



Serving Parish & Town
Councils in Kent

Housing Need in the South East

Introduction: There is a politically derived target of 300,000 new dwellings per annum based on population growth. The methodology to assess local housing was based on 2014 ONS statistics. When 2016 ONS statistics demonstrated a significant decline in population projections, it was ignored, and the Government stuck to using the higher 2014 statistics.

For a Government with a strong mandate and strategic intentions, the 300,000 p.a. target for new dwellings should not remain un-tested as new ONS projections emerge and, within an adjusted target, allocation of housing need should reflect geographical policy ambitions. In its manifesto, the new Government promoted a renewed emphasis on development away from London and the South East.

It should recognise that the Affordability Index is a flawed concept, both in terms of calculation and in terms of interpretation. There is evidence that new houses are being left un-occupied, with sale prices being lowered. Especially given renewed optimism in the country, that must be a sign of local over-development.

Allocating housing need: The current methodology continues emphasis on building more in areas that are already stressed i.e. with high ratio of local house prices to local wages. That is simplistically interpreted as un-met demand. **Within the determined target, allocation across Authorities is fundamental and should be determined on a Regional basis, rather than a purely voluntary intention by each Authority.** The current methodology is not sophisticated nor effective; on the contrary, it is crude, with clear gaps and perverse outcomes. Appendix 1 offers thoughts on this technical aspect.

Infrastructure: There are clear examples of where there is 'infrastructure-lag' for new developments and, in fact, in some cases, complete lack of ability to supply the requisite and agreed infrastructure. **It is therefore critical that the pledge in the new Government's Manifesto "...Infrastructure first. We will amend planning rules so that the infrastructure – roads, schools, GP surgeries – comes before people move into new homes. ..." is implemented expeditiously.** However, those responsible for meeting housing and employment needs are not responsible for infrastructure and, despite Duty to Cooperate, can easily distance themselves from the issue and just blame others. That requires resolution at a strategic level, with substantial penalties on all involved for failure to coordinate development with prior infrastructure delivery, as required by that manifesto pledge.

NPPF paragraph 109 states: "*Development should only be prevented or refused on highways grounds if there would be an unacceptable impact on highway safety, or the residual cumulative impacts on the road network would be severe*". "Severe" has never been defined in the Courts and Planning Inspectors fail to designate any situation "severe". Highway safety has been quoted when refusing an application at appeal i.e. at Polegate, a Planning Inspector refused an appeal, citing "*Overall, the basic risk to highway safety constitutes an adverse impact of the proposed development which would significantly and demonstrably outweigh its benefits*".

The Polegate decision by an Inspector must be scrutinised and utilised by Authorities when considering relevant Planning Applications and by other Planning Inspectors at any appeals or Local Plan examinations.

Assuring housing delivery: At the moment, Authorities have to maintain a forward-looking Five Years' Housing Supply and meet a backward-looking Housing Delivery Test. In real-life, those two are incompatible if the originally assessed Housing Trajectory is actually delivered. This is explored further in Appendix 1. **Authorities can only grant planning applications; they cannot enforce delivery. That is inequitable as it means that developers retain full discretion over build-out, with Authorities picking up the penalties for any departure from the original Housing Trajectory. Those penalties should be re-structured to fall upon the party causing any failure against forward- and backward-looking analysis.**

Employment: This should not be the responsibility of individual Authorities. **It requires consideration across wide economic areas, with consideration of existing and prospective commuting and other aspects of employment, such as remote/homeworking.**

Air Quality: Government and all Local Planning Authorities should ensure all planning applications and future local plan allocations have a robust air quality assessment with mitigation, before development permission is given or an allocation made in a Local Plan.

Allocating housing need

1. The current formula takes the annual average of the next 10 years household growth predicted by ONS and then applies an Adjustment Factor to arrive at an annual Assessed Housing Need. That adjustment factor is calculated by reference to the median workplace-based affordability ratio, with that ratio calculated by dividing median house prices by median gross annual workplace-based earnings (using statistics published by ONS).
2. While the overall England and Wales outcome of applying that calculation by Authority gives rise to a total Assessed Housing Need that equates to the current Government target of 300,000, that calculation is coarse from the perspective of any given Authority. In particular:
 - 2.1. use of 2014 ONS housing growth statistics is still required; that is, not only national changes in actual household growth trends will not be taken into account, but nor will be any local variances e.g. development of a new Garden Community.
 - 2.2. those ONS forward projections use immediately previous years as their “launch-pad”; that is, any recent distortions are carried forward and “exponentially” magnified in forward forecasts. Such a distortion might be a “spike” caused by accelerated development, perhaps of very major sites, in the early years of an Authority’s Local Plan. When it comes to a Plan Review, that early acceleration will have given rise to a steeper climb in population and hence increased ONS forward projections.
 - 2.3. the Affordability Ratio uses median house prices within the Authority’s area and median gross annual workplace-based earnings within the Authority’s area. Very major employment centres (e.g. London, Manchester) pull in commuting workers from, at times, distant Authorities. That is, those commuting workers, with their much higher wages (if only to justify commuting!), bid up local house prices, while their higher wages do not feature in the workplace-based earnings within their Authority. That is a two-fold distortion – both increasing the numerator and reducing the denominator of the Affordability Ratio, arriving at a higher figure than would otherwise be calculated by reference only to houses bought by those working within the Authority or by reference to wages of every worker within the Authority, wherever the location of the employer.
 - 2.4. as shown in the table, the median Affordability Ratio as published by ONS is disturbingly unstable, as evidenced by the number of Authorities exceeding 5% and 10% changes in their ratio, both over a 10 years period and over the latest published year.

| % change in ratio | Ten years: 2008-18 | | | | Single year: 2017-18 | | | |
|--|--------------------|-------|------|-------|----------------------|-------|------|-------|
| | >+5% | >+10% | <-5% | <-10% | >+5% | >+10% | <-5% | <-10% |
| Number of Authorities with changes exceeding the threshold | 235 | 200 | 50 | 29 | 74 | 22 | 43 | 6 |

This illustrates the coarseness of this indicator and must question its use in such an important exercise.

3. Perhaps a greater financial “carrot”, or penalty, should be offered to Authorities to build homes, placing the burden on them to balance financial vs housing pressures, with their local residents being party to debate and decision.

Five Years’ Housing Supply & Housing Delivery Test

Authorities are required to maintain a Five Year’s Housing Supply, including an allowance for catch-up of past failure, otherwise their powers to control and shape development are diminished by the presumption that development should be permitted, if sustainable, which is a “soft” word, subject to much subjective judgement.

In addition, Authorities are obliged to meet the Housing Delivery Test that, over a rolling three years period, measures net homes delivered against number of homes required by “relevant strategic policies” for the area; the latter would presumably be the Authority’s Local Plan or, if under review, the Assessed Housing Need as calculated above. At a certain level of delivery, eventually 75% or lower, the Authority has to establish an Action Plan to rectify the situation.

That is an inherently unfair construct for Authorities to bear. The successful planning applicant dictates build-out profile over the years, presumably a function of the housing market and available development resources, including finance, building materials and builders. That can frustrate the Authority’s performance against the Housing Delivery Test or, on the other hand, accelerate build-out, with an adverse consequence for maintaining a Five Years Housing Supply and a further adverse consequence by producing a housing / population spike that gives a boost to ONS projections and hence a requirement for yet more homes in the future.

The Authority is not in control of the situation and bears all adverse consequences, while those wishing to develop receive no Government penalty. Remedying the situation would require Authority powers to give planning permission with in-built, contractually enforceable, requirements for a particular phasing of build-out, including the power to remove planning permission for subsequent phases and apply financial penalties, should build-out not be in accordance with plan.