

Home Builders Federation

Matter 2

THANET LOCAL PLAN EXAMINATION

Matter 2 – Objectively Assessed Need and the Housing Requirement (Policy SP11)

Issue 1 – Housing Market Area ('HMA')

Q1. What is the justification for a Thanet HMA, rather than a wider 'East Kent' HMA?

Q2. What evidence supports the use of an HMA for Thanet, having particular regard to household migration and travel to work patterns? Is the degree of containment sufficient to justify this approach? Does it accord with national guidance in the PPG?

Q3. How will housing needs be met across the wider 'East Kent' HMA?

There is no justification for Thanet being considered an HMA. The evidence in the 2016 SHMA (CD4.2) and subsequent updates indicate that there are migratory and commuting patterns that support Thanet being part of an East Kent HMA with the appendix on HMAs concluding at paragraph 1.40 and 1.41:

"1.40 The evidence supports the definition of an East Kent Housing Market Area which is broadly consistent with that defined in the CURDS Study. This includes the whole of the local authorities of Canterbury, Dover and Thanet; together with parts of adjoining authorities – including Faversham in Swale; Chilham in Ashford; and Folkestone in Shepway.

1.41 The 'best fit' to local authority boundaries would comprise the three authorities of Canterbury, Dover and Thanet. These authorities, considered collectively, demonstrate a commuting self-containment level of between 79-87% (depending on whether this is defined as a proportion of those living or working in the area), and a migration self-containment level of 68-74% (on a similar basis). Excluding long-distance flows, this geography exceeds the 70% migration threshold referred to in the PPG."

This would also appear to be the position of the Council who state in paragraph 3.4 of the Local Plan that they are in an HMA with Canterbury and Dover, their neighbouring



authorities. However, what has not been undertaken is the preparation of an up to date Strategic Housing Market Assessment for the East Kent HMA. The Council mention in their Duty to Co-operate Statement (CD7.3) that a joint SHMA was commissioned in 2009 but since that date no further joint studies have been prepared on the basis that each authority was at different stages of plan making. What this indicates is poor co-operation within the East Kent HMA. More effort should have been made to align plan preparation in order to work together not only to ensure that housing needs were met in full but also that any backlog was addressed within 5 years. As there is no joint study it is important that the Council identify in this local plan how many homes are required to be met across the HMA and commit to a review of the local plan should there be a failure to meet needs in the East Kent HMA.

Issue 2 – Population and Household Projections

Q1. Table 12 in the Updated Assessment of Objectively Assessed Housing Need compares household growth in Thanet between 2011 and 2031. Using the 2012-based projections it states that there will be a growth of around 14,297 households, or 715 per year. Assuming a vacant and second home rate of 6.3%, 760 dwellings per annum ('dpa') would be needed to accommodate this level of growth (or 15,200 in total). By comparison, the 2014-based projections identify an increase of 15,397 households. Applying the same vacancy rate would equate to a need for 818 dpa (or 16,360 dwellings in total). What are the reasons for this increase?

Q2. How does this compare to the latest 2016-based household projections?

In general, the 2016-based household projections have seen a reduction in household growth – a situation that has led the Government to reach the decision earlier this year that the 2014-based projections should be used in the application of the 'Standard Method'. The Government's technical consultation outlined the reason why they did not consider the latest projections to be a reason for reducing housing needs. Whilst it is not necessary to dwell on all of these reasons in this statement it is important to note that a key consideration was the Government's continued drive to ensure housing delivery reaches 300,000 dwellings per annum – a figure that would not be reached if the 2016-based projections were applied nationally. The Government's position is a material consideration and indicates that the Council should, as we state in our representations, continue to use the 2014-based projections as the basis for assessing housing needs.

It is also worth noting that the difference between the projected household growth for Thanet in the 2016-based and the 2014-based projections is less pronounced than is the case for the majority of areas across the Country. Over the plan period the two sets of projections are similar with growth of 741 households per annum in the 2016-based projections compared to 773 in the 2014-based projections just 32 households per annum. This is not a meaningful change, especially given the likelihood that poor delivery in Thanet would have suppressed household growth, and is further evidence that the Council should continue to apply the 2014-based projections as the basis for their assessment of housing needs.

Q4. The SHMA Update includes a sensitivity analysis which considers migration trends over 10 and 14-year timeframes. How does this compare to the 2012 and 2014-based household projections? Are 10 and 14-year trends more likely to be representative of what will happen over the plan period than 5-year trends?

There has been a long running debate as to whether a 5-year trend is an appropriate basis over which to consider household growth or whether a longer ten-year trend would provide a more accurate projection of household growth. There is an argument that longer term trends provide a smoother trajectory as they are more likely to consider periods of higher and lower migration and not reflect a particular peak or trough. However, a longer period could also include periods of abnormally low migration from early in that ten-year period that is no longer reflective of current trends. Of particular concern with regard to the use of ten-year trends in recent years has been the degree to which the recession in 2008/09 has had an impact on migration trends – potentially suppressing migration for that period.

Whilst this debate will no doubt continue, it is important to note that the Government have not stated in the recent changes to national policy that it considers the ten-year trend to be a more appropriate approach. Nor has ONS looked to change its methodology and extend the migration trend period to ten years. There is clearly an acceptance that the five-year migratory period as an acceptable part of the methodology and one that must be accepted. However, we recognise that the Government allow for sensitivity testing (para 2a-017 of PPG) as part of the OAN methodology, however given that the SHMA indicates minimal difference between the different scenarios the Council should default to the official projections which use the 5-year trend.

Q5. How have household formation rates changed in Thanet? Is there evidence to suggest that household formation has been suppressed by affordability or constrained supply, especially amongst 25-34 and 35-44 age groups? Does the SHMA apply any adjustments to account for suppressed household formation?

The 2017 SHMA update (CD4.1) includes a 19 dpa adjustment to address concerns regarding both household suppression within the 25 to 34 age group and market signals. As stated in our representations, and outlined below, we do not consider this to be sufficient to improve affordability within the Borough.

Issue 3 – London Migration

Q1. How has migration between London and Thanet varied prior to, during and after the latest recession? What does this demonstrate?

It would appear from the Council's evidence that whilst net migration between London and Thanet have steadily declined since 2001 there has been lower average migration since the recession. The recession has seemingly had some impact had it was part of an overall downward trend. However, the early part of this century also saw London

meet its housing targets. This suggests that there was less pressure on the housing market across the rest of the south east as London was meeting its needs. It is also important to recognise the work undertaken to regenerate this part of the Kent coast both before and after the recession that has seen this area become more attractive to those seeking to move out of London since the recession. So, whilst past figures provide an indication as to past movements it is important to recognise that future trends will be driven by other factors aside from the recession.

Q2. What are the reasons behind migration trends to and from London? What evidence is there to suggest that past-trends will continue over the plan period?

Since 2009 London has consistently failed to deliver the homes needed to meet its housing requirement. Even in its best year for completions since the onset of the recession the capital did not meet its housing requirement with 38,553 net completions being secured against a requirement of 42,000 homes¹. It should be noted that this figure includes 4,564 non-conventional (i.e. C2 use class) bedrooms and homes. This is not only substantially below the 42,000 homes require meant to be delivered each year it is significantly below the 49,000 homes the inspector examining the further amendments to the London Plan considered to be the actual level of need within the capital. The table below shows this consistent under delivery against housing targets that will have played its part, alongside the high housing costs in the capital, in the levels of migration from the capital to the rest of the south east.

Year	Net additions	London Plan target
2001-02	19,688	23,000
2002-03	21,648	23,000
2003-04	25,775	23,000
2004-05	26,873	23,000
2005-06	28,852	23,000
2006-07	30,927	23,000
2007-08	31,557	30,500
2008-09	32,290	30,500
2009-10	28,330	30,500
2010-11	21,820	30,500
2011-12	24,866	32,210
2012-13	21,039	32,210
2013-14	23,577	32,210
2014-15	26,843	32,210
2015-16	30,390	42,389
2016-17	39,560	42,389

Source: DCLG Live Table 122: Housing Supply: Net Additional Dwellings by Local Authority District, England 2001-02 to 2016/17 and GLA

¹ see the London Plan Annual Monitoring Report 2015/16).

This would suggest that there are both drivers (increased house prices) of migration from the capital as well as draws for more people to move to areas such as Thanet. Improving rail links and the regeneration of towns such as Margate are likely to see increased levels of net migration between London and Thanet over the plan period. It is also likely that the drivers of migration from London are unlikely to be addressed unless London Borough's can significantly increase delivery to meet the housing target in the new London Plan of 65,000 dpa. The Mayor has already recognised that delivery in London will be 10,000 homes less than this figure but there are concerns that the significant increases in delivery expected from the outer London Boroughs is undeliverable. This is not only a concern of the HBF but also many London Boroughs who have challenged the Mayor's assumptions as to the development capacity in their areas. Without the necessary increases in supply across the capital it is likely that higher levels of migration will be seen over the plan period.

Q3. Taking into account answers to the questions above, what is the justification for applying an uplift to account for London migration?

The supply of homes in the capital has consistently been below what is required to meet needs. The increasing backlog in the capital has not been addressed and is unlikely to be addressed within the period remaining of Thanet's Local Plan. There is a responsibility for Council's across the South East to recognise this situation and ensure that the inevitable increase in migration from the capital is considered and reflected in their housing needs assessments.

Q4. Is the suggested uplift consistent with other development plans across the wider 'East Kent' HMA?

Such adjustments have been made in other plans. Most recently Ashford Borough Council included an uplift in its assessment of housing need to reflect the likely impact of the capital on that area.

Issue 4 – Market Signals

Q1. The PPG advises that household projections should be adjusted to reflect appropriate market signals, as well as other market indicators. How does the evidence demonstrate that Thanet is performing with regard to:

- Land prices;
- House prices;
- Rents;
- Affordability;
- Rates of development; and
- Overcrowding.

Planning Practice Guidance states in paragraph 2a-020 that a worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections. In our representations we highlighted our concerns regarding the work place based lower quartile house price to

lower quartile income ratio (LQ ratio). This ratio has increased from 4.80 in 2001 to 10.01 in 2017. House prices have also seen significant increases. Lower quartile house prices have increased from £56,000 in 2001 to £160,000 since 2017. What is also apparent within these trends is that whilst there has been a period of relative stability between 2009 and 2013, where house prices rose by just £3,000 these have increased sharply since 2013. During the last 4 years lower quartile house prices have increased from £120,000 to £160,000.

This suggests that the Housing Market Area within which Thanet is located has not been providing sufficient homes to meet needs. Therefore, whilst we recognise that Thanet may be relatively more affordable than other areas in the HMA it is still under pressure and will require an appropriate uplift to address these concerns. Whilst the context of its position relative to its neighbours must be considered it is equally important to recognise the pressures on housing in Thanet and ensure an appropriate response is made.

Q2. How has the position changed since preparation of the SHMA Update? Have factors such as affordability been improving or worsening?

As set out above the position with regard to affordability in Thanet is clearly worsening on the basis of the latest available data published by MHCLG.

Q3. Paragraph 2.15 of the SHMA Update states that a further upward adjustment is warranted to improve affordability and support younger households in forming. This has been done by returning household formation rates for those aged 25-34 back to 2001 levels over the period to 2025, which increases the overall housing need from 16,760 dwellings (838 dpa) to 17,140 dwellings (or 857 dpa). Is it appropriate to use adjustments to household formation rates as a mechanism for responding to worsening market signals?

Adjustments in household formations rates should be made to the demographic starting point in order to be consistent with paragraph 2a-015 of PPG which states: “*The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends*”. As such the market signals adjustment should be a separate consideration within the assessment of needs.

Q4. What impact will this uplift have on affordability and is it appropriate? If not, what adjustments should be made to account for market signals and why?

PPG recognises in paragraph 2a-020 that attempts should not be made to estimate the precise impact of an increase in housing supply but should increase supply by an amount that on reasonable assumptions could be expected to improve affordability. We do not consider an adjustment of a little over 2% would, on the basis of reasonable assumptions, have any impact on affordability within the Borough.

Issue 5 - Housing Trajectory

Q1. What is the justification for the housing trajectory in Policy SP11? What is it based on and why does it propose a significantly higher housing target during the middle-to-end of the plan period?

The higher housing requirement in the final two 5-year tranches is to ensure the Council meets needs in full as the Council have removed any back log from the first 5 years of the plan by setting its housing requirement at what was delivered. This is inconsistent with national policy which requires Council's to recover the shortfall over the first five-years of the plan. This is established in paragraph 3-035-20140306 of Planning Practice Guidance. This states that the plan should:

"...aim to deal with any undersupply within the first 5 years of the plan period where possible"

Therefore, when preparing a plan, a key consideration should be how the Local Planning Authority can ensure that the backlog is addressed in the first five years of the plan. The Council's approach with this stepped trajectory is to remove any backlog from the 2011/12 to 2015/16 period by setting the requirement at what was actually delivered. In effect the Council are resetting the clock on delivery which will delay the provision of much needed housing that arose within these years until much later in the plan period. This approach is required only due to slow plan preparation that has meant that backlog has steadily increased over time making it more difficult for the Council to address this within 5 years as required by national policy.

Issue 6 – Housing Requirement

Q1. Is the housing requirement justified and is it based on robust, up-to-date and available evidence? If not, what should the housing requirement be?

No. We consider the Council's assessment of housing needs not to have taken sufficient account of market signals and that a higher uplift of 15% should have been included.

Q2. Policy SP11 states that provision is made for a 'total' of 17,140. Is this consistent with the evidence-base, or should the figure be referred to as a minimum?

It is essential that housing targets are not considered as minimums to ensure that policy compliant development is not prevented from coming forward should the Council consider itself to have sufficient housing sites to meet its housing requirement in full.

Mark Behrendt MRTPI
Planning Manager – Local Plans SE and E

