

## Appendix 1 – Extract from Updated HEDNA

### Revision to OAN and Plan Provision Number - November 2015

Briefing Paper for Scrutiny Committee for Planning and Economic Development, and Council.

#### Starting Point

##### (1) OAN - Starting Point

The HEDNA Update (November 2015) shows the impact of the most up-to-date Household Projections, published by CLG in February 2015. These are referred to as 'CLG 2012' in the HEDNA Update as they have a 2012 base date. They supersede 'CLG 2011' and 'CLG 2008' data, which were both key components in the original HEDNA (February 2015).

The National Planning Practice Guidance (NPPG) states that the CLG Household Projections should be the starting point when determining the Objectively Assessed Need (OAN) for the area. The CLG 2012 projections show:

	Households
2014	59,363
2031	70,507
2014-2031	11,144
Per Annum	<b>656</b>

Table 1: CLG 2012 Household Projections

The starting point for OAN is therefore 656 dwellings per annum. The NPPG also states that sensitivity testing should take place to ensure that the starting point is a robust assumption of the amount of housing needed for the area. Analysis of the CLG Household Projections data was undertaken within the HEDNA Update and concluded that, despite there being a number of sensitive elements in the data that could be prone to change, 656dpa is an appropriate starting point.

**656dpa is therefore the starting point for OAN.**

##### (2) Vacancy Rate

Whilst not referred to in the NPPG, it is now becoming clearer (through Inspectors' reports and comments made during consultation) that a small adjustment should be made to allow for vacant dwellings. Vacant dwellings are those that are used, for example, as second homes or holiday homes – i.e. those that are included within the CLG's household projections figures but will not contribute to meeting any housing need within the District.

Census 2011 demonstrates that 2.3% of the District's dwelling stock is 'vacant'. Therefore, an uplift of 2.3% should be added to the baseline OAN in order to reflect the fact that some houses planned for may not contribute to meeting housing need.

**This adjustment to the starting point is therefore:  
656dpa + 2.3% uplift (15dpa) = 671dpa.**

## **Adjustments**

### **(3) Sensitivity testing (November 2015)**

The HEDNA (February 2015) and HEDNA Update (November 2015) both undertook sensitivity testing to ensure the CLG Household Projections data reflected local circumstances, and was therefore appropriate to use as the starting point for OAN in Mid Sussex without further adjustment. This included analysis of recent population Mid-Year Estimate data published by the Office for National Statistics (June 2015). The HEDNA reports concluded that the CLG projections were appropriate, and that no adjustment to this data was needed.

**As a result of sensitivity testing, the baseline OAN remains at 671dpa.**

### **(4) Market Signals**

The NPPG requires analysis of a range of Market Signals. Worsening trends in the market signals could indicate past affordability problems or indicate high demand for housing in the area which had not been satisfied in the past. Market signals will help identify potential problems that may require upwards adjustment to the baseline OAN (i.e. 671dpa) to assist in resolving.

The market signals are:

- Land prices;
- House prices;
- Rents;
- Affordability;
- Rate of development;
- Overcrowding

The NPPG requires an upward adjustment to the baseline OAN if a worsening trend in any of the signals is experienced. Where the adjustment is required, it should be at a level that is reasonable and consistent with the principles of sustainable development.

The HEDNA (February 2015) analysed each of the market signals in detail:

**Land Prices** – No readily available data was available for analysis, so this market signal was excluded from the assessment.

**House Prices** – Average house price appreciation for Mid Sussex for the period 2002-2012 is lower than regional, county and national averages and lower than all local authority areas in West Sussex other than Crawley. House price appreciation is therefore a national/regional issue rather than anything specific to Mid Sussex.

**Affordability of Market Housing** – Whilst affordability ratios (lower quartile house prices to lower quartile earnings) are higher in Mid Sussex compared to West Sussex and England as a whole, this is not an isolated situation or exceptional against comparable areas. The proportion of people unable to buy or rent is broadly reflective across the wider area. The proportion of household income spent on housing mortgage payments is below the UK average.

**Affordability – Private Rental Market** – Mid Sussex has seen a decrease in the number of lettings between 2013 and 2014, compared with an increase overall in the Housing Market Area. The supply of private rental properties remains relatively buoyant in the short term. The decrease in the number of rentals may lead to improving market conditions in Mid Sussex, as previously rented homes come back onto the market for private sale. The price of private rents in Mid Sussex has increased over the last 10 years; however this is broadly reflective of the South East region as a whole rather than unique to Mid Sussex.

**Rate of Development** – Whilst Mid Sussex has not met the housing requirements set out in the Regional Spatial Strategy (the South East Plan), this should be considered in the context of whether this housing requirement was a reasonable figure in the first place. The South East Plan set a housing requirement of 855dpa, however analysis in the HEDNA of the level of housing need at this time has shown that a figure of 300-500dpa was more appropriate, with around 470dpa being delivered on average.

**Overcrowding, concealed households and homelessness** – Mid Sussex indicates among the lowest levels of overcrowding for the owner occupied sector and social rented sector, and below average levels of overcrowding for the private rented sector, either better or on a par with national, regional and county averages. Mid Sussex has one of the lowest levels of concealed households compared to adjacent and nearby local authority areas and a consistently low rate of homeless acceptances - an average well below County, South East and national levels.

The HEDNA concluded that, although any worsening trend was not unique to Mid Sussex and was more reflective of regional/national issues, an uplift of 10% on top of the (then current) baseline OAN of 570dpa would be reasonable and consistent with the principles of sustainable development. In the absence of detailed guidance regarding the amount the OAN should be uplifted by to account for market signals, 10% had been quoted by two Inspectors when publishing their findings on two Local Plans (Uttlesford and Eastleigh) and was felt appropriate at that time.

Since publication of the HEDNA, further work has taken place with respect to Market Signals. Since the original HEDNA was produced, more examples of Inspectors' reports outlining the approach to be taken with Market Signals have been published, including a number of examples where no uplift has been justified or applied. Similarly, more examples of best practice and methodology have also emerged.

Of importance is the approaches taken by neighbouring authorities, in particular neighbouring authorities in the same Housing Market Area. These findings include Horsham (Inspector's Report) and Crawley (Inspector's Preliminary Findings) which could be applicable within Mid Sussex, since the three authorities make up the Northern West Sussex Housing Market Area. Horsham proposed an upwards adjustment of 22dpa to account for affordability pressure in the 25-34 age group. At Crawley, the Inspector's Preliminary Findings found that a market signals uplift was not justified by the evidence.

The NPPG is clear that the OAN should be uplifted to take account of market signals in order to improve affordability. The HEDNA Update (November 2015) shows that the age group 20-34 is the age group most in need of assistance in terms of affordability. This is demonstrated by the fact that the proportion of households owned as opposed to rented by this age group has decreased significantly between 2001-2011 (as shown by Census data) and is a significantly lower proportion compared to age groups 35+. This is likely to have been caused by the recession that hit the UK in 2008.

Analysis of pre and post-recession headship rates (CLG 2008 and CLG 2012 data respectively) shows that the impact of the recession has hit those aged 20-34 harder than other age groups. According to post-recession data, fewer heads of household are predicted in this age group over the plan period compared to the amount predicted for the same period in the pre-recession data. This is most likely to be due to the impact the recession had on the availability of mortgage finance, particularly for those with low earnings and/or with low deposits.

Age 20-34	Estimated Households	
	2014	2031
<b>CLG 2008</b>	8,015	8,291
<b>CLG 2012</b>	7,677	7,805
<b>Difference</b>	-338	-486
<b>Per Annum</b>	<b>-20</b>	<b>-29</b>

Table 2: Pre and Post recession Headship Rates, age 20-34

Age 25-34	Estimated Households	
	2014	2031
<b>CLG 2008</b>	6510	6663
<b>CLG 2012</b>	6289	6291
<b>Difference</b>	-221	-372
<b>Per Annum</b>	<b>-13</b>	<b>-22</b>

Table 3: Pre and Post recession Headship Rates, age 25-34

Tables 2 and 3 show that, for the age group 20-34, the newest household projections predict between 20 and 29 fewer households than pre-recession household projections, an average of **24dpa**<sup>1</sup> across the plan period. For the age group 25-34 there are predicted to be between 13 and 22 fewer households than pre-recession household projections showed, an average of **17dpa**.

As a response to market signals analysis and the need to improve affordability in these age groups, a reasonable assumption would be to uplift the OAN by **24dpa** to ensure that pre-recession headship rates could be returned to in the age groups that require the most assistance with regards to affordability and reducing household suppression. This could be expected to improve affordability and assist with this age group in forming new households, and is consistent with the principles of sustainable development.

**Baseline OAN of 671dpa + Market signals uplift of 24dpa = 695dpa.**

**Therefore, 695dpa is established as the Objectively Assessed Need for Mid Sussex.**

#### (5) Plan Provision Adjustments

The OAN has been established as 695dpa, which reflects the amount of housing needed within the District. Further work must be undertaken in order to determine the appropriate Plan Provision number. The Plan Provision is the number of houses the District Plan is planning to provide over the period 2014-2031.

Plan Provision differs from the OAN, in that it can be influenced by policy (such as taking environmental constraints into account) or specific aspirations for growth.

Should the Plan Provision number be lower than 695dpa, Mid Sussex will have ‘unmet need’ for housing, as it could not be demonstrated that the housing need of the District could be catered for. Alternatively, should the Plan Provision number be higher than 695dpa, the excess in supply could be used to help neighbouring authorities who have unmet housing need.

The Duty to Co-Operate places a legal duty on Councils to engage constructively, actively and on an ongoing basis to maximise the effectiveness of plan preparation on cross-boundary strategic issues. This is particularly relevant to housing and the level of unmet need for housing in the area.

Extensive work was undertaken in order to understand neighbouring authorities’ unmet needs. This took place within the “Sustainability Assessment of Cross-Boundary Options” (LUC, 2015) and on-

<sup>1</sup> All figures rounded to the nearest single household.

going discussions with all neighbours. This work demonstrated that there is a significant amount of unmet need arising in the area and there is therefore an obligation under the Duty to Co-Operate to seek resolution to this strategic issue.

As the NPPF (paragraph 47) states, Local Plans must meet the full Objectively Assessed Need for the Housing Market Area. Mid Sussex is within the Northern West Sussex Housing Market Area – alongside Crawley Borough and Horsham District Councils. Whilst Horsham are able to meet their housing need (their plan provision is higher than OAN), Crawley have an unmet need of 340dpa over their plan period 2015-2030.

Horsham District Council, through their Horsham District Planning Framework (which has been found 'sound' and is now on course for adoption), are assisting in meeting Crawley's unmet needs. It is a reasonable approach for Mid Sussex to also contribute towards meeting Crawley's unmet need and therefore the overall need of the housing market area.

The Sustainability Assessment of Cross-Boundary options used an indicative figure of 5,000 additional homes as a reasonable assumption for distinguishing between potential minor and significant effects on sustainability objectives. The study assumed that those options for meeting some or all of neighbouring authorities' unmet housing need that would result in 5,000 or more additional homes being developed within the District (i.e. nearly 50% more dwellings than the 10,600 homes proposed in the now withdrawn (2013) Submission District Plan from 2011-2031), would be more likely to give rise to significant positive and/or negative effects than options that would result in less than 5,000 additional homes. Although not a conclusion of the study, applying the same assumptions, if the District Plan was to make provision for 5,000 additional homes over a 20 year period, this would equal 15,600 homes, or 780 dpa. Therefore, providing additional homes in excess of 780pa has the potential to give rise to some significant environmental effects, depending on where the additional development is located and how it is delivered.

The District Plan Sustainability Appraisal has also appraised a number of plan provision options, and determined that 800dpa represents the 'tipping point' where the negative environmental effects are not outweighed by positive social effects. A level of housing provision above this could lead to environmental effects that would not be outweighed by positive benefits.

Therefore, the maximum plan provision number for the District Plan is 800dpa. With the OAN at 695dpa, this means a maximum of 105dpa could be provided to assist in meeting the unmet needs of neighbouring authorities, with Crawley taking precedence as it is within the same Housing Market Area.

**It is proposed that the Plan Provision number in the District Plan therefore be:**

**OAN: 695dpa**

**Unmet Needs / Duty to Co-Operate: 105dpa**

**Total Plan Provision 2014-2031: 800dpa**

#### (6) Secondary Impacts

A number of secondary impacts arise as a result of a plan provision of 800dpa.

##### *Affordable Housing Need*

As required by the NPPF, the District Plan must meet the objectively assessed need for market and affordable housing. Therefore, if there was a requirement to do so and it could be expected to facilitate the delivery of an increase level of affordable housing, the Plan Provision number could be uplifted further.

The HEDNA Update sets out the assessment of affordable housing need to help inform planning policies and housing targets. This updates work undertaken by Chilmark – the Affordable Housing

Needs Model Update (2014) – and takes account of the revision to the OAN and the revised plan provision number of 800dpa.

The affordable housing needs assessment model considers the differences in affordable housing needs arising from those groups that local authorities are required to give “reasonable preference” to, as opposed to the entire local authority housing waiting list.

Plan Provision: 800dpa	Reasonable Preference Groups	Total Housing Waiting List
<b>Net Annual Housing Need</b>	191dpa	294dpa

With a plan provision of 800dpa, 191dpa affordable homes would be required to meet the needs of those in reasonable preference groups, whilst 294dpa would be required to meet the entire waiting list.

Assuming that, in accordance with the District Plan policy on affordable housing, 30% affordable housing is delivered in new developments (acknowledging that not all new developments will be required to deliver affordable housing, but as a guide), approximately 240dpa out of 800dpa would be affordable. This would therefore exceed the assessed current affordable needs for the reasonable preference groups, and meet 82% of the total waiting list.

This is considered appropriate and the OAN and plan provision figure do not require any further upward adjustment to make an additional provision of affordable housing.

### *Jobs*

It is accepted that there is a link between people and jobs, and the formation of additional households will provide a need for additional jobs to be created to accommodate the increased workforce.

The population profile of the District will determine the workforce within the District, as the population profile will show the number of residents that are of working age. Other statistics, such as economic activity (i.e. the number of people that are in employment or actively seeking employment) and commuting ratios will determine how much of the workforce will be employed within Mid Sussex. This equals the number of jobs required by the population within the District.

The HEDNA Update sets out the modelling work undertaken in order to estimate the number of jobs that would be required within the District with a plan provision of 800dpa, taking into account levels of economic activity and that a certain proportion of the workforce will commute outside Mid Sussex for work (as has historically been the case).

With a plan provision of 800dpa, this would increase the number of workforce jobs by approximately **330 per annum**. It will be important to ensure that employment land is provided to cater for this increase – if not, it will lead to an increase in out-commuting as new residents would not have the opportunity to both live and work within the District.

### **Conclusion**

OAN: 671dpa.  
+ Uplift to account for Market Signals: 24dpa  
 = Plan Provision: 800dpa

Jobs: 330 per annum.