

Home Builders Federation

Representor Number 412

Hearing Session: Issue 4

ASHFORD LOCAL PLAN EXAMINATION

Issue 4: Is the housing requirement justified and deliverable and has it been calculated in accordance with national policy and guidance?

Question i) 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?

Only limited weight can be given to 'Planning for the Right Homes in the Right Places' as whole, however we do consider the following elements from the document can be given more weight:

- the use of the DCLG household projections as the demographic starting point for assessing needs and
- the level of uplift being proposed in the standard methodology.

The reason we consider that these matters can be given more weight is that they are not new areas of policy or guidance. The debate has not been about whether it is correct to apply an uplift it is just when this should be applied and by how much. The consultation gives a clear indication that the Government thinks uplifts should start where median house prices are 4 times median work place income and that uplifts of up to 40% should be applied. This gives a clear indication that a 5% uplift where the median house price to income ratio is over 8 should be considered insufficient. This position is also given further weight by the Government's aim of achieving the delivery of 300,000 homes each year from 2020. Unless uplifts of the level being proposed in the standard methodology are applied the Government will not achieve this aim. In fact if all authorities were to adopt the methodology the Government would still fall short of its target by 34,000 homes each year.

The weight that can be given to both these issues is further strengthened as the Government have taken on board considerations from this consultation and have taken them forward into the consultation on the new NPPF, and associated Guidance which began on the 5th of March.

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

As set out in our representation we do not disagree with the approach taken by the Council in defining their HMA. However, as is found across the South East, there is

considerable interplay and overlap between housing markets and the situation is also distorted by London. These are all recognised in the SHMA and given this position the Council will need to have considered the strategic issue of unmet housing needs arising from neighbouring boroughs and HMAs. The prominence of Ashford and its excellent transport links to the capital make it one of the most sustainable locations for development in Kent and as such it has the potential to support any unmet needs arising within its neighbouring HMAs.

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?

Yes.

iv) Is the vacancy allowance of 4.2% a suitable one?

No comment

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

Planning Practice Guidance (PPG) sets out in the paragraph 2a-015 that some adjustments may need to be made to take account of the fact that failure to meet housing needs in the past has suppressed household formation resulting in a lower level of household growth. We recognised in our representation to the 2016 regulation 19 consultation that the level of suppression was relatively weak and that a 1% adjustment to the demographic projection was appropriate. However, it must be remembered that this is not an adjustment in response to market signals which is aimed at improving the affordability of housing. These should be considered separately.

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?

No comment

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?

No. PPG established the principle that where market signals indicated that the housing market was under pressure, due to the past under supply of housing, then local planning authorities should increase supply above the baseline demographic projections. However, the Government did not elaborate as to what an appropriate uplift would be, other than stating in paragraph 2a-020 that it should be “reasonable”. Because of this there have been discussions at many local plan examinations as to what an appropriate

uplift should be. Uplifts have generally ranged from 5% to 20% depending on market signals, but it would seem that more recently inspectors, and LPAs, have been choosing higher uplifts where market signals are worst. However, there have been examples of uplifts above this level. Cambridge agreed an uplift of 30% and a recent example is Waverley Borough Council¹ where the inspector agreed that a 25% uplift was required to address the considerable affordability concerns in that Borough.

Outside of local plan examinations there have been other recommendations as to the level of uplift required to address the issues of undersupply and affordability that are a current feature of housing markets across the Country. The Local Plan Expert Group, for example, suggested in their final report that where lower quartile incomes to lower quartile house prices were greater than 8.7 then LPAs should uplift supply by 25% above the baseline demographic projection.

But since the publication of the SHMA the Government have given some indication as to what it considers to be reasonable as part of its consultation paper “Planning for the Right Homes in the Right Places”. Whilst this consultation, as mentioned above, can only be given limited weight we do consider it to provide the only indication as to what the Government considers to be a reasonable uplift in relation to market signals.

As part of this consultation the Government sets out its proposal for a standard methodology to be used when establishing the housing needs for each LPA in the Country. Most importantly the consultation establishes the Government’s intention with regard to market signals and the level of uplift it considered is required to meet needs, address past under supply and improve affordability. The standard methodology proposes a formula that requires an uplift of 2.5% above the demographic base for every 1 point above the baseline affordability ratio. The baseline ratio was set at 4 and would mean that, for example, an area where the median workplace to house prices affordability ratio was 8 would be required to provide an uplift of 25% on its base demographic projections. For Ashford this would result in an uplift of 30%.

As stated in our response to question i) of this matter, the reason why we consider this part of the consultation provides the clearest indication as to what is considered to be a reasonable uplift is that without this degree of uplift the Government will not get close to meeting their stated aim of delivering at least 300,000 new homes each year from 2020. In fact this was the target set out in the 2017 Autumn Budget. In his budget statement the Chancellor announced the Government’s target for house building across the country stating:

“I’m clear that we need to get to 300,000 units a year if we are going to start to tackle the affordability problem, with the additions coming in areas of high demand.”

¹http://www.waverley.gov.uk/downloads/file/5963/waverley_local_plan_part_1_examination_inspectors_report

Since this statement the Government have confirmed this ambition during the launch of the consultation on the amendments to the NPPF, which also confirmed the Governments continued intention to apply a standard methodology for assessing housing needs.

If the Government are to achieve its aims of delivering this level of housing and addressing affordability it is clear they consider increases of 40% in those areas with the worst affordability will be necessary, and as such this degree of uplift should begin to be considered as reasonable. However, the 40% cap on the uplift above demographic projections, alongside the lack of a floor to prevent authorities such as Barrow in Furness ending up with a zero target, means that total delivery would still only be 266,000 new homes per annum. So whilst the Government might consider 40% to be the ceiling it will potentially prevent them from meeting their own target.

The levels of uplift and aspirations set out in the standard methodology are also broadly supported in evidence submitted by the Treasury to the House of Lords Select Committee on Economic Affairs suggested that to stabilise house price growth and prevent affordability from worsening would require between 250,000 and 300,000 new homes to be built each year. This roughly translates to a 1.3% increase per annum to existing national housing stock in order to stabilise the housing market with regard to affordability. Given the variability of affordability across the country this would require greater increases above existing stock in those areas which are least affordable. This position is also consistent with paragraph 2a-020 of PPG which states that:

“The more significant the affordability constraints (as reflected in rising prices and rents and worsening affordability ratio and the stronger the indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be.”

It is evident is that in order to deliver the homes needed, and also improve affordability, the uplifts to baseline demographic projections of household growth must be greater than have been applied since the publication of PPG. Affordability in Ashford has become an increasing problem since the start of the century. The lower quartile work place based house price to income ratio has nearly doubled from 5.56 in 2001 to 9.92 in 2016². Whilst rates of increase have slowed there has been no improvement in affordability which no slightly exceeds the highest previous point in 2007 (a ratio of 9.47), the peak of the market prior to the start of the economic recession in 2008. A similar position can be seen with median house price to earnings ratios (the indicator used in the standard methodology). In 2016 this was 8.73 having increased from 5.82 since 2001.

Given that affordability of housing is related to both housing supply and incomes it is difficult to know what level of new house building is required to improve affordability. However, the Government’s position with regard to its supply ambitions would suggest that it expects uplifts significantly higher than the 5% suggested in the Council’s SHMA where affordability is poor. We would suggest a minimum of 20%, as stated in our representation to the 2017 regulation 19 consultation, would have a significantly better

² Source: Office for National Statistics.

chance of improving affordability in comparison to the level suggested by the Council. It would be more in line with the Government's expectation as to what is needed to be delivered by each Council.

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?

In our representations we welcomed the additional allowance to address increased migration from London. London has consistently failed to meet its planned targets and this will result in increased migration from the capital into the wider south east.

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

An allowance should be made for vacant and second homes. In any housing market there is likely to be a degree of vacancy to ensure the effective operation of that market and this should be recognised within any provision. Second home ownership removes homes from the market that would otherwise meet housing needs and LPAs should offset this situation by making an appropriate allowance within OAN.

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)?

The Council state in paragraph 5.2 of the Local Plan that the SHMA considers the need for affordable housing to be around 50% of all future houses delivered in the Borough. However, the Council recognises that this level of delivery cannot be viably sustained by the market. Where this is the case the Council should consider an uplift and we would suggest that this situation provides further evidence to support a more substantial market signals adjustment.

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

The Government have established through PPG that: "Local planning authorities should aim to deal with any undersupply within the first 5 years of the plan period where possible." By utilising both a stepped trajectory and the Liverpool approach the Council are looking to put off the delivery of much needed housing to later on in the plan period. Rather than use a trajectory and the Liverpool approach to the Council should have looked to allocate sufficient small sites to deliver the required homes to address the backlog in the first five years. The importance of addressing the backlog within five years is to ensure that those unmet needs do not continue well into the plan period reducing the effectiveness of the plan in seeking to meet needs and address on-going affordability concerns.

We therefore consider the use of a stepped trajectory to be inconsistent with national policy. The trajectory should be averaged out across the plan period with any backlog in delivery being met within the first five years following its adoption.

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