

Sent by email to: futuremedway@medway.gov.uk

25/06/2018

Dear Sir/ Madam

Response by the House Builders Federation to the Medway Local Plan – Development Strategy

Thank you for consulting the Home Builders Federation (HBF) on the Medway Local Plan. The HBF is the principal representative body of the housebuilding industry in England and Wales and our representations reflect the views of discussions with our membership of national and multinational corporations through to regional developers and small local housebuilders. Our members account for over 80% of all new housing built in England and Wales in any one year.

In preparing this response we recognise that there are difficulties in continuing to move forward with plan preparation given the potential changes in policy that are being proposed by Government. Whilst there is uncertainty as to whether all the changes being proposed will be adopted by the Government it is important that these potential changes are not ignored and welcome the fact that consideration has been given to issues such as the standard methodology. In our response we will continue to refer to current policy and guidance but also look to highlight where the Council may need to consider its approach should the policy and guidance being consulted on be adopted. Our key concerns are highlighted below.

Progress in plan preparation

We are concerned with regard to the slow progress of plan preparation within Medway. It has been over 2 years since the consultation on the issues and options consultation was published in February 2016 and a further year since the development options consultation report was published in January 2017. However, there has been little progress with regard to both the level of need and how the Council is going to meet these needs. Whilst we recognise that the policy situation has been in the process of being amended, the Housing White Paper and other consultations have given very clear signals as to the Government's direction of travel. In order to speed up plan progress the Council should apply the standard methodology and prepare a plan that meets this level of need. Such an approach would ensure that with regard to the key stumbling block of housing need the plan could be considered sound.

Duty to Co-operate

In taking forward this plan it will also be essential that the Council identifies whether or not any of its neighbouring authorities will be unable to meet their development needs. If they cannot meet needs the Council must consider whether they will be able to support those authorities in delivering more housing to address these unmet needs. It is important to remember that it is for Local Planning Authorities to work collaboratively, and to act strategically, in order to meet development needs and it is insufficient to simply state that their own needs are being met. The Council should therefore begin to prepare statements of common ground with its neighbouring authorities to establish a shared position on housing needs and how these needs will be met. If the needs of the HMA, or other relevant neighbouring authorities, cannot be met then the Council must establish with its neighbours how those needs will be met through further duty to cooperate activity.

Development strategy

Section 3 of the consultation document defines the development needs for Medway and sets out the housing needs scenarios considered by the Council. What is evident from this section, and the Council's evidence base, is that the Objective Assessment of Housing Needs (OAN) established in the Strategic Housing and Economic Needs Assessment (SHENA) 2015 is significantly lower than the level of housing needs resulting from the standard methodology. Our concern is that should the Council seek to meet OAN as set out in scenario 1 then the Council will not ensure the necessary improvements in affordability that the Government are clearly trying to achieve through both the current approach set out in PPG and through the proposed standard methodology. Our comments on the SHENA are set out below.

Strategic Housing and Economic Needs Assessment

Demographic starting point

Our first concern with regard to the SHENA is that it was published in 2015 and as such does not consider the most up to date data with regard to population and household projections. To properly consider housing needs in the manner prescribed by PPG the Council will need to prepare a SHMA using the 2014 based household projections. These are the most recent published household projections and are considered by Government to be the most robust assessment of housing needs. Though the Government have recently published the latest 2016 based sub national population projections and which will inform the latest household projections due to be published later this year.

However, whilst these latest projection are considered robust it will be important for the Council to consider whether household growth has been suppressed by poor delivery of new housing in the past. Considering that the latest Authority Monitoring Report (AMR) indicates that since 2013 the Council has failed to deliver its annual housing requirement of 1,000 dwelling per annum(dpa) there is likely to have been a significant degree of suppression within household growth to make an adjustment to the demographic starting point of these latest projections. It will be important that any past under delivery is robustly considered and appropriate adjustments made to compensate for any suppression.

Market signals

The SHENA states on page 123 that it considers a modest uplift of 8.6% is required in response to what are considered to be mixed market signals. However, we would suggest that the latest market signals indicate that a much higher adjustment is required if the level of delivery being proposed, as required by paragraph 2a-020 of PPG, can reasonably be expected to have an impact on affordability. The most recent evidence on affordability for Medway shows that the ratio of lower quartile housing prices to incomes has increased from its pre-recession high of 7.31 in 2007 to 9.50 in 2017. Similarly median affordability ratios have also worsened increasing from 6.47 in 2007 to 8.25 in 2017. We recognise that these ratios in 2015 suggested that affordability had been relatively stable, however, these latest figures suggest that the Council response to market signals needs to be adjusted to reflect a steeply worsening trend with regards to affordability.

Therefore the key question is by how much should the demographic starting point be uplifted in response to market signals? Prior to the consultation on the standard methodology the Government did not provide an indication as to the degree of uplift that LPAs should make in response to market signals. Uplifts varied greatly from 5% to 25% but most recently SHMAs have included uplifts that have been significantly higher than those brought forward shortly after the introduction of PPG. Braintree, Cheltenham, Waverley, Canterbury and Cambridge have all adopted OANs where the market signals uplifts were 20% or more. Whilst some of these authorities have significantly worse overall affordability they have seen similarly worsening trends in affordability.

Whilst the Government have been clear that the standard methodology should not be considered for plans submitted within 6 months of the new NPPF being published the Government's commitments to substantially increasing the number of homes delivered each year should be taken into account when considering the level of uplift to be applied in response to market signals. The Government have stated that their goal is to deliver at least 300,000 new homes each year from 2020. Most recently this target was reiterated 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.

We can therefore conclude that the Government considers its target of delivering 300,000 homes per annum is the minimum requirement if the nation is to start addressing the issue of affordability and that these additions must be made in the areas of high demand, and subsequently, worst affordability. To achieve the Government's aim will therefore require Council's to provide significantly higher uplifts than we have seen being applied in the past under current policy and guidance. In-deed had these been uplifts been sufficient in the past there would in all likelihood have been no need for the proposed amendments to the NPPF and the introduction of the standard methodology. We would therefore suggest that on the basis of the latest evidence the Council's SHMA has

significantly underestimated its response to market signals. As a minimum we would suggest that this should be a minimum of 20% above the demographic starting point for the Council to have a reasonable expectation of improving affordability.

Affordable housing

The Council have identified that they need to deliver 17,112 affordable dwellings over the plan period to meet needs. None of the development scenarios proposed are able to deliver this level of need due to the viability of development in the Borough. Based on the Council's viability assessment and 25% of homes being provided as affordable units would require the Council to build 68,448 homes. This level of delivery is clearly unreasonable but it does provide a good indication that the degree of uplift proposed in the SHMA is inadequate and that the Council's OAN should consider, as required by PPG, whether a higher uplift would provide an improved response to the need for affordable homes.

Conclusions on housing needs

Scenario 3 of the consultation suggests that the Council should seek to meet the level of need as based on the standard methodology of 37,143 homes. Given the increasing concerns regarding affordability levels and the fact that the Council cannot meet its need for affordable housing of 17,112 we would suggest that this scenario is the most appropriate option. Given that the Government expects to publish the latest NPPF and PPG in the summer we would suggest that the Council seeks to prepare a plan on the basis of the standard methodology. This will require the Council to submit the plan 6 months following the publication of the new NPPF.

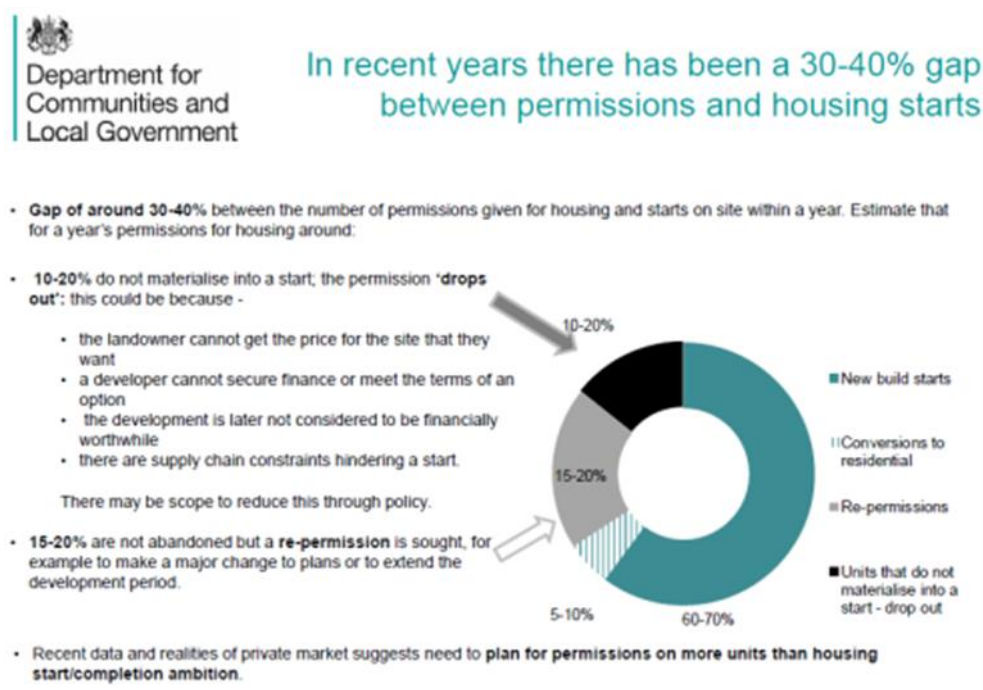
Distribution of development

In considering the distribution of development the Council has considered 4 scenarios. Only one of these scenarios considers meeting the level of need the Government are likely to expect Medway to deliver. However, it would appear that this scenario overestimates the level of need that would result from the standard methodology. This seems to stem from the Council's decision to use a plan period starting from 2012 when considering the application of the standard methodology.

In arriving at the housing need figure of 37,143 in scenario 3 it looks as if the Council have included in their estimate the backlog in delivery from the period 2012 to 2016 but this is not clear. If the Council have taken such an approach the Council have failed to understand that by applying the Standard Methodology the Government are effectively resetting the clock on housing needs and that any past under delivery against previous targets/ OAN are included in the market signals uplift. The Government have taken the position that where Councils have been under delivering it is likely that affordability is worst, which in turn will lead to a higher uplift. Because of this the plan period should start from 2016 and be for a minimum of 15 years as required by national policy. The approach taken in meeting the standard methodology with a base date of 2016 would be significantly different and it is important that the Council do not discard the Government's

figure on the basis of this much high figure which the Council suggests would be unsustainable and that the impacts difficult to mitigate.

However, in considering the delivery it will be important that the Council includes a buffer within its provision to allow for any delays in the delivery of strategic sites for example. These concerns have been highlighted by DCLG in a presentation to the HBF Planning Conference in September 2015.



This slide illustrates that work by the Government suggests 10-20% of residential development with permission will not be implemented and that there is a 15-20% lapse rate on permissions. This does not mean to such sites will not come forward but that delays in delivery, changing ownership or financial considerations can lead to sites not coming forward as expected. For this reason DCLG emphasised in this slide “*the need to plan for permissions on more units than the housing start/completions ambition*”. Therefore, should the housing requirement need to be higher than is proposed in the Plan it will be important that such a buffer is maintained and that sufficient sites are allocated to support at least 10% more units than are required.

Green Belt

In seeking to meet needs the Council recognise in paragraph 7.27 of the consultation document that they will test whether there are exceptional circumstances to justify revisions to the Green Belt boundary in Medway in order to support further development. The draft NPPF maintains the consideration of exceptional circumstances. However, paragraph 136 sets out that before concluding that exceptional circumstances exist the Council will have examined all other reasonable options. Given that the Council will not be able to meet its needs established by Government in the standard methodology it will be important that the Council considers potential amendments to the Green Belt

boundary to support growth. In addition to unmet needs and an worsening affordability the Council are also unable to meet the areas need for affordable housing (58% of the OAN identified in the SHENA). All these factors indicate that the circumstances faced by the Council are sufficiently exceptional to allow for some amendments to the Green Belt boundary.

We note that in paragraph 7.27 the Council state that a Green Belt Review has taken place. We welcome such actions and it would have been helpful for this evidence to have been published as part of this consultation. This would have enabled the Council to put forward a scenario including Green Belt release. Without such a scenario the plan has not considered all reasonable options and assessed those options through the Sustainability Appraisal.

Conclusions on the development strategy

In considering their development strategy we would suggest that the most likely scenario is that the Government's proposed standard methodology will be in place and the Council will need to decide how to best meet this level of need. If the Council is to have confidence that its plan will be found sound than it must ensure it meets this minimum requirement. Whilst scenario 3 would ensure needs are met it is important that the Council ensures the sustainability of its plan. As such the Council needs to consider whether it should amend Green Belt boundaries in order to support the objective of meeting needs in full. It is important that policy designations such as Green Belt are tested through the local plan to ensure that the designation remains appropriate and is not restricting growth unnecessarily.

Housing policies

H1 Housing Delivery

It is impossible to state whether the Council's approach is sound as the policy provides no indication as to level of housing the Council are proposing to deliver over the plan or the allocations it considers necessary to support delivery. As such we are limited as to the comments we can make. However, key to the soundness of this policy and the plan in general is that the Council must ensure that it meets in full the housing needs of the area as determined by national policy. Should the Council not be able to meet needs within the Borough then it must set out where those unmet needs will be provided. If the Council cannot meet housing needs in full then the plan cannot be considered to be sound.

The only other comment we would like to make with regard to delivery is the importance of ensuring a sound delivery trajectory. In allocating sites within the plan it will be essential that the Council looks to ensure that delivery is not overly reliant on large sites coming forward early in the plan period. Our experience is that many local authorities expect strategic sites to start delivering much earlier than is likely. Overly optimistic delivery expectations are likely to lead to the Council failing to meet its long term delivery goals. By making realistic estimates of delivery the Council must recognise that strategic sites

may deliver beyond the plan period and as such smaller sites should be allocated that can meet needs earlier in the plan period.

Not only does this ensure overall plan delivery is more likely it also means that Council are more likely to have a five year land supply without having to resort to stepped trajectories and the distribution of any backlog across the plan period. Whilst we recognise that where appropriate stepped trajectories can be used it is essential that the Council commit to addressing any backlog within five years. Not only is this approach consistent with PPG it also ensures that much needed housing is not put off until the end of the plan period.

H2 Housing mix

The Council should ensure that there are a sufficient ranges of sites that will allow the Council to deliver the mix of housing across the Borough. It is important with policies on housing mix that there is sufficient flexibility to ensure that sites are not compromised by overall detailed and unrealistic requirements for housing mix. In particular the viability of small and medium sized sites can be compromised by overly specific requirements with regard to the mix of housing provided. Developers are best placed to ensure that most effective mix of sites with regard to its location, the market it serves and the need to maximise viability of the market homes in order to try and best meet other requirements such those for affordable housing.

H3 Affordable housing

It will be important for the Council's policy on affordable housing to be in conformity with the new NPPF when it is published in the summer. The current draft indicates that there is likely to be significant changes in the approach taken to affordable housing that will need to be carefully considered by the Council. The most obvious change is the requirement to consider land values on the basis of Existing Use Value plus an uplift to secure its release by the land owner. However, the Government are now expecting viability to be considered primarily during the preparation of the local plan and that negotiations at application should be limited. Without the ability to be more flexible when considering developments at application will require Council's to set less aspirational affordable housing policies in order to ensure that development comes forward without the need for negotiation.

H9 Self-build and custom housebuilding

We broadly agree with the approach set out within policy H9 that seeks to encourage self-build and custom housebuilding and that the Council are considering how they can use their own land to support this sector of the market. It is important that the Council seeks to encourage land owners to bring forward land for self-build rather than imposing such requirements on the development industry. As such we do not consider the allocation of sites as suggested in question H15 to be an appropriate way forward and one that is consistent with paragraph 57-025 of PPG. This paragraph outlines that the Council should engage with landowners and encourage them to consider self-build and custom housebuilding. The approach taken by the Council moves beyond

encouragement and requires land owners to bring forward plots. We would suggest that such allocations should only be made where there is a clear willingness from those parties promoting the site that they support its allocation for self-build housing. Given the housing needs arising from the standard methodology there is a significant risk that the Council will over provide homes if it were to require 5% of homes on sites over 400 to provide self-build plots. At present there are only 39 people registered on the self-build register. If this is the latent demand within the existing population it is not reasonable to expect that this will increase to 600 by the end of the plan period. There may be some growth but it is likely to be far less than is set out in the consultation document.

Where it is agreed that some plots for self-build and custom housebuilding are to be provided within larger but which are not sold it is important that the Council's policy is clear as to when these revert to the developer. At present this policy makes no such provision, as such it is ineffective. We would suggest the policy states that where a plot remains unsold after 6 months of it being offered on the open market then it should revert back to the developer to be delivered as part of the overall scheme. We would also recommend that if development of a purchased plot has not commenced within three years of purchase that the buyer be refunded and the plot reverts to the developer. It is important that plots should not be left empty to detriment of its neighbours or the development as a whole.

Economic policies

E1: Economic development

Paragraph 22 of the NPPF establishes the need for local plans to be flexible when considering others uses on land allocated for an employment use. Where there is no reasonable prospect of a site being used for its allocated employment use the NPPF considers that any applications for other uses should be "*considered on their merits and having regard to the relative need for different land uses to support sustainable communities.*". Policy E1 as it is currently written does not provide the necessary flexibility to ensure that where such sites occur within Medway there are clear mechanisms to ensure it can be redeveloped. We would suggest that in order to make this policy sound the Council sets out the circumstances against which the loss of employment land will be considered appropriate. This could include assessments as to how long a site has been vacant, periods of marketing and the consideration of the benefits that may accrue from any redevelopment.

Built environment

BE3 Housing Design

If the Council are to require the nationally described space standards (NDSS) they will need to ensure they have sufficient evidence in relation both need and viability as required by PPG. However, despite this being one of only three technical standards that can be applied through the local plan the Council are seeking to expand this to the layout of new homes. The fifth and sixth bullet points of the policy require consideration with regard to layout, circulation space storage and clothes drying. These clearly go beyond

both the PPG and NPPF and as such cannot be considered as consistent with national policy and should be deleted.

Health and Communities

HC1 Promoting Health and Well Being

We recognise the importance of ensuring new development supports the wider aims of local authorities and their partners to improve the health and well-being of their residents and workforce. However, the requirement for all applications requiring an Environmental Impact Assessment (EIA) to undertake a Health Impact Assessment (HIA) and all applications to demonstrate how they have mitigated any potential negative effects on health is unnecessary and an additional burden on applicants. The PPG sets out that HIAs “*may be a useful tool to use where there is expected to be significant impacts*” but it also outlines the importance of the local plan in considering the wider health issues in an area and ensuring policies respond to these. As such Local Plans should already have considered the impact of development on the health and well-being of their communities and set out policies to address any concerns. Where a development is in line with policies in the local plan an HIA should not be necessary. Only where there is a departure from the plan should the Council consider requiring an HIA.

Transport

T10 Vehicle Parking and T11 Cycle Parking and Storage

The Local Plan does not contain the relevant standard and instead suggests that these will be set out elsewhere. As these standards will impact on the form and viability of development they should not be established outside of the Local Plan. This principal was most recently tackled in *William Davis Ltd & Ors v Charnwood Borough Council* [2017] EWHC 3006 (Admin) (23 November 2017) where supplementary planning document strayed into an area that should be considered by a development plan document. This decision quashed an SPD that contained policies that clearly encouraged and imposed development management policies against which a development could be refused. By setting the actual parking standards outside of the Local Plan they cannot be challenged at examination despite the clear impact they could have on viability and decision making. We recommend that should the Council wish to adopt parking standards these are set out in the local plan to ensure a full and proper examination of their impacts.

Minerals, Waste and Energy

MWE12: Low Carbon Development

Developers cannot be required to follow the hierarchical approach set out in this policy when achieving energy efficiency and carbon dioxide requirements of Building Regulations. Whilst we do not object to LPAs encouraging a specific approach it must remain up to the developer as to how they achieve the requirements of Building Regulations.

Conclusion

We hope these representations are of assistance in taking the plan forward to the next stage of plan preparation. Should you require any further clarification on the issues raised in this representation please contact me. We would also welcome the opportunity to come and discuss with the Council how they will approach the new policy framework in their local plan.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Mark Behrendt', with a stylized flourish at the end.

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