household Projections and applying an affordability uplift of 154% applied to this based on the 2020 affordability ratio.

There are no circumstances in Mid Sussex District relating to growth funding, strategic infrastructure improvements or affordable housing need which indicate that 'actual' housing need is higher than the standard method indicates.

6. DEMOGRAPHIC IMPLICATIONS

- 6.1 This section of the report considers demographic trends, in particular looking at past trends in population growth and future projections. The analysis draws on the 2018-based subnational population projections (SNPP) and the 2018-based household projections (SNHP) – both ONS data releases. The analysis also looks at the most recent population estimates (again from ONS) which date to mid-2019.
- 6.2 The section also considers the implications of delivering housing in-line with the standard method equal to 1,093 homes per annum across the District. This includes understanding potential population growth and changes to population/household structures. Projections have been developed for the 2021-38 period.

Demographic Trends

- 6.3 The analysis below looks at some key statistics about demographic trends in Mid Sussex; particularly focussing on past population growth and the reasons for changes (components of change). This information is provided to help give some context for analysis to follow.

Overall Population and Age Structure

- 6.4 The Table below shows the population profile of Mid Sussex in five-year age bands compared with a range of other areas. The key difference between areas is the relatively low proportion of the population in Mid Sussex aged 20-29, which will be linked to people moving away for further education. The proportion of the population in their 40s and early 50s is generally higher in Mid Sussex than other areas.

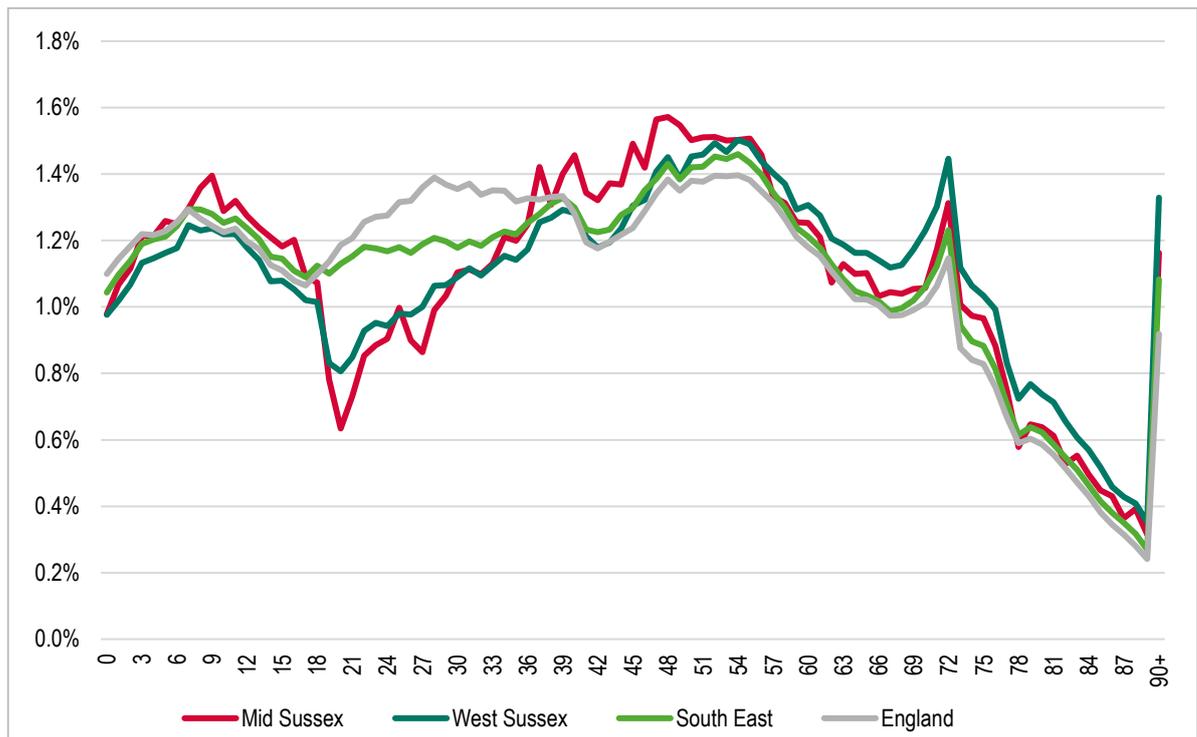
Table 6.1 Population Profile, 2019

	Mid Sussex		West Sussex	South East	England
Under 5	8,437	5.6%	5.3%	5.7%	5.9%
5-9	9,905	6.6%	6.1%	6.3%	6.3%
10-14	9,561	6.3%	5.8%	6.1%	6.0%
15-19	8,051	5.3%	5.0%	5.6%	5.5%
20-24	6,051	4.0%	4.5%	5.8%	6.2%
25-29	7,226	4.8%	5.1%	5.9%	6.8%
30-34	8,542	5.7%	5.6%	6.0%	6.8%
35-39	9,931	6.6%	6.1%	6.4%	6.6%
40-44	10,362	6.9%	6.1%	6.3%	6.1%
45-49	11,470	7.6%	6.9%	6.9%	6.6%
50-54	11,371	7.5%	7.4%	7.2%	6.9%
55-59	10,368	6.9%	7.0%	6.7%	6.5%
60-64	8,706	5.8%	6.1%	5.6%	5.5%
65-69	7,962	5.3%	5.7%	5.1%	5.0%
70-74	8,341	5.5%	6.2%	5.3%	4.9%
75-79	5,770	3.8%	4.3%	3.7%	3.4%
80-84	4,268	2.8%	3.3%	2.7%	2.6%
85+	4,700	3.1%	3.5%	2.8%	2.5%
Total	151,022	100.0%	100.0%	100.0%	100.0%

Source: ONS mid-year population estimates

- 6.5 The differences between Mid Sussex and other areas can more clearly be seen in the figure below. Features include a low population aged in their 20s and the higher proportion of people in their 40s. Older age groups tend to show a lower proportion of people in Mid Sussex than across the County, but a level that is broadly in line with regional and national data.

Figure 6.1: Population Profile, 2019



Source: ONS Mid-Year Population Estimates

6.6 The analysis below summarises the above information by assigning population to three broad age groups (which can generally be described as a) children, b) working-age and c) pensionable age). This analysis shows that, compared with the region and national position, Mid Sussex has a similar age profile, when compared with West Sussex, the data points to a slightly younger age structure, with more children and fewer people aged 65 and over.

Table 6.2 Population Profile, 2019 – Summary Age Bands

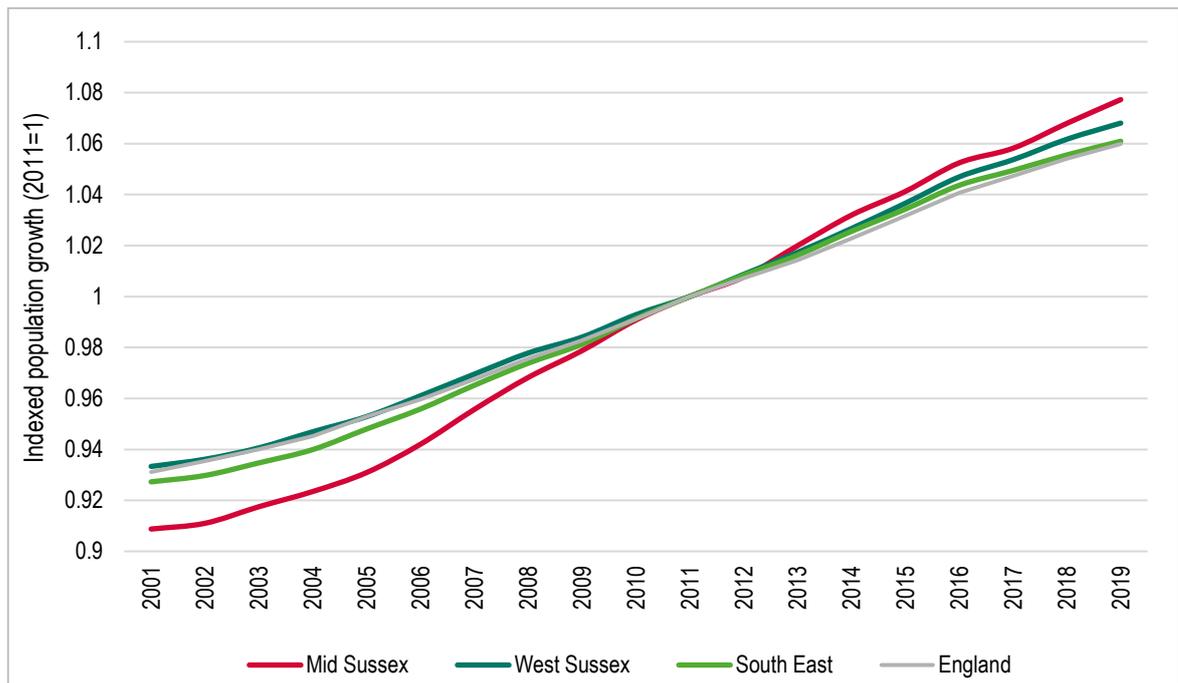
	Mid Sussex		West Sussex	South East	England
Under 16	29,688	19.7%	18.3%	19.3%	19.2%
16-64	90,293	59.8%	58.7%	61.2%	62.4%
65 and Over	31,041	20.6%	23.0%	19.5%	18.4%
Total	151,022	100.0%	100.0%	100.0%	100.0%

Source: ONS mid-year population estimates

Past Population Change

6.7 The Figure below considers population growth in the period from 2001 to 2019 (indexed to 2011). The analysis shows over this period that the population of Mid Sussex has risen at slightly faster rate than seen in other areas; this is also the case if looking at population change in the longer term (back to 2001). In 2019, it is estimated that the population of the District had risen by 19% from 2001 levels, this is in contrast to a 14% rise in all other areas studied.

Figure 6.2: Indexed Population Growth, 2001-19



6.8 The Table below considers population change over the 8-year period to 2019 (an 8-year period being chosen as the start point of 2011 has data at a smaller area level and is likely to be fairly accurate as it draws on information in the Census). The analysis shows over the period that the population of Mid Sussex increased by 8%; this is a slightly higher level of population change than seen in other areas (including growth nationally of 6%).

Table 6.3 Population Change, 2011-19

	2011	2019	Change	% Change
Mid Sussex	140,188	151,022	10,834	7.7%
West Sussex	808,919	863,980	55,061	6.8%
South East	8,652,784	9,180,135	527,351	6.1%
England	53,107,169	56,286,961	3,179,792	6.0%

Source: ONS Mid-Year Population Estimates

6.9 The Table below shows population change by age (again for the 2011-19 period). This generally identifies the greatest increases to be in older age groups (aged 65 and over) along with some notable population increases in the 5-14 and 50-59 age groups. The District also saw some population declines, particularly those aged 40-44.

Table 6.4 Population Change by Age, 2011-19, 5 Year Age Brands

	2011	2019	Change	% Change
Under 5	8,327	8,437	110	1.3%
5-9	8,209	9,905	1,696	20.7%
10-14	8,669	9,561	892	10.3%
15-19	8,459	8,051	-408	-4.8%
20-24	6,423	6,051	-372	-5.8%
25-29	7,526	7,226	-300	-4.0%
30-34	8,017	8,542	525	6.5%
35-39	9,384	9,931	547	5.8%
40-44	11,011	10,362	-649	-5.9%
45-49	11,160	11,470	310	2.8%
50-54	9,556	11,371	1,815	19.0%
55-59	8,667	10,368	1,701	19.6%
60-64	9,196	8,706	-490	-5.3%
65-69	7,589	7,962	373	4.9%
70-74	5,380	8,341	2,961	55.0%
75-79	4,725	5,770	1,045	22.1%
80-84	3,953	4,268	315	8.0%
85+	3,937	4,700	763	19.4%
Total	140,188	151,022	10,834	7.7%

Source: ONS Mid-Year Population Estimates

- 6.10 This information has been summarised into three broad age bands to ease comparison. The table below shows an increase in the number of children living in the District (increasing by about 10%) along with a modest increase in the 'working-age' population. One of the key drivers of population growth has therefore been in the 65 and over age group, which between 2011 and 2019 saw a population increase of about 5,500 people; this age group increasing in size by 21% over the 8-year period.

Table 6.5 Population Change by Broad Age Group, 2011-19

	2011	2019	Change	% Change
Under 16	27,089	29,688	2,599	9.6%
Aged 16-64	87,515	90,293	2,778	3.2%
Aged 65+	25,584	31,041	5,457	21.3%
Total	140,188	151,022	10,834	7.7%

Source: ONS Mid-Year Population Estimates

Components of Population Change

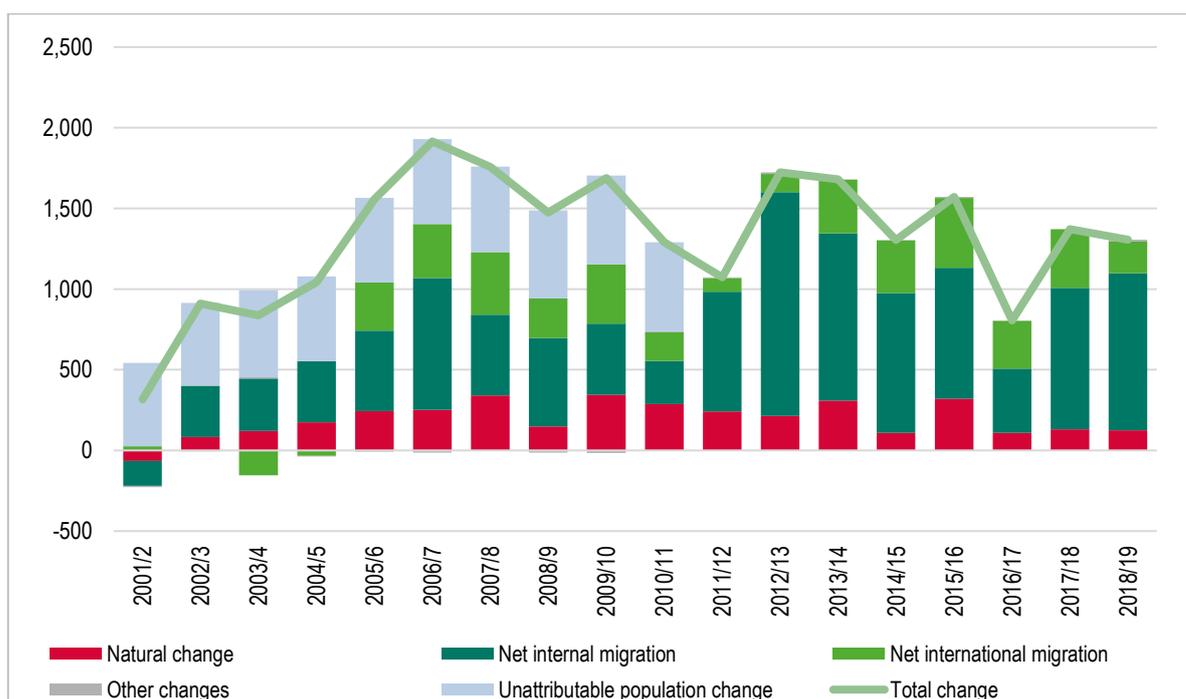
- 6.11 The Table and Figure below consider the drivers of population change 2001 to 2019. The main components of change are natural change (births minus deaths) and net migration (internal/domestic and international). There is also an Unattributable Population Change (UPC) which is a correction made by ONS upon publication of Census data if population has been under- or over-estimated and other changes, which are generally small and often related to armed forces personnel or boarding school pupils (this is only calculated for the 2001-11 period).
- 6.12 The data shows a positive level of natural change for most of the period (i.e. more births than deaths). Natural change increased notably from 2001/2 to 2013/14 but has started to fall in the period to 2018/19. Over the last 5-years, natural change has averaged around 160 per annum.
- 6.13 Internal migration has been quite variable – but positive in all years apart from 2001/2; the last five years for which data is available shows an average of nearly 800 people (net) moving to the District from other parts of the United Kingdom. International migration is also variable, although the data does suggest a positive net level for each year back to 2005. Over the past five years international migration has averaged about 320 people per annum (net).
- 6.14 The data also shows a positive level of UPC. This suggests that between 2001 and 2011, ONS may have initially underestimated population growth within population estimates (and this was corrected once Census data had been published).

Table 6.6 Components of Population Change, 2001 to 2019

	Natural Change	Net Internal Migration	Net International Migration	Other Changes	Other Unattributable	Total Change
2001/02	-65	-154	25	-8	518	316
2002/03	83	317	1	-5	514	910
2003/04	120	325	-155	8	540	838
2004/05	175	377	-33	-4	527	1,042
2005/06	244	499	298	-7	524	1,558
2006/07	252	816	336	-14	525	1,915
2007/08	340	502	386	-1	531	1,758
2008/09	148	549	245	-14	547	1,475
2009/10	345	441	367	-15	550	1,688
2010/11	287	267	178	6	553	1,291
2011/12	241	743	84	4	0	1,072
2012/13	214	1,386	113	10	0	1,723
2013/14	308	1,037	333	3	0	1,681
2014/15	108	868	325	4	0	1,305
2015/16	321	810	435	5	0	1,571
2016/17	109	398	296	2	0	805
2017/18	130	878	364	-1	0	1,371
2018/19	124	975	195	12	0	1,306

Source: ONS

Figure 6.3: Components of Population Change, Mid-2001-Mid-2019



Other Measures of Population Growth

- 6.15 The analysis above has focussed on data from the ONS mid-year population estimates (MYE). It is possible to contrast estimates of population growth in this source with other measures – the main one being the Patient Register (PR). The table below shows estimated population growth in both the MYE and the PR – data is shown for Mid Sussex, West Sussex, the South East and England.
- 6.16 In Mid Sussex, the MYE shows population change of 7.7% in the 2011-19 period, whereas the PR is higher (at 9.6%). However, it is notable in all the areas studied that the PR shows higher estimated growth and in fact the difference for Mid Sussex is slightly less notable than for other locations (for example, for England the MYE shows 6% growth, but the PR is at 9%).
- 6.17 Overall, it is difficult to draw any conclusions from this data, as on the one hand the MYE arguably under-estimates population growth, however the relative difference between MYE and PR estimates also means that the opposite may be true (if for example the MYE at a national level are considered to be accurate).
- 6.18 On balance, it is not considered that the analysis of PR data shows anything sufficiently compelling to suggest setting aside the MYE, either in terms of current population estimates, or trend levels of growth. This analysis can therefore be seen as mainly included for reference purposes.

Table 6.7 Population Change by Broad Age Group, 2011-19

		2011	2019	Change	% Change
Mid Sussex	MYE	140,190	151,040	10,850	7.7%
	Patient Register	141,960	155,570	13,610	9.6%
West Sussex	MYE	808,960	863,990	55,030	6.8%
	Patient Register	830,770	906,180	75,410	9.1%
South East	MYE	8652820	9180170	527,350	6.1%
	Patient Register	8937030	9723520	786,490	8.8%
England	MYE	53,107,200	56,286,990	3,179,790	6.0%
	Patient Register	55,312,750	60,288,290	4,975,540	9.0%

Source: ONS

2018-based Subnational Population Projections (“SNPP”)

- 6.19 The latest (2018-based) set of subnational population projections (SNPP) were published by ONS in March 2020 (replacing a 2016-based release). The projections provide estimates of the future population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration which are constrained to the assumptions made for the 2018-based national population projections.

6.20 The 2018-based SNPP contain a number of assumptions that have been changed from the 2016-based version, these assumptions essentially filtering down from changes made at a national level. The key differences are:

- ONS' long-term international migration assumptions have been revised upwards to 190,000 per annum compared to 165,000 in the 2016-based projections. This is based on a 25-year average;
- The latest projections assume that women will have fewer children, with the average number of children per woman expected to be 1.78 compared to 1.84 in the 2016-based projections; and
- Life expectancy increases are less than in the 2016-based projections as a consequence of the continued limited growth in life expectancy over the last two years.

6.21 As well as providing a principal projection, ONS has developed a number of variants. In all cases the projections use the same fertility and mortality rates with differences being applied in relation to migration. The key variants in terms of this assessment can be described as:

- Principal projection
- an alternative internal migration variant
- a 10-year migration variant

6.22 In the principal projection, data about internal (domestic) migration uses data for the past 2-years and data about international migration from the past 5-years. The use of 2-years data for internal migration has been driven by ONS changing their methodology for recording internal moves, with this data being available from 2016 only.

6.23 The alternative internal migration variant uses data about migration from the last 5-years (2013-18), as well as also using 5-years of data for international migration. This variant is closest to replicating the methodology used in the 2016-based SNPP although it does mean for internal migration that data used is collected on a slightly different basis.

6.24 The 10-year migration variant (as the name implies) uses data about trends in migration over the past decade (2008-18). This time period is used for both internal and international migration.

6.25 The Table below shows the outputs from each of these three variant scenarios along with comparisons from the 2016- and 2014-based SNPP. This shows that the 2018-based principal

projection shows projected population growth of 7.5%, with the alternative internal migration scenario being slightly higher than this (8.5%) – the 10-year trend variant also shows growth of 8.5%.

- 6.26 Population growth in the 2016-based projections is higher than and of the 2018-based variants whilst the 2014-based projection shows the highest population projection of any of the scenarios studied. The comparison with the 2014-based SNPP is particularly important as it underpins the 2014-based SNHP which is used in the standard method).

Table 6.8 Projected Population Growth, 2021-38 – Range of SNPP Releases

	Population 2021	Population 2038	Change	% Change
2018, Principal	152,837	164,231	11,394	7.5%
2018, Alternative Internal	153,184	166,274	13,090	8.5%
2018, 10-year trend	153,177	166,136	12,960	8.5%
2016-based	154,207	171,264	17,056	11.1%
2014-based	153,427	172,626	19,199	12.5%

Source: ONS

- 6.27 As noted, the 2018-based SNPP has three main scenarios and rather than provide data from all three, the analysis below looks at a preferred scenario. In this case it is considered that the alternative internal migration variant is likely to be the most robust in a local context.
- 6.28 This has been chosen as it is considered that the principal SNPP has too short a data period when looking at internal migration whilst the 10-year alternative is not thought likely to reflect recent changes and may include some influence from the economic downturn/credit crunch of 2008 (given that the 10-year period will be 2008-18).
- 6.29 The Table below shows projected population growth from 2021 to 2038 (using alternative internal migration assumptions) in Mid Sussex and a range of comparator areas. The data shows that the population of the District is projected to increase at a faster rate than seen in the region or nationally, but at a rate slightly below that for West Sussex.

Table 6.9 Projected Population Growth, 2021-38 – Alternative Internal Migration

	Population 2021	Population 2038	Change	% Change
Mid Sussex	153,184	166,274	13,090	8.5%
West Sussex	877,940	956,320	78,380	8.9%
South East	9,292,052	9,872,597	580,545	6.2%
England	56,989,570	60,766,253	3,776,683	6.6%

Source: ONS

6.30 With the overall change in the population will also come changes to the age profile. The table below summarises findings for key (5 year) age groups. The largest growth will be in people aged 65 and over. In 2038 it is projected that there will be 43,700 people aged 65 and over.

6.31 This is an increase of 11,600 from 2021, representing growth of 36%. The population aged 85 and over is projected to increase by an even greater proportion, 68%. Looking at the other end of the age spectrum the data shows that there is projected to be a decrease in the number of children (those aged Under 15), with increases (and some decreases) shown for adult age groups.

Table 6.10 Population Change by Age, 2021-38, 5 Year Age Brands – Alternative Internal

	2021	2038	Change	% Change
Under 5	8,262	8,390	127	1.5%
5-9	9,760	9,166	-593	-6.1%
10-14	10,181	9,602	-579	-5.7%
15-19	8,121	8,761	640	7.9%
20-24	5,569	5,907	338	6.1%
25-29	7,121	7,635	515	7.2%
30-34	8,666	8,202	-464	-5.3%
35-39	9,995	9,086	-909	-9.1%
40-44	10,718	10,889	171	1.6%
45-49	10,995	11,695	700	6.4%
50-54	11,481	11,560	79	0.7%
55-59	10,990	11,505	515	4.7%
60-64	9,144	10,133	989	10.8%
65-69	8,044	10,402	2,359	29.3%
70-74	8,317	10,087	1,770	21.3%
75-79	6,623	8,464	1,841	27.8%
80-84	4,301	6,553	2,253	52.4%
85+	4,897	8,236	3,339	68.2%
Total	153,184	166,274	13,090	8.5%

Source: ONS

6.32 The analysis below summarises the above information by assigning population to three broad age groups (which can generally be described as a) children, b) working-age and c) pensionable age). This analysis emphasises the projected increase on the population aged 65 and over, of the total projected population increase of 13,090 people, some 88% is projected to be in the 65+ age group.

Table 6.11 Population Change by Broad Age Group, 2021-38 – Alternative Internal

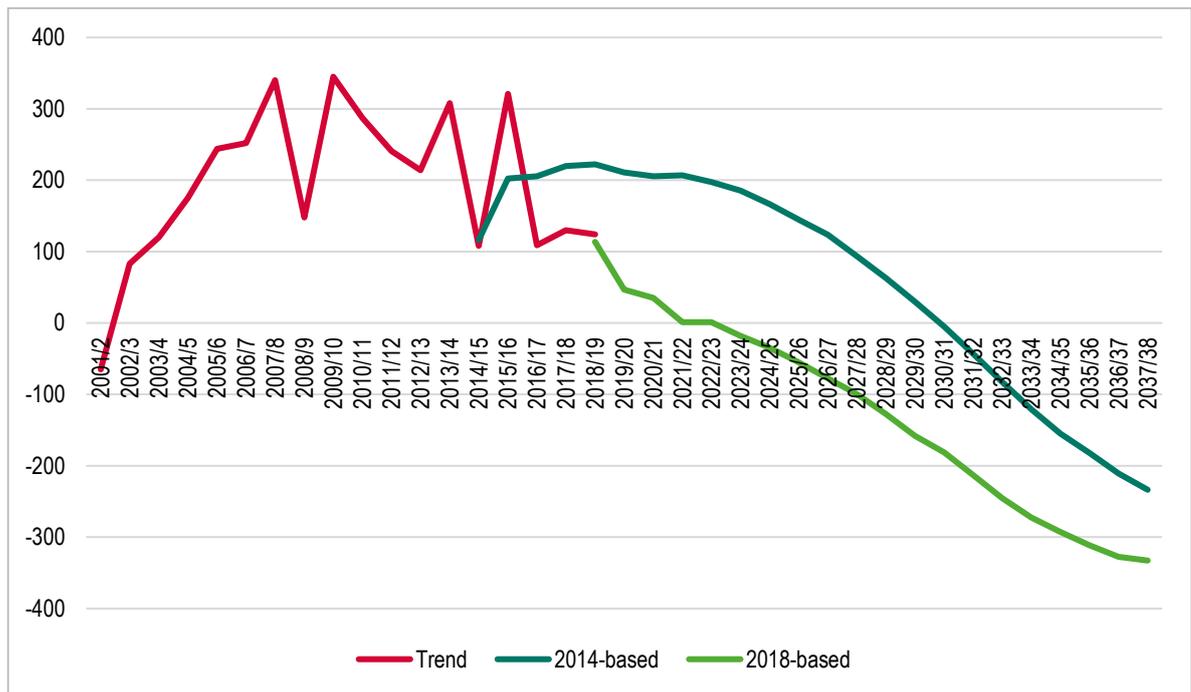
	2021	2038	Change	% Change
Under 16	30,085	29,096	-989	-3.3%
Aged 16-64	90,917	93,435	2,517	2.8%
Aged 65+	32,182	43,743	11,561	35.9%
Total	153,184	166,274	13,090	8.5%

Source: ONS

Comparing 2014 and 2018-based SNPP

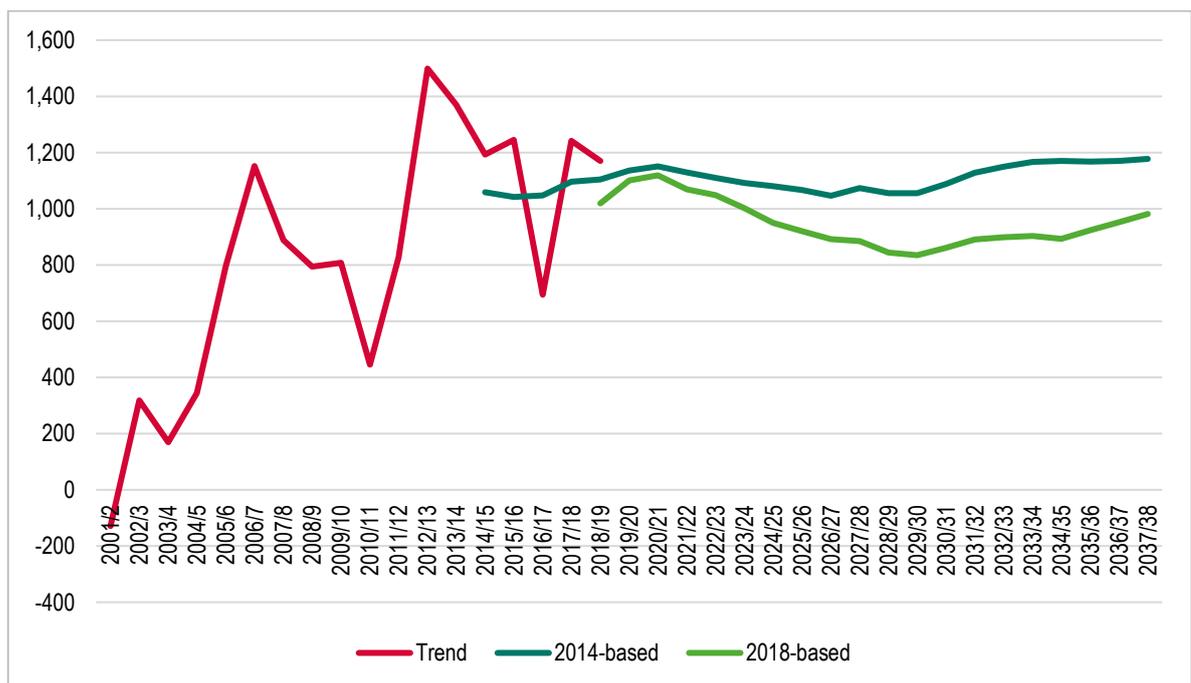
- 6.33 The analysis above showed that projected population growth in the 2014-based SNPP is somewhat higher than in the 2018-based version. It is of interest to see what reasons there are for the differences. Essentially this means looking at the components of population change - natural change (births minus deaths) and migration.
- 6.34 The figure below shows past trends in natural change and also projected figures from both the 2014- and 2018-based projections. From this it is clear that natural change has been declining and the 2018-based SNPP project this to continue in the future. For the 2014-based SNPP, natural change is projected to be somewhat higher and can already be seen to be too high in comparison to estimates made by ONS over the past couple of years.
- 6.35 Given that the latest projections build in trends towards lower fertility rates and lower improvements to life expectancy, the difference between the two projections is to be expected and does point to the 2018-based projections being more realistic in terms of a trend-based projection. It should however be noted that the trends observed for Mid Sussex below are not unique to the District and are replicated for most local authorities across the country.

Figure 6.4: Past Trends and Projected Natural Change, Mid Sussex



6.36 For migration, the analysis below looks at trends in net migration, this combines figures for internal, cross-border and international migration. The figure below suggests that projected migration levels are fairly similar regardless of the projection studied (slightly higher in the 2014-based projections) and it is therefore arguable that a fairly consistent trend can be observed. This would suggest (as with the analysis for natural change) that the 2018-based SNPP are broadly sound from a demographic perspective.

Figure 6.5: Past Trends and Projected Net Migration, Mid Sussex



6.37 The chart above does also show the widely varying levels of trend net migration on a year by year basis, and it is of interest to see how overall averages vary in different projections and by time period. The table below shows a trend analysis and also projected levels of net migration from the 2014- and 2018-based projections.

6.38 This again shows figures from the two projections as being fairly similar and that projected migration is generally in-line with past trends. Overall, the projected levels of migration do not look unreasonable in the context of past trends and do not suggest that there is anything wrong with the projections developed by ONS.

Table 6.12 Population Change by Broad Age Group, 2021-38 – Alternative Internal

	Trend	2014-based	2018-based
15 Years	965	1,086	956
10 Years	1,049	1,097	1,001
5 Years	1,109	1,070	1,071

Source: ONS

6.39 More recent population projections for Mid Sussex project lower population growth than the 2014-based SNPP which currently feeds into the standard method. This is a function in part of weaker natural change, with women having fewer children and higher levels of deaths than predicted in the 2014-based SNPP (although this factor is not unique to Mid Sussex).

6.40 It is however also the case that net migration in the 2014-based SNPP is slightly higher than the 2018-SNPP, although overall migration in either of the projections studied does align quite well with past trends. Overall, it is considered that the analysis does not provide a locally-specific rationale for deviating from the standard method.

6.41 As noted, the Government decided to amend the standard method so that the most recent (2018-based at the time of writing) SNHP are disregarded in favour of using the 2014-based version as a start point.

6.42 There is some good logic for this as the 2018-based projections do seem to potentially be building in additional suppression of household formation (discussed below), however, it is considered that the 2018-based SNPP (i.e. the population data) should not be so readily disregarded – this is particularly because of the changes made to fertility and mortality rates which reflect recently observed trends.

6.43 Therefore, in moving the analysis forward, it is suggested that the most suitable approach is to maintain the 2018-based SNPP as a baseline projection (the alternative internal migration assumptions) and amend migration estimates so that the level of need matches that previously

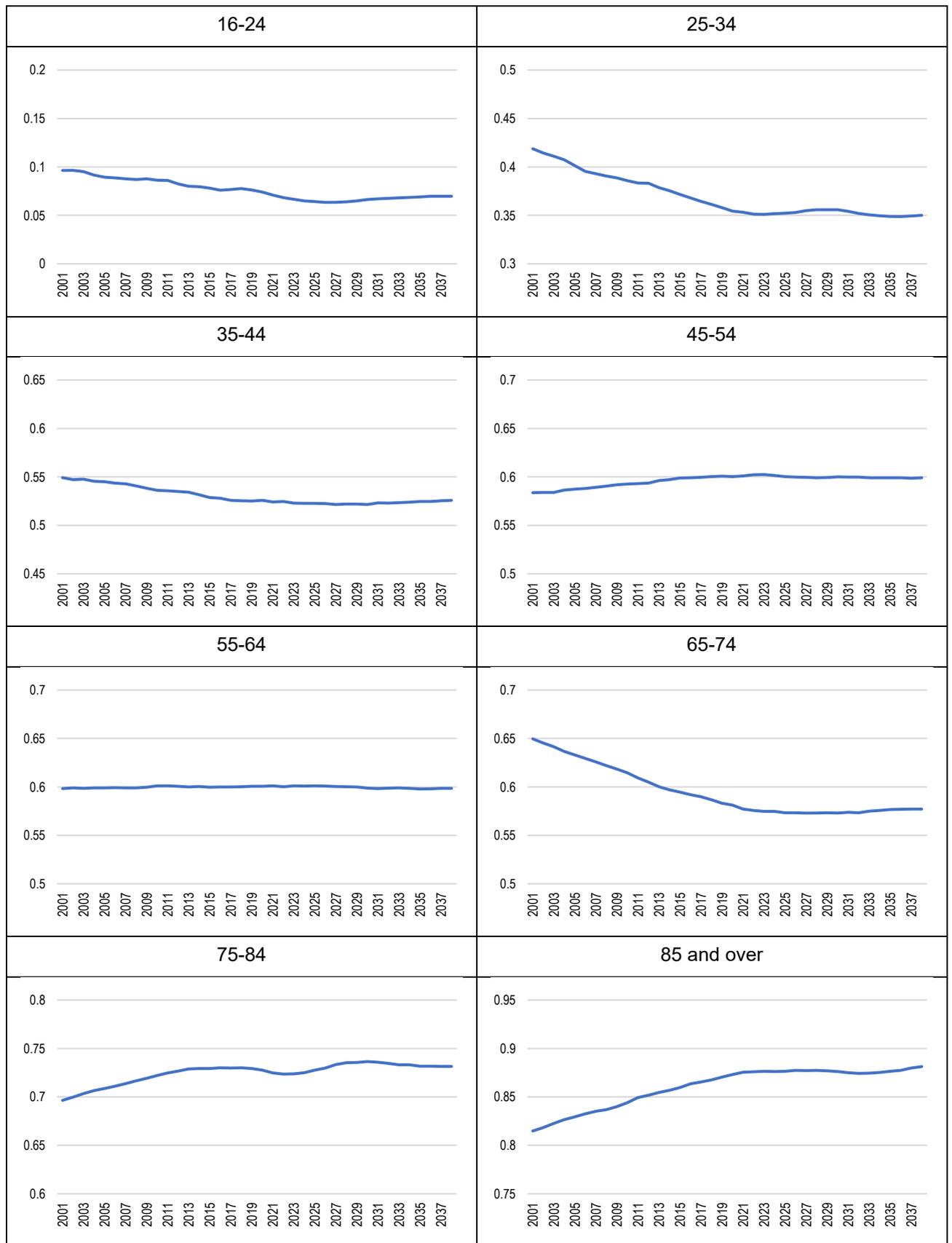
suggested (for 1,093 homes per annum across the District). Further adjustments are made to household formation to ensure a consistent projection with the housing need.

Household Representative Rates (Household Formation)

- 6.44 Having studied the population size and age structure changes, the next step in the process is to convert this information into estimates of the number of households in the area. To do this the concept of household representative rates (HRR) is used. HRRs can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)).
- 6.45 The latest HRRs are as contained in the ONS 2018-based subnational household projections (“SNHP”). It would be fair to say that recent SNHP (since the 2016-based release) have come under some criticism, this is largely because they are based only on data in the 2001-11 Census period which would suggest that it builds in the suppression of household formation experienced in that time.
- 6.46 This suppression can be seen in the figure below, and particularly for the 25-34 age group where there was a drop in formation rates from 2001 to 2011. ONS are projecting for the rate to drop further to 2021 (following which the rate is held broadly stable).
- 6.47 Given this apparent suppression, the SNHP data has been used to create a scenario where the reduction in the HRR for the 25-34 age group is reversed so that between 2021 and 2031 it returns to the level seen in 2001 (a time when this age group was arguably less constrained), a similar adjustment has also been made to the 16-24 and 35-44 age groups (although the impact of this is less significant).
- 6.48 Therefore, rather than rejecting the 2018-based SNHP due to the potential for the projections to include a degree of suppression, the data has been used to build a scenario where the suppression is reversed. Two scenarios are modelled:
- Using 2018-based SNHP where data from the SNHP is used as published (2018-SNHP); and
 - Using the 2018-based SNHP with an adjustment to the 16-44 age groups to ‘correct’ for apparent suppression in household formation (2001-return).
- 6.49 An approach that improves the household formation of younger people is consistent with advice set out in Planning Practice Guidance (see paragraph 2a-006) although in reality there would need to be changes in the housing market to allow this to happen (rather than simply building more homes) including, for example, the Help to Buy initiative.

6.50 For example, to allow more younger households to form, it is likely that there would need to be provision of more affordable housing, or indeed market housing that is more affordable. Therefore, whilst this assumption has been used in modelling, the likelihood of this being an outcome will depend on a range of changes happening to enable younger people to form households at the sort of rates seen historically.

Figure 6.6: Projected Household Representative Rates by Age of HOH, 2018-based SNHP



Household Growth

- 6.51 The Table below shows estimates of household growth with the HRRs in the 2018-based SNHP and an estimate of the number of additional dwellings this might equate to. The figures link to population growth in the 2018-based SNPP (alternative internal migration variant).
- 6.52 To convert households into dwellings the analysis includes an uplift to take account of vacant homes. For the purposes of analysis, it has been assumed that the number of vacant homes in new stock would be 3% higher than the number of occupied homes (which is taken as a proxy for households) and hence household growth figures are uplifted by 3% to provide an estimate of housing need. This figure is a fairly standard assumption when looking at vacancy rates in new stock and will allow for movement within the housing stock.
- 6.53 The analysis below shows the housing need outputs when linked to the 2018-based SNPP. This shows an overall housing need for 525 homes per annum across the District when using the 2018-based SNHP as the underlying household projection. This figure increases to 622 homes per annum with an adjustment to the formation rates of the population aged under 45.

Table 6.13 Projected Housing Need – Range of HRR Assumptions – 2018-based SNPP

	Households 2021	Households 2038	Change	Annual Change	Homes
2018-SNHP	63,136	71,799	8,663	510	525
2001-return	63,136	73,399	10,263	604	622

Source: Demographic Projections

Developing a Projection Linking to 1,093 Homes per Annum

- 6.54 Earlier in this report it has been noted that based on the standard method, there is a requirement to provide 18,581 homes in the 2021-38 period at an average rate of 1,093 homes per annum. It can be seen from the analysis above, that even by taking a fairly positive approach to HRRs there would not be the level of household growth required to fill this number of homes.
- 6.55 Therefore, a final scenario has been developed which increases migration to the District (as well as building in the improvement to household formation discussed above) such that there is sufficient population for 1,093 additional homes each year.
- 6.56 In summary, an approach has therefore been developed that both improves household formation and increases migration to project how population and household structures might change with delivery of 18,581 homes (2021-38). This approach is consistent with that set out in the PPG (2a-006).

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- 6.57 Within the modelling, migration assumptions have been changed so that across the District the increase in households matches the housing need (including the 3% vacancy allowance). The changes to migration have been applied on a proportionate basis; the methodology assumes that the age/sex profile of both in- and out-migrants is the same as underpins the 2018-based SNPP (alternative internal migration variant) with adjustments being consistently applied to both internal (domestic) and international migration.
- 6.58 Adjustments are made to both in- and out-migration (e.g. if in-migration is increased by 1% then out-migration is reduced by 1%). In summary the method includes the following assumptions:
- Base population in 2019 from the latest mid-year population estimates;
 - Population in 2020 estimated on basis of housing completions (i.e. what population change is likely given the number of additional homes to fill). Delivery of 1,048 has been used for 2019/20;
 - Population rolled forward to 2021 on the basis of the 2018-based SNPP (alternative internal migration variant);
 - Household representative rates from the 2018-based SNHP with an adjustment for suppression in the 16-44 age group; and
 - The migration profile (by age and sex) in the same proportions as the 2018-based SNPP (alternative internal migration variant)
- 6.59 In developing this projection, a notably higher level of population growth is derived (33,000 additional people compared with 13,100 in the SNPP as published). The age structure of the two projections is also somewhat different, with the projection linked to 1,093 homes per annum showing much stronger growth in what might be considered as 'working-age' groups. This arises due to the fact that ONS data shows that migrants are heavily concentrated in those age groups (along with their associated children).
- 6.60 The different level of population growth in the 2018-based SNPP and when linking to 1,093 homes per annum is created by assuming there would be an increase (from a trend-based position) in the number of net in-migrants to the District. Were this migration to not materialise, then arguably this would mean some additional homes being vacant (alternatively there could be household formation rates well in excess of those seen historically).
- 6.61 The modelled level of net migration (of over 1,900 people per annum on average in the 2021-38 period) is somewhat higher than for any year back to 2011. Were the migration to not materialise, it is more likely that the development industry would stop or slow down the rate of building, rather than

building homes to remain empty. Regardless, planning on the basis of an increase in net migration is something that should be monitored, particularly along with neighbouring authorities, who may in some cases also be developing housing targets that would assume an increase in migration levels.

Table 6.14 Population Change by Age, 2021-38, 5 Year Age Brands – Linked to SM

	2021	2038	Change	% Change
Under 5	8,330	10,242	1,912	23.0%
5-9	9,808	10,747	939	9.6%
10-14	10,270	10,775	505	4.9%
15-19	8,266	9,638	1,372	16.6%
20-24	5,997	7,190	1,193	19.9%
25-29	7,289	9,415	2,126	29.2%
30-34	8,800	10,233	1,433	16.3%
35-39	10,114	11,222	1,108	11.0%
40-44	10,809	12,697	1,888	17.5%
45-49	11,109	13,167	2,058	18.5%
50-54	11,566	12,750	1,184	10.2%
55-59	11,013	12,423	1,411	12.8%
60-64	9,144	10,973	1,829	20.0%
65-69	8,050	11,160	3,109	38.6%
70-74	8,358	10,712	2,354	28.2%
75-79	6,658	8,878	2,220	33.4%
80-84	4,274	6,882	2,608	61.0%
85+	4,913	8,662	3,749	76.3%
Total	154,768	187,766	32,999	21.3%

Source: Demographic Projections

6.62 The Table below summarises this information into three broad age bands. This confirms that increases in the older person population are projected to be the most significant; however, it does also show that the increase in the population aged 16-64 is notably higher than is projected by the official projections. The 2018-based SNPP suggest an increase of 2,500 people aged 16-64 (2021-38), whereas the projection linking to 1,093 homes per annum increases this notably – to a figure of around 15,400 people).

Table 6.15 Population Change by Broad Age Group, 2021-38 – Linked to SM

	2021	2038	Change	% Change
Under 16	30,306	33,890	3,584	11.8%
Aged 16-64	92,208	107,583	15,375	16.7%
Aged 65+	32,253	46,293	14,040	43.5%
Total	154,768	187,766	32,999	21.3%

Source: Demographic Projections

The Link between Housing and Economic Growth

6.63 Prior to the standard method, and under the previous PPG, it was conventional for assessments such as this to consider the link between housing and economic growth. This generally took the form of establishing likely future job growth and then testing what level of population growth (and hence household growth/housing need) would be required for the two to be aligned. Whilst this step is not necessary for the purposes of standard method, it is of interest to estimate what level of job growth the projections might support.

6.64 To look at estimates of the job growth to be supported, a series of stages are undertaken. These can be summarised as:

- Estimate changes to the economically active population (this provides an estimate of the change in labour-supply)
- Overlay information about commuting patterns, double jobbing (i.e. the fact that some people have more than one job) and potential changes to unemployment; and
- Bringing together this information will provide an estimate of the potential job growth supported by the population projections.

Growth in Resident Labour Supply

6.65 The approach taken in this report is to derive a series of age and sex specific economic activity rates and use these to estimate how many people in the population will be economically active as projections develop. This is a fairly typical approach with data being drawn in this instance from the Office for Budget Responsibility (OBR) – July 2018 (Fiscal Sustainability Report).

6.66 The Figure and table below show the assumptions made (for Mid Sussex). The analysis shows that the main changes to economic activity rates are projected to be in the 60-69 age groups – this will to a considerable degree link to changes to pensionable age, as well as general trends in the number of older people working for longer (which in itself is linked to general reductions in pension provision).

Figure 6.7: Projected Changes to Economic Activity Rates, 2021-38

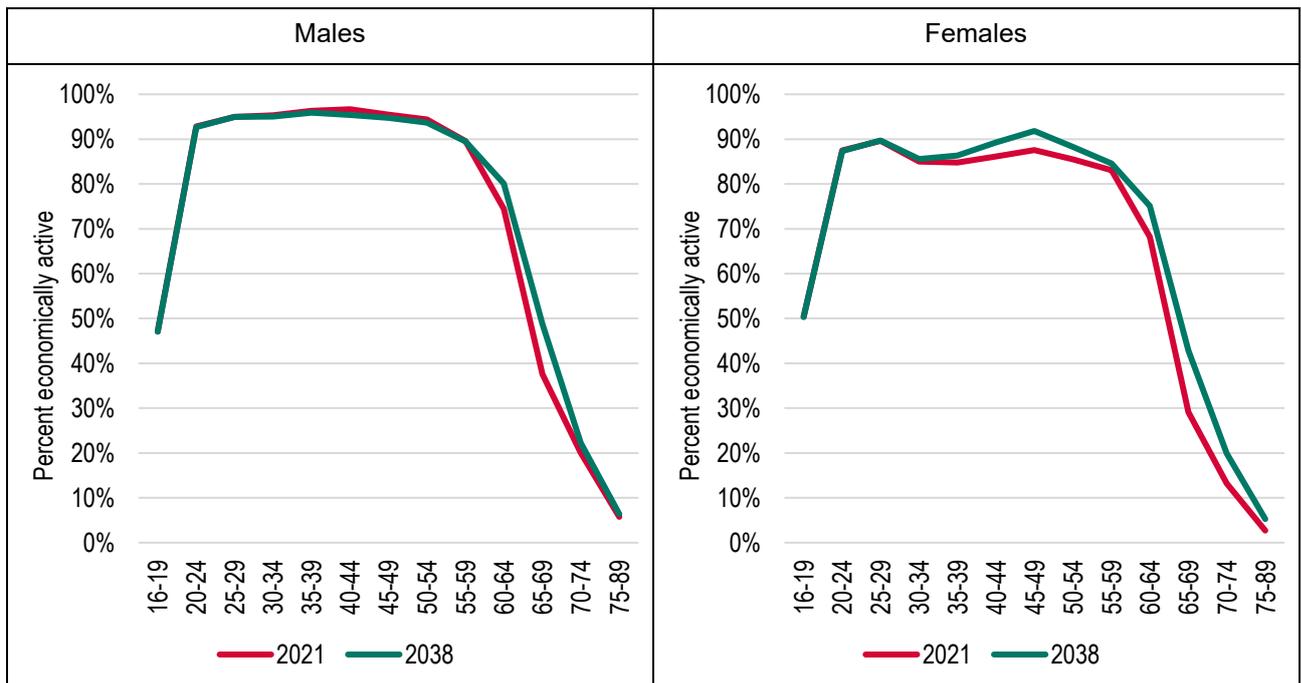


Table 6.16 Projected Changes to Economic Activity Rates, 2021-38

	Males			Females		
	2021	2038	Change	2021	2038	Change
16-19	47.1%	47.0%	-0.1%	50.4%	50.3%	-0.1%
20-24	92.8%	92.7%	-0.2%	87.5%	87.3%	-0.1%
25-29	95.0%	95.0%	0.0%	89.6%	89.7%	0.0%
30-34	95.3%	95.1%	-0.2%	85.0%	85.6%	0.5%
35-39	96.3%	95.9%	-0.4%	84.8%	86.3%	1.6%
40-44	96.7%	95.4%	-1.3%	86.1%	89.3%	3.1%
45-49	95.5%	94.8%	-0.7%	87.6%	91.8%	4.2%
50-54	94.4%	93.7%	-0.8%	85.5%	88.3%	2.8%
55-59	89.6%	89.5%	-0.1%	83.1%	84.6%	1.5%
60-64	74.5%	80.1%	5.6%	68.2%	75.1%	6.9%
65-69	37.6%	48.7%	11.2%	29.1%	42.9%	13.8%
70-74	20.0%	22.3%	2.2%	13.2%	19.9%	6.7%
75-89	5.8%	6.4%	0.6%	2.7%	5.3%	2.6%

Source: Based on OBR and 2011 Census data

6.67 Working through an analysis of age and sex specific economic activity rates it is possible to estimate the overall change in the number of economically active people in the District – this is set out in the table below. The analysis shows that with the SNPP there would be an estimated increase in the economically active population of around 6,500 people (an 8% increase over 17-years). With the

higher population growth associated with the standard method this number increases notably (an increase of 18,400 economically active people, a 22% increase over 17-years).

Table 6.17 Estimated Change to the Economically Active Population, 2021-38

	Econ Active 2021	Econ Active 2038	Change
2018-based SNPP	82,188	88,667	6,479
Standard Method	83,318	101,674	18,356

Source: Derived from demographic projections

Linking Changes to Resident Labour Supply and Job Growth

6.68 The analysis above has set out potential scenarios for the change in the number of people who are economically active. However, it is arguably more useful to convert this information into an estimate of the number of jobs this would support. The number of jobs and resident workers required to support these jobs will differ depending on three main factors:

- Commuting patterns – where an area sees more people out-commute for work than in-commute it may be the case that a higher level of increase in the economically active population would be required to provide a sufficient workforce for a given number of jobs (and vice versa where there is net in-commuting);
- Double jobbing – some people hold down more than one job and therefore the number of workers required will be slightly lower than the number of jobs; and
- Unemployment – if unemployment were to fall then the growth in the economically active population would not need to be as large as the growth in jobs (and vice versa).

Commuting Patterns

6.69 The Table below shows summary data about commuting to and from Mid Sussex from the 2011 Census. Overall, the data shows that the District sees a notable level of net out-commuting for work with the number of people resident in the area who are working being about 19% higher than the total number who work in the area. This number is shown as the commuting ratio in the final row of the table and is calculated as the number of people living in an area (and working) divided by the number of people working in the area (regardless of where they live).

Table 6.18 Estimated Change to the Economically Active Population, 2021-38

	People
Live and work in Local Authority (LA)	25,400
Home workers	9,685
No fixed workplace	5,779
In-commute	20,410
Out-commute	31,941
Total working in LA	61,274
Total living in LA (and working)	72,805
Commuting Ratio	1.188

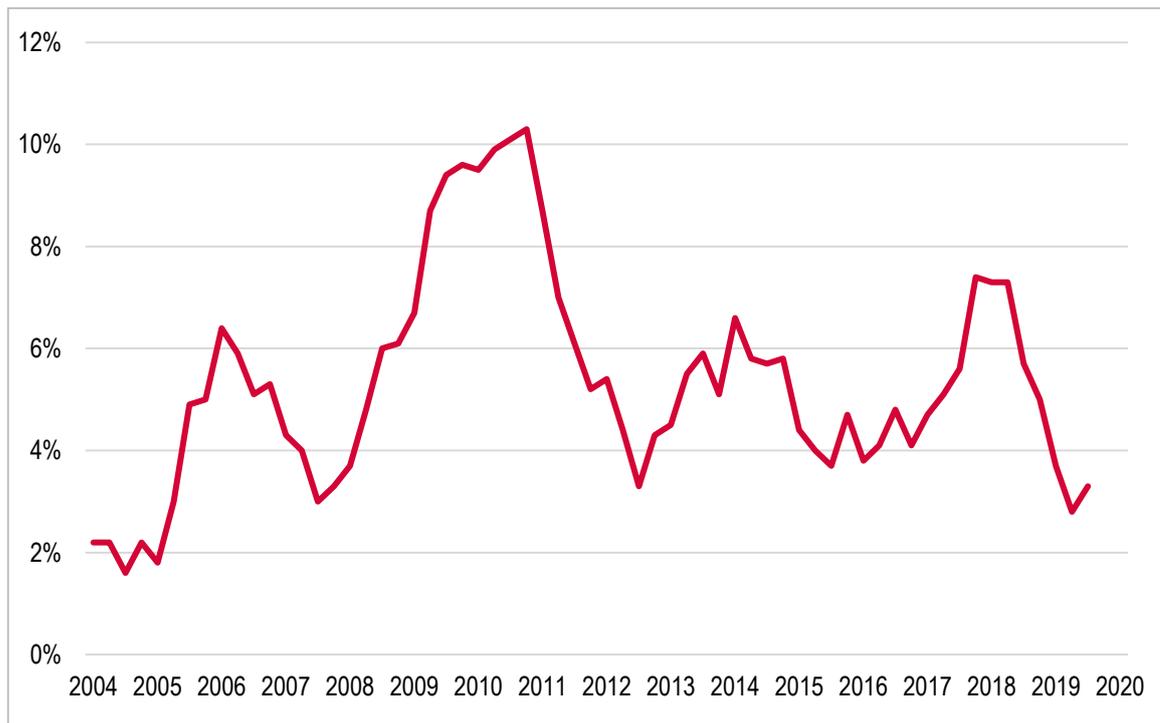
Source: 2011 Census

- 6.70 In translating the commuting pattern data into growth in the labour-force, a core assumption is that the commuting ratio remains at the same level as shown by the 2011 Census. A sensitivity has also been developed where commuting for new jobs is assumed to be on a 1:1 ratio (i.e. the increase in the number of people working in the District is equal to the number of people living in the District who are working).
- 6.71 This sensitivity is useful to understand the implications for housing as to continue to assume net out-commuting would arguably mean that other authorities (outside of Mid Sussex) would be providing jobs but not housing for people taking up those jobs. The 1:1 ratio is also useful in the context of Covid-19 with the likelihood being that a greater proportion of people will work from home (or mainly from home) in the future.

Double Jobbing

- 6.72 The analysis also considers that a number of people may have more than one job (double jobbing). This can be calculated as the number of people working in the local authority divided by the number of jobs. Data from the Annual Population Survey (available on the NOMIS website) suggests across the District that typically between about 5.3% of workers have a second job – levels of double jobbing have been variable over time (mainly due to the accuracy of data at a local level).

Figure 6.8: Percentage of all people in employment who have a second job (2004-2020)



Source: Annual Population Survey

6.73 For the purposes of this assessment, it has been assumed that around 5.3% of people will have more than one job moving forward. A double jobbing figure of 5.3% gives rise to a ratio of 0.947 (i.e. the number of jobs supported by the workforce will be around 5.3% higher than workforce growth). It has been assumed in the analysis that the level of double jobbing will remain constant over time, although the apparent upward trend should be noted.

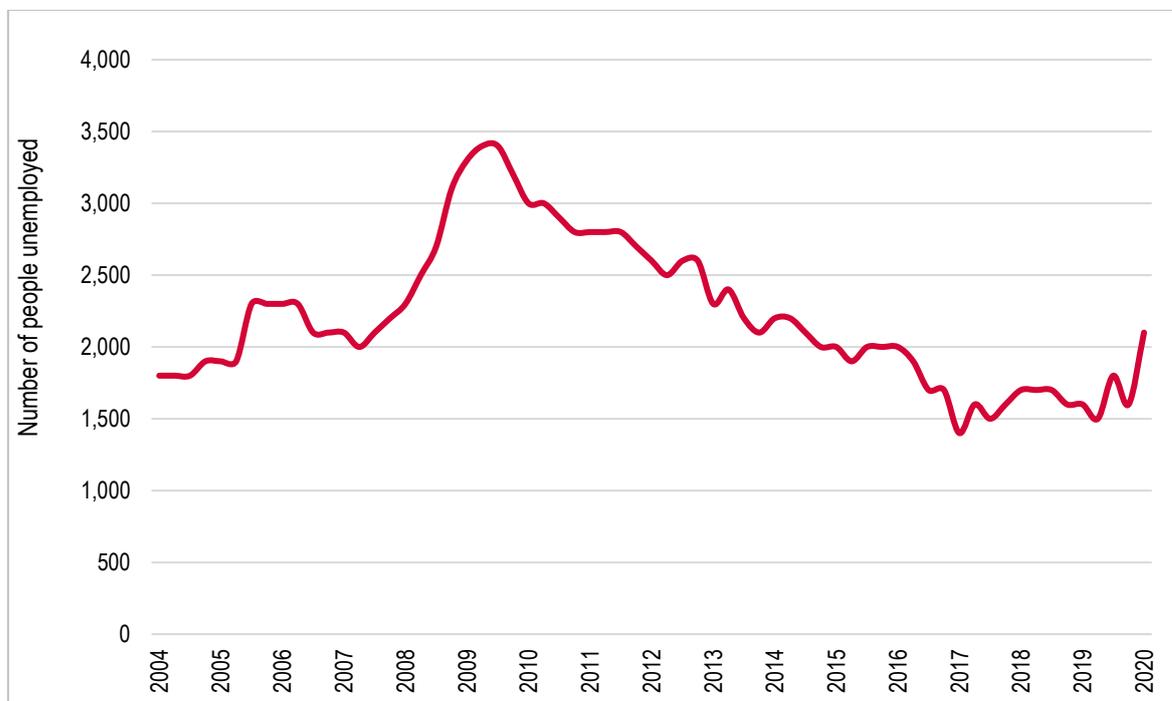
Unemployment

6.74 The last analysis when looking at the link between jobs and resident labour supply is a consideration of unemployment. Essentially, this is considering if there is any latent labour force that could move back into employment to take up new jobs. This is particularly important given the assessment takes a 2021 base, a time where there is likely to have been notable increases in unemployment due to Covid-19, although it will be difficult to be precise about numbers, particularly as the impact of the ending of the furlough scheme are unknown.

6.75 The Figure below shows the number of people who are unemployed and how this has changed back to 2004. The analysis shows a clear increase in unemployment until about 2009/10 and that since then, the number of people unemployed has dropped notably – by 2019/20, the number of unemployed people was below the level observed in 2004.

6.76 The data is noteworthy as it only shows a modest increase in unemployment moving into 2020. However, the final period for which data is available is for a 12-month period to December 2020 and may well have not picked up impacts of COVID-19 yet.

Figure 6.9: Number of People Unemployed, 2004-20



Source: Annual Population Survey (modelled unemployment data)

6.77 On the basis of the above data, it seems sensible to consider other data about unemployment changes, with the analysis below looking at Claimant Count data (described as the number of people claiming Jobseeker's Allowance plus those who claim Universal Credit who are out of work). This will not give a full picture of unemployment as not all those who are unemployed will also be a claimant, but it will certainly help to provide an indication; claimant count data is available up to April 2021 with the data below showing a trend for the previous decade.

6.78 The analysis shows a clear increase in the number of claimants (presumably as a result of the pandemic) – rising from around 1,000 to between 3,000 and 3,500 over the most recent months for which data is available. For the purposes of modelling, no adjustments are made for the increased unemployment. Essentially, the modelling assumes that job losses as a result of the pandemic will be recovered by the end of the projection period in 2038.

Figure 6.10: Number of Out of Work Benefit Claimants, 2011-21



Source: NOMIS

Jobs Supported by Growth in the Resident Labour Force

- 6.79 The Table below shows how many additional jobs might be supported by population growth under the 2018-SNPP and the standard method. Given current commuting patterns and estimates about double jobbing, it is estimated that around 5,800 additional jobs could be supported by the changes to the resident labour supply in the SNPP and a higher number of jobs could be supported if the analysis assumes a 1:1 commuting ratio.
- 6.80 Under the standard method, the number of jobs potentially supported is notably higher, in the range of 16,300-19,400 depending on the commuting assumptions. These figures exclude any additional jobs resulting from people returning to work following the pandemic.

Table 6.19 Jobs Supported by Demographic Projections 2021-38

		Total Change in Econ Active	Allowance for Net Out-Commuting	Jobs Supported
2018-based SNPP	Census Commuting	6,479	5,453	5,760
	1:1 Commuting	6,479	6,479	6,844
Standard Method	Census Commuting	18,356	15,449	16,319
	1:1 Commuting	18,356	18,356	19,390

Source: Derived from a range of sources described

Demographic Trends and Projections: Summary

Analysis has been undertaken to consider demographic trends, in particular looking at past trends in population growth and future projections. The analysis draws on the 2018-based subnational population projections (SNPP) and the 2018-based household projections (SNHP). The analysis also looks at the most recent population estimates (again from ONS) which date to mid-2019.

Mid Sussex has a fairly average age structure although there are fewer people aged 20-29 (linked to people moving away for higher education) and a greater proportion of the population aged in their 40s and early 50s. As of 2019, 21% of the population estimated to be aged 65 and over (compared to a national average of 18% and a County average of 23%).

Past population growth in Mid Sussex has been relatively strong, over the past 8-years (since 2011) the population of the District has grown by 8%; this compares with a 6% increase both regionally and nationally over the same period. Population growth in Mid Sussex is largely driven by net internal migration (moves from one part of the country to another) although there is typically also a degree of international migration.

The relatively high level of population growth can also be seen in ONS projections (which are trend based), with the 2018-based version showing higher projected changes in Mid Sussex than other areas (including the region and nationally). Population growth is projected to be concentrated in older age groups (those aged 65 and over) – this age group being projected to increase by 36% from 2021 to 2038 in the latest official projections.

The 2018-based SNPP project lower population growth than the 2014-based SNPP which currently feeds into the standard method. This is a function in part of weaker natural change, with women having fewer children and higher levels of deaths than predicted in the 2014-based SNPP. These are however not factors unique to Mid Sussex but reflect wider national trends.

They do not therefore provide a locally-specific rationale for deviating from the standard method. Levels of net migration in the 2018-based SNPP are slightly lower than in the 2014-based version. However, for both projections there is a consistency with past trends and again it is not considered that they are sufficiently different such that the 2014-based SNPP can be set aside.

Population growth can be converted into estimates of household growth by using household representative rates (HRR). HRRs can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)). Data about HRRs is taken from ONS household projections.

In analysing data about HRRs, it was considered that the latest (2018-based) version potentially build in some degree of suppression of household formation in younger age groups. A sensitivity model was therefore developed that sought to return the HRRs of the younger population (aged under 45) back to levels seen in 2001 (a time when suppression looks from the data to be fairly minimal).

Using the information from the 2018-based SNPP and SNHP (along with adjustments to HRRs for younger people) a bespoke projection has been developed that links to dwelling provision of 1,093 homes per annum – this considers the level of population growth and household formation that might be expected if this delivery is achieved (in the 2021-38 period) – delivery of 1,093 homes per annum equates to the need shown by the Government's standard method. This projection is then used for some further analysis (e.g. in looking at older persons' needs (as the projection contains a detailed age structure)).

This bespoke projection suggests that population growth might be expected to be higher than suggested in the latest official projections and that the age structure changes will proportionally include more people aged under 65. Overall, in the 2021-38 period, delivery of 1,093 homes per annum is projected to see an increase in population of 21% (33,000 more people) compared with a 9% increase (13,100) in the 2018-based SNPP. Of the 19,900 difference in population increase, some 65% (12,900) is accounted for by a projected uplift in the number of people aged 16-64.

In terms of the number of jobs supported under the standard method, our analysis estimates in the range of 16,300-19,400 depending on whether the Census commuting assumption or a 1:1 ratio for commuting is used.

7. AFFORDABLE HOUSING

7.1 This section provides an assessment of the need for affordable housing in Mid Sussex. The analysis specifically considers general needs housing, with further analysis of specialist housing (e.g. for older people) being discussed later in the report.

7.2 The analysis follows the PPG (Sections 2a-018 to 2a-024) and provides two main outputs, linked to Annex 2 of the NPPF – this is firstly an assessment of the need for social/affordable rented housing and secondly to consider the need for affordable home ownership products. The analysis also considers First Homes was formally introduced from 28th June 2021.

Methodology Overview

7.3 The method for studying the need for affordable housing has been enshrined in Government practice guidance for many years, with an established approach to look at the number of households who are unable to afford market housing (to either rent or buy) – it is considered that this group will mainly be a target for rented affordable homes (social/affordable rented) and therefore the analysis looks a need for ‘affordable housing for rent’ as set out in Annex 2 of the NPPF. The methodology for looking at the need for rented (social/affordable) housing considers the following:

- Current affordable housing need: an estimate of the number of households who have a need now, at the point of the assessment, based on a range of data modelled from local information – this figure is then annualised so as to meet the current need over a period of time;
- Projected newly forming households in need: using demographic projections to establish gross household formation, and then applying an affordability test to estimate numbers of such households unable to afford market housing;
- Existing households falling into need: based on studying past trends in the types of households who have accessed social/affordable rented housing; and
- Supply of affordable housing: an estimate of the likely number of lettings that will become available from the existing social/affordable housing stock.

7.4 The first three bullet points above are added together to identify a gross need, from which the supply of relets of existing properties is subtracted to identify a net annual need for additional affordable housing. For the purposes of this assessment, this analysis is used to identify the overall (net) need for social/affordable rented housing.

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- 7.5 This approach has traditionally been used to consider the needs of households who have not been able to afford market housing (either to buy or to rent). As the income necessary to afford to rent homes without financial support is typically lower than that needed to buy, the ability of households to afford private rents has influenced whether or not they are in need of affordable housing.
- 7.6 The Framework and associated guidance has expanded the definition of those in affordable housing need to include households who might be able to rent without financial support but who aspire to own a home, and require support to do so. The PPG includes households that “cannot afford their own homes, either to rent, or to own, where that is their aspiration” as having an affordable housing need.
- 7.7 This widened definition has been introduced by national Government to support increased access to home ownership, given evidence of declining home ownership and growth in private renting over the last 10-15 years. PPG does not however provide specific guidance on how the needs of such households should be assessed and so this study adopts a broadly consistent methodology to that identified in the PPG, and consider a current need; a newly-arising need on an annual basis; existing households falling into need; and an annual estimate of supply.
- 7.8 For some of the analysis in this section it has been necessary to draw on other sources of data (applied to local information) to make estimates of the need. The approach is consistent with the PPG (Housing and economic needs assessment – see 2a-020 for example) and includes linking local Census data to national changes (as evidenced in national surveys such as the English Housing Survey).
- 7.9 Additionally, information drawn from local surveys previously undertaken by JGC across the country have been used to look at potential prevalence rates for some elements of need where comprehensive local data is lacking. This includes considering what proportion of households in the private rented sector might have a need due to potential loss of accommodation (e.g. tenancies ending) although again such rates are applied to local information about the size of the sector.
- 7.10 This approach is considered to provide a reasonable view about likely local needs and is an approach that has been accepted through a range of Local Plan Examinations over the past five or more years. The analysis of affordable housing need is therefore structured to consider the need for rented affordable housing, and separately the need for affordable home ownership. The overall need is expressed as an annual figure, which can then be compared with likely future delivery (as required by 2a-024).
- 7.11 Whilst the need for social/affordable rented housing and affordable home ownership are analysed separately, there are a number of pieces of information that are common to both assessments. In

particular, this includes an understanding of local housing costs, incomes and affordability. The sections below therefore look at these factors.

Local Prices and Rents

- 7.12 An important part of the affordable needs model is to establish the entry-level costs of housing to buy and rent. The affordable housing needs assessment compares prices and rents with the incomes of households to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having an 'affordable housing need'. For the purposes of establishing affordable housing need, the analysis focuses on overall housing costs (for all dwelling types and sizes).
- 7.13 The analysis below considers the entry-level costs of housing to both buy and rent across the Council area. The approach has been to analyse Land Registry and ONS data to establish lower quartile prices and rents. Using a lower quartile figure is consistent with the PPG and reflects the entry-level point into the market recognising that the very cheapest properties may be of sub-standard quality.
- 7.14 Data from the Land Registry for the year to September 2020 (i.e. Q4 of 2019 and Q1-Q3 of 2020) shows estimated lower quartile property prices in the District by dwelling type. The data shows that entry-level costs to buy are estimated to start from about £185,000 for a second-hand flat and rising to around £450,000 for a detached home. Looking at the lower quartile price across all dwelling types the analysis shows a lower quartile 'average' price of £285,000 (existing dwellings).
- 7.15 The analysis is also split between newly-built and existing dwellings which shows higher prices for new homes. For the purposes of analysis in this section, the main focus is on the pricing of existing homes within the District.

Table 7.1 Lower quartile cost of housing to buy

	Existing dwellings	Newly-built dwellings	All dwellings
Flat/maisonette	£185,000	£235,000	£200,000
Terraced	£273,000	£365,000	£275,000
Semi-detached	£328,000	£375,000	£333,000
Detached	£445,000	£485,000	£450,000
All properties	£285,000	£295,000	£286,000

Source: Land Registry, Year Ending September 2020

- 7.16 It is also useful to provide estimates of property prices by the number of bedrooms in a home. Analysis for this draws together Land Registry data with an internet search of prices of homes for sale (using sites such as Rightmove). The analysis suggests a lower quartile price of about £165,000 for a 1-bedroom home, rising to just under £500,000 for homes with 4-bedrooms.

Table 7.2 Lower Quartile House Prices by Size – Existing Dwellings

	Lower quartile price
1-bedroom	£165,000
2-bedrooms	£230,000
3-bedrooms	£355,000
4-bedrooms	£475,000
All properties	£285,000

Source: Land Registry and Internet Price Search, Year to September 2020

- 7.17 A similar analysis has been carried out for private rents using ONS data – this covers a 12-month period to September 2020. For the rental data, information about dwelling sizes is provided (rather than types); the analysis shows an average lower quartile cost (across all dwelling sizes) of £800 per month.

Table 7.3 Lower Quartile Market Rents

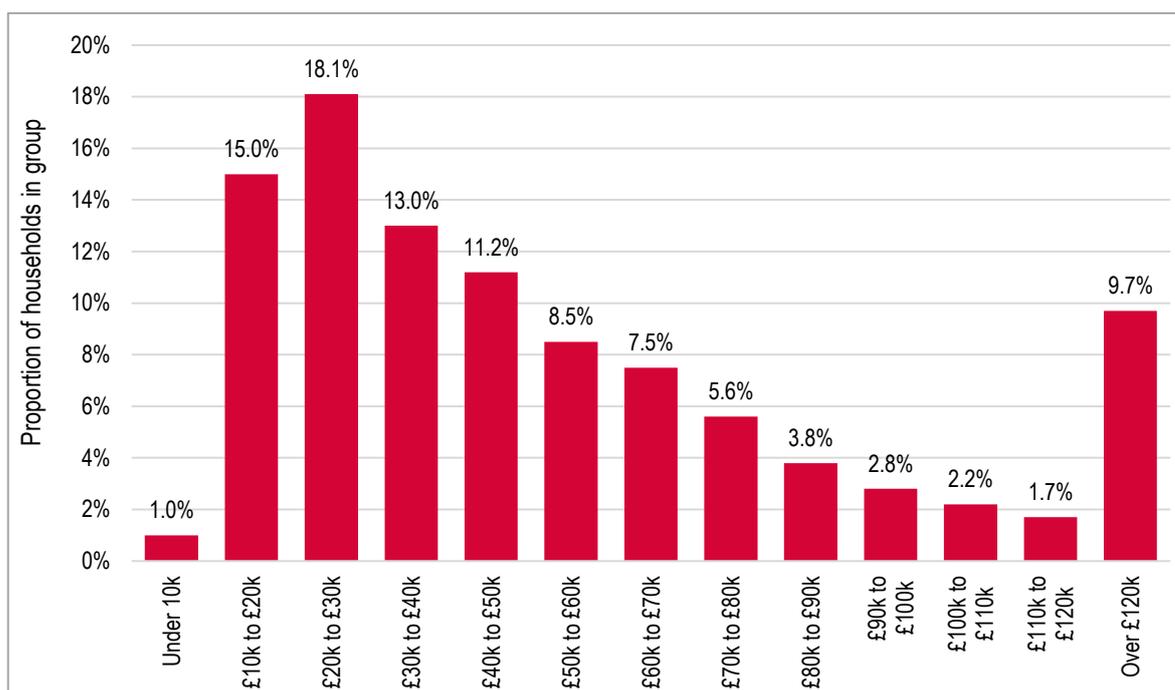
	Lower Quartile rent, pcm
Room only	£500
Studio	£610
1-bedroom	£725
2-bedrooms	£875
3-bedrooms	£1,150
4-bedrooms	£1,500
All properties	£800

Source: ONS, Year to September 2020

Household Incomes

- 7.18 Following on from the assessment of local prices and rents it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability (i.e. the ability of a household to afford to buy or rent housing in the market without the need for some sort of subsidy). Data about total household income has been based on ONS modelled income estimates, with additional data from the English Housing Survey (EHS) being used to provide information about the distribution of incomes.
- 7.19 Drawing all of this data together an income distribution for the whole District has been constructed for 2020. The figure below shows that around a sixth of households have incomes below £20,000 with a further third in the range of £20,000 to £40,000. Overall, the average (mean) income is estimated to be around £55,700, with a median income of £42,400; the lower quartile income of all households is estimated to be £24,500.

Figure 7.1: Distribution of household income, 2020



Source: Derived from a range of data as discussed

Affordability Thresholds

- 7.20 To assess affordability two different measures are used; firstly, to consider what income levels are likely to be needed to access private rented housing (this establishes those households in need of social/affordable rented housing) and secondly to consider what income level is needed to access owner occupation (this, along with the first test helps to identify households in the ‘gap’ between renting and buying).
- 7.21 This analysis therefore brings together the data on household incomes with the estimated incomes required to access private sector housing. Additionally, different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower incomes than existing households).
- 7.22 A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis – the PPG does not provide any guidance on this issue. CLG SHMA guidance prepared in 2007 suggested that 25% of income is a reasonable starting point, it also noted that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40%. Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics).
- 7.23 The threshold of income to be spent on housing should be set by asking the question ‘what level of income is expected to be required for a household to be able to access market housing without the

-
- need for a subsidy?' The choice of an appropriate threshold is therefore judgement based. The key consideration to understand is that local income levels are not setting the threshold but are simply being used to assess how many can or can't afford market housing. It is important to consider what residual income is left, after households have paid for housing.
- 7.24 At £800 PCM, lower quartile rent levels in Mid Sussex are high in comparison to those seen nationally (a lower quartile rent of £550 for England in the year to September 2020). This would suggest that a proportion of income to be spent on housing could be higher than the bottom end of the range (the range starting from 25%).
- 7.25 Across England the lowest lower quartile rents are around £400 per month (there were a total of 14 local authorities with lower quartile rents not exceeding £400 per month). If these areas are considered to be at the bottom end of the range (i.e. 25% of income to be spent on housing) then this would leave a residual income of £1,200 per month. With the same residual income applied to Mid Sussex, the gross household income required to afford an £800 PCM lower quartile rent would be £2,000 and so the percentage spent on housing would be 40%.
- 7.26 However, it needs to be considered that the cost of living in different areas will vary, and it is likely that areas where rents are higher will also generally have higher living costs. Therefore, a pragmatic approach to determining a reasonable proportion of income has been to take a midpoint between the bottom (25%) and the equivalent residual income figure (40% if looking at Mid Sussex). In this example a threshold of around 32.5% would therefore be considered as reasonable.
- 7.27 In reality, many households may well spend a higher proportion of their income on housing and therefore would have less money for other living costs – for the purposes of this assessment these households would essentially be assumed as ideally having some form of subsidised rent so as to ensure a sufficient level of residual income.
- 7.28 Generally, the income required to access owner-occupied housing is higher than that required to rent and so the analysis of the need for social/affordable rented housing is based on the ability to afford to access private rented housing. However, local house prices (and affordability) are important when looking at the need for affordable home ownership.
- 7.29 For the purposes of this assessment, the income thresholds for owner-occupation assume a household has a 10% deposit and can secure a mortgage for four and a half times their salary. These assumptions are considered to be broadly in line with typical lending practices although it is recognised that there will be differences on a case by case basis.
- 7.30 The Table below shows the estimated incomes required to both buy and rent (privately). This shows a notable 'gap', with an income of around £57,000 needed to buy a home, compared with £29,500

to privately rent. The information in the table below is taken forward into further analysis in this section to look at affordable needs.

Table 7.4 Estimated Household Income Required to Buy and Privately Rent

	To buy	To rent (privately)	Income gap
Mid Sussex	£57,000	£29,500	£27,500

Source: Based on Housing Market Cost Analysis

Need for Social/Affordable Rented Housing

7.31 The sections below work through the various stages of analysis to estimate the need for social/affordable housing. Final figures are provided as an annual need (including an allowance to deal with current need). As per 2a-024 of the PPG, this figure can then be compared with likely delivery of affordable housing.

Current Need

7.32 In line with PPG paragraph 2a-020, the current need for affordable housing has been based on considering the likely number of households with one or more housing problems. The table below sets out the categories in the PPG and the sources of data been used to establish numbers. The PPG also includes a category where households cannot afford to own despite it bring their aspiration – this category is considered separately in this report (under the title of the need for affordable home ownership).

Table 7.5 Main Sources for Assessing the Current Unmet Need for Affordable Housing

	Source	Notes
Homeless households (those in temporary accommodation)	MHCLG Statutory Homelessness data	Household in temporary accommodation at end of quarter.
Households in overcrowded housing	Census table LC4108EW	Analysis undertaken by tenure and updated by reference to national changes (from the English Housing Survey (EHS))
Concealed households ¹⁹	Census table LC1110EW	Number of concealed families
Existing affordable housing tenants in need	Modelled data linking to past survey analysis	Excludes overcrowded households – tenure estimates updated by reference to the EHS
Households from other tenures in need	Modelled data linking to past survey analysis	

Source: PPG [2a-020]

7.33 It should be noted that there may be some overlap between categories (such as overcrowding and concealed households, whereby the overcrowding would be remedied if the concealed household moved). The data available does not enable analysis to be undertaken to study the impact of this and so it is possible that the figures presented include a small element of double counting (although this is likely to be small). Additionally, some of the concealed households may be older people who have moved back in with their families and might not be considered as in need.

7.34 The Table below shows the initial estimate of the number of households within the study area with a current housing need. These figures are before any ‘affordability test’ has been applied to assess the ability of households to meet their own housing needs; and has been termed ‘the number of households in unsuitable housing’. Overall, the analysis estimates that there are currently around 3,800 households living in unsuitable housing (or without housing).

¹⁹ • A concealed household is a household that currently lives within another household but has a preference to live independently and is unable to afford appropriate market housing

Table 7.6 Estimated Number of Households Living in Unsuitable Housing

	Number of Households	% of Total
Homeless/ concealed household	609	16.1%
Households in overcrowded housing	1,749	46.3%
Existing affordable housing tenants in need	138	3.7%
Households from other tenures in need	1,281	33.9%
Total	3,776	100.0%

Source: MHCLG Live Tables, Census 2011 and Data Modelling

7.35 In taking this estimate forward, the data modelling next estimates housing unsuitability by tenure. From the overall number in unsuitable housing, households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). The analysis also excludes 90% of owner-occupiers under the assumption (which is supported by analysis of survey data) that the vast majority will be able to afford housing once savings and equity are taken into account.

7.36 A final adjustment is to slightly reduce the unsuitability figures in the private rented sector to take account of student-only households – such households could technically be overcrowded/living in unsuitable housing but would be unlikely to be allocated affordable housing (student needs are essentially assumed to be transient). Once these households are removed from the analysis, the remainder are taken forward for affordability testing.

7.37 The Table below shows it is estimated that there are around 2,200 households living in unsuitable housing (excluding current social tenants and the majority of owner-occupiers).

Table 7.7 Unsuitable Housing by Tenure and Number to Take Forward into Modelling

	In Unsuitable Housing	No to Take Forward for Affordability Testing
Owner-Occupied	1,023	102
Affordable Housing	634	0
Private rented	1,510	1,508
No housing (homeless/concealed)	609	609
Total	3,776	2,219

Source: Range of Sources

7.38 Having established this figure, it needs to be considered that a number of these households might be able to afford market housing without the need for subsidy. To consider this, the income data has been used, with the distribution adjusted to reflect a lower average income amongst households living in unsuitable housing – for the purposes of the modelling an income distribution that reduces

the average household income to 88% of the figure for all households has been used to identify the proportion of households whose needs could not be met within the market (for households currently living in housing). A lower figure of 42% has been used to apply an affordability test for the concealed/homeless households who do not currently occupy housing.

- 7.39 These two percentage figures have been based on a consideration of typical income levels of households who are in unsuitable housing (based mainly on estimates in the private rented sector) along with typical income levels of households accessing social rented housing (for those without accommodation).
- 7.40 The figures have been based on analysis of the English Housing Survey (mainly looking at relative incomes of households in each of the private and social rented sectors) as well as consideration of similar information collected through household surveys across the country by Justin Gardner Consulting. These modelling assumptions are considered reasonable and have not been challenged through the Local Plan process in other locations (where the same assumptions have been used).
- 7.41 Overall, around half of households with a current need are estimated to be likely to have insufficient income to afford market housing and so the estimate of the total current need is around 1,080 households in the District.

Table 7.8 Unsuitable Housing by Tenure and Number to Take Forward into Modelling

	In unsuitable housing (taken forward for affordability test)	% Unable to Afford Market Housing (without subsidy)	Revised Gross Need (including Affordability)
Mid Sussex	2,219	48.6%	1,079

Source: MHCLG Live Tables, Census 2011 and Data Modelling

- 7.42 The estimated figure shown above (1,079) represents the number of households with a need currently. For the purposes of analysis, it is assumed that the local authority would seek to meet this need over a period of time. Given that this report typically looks at needs in the period from 2021 to 2038, the need is annualised by dividing by 17 (to give an annual need for 63 dwellings).
- 7.43 This does not mean that some households would be expected to wait 17-years for housing as the need is likely to be dynamic, with households leaving the current need as they are housed but with other households developing a need over time.

Newly Forming Households

- 7.44 The number of newly forming households has been estimated through demographic modelling with an affordability test also being applied. This has been undertaken by considering the changes in

households in specific 5-year age bands relative to numbers in the age band below, 5 years previously, to provide an estimate of gross household formation.

- 7.45 The number of newly-forming households is limited to households forming who are aged under 45 – this is consistent with CLG guidance (from 2007) which notes after age 45 that headship (household formation) rates ‘plateau’. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households.
- 7.46 The number of newly forming households has been estimated through demographic modelling (linked to 2018-based SNHP). This is considered to provide the best view about trend-based household formation.
- 7.47 In assessing the ability of newly forming households to afford market housing, data has been drawn from previous surveys undertaken nationally by JGC. This establishes that the average income of newly forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).
- 7.48 The analysis has therefore adjusted the overall household income data to reflect the lower average income for newly forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average. In doing this it is possible to calculate the proportion of households unable to afford market housing. For the purposes of the need for social/affordable rented housing this will relate to households unable to afford to buy OR rent in the market.
- 7.49 The assessment suggests overall that around two-fifths of newly forming households will be unable to afford market housing (to rent privately) and this equates a total of 484 newly forming households will have a need per annum on average.

Table 7.9 Estimated Need for Social/Affordable Rented Housing from Newly Forming Households (p.a.)

	Number of new households	% unable to afford	Annual newly forming households unable to afford to rent
Mid Sussex	1,182	41.0%	484

Source: Projection Modelling/Affordability Analysis

Existing Households Falling into Affordable Housing Need

- 7.50 The second element of newly arising need is existing households falling into need. To assess this, information about past lettings in social/affordable rented has been used. The assessment looked at households who have been housed in general needs housing over the past three years – this group will represent the flow of households onto the Housing Register over this period. From this, newly forming households (e.g. those currently living with family) have been discounted as well as households who have transferred from another social/affordable rented property. An affordability test has also been applied.
- 7.51 This method for assessing existing households falling into need is consistent with the 2007 SHMA guide which says on page 46 that ‘Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless household applicants)’. Following the analysis through for Mid Sussex District suggests a need arising from 118 households each year.

Supply of Social/Affordable Rented Housing via Relets

- 7.52 The future supply of affordable housing through relets is the flow of affordable housing arising from the existing stock that is available to meet future need. This focusses on the annual supply of social/affordable rent relets.
- 7.53 The PPG suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. Information from CoRe has been used to establish past patterns of social housing turnover. The figures are for general needs lettings but exclude lettings of new properties and also exclude an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.
- 7.54 On the basis of past trend data it has been estimated that 195 units of social/affordable rented housing are likely to become available each year moving forward for occupation by newly forming households and existing households falling into need from other tenures.

Table 7.10 Analysis of Past Social/Affordable Rented Housing Supply, 2017/18-19/20

	Total Lettings	% as Non-New Build	Lettings in Existing Stock	% Non-Transfers	Lettings to New Tenants
2017/18	308	85.7%	264	65.9%	174
2018/19	338	82.8%	280	65.4%	183
2019/20	488	69.7%	340	67.0%	228
Average	378	78.0%	295	66.2%	195

Source: CoRe/LAHS

- 7.55 The PPG model also includes the bringing back of vacant homes into use and the pipeline of affordable housing as part of the supply calculation. These have however not been included within the modelling in this report.
- 7.56 Firstly, there is no evidence of any substantial stock of vacant homes (over and above a level that might be expected to allow movement in the stock). Secondly, with the pipeline supply, it is not considered appropriate to include this as to net off new housing would be to fail to show the full extent of the need, although in monitoring it will be important to net off these dwellings as they are completed.

Net Need for Social/Affordable Rented Housing

- 7.57 The table below shows the overall calculation of affordable housing need. The analysis shows that there is a need for 174 homes per annum to be provided within the District. The net need is calculated as follows:

$$\text{Net Need} = \text{Current Need (allowance for)} + \text{Need from Newly-Forming Households} + \text{Existing Households falling into Need} - \text{Supply of Affordable Housing}$$

Table 7.11 Estimated Need for Social/Affordable Rented Housing (p.a.)

	Households (p.a.)
Current need	63
Newly forming households	484
Existing households falling into need	118
Total Gross Need	665
Relet Supply	195
Net Need	470

The Relationship between Affordable Need and Overall Need

- 7.58 The PPG encourages local authorities to consider increasing planned housing numbers where this can help to meet the identified affordable need. Specifically, the wording of the PPG [2a-024] states:

“The total affordable housing need can 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 strategic plan may need to be considered where it could help deliver the required number of affordable homes”

-
- 7.59 However, the relationship between affordable housing need and overall housing need is complex. This was recognised in the Planning Advisory Service (PAS) Technical Advice Note of July 2015. PAS conclude that there is no arithmetical way of combining the OAN (calculated through demographic projections) and the affordable need. There are a number of reasons why the two cannot be ‘arithmetically’ linked.
- 7.60 Firstly, the modelling contains a category in the projection of ‘existing households falling into need’; these households already have accommodation and hence if they were to move to alternative accommodation, they would release a dwelling for use by another household – there is no net need to provide additional homes. The modelling also contains ‘newly forming households’; these households are a direct output from the demographic modelling and are therefore already included in the overall housing need figures.
- 7.61 This just leaves the ‘current need’; much of this group will be similar to the existing households already described (in that they are already living in accommodation) although it is possible that a number will be households without housing (mainly concealed households) – these households are not included in the demographic modelling and so are arguably an additional need, although uplifts for market signals/affordability (as included in the Government’s standard method) would be expected to deal with such households.
- 7.62 The analysis for Mid Sussex estimates an annual need for 470 rented affordable homes, which is notionally 43% of the minimum local housing need of 1,093 homes per annum. However, as noted, caution should be exercised in trying to make a direct link between affordable need and planned delivery, with the key point being that many of those households picked up as having a need will already be living in housing and so providing an affordable option does not lead to an overall net increase in the need for housing (as they would vacate a home to be used by someone else).
- 7.63 Ultimately, there is no justification for trying to make the link between overall housing need and affordable housing need. Put simply the two do not measure the same thing and interpreting the affordable need figure consideration needs to be given to the fact that many households already live in housing, and do not therefore generate an overall net need for an additional home. Further issues arise as the need for affordable housing is complex and additionally the extent of concealed and homeless households needs to be understood as well as the role played by the private rented sector.
- 7.64 In any event, the analysis identifies a notable need for affordable housing, and it is clear that provision of new affordable housing is an important and pressing issue in the District. The need identified in this report provides a starting point for setting policy which should be tested against the amount of affordable housing that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.

Split Between Social and Affordable Rented Housing

- 7.65 The analysis above has studied the overall need for social and affordable rented housing with a focus on households who cannot afford to rent in the market. These households will therefore have a need for some form of rented housing at a cost below typical market rates. Typically, there are two main types of rented affordable accommodation (social and affordable rented) with the analysis below initially considering what a reasonable split might be between these two tenures.
- 7.66 An analysis has been undertaken to compare the income distribution of households with the cost of different products. Data about average social and affordable rents has been taken from the Regulator of Social Housing (“RSH”) and this is compared with lower quartile and median market rents (from ONS data). This analysis shows that social rents are lower than affordable rents; the analysis also shows that affordable rents are less than both lower quartile and median market rents.

Table 7.12 Comparison of Rent Levels for Different Products

	Social rent ²⁰ pcm	Affordable rent ²¹ (AR) pcm	Lower quartile (LQ) market rent pcm	Median market rent pcm	AR as % of LQ	AR as % of median
1-bedroom	£412	£575	£725	£775	79%	74%
2-bedrooms	£487	£737	£875	£950	84%	78%
3-bedrooms	£566	£809	£1,150	£1,250	70%	65%
4-bedrooms	£628	£1,013	£1,500	£1,600	68%	63%
All	£497	£714	£800	£950	89%	75%

Source: RSH and ONS

- 7.67 For the affordability test, the overall average rent for each product has been used and some caution should be noted as the different profile of tenures clearly has some impact on housing costs. The table below suggests that around 10% of households who cannot afford to rent privately could afford an affordable rent, with a further 30% being able to afford a social rent (but not an affordable one). A total of 60% of households would need some degree of benefit support to be able to afford their housing (regardless of the tenure).

²⁰ Social rent is reflective of a tenure where rents are established through a formula outlined by Government which take account of local earnings.

²¹ Affordable rent is reflective of a tenure where rents are charged at up to 80% of market rents.

Table 7.13 Estimated need for affordable rented housing

	% of need for affordable rented
Afford affordable rent	10%
Afford social rent	30%
Need benefit support	60%
All unable to afford market	100%

Source: Affordability analysis

- 7.68 The finding that only 10% of households can afford affordable rent does not automatically lead to a policy conclusion on the split between the two types of housing. For example, many households who will need to access rented accommodation will be benefit dependent and as such could technically afford an affordable rent – hence a higher proportion of affordable rented housing might be appropriate.
- 7.69 Indeed, the analysis does identify a substantial proportion of households as being likely to need benefit support. On the flip side, providing more social rents might enable households to return to work more easily, as a lower income would potentially be needed to afford the lower social (rather than affordable) rent.
- 7.70 There will be a series of other considerations both at a strategic level and for specific schemes which could influence the type of affordable housing provided. For example, there may be funding streams that are only available for a particular type of housing, and this may exist independently to any local assessment of need. There may also be site-specific viability considerations or locational circumstances which influence the type and form of affordable housing.
- 7.71 Additionally, there will be the consideration of the balance between the cost of housing and the amount that can be viably provided, for example, it is likely that affordable rented housing is more viable, and therefore a greater number of units could be provided. Finally, in considering a split between social and affordable rented housing it needs to be considered that having different tenures on the same site (at least at initial occupation) may be difficult – e.g. if tenants are paying a different rent for essentially the same size/type of property and services.
- 7.72 On this basis, it is not recommended that the Council has a rigid policy for the split between social and affordable rented housing, although the analysis is clear that both tenures of homes are likely to be required.

Establishing a Need for Affordable Home Ownership

- 7.73 The Planning Practice Guidance confirms a widening definition of those to be considered as in affordable need; now including 'households which can afford to rent in the private rental market, but

cannot afford to buy despite a preference for owning their own home'. However, at the time of writing, there is no guidance about how the number of such households should be measured.

- 7.74 The methodology used in this report therefore draws on the current methodology, and includes an assessment of current needs, and projected need (newly forming and existing households). The key difference is that in looking at affordability an estimate of the number of households in the 'gap' between buying and renting is used. There is also the issue of establishing an estimate of the supply of affordable home ownership homes – this is considered separately below.

Gross Need for Affordable Home Ownership

- 7.75 The first part of the analysis seeks to understand what the gap between renting and buying actually means in the study area – in particular establishing the typical incomes that might be required. The information about incomes required to both buy and rent in different locations has already been provided earlier in this section and so the discussion below is a broad example.
- 7.76 Using the income distributions developed (as set out earlier in this section) along with data about price and rents, it has been estimated that of all households living in the private rented sector, around 29% already have sufficient income to buy a lower quartile home, with 32% falling in the rent/buy 'gap'. The final 39% are estimated to have an income below which they cannot afford to rent privately (i.e. would need to spend more than the calculated threshold of their income on housing costs) although in reality it should be noted that many households will spend a higher proportion of their income on housing.
- 7.77 These figures have been based on an assumption that incomes in the private rented sector are around 88% of the equivalent figure for all households (a proportion derived from the English Housing Survey) and are used as it is clear that affordable home ownership products are likely to be targeted at households living in or who might be expected to access this sector (e.g. newly forming households).
- 7.78 The finding that a significant proportion of households in the private rented sector are likely to have an income that would allow them to buy a home is also noteworthy and suggests that for many households, barriers to accessing owner-occupation are less about income/the cost of housing and more about other factors (which could for example include the lack of a deposit or difficulties obtaining a mortgage (for example due to a poor credit rating or insecure employment)). However, some households will choose to privately rent, for example as it is a more flexible option that may be more suitable for a particular household's life stage (e.g. if moving locations with employment).
- 7.79 To study current need, an estimate of the number of household living in the Private Rented Sector (PRS) has been established, with the same (rent/buy gap) affordability test - as described above - then applied. The start point is the number of households living in private rented accommodation;

as of the 2011 Census there were some 7,300 households living in the sector across the District. Data from the English Housing Survey (EHS) suggests that since 2011, the number of households in the private rented sector has risen by about 19% - if the same proportion is relevant to the District then the number of households in the sector would now be around 8,700.

- 7.80 Additional data from the EHS suggests that 60% of all PRS households expect to become an owner at some point (5,200 households if applied to the District) and of these some 40% (2,100 households) would expect this to happen in the next 2-years. The figure of 2,100 is therefore taken as the number of households potentially with a current need for affordable home ownership before any affordability testing.
- 7.81 As noted above, on the basis of income it is estimated that around 32% of the private rented sector sit in the gap between renting and buying (depending on location). Applying this proportion to the 2,100 figure would suggest a current need for around 663 affordable home ownership units (39 per annum if annualised over a 17-year period).
- 7.82 In projecting forward, the analysis can consider newly forming households and also the remaining existing households who expect to become owners further into the future. Applying the same affordability test (albeit on a very slightly different income assumption for newly forming households) suggests an annual need from these two groups of around 436 dwellings (377 from newly forming households and 58 from existing households in the private rented sector).
- 7.83 Bringing together the above analysis suggests that there is a need for around 475 affordable home ownership homes (priced for households able to afford to rent but not buy) per annum. This is before any assessment of the potential supply of housing is considered.

Table 7.14 Estimated Gross Need for Affordable Home Ownership (p.a.)

	Current need	Newly forming households	Existing households falling into need	Total Gross Need
Mid Sussex	39	377	58	475

Potential Supply of Housing to Meet the Affordable Home Ownership Need

- 7.84 As with the need for social/affordable rented housing, it is also necessary to consider if there is any supply of affordable home ownership products from the existing stock of housing. As with assessing the need for affordable home ownership, it is the case that at present the PPG does not include any suggestions about how the supply of housing to meet these needs should be calculated.

7.85 The main source is likely to be resales of products such as shared ownership and an analysis of CoRe data about resales of affordable housing shows an average of around 19 resales per annum (based on data for the 2016-19 period). These properties would also potentially be available for these households and can be included as the potential supply.

7.86 The table below therefore shows an estimate of the net need for affordable home ownership. This suggests a need for around 455 homes per annum.

Table 7.15 Estimated Need for Affordable Home Ownership (p.a.)

	Total Gross Need	LCHO supply	Net Need
Mid Sussex	475	19	455

An Alternative View of the Supply of Affordable Home Ownership Properties

7.87 The analysis above has looked at the supply of resales of affordable housing. However, it should be noted that the analysis to consider need looks at households unable to afford a lower quartile property price. By definition, a quarter of all homes sold will be priced at or below a lower quartile level.

7.88 According to the Land Registry, there were a total of 1,656 resales (i.e. excluding newly-built homes) in the last year (year to September 2020) and therefore around 414 would be priced below the lower quartile. This is 414 homes that would potentially be affordable to the target group for affordable home ownership products and is a potential supply that is not much lower than the level of need calculated.

7.89 If a further supply of 414 homes per annum were taken from the estimated need (455 per annum) then it would be suggested that there is a need for 41 of affordable home ownership properties per annum.

7.90 This figure should be treated as theoretical, not least because it is the case that market housing is not allocated in the same way as social/affordable rented homes (i.e. anyone is able to buy a home as long as they can afford it and it is possible that a number of lower quartile homes would be sold to households able to afford more, or potentially to investment buyers). However, it is clear that looking at a wider definition of supply does make it difficult to conclude what the need for affordable home ownership is (and indeed if there is one).

Implications of the Analysis

7.91 Given the analysis above, it would be reasonable to conclude that there is a need to provide housing under the definition of 'affordable home ownership' – although this conclusion is based on only considering supply from resales of affordable housing (notably shared ownership). If supply

estimates are expanded to include market housing for sale below a lower quartile price then the need for AHO is less clear-cut.

- 7.92 Regardless, it does seem that there are many households in Mid Sussex who are being excluded from the owner-occupied sector. This can be seen by analysis of tenure change, which saw the number of households living in private rented accommodation increasing by 83% from 2001 to 2011 (with the likelihood that there have been further increases since). Over the same period, the number of owners with a mortgage dropped by 6%. That said, some households will choose to privately rent, for example as it is a more flexible option that may be more suitable for a particular household's life stage (e.g. if moving locations with employment).
- 7.93 On this basis, and as previously noted, it seems likely in Mid Sussex that access to owner-occupation is being restricted by access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially some mortgage restrictions (e.g. where employment is temporary) rather than just being due to the cost of housing to buy.
- 7.94 The Framework gives a clear direction that 10% of all new housing (on larger sites) should be for affordable home ownership (in other words, if 20% of homes were to be affordable then half would be affordable home ownership).
- 7.95 However, the Government is now promoting First Homes with policy compliant planning applications being expected to deliver a minimum of 25% affordable housing as First Homes (as a proportion of the total affordable housing secured through S106), with the likelihood that the Council would be able to specify the requirement for any remaining affordable housing.
- 7.96 This is expected to replace the minimum 10% figure in the Framework (10% of all housing on larger sites). The minimum discount for First Homes should be 30% from market price with local authorities having discretion to increase the discount to 40% or 50% where it is justified by the evidence.
- 7.97 The key difference to note between the consultation and the Framework is that the First Homes percentage is to be applied to affordable delivery, whereas the Framework (10% figure) was to be applied to all housing. To take the same example as above, if 35% of all housing on a site were to be affordable, then 8.75% of all homes on the site (based on 25% of 35%) would be expected to First Homes (rather than an expectation of 10% as affordable home ownership).
- 7.98 Whilst there are clearly many households in the gap between renting and buying, they in some cases will be able to afford homes below lower quartile housing costs. That said, it is important to recognise that some households will have insufficient savings to be able to afford to buy a home on the open market (particularly in terms of the ability to afford a deposit) and low-cost home ownership homes –

and shared ownership homes in particular – will therefore continue to play a role in supporting some households in this respect.

- 7.99 The evidence points to a clear and acute need for rented affordable housing for lower income households, and it is important that a supply of rented affordable housing is maintained to meet the needs of this group including those to which the authority has a statutory housing duty. Such housing is notably cheaper than that available in the open market and can be accessed by many more households (some of whom may be supported by benefit payments).
- 7.100 There may also be a role for AHO on any 100% affordable housing schemes that come forward (as well as through Section 106). Including a mix of both rented and intermediate homes to buy may make such schemes more viable, as well as enabling a range of tenures and therefore potential client groups to access housing.
- 7.101 In addition, it should also be noted that the finding of a ‘need’ for affordable home ownership does not have any impact on the overall need for housing. It seems clear that this group of households is simply a case of seeking to move households from one tenure to another (in this case from private renting to owner-occupation); there is therefore no net change in the total number of households, or the number of homes required.

How Much Should Affordable Home Ownership Homes Cost?

- 7.102 The analysis and discussion above suggest that there are a number of households likely to fall under the PPG definition of needing affordable home ownership (including First Homes) – i.e. in the gap between renting and buying – but that the potential supply of low-cost housing to buy makes it difficult to fully quantify this need. However, given the NPPF/First Homes consultation, it seems likely that the Council may need to consider some additional homes on larger sites as some form of home ownership.
- 7.103 The analysis below focusses firstly on the cost of First Homes to make them genuinely affordable before moving on to consider shared ownership (in this case suggestions are made about the equity shares likely to be affordable and whether these shares are likely to be offered). It is considered that First Homes and shared ownership are likely to be the main affordable home ownership tenures moving forward although it is accepted that some delivery may be of other products. This section also provides some comments about Rent to Buy housing.
- 7.104 The reason for the analysis to follow is that it will be important for the Council to ensure that any affordable home ownership is sold at a price that is genuinely affordable for the intended target group – for example there is no point in discounting a new market home by 30% if the price still remains above that for which a reasonable home can already be bought in the open market.

First Homes (Discounted Market Sale)

- 7.105 The PPG on First Homes sets out that the minimum discount should be 30% from market price with local authorities having discretion to increase the discount to 40% or 50%. In some ways First Homes are similar to discounted market sale (a product currently within the NPPF), although for discounted market sales a discount of at least 20% (rather than 30%) from Open Market Value (OMV) is required.
- 7.106 As noted above, the problem with having a percentage discount is that it is possible in some locations or types of property that such a discount still means that the discounted housing is more expensive than that typically available in the open market. This is often the case as new build housing itself attracts a premium.
- 7.107 The preferred approach in this report is to set out a series of purchase costs for different sizes of accommodation which ensure these products are affordable for the intended group. These purchase costs are based on current lower quartile rental prices and also consideration of the income required to access the private rented sector and then estimating what property price this level of income might support (assuming a 10% deposit and a 4.5 times mortgage multiple). Below is an example of a calculation based on a 2-bedroom home:
- Previous analysis has shown that the lower quartile rent for a 2-bedroom home in the District is £875 per month;
 - On the basis of a household spending no more than 32.5% of their income on housing, a household would need an income of about £2,700 per month to afford ($£875/0.325$) or £32,300 per annum (rounded);
 - With an income of £32,300, it is estimated that a household could afford to buy a home for around £161,500. This is based on assuming a 10% deposit (mortgage for 90% of value) and a four and a half times mortgage multiple (calculated as $£32,300 \times 4.5/0.9$).
- 7.108 Therefore, £161,500 is a suggested purchase price to make First Homes/discounted home ownership affordable for households in the rent/buy gap. This figure is essentially the equivalent price that is affordable to a household who can just afford to rent privately. In reality, there will be a range of incomes in the rent/buy gap and so some households could afford a higher price; however setting all homes at a higher price would mean that some households will still be unable to afford.
- 7.109 On this basis, it is considered reasonable to look at the cost of First Homes as a range, from the equivalent private rent figure up to a midpoint of the cost of open market purchase (for a 2-bedroom home this is £230,000) and the relevant private rented figure. The use of a midpoint would mean that only around half of households in the rent/buy gap could afford, and therefore any housing provided at such a cost would need to also be supplemented by an equivalent number at a lower cost (which might include other tenures such as shared ownership).

7.110 The Table below therefore sets out a suggested purchase price for affordable home ownership/First Homes in the District. The table also shows an estimated OMV and the level of discount likely to be required to achieve affordability.

7.111 On the basis of the specific assumptions used, the analysis points to a discount of around 30% for 1- and 2-bedroom homes but that 3- and 4-bedroom homes are likely to exceed the £250,000 cap. The analysis suggests that First Homes may not be suitable for larger family homes; however, it is clear that it is marginal for 3 bedroom homes.

7.112 The Council could consider a higher discount if the focus is to ensure that First Homes are available to families in the District; however, this would have to be weighed up in the context of viability and providing a greater number of affordable homes overall.

Table 7.16 Affordable Home Ownership/First Homes Prices

	Affordable Price	Estimated newbuild OMV	Discount required
1 Bedroom	£133,800-£149,400	£189,750	21%-29%
2-bedrooms	£161,500-£195,800	£264,500	26%-39%
3-bedrooms	£212,300-£283,700	£408,250	31%-48%
4+-bedrooms	£276,900-£376,000	£546,250	31%-49%

Source: Derived from a range of sources as described, Year to September 2020

Shared Ownership

7.113 Whilst the Government has a clear focus on First Homes, they also see a continued role for Shared Ownership. In November 2020, a separate consultation was launched (the new Model for Shared Ownership) – this includes four key proposals, with the main one for the purposes of this assessment being the suggestion of reducing the minimum initial share from 25% to 10%.

7.114 A key advantage of shared ownership over other tenures is that a lower deposit is likely to be required than for full or discounted purchase. Additionally, the rental part of the cost will be subsidised by a Registered Provider and therefore keeps monthly outgoings down.

7.115 For the purposes of the analysis in this report it is considered that for shared ownership to be affordable, total outgoings should not exceed that needed to rent privately.

7.116 As shared ownership is based on buying part of a property, it is the case that the sale will need to be at open market value. Where there is a large gap between the typical incomes required to buy or rent, it may be the case that lower equity shares are needed for homes to be affordable (at the level of renting privately). The analysis below therefore seeks to estimate the typical equity share that might be affordable for different sizes of property with any share lower than 10% likely to be unavailable. The key assumptions used in the analysis are:

- OMV at LQ price plus 15% (reflecting likelihood that newbuild homes will have a premium attached and that they may well be priced above a LQ level) – it should be noted that this is an assumption for modelling purposes and consideration will need to be given to the OMV of any specific product;
- 10% deposit on the equity share;
- Rent at 2.75% pa on unsold equity;
- Repayment mortgage over 25-years at 4%;
- Service charge of £50 per month for flatted development (assumed to be 2-bedroom homes); and
- It is also assumed that shared ownership would be priced for households sitting towards the bottom end of the rent/buy gap and so the calculations assume that total outgoings should be no higher than the equivalent private rent (lower quartile) cost for that size of property.

7.117 The table below shows that to make shared ownership affordable, equity shares of around 50% could work for 1-bedroom homes and 35% for 2-bedrooms. Lower shares are likely to be required for larger homes (with 4-bedrooms the analysis suggests a share of just 18%).

7.118 It should also be noted that the analysis below is predicated on a particular set of assumptions (notably about likely OMV). In reality costs do vary across the District and will vary from site to site. Therefore, this analysis should be seen as indicative with specific schemes being tested individually to determine if the product being offered is genuinely (or reasonably) affordable.

Table 7.17 Estimated Affordable Equity Share by Size

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
OMV	£189,750	£264,500	£408,250	£546,250
Share	51%	34%	21%	18%
Equity Bought	£97,532	£88,872	£86,957	£100,783
Mortgage Needed	£87,778	£79,985	£78,262	£90,705
Monthly Cost of Mortgage	£463	£422	£413	£479
Retained Equity	£92,219	£175,628	£321,293	£445,467
Monthly Rent on Retained Equity	£211	£402	£736	£1,021
Service Charge per month	£50	£50	£0	£0
Total Cost per month	£725	£875	£1,150	£1,500

Source: Data based on Housing Market Cost Analysis

7.119 In policy terms, whilst the analysis has provided an indication of the equity shares possibly required by size, the key figure is actually the total cost per month (and how this compares with the costs to

access private rented housing). For example, whilst the table suggests a 34% equity share for 2-bedroom homes, this is based on a specific set of assumptions.

7.120 Were a scheme to come forward with a 34% share, but a total cost in excess of £875 per month, then it would be clear that a lower share is likely to be required to make the home genuinely affordable. Hence the actual share can only be calculated on a scheme-by-scheme basis. Any policy position should seek to ensure that outgoings are no more than can reasonably be achieved in the private rented sector, rather than seeking a specific equity share.

7.121 Again, the figures above are for the whole District, and it is recognised that there will be variations across locations (and over time and for specific sites).

Rent to Buy

7.122 A further affordable option is Rent to Buy; this is a government scheme designed to ease the transition from renting to buying the same home. Initially (typically five years) the newly built home will be provided at the equivalent of an affordable rent (approximately 20% below the market rate). The expectation is that the discount provided in that first five years is saved in order to put towards a deposit on the purchase of the same property. Rent to Buy can be advantageous for some households as it allows for a smaller 'step' to be taken on to the home ownership ladder.

7.123 At the end of the five-year period, depending on the scheme, the property is either sold as a shared ownership product or to be purchased outright as a full market property. If the occupant is not able to do either of these then the property is vacated.

7.124 In order to access this tenure, it effectively requires the same income threshold for the initial phase as a market rental property although the cost of accommodation will be that of affordable rent. The lower than market rent will allow the household to save for a deposit for the eventual shared ownership or market property. In considering the affordability of rent-to-buy schemes there is a direct read across to the income required to access affordable home ownership (including shared ownership), it should therefore be treated as part of the affordable home ownership products suggested by the Framework.

Affordable Housing Need: Summary

Analysis has been undertaken to estimate the need for affordable housing in the 2021-38 period (on an annual basis). The analysis is split between a need for social/affordable rented accommodation and is based on households unable to buy or rent in the market and the need for affordable home ownership – this includes housing for those who can afford to rent privately but cannot afford to buy a home.

The analysis has taken account of local housing costs (to both buy and rent) along with estimates of household income. Additionally, when looking at rented needs, consideration is given to estimates of the supply of social/affordable rented housing. For AHO, consideration is given to the potential supply of resales of low-cost home ownership properties (such as shared ownership).

When looking at rented needs, the analysis suggests a need for 470 affordable homes per annum across the District; the Council is therefore justified in seeking to secure additional affordable housing.

Despite the level of need being high, it is not considered that this would point to any requirement for the Council to increase the Local Plan housing requirement above that suggested by the standard method. The link between affordable need and overall need (of all tenures) is complex and in trying to make a link it must be remembered that many of those picked up as having an affordable need are already in housing (and therefore do not generate a net additional need for a home). Additionally, most of the affordable need is already part of the demographic projections which are used to drive the standard method and so any additional provision would be double counting.

The analysis suggests that there will be a need for both social and affordable rented housing – the latter will be suitable particularly for households who are close to being able to afford to rent privately and also for some households who claim full Housing Benefit. On this basis, it is not recommended that the Council has a rigid policy for the split between social and affordable rented housing, although the analysis is clear that both tenures of homes are likely to be required.

When looking at the need for AHO products, the analysis also suggests a need across the District, albeit (at 455 per annum) the need is slightly lower than for rented housing. In interpreting this figure, it should however be noted that there could be additional supply from resales of market homes (below a lower quartile price) which arguably would mean there is a more limited need for AHO.

Analysis does suggest that there are many households in Mid Sussex who are being excluded from the owner-occupied sector (as evidenced by reductions in owners with a mortgage and increases in the size of the private rented sector). This suggests that a key issue in the District is about access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially mortgage restrictions (e.g. where employment is temporary) rather than simply the cost of housing to buy.

The study also considers different types of AHO (notably First Homes and shared ownership) as each will have a role to play – shared ownership is likely to be suitable for households with more marginal affordability (those only just able to afford to privately rent) as it has the advantage of a lower deposit and subsidised rent.

In deciding what types of affordable housing to provide, including a split between rented and home ownership products, the Council will need to consider the relative levels of need and also viability issues (recognising for example that providing AHO may be more viable and may therefore allow more units to be delivered, but at the same time noting that households with a need for rented housing are likely to have more acute needs and fewer housing options).

Overall, the analysis identifies a notable need for affordable housing, and it is clear that provision of new affordable housing is an important and pressing issue in the area. The need identified in this report provides a starting point for setting policy which should be tested against the amount of affordable housing that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.

8. OLDER PERSONS HOUSING NEEDS

- 8.1 This section studies the characteristics and housing needs of the older person population and the population with some form of disability. The two groups are taken together as there is a clear link between age and disability. It responds to Planning Practice Guidance on Housing for Older and Disabled People published by Government in June 2019.
- 8.2 This section includes an assessment of the need for specialist accommodation for older people and the potential requirements for housing to be built to M4(2) and M4(3) housing technical standards (accessibility and wheelchair standards).

Understanding the Implications of Demographic Changes

- 8.3 The population of older persons is increasing, driven by demographic changes including increasing life expectancy. This is a key driver of the need for housing which is capable of meeting the needs of older persons.

Current Population of Older People

- 8.4 The table below provides baseline population data about older persons in the District and compares this with other areas. The population data has been taken from the published 2019 ONS mid-year population estimates (“MYE”). The table shows that Mid Sussex has a broadly similar age structure to that seen across the region but is slightly ‘older’ than the national position and ‘younger’ in comparison with West Sussex. As of 2019, it is estimated that 21% of the population of Mid Sussex was aged 65 and over, this compares with 23% for the County, 20% regionally and 18% nationally.

Table 8.1 Older Persons Population, 2019

	Mid Sussex	West Sussex	South East	England
Under 65	79.4%	77.0%	80.5%	81.6%
65-74	10.8%	11.9%	10.3%	9.9%
75-84	6.6%	7.6%	6.4%	6.0%
85+	3.1%	3.5%	2.8%	2.5%
Total	100.0%	100.0%	100.0%	100.0%
Total 65+	20.6%	23.0%	19.5%	18.4%
Total 75+	9.8%	11.1%	9.2%	8.5%

Source: ONS 2019 Mid-Year Population Estimates

Projected Future Change in the Population of Older People

- 8.5 Population projections can next be used to provide an indication of how the number of older persons might change in the future with the table below showing that Mid Sussex is projected to see a notable increase in the older person population (projections based on the standard method).

- 8.6 Across the District, the total number of people aged 65 and over projected to increase by 43.5% over the 17-years to 2038. This compares with overall population growth of 21% and an increase in the Under 65 population of 15%. In total population terms, the projections show an increase in the population aged 65 and over of 14,000 people. This is against a backdrop of an overall increase of 33,000 – results in the population growth of people aged 65 and over accounting for 42.5% of the total projected population change.

Table 8.2 Projected Change in Population of Older Persons, 2021 to 2038

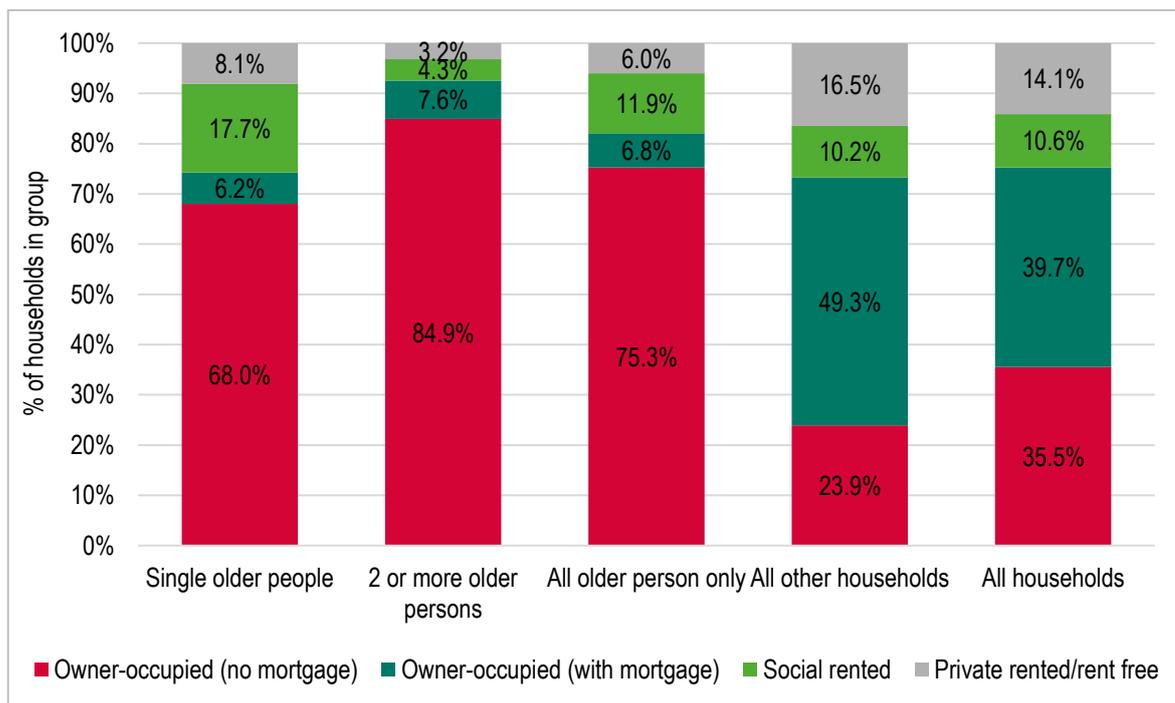
	2021	2038	Change	% Change
Under 65	122,514	141,473	18,959	15.5%
65-74	16,408	21,872	5,463	33.3%
75-84	10,932	15,760	4,828	44.2%
85+	4,913	8,662	3,749	76.3%
Total	154,768	187,766	32,999	21.3%
Total 65+	32,253	46,293	14,040	43.5%
Total 75+	15,845	24,422	8,577	54.1%

Source: Demographic Projections

Characteristics of Older Person Households

- 8.7 The tenures in which older persons currently live provides a useful indication of the potential tenure profile of demand for new-build development.
- 8.8 The Figure below shows the tenure of older person households. The data has been split between single older person households and those with two or more older people (which will largely be couples). The data shows that the majority of older person households are owner occupiers (82%), and indeed most are owner occupiers with no mortgage and thus may have significant equity which can be put towards the purchase of a new home. Some 12% of older person households across the District live in the social rented sector. The proportion of older person households living in the private rented sector is relatively low (about 6%).
- 8.9 There are also notable differences for different types of older person households with single older people having a much lower level of owner-occupation than larger older person households – this group also has a much higher proportion living in the social rented sector.

Figure 8.1: Tenure of Older Persons Households in Mid Sussex, 2011



Prevalence of Disabilities

8.10 The Table below shows the proportion of people with a long-term health problem or disability (LTHPD) drawn from 2011 Census data, and the proportion of households where at least one person has a LTHPD. The data suggests that some 27% of households Mid Sussex contain someone with a LTHPD – this figure is notably lower than seen in other locations (33% nationally). The figures for the population with a LTHPD again show a similar pattern in comparison with other areas (an estimated 14% of the population of Mid Sussex having a LTHPD).

Table 8.3 Households and People with a Long-Term Health Problem or Disability, 2011

	Households Containing someone with a Health Problem		Population with a Health Problem	
	Number	%	Number	%
Mid Sussex	15,410	26.8%	19,821	14.2%
West Sussex	107,127	31.0%	138,880	17.2%
South East	1,048,887	29.5%	1,356,204	15.7%
England	7,217,905	32.7%	9,352,586	17.6%

Source: 2011 Census

8.11 It is likely that the age profile will impact upon the numbers of people with a LTHPD, as older people tend to be more likely to have a LTHPD. The Figure below shows the age bands of people with a LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have

a LTHPD. The analysis also shows lower levels of LTHPD in each age band within Mid Sussex than other locations.

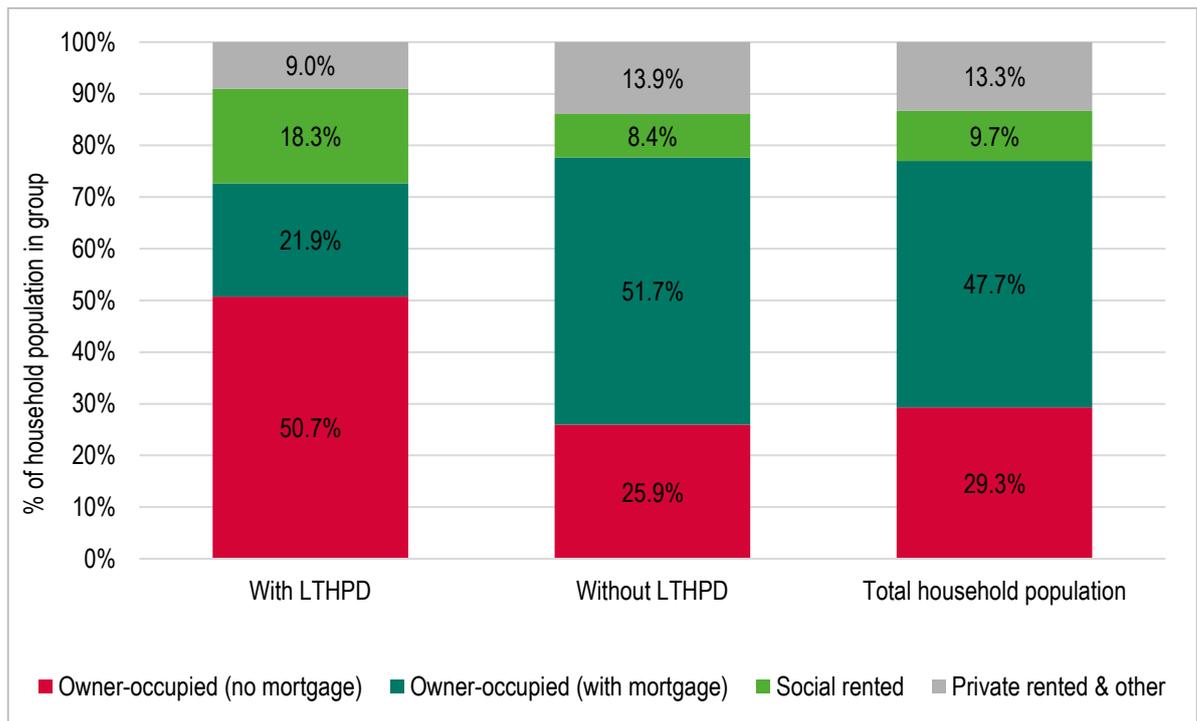
Figure 8.2: Population with Long-Term Health Problem or Disability by Age



Source: 2011 Census

- 8.12 The Figure below shows the tenures of people with a LTHPD – it should be noted that the data is for 'population living in households' rather than 'households'. The analysis clearly shows that people with a LTHPD are more likely to live in social rented housing or are also more likely to be outright owners (this will be linked to the age profile of the population with a disability).
- 8.13 Given that typically the lowest incomes are found in the social rented sector, and to a lesser extent for outright owners (many of whom are retired), the analysis would suggest that the population/households with a disability are likely to be relatively disadvantaged when compared to the rest of the population in terms of income levels and therefore the ability to afford goods and services (as well as to access the housing market in many instances).

Figure 8.3: Tenure of People with LTHPD vs those without a LTHPD, 2011



8.14 In addition, data taken from the same source as above suggests that 25% of all people living in the social rented sector have a LTHPD, compared with 12% of people in other tenures.

Health Related Population Projections

8.15 The incidence of a range of health conditions is an important component in understanding the potential need for care or support for a growing older population.

8.16 The analysis undertaken covers both younger and older age groups and draws on prevalence rates from the PANSI (“Projecting Adult Needs and Service Information”) and POPPI (“Projecting Older People Population Information”) websites. Adjustments have been made to take account of the age specific health/disabilities previously shown. In all cases the analysis links to estimates of population growth based on the standard method (2021-38).

8.17 Of particular note are the large increases in the number of older people with dementia (increasing by 75.1% from 2021 to 2038) and mobility problems (61.9% increase over the same period). Changes for younger age groups are smaller, reflecting the fact that projections are expecting older age groups to see the greatest proportional increases in population. When related back to the total projected change to the population, the increase of 2,600 people aged 65+ with a mobility problem represents 8% of total projected population growth.

- 8.18 It should be noted that there will be an overlap between categories (i.e. some people will have both dementia and mobility problems). Hence the numbers for each of the illnesses/disabilities should not be added together to arrive at a total.

Table 8.4 Projected Changes to Population with Disabilities

Disability	Age Range	2021	2038	Change	% Change
Dementia	65+	1,112	1,947	835	75.1%
Mobility problems	65+	2,980	4,825	1,845	61.9%
Autistic Spectrum Disorders	18-64	362	387	25	6.8%
	65+	160	232	72	45.0%
Learning Disabilities	15-64	942	1,020	78	8.3%
	65+	351	505	154	43.9%
Challenging Behaviour	15-64	17	19	1	8.1%
Impaired Mobility	16-64	2,343	2,446	103	4.4%

Source: POPP/PANSI and Demographic Projections

- 8.19 Invariably, there will be a combination of those with disabilities and long-term health problems that continue to live at home with family, those who chose to live independently with the possibility of incorporating adaptations into their homes and those who choose to move into supported housing.
- 8.20 The projected change shown in the number of people with disabilities provides clear evidence justifying delivering 'accessible and adaptable' homes as defined in Part M4(2) of Building Regulations, subject to viability and site suitability. The Council should ensure that the viability of doing so is also tested as part of drawing together its evidence base although the cost of meeting this standard is unlikely to have any significant impact on viability and would potentially provide a greater number of homes that will allow households to remain in the same property for longer.
- 8.21 The PPG for Housing for Older and Disabled People [63-006] refers only to specialist housing for older people; however, clearly the local authority should support specialist housing schemes for younger adults which come forward across the plan area.
- 8.22 The analysis suggests that there is likely to be some increase in the number of younger people (generally those aged 16/18 to 64) with a disability across the study area. There are a range of disabilities that are likely to require some degree of support, or potentially some form of specialised housing solution.
- 8.23 This report does not seek to be specific about the exact number of units that need to be provided for different groups, nor where such accommodation should be located. Indeed, some types of specialist accommodation might have a wide catchment, and would be suitable for clients from outside of the study area; whilst it is also possible that some people in the area would be placed in accommodation elsewhere.

Need for Specialist Accommodation for Older Persons

- 8.24 Given the ageing population and higher levels of disability and health problems amongst older people, there is likely to be an increased requirement for specialist housing options moving forward. The box below shows the different types of older persons housing which are considered.

Definitions of Different Types of Older Persons' Accommodation

Age-restricted general market housing: This type of housing is generally for people aged 55 and over and the active elderly. It may include some shared amenities such as communal gardens, but does not include support or care services.

Retirement living or sheltered housing (housing with support): This usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services, but provides some support to enable residents to live independently. This can include 24-hour on-site assistance (alarm) and a warden or house manager.

Extra care housing or housing-with-care (housing with care): This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24-hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.

Residential care homes and nursing homes (care bedspaces): These have individual rooms within a residential building and provide a high level of care meeting all activities of daily living. They do not usually include support services for independent living. This type of housing can also include dementia care homes.

- 8.25 The need for specialist housing for older persons is typically modelled by applying prevalence rates to current and projected population changes and considering the level of existing supply. There is no standard methodology for assessing the housing and care needs of older people.
- 8.26 The current and future demand for elderly care is influenced by a host of factors including the balance between demand and supply in any given area and social, political, regulatory and financial issues. Additionally, the extent to which new homes are built to accessible and adaptable standards may over time have an impact on specialist demand (given that older people often want to remain at home rather than move to care) – this will need to be monitored.

-
- 8.27 There are a number of 'models' for considering older persons' needs, but they all essentially work in the same way. The model results are however particularly sensitive to the prevalence rates applied, which are typically calculated as a proportion of people aged over 75 who could be expected to live in different forms of specialist housing. Whilst the population aged 75 and over is used in the modelling, the estimates of need would include people of all ages.
- 8.28 Whilst there are no definitive rates, the PPG [63-004] notes that 'the future need for specialist accommodation for older people broken down by tenure and type (e.g. sheltered housing, extra care) may need to be assessed and can be obtained from a number of online tool kits provided by the sector, for example SHOP@ for Older People Analysis Tool). The PPG does not specifically mention any other tools and therefore seems to be indicating that SHOP@ would be a good starting point for analysis. Since the PPG was published the Housing Learning and Information Network (Housing LIN) has removed the Shop@ online toolkit although the base rates used for analysis are known.
- 8.29 The SHOP@ tool was originally based on data in a 2008 report (More Choice Greater Voice) and in 2011 a further suggested set of rates was published (rates which were repeated in a 2012 publications). In 2016, Housing LIN published a review document which noted that the 2008 rates are 'outdated' but also noting that the rates from 2011/12 were 'not substantiated'.
- 8.30 The 2016 review document therefore set out a series of proposals for new rates to be taken forward onto the Housing LIN website. Whilst the 2016 review rates do not appear to have ever led to an update of the website, it does appear from reviewing work by Housing LIN over the past couple of years as if it is these rates which typically inform their own analysis (subject to evidence based localised adjustments).
- 8.31 For clarity, the table below shows the base prevalence rates set out in the various documents described above. For the analysis in this report the age-restricted and retirement/sheltered have been merged into a single category (housing with support) with the middle of the range shown for housing with care forming the base position for analysis.

Table 8.5 Baseline Prevalence Rates from a Number of Tools and Publications

	SHOP @ (2008) ²²	Housing in Later Life (2012) ²³	2016 Housing LIN Review	HOPSR (2017) ²⁴
Age-restricted general market housing	-	-	25	55
Retirement living or sheltered housing (“housing with support”)	125	180	100	153
Extra-care housing or housing with care (“housing with care”)	45	65	30-40	20
Residential care homes	65	-	40	111
Nursing home	45	-	45	

Source: Range of sources

8.32 In interpreting the different potential prevalence rates, it is clear that:

- The prevalence rates used should be assessed taking account of an authority’s strategy for delivering specialist housing for older people. The degree for instance which the Council want to require extra care housing as an alternative to residential care provision would influence the relative balance of need between these two housing types;
- The Housing LIN model has been influenced by existing levels of provision and their view on what future level of provision might be reasonable taking account of how the market is developing, funding availability etc. It is more focussed towards publicly commissioned provision. There is a degree to which the model and assumptions within it do not fully capture the growing recent private sector interest and involvement in the sector, particularly in extra care; and
- The assumptions in these studies look at the situation nationally. At a more local level, the relative health of an area’s population is likely to influence the need for specialist housing with better levels of health likely to mean residents are able to stay in their own homes for longer

²² Based on the More Choice Greater Voice publication of 2008 (https://www.housinglin.org.uk/assets/Resources/Housing/Support_materials/Reports/MCGVdocument.pdf). It should be noted that although these rates are from 2008, they are the same rates as were being used in the online toolkit when it was taken offline in 2019.

²³ https://www.housinglin.org.uk/assets/Resources/Housing/Support_materials/Toolkit/Housing_in_Later_Life_Toolkit.pdf

²⁴ <https://www4.shu.ac.uk/research/cresr/news/housing-older-people-supply-recommendations-hopsr>

- 8.33 Icení and JGC have therefore sought to consider these issues and the appropriate modelling assumptions for assessing future needs. West Sussex County Council's Vision and Strategy for Adult Social Care 2019-21 focuses on strengthening community-led approach and reducing reliance on residential and nursing care. It instead focuses where possible on providing households with care in their own home. This could however be provision of care within general needs housing; but also care which is provided in a housing with care development such as in extra care housing.
- 8.34 Having regard to the County Council's Strategy, we consider that the lower prevalence rates shown in the 2016 Housing LIN Review are an appropriate starting point; but that the corollary of lower care home provision should be a greater focus on delivery of housing with care. Having regard to market growth in this sector in recent years, and since the above studies were prepared, we consider that the starting point for housing with care should be the higher rate shown in the Housing in Later Life Report which made provision for this.
- 8.35 Rather than simply taking the base prevalence rates, an initial adjustment has been made to reflect the relative health of the local older person population. This has been based on Census data about the proportion of the population aged 65 and over who have a long-term health problem or disability (LTHPD) compared with the England average. In Mid Sussex, the data shows better health in the older person population and so the prevalence rates used have been decreased slightly (by an average of about 17%) – these figures are based on comparing the proportion of people aged 65 and over with a LTHPD in Mid Sussex (44.1%) with the equivalent figure for England (53.1%).
- 8.36 We have also reviewed a broader range of data which confirms that the relative health of the District's population is notably better than is average across England as set out below.

Table 8.6 Broader Health Indicators for Mid Sussex

	Date	Mid Sussex	South East	England
Life expectancy at 65 - Male	2017-19	20.0	19.6	19.0
Life expectancy at 65 - Female	2017-19	22.3	22	21.3
% reporting long-term musculoskeletal problem	2020	15.5	17.1	18.6
% physically active adults	2019/20	70.5	69.5	66.4
Estimated dementia diagnosis rate (aged 65+)	2020	73.3	64.5	67.4

Source: Public Health England – Public Health Profiles, June 2021

- 8.37 A second local adjustment has been to estimate a tenure split for the housing with support and housing with care categories. This again draws on suggestions in the 2016 Review which suggests that less deprived local authorities could expect a higher proportion of their specialist housing to be in the market sector. Using 2019 Index of Multiple Deprivation (IMD) data, the analysis suggests Mid

Sussex is the 311th most deprived local authority in England (out of 317). This suggests a greater proportion of market housing than for an authority in the middle of the range. To be clear this is market housing within the categories described above (e.g. housing with support and housing with care).

8.38 The Table below shows the current need for different types of housing linked to the population projections alongside currently supply. The analysis is separated into the various different types and tenures although it should be recognised that there could be some overlap between categories (i.e. some households might be suited to more than one type of accommodation). Overall, the analysis suggests that there will be a need for both housing with support and housing with care (particularly in the market sector), as well as a modest longer-term need for additional nursing and residential care bedspaces.

Table 8.7 Specialist Housing Need using Adjusted Shop@Review Assumptions, 2021-38

		Housing Demand per 1,000 (75+)	Current Supply	Current Demand	Current Shortfall/ Surplus	Additional Demand to 2038	Shortfall/ Surplus to 2038
Housing with Support	Market	69	874	1,087	213	588	801
	Affordable	35	844	557	-287	302	15
Total (Housing with Support)		104	1,718	1,644	-74	890	816
Housing with Care	Market	40	119	633	514	343	857
	Affordable	14	128	222	94	120	214
Total (Housing with Care)		54	247	855	608	463	1,071
Residential Care Bedspaces		33	511	526	15	285	300
Nursing Care Bedspaces		37	1,001	592	-409	320	-89
Total Bedspaces		70	1,512	1,118	-394	605	211

Source: POPP/PANSI and Demographic Projections

8.39 It can be seen by 2038 there is an estimated need for 1,887 additional dwellings with support or care. In addition, there is a need for 211 additional nursing and residential care bedspaces. Typically for bedspaces it is conventional to convert to dwellings using a standard multiplier (1.80 bedspaces per dwelling for older persons accommodation) and this would therefore equate to around 117 dwellings.

8.40 In total, the older persons analysis therefore points towards a need for around 2,000 units over the 2021-38 period. With potential delivery of 18,581 homes using the standard method, this equates to some 11% of all homes needing to be some form of specialist accommodation for older people.

8.41 The analysis in the table above is taken at a point in time and it is important to note that there are also a number schemes in the pipeline with planning permission. The pipeline includes the schemes set out below split out by Parish/settlement:

-
- Albourne [DM/19/1001] – 84 market extra-care units
 - Burgess Hill [DM/18/1349] – 9 nursing care bedspaces
 - East Grinstead [DM/17/1521] – 48 social rented extra-care units (and a loss of 26 sheltered/retirement units)
 - East Grinstead [DM/18/1762] – 10 sheltered housing units
 - Haywards Heath [DM/18/1274] – 15 sheltered housing units for purchase
 - Haywards Heath [DM/20/1503] – 29 bedspace residential care home
 - Horstead Keynes [DM/17/1262] – 8 extra-care units and 12 residential care bedspaces
 - Lindfield [DM/19/2834] – 9 bedspace residential care home
 - Slaugham [DM/17/2534] – 24 bedspace hospice/care home

8.42 The provision of a choice of attractive housing options to older households is a component of achieving good housing mix. The availability of such housing options for the growing older population may enable some older households to downsize from homes which no longer meet their housing needs or are expensive to run. The availability of housing options which are accessible to older people will also provide the opportunity for older households to ‘rightsize’ which can help improve their quality of life.

8.43 It should also be noted that within any category of need there may be a range of products. For example, many recent market extra-care schemes have tended to be focussed towards the ‘top-end’ of the market and may have significant service charges (due to the level and quality of facilities and services). Such homes may therefore only be affordable to a small proportion of the potential market, and it will be important for the Council to seek a range of products that will be accessible to a wider number of households if needs are to be met.

Older Persons Housing, Planning Use Classes and Affordable Housing Policies

8.44 The issue of use classes and affordable housing generally arises in respect of extra care/ assisted living development schemes. The Planning Practice Guidance defines extra care housing or housing with care as follows:

“This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24 hour access to support services and staff, and meals are also available. There are often extensive

communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses”.

- 8.45 There is a degree to which different terms can be used for this type of development inter-changeably, with reference sometimes made to extra care, assisted living, continuing care retirement communities, or retirement villages. Accommodation units typically include sleeping and living accommodation, bathrooms and kitchens; and have their own front door. Properties having their own front doors is not however determinative of use.
- 8.46 The distinguishing features of housing with care is the provision of personal care through an agency registered with the Care Quality Commission, and the inclusion of extensive facilities and communal space within these forms of development, which distinguish them from blocks of retirement flats.

Use Classes

- 8.47 Use classes are defined in the Town and Country Planning (Use Classes) Order 1987. Use Class C2: Residential Institutions is defined as “use for the provision of residential accommodation and care to people in need of care (other than a use within class C3 (dwelling houses).” C3 (dwelling houses) are defined as “use as a dwelling house (whether or not as a sole or main residence) a) by a single person or by people living together as a family; or b) by no more than 6 residents living together as a single household (including a household where care is provided for residents).”
- 8.48 Care is defined in the Use Class Order as meaning “personal care for people in need of such care by reason of old age, disablement, past or present dependence on alcohol or drugs or past or present mental disorder, and in class C2 also includes the personal care or children and medical care and treatment.”
- 8.49 Personal care has been defined in Regulations²⁵ as “the provision of personal care for persons who, by reasons of old age, illness or disability are unable to provide it for themselves, and which is provided in a place where those persons are living at the time the care is provided.”
- 8.50 The Government has released new Planning Practice Guidance of Housing for Older and Disabled People in June 2019. In respect of Use Classes, Para 63-014 therein states that:

“It is for a local planning authority to consider into which use class a particular development may fall. When determining whether a development for specialist housing for older people falls within C2 (Residential Institutions) or C3 (Dwelling house) of the Use Classes Order,

²⁵ Schedule 1 of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010

consideration could, for example, be given to the level of care and scale of communal facilities provided.”

8.51 The relevant factors identified herein are firstly, the level of care provided, and the scale of communal facilities. It is notable that no reference is made to whether units of accommodation have separate front doors. This is consistent with the Use Class Order, where it is the ongoing provision of care which is the distinguishing feature within the C2 definition. In a C2 use, the provision of care is an essential and ongoing characteristic of the development and would normally be secured as such through the S106 Agreement.

8.52 A range of appeal decisions have addressed issues relating to how to define the use class of a development. These are fact specific, and there is a need to consider the particular nature of the scheme. What arises from this, is that schemes which have been accepted as a C2 use commonly demonstrate the following characteristics:

- Occupation restricted to people (at least one within a household) in need of personal care, with an obligation for such residents to subscribe to a minimum care package. Whilst there has been debate about the minimum level of care to which residents must sign-up to, it is considered that this should not be determinative given that a) residents’ care needs would typically change over time, and in most cases increase; and b) for those without a care need the relative costs associated with the care package would be off-putting.
- Provision of access to a range of communal areas and facilities, typically beyond that of simply a communal lounge, with the access to these facilities typically reflected in the service charge.

The Framework’s Policies on Affordable Housing

8.53 For the purposes of developing planning policies in a new Local Plan, Use Class on its own need not be determinative on whether affordable housing provision could be applied. In all cases we are dealing with residential accommodation. But nor is there a clear policy basis for seeking affordable housing provision or contributions from a C2 use in the absence of a development plan policy which seeks to do so.

8.54 The Framework (2019) sets out in paragraph 34 that Plans should set out the contributions expected from development, including levels of affordable housing. Such policies should not undermine the deliverability of the Plan. Paragraph 62 states that where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless off-site provision or a financial contribution can be robustly justified; and the agreed approach contributes to the objective of creating mixed and balanced communities.

8.55 Paragraph 63 states that affordable housing should not be sought from residential developments that are not major developments. Paragraph 64 sets out that specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students) are exempt from the requirement for 10% of homes (as part of the affordable housing contribution) to be for affordable home ownership. But neither of these paragraphs set out that certain types of specialist accommodation for older persons are exempt from affordable housing contributions.

8.56 The implication for Mid Sussex is that:

- The ability to seek affordable housing contributions from a C2 use at the current time is influenced by how its current development plan policies were constructed and evidenced; and
- If policies in a new development plan are appropriately crafted and supported by the necessary evidence on need and viability, affordable housing contributions could be sought from a C2 use through policies in a new Local Plan.

8.57 Within the local plan, it would be possible to craft a policy in such a way that affordable housing could be sought on extra care housing from both C2 and C3 use classes and it should be noted that in July 2020 the High Court rejected claims that 'extra care' housing should not contribute affordable homes because it falls outside C3 use (CO/4682/2019). It is however important to recognise that the viability of extra care housing will differ from general mixed tenure development schemes, and there are practical issues associated with how mixed tenure schemes may operate.

Viability

8.58 There are a number of features of a typical extra care housing scheme which can result in substantively different viability characteristics relative to general housing. In particular:

- Schemes typically include a significant level of communal space and on-site facilities, such that the floorspace of individual units might equate to 65% of the total floorspace, compared to 100% for a scheme of houses and perhaps 85% for typical flatted development. There is a significant proportion of space from which value is not generated through sales;
- Higher construction and fit out-costs as schemes need to achieve higher accessibility requirements and often include lifts, specially adapted bathrooms, treatment rooms etc. In many instances, developers need to employ third party building contractors are also not able to secure the same economies of scale as the larger volume housebuilders;
- Sales rates are also typically slower for extra care schemes, not least as older residents are less likely to buy 'off plan.' The combination of this and the limited ability to phase flatted schemes to sales rates can result in higher finance costs for a development.

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- 8.59 There are a number of implications arising from this. Firstly, there is a need for viability evidence to specifically test and consider what level of affordable housing could be applied to different forms of older persons accommodation, potentially making a distinction between general market housing; retirement living/sheltered housing; and extra care/housing with care. It may well be that a differential and lower affordable housing policy is justified for housing with care.
- 8.60 Secondly, developers of extra care schemes can struggle to secure land when competing against mainstream housebuilders or strategic land promoters. One way of dealing with this is to allocate sites specifically for specialist older persons housing, and this may be something that the Councils wish to consider through the preparation of its new Local Plan. There could be benefits of doing this through achieving relatively high-density development of land at accessible locations, and in doing so, releasing larger family housing elsewhere as residents move out.
- 8.61 Icenote note that specific viability evidence has been submitted by one of the promoters of a retirement village in the District which suggests that the residual land value which can be achieved for a retirement village scheme is approximately half that which a housebuilder promoting a general needs mixed tenure development scheme would be able to pay. This highlights the potential need to consider making specific allocations for specialist housing.

Practical Issues

- 8.62 In considering policies for affordable housing provision on housing with care schemes, there is one further factor which warrants consideration relating to the practicalities of mixed-tenure schemes. The market for extra care development schemes is currently focused particularly on providers at the affordable and higher ends of the market, with limited providers currently delivering within the 'mid-market.' At the higher ends of the market, the level of facilities and services/support available can be significant, and the management model is often to recharge this through service charges.
- 8.63 Whilst recognising the benefits associated with mixed income/tenure development, in considering whether mixed tenure schemes can work it is important to consider the degree to which service charges will be affordable to those on lower incomes and whether Registered Providers will want or be able to support access to the range of services/facilities on site. In a range of instances, this has meant that authorities have accepted off-site contributions to affordable housing provision.

Wheelchair User Housing

- 8.64 Information about the need for housing for wheelchair users is difficult to obtain, particularly at a local level and estimates of need produced in this report draw on data from the English Housing Survey (EHS) which provides a range of relevant data, but often for different time periods. The EHS data used includes the age structure of wheelchair users, information about work needed to homes to make them 'visitable' for wheelchair users and data about wheelchair users by tenure.

8.65 The analysis below sets out estimates of the proportion of wheelchair users in different age groups nationally; this has been based on estimating the number of wheelchair user households from the 2011-12 EHS (Annex Table 6.11) combined with Census data.

8.66 At the time, the EHS showed there were 184,000 households with a wheelchair user and the oldest person in the household was aged under 60; the 2011 Census showed around 41.2 million people aged under 60 and therefore a base prevalence rate of 0.004 has been calculated for this group – essentially for every 1,000 people aged under 60 there are around 4 wheelchair user households. The table below shows data for a full range of age groups; it should be noted that whilst the prevalence rates mix households and population, they will provide a reasonable estimate of the number of wheelchair user households.

Table 8.8 Baseline prevalence rates by age used to estimate wheelchair user households

	No. of Wheelchair User Households	Population	Prevalence (per 1,000 population)
Under 60 Years Old	184,000	41,215,000	4
60-74 Years Old	205,000	7,754,000	26
75-84 Years Old	191,000	2,944,000	65
Aged 85 and Over	146,000	1,193,000	122

Source: Derived from EHS (2011-12) and 2011 Census

8.67 The analysis also considers the relative health of the population of Mid Sussex. For this, data has been taken from the 2011 Census for the household population with 'day to day activities limited a lot' by their disability.

8.68 The Table below shows this information by age in Mid Sussex and England, and also shows the adjustment made to reflect differences in health between the areas. Due to the age bands used in the Census, there has been some degree of adjustment for the under 60 and 60-74 age groups. The data shows lower levels of disability for all age groups in Mid Sussex, pointing to a slightly lower than average proportion of wheelchair user households.

Table 8.9 Proportion of people with day to day activities limited a lot (by age)

	% of Age Group with Day to Day Activities Limited a Lot		Mid Sussex as % of England	Prevalence (per 1,000 population)
	Mid Sussex	England		
Under 60 Years Old	2.5%	4.2%	59.7%	3
60-74 Years Old	6.7%	13.9%	48.4%	13
75-84 Years Old	19.4%	29.1%	66.5%	45
Aged 85 and Over	42.6%	52.3%	81.4%	119

Source: 2011 Census

8.69 The local prevalence rate data can be brought together with information about the population age structure and how this is likely to change moving forward. The data estimates a total of 1,578 wheelchair user households in 2021, and that this will rise to 2,288 by 2038 (an increase of 710).

Table 8.10 Estimated No of Wheelchair User Households, 2021-38

	Prevalence rate (per 1,000 population)	Household population 2021	Household population 2038	Wheelchair user households (2021)	Wheelchair user households (2038)
Under 60 Years Old	3	112,025	129,155	303	349
60-74 Years Old	13	25,417	32,710	328	422
75-84 Years Old	45	10,542	15,178	474	682
Aged 85 and Over	119	3,975	7,000	473	834
All		151,960	184,043	1,578	2,288

Source: Derived from a range of sources

8.70 The finding of an estimated current number of wheelchair user households does not indicate how many homes might be needed for this group – some households will be living in a home that is suitable for wheelchair use, whilst others may need improvements to accommodation, or a move to an alternative home.

8.71 Data from the EHS (2014-15) shows that of the 814,000 wheelchair user households, some 200,000 live in a home that would either be problematic or not feasible to make fully ‘visitable’ – this is around 25% of wheelchair user households. Applying this to the current number of wheelchair user households and adding the additional number projected forward suggests a need for 1,100 additional wheelchair user homes in the 2021-38 period – this equates to 6% of all housing need (as set out in the table below).

Table 8.11 Estimated Need for Wheelchair User Homes, 2021-38

	Current need	Projected need (2021-2038)	Total Backlog and Future Need	Housing Need (2021-38)	% of Housing Need
Mid Sussex	388	709	1,097	18,581	5.9%

Source: Derived from a range of sources as set out in the text

8.72 Furthermore, information in the EHS (for 2017/18) also provides national data about wheelchair users by tenure. This showed that, at that time, around 7.1% of social tenants were wheelchair users, compared with 2.7% of market households (owner-occupiers and private renters). Applying these national figures to the demographic change and need (as shown above) it is possible to estimate the potential need by tenure, as shown in the table below. This shows a need for 5% of market homes to be M4(3) along with 12% of affordable.

Table 8.12 Estimated Need for Wheelchair User Homes by Tenure, 2021-38

	Market	Affordable
Mid Sussex District	5%	12%

Source: Derived from demographic projections and Habinteg/EHS Prevalence Rates

- 8.73 To meet the identified need, the Council could seek at least 5% of all new market homes to be M4(3) compliant and around an eighth in the affordable sector. Any figures should reflect that not all sites would be able to deliver homes of this type. In the market sector these homes would be M4(3)A (adaptable) and M4(3)B (accessible) for affordable housing.
- 8.74 As with M4(2) homes it may not be possible for some schemes to be built to these higher standards due to built-form, topography, flooding etc. Furthermore, provision of this type of property may in some cases challenge the viability of delivery given the reasonably high build (see table below).
- 8.75 It is worth noting that the Government is currently consulting on changes to the way the needs of people with disabilities and wheelchair users are planned for as a result of concerns that in the drive to achieve housing numbers, the delivery of housing that suits the needs of the households (in particular those with disabilities) is being compromised on viability grounds.
- 8.76 One of the policy options tabled in this document is to remove M4(1) altogether, so that all new homes will have to at least have the accessible and adaptable features of an M4(2) home. M4(3) would apply where there is a local planning policy in place in which a need has been identified and evidenced. This is consistent with the evidence presented in this report, although the trade-off identified in the consultation paper between viability and the need to deliver sufficient numbers of market homes to meet general housing needs is unavoidable.
- 8.77 The viability challenge is particularly relevant for M4(3)(B) standards. These make properties accessible from the moment they are built and involve high additional costs that could in some cases challenge the feasibility of delivering all or any of a policy target.

Table 8.13 Access Cost Summary

	1-Bed Apartment	2-Bed Apartment	2-Bed Terrace	3-Bed Semi Detached	4-Bed Semi-Detached
M4(2)	£940	£907	£523	£521	£520
M4(3)(A) – Adaptable	£7,607	£7,891	£9,754	£10,307	£10,568
M4(3)(B) – Accessible	£7,764	£8,048	£22,238	£22,791	£23,052

Source: EC Harris, 2014

- 8.78 However, local authorities only have the right to request M4(3)(B) accessible compliance from homes for which they have nomination rights. They can, however, request M4(3)(A) adaptable compliance from the wider (market) housing stock.

-
- 8.79 A further option for the Council would be to consider seeking a higher contribution, where it is viable to do so, from those homes to which they have nomination rights. This would address any under delivery from other schemes (including schemes due to their size e.g. less than 10 units or 1,000 square metres) but also recognise the fact that there is a higher prevalence for wheelchair use within social rent tenures. This should be considered when setting policy.

The Needs of Older Persons and those with Disabilities: Summary

A range of data sources and statistics have been accessed to consider the characteristics and housing needs of the older person population and the population with some form of disability. The two groups are taken together as there is a clear link between age and disability.

The analysis responds to Planning Practice Guidance on Housing for Older and Disabled People published by Government in June 2019 and includes an assessment of the need for specialist accommodation for older people and the potential requirements for housing to be built to M4(2) and M4(3) housing technical standards (accessibility and wheelchair standards).

The data shows in general that Mid Sussex has a slightly 'older' age structure and lower levels of disability compared with the national average. The older person population is projected to increase notably in the future and an ageing population means that the number of people with disabilities is likely to increase substantially. Key findings for the 2021-38 period include:

- A 44% increase in the population aged 65+ (potentially accounting for approaching 50% of total population growth in the District);
- A 59% increase in the number of people aged 65+ with dementia and a 52% increase in those aged 65+ with mobility problems;
- A need for around 800 housing units with support (sheltered/retirement housing) – mainly in the market sector;
- A need for approximately 1,353 additional housing units with care (e.g. extra-care) - again mainly for market accommodation;
- A modest need for additional care bedspaces (a need for residential care but an apparent surplus of nursing care); and
- a need for around 1,100 dwellings to be for wheelchair users (meeting technical standard M4(3)).

This would suggest that there is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings as well as providing specific provision of older persons housing. Given the evidence, the Council could consider (as a start point) requiring all dwellings (in all tenures) to meet the M4(2) standards (which are similar to the Lifetime Homes Standards) and around 5% of market homes meeting M4(3) – wheelchair user dwellings (a higher proportion in the affordable sector).

Where the authority has nomination rights M4(3) would be wheelchair accessible dwellings (constructed for immediate occupation) and in the market sector they should be wheelchair user adaptable dwellings (constructed to be adjustable for occupation by a wheelchair user). It should however be noted that there will be cases where this may not be possible (e.g. due to viability or site-specific circumstances) and so any policy should be applied flexibly.

The Council should also consider if a different approach is prudent for market housing and affordable homes, recognising that Registered Providers may already build to higher standards, and that households in the affordable sector are more likely to have some form of disability.

In seeking M4(2) compliant homes, the Council should also be mindful that such homes could be considered as ‘homes for life’ and would be suitable for any occupant, regardless of whether or not they have a disability at the time of initial occupation.

In framing policies for the provision of specialist older persons accommodation, the Council will need to consider a range of issues. This will include the different use classes of accommodation (i.e. C2 vs. C3) and requirements for affordable housing contributions (linked to this the viability of provision). There may also be some practical issues to consider, such as the ability of any individual development being mixed tenure given the way care and support services are paid for.

9. HOUSING MIX AND FAMILY HOUSEHOLDS

9.1 This section considers the appropriate mix of housing across the District, with a particular focus on the sizes of homes required in different tenure groups. This section looks at a range of statistics in relation to families (generally described as households with dependent children) before moving on to look at how the numbers are projected to change moving forward.

Family Households

9.2 The number of families in Mid Sussex (defined for the purpose of this assessment as any household which contains at least one dependent child) totalled 17,000 as of the 2011 Census, accounting for 30% of households; this proportion is similar to the regional and national average (29%) and slightly above the equivalent figure for West Sussex (27%). The District has a higher proportion of married couple households and relatively few lone parents.

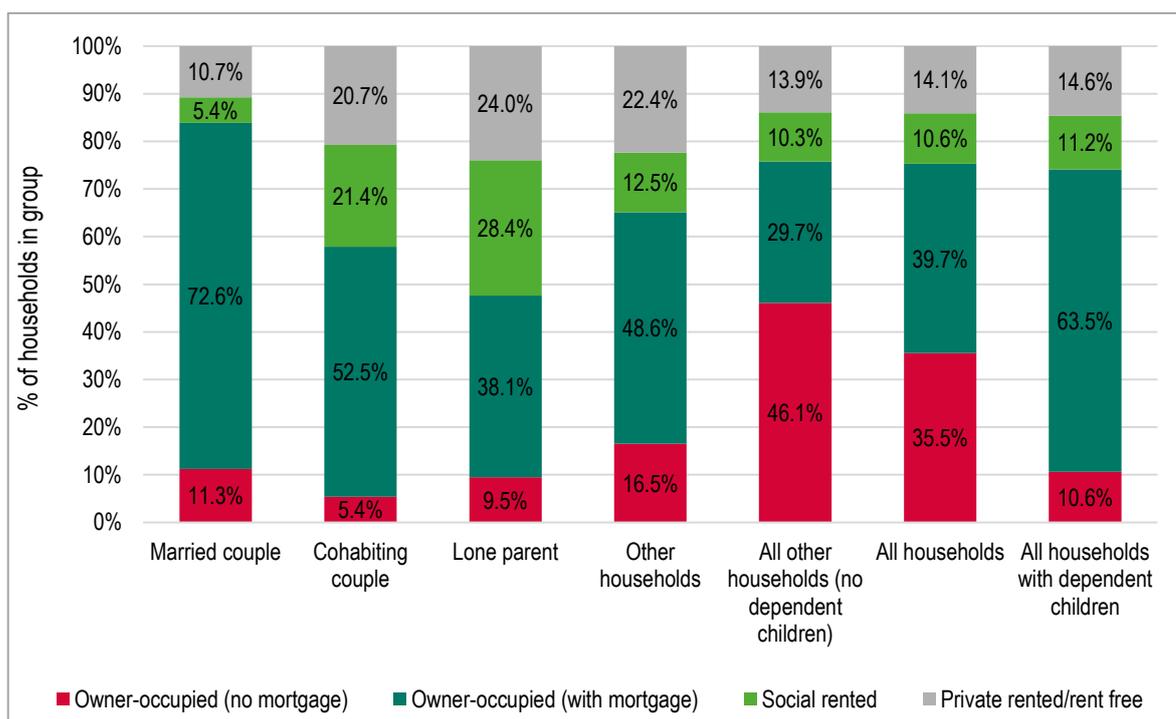
Table 9.1 Households with Dependent Children, 2011

		Married Couple	Cohabiting Couple	Lone Parent	Other Household	All Other Households	Total	Total Families
Mid Sussex	No	11,421	1,979	2,652	993	40,364	57,409	17,045
	%	19.9%	3.4%	4.6%	1.7%	70.3%	100.0%	29.7%
West Sussex	%	15.9%	3.5%	5.4%	2.0%	73.1%	100.0%	26.9%
South East	%	17.1%	3.9%	6.1%	2.3%	70.6%	100.0%	29.4%
England	%	15.3%	4.0%	7.1%	2.6%	70.9%	100.0%	29.1%

Source: 2011 Census

9.3 The Figure below shows the current tenure of households with dependent children. There are some considerable differences by household type with lone parents having a very high proportion living in the social rented sector and also in private rented accommodation. Only 48% of lone parent households are owner-occupiers compared with 84% of married couples with children.

Figure 9.1: Tenure of Households with Dependent Children, 2011



Source: 2011 Census

9.4 Household projections have been developed, linked to the standard method to estimate growth in family households over the period as set out in the table below. The projections show a notable projected increase in the number of households with dependent children – increasing by 20% (about 3,600 households) over the projection period. This level of increase is however lower than the projected change for other households (i.e. those without dependent children) – a projected increase of 32%.

Table 9.2 Projected Change in Family Households, 2021-38

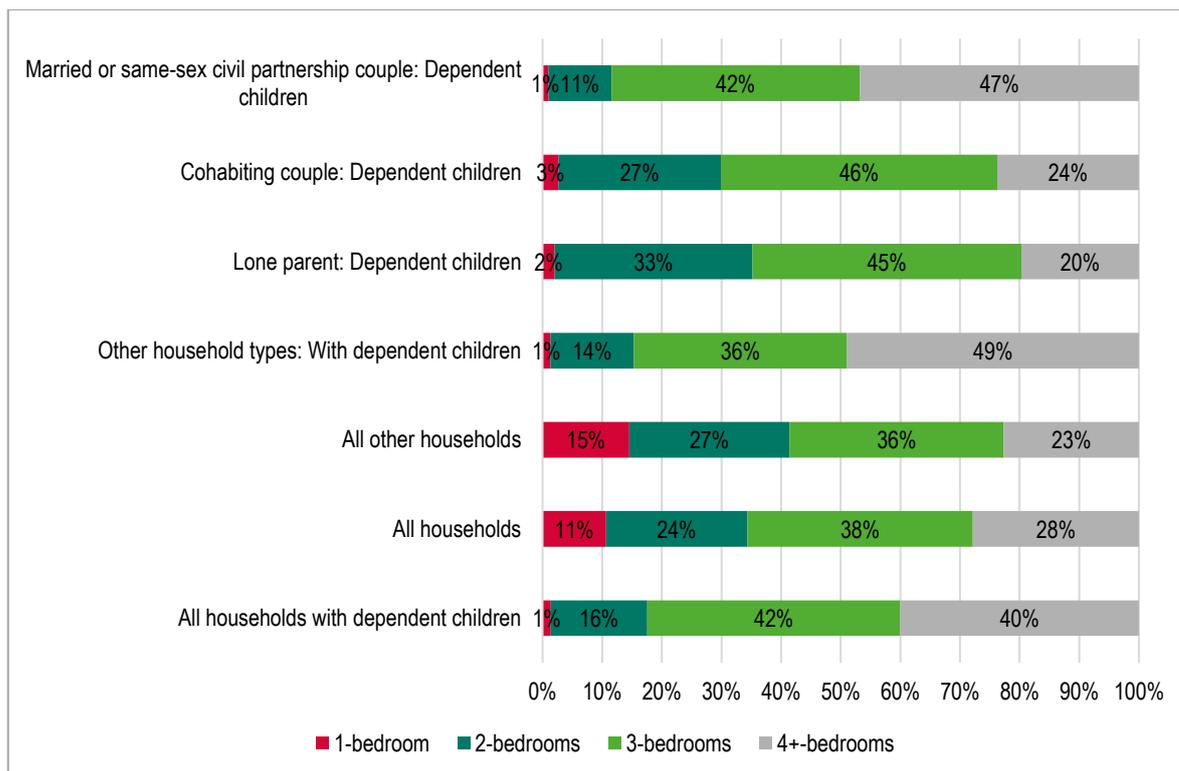
	2021	2038	Change	%
Households with one dependent child	7,571	8,770	1,199	15.8%
Households with two dependent children	8,141	9,655	1,514	18.6%
Households with three dependent children	2,476	3,328	852	34.4%
All other households	45,420	59,895	14,475	31.9%
Total Households	63,609	81,648	18,039	28.4%
Total households with dependent children	18,189	21,753	3,565	19.6%

Source: Demographic Projections

9.5 The level of growth in family households does not automatically translate into an equivalent need for family-sized accommodation, not least as many older households will continue to live in family-sized properties that offer space for friends and relatives to come and stay.

9.6 The Figure below shows the number of bedrooms for family households at the point of the 2011 Census. The analysis shows the differences between married, cohabiting and lone parent families. Across the District, the tendency is for family households to occupy 3-bedroom housing with varying degrees of 2-and 4+-bedroom properties depending on the household composition. The data also, unsurprisingly, highlights the small level of 1-bed stock occupied by families across the board. As a result, we could expect continued demand for 3+-bedroom homes from family households.

Figure 9.2: Number of Bedrooms by Family Household Type, 2011



Source: 2011 Census

9.7 Delivery of family sized housing is likely to be a requirement in both urban and rural locations. This includes providing family housing in the widest possible choice and mix of housing locations including town centres, and through the sustainable expansion of rural and smaller settlements (particularly helping to support economic and social vitality).

9.8 It is important to deliver a range of housing sizes and to actively promote this through appropriate planning policies and consideration of the operation of the market. There may still be limitations as to the affordability of larger properties in the context of continued growth in sales prices evident across the District in recent years.

9.9 In more rural areas, the opportunity to broaden and secure a choice and mix of family sized accommodation alongside smaller accommodation should be explored in order to diversify the

market and provide for local housing demand. Whilst in towns, subject to the availability of land, the provision of family-sized accommodation should be supported.

The Mix of Housing

- 9.10 A model has been developed that starts with the current profile of housing in terms of size (bedrooms) and tenure. Within the data, information is available about the age of households and the typical sizes of homes they occupy. By using demographic projections linked to the local housing need calculated through the standard method, it is possible to see which age groups are expected to change in number, and by how much.
- 9.11 On the assumption that occupancy patterns for each age group (within each tenure) remain the same, it is therefore possible to assess the profile of housing needed over the assessment period to 2038 (from 2021).
- 9.12 An important starting point is to understand the current balance of housing in the area. The table below profiles the sizes of homes in different tenure groups. When compared with regional data the two main differences between Mid Sussex and the South East are a higher proportion of 4+-bedroom market homes (35% of all market accommodation in the District) and a high proportion of 1-bedroom homes in the social rented sector (39% of all homes in this tenures). The profile of the private rented sector is broadly similar to that seen regionally. Observations about the current mix feed into conclusions about future mix later in this section.

Table 9.3 Number of Bedrooms by Tenure, 2011

		Mid Sussex	West Sussex	South East	England
Owner-occupied	1-bedroom	4%	5%	5%	4%
	2-bedrooms	20%	25%	22%	23%
	3-bedrooms	41%	43%	44%	48%
	4+-bedrooms	35%	26%	30%	25%
	Total	100%	100%	100%	100%
Social rented	1-bedroom	39%	32%	32%	31%
	2-bedrooms	29%	33%	33%	34%
	3-bedrooms	29%	31%	31%	31%
	4+-bedrooms	3%	3%	4%	4%
	Total	100%	100%	100%	100%
Private rented	1-bedroom	24%	28%	24%	23%
	2-bedrooms	40%	37%	37%	39%
	3-bedrooms	26%	26%	27%	28%
	4+-bedrooms	10%	9%	12%	10%
	Total	100%	100%	100%	100%

Source: 2011 Census

Overview of Methodology

- 9.13 The method to consider future housing mix looks at the ages of the Household Reference Persons and how these are projected to change over time. The sub-sections to follow describe some of the key analysis.

Understanding how Households Occupy Homes

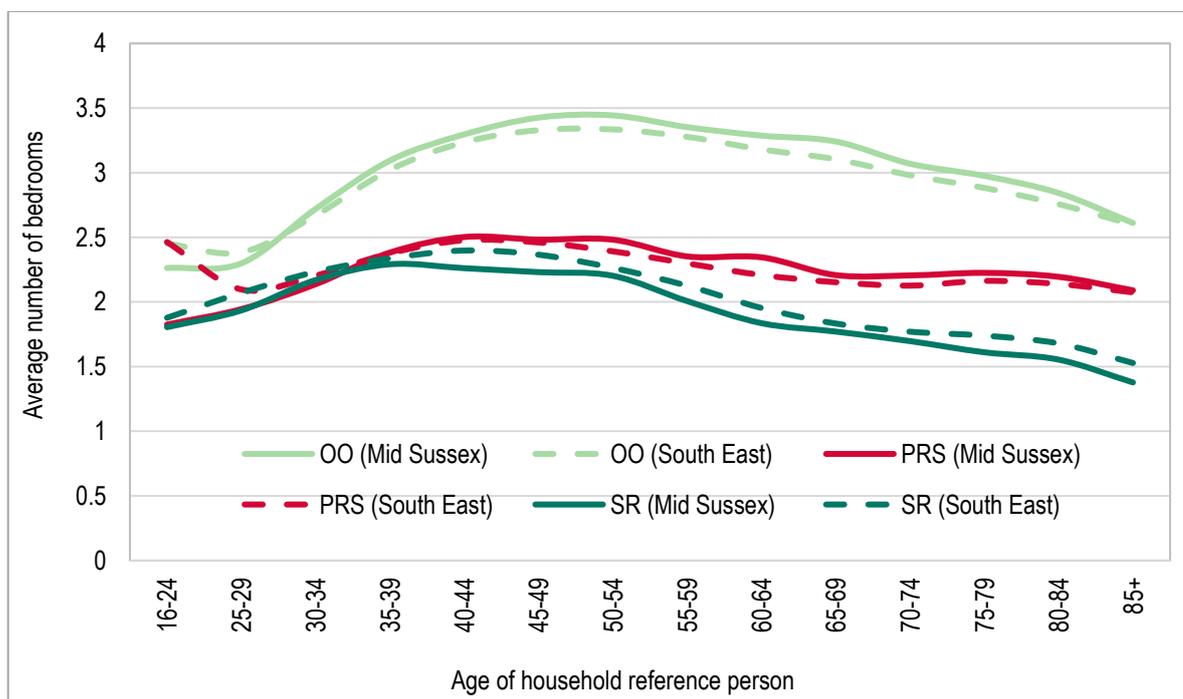
- 9.14 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into a suggested profile for additional housing to be provided.
- 9.15 The main reason for this is that in the market sector, households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.
- 9.16 The size of housing which households occupy relates more to their wealth and age than the number of people they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a 4-bedroom home as long as they can afford it, and hence projecting an increase in single person households does not automatically translate into a need for smaller units.
- 9.17 That said, issues of supply can also impact occupancy patterns, for example it may be that a supply of additional smaller bungalows (say 2-bedrooms) would encourage older people to downsize but in the absence of such accommodation these households remain living in their larger accommodation.
- 9.18 The issue of choice is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) where households are allocated properties which reflect the size of the household, although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to under-occupy housing (e.g. those who can afford to pay the spare room subsidy ('bedroom tax')).
- 9.19 The approach used is to interrogate information derived in the projections about the number of household reference persons ("HRPs") in each age group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS²⁶.

²⁶ Table CT0621 which provides relevant data for all local authorities in England and Wales from the 2011 Census

9.20 The Figure below shows an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group for Mid Sussex and the South East. In the owner-occupied sector the average size of accommodation rises over time to typically reach a peak around the age of 45-50; a similar pattern (but with smaller dwelling sizes and an earlier peak) is seen in both the social and private rented sector.

9.21 After peaking, the average dwelling size decreases – as typically some households downsize as they get older. The analysis identifies some small differences between Mid Sussex and the region.

Figure 9.3: Average Bedrooms by Age and Tenure



Source: Derived from ONS Commissioned Table CT9621

9.22 Replicating the existing occupancy patterns at a local level would however result in the conclusions being skewed by the existing housing profile. This is particularly the case in the social rented sector. On this basis a further model has been developed that applies regional occupancy assumptions for the South East region. Assumptions are applied to the projected changes in Household Reference Person by age discussed below.

9.23 The analysis has been used to derive outputs for three broad categories. These are:

- **market housing** – which is taken to follow the occupancy profiles in the owner-occupied sector
- **affordable home ownership** – which is taken to follow the occupancy profile in the private rented sector (this is seen as reasonable as the Government’s desired growth in home

ownership looks to be largely driven by a wish to see households move out of private renting); and

- **rented affordable housing** – which is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow would include social and affordable rented housing.

Changes to Households by Age

9.24 The tables below present the projected change in households by age of household reference person, this clearly shows particularly strong growth as being expected in older age groups (and to some extent some younger age groups e.g. those aged up to 34).

Table 9.4 Projected Change in Household by Age of HRP

Age Band	2021	2038	Change in Households	% Change
16-24	857	1,401	544	63.4%
25-29	2,025	3,231	1,207	59.6%
30-34	3,592	4,769	1,176	32.7%
35-39	4,995	5,861	866	17.3%
40-44	5,935	7,022	1,087	18.3%
45-49	6,483	7,706	1,223	18.9%
50-54	7,115	7,819	704	9.9%
55-59	6,759	7,570	811	12.0%
60-64	5,323	6,403	1,081	20.3%
65-69	4,322	6,033	1,711	39.6%
70-74	5,083	6,552	1,469	28.9%
75-79	4,462	5,970	1,508	33.8%
80-84	3,179	5,144	1,965	61.8%
85 & over	3,479	6,168	2,688	77.3%
Total	63,609	81,648	18,039	28.4%

Source: Demographic Projections

Modelled Outputs

9.25 By following the methodology set out above and drawing on the sources shown, a series of outputs have been derived to consider the likely size requirement of housing within each of the three broad tenures at a local authority level.

9.26 Two tables are provided, considering both local and regional occupancy patterns. The data linking to local occupancy will to some extent reflect the role and function of the local area, whilst the regional data will help to establish any particular gaps (or relative surpluses) of different sizes/tenures of homes when considered in a wider context.

- 9.27 The analysis for rented affordable housing can also draw on data from the local authority Housing Register with regards to the profile of need. The data has been taken from the Local Authority Housing Statistics (“LAHS”) and shows a pattern of need which is focussed on 1- and 2-bedroom homes but also showing approaching a fifth of households as requiring 3+- bedroom homes.

Table 9.5 Size of Social/Affordable Rented Housing – Housing Register Information

	Number of households	% of households
1-bedroom	904	48%
2-bedrooms	600	32%
3-bedrooms	305	16%
4+-bedrooms	79	4%
Total	1,888	100%

Source: Local Authority Housing Statistics, 2021

- 9.28 The tables below show the modelled outputs of need by dwelling size in the three broad tenures. Tables are providing by linking to local and regional occupancy patterns with a further table combining the outputs from the two models.

Table 9.6 Modelled Mix of Housing by Size and Tenure – Local Occupancy

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	5%	25%	41%	29%
Affordable home ownership	25%	41%	25%	9%
Affordable housing (rented)	44%	28%	25%	2%

Table 9.7 Modelled Mix of Housing by Size and Tenure – Regional Occupancy

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	5%	26%	43%	25%
Affordable home ownership	25%	38%	27%	11%
Affordable housing (rented)	37%	32%	28%	3%

Table 9.8 Modelled Mix of Housing by Size and Tenure – Combination

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	5%	26%	42%	27%
Affordable home ownership	25%	39%	26%	10%
Affordable housing (rented)	41%	30%	27%	3%

Sources: Housing Market Model

Indicative Targets for Different Sizes of Properties by Tenure

Social/Affordable Rented Housing

- 9.29 Bringing together the above, a number of factors are recognised. This includes recognising that it is unlikely that all affordable housing needs will be met and that it is likely that households with a need for larger homes will have greater priority (as they are more likely to contain children). That said, there is also a possible need for 1-bedroom social housing arising due to homelessness (typically homeless households are more likely to be younger single people).
- 9.30 The conclusions also consider the Housing Register, but recognises that this will be based on a strict determination of need using the bedroom standard; there will be some households able to afford a slightly larger home or who can claim benefits for a larger home than they strictly need (i.e. are not caught by the spare room subsidy ('bedroom tax') – this will include older person households).
- 9.31 The conclusions also take account of the current profile of housing in this sector (which shows a higher than average proportion of 1-bedroom homes in the current stock); as well as engagement with the Council's housing team. It is noted that the mix of housing will vary depending on the nature of the scheme (i.e. a scheme in the town centre is likely to be focussed more so towards smaller, flatted properties vs a scheme in a more suburban settlement which would typically deliver housing).
- 9.32 In taking account of the modelled outputs, the Housing Register and the discussion above, it is suggested that the following mix of social/affordable rented housing (which is close to the modelled outputs) would be appropriate:
- 1-bedroom: 30-35%
 - 2-bedrooms: 40-45%
 - 3-bedrooms: 15-20%
 - 4+-bedrooms: 5-10%

Affordable Home Ownership

- 9.33 In the affordable home ownership and market sectors a profile of housing that closely matches the outputs of the modelling is suggested. It is considered that the provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households. The Council's housing team notes that the greatest demand is for 2 bedroom properties.
- 9.34 It is recognised that larger affordable home ownership homes can be unaffordable for certain households; however, we also acknowledge that First Homes (subject to the level of discount applied) provides an opportunity to encourage the delivery of larger family-sized homes which are

affordable to households. As set out elsewhere, this will have to be considered against the provision of affordable/social rented housing in the context of overall viability.

9.35 Based on this analysis, it is suggested that the following mix of affordable home ownership would be appropriate:

- 1-bedroom: 10-15%
- 2-bedrooms: 50-55%
- 3-bedrooms: 25-30%
- 4+-bedrooms: 5-10%

9.36 Whilst the need for affordable home ownership properties is focused towards younger households, the conclusions also recognise the particular affordability challenges for family housing.

Market Housing

9.37 Finally, in the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile (as well as observations about the current mix when compared with other locations). This sees a slightly larger recommended profile compared with other tenure groups. The following mix of market housing is suggested:

- 1-bedroom: 5-10%
- 2-bedrooms: 20-25%
- 3-bedrooms: 40-45%
- 4+-bedrooms: 25-30%

9.38 Although the analysis has quantified this on the basis of the market modelling and an understanding of the current housing market, it does not necessarily follow that such prescriptive figures should be included in the plan making process (although it will be useful to include an indication of the broad mix to be sought across the study area) – demand can change over time linked to macro-economic factors and local supply. Policy aspirations could also influence the mix sought.

9.39 Whilst this report does not suggest that highly prescriptive figures necessarily need to be included within Local Plans, it is the case that the figures can be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area. It is recognised that there will be 'real life' situations where it may be appropriate to follow an alternative mix of housing.

9.40 The recommendations should therefore be used as a set of guidelines to consider the appropriate mix on larger development sites, and the Council should expect justification for a housing mix on such sites which significantly differs from that modelled herein. Site location and area character are also however relevant considerations the appropriate mix of market housing on individual development sites.

Housing Mix and Families: Summary

The proportion of households with dependent children is similar to the regional and national average but above equivalent data for West Sussex. Projecting forward, there is expected to be a notable increase in the number of households with dependent children in Mid Sussex – increasing by 20% (3,600 more households), this level of increase is however lower than for other household groups (a 32% increase). This is when linking projections to the standard method.

There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. The analysis linked to long-term (17-year) demographic change concludes that the following represents an appropriate mix of affordable and market homes, this takes account of both household changes and the ageing of the population:

Table: Suggested Mix of Housing by Size and Tenure

	1 Bed	2-Beds	3-Beds	4+ Beds
Market	5-10%	20-25%	40-45%	25-30%
Affordable Ownership	10-15%	50-55%	25-30%	5-10%
Affordable Rented	30-35%	40-45%	15-20%	5-10%

The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households. Also recognised is the limited flexibility which 1-bed properties offer to changing household circumstances, which feed through into higher turnover and management issues. The conclusions also take account of the current mix of housing by tenure and also the size requirements shown on the Housing Register.

The mix identified above could inform strategic policies although a flexible approach should be adopted. For example, in some areas Registered Providers find difficulties selling 1-bedroom affordable home ownership homes and therefore the 1-bedroom elements of AHO might be better provided as 2-bedroom accommodation. Additionally, in applying the mix to individual development sites, regard should be had to the nature of the site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level. The Council should also monitor the mix of housing delivered.

Based on the evidence, it is expected that the focus of new market housing provision will be on 2- and 3-bed properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retaining flexibility for friends and family to come and stay.

10. THE NEEDS OF SPECIFIC GROUPS

- 10.1 This section considers the needs of specific groups including younger people, students and military personnel.

Younger People and First Time Buyers

- 10.2 The Table below profiles the proportion of current households where the household reference person (head of household) is aged under 40 and is therefore regarded as a younger household. Over the 2021-38 period, the number of younger households is expected to increase by 33% in Mid Sussex equal to an increase of 3,793 younger households or 21% of the total expected household growth.
- 10.3 It should be highlighted that the demographic projections have been modelled on the basis of (1) a high level of housing delivery in the District which through additional migration will see a higher number of younger people move into the District (as younger people tend to move more) and also (2) improvements to the formation of younger households in response to historical suppression. Together, these see higher growth in younger households over the period to 2038.

Table 10.1 Level and Projected Growth of Younger Households, 2021-38

	2021	2038	Change	%
16-24	857	1,401	544	63.4%
25-29	2,025	3,231	1,207	59.6%
30-34	3,592	4,769	1,176	32.7%
35-39	4,995	5,861	866	17.3%
Total Under 40	11,469	15,262	3,793	33.0%
All HRP Change	63,609	81,648	18,039	28.4%

Source: Demographic projections

Home Ownership amongst Younger Households

- 10.4 Younger households and younger single persons often find barriers to accessing a choice and mix of housing offer to meet their needs. These reflect differentials between housing costs (whether to buy or rent) and incomes. These difficulties are compounded by the operation of mortgage lending and finance with increased levels of scrutiny concerning a household or individuals' ability to meet repayments and also to find substantial deposits in order to secure finance.

Affordability and Access to Finance

- 10.5 In Mid Sussex, lower quartile house prices have now risen to 12.72 times typical earnings of younger households. The LQ affordability ratio was as low as 6.51 at the turn of the century in 2000 and

entry-level affordability is clearly at a level which points to significant barriers for younger households seeking to buy a home.

- 10.6 Lower quartile house prices averaged out at £286,000 in Mid Sussex in the year ending September 2020. The LQ average sales prices in the South East have also witnessed significant increases over recent years. Looking back ten years ago to September 2010, entry-level prices were £191,950 in Mid Sussex (equal to 49% increase to 2020) and £237,000 in September 2015 (equal to 17% increase to 2020). On the basis of loan to income ratios used by most mortgage lenders of 4.5 times annual income²⁷, the Table below sets out the monthly entry-level housing costs.

Table 10.2 Entry-Level House Purchase Costs, 2020

	LQ Price	Monthly Mortgage Cost	Stress-Test Monthly Mortgage Cost
Mid Sussex	£286,000	£1,220	£1,658
South East	£245,000	£1,045	£1,420
England	£164,000	£700	£951

Source: House Price Statistics for Small Areas, Icenic Calculation and The Money Advice Service

- 10.7 Overall, the entry level house purchase costs represent a significant barrier and challenge for many younger households with monthly mortgage payments in excess of £1,200 in Mid Sussex and with the requirement for significant savings (around £30,000) to access deposit finance.
- 10.8 According to research undertaken by Halifax²⁸ for the UK as a whole, first-time buyers' costs increased significantly in 2019. The average amount put down by a first-time buyer in 2019 was £46,187 compared to £43,155 the year before - a rise of 7% (£3,032). From 1st July 2021, first time buyers will not pay any Stamp Duty on the first £300,000 of a property's purchase price and then 5% for any amount above £300,000 up to £500,000 which will provide some assistance to first-time buyers in the District.
- 10.9 However, with regards to a deposit, mortgages of up to 90% are becoming less common and banks are operating more stringent lending practices resulting in a requirement for deposits of at least 20% which would be equal to £57,200 in Mid Sussex District - compounding the barriers to home ownership and challenges for first time buyers.

²⁷ Calculations assume a 10% deposit, repayment term of 25 years and a 3% interest rate over the term (6% for the Stress Test). It is assumed that there is no existing housing equity available to purchasers

²⁸ Halifax Press Release: First-Time Buyers' Costs Soar Over Last Year, January 2020

Help-to-Buy Support

- 10.10 The Government's Help-to-Buy Programme provides a range of schemes which support younger households to get on the housing market (and in doing so support housing market activity). The programme now includes:
- **Help to Buy Equity Loan** – the new Equity Loan scheme was launched on 1st April 2021 for first time-buyers and includes regional property price limits to ensure that schemes reach people who need it most. The new scheme will run until March 2023. As with the previous scheme, the government will lend homebuyers up to 20% of the cost of a newly built home, and up to 40% in London. The property price limit for South East England is £437,000.
 - **The Mortgage Guarantee Scheme** – the scheme announced at Budget 2021 and launched on 19th April 2021; will help to increase the supply of 5% deposit mortgages for credit-worthy households by supporting lenders to offer these products through a government backed guarantee on new 95% mortgages until 31 December 2022.
 - **Help to Buy: Shared Ownership** – to support part ownership of between 10% and 75% of the total home (either new build or resales) and ongoing rental payments on the remainder. The Government has introduced this new model for Shared Ownership through the Affordable Homes Programme 2021-26 (the minimum share was previously 25%).
- 10.11 The Help to Buy programme allows the purchase (or part purchase) of new build housing and existing stock via a re-sale of Registered Providers stock. It is funded by the Government via Homes England and then administered by regional Help to Buy agents.
- 10.12 Through our engagement with estate agents in the District however, we understand that although buyers are interested in living in Haywards Heath and Burgess Hill, the price of properties often limits the type of property they are able to afford, and some agents therefore referred to a gap in the market of properties suitable for first time buyers.
- 10.13 There is demand for new build properties within these areas of Mid Sussex - particularly with first-time buyers and younger families. As a result, new build housing schemes which offer the Help To Buy Scheme are popular. There is more of a market for first-time buyers within East Grinstead due to slightly lower house prices compared to the south of District; however, ultimately there is still an affordability issue.
- 10.14 MHCLG data indicates that over the period between April 2013 and December 2020, the Help-to-Buy Equity Loan Scheme has helped a total of 1,695 households to buy a home in Mid Sussex with the evidence suggesting that the scheme plays a crucial role in helping younger households to buy a home in the District. The Table below provides a breakdown of the impact of Help to Buy in helping first-time buyers.

Table 10.3 Help to Buy Impact in Mid Sussex, 2013-20

	Flats	Homes	Total	Value of Loans
Mid Sussex	408	1,287	1,695	£126m

Source: MHCLG Help to Buy Equity Loan Statistics

- 10.15 This analysis reveals a total value of £126m in loans issued in Mid Sussex District. Almost all purchases have been freehold homes. It is clear that the scheme has played a notable role in supporting the housing market over the period since 2013 and is an important means of helping younger households.
- 10.16 The formulation of a Help to Buy scheme moving forward from 2021 to 2023 solely for first-time buyers does offer certainty that this form of housing market intervention and support will continue to have a role in supporting these households.
- 10.17 Ultimately however, in absolute terms, the level of deposit required in order to secure a market housing purchase has increased substantially linked to increasing sales prices over time and to the ability of individuals/family households ability to save a sufficient element of income for the deposit. The affordability of housing to buy, and the ability of younger households to access it has deteriorated in recent years; and is now out-of-reach of many younger households.
- 10.18 A strategy which draws on a number of measures is needed to address the needs of younger households, including most importantly promoting the delivery of affordable housing through planning policy – and in particular affordable home ownership and shared ownership products which provide an avenue for younger households to get onto the property ladder without significant deposit requirements. There are also opportunities through other housing market segments such as Build to Rent schemes and co-living schemes to support younger households that chose to rent privately.

Student Housing Needs

- 10.19 In Mid Sussex District, there is no higher education establishment. The nearest higher education establishments are the University of Sussex located in Falmer, East Sussex and the University of Brighton. There is one further education college which is Haywards Heath College.
- 10.20 According to Census data, there were 6,080 full-time students aged 16 and over in the District in 2011. The Table below sets out the number of students separated out by those aged 16-17 (i.e. principally sixth form students) and those aged 18-74 (i.e. further and higher education). In total, there were 2,725 full-time students in Mid Sussex aged 18-74.

Table 10.4 Full-Time Students in Mid Sussex by Accommodation Type

Type of Accommodation	Aged 16-17	Aged 18-74	Total
Living with Parents	3,005	1,766	4,771
Living in Communal Establishment: University	0	0	0
Living in Communal Establishment: Other	299	201	500
Living in All Student Household	0	111	111
Living Alone	3	79	82
Other Household Type	48	568	616
Total	3,355	2,725	6,080

Source: Census 2011

- 10.21 As is clear from the Table, the vast majority of further and higher education students were living with parents. Over two thirds (65%) of students aged 18-74 were living with parents. Over a fifth (21%) of students were living in 'other household'²⁹ which includes households of more than one family, households comprised of unrelated adults sharing and those including one family and other unrelated adults.
- 10.22 Furthermore, as is clear from our analysis of the private rented sector in Section 11, there were only six full-time students living in the private rented sector in Mid Sussex District in 2011. As a result, our analysis does not suggest a need for a substantive policy intervention or that any purpose built student housing provision is necessary over the plan period in Mid Sussex District.

Service Families

- 10.23 The Framework (paragraph 61) seeks to ensure that the housing needs of different groups are assessed and reflected in planning policies. The paragraph lists various different groups including service families. Military personnel are listed as part of the definition of essential local workers in the Framework under Annex 2.
- 10.24 The Armed Forces Covenant (May 2011) was published by the Ministry of Defence ("MOD") and describes a moral obligation that the Government and the Nation owe to those who serve or have served in the Armed Forces and to their families. With respect to housing, the Covenant states:

"In addressing the accommodation requirements of Service personnel, the MOD seeks to promote choice, recognising the benefits of stability and home ownership amongst members of the Armed Forces where this is practicable and compatible with Service requirements, and also that their needs alter as they progress through Service and ultimately return to

²⁹ Other households are categorised by the age and type of residents and not by the family relationships within the household.

civilian life. Where Serving personnel are entitled to publicly provided accommodation, it should be of good quality, affordable, and suitably located.”

- 10.25 They should have priority status in applying for Government-sponsored affordable housing schemes, and Service leavers should retain this status for a period after discharge. Personnel may have access to tailored Armed Forces housing schemes or financial arrangements, depending on their circumstances, to help them in purchasing their own property. Those injured in Service should also have preferential access to appropriate housing schemes, as well as assistance with necessary adaptations to private housing or Service accommodation whilst serving.”
- 10.26 Members of the Armed Forces Community should have the same access to social housing and other housing schemes as any other citizen, and not be disadvantaged in that respect by the requirement for mobility whilst in Service. Government has acted to implement various measures aimed at strengthening the position of ex-military personnel when seeking to access housing and support.
- 10.27 From 2012, Government revised national guidance to include measures to: set new “priority need” categories to assist homeless ex-service personnel in accordance with the Housing Act 1996; change the rules on local connection to ensure that barriers are removed in accessing social housing; and include ex-military personnel as a priority category in terms of eligibility for certain low-cost home ownership initiatives.
- 10.28 There has therefore been a national emphasis and obligation to support ex-service personnel in terms of their housing and the rehabilitation care needed to honour the implementation of the Armed Forces Covenant. There are a number of housing schemes that are available to the Service and Ex-Service community under the HomeBuy umbrella. In addition, the MOD Referral Scheme aims to provide low-cost, rented accommodation for service personnel on leaving the Services.
- 10.29 At a local level, Mid Sussex District Council has its own Armed Forces Community Covenant. The Community Covenant is a voluntary statement of mutual support between the District Council and its local Armed Forces Community. In terms of how the Council intends to uphold the Covenant, the Council has said that it will:
- Give the opportunity to current or former armed forces employees to identify themselves when applying for roles with the Council and ask them to provide details of their service. If, based on the application, the minimum selection criteria is reached for the role, an interview will be guaranteed;
 - Continue to fulfil its housing function with due regard to the needs of Ex-Service personnel, through its Housing Allocation Scheme;
 - Promote grant applications to the Community Covenant Fund; and

-
- Actively seek opportunities to support the Armed Forces Community within the District

10.30 Our analysis of Census data for all usual residents employed in the Armed Forces in Mid Sussex shows that there were 88 residents in 2011 living in the District comprised of 88 residents living in a household (as opposed to a communal establishment). This represented only 0.001% of the usual resident population aged 16 and over at the time the Census was carried out.

10.31 Furthermore, according to the Ministry of Defence (“MoD”)³⁰, there were no military and civilian personnel stationed in Mid Sussex on 1st April 2021. This suggests that any Armed Forces personnel living in the District commutes out to other areas and overall, the number of service personnel in the District represents a very small proportion of the population.

10.32 On the basis of the evidence and our discussions, there is no requirement for any intervention from the Council in respect of service families.

³⁰ MOD, Annual Personnel Location Statistics, 2021

11. OTHER MARKET SEGMENTS

- 11.1 This section considers other market segments including Build to Rent, Co-Living, self-build and custom housebuilding and rural/entry-level exception sites. These market segments are a separate source of supply to conventional house building – meeting the changing needs of specific groups such as those who wish to build their own home, live in the private rented sector or live rurally together with the wider community.

Build-to-Rent

- 11.2 The private rented sector has been the key growth sector in the housing market for the last 15 years and now makes up just over 20% of all UK households. Since 2011, the private rented sector has been the second largest housing tenure in England behind owner-occupation, overtaking social housing.
- 11.3 In the context of the private rented sector’s growth over the last 20 years and a national housing shortage, successive Governments have looked to the private rented sector to play a greater role in providing more new build housing and have sought to encourage “Build to Rent” development as well “Co-Living” development schemes.

The Policy Context

- 11.4 In respect of Build to Rent, the Housing White Paper (February 2017) was clear in 2017 that the Government wanted to build on earlier initiatives to attract new investment into large-scale scale housing which is purpose-built for market rent (i.e., Build to Rent).
- 11.5 At that time, the Government set out that this would drive up overall housing supply, increase choice and standards for people living in privately rented homes and provide more stable rented accommodation for families – particularly as access to ownership has become more challenging.
- 11.6 This was realised through the publication of the revised Framework (February 2019) which recognises the emergence of the strength of the private rented sector. The Framework (paragraph 61) says the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies including those people who rent their homes (as separate from those in affordable housing need). The Framework’s glossary also introduces a definition for Build to Rent development, thus recognising it as a sector:

“Purpose built housing that is typically 100% rented out. It can form part of a wider multi-tenure development comprising either flats or houses but should be on the same site and/or contiguous with the main development”.

11.7 It represents development which is constructed with the intention that it will be let rather than sold. The benefits of Build to Rent are strong and are best summarised in the Government's A Build to Rent Guide for Local Authorities which was published in March 2015. The Guide notes the benefits are which ranging but can include:

- Helping local authorities to meet demand for private rented housing whilst increasing tenants' choice "as generally speaking tenants only have the option to rent from a small-scale landlord".
- Retaining tenants for longer and maximising occupancy levels as Build to Rent investment is an income focused business model;
- Helping to increase housing supply, particularly on large, multiple phased sites as it can be built alongside build for sale and affordable housing; and
- Utilising good design and high-quality construction methods which are often key components of the Build to Rent model.

11.8 This Build to Rent Guide provides a helpful overview of the role that Build to Rent is intended to play in the housing market, offering opportunities for those who wish to rent privately (i.e. young professionals) and for those on lower incomes who are unable to afford their own home.

11.9 Over recent years there has been a rapid growth in the Build to Rent sector backed by domestic and overseas institutional investment. Turning to the present and the latest market insight on Build to Rent as it begins to mature and strengthen as a development sector, the Savills UK Build to Rent Market Update³¹ for Q3 2021 states that the market now had 50,800 completed units, 37,700 under construction and 84,000 in the development pipeline, a total of 172,500 units.

11.10 The report notes that around 88% of the operational stock was located in City Centre flats but there had been a slight shift towards "housing led, family targeted" Build to Rent schemes in suburban locations. This was on the belief that there is a wider PRS market for houses (63%) than for flats.

11.11 The Savills work also noted that the sector had bounced back from a Pandemic related slowdown. They also noted new entrants into the sector seeking longer term investment.

³¹ https://www.savills.co.uk/research_articles/229130/306754-0

The Profile of Tenants

- 11.12 The British Property Federation (“BPF”), London First and UK Apartment Association (“UKAA”) recently published (February 2021) a report³² profiling those who live in Build to Rent accommodation in London - which makes up the bulk of the market. The proportion of Build to Rent in London accounts for 47% of current provision falling to 44% once the pipeline supply is included. This demonstrates a slight movement out of London which goes against the historic trend. There is now more Build to Rent activity outside of London than in the Capital.
- 11.13 Around 62% of residents were aged between 25 and 34 compared with 47% in the wider private rented sector market. The remaining residents included 17% aged between 16 and 24 and 13% aged 35-44 both of which were below the corresponding values for the wider private rented sector market.
- 11.14 The survey based data identified that incomes are similar to those in private rented sector accommodation with 43% earning less than £32,000 and 29% earning between £32,000 and £47,000. Typically, Build to Rent residents spend between 29% and 35% of their income on accommodation. This compares to 29% to 32% in the wider private rented sector demonstrating a willingness to pay slightly more. The lower value would put this group in the lowest 40% of earners in London.
- 11.15 The report noted that Build to Rent has comparable levels of affordability but is notably more affordable for couples and sharers. This is perhaps reflected in the higher incidence of these household types within the Build to Rent sector.
- 11.16 The report also identified a broadly similar balance of people working in the public and private sectors with 90.5% of residents employed in the private sector living in Build to Rent accommodation compared with 80% in the private rented sector. The most common industries included Finance and Insurance (25%), Other Services (20%) and IT and Communications (including marketing) (15%); however, it should be highlighted that this was London focussed.

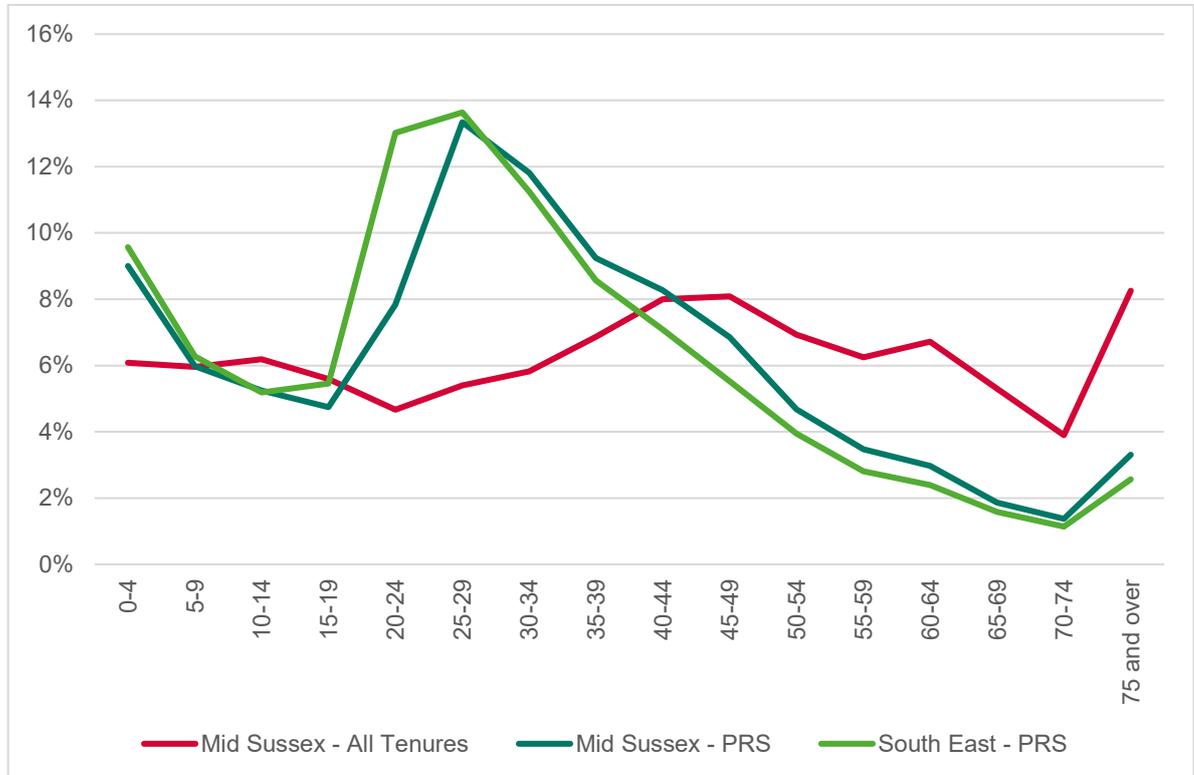
The Size of the Sector in Mid Sussex

- 11.17 As set out in Section 3 of this report, in Mid Sussex, 18% of the of all housing stock in 2011 was in the private rented sector. This compared with 20% in the South East and 21% in England. As a result, in relative terms, the sector is not significant in the District but clearly plays a role in the market.
- 11.18 As is shown in the Figure below, the age of those renting at the point of the 2011 Census in Mid Sussex was notably skewed towards those aged 25 to 39. This demonstrates a slightly older

³² https://buildtorent.files.wordpress.com/2021/01/who-lives-in-build-to-rent-1.pdf?mc_cid=624df5d223&mc_eid=e05cc2220b

demographic in the sector compared to the South East average which is more focussed on those aged in their early 20s.

Figure 11.1: Age Profile of Private Rented Sector Tenants, Mid Sussex



Source: 2011 Census

11.19 Turning to household composition, the Table below analyses on the best available data how those living in the private rented sector typically occupy homes in Mid Sussex set against wider comparators.

Table 11.1 Household Composition of Private Renters in Mid Sussex

Composition	Mid Sussex	Mid Sussex	South East	England
One Person Aged 65 and over	406	6%	4%	12%
One Person Aged under 65	1,927	26%	26%	18%
Couple Aged 65 and over	135	2%	1%	8%
Couple No Children	1,556	21%	19%	18%
Couple Dependent Children	1,511	21%	19%	19%
Couple Non-Dep. Children	161	2%	2%	6%
Lone Parent Dep. Children	609	8%	11%	7%
Lone Parent Non-Dep Children	139	2%	2%	3%
Full-Time Students	6	0%	3%	1%
Other Households	872	12%	12%	7%

Total Households	7,322	100%	100%	100%
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Source: Census 2011

- 11.20 The analysis shows that the largest household group is single person households aged under 65 accounting for over a quarter (26%) of all households –typical of the private rented sector profile.
- 11.21 However, as is clear, there is also a high proportion of couples with and without children living in the sector, each group accounting for over a fifth (21% for both) of households which is above the regional and national average. There are no full-time students living in the sector. There is however over 850 “other households” (including unrelated adults sharing) accounting for 12% of private rented households which is somewhat higher than the national average but in line with the South East as a whole.

Rental Market Statistics

- 11.22 The private rents in Mid Sussex for all property sizes are either above or equal to the South East average. The most common size of property let is 2 bedroom followed by 1 bedroom properties – with monthly rents 27% and 19% above the national average respectively. In the context of a Build to Rent product, the rental values are relatively strong in the District.

Table 11.2 Monthly Rents vs Wider Comparators, Year to March 2021

	Count	Mid Sussex	South East	England
Room	10	£524	£425	£403
Studio	20	£635	£595	£550
1-bed	280	£775	£725	£625
2-bed	470	£950	£895	£695
3-bed	220	£1,250	£1,100	£795
4+ bed	90	£1,600	£1,600	£1,300
All Lettings	1,090	£950	£895	£725

Source: Icen analysis of ONS Private Rental Market Statistics.

- 11.23 Turning to trends, the evidence indicates that median rents have increased over the last five years by 12%. Separating out the size of properties, there has been particularly strong growth for smaller properties with rents for studios growing by 19%, 1 bed properties growing by 11% and rents for 2 bed properties growing by 15% which are typical bedroom sizes of Build to Rent schemes.

Table 11.3 Rental Growth in Mid Sussex, 2014/15 – 2019/20

	2015/16	2020/21	Change	% Change
Studio	£525	£625	£100	19%
1-bed	£675	£750	£75	11%
2-bed	£825	£950	£125	15%
3-bed	£1,100	£1,150	£50	5%

4+ bed	£1,600	£1,650	£50	3%
All Lettings	£850	£950	£100	12%

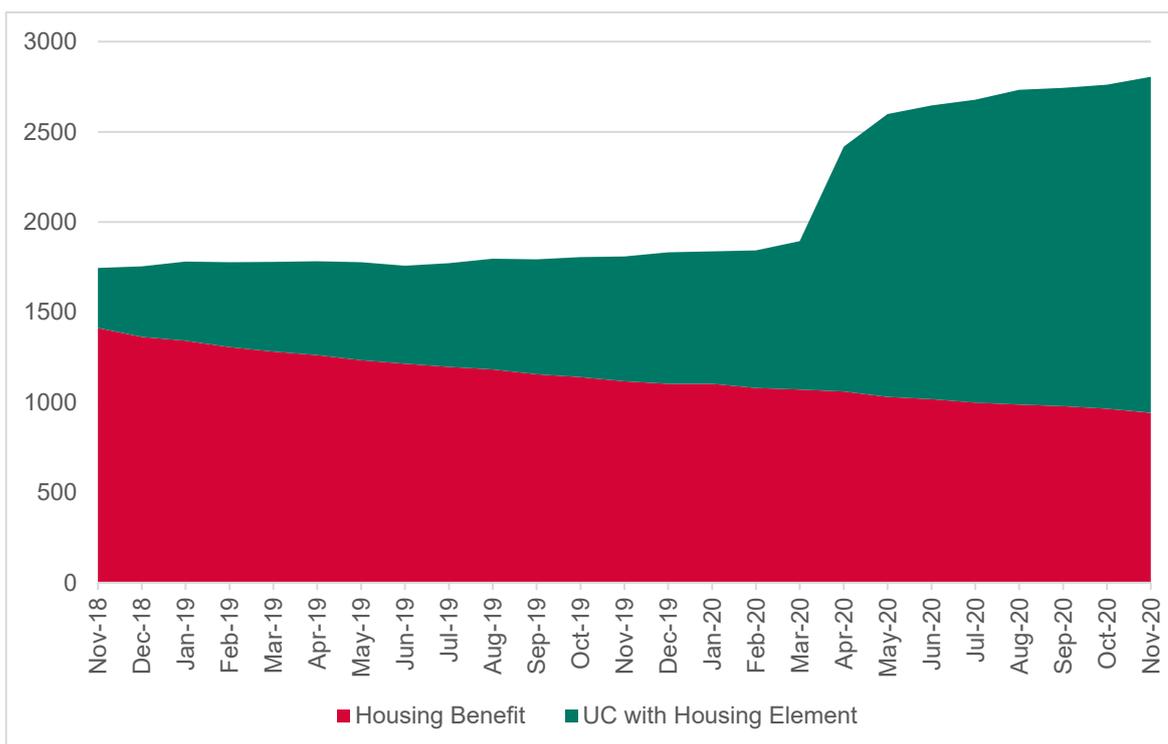
Source: Icenis analysis of ONS Private Rental Market Statistics. Note no data provided for rooms in 2015/16.

Private Rented Households Supported by Housing Benefit

11.24 In November 2020, 3,773 residents in Mid Sussex claimed housing benefit. Out of these claimants, 2,831 lived in social rented accommodation and 942 lived in private rented accommodation (equal to 25% of all claimants). In addition, 3,437 residents in Mid Sussex claimed Universal Credit with a housing component. Out of these claimants, 1,574 lived in social rented accommodation and 1,863 lived in private rented accommodation (equal to 34% of all claimants).

11.25 The Figure below shows how the number of households in the District in private rented accommodation which claim housing benefits or Universal Credit (with a housing element) has changed over time. Universal Credit was introduced in the District in June 2018. Combined, the total number of claimants increased from 1,745 in November 2018 to 2,805 in November 2020

Figure 11.2: Households in Private Rented Sector Supported by Housing Benefits or UC



Source: DWP

11.26 As illustrated, the number of households in Mid Sussex which claim Universal Credit with a housing component increased as people move across from housing benefits. However there has been a more marked increase in claims from households living in privately rented accommodation over the last year which is likely to reflect the employment impacts of COVID-19.

The Existing Provision

- 11.27 It is our understanding that there has been limited activity in the way of forthcoming Build to Rent development in the District. The Council do handle planning applications for private rented housing which includes applications of scale for flatted development to be rented; however, to date there has been only one planning application for purpose-built Build to Rent accommodation.
- 11.28 The application relates to Land at 37 - 55 Perrymount Road in Haywards Heath. The scheme includes commercial floorspace and a mix of 1, 2 and 3 bedroom apartments spread over four blocks all seven storeys in height. The scheme is under construction with 42 units delivered in 2020/21. According to the lettings agents for the scheme, all of the first phase apartments have been let and viewings for phase 2 commenced on 3rd July 2021. Additional detail on the scheme is set out in the Table below.

Table 11.4 Build to Rent Provision, Mid Sussex

APP REF	Total Units	1 Bed	2 Beds	3 beds	Affordable
DM/18/4837	145	75	65	5	30%

The Recommended Policy Response

- 11.29 The PPG on Build to Rent recognises that where a need is identified that local planning authorities should include a specific plan policy relating to the promotion and accommodation of Build to Rent. On the basis of our analysis of the private rented sector, the sector's composition and rental values in the District, there is potential for a Build to Rent product in the District despite a lack of activity to date – although it would appear that the forthcoming Build to Rent scheme in Haywards Heath is performing well.
- 11.30 In preparing a new Local Plan, the Council should seek to include a policy on Build-to-Rent development in order to set out parameters regarding how schemes would be considered with the expectation that there is likely to be some activity moving forward – and this policy should also deal with how affordable housing policies would be applied.
- 11.31 Given that the sector is still evolving even in London, we would recommend that the Council is not overly prescriptive on the mix of dwelling sizes within new Build to Rent development. The Framework's definition of Build-to-Rent development sets out that schemes will usually offer tenancy agreements of three or more years and will typically be professionally managed stock in single ownership and management control.
- 11.32 The Council will need to consider affordable housing policies specifically for the Build-to-Rent sector. The viability of Build to Rent development will however differ from that of a typical mixed tenure development in the sense that returns from the Build to Rent development are phased over time

whereas for a typical mixed tenure scheme, capital receipts are generated as the units are completed.

- 11.33 In general terms, it is expected that a proportion of Build to Rent units will be delivered as 'Affordable Private Rent' housing. Planning Practice Guidance³³ states that:

"The National Planning Policy Framework states that affordable housing on build to rent schemes should be provided by default in the form of affordable private rent, a class of affordable housing specifically designed for build to rent. Affordable private rent and private market rent units within a development should be managed collectively by a single build to rent landlord.

20% is generally a suitable benchmark for the level of affordable private rent homes to be provided (and maintained in perpetuity) in any build to rent scheme. If local authorities wish to set a different proportion, they should justify this using the evidence emerging from their local housing need assessment, and set the policy out in their local plan. Similarly, the guidance on viability permits developers, in exception, the opportunity to make a case seeking to differ from this benchmark.

National affordable housing policy also requires a minimum rent discount of 20% for affordable private rent homes relative to local market rents. The discount should be calculated when a discounted home is rented out, or when the tenancy is renewed. The rent on the discounted homes should increase on the same basis as rent increases for longer-term (market) tenancies within the development"

- 11.34 The Council should have regard to the PPG on Build-to-Rent development with the starting point for affordable housing therefore being that 20% of units would be Affordable Private Rented units at a discount of 20% to local market rents.

Co-Living

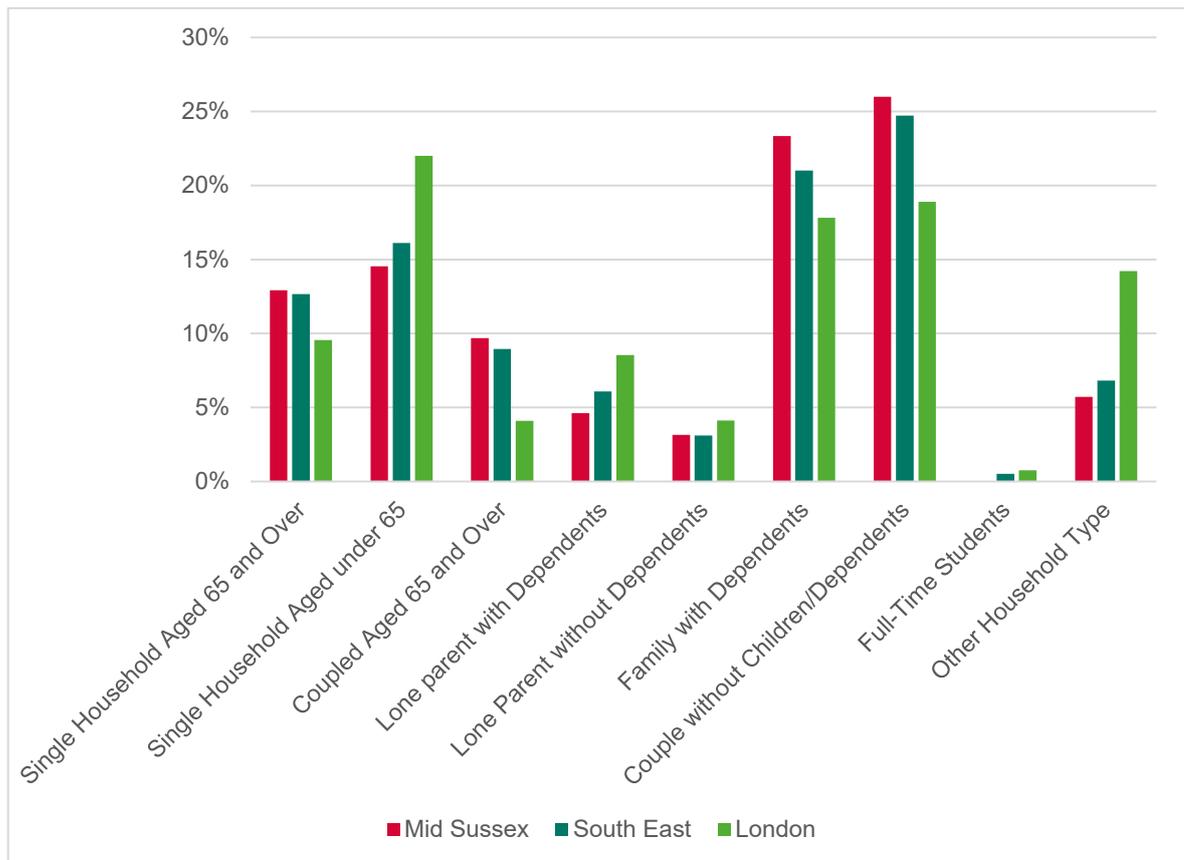
- 11.35 The concept of co-living in its modern form of housing is relatively new, and whilst it is not specifically defined in the Framework, it is often used as part of a wider definition relating to a type of intentional community where residents share living space and a set of interests, values and/or intentions. Traditionally co-living has ranged from the coming together of space, time and resources for activities

³³ ID: 60-002-20180913

(for example meals and discussion in the common living areas) through to shared workspace and collective endeavours such as living more sustainably (such as eco-centred villages).

- 11.36 Over recent years, media interest in co-living has in part been driven by the pressures faced by the millennial generation and the potential to provide communal living driven by affordability and a transient, social oriented young professional resident in high cost locations. Traditionally the idea of co-living through sharing of rented housing is not a new idea and has long operated across the country. In this context, co-living can encompass many structural forms.
- 11.37 In its current form, modern co-living in the UK tends to be urban focused and integrated into a single building, house, or apartment, a sharing of amenities, and a demographic trend towards 20 to 30 something professionals. As a market segment, this is most well developed currently in London where companies such as The Collective, Roam, Fizzy Living and Lyvly are actively adopting a 'WeWork' style model to housing based on a new renting approach for the Capital that offers private bedrooms, shared common spaces and community events, and an all-inclusive rent.
- 11.38 The focus of existing co-living examples tend to be large city schemes with studies indicating that whilst the sharing of space is deemed more acceptable - especially by city dwellers - the model of co-living needs to carefully consider the scale of provision balanced alongside personal space needs and privacy.
- 11.39 In advance of understanding the full economic impacts of COVID-19, it can only be speculation to suggest that we are likely to see working patterns change permanently and traditional economic structures – including business “centres” – change significantly.
- 11.40 The current co-living business model and characteristics draw on a large base of transient younger, high skilled professional households and individuals - particularly those without dependents. At present, this is not a notable characteristic of the existing profile of households in Mid Sussex. The Figure below looks at the household profile as it was in 2011 set against the South East and London with the latter being the main focus of co-living schemes in England.

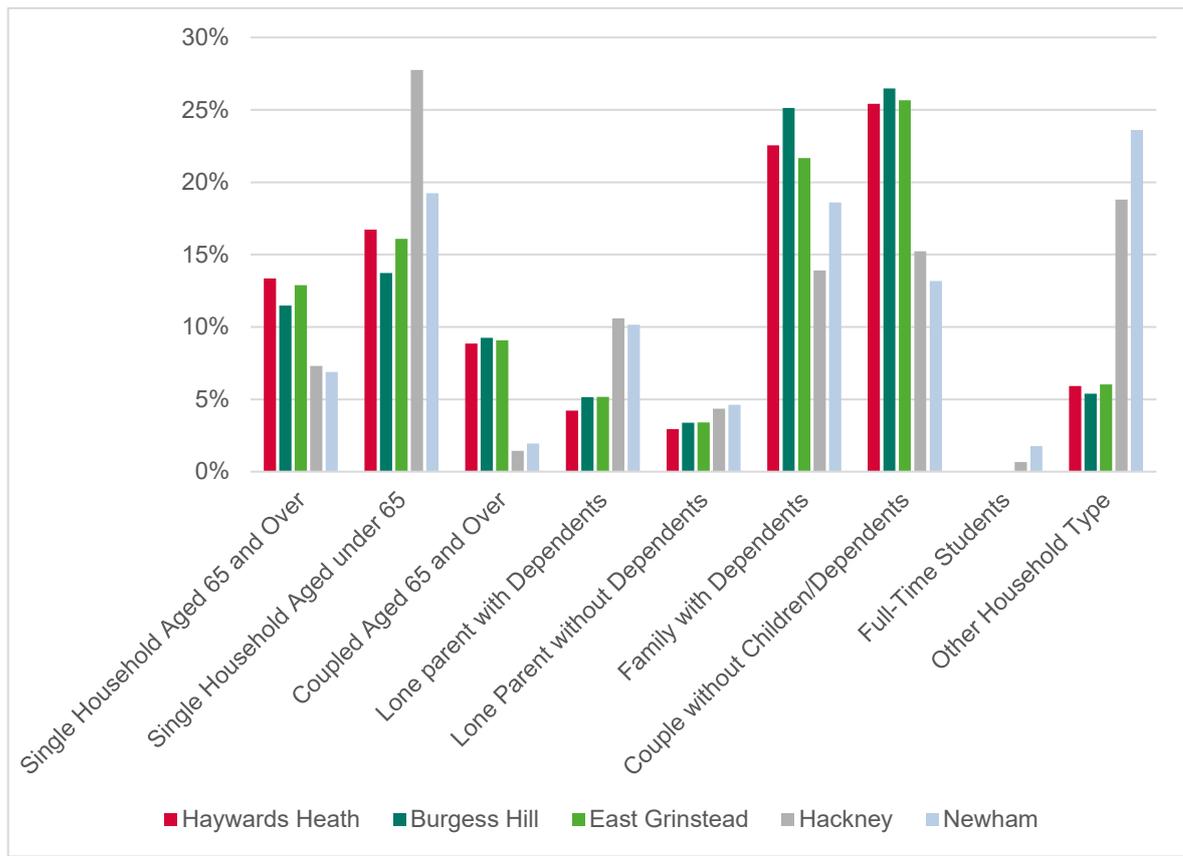
Figure 11.3: Household Composition in Mid Sussex vs South East and London



11.41 It's clear from this that there are fewer single households aged under 65 living in Mid Sussex compared with the region and London as a whole with a greater number of older households and families with dependent children. There are also less "other households" which includes unrelated adults sharing. All of the key household groups in Mid Sussex are less suited to a co-living product. As a result, it is not surprising that there has been no development activity in the sector in Mid Sussex District.

11.42 A similar conclusion can be drawn if we compare the three main towns in Mid Sussex to two London Boroughs which were the first to introduce a specific co-living policy in their respective Local Plans – the Borough of Hackney and the Borough of Newham. As is clear from the Figure below, there is a greater proportion of families and those of retirement age living in the Mid Sussex towns which is not typical of a co-living target demographic.

Figure 11.4: Household Composition of Mid Sussex Towns vs London Boroughs



11.43 All of that said, it should also be highlighted that the demographic projections linked to standard method suggest that households over the period to 2038 with an HRP aged under 40 (i.e., younger households) are expected to grow by 33% (equal to around 3,800 households).

11.44 The District’s three main towns are well connected with London and Brighton and have a wide range of services and facilities. However, as has been considered in this report, there are issues around affordability for younger households. A co-living product could therefore provide an alternative to those households – particularly in the context of COVID-19 and the potential for a changing work-life balance moving forward.

11.45 Along these lines, it is likely that a notable shift in the dynamics of how residents live and work would be necessary to see this form of housing have a significant role in the District’s housing market, which is plausible in the context of COVID-19.

11.46 Outside of London, we are not aware of any planning authorities that have a specific co-living policy and at this stage, there is no evidence that there are any schemes in the pipeline. However, on the basis of projected household change and the potential for a co-living market to emerge, it is considered the Council should construct a policy which supports high-quality co-living schemes where a local need is demonstrated. It is expected that co-living schemes would be delivered in an

area well connected to local services and transport (i.e., the District's main towns), be under single management and offer rent with a minimum tenancy of no less than 3 months.

Entry-Level/First Home and Rural Exception Sites

Entry-Level/First Home Exception Sites

- 11.47 The Framework (paragraph 71) identifies that local planning authorities should support the development of entry-level exception sites, suitable for first time buyers (or those looking to rent their first home), unless such needs are already being met within the authority's area. The concept of entry-level exception sites was first introduced in the July 2018 version of the new Framework as a new means of provision to support the delivery of affordable housing.
- 11.48 The paragraph requires that such sites should not be on land already allocated for residential development and should comprise affordable housing as defined in the Framework's Glossary. It also states that such entry-level exception sites should be adjacent to existing settlements and proportionate in size to them. In this respect, Footnote 33 indicates that entry-level sites should not be larger than 1 ha or exceed 5% of the size of the existing settlement.
- 11.49 The notable difference of entry-level exception sites compared with other "exception sites" is that the former can be comprised of entry-level homes that offer one or more types of affordable housing as defined in Annex 2 of the Framework. In other words, an entry-level exception site can be comprised entirely of discounted market sales housing, for example, which is not the case with rural exception sites.
- 11.50 On 1st April 2021, the Government confirmed its commitment to introduce a First Home Exception Sites Policy encouraging delivery of First Homes at a minimum 30% discount to open market values. The Government has made clear that it intends to amend paragraph 71 of the Framework replacing 'entry-level exception sites' with "First Homes exception sites".
- 11.51 In its response, it was set out that the proposed First Homes policy will remove the 1ha / 5% size threshold. The Government response also suggested that more emphasis will be given to the role of market housing to help deliver First Homes exception sites. On this point, the Government set out that:

"Our engagement with the industry suggests that these sites are often not viable as they must deliver only affordable housing. Therefore, the government is replacing this policy with a 'First Homes exception sites' policy, in order to encourage First Homes-led developments on land that is not currently allocated for housing".

11.52 On 24th May 2021, the Government published new PPG on First Homes including First Home exception sites which defines them as follows:

“A First Homes exception site is an exception site (that is, a housing development that comes forward outside of local or neighbourhood plan allocations to deliver affordable housing) that delivers primarily First Homes”

11.53 The PPG sets out that First Homes exception sites can come forward on unallocated land outside of a development plan; however, they cannot come forward on Green Belt or designated rural areas.

11.54 For plan making, local authorities are encouraged to set policies which specify their approach to determining the proportionality of First Homes exception site proposals, and the sorts of evidence that they might need in order to properly assess this. In the context of market provision, authorities can specify in detail the proportions of market housing that would be considered acceptable and under what circumstances.

11.55 In response, we would recommend that the Council therefore develop a policy which recognises the role of First Home exception sites on suitable land, setting out criteria for which to assess schemes and being clear that these are distinct from rural exception sites. The Written Ministerial Statement (“WMS”) published on 24th May 2021 does set out some further steer on the approach for local authorities, explicitly stating that:

“First Homes exception sites should be on land which is not already allocated for housing and should:

a) comprise First Homes (as defined in this Written Ministerial Statement)

b) be adjacent to existing settlements, proportionate in size to them, not compromise the protection given to areas or assets of particular importance in the National Planning Policy Framework, and comply with any local design policies and standards.”

11.56 In terms of the size of scheme, the PPG states that what constitutes a proportionate development will vary depending on local circumstances for the purpose of decision-taking. It is considered that the size of schemes could be determined by the size of an adjacent settlement in line with the Council’s settlement hierarchy.

11.57 In addition, applicants should be required to submit a housing needs assessment to demonstrate that the need for such homes is not already being met within the local authority’s area. In the context of providing an element of market housing, applicants should also provide evidence that the site

would be unviable without such housing being included, for instance in situations where the development faces significant and unexpected delivery costs. The WMS is also clear that local connection criteria may be set but only where it can be supported by evidence of necessity and will not compromise site viability.

Rural Exception Sites

- 11.58 The Framework (paragraph 77 and the Glossary) makes clear that rural exceptions sites are different to entry-level exception sites (now First Home exception sites). The Framework at Annex 2 defines rural exception sites as: “small sites used for affordable housing in perpetuity where sites would not normally be used for housing”.
- 11.59 In contrast to entry-level or First Home exception sites, rural exception sites seek to address the needs of the local community by accommodating households who are either current residents of the parish or have an existing family or employment connection to the parish. A proportion of market homes may be allowed on the site at the local planning authority’s discretion, for example where “essential to enable the delivery of affordable units without grant funding” which is similar to the new First Home exception site policy.
- 11.60 The Framework (paragraph 77) confirms that local planning authorities should support opportunities to bring forward rural exception sites that will provide affordable housing to meet identified local needs and also to consider whether some market housing on such sites would help facilitate this.
- 11.61 The purpose of rural exception site development is to recognise that more rural communities need new housing to help maintain their vitality and also to assist residents to find accommodation that meets their changing needs.
- 11.62 For younger individuals and households this includes offering genuine opportunities to secure affordable housing in the area where they have grown up. Rural exception housing therefore offers a policy and financial mechanism by which the choice and mix of accommodation available to younger age groups can help support access to appropriate housing. Rural exception sites do also offer opportunities for the ageing population; with the ability for provide for individuals wishing to downsize amongst other avenues.
- 11.63 Rural exception sites have the advantage of giving people with a local connection and where there is an identified *local* housing need a priority in the affordable housing allocation process. Homes are offered first and foremost to households in the parish within which it is located. The development and occupancy of rural exception sites is controlled through a S106 legal agreement. This agreement ensures that the dwellings on the exception site are affordable in perpetuity and have occupancy clauses.

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- 11.64 The affordable housing provided on rural exception sites should only be used to meet a clearly identified *local* housing need and a community will need to demonstrate through a local housing needs survey that there is a localised need. The results of the survey should demonstrate that there are people living in the parish/village who are in housing need and are unable to compete in the general housing market (to rent or buy) due to the low level of their income.
- 11.65 In contrast on First Home exception sites there is no requirement for an applicant to demonstrate a *local* need to the parish. What is required is evidence that there is an unmet need for First Homes at the local authority level.
- 11.66 In terms of delivering exception sites, these can be brought forward by a range of associations but are typically led by Parish Councils or community-led housing groups such as Community Land Trusts (“CLTs”) which provide affordable homes for local people in need, for rent or shared ownership, through the acquisition of land which is held as a community asset in perpetuity.
- 11.67 Mid Sussex District Council supports the Sussex Community Housing Hub (delivered by Action in Rural Sussex) which is a specialist enabling service providing advice and support to community-led housing groups via models including CLTs, co-housing, co-operative housing and self-build.
- 11.68 Through this service, Action in Rural Sussex provide communities with solutions to meet local housing need; expertise, skills and experience to help with delivery and extensive networks locally and nationally. Through the Hub, Action in Rural Sussex are currently working with the following CLTs in the District:
- Slaugham Community Land Trust; and
 - Horsted Keynes Community Land Trust
- 11.69 In addition to this service, Action in Rural Sussex also provide a Rural Housing Enabling Service where they provide expert support and independent advice to Parish Councils and rural communities on the provision of affordable housing for local people.
- 11.70 The Mid Sussex District Plan under Policy DP32 deals with rural exception sites. This policy supports the delivery of rural exception sites subject to a range of criteria including that the scheme (a) comprises 100% affordable housing, (b) meets a local need justified by the best available evidence, (c) is restricted in perpetuity to those with a genuine need for affordable housing and (d) is adjacent or in close proximity to a rural settlement.

11.71 The policy also provides for the consideration of a small amount of market housing limited to that required to facilitate viability. The Council had a similar policy in the previous Mid Sussex Local Plan adopted in May 2004 under Policy H5.

11.72 Icenis has reviewed rural exception schemes over the last decade to 2010/11 in Mid Sussex District in part to understand the effectiveness of previous local planning policies in supporting rural exception schemes. The Table below sets out the relevant housing developments over the period to 2020/21 with a total of three schemes approved and delivered providing for a total of 50 affordable homes for local people.

Table 11.5 Approved Rural Exception Schemes, Mid Sussex, 2010/11-2020/21

No	APP REF	Year of Approval	Market	Affordable Rented	Shared Ownership	Total Affordable
1	11/02918	2010/11	0	9	3	12
2	13/01146	2014/15	0	22	4	26
3	17/0962	2017/18	0	12	0	12

11.73 The first scheme referenced was brought forward by the English Rural Housing Association working with Ashurst Wood Parish Council and Action in Rural Sussex. The site was formerly a disused field situated towards the eastern edge of the village. The Parish Council had established a local need through a housing needs survey. The scheme provided for a mix of 1 and 2 bedroom flats and 2 and 3 bedroom homes.

11.74 The second scheme referenced was brought forward by Hastoe Housing Association. The application was submitted in response to the Rural Housing Needs Survey prepared in November 2009 which identified a substantial housing need for affordable housing in the Parish of Worth. The scheme provided for a mix of 1 and 2 bedroom flats and 2 and 3 bedroom homes.

11.75 The third and final scheme referenced was also brought forward by the English Rural Housing Association. The scheme responds to need identified in the Bolney Parish Council Housing Needs Survey prepared in 2010 in association with Action in Rural Sussex. The scheme provided for a mix of 1 and 2 bedroom flats and 2 and 3 bedroom homes.

11.76 It is notable that all three schemes provided for 100% affordable housing with any requirement for a proportion of market housing whilst also providing for a high proportion of affordable rented housing (equal to an average of 87% across the three schemes).

11.77 Although in absolute terms there has not been a substantial number of homes delivered through the Council's rural exception site policies, it is important to bear in mind that rural exception-sites come forward on land where housing development would not normally be permitted and are ultimately

being driven by housing associations and community groups. The successful delivery of three rural exception schemes and ongoing support provided to Action in Rural Sussex demonstrates that the approach to local policy has been successful.

- 11.78 Looking forward, the Council should continue to highlight and strongly promote the benefits of exception sites to encourage housing opportunity for younger households and family households connected to rural areas. The Council should also explore the opportunity to deliver joint self-build and affordable housing schemes on rural exception sites.

Self-Build and Custom Housebuilding

- 11.79 The Self-Build and Custom Housebuilding Act 2015 (as amended by the Housing and Planning Act 2016) (“the 2015 Act”) provides a legal definition of ‘self-build and custom housebuilding’ which are where individuals or associations of individuals (or persons working with or for individuals or associations of individuals) build houses to be occupied as homes for those individuals.
- 11.80 The Government has long had a clear agenda for supporting and promoting the self-build and custom-building sector. In *Laying the Foundations: A Housing Strategy for England* (November 2011), the Coalition Government set out plans to enable more people to build or commission their own home.
- 11.81 The Housing and Planning Act 2016 (“the 2016 Act”), which received Royal Assent on 12th May 2016, formally introduced the ‘Right to Build’ at Chapter 2. This 2016 Act under the ‘duty to grant planning permissions etc’ has placed a legal duty on the relevant authority to grant enough planning permissions to meet the demand for self-build housing as identified through its register in each base period. The Self-Build and Custom Housebuilding Regulations 2016 subsequently came into force on 31st October 2016, amending the 2015 Act and implementing Chapter 2 of the 2016 Act.
- 11.82 In the Government’s Housing White Paper³⁴ (paragraph 3.14) in January 2017, the commitment to support the self-build and custom housebuilding sector was reasserted, the Government stating that “*alongside smaller firms, the Government wants to support the growth of custom built homes*” in recognition of the fact that custom build homes are generally built more quickly, built to a higher quality and tend to use more productive and modern methods of construction.
- 11.83 In addition, the Government highlighted that “*fewer homes are custom built in England than many other countries, but there is evidence of more demand for them including from older people*”. According to successive Ipsos MORI polls at the time of the Paper’s publication, more than a million

³⁴ Fixing our Broken Housing Market (DCLG, February 2017)

people across the UK expected to buy a building plot, secure planning permission or start/complete construction work on their new home.

11.84 On the other side of the argument however, the Government (paragraph 3.15) did acknowledge that there are barriers to self-build and custom housebuilding, including access to finance – as “*mortgages for custom and self-built homes represent a very small proportion of the overall lending market*”, the planning process and variations to local authority approaches and crucially, land supply and procurement.

11.85 The Government has continued to express support for the self-build and custom housebuilding sector through the more recent White Paper: Planning for the Future which was consulted on during August 2020 to October 2020. The Secretary of State for Housing, Communities and Local Government also announced in October 2020 that a review will be undertaken to examine how effective existing obligations are on Councils in supporting self and custom building - including whether they increase land available to support these homes.

Mid Sussex Self-Build Register

11.86 As of 1st April 2016, and in line with the 2015 Act and the Right to Build, relevant authorities in England are required to have established and publicised a self-build and custom housebuilding register which records those seeking to acquire serviced plots of land in the authority’s area in order to build their own self-build and custom houses.

11.87 The Mid Sussex Self-Build and Custom Housebuilding Register was introduced in August 2015 and there has now been five full base periods up to 30th October 2020. In October 2020, the authority reviewed the register and introduced:

- A requirement for evidence of local connection
- An amended application form
- An annual review / re-registration process
- An initial registration fee of £50 for all applications; and
- An annual renewal fee of £25 for Part One entries only

11.88 All applicants previously on the register were asked to re-register and evidence whether or not they had a local connection to the area as well as pay a registration fee. Those that did not adhere to these requirements through re-registration were removed from the register.

11.89 As the authority introduced a local connection test, in accordance with the 2016 Act, the Council is required to have two parts to the register whereby all individuals or groups who apply for entry on the register and meet all the eligibility criteria must be entered on Part 1 of the Register. Those who met all the eligibility criteria except for a local connection test must be entered on Part 2 of the Register.

11.90 The Council is only required to grant sufficient planning permissions to meet the demand identified on Part 1 of the Register as per the 2015 Act (as amended); however, the PPG is clear that although entries on Part 2 do not count towards demand for the purpose of the 2015 Act (as amended), relevant authorities must have regard to the entries on Part 2 when carrying out their planning, housing, land disposal and regeneration functions. The PPG states that:

“This means, for example, in plan-making the starting point for establishing overall demand for self-build and custom housebuilding would be the number of registrants on Part 1 and Part 2 of the register.”

11.91 As a result, in the context of producing a new Local Plan, entries on both Part 1 and Part 2 have been grouped together in this housing needs assessment. If assessed over the five base periods including Part 1 and Part 2 of the Register using the latest gathered data, there has been a total of 22 registered expressions of interest in a serviced plot of land. This reflects the number of individuals on the reviewed register.

11.92 The Table below provides a base period breakdown of those individuals who have expressed demand for serviced plots of land in Mid Sussex.

Table 11.6 Serviced Plot Demand by Base Period in Mid Sussex

	Total Entries
Base Period 1 (16 August 2015 to 30 th October 2016)	1
Base Period 2 (31 st October 2016 to 30 th October 2017)	1
Base Period 3 (31 st October 2017 to 30 th October 2018)	5
Base Period 4 (31 st October 2018 to 30 ^h October 2019)	2
Base Period 5 (31 st October 2019 to 30 th October 2020)	13
Total	22

11.93 It is worth highlighting that an Ipsos Mori poll³⁵ undertaken for the National Custom and Self-Build Association (“NaCSBA”) in 2016 found that only one in eight people interested in self-build were aware of the introduction of Right to Build Registers in England.

11.94 As a result, the number of individuals on a local authority’s self-build register may underestimate demand. The number of individuals – which is low in relative terms to other parts of England – is also likely to be influenced by the Council’s review in October 2020.

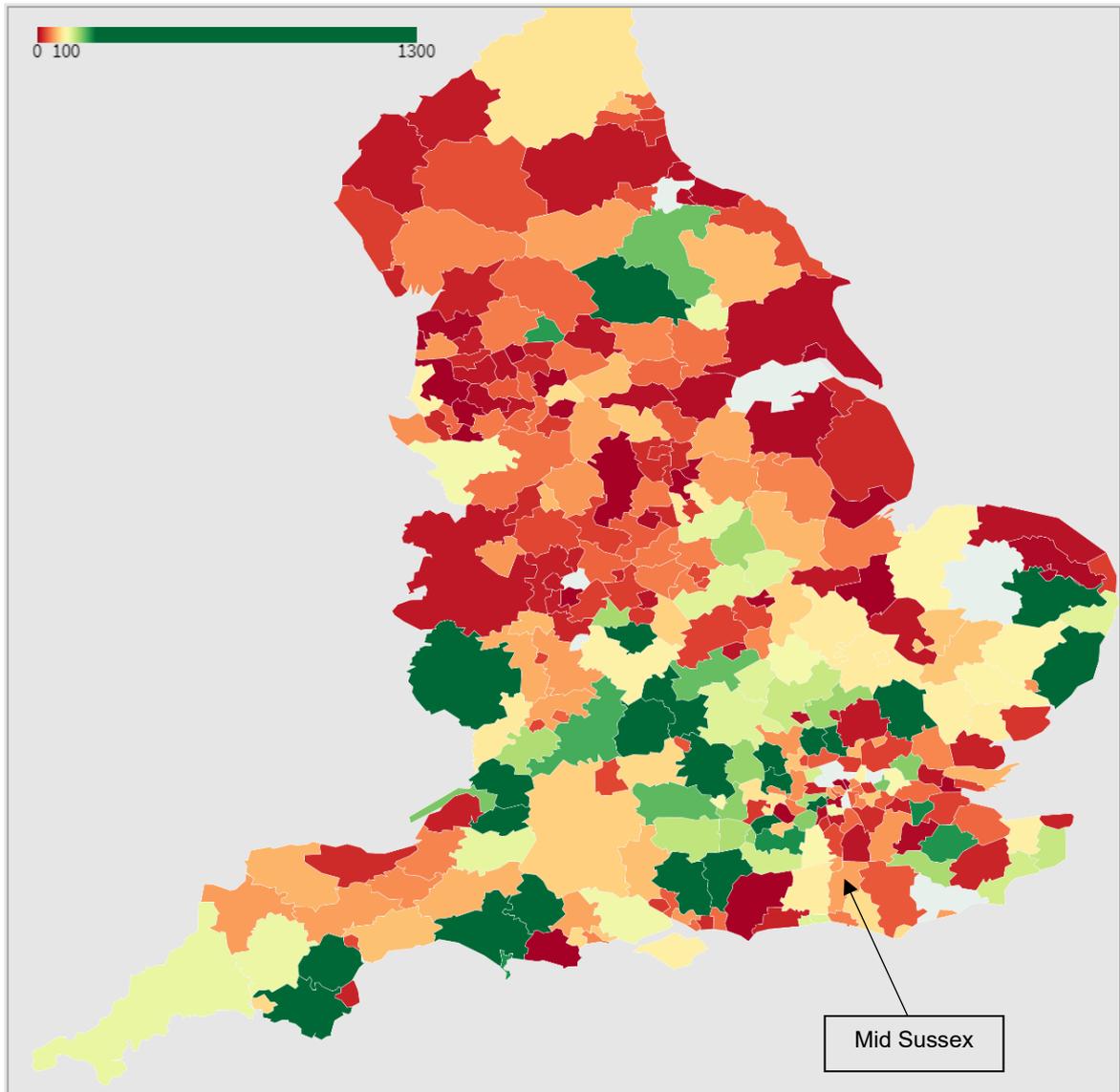
Broader Demand Evidence

11.95 In order to supplement the data from the Council’s own register, we have looked to secondary source as recommended by the PPG, which is data from NaCSBA - the national association for the custom and self-build housing sector.

11.96 NaCSBA has recently published a series of maps with commentary titled “Mapping the Right to Build” in 2019 which allows us to better understand the demand for serviced plots as a proportion of total population relative to all other local authorities across England. One of the key maps within the report highlights the areas of strongest demand and this is shown in the Figure below.

³⁵ ‘Survey of Self Build Intentions 2016’ – this survey questioned nearly 2,000 people about their self-build ambition and activity

Figure 11.5: Overall Demand for Self-Build Plots per 100,000 of Population



Source: NaCSBA "Mapping the Right to Build" (2019)

- 11.97 Although it should be highlighted that this map deals with demand prior to the review of the Council's register, the map demonstrates that Mid Sussex previously had high demand per 100,000 of the population. The data which sits behind the map shows that there is demand from 98 persons per 100,000 in Mid Sussex which ranks the District in the top 25% of authorities in England; however, this will change following the review.

Supporting the Self-Build and Custom Housebuilding

- 11.98 It is clear that there is demand for self-build and custom housebuilding serviced plots of land in Mid Sussex. Over the last five base periods, there has been a total of 22 entries on Part 1 and Part 2 of the Register who have all paid a fee and reapplied following the review of the register in October 2020. In addition, NaCSBA data indicates that prior to the review, the authority was in the top 25% in the country with regards to demand per 100,000 of the population.

11.99 The Self-Build and Custom Housebuilding PPG sets out how authorities can increase the number of planning permissions which are suitable for self-build and custom housebuilding and support the sector. The PPG³⁶ is clear that authorities should consider how local planning policies may address identified requirements for self and custom housebuilding to ensure enough serviced plots with suitable permission come forward and can focus on playing a key role in facilitating relationships to bring land forward.

11.100 There are a number of measures which can be used to do this, including but not limited to:

- supporting Neighbourhood Planning groups where they choose to include self-build and custom build housing policies in their plans;
- working with Homes England to unlock land and sites in wider public ownership to deliver self-build and custom build housing; and
- when engaging with developers and landowners who own sites that are suitable for housing, encouraging them to consider self-build and custom housebuilding, and facilitating access to those on the register where the landowner is interested;
- working with local partners, such as Housing Associations and third sector groups, to custom build affordable housing for veterans and other groups in acute housing need.

11.101 At present, Policy DP30 of the Mid Sussex District Plan supports the provision of housing to “meet the current and future needs of different groups in the community including ...those wishing to build their own homes”. The policy recognises that “this could include the provision of serviced self-build plots”.

11.102 However, an increasing number of local planning authorities have adopted *specific* self-build and custom housebuilding policies to encourage delivery, promote and boost housing supply. There are also a number of appeal decisions in the context of decision-taking which have found that paragraph 11(d) of the Framework is engaged in the absence of specific policy on self-build housing when this is the focus of a planning application.

11.103 A specific policy would typically express support for self-build and custom housebuilding and require that a minimum proportion of plots within development schemes (often over a certain size) are offered to self-builders or as custom-build plots and/or allocation of sites solely for the use. This is often known as the “Teignbridge Rule” after the first District Council to adopt the first self-build policy. In

³⁶ Paragraph: 025 Reference ID: 57-025-20210508

this instance, 5% of all developable housing land is allocated for custom and self-build on larger sites. This proportion could be applied to sites of 20 homes or more including on strategic sites.

11.104 In addition to the potential for a proportional requirement for self-build housing, Icen consider that in order to respond to demand in the sector, and in response to the PPG's requirements, the Council should also support, through policy, the submission and delivery of self-build and custom housebuilding sites, where opportunities for land arise and where such schemes are consistent with other planning policies.

12. CONCLUSIONS

- 12.1 This section sets out the conclusions and recommendations arising from the preceding sections of this report.

Local Housing Need

- 12.2 The Government's current standard method for assessing housing need takes 2014-based Household Projections and applies an upward adjustment based on the median house price to earnings ratio.
- 12.3 Applying the standard method in Mid Sussex District results in a minimum local housing need of 1,093 homes per annum. This is derived based on household growth of 710 per annum, taking from the 2014-based Household Projections and applying an affordability uplift of 154% applied to this based on the 2020 affordability ratio.
- 12.4 A review of recent demographic data, including up-to-date projections and a range of data about past trends does not suggest that there is a strong case for the Council to move away from the standard method figure (in either an upward or downward direction).
- 12.5 In line with the PPG, the report has considered wider factors in assessing housing need including growth funding and strategic infrastructure improvements (including the expansion of Gatwick Airport) as well as affordable housing need; however, we do not find clear evidence necessitating an uplift in housing need above the standard method derived local housing need figure.

Affordable Housing

- 12.6 The report includes an updated assessment of affordable housing need which responds to the widened definition of affordable housing set out in the Framework. This includes households who might be able to rent a home in the private sector without financial support but aspire to own a home and require support to do so.
- 12.7 The assessment shows an annual need for 470 rented affordable homes in Mid Sussex District and the Council is therefore justified in seeking to secure additional affordable housing. The report has also assessed the potential scale of need for affordable home ownership housing, identifying a need for 455 homes per annum. A breakdown is provided below.

Table 12.1 Affordable Rented Need to 2038, Mid Sussex

Affordable Rented	Net Need (p.a.)
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Affordable/Social Rented (p.a.)	470
Proportion (%)	51%
Affordable Home Ownership (p.a.)	455
Proportion (%)	49%
Total (p.a.)	925

- 12.8 The analysis suggests that there will be a need for both social and affordable rented housing – the latter will be suitable, particularly for households who are close to being able to afford to rent privately and also for some households who claim full Housing Benefit.
- 12.9 On this basis, it is not recommended that the Council has a rigid policy for the split between social and affordable rented housing, although the analysis is clear that both tenures of homes are likely to be required.
- 12.10 When looking at the need for affordable home ownership products, it should be noted that there could be additional supply from resales of market homes (below a lower quartile price) which arguably would mean there is a more limited need for AHO.
- 12.11 Nevertheless, our analysis does suggest that there are many households in Mid Sussex who are being excluded from the owner-occupied sector (as evidenced by reductions in owners with a mortgage and increases in the size of the private rented sector). This suggests that a key issue in the District is about access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially mortgage restrictions (e.g. where employment is temporary) rather than simply the cost of housing to buy.
- 12.12 The study also considers different types of AHO (notably First Homes and shared ownership) as each will have a role to play – shared ownership is likely to be suitable for households with more marginal affordability (those only just able to afford to privately rent) as it has the advantage of a lower deposit and subsidised rent.
- 12.13 In deciding what types of affordable housing to provide, including a split between rented and home ownership products, the Council will need to consider the relative levels of need and also viability issues (recognising for example that providing AHO may be more viable and may therefore allow more units to be delivered, but at the same time noting that households with a need for rented housing are likely to have more acute needs and fewer housing options).
- 12.14 Overall, the analysis identifies a notable need for affordable housing, and it is clear that provision of new affordable housing is an important and pressing issue in the area. The need identified in this report provides a starting point for setting policy which should be tested against the amount of

affordable housing that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.

Older Persons Housing Needs

- 12.15 The analysis in this report has shown a notable growth in the population of older persons aged 65 and over in Mid Sussex over the period to 2038, with the number of people expected to grow by over 14,000 persons to 2038 equal to 44%.
- 12.16 Within this, the number of people with a limiting long-term health problem or disability is projected to increase in the District. The specific projections undertaken show an expected increase of those with dementia by 1,150 persons and with mobility problems by 2,634 to 2038.
- 12.17 When related back to the total projected change to the population, the increase of 1,800 people with a mobility problem represents 8% of the total projected population growth. The growth shown in those with disabilities provides clear evidence justifying delivering ‘accessible and adaptable’ homes as defined in Part M4(2) of Building Regulations.
- 12.18 The Council should ensure that the viability of doing so is also tested as part of drawing together its evidence base although the cost of meeting this standard is unlikely to have any significant impact on viability and would potentially provide a greater number of homes that will allow households to remain in the same property for longer.
- 12.19 Some older households, particularly those aged over 75, will require specialist housing provision. The analysis in this section points to a need for 816 units of housing with support to 2038 and 1,071 units of housing with care. In considering extra-care schemes, there is a need to carefully consider the viability and practical feasibility of delivering affordable housing on-site.

Table 12.2 Specialist Housing Needs, Mid Sussex

Specialist Housing Need		Shortfall/Surplus
Housing with Support	Market	801
	Affordable	15
	Total	816
Housing with Care	Market	857
	Affordable	214
	Total	1,071

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- 12.20 The Tables above should be considered as providing a set of parameters for housing need. The ultimate level of provision the Council seeks to support will be influenced by its broader strategy for older persons housing and care, as well as early consultation with West Sussex County Council.
- 12.21 The analysis in this report also identifies a need for around 310 additional residential care bedspaces to 2038; however, a surplus of nursing care bedspaces has been identified. These will fall within a C2 use class and should be treated as maximum figures.
- 12.22 It is important that the council's planning policies support the delivery of specialist housing, in particular extra care schemes. A notable by-product of doing so will be the release of existing mainstream housing, including family housing, for other groups within the population.
- 12.23 In particular, for schemes with higher levels of care provision, consideration should also be given to whether it is practical to manage market and affordable provision within a single development. This may be influenced by the nature of the site and scheme.
- 12.24 In addition, a need for 1,100 dwellings from wheelchair users in Mid Sussex, equivalent to 5.9% of the total housing need. Icenis consider that it would be appropriate to seek provision as part of major new-build schemes, subject to support from viability evidence studies and evaluation on a site-by-site basis.
- 12.25 Taking the evidence together, there is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings as well as providing specific provision of older persons housing.
- 12.26 Given the evidence, the Council could consider (as a start point) requiring all dwellings (in all tenures) to meet the M4(2) standards (which are similar to the Lifetime Homes Standards) and around 5% of market homes meeting M4(3) – wheelchair user dwellings (a higher proportion in the affordable sector).

Needs for Different Sizes of Homes

- 12.27 Understanding the existing housing mix in the District is important in considering what future mix of housing is appropriate to deliver a mixed and balanced community. This is important at both a strategic, and at a local, level.
- 12.28 The analysis in this report shows that, when compared with the regional data, the two main difference between Mid Sussex and the South East are a higher proportion of 4+-bedroom market homes (35% of all market accommodation in the District) and a high proportion of 1-bedroom homes in the social

rented sector (39% of all homes in this tenures). The profile of the private rented sector is broadly similar to that seen regionally.

- 12.29 Taking into account the current housing stock and expected demographic trends – including the expectation that some older households will downsize if the right properties are available, this report points towards a need for different sizes of homes in the market and affordable sectors which are reflected in the table below.

Table 12.3 **Need for Different Sizes of Homes, Mid Sussex**

	1 Bed	2-Beds	3-Beds	4+ Beds
Market	5-10%	20-25%	40-45%	25-30%
Affordable Ownership	10-15%	50-55%	25-30%	5-10%
Affordable Rented	30-35%	40-45%	15-20%	5-10%

- 12.30 The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households. Also recognised is the limited flexibility which 1-bed properties offer to changing household circumstances, which feed through into higher turnover and management issues. The conclusions also take account of the current mix of housing by tenure and also the size requirements shown on the Housing Register.
- 12.31 The mix identified above could inform strategic policies although a flexible approach should be adopted. For example, in some areas Registered Providers find difficulties selling 1-bedroom affordable home ownership homes and therefore the 1-bedroom elements of AHO might be better provided as 2-bedroom accommodation. Additionally, in applying the mix to individual development sites, regard should be had to the nature of the site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level. The Council should also monitor the mix of housing delivered.
- 12.32 Based on the evidence, it is expected that the focus of new market housing provision will be on 2- and 3-bed properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retaining flexibility for friends and family to come and stay.
- 12.33 The recommendations can be used as a set of guidelines to consider the appropriate mix on larger development sites, and Icen consider that it would be reasonable to expect justification for a housing mix on such sites which significantly differs from that modelled herein.

Younger Households and First-Time Buyers

- 12.34 Over the 2021-38 period, the number of younger households is expected to increase by 33% in Mid Sussex equal to an increase of 3,793 younger households or 21% of the total expected household growth.
- 12.35 In Mid Sussex, lower quartile house prices have now risen to 12.72 times typical earnings of younger households. The LQ affordability ratio was as low as 6.51 at the turn of the century in 2000 and entry-level affordability is clearly at a level which points to significant barriers for younger households seeking to buy a home.
- 12.36 The formulation of a Help to Buy scheme moving forward from 2021 to 2023 solely for first-time buyers does offer certainty that this form of housing market intervention and support will continue to have a role in supporting these households. It has played a key role in supporting households Mid Sussex since its introduction in 2013.
- 12.37 Ultimately however, in absolute terms, the level of deposit required in order to secure a market housing purchase has increased substantially linked to increasing sales prices over time and to the ability of individuals/family households ability to save a sufficient element of income for the deposit. The affordability of housing to buy, and the ability of younger households to access it has deteriorated in recent years; and is now out-of-reach of many younger households.
- 12.38 A strategy which draws on a number of measures is needed to address the needs of younger households, including most importantly promoting the delivery of affordable housing through planning policy – and in particular affordable home ownership and shared ownership products which provide an avenue for younger households to get onto the property ladder without significant deposit requirements. There are also opportunities through other housing market segments such as Build to Rent schemes and co-living schemes to support younger households that chose to rent privately.

Families

- 12.39 The proportion of households with dependent children is similar to the regional and national average. Projecting forward, a notable projected increase in the number of households with dependent children is expected, with this group increasing by 20% (equal to 3,600 households) to 2038. This level of increase is however lower than the projected change for other households (i.e., those without dependent children) – a projected increase of 32%.
- 12.40 The level of growth in family households does not automatically translate into an equivalent need for family-sized accommodation, not least as many older households will continue to live in family-sized properties that offer space for friends and relatives to come and stay.

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- 12.41 The delivery of family sized housing remains a requirement in both urban and rural locations of the District. This includes providing family housing in the widest possible choice and mix of housing locations including town centres, and through the sustainable expansion of rural and smaller settlements (particularly helping to support economic and social vitality).
- 12.42 It is important to deliver a range of housing sizes and to actively promote this through appropriate planning policies and consideration of the operation of the market. There may still be limitations as to the affordability of larger properties in the context of continued growth in sales prices evident across the District in recent years.
- 12.43 In more rural areas, the opportunity to broaden and secure a choice and mix of family sized accommodation alongside smaller accommodation should be explored in order to diversify the market and provide for local housing demand. Whilst in the three main towns, subject to the availability of land, the provision of family-sized accommodation should be supported.

Student Housing Needs

- 12.44 In Mid Sussex District, there is no higher education establishment. The nearest higher education establishments are the University of Sussex located in Falmer, East Sussex and the University of Brighton. There is one further education college which is Haywards Heath College.
- 12.45 According to Census data, there were 6,080 full-time students aged 16 and over in the District in 2011. The Table below sets out the number of students separated out by those aged 16-17 (i.e., principally sixth form students) and those aged 18-74 (i.e. further and higher education). In total, there were 2,725 full-time students in Mid Sussex aged 18-74 with the vast majority living with parents.
- 12.46 In addition, our analysis of the private rented sector suggests that only six full-time students were living in the sector in 2011 and there are no purpose-built student accommodation blocks anywhere in the District. As a result, our analysis does not suggest a need for a substantive policy intervention or that any purpose built student housing provision is necessary over the plan period in Mid Sussex District.

Service Families

- 12.47 Mid Sussex District Council has its own Armed Forces Community Covenant. The Community Covenant is a voluntary statement of mutual support between the District Council and its local Armed Forces Community. The Council has also set out that it will continue to fulfil its housing function with due regard to the needs of Ex-Service personnel, through its Housing Allocation Scheme and promote grant applications to the Community Covenant Fund amongst other measures.

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- 12.48 Our analysis of Census data for all usual residents employed in the Armed Forces in Mid Sussex shows that there were 88 residents in 2011 living in the District comprised of 88 residents living in a household (as opposed to a communal establishment). This represented only 0.001% of the usual resident population aged 16 and over at the time the Census was carried out.
- 12.49 Furthermore, according to the MOD, there were no military and civilian personnel stationed in Mid Sussex on 1st April 2021. This suggests that any Armed Forces personnel living in the District commutes out to other areas and overall, the number of service personnel in the District represents a very small proportion of the population.
- 12.50 On the basis of the evidence and our discussions, there is no requirement for any intervention from the Council in respect of service families.

Self-Build and Custom Housebuilding

- 12.51 Self and custom housebuilding is a growing sector of the housing market, and one which has potential to contribute to housing delivery. Since the introduction of the Council's self-build register on 16th August 2015, there have been a total of 22 individuals entered on Part 1 and Part 2 of the Council's Register. This follows a review of the register in October 2020 with the Council introducing a local connection test and registration fee.
- 12.52 The PPG sets out clearly that relevant authorities should consider how they can best support self-build and custom housebuilding in their area including developing policy and working with self-builders to maximise opportunities.
- 12.53 Icenl recommend that the Council should consider drafting a specific planning policy for self-build housing which addresses opportunities for self-build housing on large and small site opportunities.
- 12.54 The former could be addressed through the application of a version of the Teignbridge Rule. In respect of the latter, the Council should support also support, through policy, the submission and delivery of self-build and custom housebuilding sites, where opportunities for land arise and where such schemes are consistent with other planning policies.

Build to Rent Development

- 12.55 The private rented sector has been the key growth sector in the housing market for the last 15 years and now makes up just over 20% of all UK households. Since 2011, the private rented sector has been the second largest housing tenure in England behind owner-occupation, overtaking social housing.

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- 12.56 In the District, the private rented sector accounted for 18% of all stock at the point of the 2011 Census. This compared with 20% in the South East and 21% in England. As a result, in relative terms, the sector is not significant in the District but clearly plays a role in the market.
- 12.57 Those renting in the private rented sector is particularly skewed towards those aged 25 to 39 and the largest household group is single person households which is typical of the sector. However, there is also a high proportion of couples with and without children living in the sector. It is also clear from our analysis that rental values are strong in Mid Sussex – and there has been notable rental growth, particularly for smaller properties ranging from studios to 2 bedroom properties.
- 12.58 Over recent years, successive Governments have looked to the private rented sector to play a greater role in providing more new build housing and have sought to encourage “Build to Rent” development. There has been one Build to Rent development to date in the District which is currently coming forward in Haywards Heath and performing well, suggesting that there is a market for this product.
- 12.59 In preparing a new Local Plan, the Council should seek to include a policy on Build-to-Rent development in order to set out parameters regarding how schemes would be considered with the expectation that there is likely to be some activity moving forward – and this policy should also deal with how affordable housing policies would be applied.
- 12.60 Given the nature of the sector, the Council are advised to align policy requirements to national guidance.

Co-Living Housing

- 12.61 The concept of co-living in its modern form of housing is relatively new, and whilst it is not specifically defined in the Framework, it is often used as part of a wider definition relating to a type of intentional community where residents share living space and a set of interests, values and/or intentions.
- 12.62 In its current form, modern co-living in the UK tends to be urban focused and integrated into a single building, house, or apartment, a sharing of amenities, and a demographic trend towards 20 to 30 something professionals. As a market segment, this is most well developed currently in London.
- 12.63 The current co-living business model and characteristics draw on a large base of transient younger, high skilled professional households and individuals - particularly those without dependents. At present, this is not a notable characteristic of the existing profile of households in Mid Sussex.
- 12.64 However, household growth over the period to 2038 of heads of households aged under 40 (i.e., younger households) is expected to grow by 33% equal to 3,800 households. The District’s three

main towns are well connected with London and Brighton and have a wide range of services and facilities. There are also issues around affordability for younger households and a need for a strategy which pulls in a number of different housing products.

- 12.65 A co-living product could therefore provide an alternative to those households – particularly in the emerging context of COVID-19 and the potential for a changing work-life balance moving forward. As a result, it is considered the Council should construct a policy which supports high-quality co-living schemes where a local need is demonstrated. It is expected that co-living schemes would be delivered in an area well connected to local services and transport (i.e., the District’s main towns), be under single management and offer rent with a minimum tenancy of no less than 3 months.

Rural Housing Needs

- 12.66 The Framework (paragraph 71) identifies that local planning authorities should support the development of entry-level exception sites, suitable for first time buyers (or those looking to rent their first home). The paragraph requires that such sites should not be on land already allocated for residential development and should comprise affordable housing as defined in the Framework’s Glossary.
- 12.67 However, from 28th June 2021, entry-level exception sites have been replaced by “First Home exception sites”. A First Home exception site can come forward on unallocated land outside of a development plan; however, they cannot come forward on Green Belt or designated rural areas.
- 12.68 For plan making, local authorities are encouraged to set policies which specify their approach to determining the proportionality of First Homes exception site proposals, and the sorts of evidence that they might need in order to properly assess this. In the context of market provision, authorities can specify in detail the proportions of market housing that would be considered acceptable and under what circumstances.
- 12.69 In response, we would recommend that the Council therefore develop a policy which recognises the role of First Home exception sites on suitable land, setting out criteria for which to assess schemes and being clear that these are distinct from rural exception sites. As set out, First Homes exception sites should be on land which is not already allocated for housing and should comprise First Homes and be adjacent to existing settlements, proportionate in size to them, not compromise the protection given to areas or assets of particular importance in the National Planning Policy Framework, and comply with any local design policies and standards.
- 12.70 In addition, applicants should be required to submit a housing needs assessment to demonstrate that the need for such homes is not already being met within the local authority’s area. In the context

of providing an element of market housing, applicants should also provide evidence that the site would be unviable without such housing being included.

- 12.71 The Framework (paragraph 77 and the Glossary) makes clear that rural exceptions sites are different to entry-level exception sites (now First Home exception sites). The Framework states that local planning authorities should support opportunities to bring forward rural exception sites that will provide affordable housing to meet identified local needs and also to consider whether some market housing on such sites would help facilitate this.
- 12.72 The Mid Sussex District Plan under Policy DP32 deals with rural exception sites and sets out criteria which rural exceptions schemes in the District must adhere to. It recognises that a small amount of market housing may be allowed at the Council's discretion where this would facilitate the provision of significant additional affordable housing to meet local needs. The Council's previous Local Plan included a similar policy.
- 12.73 Over the last decade, three schemes have come forward as rural-exception sites in the District providing for 100% affordable housing provision with a combination of affordable rent and shared ownership provision. Action for Rural Sussex is also heavily involved in supporting community groups – including two Community Land Trusts in Mid Sussex – to bring forward schemes.
- 12.74 Looking forward, the Council should continue to highlight and strongly promote the benefits of exception sites to encourage housing opportunity for younger households and family households connected to rural areas. The Council should also explore the opportunity to deliver joint self-build and affordable housing schemes on rural exception sites.