

Thanet District Council

Matter Statement

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



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WEDNESDAY 3 APRIL AM

Issue 1 – Housing Market Area ('HMA')

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

At no stage has a Thanet HMA been identified. The Local Plan states at 3.4 that:

"In identifying this need it is important to consider key functional linkages between places where people live and work - this is known as a Housing Market Area and comprises the districts of Thanet, Canterbury and Dover. (There is also some overlap with parts of other adjoining authorities - Faversham in Swale, Chilham in Ashford and Folkestone in Shepway). The Council intends to meet its housing need within the Thanet district."

As set out at 2.18 of the Update Report (Jan 2017)(CD4.1)::

"The assessment has been commissioned for Thanet District specifically, as opposed to the wider Housing Market Area. In developing its Local Plan, the Council should continue to liaise with other local authorities in Kent, and specifically those within the Housing Market Area. Any issues related to adjusting migration relative to past trends need to be considered collaboratively through the Duty to Cooperate."

The East Kent Strategic Housing Market Area was identified within the Strategic Housing Market Assessment for the East Kent Sub-region produced by Ecotec in 2009. This comprised the local authorities of Canterbury, Dover, Shepway, Swale and Thanet.

The same report also identified five sub-market areas within Thanet (Broadstairs, Margate, Ramsgate, Thanet Villages, Westbrook and Birchington).

However, the current guidance was not followed in this instance and it also predates the core census dataset used to define housing market areas.

Within the appendices of the 2016 SHMA, a full PPG compliant HMA definition exercise was undertaken. This examined previous and alternative definitions including that produced by the University of Newcastle's Centre for Urban and Regional Development Studies (CURDS) as well as examining population and household migration flows, travel to work areas and house prices.

The work concluded that *"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."*

However, for practical reasons, most notably that the population and household projections are only produced at a local authority area level 'best fit' boundaries were also identified. These comprised the three authorities of Canterbury, Dover and Thanet.

Dover DC commissioned a separate strategy which was initially being undertaken alongside Shepway which sat outside of the best-fit definition in the appendix to the SHMA. The Dover work concluded that a best-fit HMA of Shepway and Dover districts based principally on the fact that *“The two main towns (Folkestone and Dover district) are clearly part of one TTWA.”*

Both approaches are correct in that they used the recommended datasets as set out in the guidance. Both areas also calculate a self-containment rate above the recommended number. However they simply draw different conclusions as to where the boundary should be drawn.

This largely hinges on the fact (which both reports acknowledge) that north and south Dover district have different characteristics. However, this disagreement and the fact that the local authorities were at different stages of their plan making does mean that an agreed HMA wide definition is not always practical.

At the time of the Thanet SHMA commission, Canterbury City Council had submitted their local plan based on the Ecotec definition of the HMA but has only produced housing needs evidence for the City of Canterbury and not the HMA.

Thanet DC therefore is right and, indeed, required to produce evidence for the authority alone as to do otherwise would produce housing numbers for other districts within the HMA, which are subject to separate Local Plan processes.

Q2. What evidence supports the use of a 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?

As stated above, we have not identified a Thanet SHMA but a best fit HMA of Dover, Canterbury and Thanet local authorities. The identification of this is set out in the Appendix to the January 2016 SHMA (CD4.2). This examined house prices, migration and commuting patterns as per the PPG.

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),

The migration self-containment level recorded is between 68%-74% depending on whether this is defined as a proportion of those living or working in the area. However, excluding long-distance flows (i.e. student moves or moves for retirement purposes), this geography exceeds the “typically 70 per cent” migration threshold referred to in the PPG.

Although this HMA was defined, due to the fact that Canterbury CC was in the midst of a Local Plan Examination and had already evidence for their own local authority and Dover disagreed with the concluded definition it was not possible to produce this work across the HMA.

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

At paragraph 3.4 of the Submission Local Plan, the Council make it clear that it *“intends to meet its housing need within the Thanet district.”*

And as set out at 2.19 of the Update report *“If the District cannot meet its need in full, it will need to work with other authorities within the Housing Market Area to consider how this can be met; and agree a revised distribution of housing provision.”*

The Council continues to work with the East Kent HMA authorities on strategic matters. However, as set out in Matter Statement 1, the East Kent districts are committed to meeting their own housing requirement, so identified housing needs should be met across the East Kent area.

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?

Table 3 of the OAN update compares the components of population change in each of the 2012- and 2014-based SNPP. This shows that population growth is projected to be stronger in the 2014-based version due to higher projected levels of net in-migration (both international and in particular internal migration).

Interestingly, natural change (births minus death) is slightly lower in the 2014-based SNPP. The reason for a higher projected level of migration can be seen from Figure 2 of the OAN update, where net migration in the 5/6-year period to 2014 is slightly stronger than in the 5/6-year period to 2012.

There are also minor changes within Household Formation Rates as shown in Figure 6 of the SHMA Update although these are fairly minor with only the 35-44 age group showing any tangible difference.

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

The 2016-based household projections show a need for 14,811 dwellings over the 2011 to 2031 period. This equates to an annual need for 741 dwellings. If an additional 6.3% is added for vacant and second homes takes the need to 787 dpa.

Q3. What is the justification for using a vacant and second home rate of 6.3%? What is this based on?

This is somewhat standard practice within Strategic Housing Market Assessment. Without this provision there would be no churn in the market and therefore no ability for households to move temporarily if for example renovations are required in the homes.

For Thanet, the figure is 6.3% as there are a large number of second homes in the District reflecting the

strong tourism industry in the district.

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?

It is not possible to know which of the scenarios will happen over the plan period. But what can be derived from the sensitivity scenarios is the numbers are very similar to the official projections regardless of what scenario is used.

Table 1 of the SHMA Update shows the population growth in the 2014-based SNPP to be 27,120 over the 2011 to 2031 period. Table 6 of the SHMA Update shows the population growth in the 10 and 14-year migration scenarios to be 26,412 and 26,901 respectively. This is less than 35 persons per annum difference between the highest and lowest scenarios.

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?

Figure 6 of the SHMA update shows HFR for Thanet. Only the 25-34 provides any possible evidence of suppression, and even then, the evidence is far from conclusive.

As the figure shows, Household Formation Rates for that age group fell from around 53% in 2001 and to around 49% in 2011, but are projected to increase moving forward.

This reduction in the HFR could, at least in part, be as a result of worsening affordability which in turn could be linked to under delivery. However, Figure 36 of the original SHMA suggest this is not the case for at least part of the 2001-2011 period.

Other factors affecting household formation could include a lack of access to mortgage products, the increasing cost of property in relation to earnings and a changing demographic structure.

The demographic structure may relate to increasing numbers of BME Households who tend to be multi-generational households in greater numbers, more children living at home for longer through choice and greater numbers of shared households/HMOs.

The OAN update made an adjustment to HFRs when considering market signals, this was fairly modest given the lack of conclusive evidence about suppression in the District.

Q6. What is the justification for the 'rebased' scenario in the SHMA? Using the 2014-based projections it predicts an increase of 15,450 households over the plan period, equating to a need for 16,460 dwellings (or 821 dpa).

The rebased scenario is simply to take into account more recent population estimates from ONS i.e. the Mid-Year Population Estimates. This reflects the PPG which under the title of "Can adjustments be

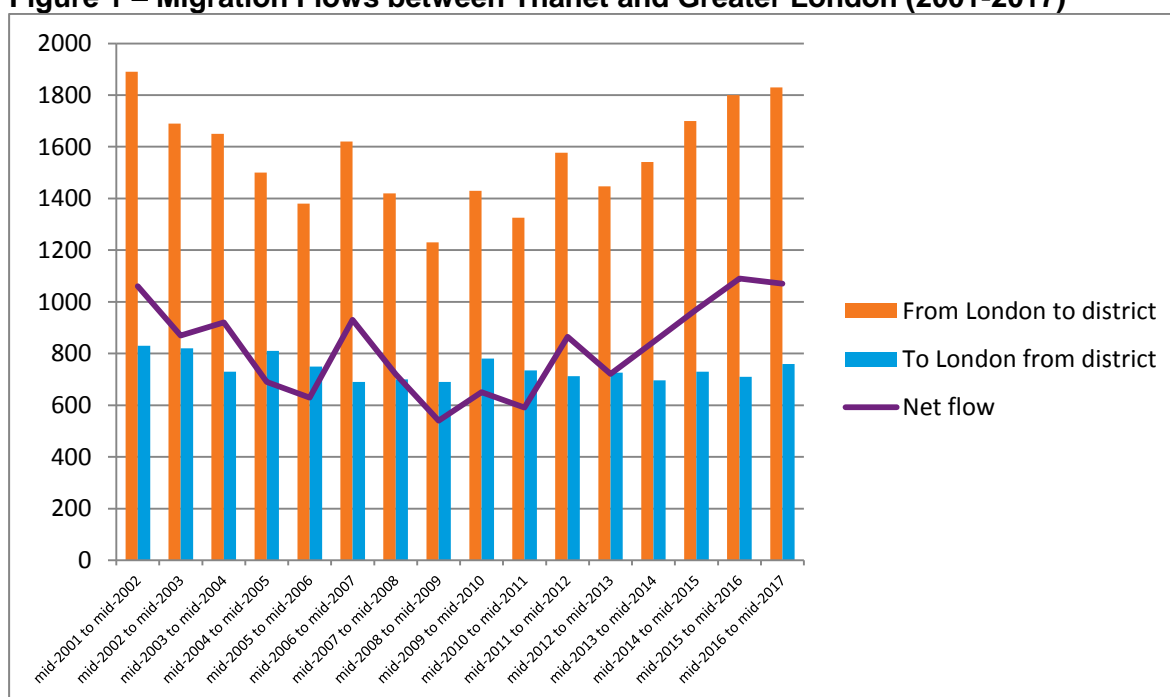
made to household projection-based estimates of housing need?” which states that “Account should also be taken of the most recent demographic evidence including the latest Office of National Statistics population estimates.”

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?

As the table below shows, migration flows to Thanet from London have changed considerably over time. There has been less variance in the flows from Thanet to London and as a result net migration has also changed.

Figure 1 – Migration Flows between Thanet and Greater London (2001-2017)



Source: ONS, Internal Migration Matrices

Taken the average of the pre, during and post-recession periods there was a clear reduction in net migration to Thanet from London in the region of 300 persons per annum.

Table 1 – Average Flow by Time Period

	Pre-Recession (Mid 2001- Mid 2008)	Recession (Mid 2008 – Mid 2010)	Post-Recession (Mid 2010- Mid 2017)
From London to district	1,593	1,330	1,603
To London from district	761	735	724
Net flow	831	595	879

Source: ONS, Internal Migration Matrices

This has now recovered and the post-recession flow from London to Thanet average is now only 10 higher than the pre-recession flow demonstrating the extent of the recovery. This demonstrates that the predicted return to pre-recession levels has occurred.

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?

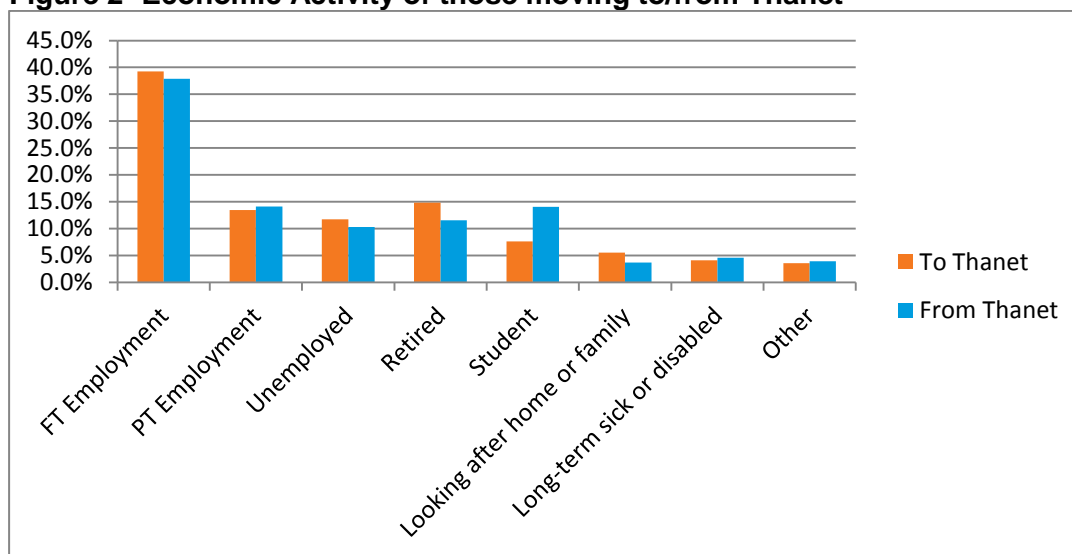
It is not entirely possible to quantify the rationale for migration trends to and from London and Thanet. This is because such information is not collected by ONS or any other body.

We can, however, get an indication from the Census based on the economic activity of those moving to and from Thanet, noting that this is all external moves not just to and from London.

As the table below shows the majority moving to and from Thanet are in employment. However, there is a notably higher level of retirees moving to Thanet than away from it.

Conversely, there is a notable number of students moving out of Thanet rather than to Thanet.

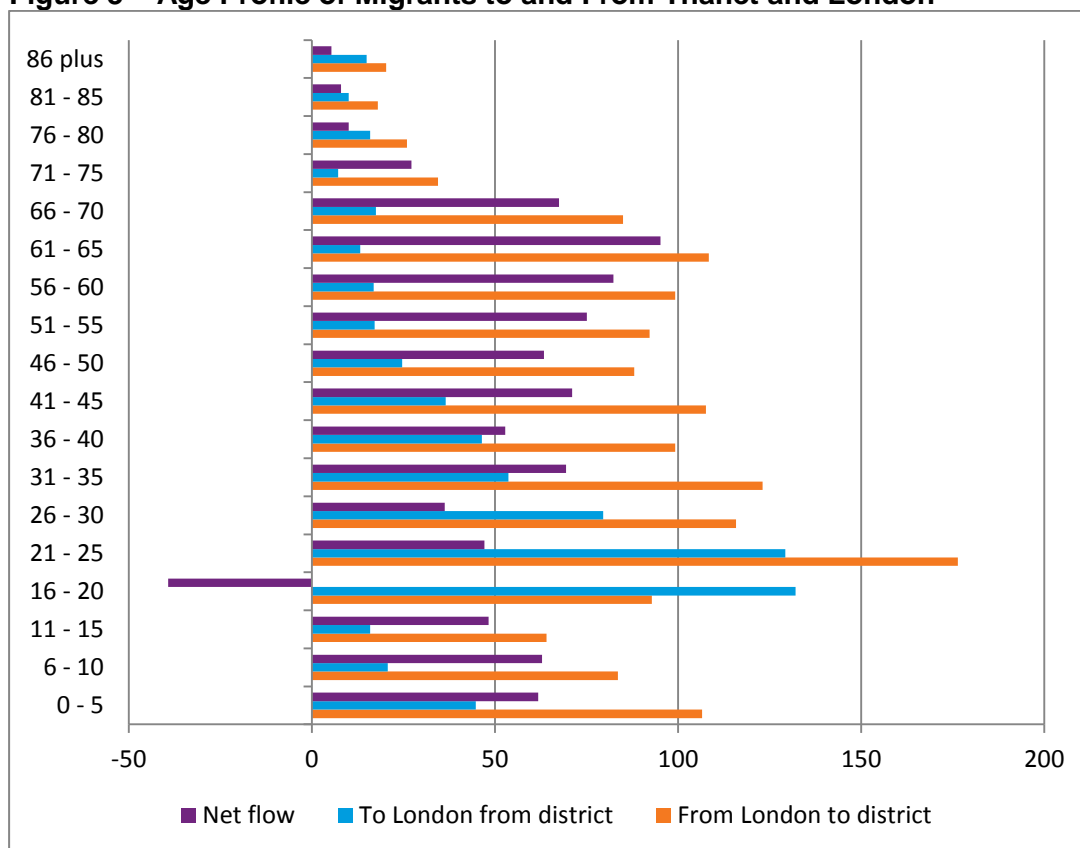
Figure 2- Economic Activity of those moving to/from Thanet



Source: ONS, Census 2011

The age profile of migrants also gives an indication of reasons for movement to and from Thanet. Taken from 2014 data and it is possible to isolate just those flows with London. This again shows that the only major outflow is those moving out of Thanet in student age groups 16-20.

Figure 3 – Age Profile of Migrants to and From Thanet and London



Source: ONS Internal Migration Estimates, 2015

There is also a notable spike in flow to London in those aged 21-30 which is more likely to be contacted to employment opportunities. The reverse is also true for those aged 21-25 moving to Thanet.

There is also a notable increase in those aged 55-70 moving to Thanet this reflects the higher level of retirees moving to Thanet.

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

The Council was right to run a sensitivity whereby migration levels are increased part way back to pre-recession levels. This reflected the GLA methodology at the time which was planning on the basis of returning migration levels back to pre-recession levels which were not the case for the ONS projections.

Although it should be noted that the GLA is no longer planning on this happening beyond that seen in recent trends. This means that more recent trends and population forecasts wouldn't require further adjustment.

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

Dover DC is not making any specific adjustment for London as "London's links with Dover district are reasonably weak" (para 5.60 of Dover SHMA Part 1 Feb 2017). It does run sensitivities over

different periods which could pick these changes up, although none of these feed into the concluded need.

Neither the Canterbury District Housing Need Review (April 2015) and Canterbury Housing Evidence Base Technical Review (June 2015) make any adjustment for London Migration.

This is potentially a more notable issue in Canterbury as the average flow from London is greater than Thanet by around 800 people per annum.

However, Canterbury and Dover Local Plans will be updated on the basis of the Standard Methodology which although encourages examination of the demographic trends it is not necessary for Local Authorities to change the methodology as a result of it.

Issue 4 – Market Signals

Q1. The PPG³ 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.

Paragraph 9.2 to 9.11 of the SHMA update (January 2017) set out the Market Signals for Thanet from the initial SHMA (Chapter 6) and provided a limited update taking into account more recent data. Taking each of these in turn:

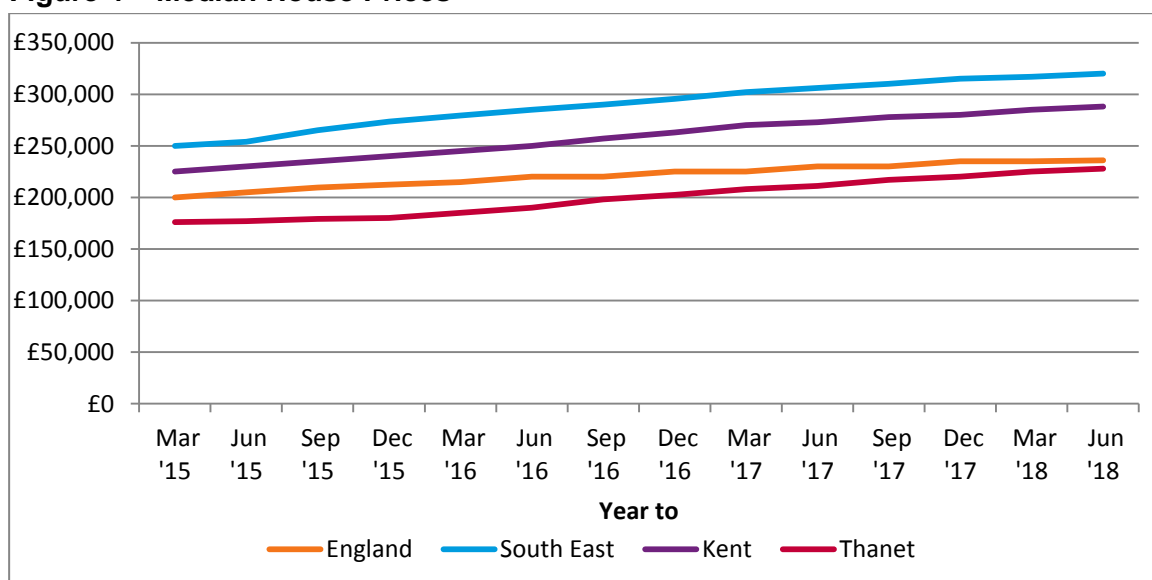
- Land values were 19% below the national average (excluding London) and below levels in most other East Kent authorities providing direct evidence that there is little shortage of residential land.
- Housing costs in Thanet are relatively affordable. Average house prices fell 10% below the national average, and 31% below the regional average. The updates set out an increase in the average house price from £173,500 in 2014 to £180,000 in 2015, but house price growth which was below that seen across wider benchmarks. As a result, prices are now a third below the South East average and 12% below the national average – with increasing differentials evident in the 2015 data relative to the previous year.
- Rents are 8% below the national average and 37% below the South East average. The Update suggests that rental costs which have also increased slightly relative to earnings in the short-term.
- The update shows that affordability ratio stands at 8.37 based on the latest data for 2015. This represents an increase on the 2013 figures (which are now based on revised CLG data). This suggests that prices have grown more strongly than incomes in the short-term.
- The rate of development only featured in the original SHMA. The analysis benchmarked performance against targets. Housing delivery in the 2006-11 period consistently performed better than the local plan target.

- Overcrowding increased between 2001-11. The original report stated that although overcrowding in Thanet is high (8.1%) compared to local comparators it sits slightly below the national figure of 8.5%.

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

- Land values were 19% and are now 8% below the national average (excluding London) and remain below levels in most other South East and East Kent authorities providing direct evidence that there is little shortage of residential land. However, house prices have increased in Thanet stronger than the national equivalent.
- Housing costs in Thanet are relatively less expensive, with Median house prices in comparison to England, South East and Kent although house prices have accelerated at a quicker rate in Thanet (20%) than the wider comparators narrowing the relative costs particularly in the case for the National Median. Median Prices are now (year to June 2018) £228,000 compared to £190,000 for the equivalent figure for 2016.

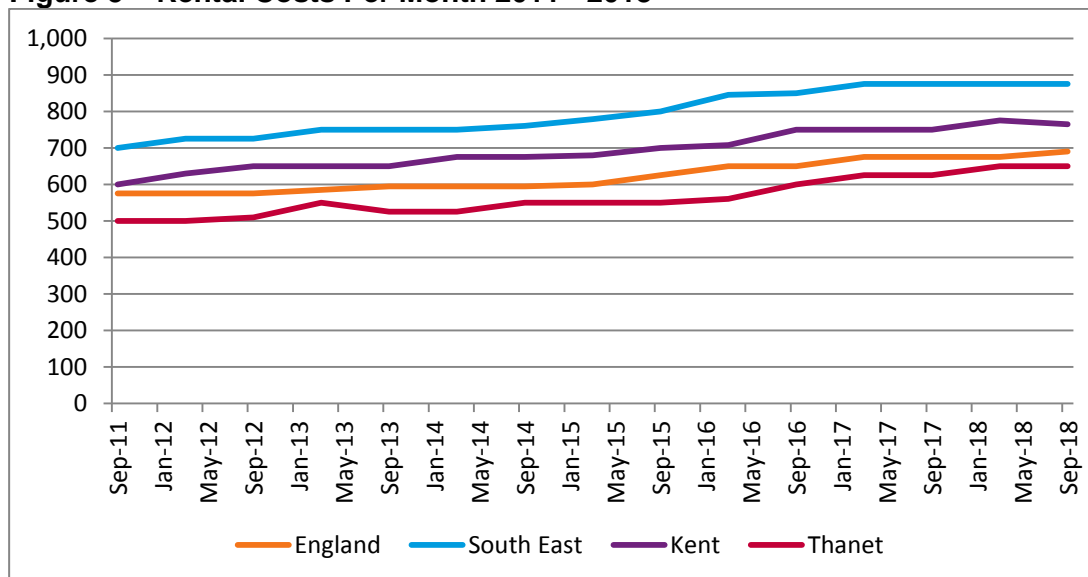
Figure 4 – Median House Prices



Source: ONS based on Land Registry Data

- Rents are still below all of the wider comparators as set out in the figure below shows. However, rents are now only 6% below the national average and 26% below the South East average showing a narrowing in the gap. In real terms rents over the last two years have increased by £50 per month.

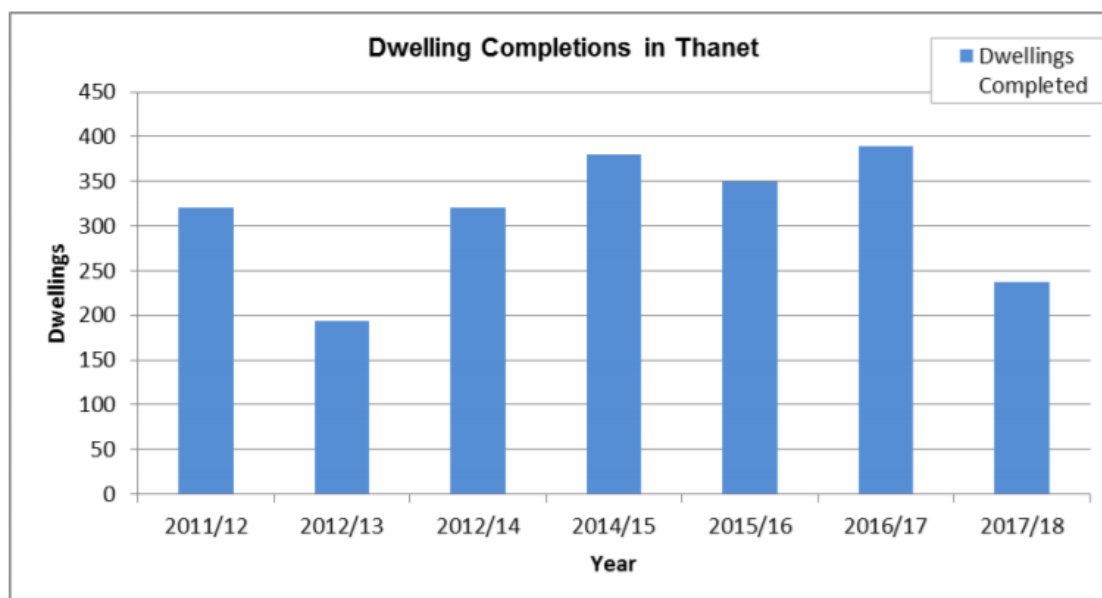
Figure 5 – Rental Costs Per Month 2011 - 2018



Source: VOA Data

- The update showed that the lower quartile affordability ratio stands at 8.37 based on the latest data for 2015. In the two years since then, the same ratio has increased to 10.01. This compares to the average for the South East Region of 11.95.
- The latest Annual Monitoring Report states that the Rate of development over the 2006 – 2011 period met and exceeded the target. Although there was no formal target beyond this period delivery had peaked over the 2014-17 period although there had been a reduction in the last year

Figure 5 – Dwelling Completions in Thanet



Source: Thanet DC, Annual Monitoring Report, 2018

- Overcrowding statistics were taken from the Census, therefore it has no update.

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?

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?

Response to Q3 and Q4:

The level of increase to adjust market signals should not be benchmarked against the adjusted migration scenario (838) dpa but the baseline demographic growth, taken from official projections.

Nor should this adjustment to HFR be taken in isolation from other adjustments made i.e. the London Migration changes.

This reflects the PPG which states “A worsening trend in any of these Indicators (market signals) will require upward adjustment to planned housing numbers compared to ones based solely on household projections.”

This was further contextualised in the latest version of the PPG which states that. *“An affordability adjustment is applied as household growth on its own is insufficient as an indicator of future housing need because:*

- household formation is constrained to the supply of available properties – new households cannot form if there is nowhere for them to live; and*
- people may want to live in an area in which they do not reside currently, for example, to be near to work, but be unable to find appropriate accommodation that they can afford.”*

This demonstrates that adjustments to migration and household formation are to address affordability.

The household projections show a growth of 770 households per annum which was converted to a housing need 818 dwellings per annum. Combined the OAN of 857 is 4% above the converted figure of 818 dpa and 11.2% above the starting point of 770 dpa.

As set out above the extent of the uplift to affordable housing need reflects the level of suppression as well as the age profile in the area.

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?

A “stepped” approach to the housing target has been adopted; ie. that a lower target is set for the first five years, with higher targets for the following 10 years to make good the total housing requirement for the Plan period. This is for two main reasons:

- There are significant infrastructure requirements that need to be delivered to support new

development. If the Council were required to allocate more sites to cover average requirement for the first five-year period, this might undermine the delivery of that infrastructure, and therefore the wider Local Plan strategy; and

- Thanet has an emergent development market, but there is a real possibility that driving high levels of requirement in the early years might undermine the viability of some sites, or result in lowered viability, which again could affect the delivery of services and infrastructure, as well as affordable housing.

Taking a “stepped approach” to the housing target is considered to be realistic and deliverable, consistent with the known intentions of developers and house builders, and does not place unrealistic expectations on the house building industry to deliver much higher levels of housing in a relatively short space of time. It also means that the Council can seek to ensure the delivery of sustainable development, supported by services and infrastructure. There has been a shortfall in delivery over the early years of the formal Plan period – the Council has adopted the ‘Liverpool’ methodology to address this, by spreading the shortfall in the early years across the plan period (see also Matter Statement 8).

Q2. Does the stepped trajectory reflect the type and size of sites proposed for new residential development in the Plan?

The Council has phased more of the smaller allocated sites in the early phases of the plan period since delivery of the larger Strategic sites is more likely to happen later in the phasing periods.

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?

The Council considers, in the light of the evidence set out above in relation to the SHMA, that the housing requirement is robust and justified by the available evidence.

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?

The Council considers that the requirement set out in the draft Plan is evidence-based and is the appropriate target. It should be noted that the draft Plan makes provision for more than that figure. It is proposed to amend Table 3 to reflect the total requirement and provision (see Matter Statement 8).