Issue 4: Response to Inspector's Questions

i. Is the housing requirement justified and deliverable and has it been calculated in accordance with national policy and guidance?

1.1 The proposed housing requirement of 16,120 (848 per annum 2011-30) is not justified and is inconsistent with national guidance (Planning Practice Guidance) in several respects.

1) The requirement is driven by an OAN in which the Council has factored in only a very modest 5% upward adjustment to the starting point household projections to account for adverse market signals evidence. This falls far short of an upward adjustment that would be expected to improve affordability in Ashford. There is no evidence to show how and why an adjustment of this order would address significant affordability problems in Ashford. The Planning Practice Guidance (para. 020) specifies that market signals uplifts factored into planned supply should be set at a level that 'could reasonably be expected to improve affordability'.

2) The justification for the small 5% market signals adjustment in SD08 (para. 66) indicates that the Council does not consider that any higher adjustment would be 'realistically achievable'. This echoes the SHMA Update (SD 13, paras 9.19-9.20) which references past-delivery rates and deliverability in settling on 5% as the appropriate market signals adjustment. The market signals element of the OAN, and the appropriate uplift that should be factored into the OAN, has therefore been constrained by reference to past delivery rates and what the Council determines to be the level of future housing growth it considers is achievable. In this regard, the Council has not applied the appropriate approach, established in Hunston Properties Ltd v St Albans CDC [2013] EWCA Civ 1610, which requires that first the full OAN is established before any constraints are applied in arriving at the requirement. It is also important in this regard to note what the new draft Planning Practice Guidance, published by the government in March 2018, specifies: 'Plan-making authorities should not apply constraints to the overall assessment of need. Limitations including supply of land, capacity of housing markets, viability, infrastructure, Green Belt or environmental designations, are considerations when assessing how to meet need' (p.25).

3) The Council has not provided clear justification for the adjustment of 34 dpa it applies in the requirement figure and OAN to account for London migration (SD01 para 3.20; SD08 paras. 68-6). The adjustment adds 442 dwellings to the 825 dpa figure that the Council accepts to be its OAN. It suggests (SD08 para. 68) that this uplift is based on the outcome of the London migration sensitivity analysis carried out in the SHMA Update (SD 13 Appendix 1). It is not possible to determine from where the key 34 dpa is derived. Whilst the overall effect on the OAN and requirement is small, it is not clear whether the Plan therefore properly accounts for additional migration from London.

ii) What weight should be given to the new standardised methodology for calculating local housing need set out in the housing White Paper of February 2017 and the Government consultation of September 2017 on Planning for the right homes in the right places?

1.2 The new standardised methodology has now moved a step forward with the publication of draft Planning Practice Guidance in March 2018 as part of the wider consultation on a revised National Planning Policy Framework.[1] This follows the publication of consultation proposals in September 2017.

1.3 Essentially, the March 2018 proposed PPG maintains the simplified approach outlined in the September 2017 proposal. For a local authority district this means:

- The starting point is the official MHCLG household projections and average annual household growth over a 10-year period from these projections.
- A market signals adjustment to be applied to the household projections, with the adjustment proportionate to the affordability ratio in the district. The proposed formula increases the market signals adjustment relative to the affordability ratio against a baseline figure of 4.0.

1.4 For Ashford, the September 2017 consultation proposals included the OAN figure implied by the new method. The 10-year average figure from the household projections was 764 (2016-26). To this figure, an uplift of 225 per annum was applied. This was derived from an affordability ratio of 8.73, giving a 29% uplift using the proposed formula.

1.5 The proposed, revised PPG is clear that no deviation from the standard method is to be accepted that results in a lower figure unless exceptional circumstances are demonstrated

[1] The consultation closes in May 2018.

to justify an alternative approach. However, higher figures are acceptable where factors such as growth strategies, major infrastructure investment, and growth funding initiatives justify an uplift.

1.6 The Council's own SHMA evidence, and Gladman's previous submissions on OAN matters, do not show there are any exceptional circumstances about the household projections that might justify a lower figure. The proposed PPG is also clear (p.25) that the 'capacity of the housing market', amongst other constraining factors, should not be applied in the assessment of housing need. This means that the appropriate market signals adjustment in the OAN calculation should not be limited by Ashford Council's assertion that the housing growth implied by higher uplifts would not be achievable.

1.7 We recognise that the emerging PPG is a further draft set of proposal. However, for three reasons, we consider that the it should be given weight in determining Ashford's OAN and housing requirement:

- The consistency between the OAN method set out in the September 2017 and March 2018 proposals. This indicates that the government is firmly committed to the method as the approach that should be used in future to establish an OAN.
- The draft PPG implies that, where housing need figures in a plan are lower than those implied by the new method (as is the case for Ashford) or a plan was adopted prior to the implementation of the new method (not clear whether this will be the case for Ashford) an early strategic review of planned housing may be required (p.27). The draft PPG suggests that local housing need figures should be reviewed after 5 years (p.13). The implication is that the new method would quickly become Ashford's OAN.
- The 29% uplift implied by the new method reflects the thrust of the 2017 Housing White Paper and its strong emphasis on tackling affordability problems. For example, house price inflation and recognition that the UK has the 'worst affordability in the OECD' (para. 4.1) are the first issues described in the 'case for change' section of the White Paper. We comment further on this issue in our response to the Inspector's question vii.

iii) Is the housing market area suitably defined having regard to the PPG on Housing and economic development needs assessments (ID02a-011-20140306)?

1.8 No further comment.

iii) Is the figure of 754 households per annum justified as the starting point for establishing objectively assessed need and has it been properly derived from the 2014 population and household projections?

1.9 The 754 figure (2011-31) is derived from the 2014 government sub-national household projections and is the appropriate starting point based on the current PPG (para. 015). The PPG itself notes that the projections reflect past trends. iv) Is the vacancy allowance of 4.2% a suitable one?

1.10 No further comment,

v) Should any demographic adjustment be made to the household projections due to specific local circumstances (ID02a-017-20140306)?

1.11 The 754 dpa starting point figure is at least partly based on the housing growth that has occurred in Ashford, and the related rates at which its population has increased and new households have formed.

1.12 Based on Ashford Council's most recent Annual Monitoring Report (2016/17), net housing completions from 2001-14 (the year leading up to the latest household projections) averaged 578.[2] The same data suggest that, even in the period prior to 2008 and the recession, completions averaged 700 per annum. These levels of growth fell far short of the then housing growth target for Ashford of 1,092 per annum for 2001-21 from the Core Strategy. Had Ashford delivered housing closer to this figure during the 2000s it is possible that projected starting point household growth would be higher than 754 dpa.

1.13 This does not amount to clear justification for a demographic adjustment. However, it is important context in determining the borough's appropriate OAN.

vi) Have employment trends in the Strategic Employment Options Report (EBD04) been properly taken into account (ID02a-018-20140306) and is the selection of a baseline economic growth scenario justified?

1.14 This is the component of the Council's OAN evidence which is most dated as the Plan approaches its examination. As far as we can determine, the Council's Plan evidence has been refreshed in response to the latest demographic, household, housing and market signals data. However, no such updating has been carried out to demonstrate that its assumptions about employment growth and housing remain appropriate. Since the

[2] Ashford Borough Council (2017)

alignment of housing and jobs are part of what would constitute a sound local plan, this is a shortcoming that should be considered at the examination.

1.15 The evidence (EBD04) was published in March 2012 and was based on employment data and other assumptions from 2010 and 2011. The four scenarios set out in EBD04 (Baseline, Downside Risks, Enhanced Performance, Enhanced Productivity) are based on a combination of the analysis of long-term and recent past economic growth, the current position in the borough, HMA, regional and national economies, and forecasts from the Cambridge Econometrics (CE) local economy forecasting model (LEFM). The latter's forecasts are themselves derived from past trends, the sector strengths and performance of the regional and local economy, and CE's assumptions about future change.

1.16 At the time the employment growth evidence was produced, there had been several years of challenging economic conditions in which employment in Ashford and elsewhere in the area had stagnated or declined. The outlook at the time was uncertain, and recovery only began to surface during the latter part of 2013. For these reasons, the appropriate measure would have been to reassess the Council's employment growth evidence in the context of the OAN as the SHMA was updated. This does not appear to have occurred.

1.17 To this end, acceptance that the baseline scenario (12,600 net additional jobs in the Plan period, SD01 para. 3.98) remains the appropriate future employment growth figure to plan for should also have been reconsidered.

1.18 The Council's own evidence (EBD04) included two jobs growth scenarios (Enhanced Performance and Enhanced Productivity) which suggested significantly higher growth figures than the baseline. These implied 14,300 and 15,900 additional jobs from 2010-30. Along with the lower, downside scenario, it points to the Council recognising that other scenarios were possible. These should have been retested as the OAN evidence was refreshed. The EIP should explore whether the outdatedness of the future employment evidence can be relied on as robust for the purposes of determining whether employment and housing are appropriately aligned in the Plan.

vii) Has the housing need number suggested by the household projections been adequately adjusted to reflect appropriate market signals relative to local or national averages as per ID02a-019 & 020-20140306? Is the proposed upward adjustment of 5%

reasonable and is the impact of this figure or a higher one on overall stock growth relevant in determining objectively assessed need?

1.19 We agree with the Council that the affordability evidence justifies a market signals uplift for Ashford. On a series of indicators, it is clear from both the Council's SHMA evidence and our own review of the latest evidence that Ashford is a significantly less affordable housing market than the England average, and that it has seen affordability worsen faster than the national average in the short and long-term. Key indicators include:

- The latest affordability ratio data (2016) give house-price to earnings ratios for Ashford that are well in excess of England averages of between 7.16 and 7.72. Figures for Ashford start at 8.73, so at least 13% worse.
- Measures which represents affordability in the lowest cost quarter of the housing market (lower quartile), and which also strongly justify an upward adjustment. The 2016 lower quartile price-earnings ratios stood at 9.13 (resident-based) and 9.92 (workplace-based), far in excess of levels that could be considered to represent affordable home ownership for residents and people working in Ashford.
- Data on change over time in house prices and affordability which shows that trends in Ashford have certainly worsened faster than is the case in Maidstone and nationally. We have also reviewed recent house price data which shows that Ashford saw median and lower quartile average house prices increase at a faster rate from 2011-16 than was the case in Canterbury, one of the higher value housing markets in Kent, and England.

1.20 We do not agree that a 5% uplift is the appropriate adjustment. The current PPG (para. 020) is quite clear that the scale of the market signals adjustment (the increase in planned supply) should be set at a level that would be expected to improve affordability. Allowing for an additional 5% over the future housing demand figure represented by the household projections is a very small uplift that is wholly inconsistent with the scale of increases in the housing supply which both the government and a range of authoritative studies consider is required.

- The 2004 Barker Review concluded that, nationally, house-building annually would need to increase to 260,000 units a year to manage house price inflation downwards to a more sustainable level over the long-term. Based on the projected demand linked to the national household projections, this would imply a c. 23% uplift over 210,000 households a year.

- The 2016 Redfern Review[3] was underpinned by evidence that implied a c. 44% uplift on the household projections would be necessary to keep house price inflation in check.
- The March 2016 Local Plans Expert Group (LPEG) proposals for a revised OAN method would imply for Ashford a 25% market signals uplift for based on house price and rental affordability measures. [4]
- The 2017 Housing White Paper and Proposed New Method implied an uplift of 29% for Ashford giving a total OAN of 989 dpa.

1.21 In pointing to Inspector's conclusions in EiPs elsewhere (Eastleigh and Uttlesford), the SHMA Update (SD13 paras. 9.3 and 9.4) simply shows that, where Inspectors have concluded that an uplift is appropriate their conclusions were that the figure should be at least 10%. More recent EiP conclusions for Canterbury and Mid Sussex applied uplifts of 20%. In all these instances, the uplifts are significantly higher than the 5% proposed for Ashford.

1.22 We recognise that some Inspectors have decided that no market signals uplifts should be applied. However, for those areas cited by the SHMA Update (SD 13 para. 9.4), there is no comparison of their market signals evidence relative to that of Ashford, nor of the detailed reasons why the Inspector's conclusions for each area are relevant to the appropriate uplift for Ashford. In this regard, their use as benchmarks or as part of the justification for the 5% figure must be given little weight.

1.23 Furthermore, Ashford Council itself provides no evidence to show why an uplift 5% over the implied household projections figure would have any impact on affordability. This is an uplift that the Council acknowledges reflects its view of the housing growth that it considers achievable in Ashford, rather than an uplift to the OAN figure that the Council has concluded would address affordability problems.

1.24 Our view is that, using the Council's own starting point figure of 786 dpa with the London migration adjustment included, the appropriate uplift should be in the order of 15-25% giving an OAN of 904 to 983 dpa. The latter figure would be almost identical to the number implied by the proposed new method for assessing housing need.

[3] The Redfern Review into the decline of home ownership (2016)

[4] Local Plans Expert Group (2016) Report to the Communities Secretary and to the Minister of Housing and Planning

viii) Is the allowance for 442 dwellings over the plan period to cater for increased out migration from London justified and adequate? Is the figure part of the objectively assessed need and should it only be applied from 2017 onwards?

1.25 We have commented on this issue in our response to question i). We note also that the Council (SD08 para. 70) acknowledges that the GLA published a draft London Plan in 2017 that points to a marked increase in the required provision of new homes in London to 65,000 compared with the earlier FALP figure of 42,000.

1.26 Our understanding is several London boroughs are pointing to their lack of capacity to meet their 'share' of this 65,000, citing green belt constraints amongst the factors involved. This is likely to generate additional pressure for local authority areas beyond Greater London to play a role in easing housing growth pressure in the capital. Given Ashford's strong relationship with London (eg. c. 1,000-1,300 in-migrants a year to Ashford), and expectations set out in the Submission Local Plan that travel to work and business connections to London will further improve, it is reasonable to conclude that Ashford could be one of the areas likely to engage with this process.

ix) Has an allowance been made for vacancy and second home ownership of existing and future housing stock?

1.27 Yes, through the application of a 4.2% vacancy rate.

x) Has the Council adequately considered increasing the total housing figures in order to help deliver the required number of affordable homes in accordance with the PPG (ID 2a-029-20140306)?

1.28 The Submission Local Plan (SD 01), the Housing Topic Paper (SD 08) and the 2017 SHMA Update (SD 13) are clear that the Council does not consider that it should set a higher OAN or requirement to increase the supply of affordable homes. It cites viability evidence for the Plan as a key mitigating factor.

1.29 The simple points to make here are that:

- Ashford is therefore planning a housing delivery requirement that across the plan period would not deliver in full its preferred affordable need figure of 368 a year.
- The Council has chosen not to plan for even the modestly higher figure of 920 (SD08 para. 236) which is at the lowest end of the range of 920-1,840 dpa that the SHMA

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Update (SD 13, 8.16) suggests are the figures implied from the delivery of 20-40% affordable housing in new developments to achieve 368 affordable units a year.

- In doing so, the Council has failed to acknowledge that, even modestly higher OAN and requirement figures have the potential to contribute to the delivery of larger quantity of affordable housing. The delivery of a higher level of market housing should enable Ashford to achieve a level of affordable housing provision that is closer to the level of annual need identified in its evidence.

xi) Should the housing requirement be set out in policy as an annual average or should a stepped requirement be included?

1.30 No further comment.