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Housing Need in Tandridge Dispelling Myths & Reinforcing Facts

No-one has the right to refuse others the chance of home ownership. The short-sightedness of those who act on the NIMBY approach are simply selfish by denying those less well-off somewhere decent in which to live, thwarted from home ownership, forced to spend an ever larger proportion of their net income on renting or a great deal of time and money commuting to and from work. We sincerely believe that saying no to house building is not an option and that those local authorities which do not fulfil their duty to provide more new housing of the correct type and affordable mix will surely mark the beginnings of their own structural and long-term decline.

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Executive Summary

Latest figures released by the Government show that the number of new homes in England has risen by 15% over the past year to 217,350 net additions made up of 183,570 new build homes, 37,190 gains from change of use from non-domestic to residential, 5,680 from conversions of houses into flats and 720 other gains.

1.1 million new and nearly 350,000 affordable homes have been built since 2010. More importantly, as part of the same announcement, the Government has said that more than 70 local authorities have still not had a local plan adopted and 15 of these are showing particular cause for concern, having missed deadlines and failing to make any form of progress. As a result, these 15 authorities (including Runnymede in Surrey) have been served notice that the Government has begun the formal process of intervention.¹ This announcement leads very nicely into a note about the housing crisis in England.

The Conservative Government has stated very clearly that all local authorities will be required to increase house-building in order to satisfy demand today and into the future, aiming to ***“build one million new homes by 2020 and a further half a million more by the end of 2022.”***² This figure is in line with pledges made by all of the other major political parties. The Labour Party’s intentions are the same³, the Liberal Democrats have said that they propose to build even more⁴ and UKIP’s proposal is to *“bring up to 100,000 extra truly affordable homes onto the market every year . . . combined with a traditional home building programme . . . [to] build another one million homes by 2022.”*⁵ **There is no denying that there is cross-party agreement that the country needs more new homes but the real challenge is how to do this in a vote-winning way.**

The National Planning Policy Framework (NPPF) requires that local planning authorities identify objectively assessed housing need (the OAN), and that local plans translate those needs into land provision targets. The Department for Communities and Local Government’s (DCLG) recent documentation, “New planning approach to speed up delivering homes”⁶ and “Planning for the right homes in the right places”⁷ is acutely relevant for all local authorities. It builds on the Government’s white paper “Fixing our broken housing market”⁸ which states, ***“The lack of standard methodology for doing this [assessing the OAN] makes the process opaque for local people and may mean that the number of homes needed is not fully recognised.”*** It continues, *“Where an authority has demonstrated that it is unable to meet all of its housing requirement, it must be able to work constructively with neighbouring authorities on how best to address the remainder.”*

“Planning for the right homes in the right places” clarifies these two points, *“In areas that struggle to meet their [housing] needs locally – for example due to strong protections for areas like the green belt – they will need to work with neighbouring councils to plan across a wider area.”* It continues, ***“A new “statement of common ground” will see better cooperation across council boundaries on planning issues to plan for homes including in new towns or garden villages.”*** The Government launched a public consultation (which ran for eight weeks until the 9 November 2017) and says that following changes to the NPPF (expected some time in 2018), *“councils will then have up to a year to get a statement of common ground in place.”*

¹ DCLG, More homes delivered as government outlines housing vision, November 2017, <https://www.gov.uk/government/news/more-homes-delivered-as-government-outlines-housing-vision>

² Government White Paper, Fixing Our Broken Housing Market, February 2017, para 1.7, <https://www.gov.uk/government/publications/fixing-our-broken-housing-market>

³ Labour Party Manifesto, 2017, <http://www.labour.org.uk/page/-/Images/manifesto-2017/Labour%20Manifesto%202017.pdf>

⁴ Liberal Democrat Party Manifesto, 2017, <https://www.libdems.org.uk/manifesto>

⁵ UKIP Manifesto, 2017, <http://www.ukip.org/manifestos>

⁶ DCLG, New planning approach to speed up delivering homes, September 2017, <https://www.gov.uk/government/news/new-planning-approach-to-speed-up-delivering-homes>

⁷ DCLG, Planning for the right homes in the right places, September 2017, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/644955/Planning_for_Homes_consultation_document.pdf

⁸ Government White Paper, Fixing Our Broken Housing Market, February 2017, paras 1.12 and 1.9, <https://www.gov.uk/government/publications/fixing-our-broken-housing-market>

Whilst the papers are perhaps rather contradictory in places, *“councils across England spend an estimated £3mn in taxpayers’ money every year on employing expensive consultants to work out how many new homes are needed in their area”* but then expects *“each local area to produce a realistic plan of its housing need and review it at least every 5 years”*, **the Government has provided some clarification on its position regarding protected areas such as green belt and made clear how it expects local authorities to comply with neighbouring areas** regarding a duty to co-operate.

We welcome the Government publishing a base-line, demographic-driven, housing need number (the OAN) that is transparent and based on a standard methodology for all authorities across the Country, which should put a stop to disputes between councils, planners, developers, local groups and residents. However, **we don’t agree with the arbitrary uplift (capped at 40%) which takes the housing number significantly higher than is necessary for many authorities which are relatively unaffordable**, whilst also significantly lowering the housing need number in other areas, thus potentially exacerbating the North/South divide issue.

Furthermore, *“Planning for the right homes in the right places”* states, *“... in absence of an up-to-date local or strategic plan we propose that after 31 March 2018 the new method for calculating the local housing need would apply as a baseline for assessing five year housing land supply. This would mean that local planning authorities without an up-to-date local plan or spacial development strategy would not be able to factor land constraints into the baseline for establishing their five year land supply.”* However, it continues, *“when determining individual planning applications, the decision-maker will still need to take account of all policies in the NPPF, including those which restrict development (such as green belt and ancient woodland).”*

So, whilst the document confirms that where no up-to-date local plan is in place after 31 March 2018, the Government expects planning inspectors to apply the proposed standard methodology as a base-line for assessing five-year housing land supply but **very little guidance is given on the five-year land supply test**. We believe that a greater level of finesse and regional consideration is required when assessing housing need. The document makes it clear that there should be very limited grounds for adopting an alternative method which results in a lower OAN than the proposed approach, however, **it allows those local plans which have been adopted in the last five years to stand (but increased for all by 40%), which means that for many authorities, the resulting OAN is actually far lower than the standardised approach. This is nonsense.**

Local authorities are being told that they must plan for the different, size, type, tenure and range of housing that will be required and not just the overall number but the Government has not provided any steer on the methodology for breaking this down apart from a commitment to updating existing guidance alongside a revised NPPF, which is expected sometime next year. We believe that **the affordability ratio uplift (capped at 40%) and the arbitrary 40% uplift for all local plans approved in the last five years makes a mockery of the whole idea of a standardised methodology**. Rather ironically, if this proposal actually gets the go-ahead, *“Planning for the right homes in the right places”* **will likely result in more homes, of the wrong type, in the wrong places.**

It is generally accepted by most people that the younger generation are missing out on home ownership opportunities that their parents had. Over the past 10 years, the proportion of 16-34 year olds owning their own home fell from one half to one third whilst amongst the over 65s ownership has continued to increase. Many young people feel that they are on a treadmill, either stuck in the private rented sector - making landlords wealthy and at the same time unable to save for a deposit for a home of their own - or still living with their parents in their 30s or even 40s.

Even if **formation rates remain low** - i.e. young people remaining at the “Hotel of Mum and Dad” - **there is still expected to be a 20% increase in the number of households nationally over a 20-year period to 2031.**⁹ Younger people are delaying having children (or altogether) and fewer young people than ever feel that they are actually part of society as a whole. **The younger generation - quite rightly - want what previous generations have enjoyed and, unless that is made possible, they will likely turn to populist groups offering unrealistic alternatives.**

Whilst it had been mooted that Philip Hammond, Chancellor of the Exchequer, might make some bold policy proposals as part of the Autumn budget, providing some clarity on the Government’s thinking with regards how housing supply could be effectively met in the future by potentially relaxing green belt designation, that was not to be the case. Instead, **Mr Hammond offered zero percent stamp duty to first-time buyers on properties valued up to £300,000** and 5% stamp duty on properties valued up to £500,000 over the £300,000 zero-band threshold. Whilst we welcome this move, **it doesn’t fix the housing supply problem or help those trying to save for a deposit on the first place. Additional demand at this level could also result in higher house prices. It’s almost like treating the symptom and not the cause.**

But how has this Country gotten into such a housing mess? Monetary policy, which relies on financial markets to affect the real economy, is much to blame. Unconventional policies, such as Quantitative Easing (QE), have actually made matters worse for many trying to get onto the housing ladder. Why is that? QE works like this: the Bank of England uses newly created digital ledger entries (money printing) to buy long-maturity bonds which **pushes down long-term interest rates (which should be good for new home owners); borrowing costs associated with long-term rates, such as mortgages, decline (also good)** which should provide an incentive for individuals to pull forward future expenditure (another good for the economy overall). But by depressing yields (returns) on so-called “safe haven” assets (such as bonds), **otherwise risk-averse investors are pushed towards more riskier assets such as equities and real estate (houses).**

With interest rates at all-time lows, QE also facilitates easy credit by encouraging leverage. The theory is that **when interest rates are low, some are worse off (the savers) but some are better off (the borrowers).** But these borrowers are generally consumers, which should result in a stronger economy than would otherwise be the case. However, much of this depends on real wage growth (i.e. after inflation), which has been negative now for a number of years. The assumption that **declines in unemployment (which has been the case) would result in accelerating consumer price inflation (which has also been the case), but via rising wages (which has not occurred)** meant that policy-makers thought supposed rising wages would allow low or middle income households to keep up with asset price inflation (houses), **thus keeping the income and wealth gap in check. This has not happened. Instead, house price appreciation has become further entrenched, moving well ahead of wage growth.** Those experiencing declining real pay have found themselves unable to live near the jobs they need as housing has become so unaffordable and are being forced to commute for longer distances. Distributional wealth effects associated with QE has exacerbated inequality amid uneven wage growth and is behind much of the increase in populist support today.

At the 2016 Conservative Party conference, Theresa May said in her closing speech, *“Because while monetary policy – with super-low interest rates and quantitative easing – provided the necessary emergency medicine after the financial crash, we have to acknowledge there have been some bad side effects. **People with assets have got richer. People without them have suffered. People with mortgages have found their debts cheaper. People with savings have found themselves poorer. A change has got to come.**”*

⁹ Cambridge Centre for Housing and Planning Research, <https://www.cchpr.landecon.cam.ac.uk/>

Everyone needs somewhere to live but, **largely due to consecutive restrictive planning policies over previous decades, it has become incredibly difficult to build new homes.** As it takes more and more of one's income to purchase a home, those on lower salaries suffer and those with wealth (or wealthy parents) benefit. The country desperately needs to build more new homes not just for our nurses, teachers and other key workers but the land it makes most sense to build on (i.e. surrounding larger towns or cities) is often protected from development.

Contrary to widely-held and popular belief, green belt land is not an environmental designation and many parts are considered to be of low-quality, scrubland or, by virtue of being close by, simply included in blanket or surrounding coverage. We believe that new house building should be achieved in tandem with providing a more positive and beneficial environment setting such as the inclusion of new woodland, thus offsetting any negative impact not just from house-building itself also from any existing negative impact via agricultural use. **Combining infrastructure to support these new homes would also be provided as that is where demand would be.** Whilst it simply does not make sense to cram 90% of England's population into just 10% of the land mass, recent speeches from Theresa May¹⁰, Sajid Javid¹¹ (Secretary of State for Communities and Local Government) and Philip Hammond¹² all **reiterated protection for the green belt whilst also remaining committed to mass house building. Unfortunately, they can't have both.**

This paper references Tandridge District Council (my local authority) as a case study. **Tandridge finds itself "stuck between a rock and a hard place"**. The district is 94% green belt - the highest proportion in England - and yet, the Government calculates (under its proposed standard methodology) that 12,900 new homes should be built (over a 20 year period). Whilst house-building is, quite obviously, extremely challenging, TDC has pledged to fulfil its housing obligation to future generations by proposing to give up less than 1% of its green belt to develop a new garden village.

Each and every community in Britain started life as a small village or a market centre. Some grew via popularity or need whilst others stayed small. Trying to dictate from a national level how best to approach future housing need will simply drive the concept of new garden villages into a storm of opposition. **What is needed is a visionary change to better enable a local alternative, upon a garden village principle, which is viable and sufficiently popular, with the capacity enabled, and the vision so compelling that it unlocks a local appetite for such a solution.**

Whilst there are some people that are opposed to housing development outright - perhaps because it threatens the value of their own home, as primary wealth is usually tied up into one's main residential property - they have **no right to refuse others the chance of home ownership.** The short-sightedness of those who act on the "NIMBY" (Not In My Back Yard) or "BANANA" (Build Absolutely Nothing Anywhere Near Anyone) approach are simply selfish by denying those less well-off somewhere decent in which to live, thwarted from home ownership, forced to spend a larger proportion of their net income on renting or a great deal of time and money commuting to and from work.

In summary, saying no to house building is not an option and we sincerely believe **that those authorities which do not fulfil their duty to provide more new housing of the correct type and affordable mix will surely mark the beginnings of their own structural, long-term decline.**

¹⁰ Conservative Party, October 2017, <https://www.conservatives.com/sharethefacts/2017/10/theresa-mays-conference-speech>

¹¹ DCLG, Secretary of State's speech on the housing market, November 2017, <https://www.gov.uk/government/speeches/sajid-javids-speech-on-the-housing-market>

¹² HM Treasury, Autumn Budget 2017, <https://www.gov.uk/government/speeches/autumn-budget-2017-philip-hammonds-speech>

Tandridge District Council (TDC): A Case Study

We believe that there has been some serious conflicting misinformation circulated amongst residents, businesses and the local community in and around Tandridge district about how housing targets are generated, who is in charge of house building and where new homes should be built. There is a wealth of publicly available information that has been published by TDC since the start of the local plan process began and we have attempted to pull all of this together to present the relevant facts and figures with regards housing need in the district. We have also drawn from many other publicly available research sources to give our view on the state of housing both in England and in Tandridge.

Evidence is Critical in the Local Plan Process

TDC is in the process of formulating an articulate and strategic vision of its future local plan which is expected to be presented to a Government Inspector sometime during Summer 2018. The National Planning Policy Framework (NPPF)¹³ requires that local planning authorities identify objectively assessed housing need (the OAN) and that local plans translate those needs into land provision targets. The key objective of the NPPF is to *“boost significantly the supply of housing.”* The NPPF states that local plans must be positively prepared if they are found to be *“sound”*, justified, effective and consistent with national policy, to be tested by an independent inspector via the plan examination process. To be positively prepared, a plan *“should be prepared based on a strategy which seems to meet objectively assessed development and infrastructure requirements, including unmet needs from neighbouring authorities where it is reasonable to do so and consistent with achieving sustainable development.”*¹⁴

However, there has been some conflicting misinformation circulated around Tandridge about how housing targets are generated, including the idea that the council itself has calculated the OAN. Evidence is critical in the plan-making process and the **NPPF makes it absolutely clear that any local plan must be informed by robust and comprehensive information.** A regularly updated local plan - including the OAN - is decreed to be provided by the Planning Inspectorate¹⁵, a Government Executive Agency, and **all local authorities have no choice but to provide an OAN and subsequently adhere to it.**

What is an OAN?

But what is an OAN? How is it calculated? Why do we even need one? And what does it mean for residents? Consider the definitions of the words Objectively, Assessed and Need. **Objectively:** in a way that is not influenced by personal feelings or opinions; **Assessed:** evaluate, estimate or calculate the value at a specified level; **Need:** require (something) because it is essential or very important rather than just desirable.

The concept of housing need is a keystone of the NPPF but it is not actually defined within the document.

This leads to confusion because “need” is a broad term, which can mean different things to different people.¹⁶ Paragraph 003 of Planning Policy Guidance (PPG) is entitled “What is the definition of need?”, *“Need for housing in the context of the guidance refers to the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet that demand.”* So local authorities should think about the type and mix of housing to be provided as well as the quantity.

¹³ DCLG, NPPF, March 2012, <https://www.gov.uk/government/publications/national-planning-policy-framework--2> para 182 and House of Commons, Parliament Debate on the NPPF, March 2015, <https://hansard.parliament.uk/commons/2015-03-05/debates/15030538000001/NationalPlanningPolicyFramework>

¹⁴ DCLG, NPPF, Plan-making, March 2012, <https://www.gov.uk/guidance/national-planning-policy-framework/plan-making>

¹⁵ Planning Inspectorate, <https://www.gov.uk/government/organisations/planning-inspectorate>

¹⁶ LGA, Planning Advisory Service, Objectively Assessed Need and Housing Targets, Technical advice note, July 2015, <https://www.local.gov.uk/sites/default/files/documents/objectively-assessed-need-9fb.pdf>

However, PPG does not define need, it simply says that need is what is needed! Need can be defined as what should be provided if everyone is to enjoy suitable housing at an acceptable cost, i.e. what ought to be. Alternatively, need could be demand, i.e. the amount of housing that would be provided if the planning system did not restrict land supply. In other words, housing need-as-aspiration and need-as-demand. **Whilst PPG does not tie the crucial concept of objectively assessed need to either one, it is generally accepted that the OAN relates to need-as-demand.**

Tandridge district's land mass is 94% green belt - the highest proportion in England - which makes house-building extremely challenging but **TDC has pledged to fulfil its housing obligation to future generations and those who are struggling to get onto the property ladder whilst also maintaining green belt in the district as far as is possible.** As part of its commitment to provide much-needed affordable housing for local, younger and new residents, TDC has adopted a working OAN as part of its local plan process of 9,400 new homes (or 470 p.a.) to be built over a 20 year period (between 2013-2033). We explain below how TDC got to that figure.

TDC adopted its Core Strategy 2006¹⁷ in October 2008 which required the delivery of 2,500 new homes (or 125 p.a.) to be built between 2006 and 2026. Planning policy for housing provision, set out within the Core Strategy, had been consistent with the South East Plan.¹⁸ However, the figure of 125 new homes p.a. was not needs-based, had not been derived by way of any consultation or objective assessment for future requirement, and was simply as a result of discussions with authorities as part of the (now revoked) South East Plan. In fact, we believe that **this is the reason why Tandridge has suffered from severe infrastructure deficit to date, as infrastructure provision had been based on an unrealistically low housing target.** The figure of 125 new homes p.a. did not reflect the actual need of Tandridge residents and also that other people would be expected to move into the area.

Post adoption of TDC's Core Strategy, a wealth of new national demographic evidence was published including: the 2011 Census¹⁹; Sub-National Population Projections 2012 (SNPP)²⁰ from the Office of National Statistics (ONS)²¹; planning policies as part of the National Planning Policy Framework 2012 (NPPF)²² with associated Planning Practice Guidance 2014 (PPG)²³; plus the South East Plan 2009 (on which the previous OAN had been derived) was revoked. The NPPF represented a *"radical policy change in respect of housing provision"*, indeed, a recent **High Court decision states that "extreme caution" should be applied by plan-makers seeking to use data from now revoked regional strategies.**²⁴

¹⁷ TDC, Core Strategy 2006, published October 2008, <https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Current%20and%20adopted%20planning%20policies/Core%20strategy/Core-Strategy.pdf>

¹⁸ South East Plan (also known as the Regional Spatial Strategy for the South East), 2008 (now revoked),

<http://webarchive.nationalarchives.gov.uk/20100528160926/http://www.gos.gov.uk/gose/planning/regionalPlanning/815640/>

¹⁹ National Census 2011, <http://www.surreyi.gov.uk/ViewPage1.aspx?C=resource&ResourceID=1148&cookieCheck=true&JScrip=1>

²⁰ ONS, SNPP, 2012 (published May 2014), <http://www.ons.gov.uk/ons/rel/snpp/sub-national-population-projections/2012-based-projections/stb-2012-based-snpp.html>

²¹ ONS, 2008 (updated periodically since)

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/adhocs/0063472008basednationalpopulationprojectionsukmid2008tomid2108>

²² DCLG, NPPF, March 2012, <https://www.gov.uk/government/publications/national-planning-policy-framework--2> and

National Planning Practice Guidance, 2016 (updated periodically since), <https://www.gov.uk/government/collections/planning-practice-guidance>

²³ DCLG, PPG, 2014 (updated periodically since), <http://planning.guidance.planningportal.gov.uk/>

²⁴ Gallagher Homes Limited Lioncourt Homes Limited vs. Solihull Metropolitan Borough Council, April 2014, <http://www.bromsgrove.gov.uk/media/752183/Solihull-1283-PHD2.pdf>

How Has Tandridge District Council's OAN Been Calculated?

Calculating an OAN is a mathematical process based on historic demographic change with “market signal” adjustments (both up and down) made to reflect affordability, house prices, rents, rate of development, land values and overcrowding.²⁵ However, as pointed out in PPG, “*establishing future need for housing is not an exact science; no single approach will provide a definitive answer.*”²⁶

At the beginning of the local plan process, in July 2013, TDC commissioned GL Hearn to consult on a realistic figure of the need for future housing requirement in the district, in accordance with the process required by the NPPF, and as amended by experience from inspectors' comments on emerging local plans of other authorities at the time. The GL Hearn report²⁷ calculated that a demographic-driven base-line projection (the starting point for any Government inspection) required 9,100 new homes (or 455 p.a.) to be built over a 20 year period (2011-2031).

Interestingly, the report did not include any upward adjustment from any potential positive economic performance in the South East as, given the dynamic nature of the labour market, predicting job numbers was thought too difficult to accurately forecast long-term. The report did, however, consider whether demographic projections were capable of meeting the full need for market *and* affordable housing, **suggesting that 200 homes p.a. should be delivered as affordable, or 45% of the total OAN.**²⁸

We imagine that for the OAN provided by GL Hearn **to be considered reliable and accurate, TDC needed a second opinion.** TDC commissioned arc4²⁹ to provide a further report but this was never finalised or published at the time. It was suggested that TDC had been suppressing the report as it was thought that the OAN presented by arc4 was lower than the figure that TDC was considering adopting. This was not the case and, as a result, TDC published the draft report in July 2017. For the sake of clarity and completeness, arc4 suggested a final OAN of 14,000 (or 700 homes p.a.), 49% above TDC's adopted working OAN. This was broken down by a base-line demographic-driven dwelling requirement of 443 homes p.a. but with an additional 207 homes p.a. to support a projected increase in the number of new jobs in the district, plus 50 p.a. for additional affordable new homes.

²⁵ DCLG, PPG, para 019, http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_019

²⁶ DCLG, PPG, March 2015, <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

²⁷ GL Hearn, Locally-Generated Housing Needs Assessment, July 2013,

<http://www.councillors.tandridge.gov.uk/CMIS5/Document.ashx?czJKcaeAi5tUFL1DTL2UE4zNRBcoShgo=8C%2BZecp%2Ft5Xw9lbe6Sw4xLKh%2FAYkn1x5LvjtLtKpFI24fxacj4yzaA%3D%3D&mCTIbCubSfFXsDGW9lXnlg%3D%3D=hFflUdN3100%3D&kCx1AnS9%2FpWZQ40DXFvdEw%3D%3D=hFflUdN3100%3D&uJovDxwdjMPoYv%2BAJvYtYA%3D%3D=ctNJff55vVA%3D&FgPIIEJYlotS%2BYGoBi5olA%3D%3D=NHdURQburHA%3D&d9Qjj0ag1Pd993jsyOJqFvmyB7XOCSQK=ctNJff55vVA%3D&WGewmoAfeNR9xqBux0r1Q8Za60lavYmz=ctNJff55vVA%3D&WGewmoAfeNQ16B2MHuCPMRKZMwaG1PaO=ctNJff55vVA%3D>

²⁸ Turley Economics, Affordable Housing Needs Assessment, September 2015, figure 2.6,

<https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Strategic-Housing-Market-Assessment-2015-Calculation-Affordabl.pdf>

²⁹ arc4, Strategic Housing Market Assessment Draft Report, May 2015, <https://www.tandridge.gov.uk/Your-council/News-and-consultation/News/ArtMID/748/ArticleID/28/Council-releases-early-draft-report-on-Objectively-Assessed-Housing-Need>

In September 2015, TDC therefore commissioned NMSS to provide some final clarity for the OAN figure. Neil McDonald is a visiting fellow at Cambridge Centre for Housing and Planning and has held various high-profile roles within the DCLG. The **NMSS report³⁰ considered a suite of evidence papers³¹ that together provided TDC with a Strategic Housing Market Assessment (SHMA)**, Tandridge being a component of a number of Housing Market Areas (HMAs)³², including Croydon, Reigate & Banstead and Mid-Sussex. NMSS agreed with GL Hearn that the starting point of a base-line demographic-driven projection³³ was correct and a figure of 8,770 new homes (or 440 p.a.) was presented. The NMSS report used topic papers provided by Turley Economics on house prices, earnings, affordability ratios³⁴, building rates, rents, an analysis of market signals³⁵, **took into account updated data from the ONS's Annual Mid-Year Population Estimates (MYE)³⁶ and also included the latest estimates for migration.³⁷**

In accordance with PPG³⁸, that market signals should be taken into account when objectively assessing the need for housing, NMSS concluded that several important adjustments should be made.³⁹ Rather than using five years of data from the SNPP (for the period 2007-12, which was pointed out to be the start of the global financial crisis, and therefore may not be representative of what to expect in the future), the survey adjusted the base OAN to include data from the MYE for 10-year flows (for the period 2004-2014)⁴⁰ which resulted in an aggregate increase of 670 dwellings, **giving a final OAN of 9,440, rounded to 9,400 (or 470 p.a.)**. This is the working OAN figure that TDC has adopted as part of its local plan process. Now, whilst this figure may seem rather large, it **equates to an increase of just 1.3% p.a. of existing housing stock in the district, in line with many other neighbouring authorities.**

All that said, **the NPPF and PPG make it clear that an authority's housing provision target, or requirement, does not necessarily equal its objectively assessed need.** Two factors come between the OAN and the target: **the area's deliverable and sustainable supply capacity**, as defined with reference to constraints recognised in the NPPF; **and cross-boundary unmet need**, which an authority should accommodate *"when it is reasonable to do so and consistent with achieving sustainable development."* This is important and perhaps is why some local authorities have presented a housing target that is actually below their OAN figure (see Swale later in this note).

³⁰ NMSS, The Objectively Assessed Housing Needs of Tandridge, September 2015, <http://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Strategic-Housing-Market-Assessment-2015-Tandridge-Objectively.pdf>

³¹ Turley Economics, Addressing the Needs of All Household Types, September 2015, <https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Strategic-Housing-Market-Assessment-2015-Addressing-the-Needs.pdf>

³² Turley Economics, Defining the Housing Market Area, September 2015, <https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Strategic-Housing-Market-Assessment-2015-Defining-Housing-Mark.pdf>

³³ DCLG, SNPP, Household Projections, 2014 (but updated July 2016), <https://www.gov.uk/government/statistical-data-sets/live-tables-on-household-projections>

³⁴ Turley Economics, Affordable Housing Needs Assessment, September 2015, <https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Strategic-Housing-Market-Assessment-2015-Calculation-Affordabl.pdf>

³⁵ Turley Economics, Analysis of Market Signals, September 2015, <https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Strategic-Housing-Market-Assessment-2015-Market-Signals.pdf>

³⁶ ONS, Annual Mid-Year Population Estimates, 2014 (published June 2015), http://www.ons.gov.uk/ons/dcp171778_406922.pdf

³⁷ ONS, Migration Statistics Quarterly Report, August 2015, <http://www.ons.gov.uk/ons/rel/migration1/migration-statistics-quarterly-report/august-2015/stb-msqr-august-2015.html>

³⁸ DCLG, PPG, para 017, <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

³⁹ Choice of Assumptions in Forecasting Housing Requirements: Methodological Notes, March 2013, http://www.howmanyhomes.org/resources/Choice_of_Assumptions.pdf

⁴⁰ Making sense of the New English Household Projections, April 2015, <http://www.tcpa.org.uk/>

The Government's Proposed Standardised Methodology for Calculating an OAN

As TDC were working through the local plan process, the Government has quite literally “thrown a spanner in the works”, announcing a proposed standard formula to calculate an OAN for each and every local authority in England. **There are three main elements to this standardised methodology.** The starting point is a base-line demographic-driven projection (i.e. expected growth in household numbers) derived from the latest SNPP data.⁴¹ This is simply the difference in the number of new households expected to form in each authority over the coming 10 years, divided by 10. For TDC, **the Government's calculation is 461 new homes p.a.** (over a period between 2016-2026). It is interesting to note that **this is not too dissimilar to TDC's own working OAN of 470 p.a.**

However, **the second element to the Government's OAN calculation is rather more controversial.** The report says, “... few methods take significant account of the affordability of housing in their area ... There is considerable economic evidence that demonstrates that growth in house prices (and therefore **worsening affordability**) is **inversely related to the level of house building**”, referencing two rather out-of-date publications, “The Barker Review”⁴² (which was, at the time, considered to be the “Housing Bible” when first published in 2004 and from which much of the current NPPF is based) and “Affordability Still Matters”⁴³ (a more technical paper on how to measure the affordability of home ownership). **The Government is therefore proposing to increase the OAN for those relatively unaffordable authorities, such as Tandridge, but with a cap of 40%.** Contrary to these statements made, the NMSS report commissioned by TDC did consider affordability and **whilst Tandridge has been accused of a high level of house building historically, it remains the seventh most expensive district outside of London in which to live today.**

The third element of the Government's proposal is yet more controversial. For those authorities which have had their **local plan approved within the last five years, then all of the above can be ignored.** Instead, the Government is proposing to use the adopted OAN as presented via the local plan for these authorities but to increase that figure by an arbitrary 40%, even if their respective affordability ratio is not actually over 40%.

Housing Affordability is the Key Problem

What constitutes “affordable housing?”⁴⁴ Whilst there is no all-encompassing statutory definition of affordable housing, the most commonly referred to definition is set out in Annex 2 of the NPPF: “*Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices.*”⁴⁵ As social housing rents are generally half that of market rent, “*Planning and Affordable Housing for Build to Rent*”⁴⁶ was published alongside the White Paper earlier this year. But such is the lack of consensus over what affordability means in housing terms that there have been suggestions that the concept should be abandoned on the basis that it has become unhelpful when considering the difficulties faced by households in meeting their housing needs.⁴⁷ Below we explain in more detail what seems to be going on.

⁴¹ DCLG, SNPP, Household Projections, 2014 (updated July 2016), <https://www.gov.uk/government/statistical-data-sets/live-tables-on-household-projections>

⁴² The Barker Review, December 2006, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/228605/0118404857.pdf

⁴³ Affordability Still Matters, July 2008,

<http://webarchive.nationalarchives.gov.uk/20081214215740/http://www.communities.gov.uk/documents/507390/pdf/867681.pdf>

⁴⁴ House of Commons Library, What is Affordable Housing, August 2017, <http://researchbriefings.files.parliament.uk/documents/CBP-7747/CBP-7747.pdf>

⁴⁵ NPPF, Annex 2, March 2012, <https://www.gov.uk/guidance/national-planning-policy-framework/annex-2-glossary>

⁴⁶ DCLG, Planning and affordable housing for build to rent, February 2017, <https://www.gov.uk/government/consultations/planning-and-affordable-housing-for-build-to-rent>

⁴⁷ NatCen, Defining and measuring housing affordability in the PRS using the minimum income standard, August 2016, <http://www.natcen.ac.uk/blog/defining-and-measuring-housing-affordability-in-the-private-rented-sector>

We all know that Tandridge has historically been relatively unaffordable (the average house price of a lower-quartile, entry-level home doubled from 2001-14⁴⁸), and affordability continues to be the major hurdle for many wishing to own a home of their own. The NMSS report⁴⁹ addressed the affordability issue which was analysed in the Turley Economics paper, “Affordable Housing Needs Assessment”.⁵⁰ It uses the method set out in PPG and **concludes that there is a need for 440 affordable homes p.a. over the first five years of the local plan and 268 p.a. for the remainder of the plan period.** This is clearly undeliverable within a total working OAN of 470 new homes p.a., in our view.

Referring to PPG guidance (which is not particularly helpful), *“The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.”*

It is important to recognise that methods set out in PPG for estimating an OAN and the need for affordable housing are fundamentally different and incompatible, *“... the two numbers are not directly comparable, because they relate to different meanings of the term “need”. . . . affordable need measures aspiration (i.e. what ought to happen), while the OAN measures expectation (what is likely to happen) based on past experience, provided that planning provides enough land.”*⁵¹ The accompanying Technical Advice Note explains that the OAN is *“based primarily on projecting (rolling forward) past trends in total population and household numbers”, whereas the PPG in seeking to “determine how many households will need affordable housing . . . does not refer to past reality, but instead looks to set criteria, or standards.”*⁵²

PPG further states, *“the calculated OAN relates to net new dwellings which accommodate net new households (i.e. household growth). In contrast, much of the assessed affordable need relates to existing households that are or will be entitled to affordable housing over the plan period. In practical terms, there is no arithmetical way of combining the two calculations set out in the PPG to produce a joined up assessment of overall housing need (i.e. they overlap). The OAN of course covers both affordable and market housing, but we cannot measure the components separately.”*

PPG continues, *“In summary, it seems logical that affordable need cannot be a component of the OAN.”*⁵³ *The OAN does have an affordable component – which cannot be measured separately but will normally be much smaller than the affordable need.”*⁵⁴ In conclusion, *“... it seems clear from the PPG and Inspectors’ advice that affordable housing need is a policy consideration that bear on policy targets, rather than a factor that bears on Objectively Assessed Need.”*

⁴⁸ Turley Economics, Analysis of Market Signals, September 2015, <https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Strategic-Housing-Market-Assessment-2015-Market-Signals.pdf>

⁴⁹ NMSS, The Objectively Assessed Housing Needs of Tandridge, September 2015, paras 82-85, <http://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Strategic-Housing-Market-Assessment-2015-Tandridge-Objectively.pdf>

⁵⁰ Turley Economics, Affordable Housing Needs Assessment, September 2015, <https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Strategic-Housing-Market-Assessment-2015-Calculation-Affordabl.pdf>

⁵¹ Objectively Assessed Need and Housing Targets Technical Advice Note, July 2015, paras 9.3 and 9.4, <http://www.pas.gov.uk/documents/332612/6549918/OANupdateadvisenote/f1b748-11fc-4d93-834c-a32c0d2c984d>

⁵² Objectively Assessed Need and Housing Targets Technical Advice Note, July 2015, para 2.14, <http://www.pas.gov.uk/documents/332612/6549918/OANupdateadvisenote/f1b748-11fc-4d93-834c-a32c0d2c984d>

⁵³ DCLG, PPG, paras 22-29, <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

⁵⁴ Objectively Assessed Need and Housing Targets Technical Advice Note, July 2015, paras 9.5 and 9.7, <http://www.pas.gov.uk/documents/332612/6549918/OANupdateadvisenote/f1b748-11fc-4d93-834c-a32c0d2c984d>

Latest figures show that **national median house prices amount to 7.6x average median gross annual work-place based earnings** (the so-called “Affordability Ratio”), but **in Tandridge the figure is 14.8x.**⁵⁵ It is this affordability ratio on which the Government has built an arbitrary formula to adjust the base-line demographic-driven projection for housing need. One must bear in mind that data for self employed workers is not included in official ONS figures and the measure doesn’t include the effect of other income sources, e.g. benefits, tax or national insurance deductions. The measure is also for individuals but many households have multiple earners which affects the accommodation which they, as one unit, can afford.

Table 1: Tandridge District Council Compared to Other Authorities’ Affordability Ratios

Workplace Based Affordability Ratios					Residence-Based Affordability Ratios				
Rank	Ex-L.	Name	Region	AR	Ex-L.	Rank	Name	Region	AR
1		Kensington and Chelsea	London	38.50	1	14	South Bucks	South East	14.55
2		Westminster	London	24.00	2	16	Hertsmere	East of England	14.16
3		Hammersmith and Fulham	London	20.92	3	17	Mole Valley	South East	14.14
4		Camden	London	19.64	4	19	Chiltern	South East	13.92
5		Wandsworth	London	18.55	5	20	Elmbridge	South East	13.82
6		Richmond upon Thames	London	18.32	6	21	Three Rivers	East of England	13.82
7	1	South Bucks	South East	18.23	7	23	Cambridge	East of England	13.45
8	2	Chiltern	South East	16.77	8	26	Epsom and Ewell	South East	12.99
9	3	St Albans	East of England	16.76	9	27	Hounslow	South West	12.58
10		Hackney	London	16.38	10	30	Christchurch	South West	12.47
11		Merton	London	16.23	11	31	St Albans	East of England	12.44
12	4	Epsom and Ewell	South East	16.18	12	32	Newham	East of England	12.26
13		Ealing	London	15.79	13	33	Windsor and	South East	12.02
14		Haringey	London	15.63	14	35	Runnymede	South East	11.93
15	5	Elmbridge	South East	15.39	15	38	Guildford	South East	11.75
16		Islington	London	15.00	16	40	Reigate and Banstead	South East	11.69
17	6	Waverley	South East	14.84	17	41	East Dorset	South West	11.64
18		Kingston upon Thames	London	14.81	18	42	Sevenoaks	South East	11.62
19		Brent	London	14.80	19	44	Adur	South East	11.55
20	7	Tandridge	South East	14.78	20	46	Tandridge	South East	11.35

Source: <https://www.gov.uk/government/news/new-planning-approach-to-speed-up-delivering-homes>

Note: Ex-L. is Excluding London Borough councils, AR=Affordability Ratio, the table is sorted by Ex-London Residence-Based Affordability.

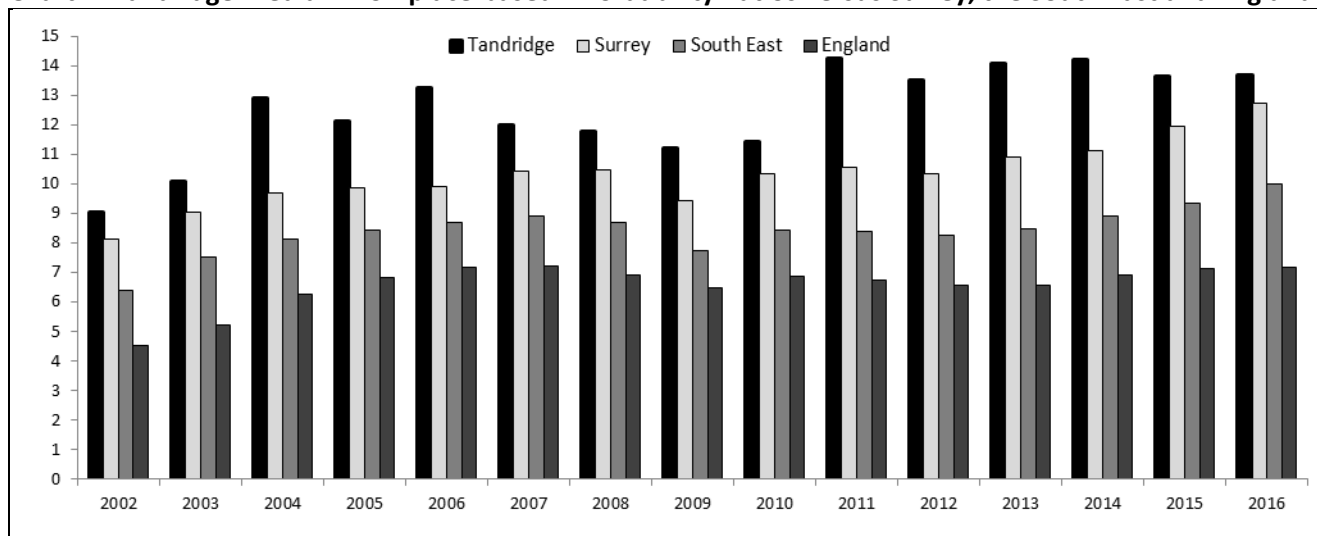
The idea of adjusting for affordability was raised rather recently in the “Report to the Communities Secretary and to the Minister of Housing and Planning” by the “Local Plans Expert Group”⁵⁶ in March 2016. The document says, *“The indicators published by DCLG will provide plan makers with an ability to assess (if any) the market imbalances occurring in their area. Where this is evident, LPAs (Local Planning Authorities) will need to make an upward adjustment to the assessment of need over and above that identified through the population and household projections, including any change to the household formation trends in younger adults. This ensures that the market signals uplift to the assessment of need reflects how a supply response can address previous deterioration in affordability. This is a separate and distinct element to the housing needed to adequately cater for population and household growth. The purpose of this upward adjustment is to ensure the FOAHN (OAN) reflects pressures on affordability and to address the wider undersupply of housing.”*

⁵⁵ ONS, Housing Affordability in England and Wales 1997-2016, March 2017,

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingaffordabilityinenglandandwales/1997to2016>

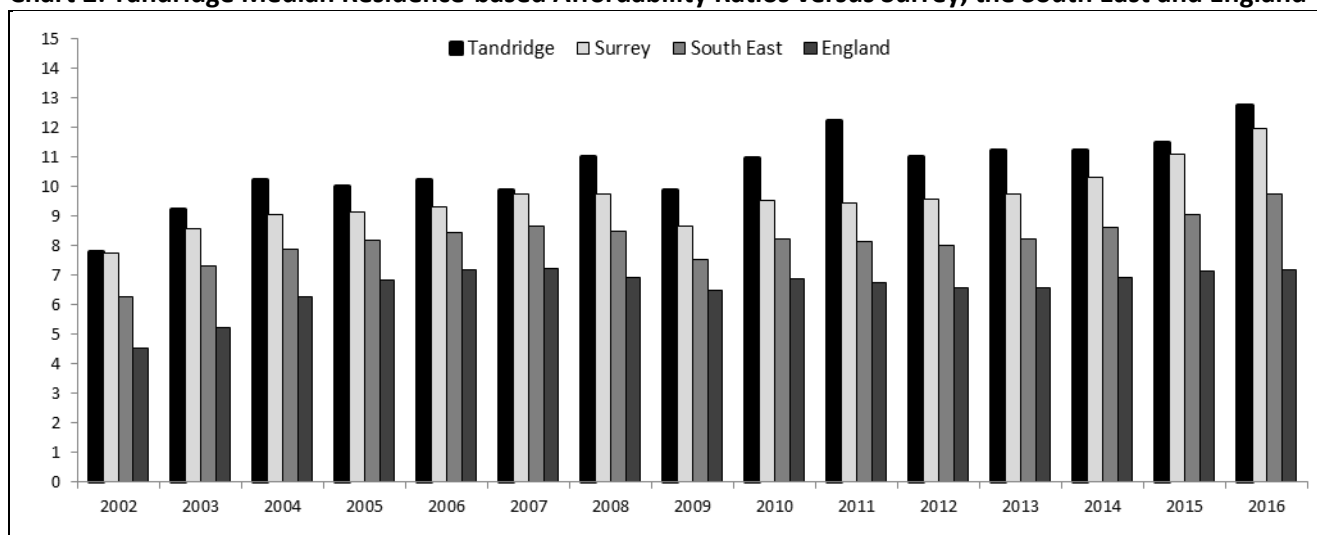
⁵⁶ Local Plans Expert Group, March 2016, <http://lpeg.org/>

Chart 1: Tandridge Median Workplace-based Affordability Ratios versus Surrey, the South East and England



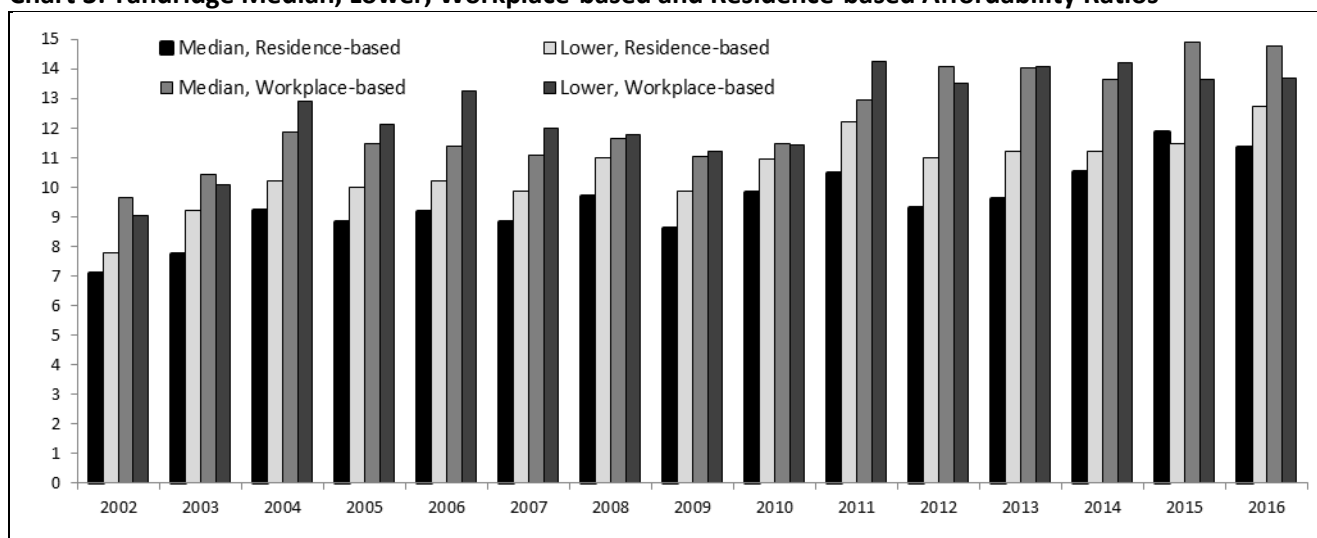
Source: ONS

Chart 2: Tandridge Median Residence-based Affordability Ratios versus Surrey, the South East and England



Source: ONS

Chart 3: Tandridge Median, Lower, Workplace-based and Residence-based Affordability Ratios



Source: ONS, Median = Median House Prices to Median Gross Annual Earnings, Lower = Lower Quartile House Prices to Lower Gross Annual Earnings, Workplace-based Earnings refers to residents living and working within the district, Residence-based Earnings are those working outside of the district

The report continues, ***“The more significant the market imbalance shown by market signals the larger the improvement in affordability needed within the FOAN and, therefore, the larger the additional supply response should be. Based on the data published by DCLG, LPAs should apply an upward adjustment to the demographic starting point in line with the following benchmarks: Where the House Price Ratio (HPR) is less than 5.3 and Rental Affordability Ratio (RAR) is less than 25%, no uplift is required; Where HPR is at or above 5.3 and less than 7.0, AND/OR the RAR is at or above 25% and less than 30%, a 10% uplift should be applied; Where the HPR is at or above 7.0 and less than 8.7, AND/OR the RAR is at or above 30% and less than 35%, a 20% uplift should be applied; and Where the HPR is at or above 8.7, AND/OR the RAR is at or above 35%, a 25% uplift should be applied.”*** This guidance from the Local Plans Expert Group is basically what inspectors have been using to date to justify increasing proposed OAN figures as presented within local plans (see Mid-Sussex later in this note).

The Affordability Still Matters report⁵⁷ quoted in the Government’s documentation references (and prefers) lower quartile house prices to lower quartile earnings (rather than median earnings) because that is what actually is needed – more affordable new homes. However, it also says, ***“There are many alternative measures, for example the percentage of income consumed by housing costs (including mortgage payments or rent) or a household’s residual income after housing costs.”*** We wholeheartedly agree with this. **House prices are not a reflection of supply and demand, they are a reflection of an ability to pay**, i.e. mortgage payments (or rental payments) to income – which is dependent on interest rates which were cut from 5% to 0.5% over the space of six months during 2008/09, then down to 0.25% post Brexit, but which has recently been revised back to 0.5% - and real wage growth.

It is quite obvious to state that no-one can afford a mortgage if interest rates are 15% **but many market commentators believe that property prices are currently so high and real wage growth so low (or even negative for many), that it will take just one or two interest rate hikes to topple the housing market.** Whilst Mark Carney, Governor of the Bank of England, said recently that interest rate rises will be *“gradual and limited”*, **the only effective way to deal with the affordability issue is to raise interest rates** but this quite obviously doesn’t help first time buyers trying to get on the property ladder or those with an already large household or consumer debt burden. Whilst the Government is trying to promote various help to buy schemes⁵⁸, these don’t even scratch the surface of what is actually required.

So, including the Government’s affordability ratio adjustment, the OAN for TDC can be revised as thus:-

$$\text{OAN} = \text{Projected Household Growth} \times (1 + (((14.8-4)/4)*0.25)) = 7,722 \text{ (over a 10 year period) or } 772 \text{ p.a.}$$

In other words, the affordability ratio adjustment produces an “adjustment factor” of 1.675x, where 14.8 = TDC Affordability Ratio, minus 4 being the maximum amount in terms of multiple of earnings one is able to borrow for a mortgage, divided by 4 being who knows! and multiplied by 0.25 being who knows again! We have spoken to several planning experts and they have no clue on how this methodology was derived either.

But wait a minute, the Government further states, ***“for those authorities that do not have an up-to-date local plan . . . we propose that the new annual local housing need figure should be capped at 40%.”*** The Government’s proposed OAN is therefore **645 p.a. (being 461 x 1.4) or 12,908 over a 20 year period (compared to 9,400 or 470 p.a. which is the working OAN under consideration by TDC as part of the local plan process).** Alarm bells should be ringing by now.

⁵⁷ Affordability Still Matters, July 2008,

<http://webarchive.nationalarchives.gov.uk/20081214215740/http://www.communities.gov.uk/documents/507390/pdf/867681.pdf>

⁵⁸ DCLG, <https://www.gov.uk/affordable-home-ownership-schemes>

Here's the issue - **the Government's affordability ratio adjustment is an arbitrary formula, it is not "Objective", is not derived by anyway of "Assessment" and bears no relation to "Need".** Surely this goes against everything that the OAN is meant to represent? And why an arbitrary 40% cap and not 25%, as recommended by the "Expert Group"? It is also **in contrast to all previous guidance given via PPG and accompanying supplementary papers which state that affordable need is a policy consideration and cannot possibly be considered a component of the OAN.**⁵⁹

Table 2: A Breakdown of the Government's Standardised OAN Proposal for Tandridge District Council

Government Standardised OAN Proposal	2014A	2016E	2026E	Change	% Change	Per Annum
Tandridge Population (i)	85,400	86,700		8,400	9.7%	840
Tandridge Households (ii)	34,670	35,534		4,610	13.0%	461
Implied Household Formation	2.46	2.44	2.37			
Affordability Adjustment Factor (iii)				0.675	68.0%	0.675
Implied OAN (iv)				7,722		772
40% Cap Over Household Change (v)				6,454		645
If Adjustment Factor Residence-Based (vi)				0.463		0.463
Implied OAN (vii)				6,742		674

Source: DCLG. Note: (i) SNPP 2014 population projections; (ii) ONS household projections 2014, published July 2016; (iii) Affordability Ratio Adjustment Factor of 14.8x = (((14.8-4)/4)*0.25); (iv) Figure calculated over 10 Years, i.e. implies 15,444 OAN over 20 years; (v) Government 40% cap over household formation change, i.e. implies 12,908 over 20 years; (vi) Same calculation but residence-based earnings of 11.4x; (vii) Still above Government's proposed OAN of 645.

One must also bear in mind the fact that around **40% of Tandridge residents work in London on higher salaries**⁶⁰ (termed by the ONS as residence-based earnings, which is rather confusing). "Planning for the right homes in the right places" says, *"But that would not take account of the fact that incomes may be higher in that area and so homes may be no less affordable."* Indeed. **Tandridge is in the top 20 work-based affordability districts in the Country (including London boroughs) but in the top 50 residence-based affordability districts.** This is important. The NMSS report⁶¹ commissioned by TDC to provide a robust OAN stated, *"had the earnings of those who live in the area [residence-based] been compared to house prices, then affordability would not have deteriorated and, in fact, there would have been a slight improvement since 2002."*

We believe that the affordability ratio for all local authorities should be adjusted to residence-based earnings and for Tandridge the affordability adjustment ratio would therefore go down from 14.8x to 11.4x⁶², meaning that whilst the ratio for those living *and* working in the district has indeed worsened⁶³, it hasn't necessarily for residents of the district as a whole⁶⁴. All that said, **if we make the same affordability adjustment calculation as proposed by the Government for residence-based earnings rather than workplace-based earnings, the proposed OAN still comes out higher than the 40% capped 645 p.a. figure!** It seems that many authorities, including TDC, simply cannot win.

⁵⁹ DCLG, PPG, paras 22-29, <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

⁶⁰ Turley Economics, Defining the Housing Market Area, September 2015, para 4.8, <https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Strategic-Housing-Market-Assessment-2015-Defining-Housing-Mark.pdfs>

⁶¹ NMSS, The Objectively Assessed Housing Needs of Tandridge, September 2015, para 79, <http://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Strategic-Housing-Market-Assessment-2015-Tandridge-Objectively.pdf>

⁶² ONS, Housing Affordability in England and Wales, March 2017, <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingaffordabilityinenglandandwales/1997to2016>

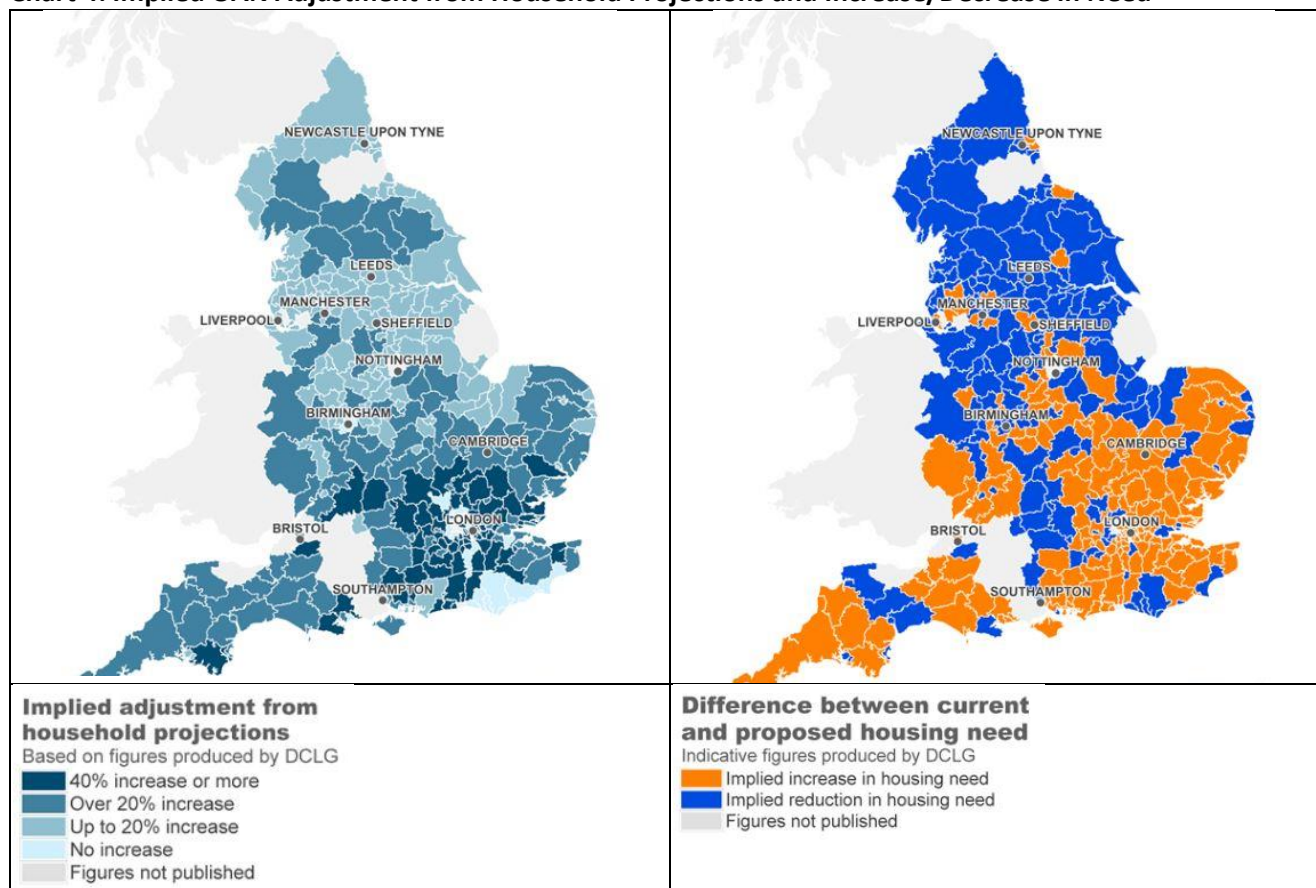
⁶³ ONS, Annual Survey of Hours and Earnings (ASHE), 2014 (updated annually since), Note: there are two affordability ratios, one workplace based, one residence based, compared to house prices,

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2016provisionalresults>

⁶⁴ Turley Economics, Analysis of Market Signals, September 2015, para 3.33, <https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Strategic-Housing-Market-Assessment-2015-Market-Signals.pdf>

For some other authorities, mainly in the North, their OAN (based on the standardised proposed methodology) has been cut to the point that some are worried that they may not be able to provide enough new homes in **poorer areas that so desperately need more affordable housing**. Indeed, **Barrow-in-Furness in Cumbria has been presented by the Government with an OAN of zero as its affordability ratio is 3.76x**. Cheshire East's proposed OAN goes down by 37% compared to their approved local plan (note that Cheshire East has had a garden village proposal approved by the Government) and Cheshire West & Chester's proposed OAN goes down by 39% after their local plan was approved by the inspector in 2015. It seems that the Government may be exacerbating the North/South divide problem by arbitrarily adjusting for affordability.

Chart 4: Implied OAN Adjustment from Household Projections and Increase/Decrease in Need



Source: DCLG, Turley Economics

Recent Experiences of Neighbouring Authorities and a Duty to Co-operate

Those authorities at the inspection stage – or the few that have been successfully through the process – have mostly been forced to modify their plans or have been required to review them again in the very near future. **Few local plans, if any, have been adopted by the Inspector without modification.** The then Minister of State for Housing and Planning, Brandon Lewis, in his written statement to the Planning Inspectorate⁶⁵ stated, *“In cases where no local plan has been produced, we will intervene to arrange for the plan to be written.”* This means that where a coherent, sensible and thorough local plan has not been presented, then the process will be taken out of that authority's hands, to be given to an agency who may interpret a higher OAN than has been accepted by the respective local authority to be accurate.

⁶⁵ House of Commons Written Statement, DCLG, July 2015, <http://www.parliament.uk/documents/commons-vote-office/July%202015/21%20July/8-Communities-and-Local-Government-Local-Plans.pdf>

Mid-Sussex District Council (an immediate neighbour to TDC), had their OAN increased by the Inspector from 730 p.a. to 876 p.a., then to 1,026 p.a. (or by a total of 41%), equating to 17,442 new homes over the 17-year life of their local plan.⁶⁶ **The adjustments were made to reflect an affordability gap** (which apparently justified a 20% increase) **but also the fact that Mid-Sussex is immediately adjacent to Crawley** (and within the same HMA). Crawley has an unmet additional need of 5,125 homes on top of its already-adopted OAN of 10,125, therefore Mid-Sussex's OAN was adjusted upwards by a further 20% to 1,026 p.a. But as Mid-Sussex's local plan has not yet been finally approved, the Government's proposed OAN (under the standard method) gives a figure of 1,106 new homes p.a.

Waverley Borough Council (whilst not immediately adjacent to TDC, is an authority that looks very similar by being situated in Surrey with one large town, Farnham), **had its local plan⁶⁷ rejected by the Inspector and also has had to revise up house-building not once but twice, from 250 new homes p.a. to 519 p.a., then to 591 p.a. (note that the Government's OAN as calculated under the standard method is 538 p.a.).**

Swale Borough Council's local plan⁶⁸ identified an OAN of 14,800 (740 p.a.) but proposed a housing target of 10,800 dwellings (540 p.a.). **The Inspector's final report⁶⁹ demanded an OAN of 13,192 or 776 p.a. but the Government's OAN (as calculated under the standard method) is 1,054 p.a.**

A Standard Method But Not for All!

Will Mid-Sussex's OAN be 1,026 p.a. (as dictated by the Inspector) or 1,106 p.a. (as per the proposed standard methodology)? Will Waverley's OAN be 591 p.a. or 538 p.a.? Will Swale's OAN be 776 p.a. or 1,054 p.a.? At this point, no-one really knows. We suppose it depends if these particular authorities are able to finalise their local plans before 31 March 2018.

There are several further thoughts that one must discuss on the Government's proposed standardised methodology for calculating an OAN at this juncture. **The standard method makes no adjustment for any anticipated future employment growth and thus associated housing need.** This is really rather interesting and perhaps justifies why TDC did not think the arc4 report to be relevant. It seems also to be the reason why some neighbouring authority's Government' accepted OANs are much lower than their own local plan OAN or working OAN (see Croydon, for example, later in this note).

The following table shows for TDC and its neighbouring eight authorities: the local authority's OAN when calculated by the "standard methodology" (i.e. ignoring if the authorities' local plan has been approved within the last five years); the proposed Government OAN (i.e. including the local plan adoption); the local authority's own working OAN; and compares these figures to previously adopted OAN targets.

⁶⁶ Mid-Sussex District Plan, <http://www.midsussex.gov.uk/planning-licensing-building-control/planning-policy/local-development-framework/district-plan/> and Inspector's Letter, February 2017, http://www.midsussex.gov.uk/media/78962/id11_inspectorsinterimletterhousing2017.pdf

⁶⁷ Waverley Borough Council, Local Plan, <http://www.waverley.gov.uk/localplan>

⁶⁸ Swale Borough Council, Local Plan, July 2017, <http://services.swale.gov.uk/meetings/documents/s7987/FULL%20COUNCIL%2026%20JULY%20Local%20Plan%20Item%20Appdx%201%20Bearing%20Fruits%202031%20The%20Swale%20Borough%20Local%20Plan.pdf>

⁶⁹ Swale Borough Council, Inspector Final Report, June 2017, <http://archive.swale.gov.uk/assets/Planning-General/Planning-Policy/Evidence-Base/ID12-Inspectors-Final-Report-20062017.pdf>

Table 3: Tandridge District Council's Proposed OAN against Eight Neighbouring Local Authorities

Authority	Green Belt	Standard Method OAN p.a.	Proposed Government OAN p.a.	authority Working OAN p.a.	% Difference	Previously Adopted OAN p.a.	% Difference
Bromley	51%	2,564	2,564	1,319	94%	No number	n/a
Crawley	1%	725	476	675	(29%)	340	40%
Croydon	27%	3,503	1,414	2,440	(42%)	1,010	40%
Mid-Sussex	60%	1,106	1,016	876	16%	No number	n/a
Reigate & Banstead	69%	1,178	644	630	2%	460	40%
Sevenoaks	94%	698	698	620	13%	165	323%
Sutton	14%	1,774	1,774	1,100	61%	345	414%
Tandridge	94%	645	645	470	37%	125	416%
Wealden	65%	1,247	630	929	(32%)	450	40%

Source: DCLG. Note: GB is the total proportion of the district that is covered by green belt, Areas of Outstanding Natural Beauty (AONB), Special Scientific Interest (SSI) or National Parks (NP); authority Working OAN p.a. is the mid-point if in a range; Crawley, Croydon, Reigate & Banstead and Wealden have all had a Local Plan adopted in the last five years.

Are you confused yet? **For those authorities which have had their local plan adopted within the last five years** (Crawley, Croydon, Reigate & Banstead and Wealden in the table above), **the Government's proposed standardised methodology for calculating the OAN can basically be ignored.** The Government proposes that their respective adopted local plan OANs should be increased by an arbitrary 40% uplift, even if the authority is not over the 40% affordability cap!

For example, **Crawley had its local plan approved within the last five years with an OAN of 340 p.a but the Government proposed OAN is 476 p.a. (i.e. $340 \times 1.4x$).** Under the standard method, Crawley's OAN should be 725 p.a. However, Crawley's affordability adjustment factor (based on the standard method) is 0.255, i.e. below the 40% cap increase. Surely, if Crawley's local plan was found to be "sound", then the proposed OAN should reflect that and adjust for current affordability ratios (i.e. $340 \times 1.255 = 427$ new homes p.a.).

More importantly, TDC is part of Croydon Borough Council's South London Housing Market Area. Croydon commissioned GL Hearn to provide a Strategic Housing Market Assessment of their future need for housing in the Borough⁷⁰ as part of their continuing local plan process.⁷¹ As a result, Croydon had been considering revising up its need for new homes from 27,000 to 42,930 (i.e. **2,147 p.a.**) and extending the period in which to provide them from 2011-2031 to -2036. However, Croydon seemed to be suggesting a house building target of just 31,850 new homes over the period (or 1,592 p.a.), i.e. 35% fewer homes than what is actually "needed" (see Swale above)

The Government's own proposed standard base-line demographic-driven OAN indicates that **Croydon Borough Council will need to provide 3,503 new homes p.a.** (which also includes a 40% affordability cap increase), **but the Government is proposing that Croydon provide just 1,414 new homes p.a. as per their recently approved local plan** (i.e. 1,010 p.a. plus the 40% arbitrary uplift). What this means is that the Croydon Borough Council may be looking at an equivalent of a **250% deficit in housing need.**

⁷⁰ GL Hearn, Strategic Housing Market Assessment, Croydon Borough Council, June 2015, <https://www.croydon.gov.uk/sites/default/files/articles/downloads/Croydon%20SHMA%20Final%20June%202015.pdf>

⁷¹ Croydon Local Plan, September 2016, <https://www.croydon.gov.uk/sites/default/files/articles/downloads/clpstrategic-policies-partial.pdf>

Table 4: DCLG's Proposed Standardised Methodology for Calculating OAN for Tandridge, Eight Neighbouring Districts and Other Surrey Authorities

	<u>Bromley</u>	<u>Crawley</u>	<u>Croydon</u>	<u>Mid Sussex</u>	<u>Reig. & Bans.</u>	<u>Sevenoaks</u>	<u>Sutton</u>	<u>Tandridge</u>	<u>Wealden</u>
Households 2016 ('000s) (i)	138.999	45.587	157.169	61.122	59.501	49.274	84.434	35.534	67.398
Households 2026 ('000s) (ii)	157.312	51.361	182.187	68.376	67.914	54.257	97.104	40.144	76.302
Household Change (10 Years 2016-2026)	18,313	5,774	25,018	7,254	8,413	4,983	12,670	4,610	8,904
% Change	13.2%	12.7%	15.9%	11.9%	14.1%	10.1%	15.0%	13.0%	13.2%
Annual Base-Line Demographic-Driven OAN p.a.	1,831	577	2,502	725	841	498	1,267	461	890
Affordability Ratio (Workplace-Based) (iii)	13.4	8.1	10.7	12.5	11.5	13.1	12.2	14.8	11.5
Affordability Ratio Adjustment Factor (iv)	0.587	0.255	0.416	0.533	0.468	0.569	0.512	0.674	0.466
Implied OAN	29,071	7,247	35,430	11,124	12,353	7,817	19,159	7,717	13,053
Workplace-Based Implied OAN p.a.	2,907	725	3,543	1,112	1,235	782	1,916	772	1,305
40% Cap Increase (if relevant) (v)	25,638	7,247	35,025	10,156	11,778	6,976	17,738	6,454	12,466
Implied OAN (including 40% Cap if relevant) p.a.	2,564	725	3,503	1,016	1,178	698	1,774	645	1,247
Government Proposed OAN p.a. (vi)	2,564	476	1,414	1,016	644	698	1,774	645	630
Authority Working OAN p.a. (vii)	1,319	675	2,440	876	630	620	1,100	470	929
% Diff. of Working OAN to Gov't OAN p.a.	94%	(29%)	(42%)	16%	2%	13%	61%	37%	(32%)
% Diff. to Standard Method (those with LP) OAN p.a.		7%	44%		87%				34%
Previously Adopted OAN p.a. (viii)	n/a	340	1,010	n/a	460	165	345	125	450
% Difference to Government Proposed OAN p.a.	n/a	113%	247%	n/a	156%	323%	414%	416%	177%
	<u>Elmbridge</u>	<u>Epsom & Ew.</u>	<u>Guildford</u>	<u>Mole Vall.</u>	<u>Runnymede</u>	<u>Spelthorne</u>	<u>Surrey Heath</u>	<u>Waverley</u>	<u>Woking</u>
Households 2016 ('000s) (i)	54.254	31.764	57.583	36.951	34.946	41.415	34.926	50.657	40.374
Households 2026 ('000s) (ii)	58.623	35.897	63.222	40.103	38.922	45.631	37.438	54.501	43.442
Household Change (10 Years 2016-2026)	4,369	4,133	5,639	3,152	3,976	4,216	2,512	3,844	3,068
% Change	8.1%	13.0%	9.8%	8.5%	11.4%	10.2%	7.2%	7.6%	7.6%
Annual Base-Line Demographic-Driven OAN p.a.	437	413	564	315	398	422	251	384	307
Affordability Ratio (Workplace-Based) (iii)	15.4	16.2	12.0	13.7	10.4	10.9	12.5	14.8	11.6
Affordability Ratio Adjustment Factor (iv)	0.712	0.762	0.501	0.608	0.402	0.431	0.530	0.677	0.476
Implied OAN	7,480	7,280	8,462	5,069	5,574	6,033	3,842	6,448	4,527
Workplace-Based Implied OAN p.a.	748	728	846	507	557	603	384	645	453
40% Cap Increase (if relevant) (v)	6,117	5,786	7,895	4,413	5,566	5,902	3,517	5,382	4,295
Implied OAN (including 40% Cap if relevant) p.a.	612	579	789	441	557	590	352	538	430
Government Proposed OAN p.a. (vi)	612	579	789	441	557	590	352	538	409
Authority Working OAN p.a. (vii)	474	418	654	391	501	655	382	519	517
% Diff. of Working OAN to Gov't OAN p.a.	29%	39%	21%	13%	11%	(10%)	(8%)	4%	(21%)
% Diff. to Standard Method (those with LP) OAN p.a.									(17%)
Previously Adopted OAN p.a. (viii)	225	181	n/a	188	n/a	166	191	250	292
% Difference to Government Proposed OAN p.a.	172%	220%	n/a	135%	n/a	256%	84%	115%	47%

Source: DCLG, Notes: (i) DCLG, SNPP Household Projections 2014, updated July 2016, <https://www.gov.uk/government/statistical-data-sets/live-tables-on-household-projections>; (ii) as above; (iii) DCLG Housing Affordability in England and Wales, <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingaffordabilityinenglandandwales/1997to2016>; (iv) DCLG Consultation, <https://www.gov.uk/government/consultations/planning-for-the-right-homes-in-the-right-places-consultation-proposals> = (((AR-4)/4)*0.25); (v) Arbitrary calculation from the above paper, i.e. 40% increase on Household Change; (vi) Government Proposed OAN lower than standard methodology for Crawley, Croydon, Reigate & Banstead, Wealden and Woking as these authorities have had their Local Plan approved in the last five years; (vii) Own authority Working OAN, even if not officially adopted, (viii) Crawley, Croydon, Reigate & Banstead, Wealden and Woking have had their Local Plan approved in the last five years.

This is extremely important for Tandridge. Whilst the Government's proposal makes a mockery of the whole idea of a standardised methodology, **once TDC's local plan is presented sometime during Summer 2018, if a duty to co-operate logic were applied (which ought to be the case), then Tandridge might be looking at providing a massive unmet need from Croydon.** Our issue is that the the Government cannot simply ignore what many local authorities are telling them via detailed due diligence. Surely Croydon Borough Council must know more about their local housing need than anyone else? Indeed, it has recently been announced that the £1.4bn Westfield development is expected to provide 7,000 new jobs and 1,000 new homes.⁷² Can the Government dismiss what local authorities have been working towards for a number of years to ensure that they provide the necessary housing required by their residents? **One should never forget that "Evidence is Critical in Local Plan Process."**

Housing for Existing Residents in Tandridge

There are several further areas that warrant discussion in relation to house-building in general within Tandridge. To see if local planning under-supplied housing demand (and need) in the past, direct evidence can be measured by comparing historic housing provision in relation to national trends and indirect evidence is provided by market signals, such as house price change. In other words, an area with above-average growth in house prices is most likely to be an area where housing has been particularly under-supplied.

The average house price in Tandridge (as of the end September 2017) was £449,014⁷³, a 2% increase since the start of 2017 and compares to an average house price in England of £243,945, or 1.84 times. If the Tandridge Affordability Ratio is 14.8x and the national average is 7.6x (roughly half), then to match the national position (let alone 4x, being the maximum multiple one can borrow for a mortgage), TDC would mathematically (in theory) **have to add 100% of existing housing stock (i.e. an additional 35,000 or so new homes) at a quarter of the current average price (i.e. around £112k)** to achieve this. Think about that for a moment.

It is generally accepted that the younger generation simply cannot afford to live in the district and, as has been the case for many years, are moving away to be replaced by more affluent but older outsiders. Nationally, it is predicted that by 2020, only a quarter of 30-year olds will own their own home, whereas more than half of the generation currently approaching retirement were homeowners by their 30th birthday.⁷⁴ **A first-time buyer couple on a low-to-middle income, saving 5% of their disposable income each month would have saved enough for an average-sized deposit after three years during the 1990s. Today that figure is 24 years.**⁷⁵ Latest data shows that over the last 10 years, **the proportion of 16-34-year-olds owning their own home fell from roughly one half to one third** and that one-in-four young adults (aged between 20-34) remain living with their parents, down from one-in-five just seven years ago.⁷⁶

Real wage (earnings) growth has been extremely weak since the financial crisis but **the 22-39 age groups have been hurt most, seeing a 10% real (i.e. after inflation) reduction since 2007**⁷⁷. With inflation continuing to rise and nominal wage growth slowing, by 2021, it is expected that real wages will still not have recovered to their 2008 level, which would represent the longest period of earnings stagnation since the 1860s.

⁷² London Borough of Croydon, November 2017, <http://news.croydon.gov.uk/7000-new-jobs-1000-new-homes-croydon-town-centre-redevelopment-approved/>

⁷³ ONS, House Price Index, England, September 2017, <https://www.gov.uk/government/publications/uk-house-price-index-england-september-2017/uk-house-price-index-england-september-2017>

⁷⁴ Council of Mortgage Lenders, The challenge facing first-time buyers, April 2015, <https://www.cml.org.uk/news/news-and-views/723/>

⁷⁵ Resolution Foundation, December 2015, <http://www.resolutionfoundation.org/media/blog/dealing-with-the-housing-aspiration-gap/>

⁷⁶ ONS, Why are more young people living with parents, 2016, <http://visual.ons.gov.uk/living-with-parents/>

⁷⁷ ONS, UK Labour Market, August 2017, <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/>

Upon publication of the then Housing and Planning Bill (which received Royal Assent as the Housing and Planning Act 2016), the Government said it would kick-start a **“national crusade to get 1 million homes built by 2020”** and transform **“generation rent into generation buy.”**⁷⁸ One of the principle measures of the Act was to facilitate the building of starter homes, to be sold to first-time buyers under the age of 40, at a discount of at least 20% of market value. However, whilst local authorities will have a duty to promote the supply of starter homes, it was decided (upon consultation) that there would not be a compulsory requirement to provide a certain amount. This is a real shame, in our opinion.

Let’s not forget those ageing residents who remain a key part of the core community. **20 years ago, 17% of Tandridge district’s population were over the age of 65, which has risen to 21% today and, as life expectancy continues to further improve⁷⁹, this figure is expected to grow to 27% in the next 20 years.**⁸⁰ Just as too much housing in certain places can harm the environment and put undue pressure on infrastructure, too little housing can also cause harm, for example, from excessively ageing communities and loss of critical mass to support town centres, typified by vacant shops. It is also interesting to note that **if the overall population of Tandridge doesn’t grow at all, the district will still need 2,300 new homes over a 20 year period just to account for our existing residents living in different (i.e. smaller) formation households.**⁸¹

Residents Stuck in the Private Rented Sector or on the Council Waiting List

For most, there is no more important outgoing each week than housing. It is usually the biggest single expenditure that gets prioritised over all others. Rising house prices, changing tenure patters and cuts in housing subsidies have all conspired to increase costs for a large number of working-age households.⁸²

Nationally, 65% of people in the UK own their own home, down from 73% in 2007, obviously a trend that has been driven by a very sharp reduction in new entrants to home ownership. On average, **those buying a home with a mortgage spent 18% of their household income on mortgage payments, whereas rent payments accounted for 28% for social renters and 35% for private renters.**⁸³ With house prices outpacing earnings growth for most of the last 20 years, affordability has long been a problem for younger families.

One in five households in the private rented sector is living in unaffordable housing, by which we mean that they have high housing costs and insufficient income left over to afford a minimum acceptable standard of living. This includes almost 275,000 households with children, more than 140,000 single working-age adults living alone and almost 95,000 couples without children.⁸⁴ Latest data shows that between January 2011 and October 2017, private rental prices nationally rose by 15.3% but, when excluding London, rose by 11.4%.⁸⁵

⁷⁸ HM Government, Historic Housing and Planning Bill will transform generation rent into generation buy, October 2015, <https://www.gov.uk/government/news/historic-housing-and-planning-bill-will-transform-generation-rent-into-generation-buy>

⁷⁹ GL Hearn, Locally-Generated Housing Needs Assessment, July 2013, para 3.31, <http://www.councillors.tandridge.gov.uk/CMIS/Document.ashx?czJKcaeAi5tUFL1DTL2UE4zNRBcoShgo=8C%2BZecp%2Ft5Xw9lbe6Sw4xLKh%2FAYkn1x5LvjtLtKpFI24fxacj4yzaA%3D%3D&mCTIbCubSFfXsDGW9lXnlg%3D%3D=hFfUdN3100%3D&kCx1AnS9%2FpWZQ40DXFvdEw%3D%3D=hFfUdN3100%3D&uJovDxwdjMPoYv%2BAJvYtyA%3D%3D=ctNJff55vVA%3D&FgPIIEJYlotS%2BYGoBi5oIA%3D%3D=NHdURQburHA%3D&d9Qjj0ag1Pd993jsyOJqFvmyB7X0CSQK=ctNJff55vVA%3D&WGewmoAfeNR9xqBux0r1Q8Za60lavYmz=ctNJff55vVA%3D&WGewmoAfeNQ16B2MHuCPMRKZMwaG1PaO=ctNJff55vVA%3D>

⁸⁰ ONS, Overview of the UK Population, July 2017, <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/overviewoftheukpopulation/july2017>

⁸¹ NMSS, The Objectively Assessed Housing Needs of Tandridge, September 2015, <http://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Strategic-Housing-Market-Assessment-2015-Tandridge-Objectively.pdf>

⁸² Resolution Foundation, July 2017, The Living Standards Audit, <http://www.resolutionfoundation.org/app/uploads/2017/07/The-Living-Standards-Audit-2017-FINAL.pdf>

⁸³ DCLG, English Housing Survey, March 2017, <https://www.gov.uk/government/statistics/english-housing-survey-2015-to-2016-headline-report>

⁸⁴ NatCen, Defining and measuring housing affordability in the private rented sector, October 2016, <http://www.natcen.ac.uk/blog/defining-and-measuring-housing-affordability-in-the-private-rented-sector>

⁸⁵ Royal Institute of Chartered Surveyors, September 2017, <https://www.rics.org/uk/knowledge/market-analysis/rics-residential-market-survey/>

The Barker Review⁸⁶ states, “At present 70% of homes are owner occupied and the Government has set a target of 75% by 2016.” By the end of 2016 the figure was 63%. The report continues, “Private renting has grown . . . and now accounts for 12% of housing . . . risen from 1.7mn in 1992 to 2.6mn in 2007.” Today’s figures are 4.5mn or 20% of the total. **This is accutely relevant for Tandridge. Renting from private landlords accounted for a 79% upward change in tenure in the district over the last Census period. Interest rates during that time fell from 6% to 0.5%.** Our concern is that private landlords buy up all the housing that may be built in Tandridge and then rents the lot out. The 3% stamp duty surcharge which came into force in April 2016 might not deter many and this is something that we feel needs to be carefully considered by TDC.

At the end of 2016, 61% of buy-to-let landlords were over the age of 55.⁸⁷ As house prices have risen, it has become harder for younger people to get on the housing ladder and many families are stuck in the private rented sector suffering over-inflated rents.⁸⁸ **Add the tightening of mortgage criteria that has taken place since the financial crisis, buying a home seems a distant dream for many.** One must also remember that in addition to those renting in the private or social sector, many younger residents are being forced to continue to live with their parents as no other suitable, affordable or local accommodation exists.

For the decade to 2012, social rented housing stock had been roughly stable at four million homes. However, it has fallen by more than 2% in the three years post 2012.⁸⁹ As the Government prioritises home ownership via a variety of schemes such as Starter Homes, Right to Buy, Help to Buy, Equity Loans and Help to Buy ISAs, there is no requirement to replace these homes which are bought. In 2016/17, just 1,840 new homes were built by local authorities in England and 92% of authorities failed to meet affordable housing needs.⁹⁰

This is an important issue. Whilst there is not a huge homelessness problem in Tandridge (residents are not tripping over rough sleepers whilst out shopping on the high street), with 1,417 people remaining registered on the council housing waiting list,⁹¹ **it was estimated that 172 affordable new homes would be needed annually for the first five years of the local plan period just to clear the existing backlog.**⁹²

So what to do? We have already suggested that one way of dealing with affordability issues is to raise interest rates but another way would be to **properly deal with the private rental sector.** In the last 10 years, just 165,000 new homes were built across the country by the private sector (i.e. excluding council and other social housing), but the number of owner-occupiers declined as 195,000 homes were bought to let. Even if thousands of houses are built each and every year, this decline will never be unwound unless the private rental sector is effectively dealt with.

⁸⁶ The Barker Review, December 2006, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/228605/0118404857.pdf

⁸⁷ Council of Mortgage Lenders, The profile of UK private landlords, December 2016, <https://www.cml.org.uk/news/press-releases/cml-research-survey-of-uk-landlords/>

⁸⁸ ONS, Private Rental Market Summary Statistics, December 2015, <https://www.gov.uk/government/statistics/private-rental-market-summary-statistics-england-2014-15>

⁸⁹ House of Commons, What is affordable Housing, August 2017, <http://researchbriefings.files.parliament.uk/documents/CBP-7747/CBP-7747.pdf>

⁹⁰ IPPR, Priced Out: Affordable housing in England, November 2017, <https://www.ippr.org/research/publications/priced-out-england>

⁹¹ TDC, Housing Strategy Position Statement, 2017, <https://www.tandridge.gov.uk/Portals/0/Documents/Housing/Strategies%20and%20policies/Housing-strategy-position-statement.pdf>

⁹² Turley Economics, Affordable Housing Needs Assessment, September 2015, para 2.25, <https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Strategic-Housing-Market-Assessment-2015-Calculation-Affordabl.pdf> and

TDC, Housing Allocation Scheme, April 2017, <https://www.tandridge.gov.uk/Portals/0/Documents/Housing/Housing%20Options/Apply%20for%20council%20housing/Housing-allocation-scheme.pdf>

Successive Governments have fiddled around the edges to tame the growth of this sector but **the tax treatment of letting has remained highly favourable** when compared to other investments. Since the financial crisis, **with interest rates remaining at historic lows and investment yields on many other assets at rock-bottom, “bricks and mortar” has been transformed into a very attractive investment for some.** We don't doubt that many small landlords would object to increasing tax on existing rented properties so surely it would be better to limit lending (or stop it altogether) for future buy-to-let?

That said, **the recent Autumn budget set out measures to deter new private landlords from entering the market and (hopefully) thus encourage future home ownership.** A first-time buyer today would pay £300,000 on a home valued at £300,000 but a buy-to-let landlord would have to pay £314,000 for the same property. Moreover, if a buy-to-let landlord bought a property (held in a company structure to avoid the cut in tax relief on mortgage interest) for £200,000, say, 10 years ago but then decides to sell the property now for £300,000, the landlord would be liable to capital gains tax. But how much? Assets held within a company structure are adjusted for inflation (0.313 for this particular time period) and the tax payable amounts to:-

$\text{£100,000 profit} - \text{£62,000} (\text{£100k} \times 0.313) = \text{£34,000 gain} \times 0.19 \text{ (19\% corporation tax rate)} = \text{£7,106}.$

However, if a landlord purchased a property now at £200,000 to sell it in 10 years time at the same profit of £100,000, how much tax would be due to be paid? As indexation will be frozen from January 2018 and the corporation tax rate is due to fall to 17% in 2020, the tax payable amounts to:-

$\text{£100,000 profit} \times 0.17\% = \text{£17,000}.$

In addition, those properties which are “substantially unfurnished”, i.e. empty, owners will be charged twice the council tax rate, which for a Band H property in Tandridge district (on average) would cost £7,159!

How about also relaxing rules or lifting the HRA (Housing Revenue Account) cap that limits local authorities to borrow against their housing stock to build more new affordable homes? The cap, which has been in place since 2013, means that **authorities are able to borrow against assets for facilities, such as leisure centres, but not for housing.** Lord Porter, Chairman of the Local Government Association recently said, *“Now we have a Prime Minister who used her party conference speech to say council houses are a good thing . . . and if the Prime Minister wants it and local government want it, and clearly the people want it, who would want to stand in the way of delivering that? Particularly when it doesn't cost the country any money. It's a free solution to a serious problem.”*

Indeed, a recent Government report suggests that borrowing caps should be raised or removed in areas where affordability is at its worst⁹³ but all local authority borrowing affects national Government debt, not a headline-grabbing increase that is wanted. The last time house building was at or near 200,000 p.a. was in the late 1980s, when local authorities were contributing 15-20,000 p.a. towards the total. At the zenith of national housebuilding in England back in 1968, 40% of all homes were built by local authorities. Interestingly, **borrowing limits do not apply in Scotland and latest data shows that local authority house building there to be at almost at the same level as in England, when Scotland's population is only one-tenth of England's!**

⁹³ Communities and Local Government Committee Select Committee, Capacity in the homebuilding industry, April 2017, <https://www.parliament.uk/documents/commons-committees/communities-and-local-government/Capacity-in-the-homebuilding-industry-government-response-CM9517.pdf>

Despite the often-commented-upon fall in home ownership, households with mortgages continue to be the largest group in the UK. Whilst the youngest households in the population allocate the largest share of income to housing, it is the two subsequent age groups (25-34 and 35-44) that have experienced the biggest percentage point increase in their housing cost-to-income ratio over time. **If a dual-earning couple with one child was paying the same proportion of their income on housing today as an equivalent family did in the early 1990s, they would be £1,400 a year better off.**⁹⁴

Comparing monthly rental costs with neighbouring districts, **Tandridge median rents were equivalent to 50% of median residence-based earnings in 2014**⁹⁵, a notably high proportion, even at the lower end of the market.⁹⁶ It is a fact that the younger generation have not been accumulating wealth at anything like the rate of their predecessors, which has manifested itself in concerns about housing security and quality of life for those renting from private landlords, a state of play that seems far from optimal. **For many, owning just one house would simply be enough.**⁹⁷

Housing for New Residents to the District

Net migration is a terrible term to describe people simply moving from one place to another. It also seems rather difficult for some to comprehend - or even accept - but it is a real phenomenon that Tandridge and neighbouring authorities will continue to face in the future. It is simply wrong to reference net migration in Tandridge to “asylum seekers” or “refugees” as some residents have done so on social media.

As Home Secretary, Theresa May made an explicit commitment to “*reduce net migration from the hundreds of thousands to the tens of thousands.*” **The latest national migration data shows that since the Brexit referendum, net migration has fallen significantly** (so in that respect, some might view Brexit as being a success!). From June 2016 at over 320,000, national net migration has fallen to 230,000 as at the end of June 2017.⁹⁸ Uncertainty surrounding the future of the UK post-Brexit, plus the fact that the value of the Pound has fallen versus many other currencies (it is down around 25% against the Polish Zloty, for example), means that many European nationals have returned home (note that, at around a million people, Polish nationals make up by far the largest group of EU nationals living in the UK). Whilst it is very difficult to reference Tandridge to national net migration statistics, latest Census data shows that **just 9% of Tandridge residents were born outside of the UK and only 2% are from the EU.**

⁹⁴ Resolution Foundation, The Housing Headwind, June 2016, <http://www.resolutionfoundation.org/app/uploads/2016/06/The-Housing-Headwind.pdf>

⁹⁵ ONS, Housing Summary Measures Analysis, October 2016, <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/articles/housingsummarymeasuresanalysis/2015>

⁹⁶ Turley Economics, Analysis of Market Signals, September 2015, para 3.15, <https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Strategic-Housing-Market-Assessment-2015-Market-Signals.pdf>

⁹⁷ Resolution Foundation, Homes Sweet Homes, August 2017, <http://www.resolutionfoundation.org/media/blog/homes-sweet-homes-the-rise-of-multiple-property-ownership-in-britain/>

⁹⁸ ONS, Migration Statistics Quarterly Report, November 2017, <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/november2017>

Over a prior 30-year period, Tandridge's population grew by a modest 9.6%, compared to 19.5% for the South East. **Over the 2001-14 period, annual average net natural population change (births minus deaths) accounted for 23% of new residents to the district, whilst net migration accounted for the remaining 77%⁹⁹**, with almost half of all people coming from London Boroughs including Bromley, Croydon and Wandsworth. This is not unusual. Many residents who were not actually born in the district consider themselves to be local. Others, who were born in Tandridge, have moved across district boundaries to be nearer work or schools and have subsequently returned.

It is interesting to note that **the population of Tandridge "turns over" every 17 years, with 99,000 people expected to leave, offset by 113,000 people moving in**. The problem is that the latter has tended to be older and richer, thus squeezing out the former, younger and perhaps less wealthy, due to the availability of housing stock. Census data says that 37% of homes in Tandridge are detached and 30% are 4+ bedrooms. But it's not just existing local residents who cannot find somewhere affordable to live. Surgeries are reportedly finding it almost impossible to recruit doctors and health care professionals from outside the district, **the necessary inward migration that is so desperately needed given the ageing population within the district**.

TDC's working OAN includes a **net migration figure of 14,351 people** (including 50% of UPC¹⁰⁰) **or 88% of all new residents**. Whilst the largest *growth* in population by age will be those over the age of 65 (an additional 9,825 residents - an increase of 59% - are projected to live in Tandridge in 2033¹⁰¹), it would be wrong to link this age group with net migration flows. As most migration occurs in younger age groups (i.e. those between the ages of 30-50¹⁰²), **it will be these people who will likely contribute most to the economic progress of the wider Tandridge district**.

Whilst the largest component of population change in Tandridge has been - and will continue to be - due to net migration, one must get a handle on what this actually means. Latest data shows that there were an estimated 2.85 million residents moving between local authorities in England and Wales during the year, the same level as in the previous 12-month period.¹⁰³ **The Government terms this "internal migration" but we prefer "social mobility"** and this is exactly the kind of migration that Tandridge and surrounding authorities are experiencing.

⁹⁹ NMSS, The Objectively Assessed Housing Needs of Tandridge, September 2015, para 14, <http://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Strategic-Housing-Market-Assessment-2015-Tandridge-Objectively.pdf>

¹⁰⁰ UPC is an ONS adjustment, for Unattributable Population Change, whereby Census data does not tally from one 10-year period to the next.

¹⁰¹ Turley Economics, Defining the Housing Market Area, September 2015, para 4.9, <https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Strategic-Housing-Market-Assessment-2015-Defining-Housing-Market.pdf>
<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingaffordabilityinenglandandwales/1997to2016>

¹⁰² GL Hearn, Locally-Generated Housing Needs Assessment, July 2013, <http://www.councillors.tandridge.gov.uk/CMIS5/Document.ashx?czJKcaeAi5tUFL1DTL2UE4zNRBcoShgo=8C%2BZecp%2Ft5Xw9lbe6Sw4xLKh%2FAYkn1x5LvjtLtKpFI24fxacj4yzaA%3D%3D&mCTIbCubSFfXsDGW9IXnlg%3D%3D=hFfIUdN3100%3D&kCx1AnS9%2FpWZQ40DXFvdEw%3D%3D=hFfIUdN3100%3D&uJovDxwdjMPoYv%2BAJvYtyA%3D%3D=ctNJfF55vVA%3D&FgPIIEJYlotS%2BYGoBi5oIA%3D%3D=NHdURQburHA%3D&d9Qjj0ag1Pd993jsyOJqFvmyB7X0C5QK=ctNJfF55vVA%3D&WGewmoAfeNR9xqBux0r1Q8Za60lavYmz=ctNJfF55vVA%3D&WGewmoAfeNQ16B2MHuCPMRKZMwaG1PaO=ctNJfF55vVA%3D>

¹⁰³ ONS, Moves between local authorities in England and Wales, June 2015, <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/migrationwithintheuk/bulletins/internalmigrationbylocalauthoritiesinenglandandwales/yearendingjune2015#moves-between-local-authorities-in-england-and-wales>

House Building in Tandridge and Progress to Date

Tandridge has made net new additions to housing stock at a rate of 237 annually since the local plan process began in 2013, 278 in the last 10 years or 252 on average since the start of the Core Strategy period 2006 (adopted October 2008)¹⁰⁴, far short of what is actually required under the current working OAN.

Contrary to an arbitrary “Indexed Rate of Development” chart which is being bandied around (indexation is simply an anchoring to 100 for any given point in time), if we compare Tandridge to London, the South East, and England, indexed completions rebased to 2006 (i.e the last 10 years and the start of the Core Strategy period) shows net completions as overleaf.

Critics might suggest that net additions during 2006 was disproportionately high at 459 new dwellings, broken down into 77 new homes on small developments (1-9 homes), 83 new homes on larger developments (greater than 10 homes but less than 0.4ha.) and 299 new homes on larger developments (greater than 10 homes and greater than 0.4 ha.). This is Well Farm Heights – a convenient and affordable development for key workers consisting of one and two bedroomed homes in Whyteleafe. 2006 was the start date of the Core Strategy, provides 10 years of comparable data and is easily read. However, **this quite clearly highlights the problem of indexing historic data to any one given point in time and why it shouldn't be used to justify - or criticise - past house-building.** For the sake of completeness, if we (rightly) compare Tandridge to our neighbouring eight local authorities, then the charts look as overleaf.

Protecting the Green Belt and Open Spaces in Tandridge

England comprises 13 million hectares of land but just 9% has been developed. More than a third of land is protected via AONBs, National Parks or as green belt. Green belt accounts for 13% of total land mass having more than doubled since 1979¹⁰⁵ and covers one and a half times as much land as all our towns and cities put together. However, it ought to be remembered that **over a third of green belt land is devoted to intensive arable farming, which generates a net negative environmental impact¹⁰⁶, and also that green belt is not a protected environmental designation.**

As already mentioned, “Planning for the right homes in the right places” is rather contradictory, including remarks made regarding the green belt, “**. . . to make sure that enough land is released**” but does not specify if green belt or otherwise and then continues, “*reiterated strong protections for the green belt and other environmental designations.*” Later, it states, “*after 31 March 2018 . . . local planning authorities without and up-to-date local plan or spatial development strategy would not be able to factor land constraints into the baseline for establishing their five year land supply.*”¹⁰⁷ Is the green belt or land constraints generally?

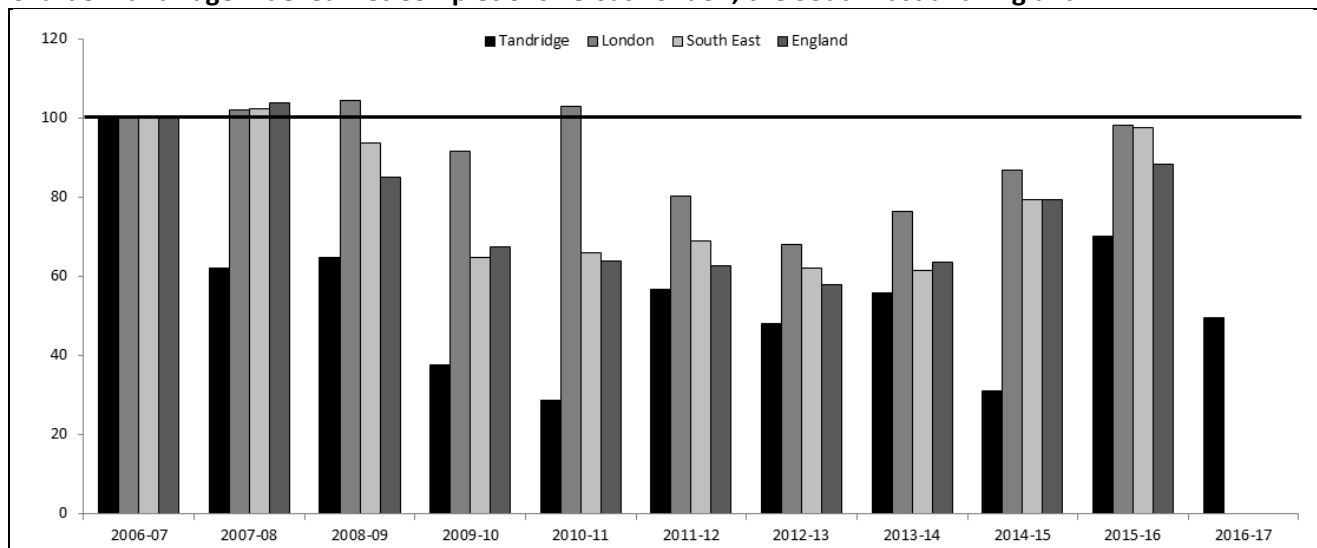
¹⁰⁴ TDC Local Plan, Authority Monitoring Report, August 2017, <https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Current%20and%20adopted%20planning%20policies/Monitoring%20and%20land%20supply/Authority-Monitoring-Report-2016-2017.pdf>

¹⁰⁵ DCLG, Local Planning Authority Green Belt: England, September 2016, <https://www.gov.uk/government/statistics/local-authority-green-belt-statistics-for-england-2015-to-2016>

¹⁰⁶ UK National Ecosystem Assessment, <http://uknea.unep-wcmc.org/>

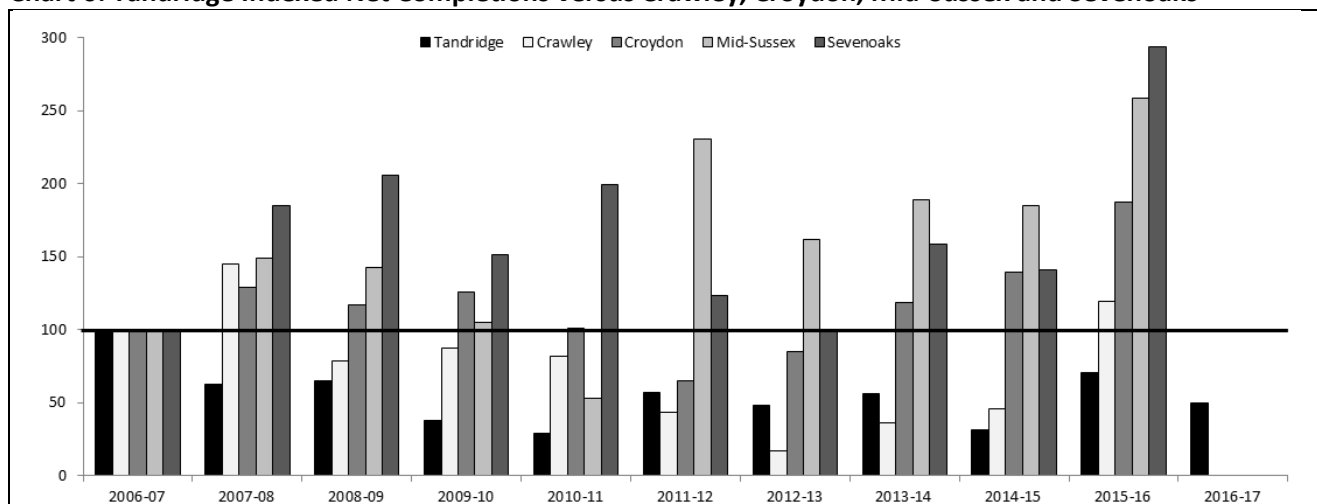
¹⁰⁷ DCLG, Planning for the right homes in the right places, September 2017, paras 2, 3 and 48, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/644955/Planning_for_Homes_consultation_document.pdf

Chart 5: Tandridge Indexed Net Completions versus London, the South East and England



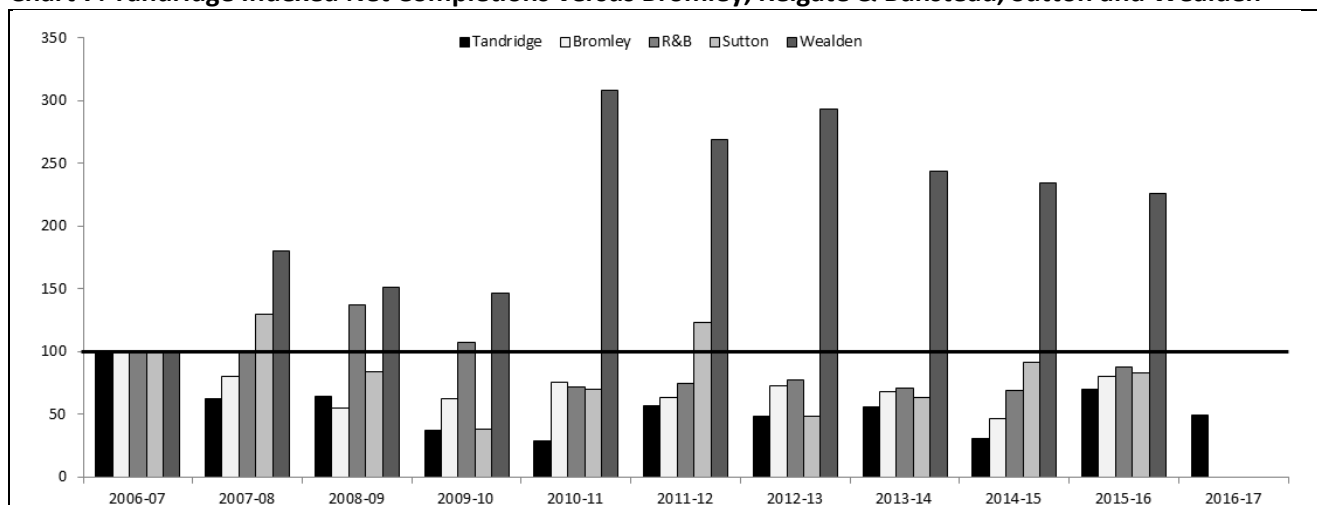
Source: TDC Monitoring Report 2017, DCLG

Chart 6: Tandridge Indexed Net Completions versus Crawley, Croydon, Mid-Sussex and Sevenoaks



Source: TDC Monitoring Report 2017, DCLG

Chart 7: Tandridge Indexed Net Completions versus Bromley, Reigate & Banstead, Sutton and Wealden



Source: TDC Monitoring Report 2017, DCLG

“Protecting the land that matters most” from The Barker Review¹⁰⁸ (as referenced in the DCLG’s report) states, “They include National Parks, SSSIs, AONBs, Special Areas of Conservation and Special Protection Areas.” **Note that there is no mention of the green belt.** The document continues, “Different areas have different needs and the green belt policy should be sensitive to the impacts in each specific case. **A number of locations are sensibly adjusting their green belt boundaries in the context of growing pressure for development.** Cambridge provides a notable example, where a balanced approach was pursued to accommodate growth pressures. **This is welcome. There is likely to be increased need for green belt reviews . . . The requirements of sustainable development suggest that some urban extensions and new settlements should take place clustered around transport corridors or at the edge of urban areas. The policy framework should clearly allow for this . . . green belt in some areas, especially in the south east, have become “green blankets” stretching 20-30 miles around cities. Their role should be refocused as an effective means of achieving sustainable development.**” Furthermore, “a large proportion of it [the green belt] is low-value agricultural land or previously developed land such as airfields, with little social value . . . **Contrary to popular belief, green belts are not an environmental designation.**”

Whilst one might disagree that the Government has delivered on its promise to present a simplified OAN methodology, it’s **restated commitment to protect the green belt means that we are, at present, no further forward in the way that housing need should be met for many local authorities, including Tandridge.** The Secretary of State for Communities and Local Government, Savid Javid, when questioned on the green belt in the House of Commons recently, appeared to conflate green belt as an environmental designation. It is not. **This is not helpful and nor does it provide the clarity that is needed on the matter of housing need.**

“Fixing our broken housing market” states that existing **protection for the green belt would remain unchanged but emphasises that authorities should amend green belt boundaries only when they could demonstrate that they had examined fully all other reasonable options** for meeting their identified development requirements. “Capacity in the Homebuilding Industry” states, “While we believe that removing land from the green belt should be a last resort, we reiterate our recommendation . . . the Government should publish guidance for local authorities, setting clear guidelines on **when and how it may be appropriate for a local authority to review its green belt boundary in order to deliver new homes to meet local need.**”

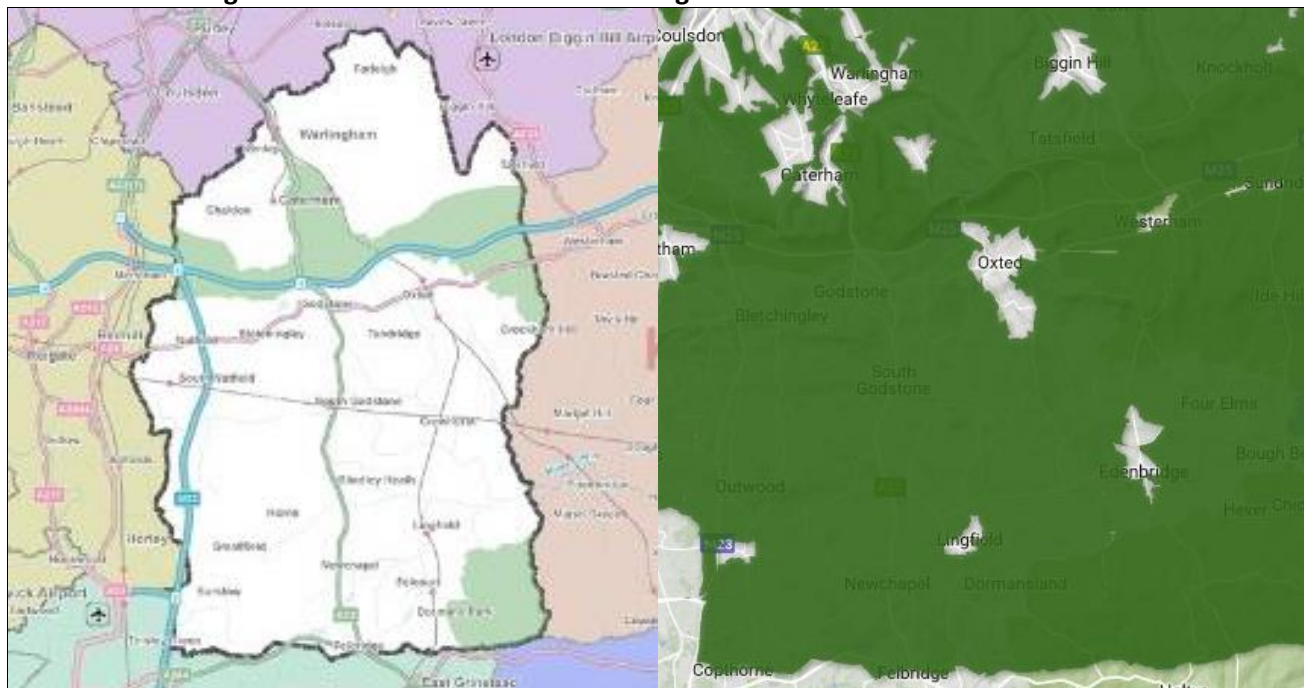
The report continues, “. . . clarification on policy on “exceptional circumstances” to make clear that a local planning authority may alter a green belt boundary when it demonstrates that it has examined fully all other reasonable options for meeting its identified development needs, including: Effective use of suitable brownfield and estate regeneration; The potential of under-used land and surplus public sector land; Optimising the density of development; and Exploring whether other authorities can help to meet some of the identified development.

¹⁰⁸ The Barker Review of Land Use Planning, December 2006, paras 2.32, 2.40 and 2.41, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/228605/0118404857.pdf

The Government updated PPG in October 2014 to clarify the relationship between housing figures and the potential constraints of green belt boundaries. **With around 90% of land remaining undeveloped, it is estimated that just 0.5% would be required to fulfil this decade's housing needs.**¹⁰⁹ This isn't such a wild proposition. The idea was first brought up in a report written back in 2006, entitled "Land Economy"¹¹⁰ which states, "3 percent of agricultural land – 143,000 ha – could be converted into 90% woodland, 5% new housing and 5% supporting infrastructure." The Barker Review puts a figure on how many homes could be achieved, "Not only could this result in around 950,000 new homes and so increase housing affordability. . .".

Housing supply in the UK has been one of the lowest amongst OECD countries¹¹¹ with green belts constituting a major obstacle to development. The OECD suggests a "thorough review of the boundaries of the green belt - rolled out in 1955 to prevent urban sprawl . . . covering 13% of England – would free up land for development." It has been suggested that simply removing green belt designation from all intensive agricultural land within 10 minutes' walk of a railway station would provide space for an additional one million homes within easy access to central London.¹¹² ". . . **green belt policy . . . was designed for a different time, and it is now working against the ideal of sustainable communities which hope to encourage people to work, rest and play in the same local area.** As a result, there are areas of the region where the green belt is adding stress to the immediate transport network and inadvertently placing pressure for development on valuable areas of green space within urban areas."¹¹³

Picture 1: Tandridge District AONB and Green Belt Designation



Sources: TDC
http://consult.tandridge.gov.uk/portal/planning_policy/local_plan_-_ia/local_plan__issues_and_approaches?pointId=s1440666354186,
 The Telegraph
<http://www.telegraph.co.uk/news/earth/greenpolitics/planning/9708387/Interactive-map-Englands-green-belt.html#location=51.407989508042284%2C-0.0546920460938054>

¹⁰⁹ The Adam Smith Institute, The Green Noose: An analysis of Green Belts and proposals for reform, January 2015, <https://static1.squarespace.com/static/56edde762cd9413e151ac92/t/56f71c957c65e4881ff6e395/1459035287095/The-Green-Noose1.pdf>

¹¹⁰ Mischa Balen, Land Economy, 2006, http://www.univpgri-palembang.ac.id/perpus-fkip/Perpustakaan/Libertarian%20Study/FNS/1155549771_landconomy.pdf

¹¹¹ OECD, Economic Survey for the UK, February 2015, <http://www.oecd.org/unitedkingdom/economic-survey-united-kingdom.htm>

¹¹² SERC, Paul Cheshire, Building on Greenbelt land: so where? July 2014, <http://spatial-economics.blogspot.co.uk/2014/07/building-on-greenbelt-land-so-where.html>

¹¹³ South East Regional Committee, Housing in the South East, April 2010, <https://publications.parliament.uk/pa/cm200910/cmselect/cmseast/403/403.pdf>

By population, Tandridge is the third smallest authority in Surrey (ranked eighth out of 11), but owing to a relatively large geographic area, it is the fourth largest by land mass. As a result, **Tandridge has the lowest population density within Surrey at 3.3 persons per hectare, which is less than half the Surrey average at 6.8 persons per hectare.**¹¹⁴ As has already been mentioned, Tandridge is 94% green belt, the largest proportion in England. TDC has very successfully protected the green belt to date and has stated that it will continue to strive to do so in the future.

Options for housing development, as part of the local plan process, appear to have been thoroughly considered by TDC¹¹⁵: **the few brownfield sites available within the district have already been targeted; empty and other properties that may be brought back into housing stock are being looked at; plus other potential spaces for development, whether they be council or non-council-owned, are all under consideration.**¹¹⁶ These sites may already be surrounded by residential housing and where individual areas join one another it clearly makes sense to treat them as a whole. Where a potential site in the green belt area does not meet the expected criteria, the council believes that, **“green belt boundaries should be amended only in exceptional circumstances when local authorities can demonstrate that they have fully examined all other reasonable options for meeting their identified housing requirements.”**¹¹⁷ Does a failed local plan due to TDC not being able to meet housing requirements without considering development within the green belt, constitute an exceptional circumstance? Who knows.

The problem isn't just that Tandridge needs more housing but that the type of new homes that must be built should also satisfy demand. TDC's preferred strategy¹¹⁸ therefore proposes to release less than 1% of green belt land in order to build a new garden village. **If the proposal is accepted by the Inspector - which cannot be taken for granted – Tandridge should still have the largest proportion of green belt land in England.** We believe that it is a fallacy that the council's preferred strategy is to release much larger amounts of green belt than is actually required for development. **Only in exceptional circumstances should green belt land be allocated for housebuilding and this has been made abundantly clear to all developers submitting plans.**

Latest data shows that between March 2016 and March 2017, eight local authorities adopted new plans that involved a change to their green belt boundaries. It is noted that the 790 hectare reduction was smaller than the 1,020 hectares reported for 2015/16 and smaller than 2,130 reported for 2014/15.¹¹⁹

Table 6: Number of Authorities Which Have Adopted New Boundaries for Designated Green Belt

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Number of Authorities	3	3	4	3	11	8	8
Changing Green Belt							
Net Change in Green Belt (hectares)	n/m	(50)	(320)	(530)	(2,130)	(1,020)	(790)

Source: DCLG, Note: Due to rounding, small decreases may not be meaningful.

¹¹⁴ TDC, Housing Strategy Position Statement, 2017,

<https://www.tandridge.gov.uk/Portals/0/Documents/Housing/Strategies%20and%20policies/Housing-strategy-position-statement.pdf>

¹¹⁵ TDC, Our Local Plan, Issues and Approaches (Regulation 18, Town and Country Planning, 2012), December 2015,

http://consult.tandridge.gov.uk/portal/planning_policy/local_plan_-_ia/local_plan_-_issues_and_approaches?pointId=3548890

¹¹⁶ TDC, Local Plan Sites Consultation (Regulation 18, Town and Country Planning, 2012), November 2016,

http://consult.tandridge.gov.uk/portal/planning_policy/sites_consultation/sitescon?pointId=3824036

¹¹⁷ Government White Paper, Fixing Our Broken Housing Market, February 2017, summary page 21,

<https://www.gov.uk/government/publications/fixing-our-broken-housing-market>

¹¹⁸ TDC, Preferred Strategy, <https://www.tandridge.gov.uk/Planning-and-building/Planning-strategies-and-policies/Local-Plan-2033-emerging-planning-policies/Preferred-strategy-for-the-Local-Plan>

¹¹⁹ DCLG, Local Planning Authority Green Belt: England 2016/17, <https://www.gov.uk/government/statistics/local-authority-green-belt-statistics-for-england-2016-to-2017>

Table 7: Authorities Which Have Adopted New Boundaries for Designated Green Belt

Local Planning Authority	Breen Belt Land end March 2016	Green Belt Land end March 2017	Year-on-Year Change	Year-on-Year % Change
Birmingham	4,150	3,730	(420)	(10%)
Bromsgrove	19,480	19,300	(180)	(1%)
Hertsmere	8,040	7,990	(60)	(1%)
High Peak	3,980	3,980	n/m	n/m
Redditch	1,830	1,800	(30)	(2%)
South Derbyshire	2,390	2,390	n/m	n/m
Stratford-on-Avon	22,370	22,360	(20)	(n/m)
Vale of White Horse	8,310	8,230	(90)	(1%)

Source: DCLG, Note: Due to rounding, small decreases may not be meaningful.

As part of their local plan process, Blackburn with Darwen completed a review of its green belt boundary in 2013 and, **due to many available sites not being viable or deliverable within time-frames desired, the Government agreed that this was considered to represent “exceptional circumstances” sufficient to justify a review to ensure an adequate, appropriate and deliverable housing land supply to meet needs.** The Government thus released 290 hectares of designated green belt (5.6% of Blackburn and Darwen’s total).¹²⁰

In March 2016, the DCLG approved an amendment to the green belt boundary to allow 1,500 new homes to be built between Gloucester and Cheltenham.¹²¹ Closer to home, Elmbridge District Council has proposed to release 3.4% of its 57% green belt land (188 hectares) for development¹²² and Epsom & Ewell is currently consulting with residents to release some of its 46% green belt land in order to build 3,000 new homes.¹²³ **TDC is not alone in considering its green belt for housing development.¹²⁴ All-in-all, there are over 20,000 new home proposals being considered across Surrey in green belt land.¹²⁵**

¹²⁰ DCLG, Local Planning Authority Green Belt, September 2016,

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/551240/Green_Belt_Statistics_England_2015-16.pdf

¹²¹ Gloucester, Cheltenham, Tewkesbury, Joint Core Strategy, November 2014, <http://www.gct-jcs.org/Documents/Publications/Submission/JCS-Submission-Version-November-2014a-corrected.pdf>

¹²² Elmbridge District Council, March 2016,

<http://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&ved=0ahUKEwjnqbhlbHXAHRlewKHQEMBpcQFgg9MAI&url=http%3A%2F%2Fwww.elmbridge.gov.uk%2FEasySiteWeb%2FGatewayLink.aspx%3Fallid%3D2735&usg=AOvVaw2CaEFomf1p0778-3j3MAUg>

¹²³ Epsom & Ewell District Council, February 2017, <https://democracy.epsom-ewell.gov.uk/documents/s5660/Epsom%20Ewell%20Green%20Belt%20Study%202017%20Annexe%201.pdf>

¹²⁴ TDC, Green Belt Assessment Methodology, June 2015,

<https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Green-Belt-Assessment-Methodology-2015.pdf> and

Mole Ember Ltd, Green Belt Assessment, October 2015,

<http://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Green-Belt-Assessment-2015-Review.pdf> and

TDC, Our Local Plan, Green Belt Assessment, December 2015,

https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Green-Belt-Assessment-Report-2015_1.pdf,

<https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/GBA-Part-2-Critical-Review.pdf>,

<https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/GBA-Part-2-and-Appendix-1-October-2016.pdf>,

<https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/GBA-Part-2-Appendix-2.pdf> and

TDC, Green Belt Assessment: Areas for Further Investigation, October 2016,

<https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/GBA-Part-2-and-Appendix-1-October-2016.pdf>

¹²⁵ CPRE, https://cpre-london.carto.com/viz/f25ff048-9cc3-11e5-83bf-0ecd1babdde5/public_map

Table 8: Surrey Local District/Borough Authorities Green Belt Designations

Local Planning Authority	% Green Belt	Green Belt Boundary Assessment / Review	Proposals to Amend the Green Belt Boundary
Elmbridge	57%	Yes	Yes
Epsom & Ewell	46%	Undertaking	No Current Proposals
Guildford	89%	Yes	Yes
Mole Valley	76%	Yes	No Current Proposals
Reigate & Banstead	69%	Yes	Yes
Runnymede	79%	Yes	Yes
Spelthorne	65%	Undertaking	No Current Proposals
Surrey Heath	44%	No	No Current Proposals
Tandridge	94%	Yes	Yes
Waverley	61%	Yes	Yes
Woking	63%	Yes	Yes

Source: SCC

“Planning for the right homes in the right places” states, “when determining individual planning applications, the decision-maker will still need to take account of all policies in the NPPF, including those which restrict development (such as green belt and ancient woodland).” **Note the use of the word “restrict”** (i.e. keep under control, not prohibit). “Protecting the land that matters most”¹²⁶ states, “They include National Parks, SSIs, AONBs, Special Areas of Conservation and Special Protection Areas.” **Note that there is no mention of the green belt as a protected environmental designation.** PPG states, “It may be concluded that insufficient sites/broad locations have been identified against objectively assessed needs. Plan makers will need to revisit the assessment, for example changing the assumptions on the development potential on particular sites (including physical and policy constraints) including sites for possible new settlements.”¹²⁷

But let’s not forget that **a failed local plan will take away the ability to control future development.** Whilst the then Minister for Housing, Gavin Barwell, said, “. . . that should very much be a last resort”, the Neighbourhood Planning Act¹²⁸ made provision to allow the preparation of a local plan to be taken out of the hands of a local planning authority, as we have recently witnessed by the Government referring 15 local authorities to the Inspector. By giving up less than 1% of Tandridge’s green belt to develop a garden village, with all the infrastructure benefits that such a proposal should bring, the view of the council is that an Inspector will look upon Tandridge favourably as having considered everything it can possibly do to fulfil its housing obligations within existing land constraints.

However, if one assumes that the Government will, in future, favour recognised environmental designations over and above the green belt (which has been the rhetoric recently), and given that **around 40% of Tandridge land is covered within this SSI/AONB/Special Areas group**, then it may be that an Inspector believes that TDC could find more so-called “weakly performing” green belt land on which to develop. In other words, if TDC use the “94% green belt” excuse, then an Inspector might say that the district still has 60% of land on which to develop!

¹²⁶ The Barker Review of Land Use Planning, December 2006, paras 2.32, 2.40 and 2.41, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/228605/0118404857.pdf

¹²⁷ PPG, March 2014, para 026, <http://planning.guidance.planningportal.gov.uk/>

¹²⁸ LGA, Neighbourhood Planning Act 2017, April 2017, <https://www.local.gov.uk/neighbourhood-planning-act-2017-get-act>

Concern has been raised about whether **policies contained within the NPPF have led to a rise in unplanned development, where developers are able to gain planning permission at appeal for sites that the local authority did not intend for development.**¹²⁹ The NPPF was founded on the principle that local planning authorities can't be allowed to ignore their local housing need, but should be able to decide how best to meet it. However, existing policy assumes a predisposition to sequential development (i.e. attaching new homes to or within urban areas), which gifts land owners and speculators a large chunk of land value uplift that results from allocation and permission for development. It fails to give any security to local communities that they can avoid development in the places they don't want it in. "Empowering localism to solve the housing crisis" says, *"Sequential (latched onto urban) development . . . has largely exhausted the sustainability of this sort of growth. Sequential development also makes it predictable which land will eventually be released for development, and the undersupply of development land ratchets up the value of this land exponentially."*

It has also been found that those authorities without a five-year supply of housing were more vulnerable to housing development being granted at appeal by a planning inspector.¹³⁰ Another recent report also found that many authorities were still losing planning appeals due to not having a five-year land supply.¹³¹ The National Trust has suggested that developers have been "gaming" the planning system to get new housing built on greenfield sites even though local authorities had never intended for such sites to be built on. The NPPF's **"presumption in favour of sustainable development"** had *"opened the door to challenges from streetwise developers, undermining the local planning process and bypassing local opinion."*¹³² The Government's response to this was, *"... for local planning authorities, who are best-placed to understand their local needs, to decide what approach is appropriate for their area."*¹³³ How ironic!

A Word on Sustainability and What It Really Means

The NPPF uses the word sustainable over 100 times in the 65 page document. But what does sustainable actually mean? It is defined as: being able to be maintained at a certain rate or level; conserving an ecological balance by avoiding depletion of natural resources; and/or being able to uphold or defend. In 2006, the word "sustainable" topped the list of being the most over-used buzz-word in the English language and, by 2010, sustainability was included in the "Jargonest Jargon" ever list.

We believe that careless use of the word sustainability causes confusion and scepticism. To many, sustainability is simply a blanket term to refer to all activities to take some step to cause less harm to the environment. However, the most commonly used definition of sustainable came from the Brundtland Commission of the UN General Assembly in March 1987¹³⁴ which states, **"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."**

¹²⁹ House of Commons Briefing Paper, Planning for housing, June 2017, <http://researchbriefings.files.parliament.uk/documents/SN03741/SN03741.pdf>

¹³⁰ Savills, Spring 2014, Countdown to the election, page 5, http://www.savills.co.uk/research_articles/185672/174485-0

¹³¹ Savills, June 2017, Planning to solve the housing crisis, page 1, http://www.savills.co.uk/research_articles/141558/217790-0

¹³² The National Trust, Planning at a national level, January 2015, <https://www.nationaltrust.org.uk/features/planning-at-a-national-level>

¹³³ HM Government, Government response to the CLG Select Committee Inquiry into the Operation of the National Planning Policy Framework, February 2015, para 36, <https://www.gov.uk/government/publications/operation-of-the-national-planning-policy-framework-government-response-to-the-clg-select-committee-inquiry>

¹³⁴ Report of the World Commission on Environment and Development: Our Common Future, Gro Harlem Brundtland, March 1987, <http://www.un-documents.net/our-common-future.pdf>

Tandridge District Council's Proposed Garden Village

The Garden Village Bible (for want of a better term), entitled “Empowering localism to solve the housing crisis” was written by Lord Matthew Taylor of Goss Moor in 2015¹³⁵ and provided policy proposals *“to enable local authorities to use the New Towns Act powers to create financially viable new garden villages.”* It states, ***“Over the next 20 years, to keep pace with increasing housing need we need around 240,000 new homes to be built in England each year, plus another 60,000 a year to address the existing backlog of housing need caused by past under-provision.”***

Homes in the UK are smaller than almost anywhere else in Europe and are half the size that they were in the 1920s. Despite the obvious success of new towns (such as Milton Keynes) in meeting the UK’s housing need, no new towns have been created since 1970 and instead we have ended up with expanded green belt which has more than doubled in size from 1979 to 1997. Lord Goss believed **that if we are to scratch the surface of the housing problem in a responsive way, it should be a locally-led vision of new garden villages to meet local need**, or a garden community of around 5,000 homes, not too dissimilar to what Ebenezer Howard first envisioned over 100 years ago, i.e. more a village community than a new town.

Sir Ebenezer Howard is known for his only work “To-Morrow: a Peaceful Path to Real Reform” in 1898, which was revised in 1902 as “Garden Cities of To-Morrow”, in which he **describes a utopian city in which people live harmoniously together with nature**. His publication resulted in the founding of the Garden City Movement (now known as the Town and Country Planning Association) and the building of the first garden city at Letchworth in 1903 and the second garden city after the First World War at Welwyn Garden in 1920. These two cities were influential for the development of so-called “new towns” after World War II which produced more than 30 new communities, including Milton Keynes. Howard’s book proposed that society be reorganised with networks of garden cities of limited size, surrounded by a permanent belt of agricultural land, being the perfect blend of city and nature.

New garden villages should function as identifiable communities that are self sustaining. In other words, if around 1,500 new homes are to be built, a primary school, sports centre, household recycling facilities, etc. should be provided. Perhaps some small shops, a café, sub post office would also be attracted to the site. Live and work opportunities would also therefore be provided. For a village of around 5,000 new homes, a secondary school should be added, a health centre, employment area, recreational space and landscaped areas also included.

By empowering local people – and therefore the housing market – to provide new communities, **a single new garden village in each rural English local authority could create around a million new homes, but also the space, gardens, infrastructure, services and employment** required, all without destroying the places we know and love. Channelling long-term housing growth into new, broadly self-sustaining, communities is exactly what allows villages to be built with associated facilities and services, jobs, greenery and community.

Each and every community in Britain started life as a small village or a market centre. Some grew via popularity or need whilst others stayed small. Trying to dictate from a national Government level how best to approach future housing need will simply drive the concept of new garden villages into a storm of opposition. We agree that what is needed is **a visionary change to better enable a local alternative, upon a garden village principle, which is viable and sufficiently popular, with capacity enabled, and the vision so compelling that it unlocks an appetite for such a solution.**

¹³⁵ Policy Exchange, Garden Villages: Empowering localism to solve the housing crisis, 2015, <https://policyexchange.org.uk/wp-content/uploads/2016/09/garden-villages.pdf>

The Government published an outline of proposals in March 2016¹³⁶ and at the very beginning of 2017 said that it was **supporting the creation of 14 new garden villages**¹³⁷: Long Marston in Stratford-on-Avon; Oxfordshire Cotswold in West Oxfordshire; Deenethorpe in East Northants; Culm in Mid Devon; Welborne near Fareham in Hampshire; West Carclaze in Cornwall; Dunton Hills near Brentwood, Essex; Spitalgate Heath in South Kesteven, Lincolnshire; Halsnead in Knowsley, Merseyside; Longcross in Runnymede; Bailrigg in Lancaster; Infinity Garden Village in South Derbyshire; St Cuthberts near Carlisle City, Cumbria; and North Cheshire in Cheshire East. These projects have the potential to deliver more than 48,000 new homes. Projects of between 1,500 and 10,000 homes are being termed “garden villages” and the Government has pledged a £6mn fund to support the delivery of these developments. As an aside, it is interesting to note that whilst our Surrey neighbour, Runnymede, has received preliminary approval for the development of 1,700 new homes within the green belt as part of a garden village at Longcross¹³⁸, the Government has also put Runnymede “on notice” to potentially go into “special measures” along with a group of 14 other local authorities that have not made sufficient progress on completing a local plan.

Plans for three new garden towns (Aylesbury, Taunton and Harlow & Gilston), with an additional £1.4mn of funding for these developments, has also been announced. Together with the seven garden towns that have already been approved, these new garden settlements have a combined potential to provide around 200,000 new homes across the UK. **It is widely acknowledged that new communities not only deliver new homes, but they also bring new jobs and improved infrastructure, thus providing a big boost to local economies.** These new garden projects will also have access to infrastructure funding programmes, such as the £2.3bn Housing Infrastructure Fund¹³⁹ announced at last year’s Autumn Statement, which targets those bids that unlock the most homes in areas of greatest need.

Given that urban area accounts for just 6% of the district, TDC decided at its March 2017 Planning Policy Committee to pursue a preferred strategy of a garden village¹⁴⁰, which should help deliver on its commitment to provide more affordable homes of the correct type and mix, alongside the necessary infrastructure to meet needs. As previously noted, **the Government is already supporting a new wave of garden villages and has said that it will give much stronger support for sites that provide affordable homes for local people.**

¹³⁶ DCLG, Locally-Led Garden Villages, Towns and Cities, March 2016, https://www.runnymede.gov.uk/media/16096/DCLG-Prospectus/pdf/DCLG_Prospectus_-_Locally-led_garden_villages_towns_and_cities.pdf

¹³⁷ DCLG, First ever garden villages named with government support January 2017, <https://www.gov.uk/government/news/first-ever-garden-villages-named-with-government-support>

¹³⁸ Longcross Garden Village, <http://www.longcrossvillage.info/index.html>

¹³⁹ Government White Paper, Fixing Our Broken Housing Market, February 2017, para 2.18, <https://www.gov.uk/government/publications/fixing-our-broken-housing-market>

¹⁴⁰ TDC, Local Plan: Garden Villages Consultation (Regulation 18), August 2017, http://consult.tandridge.gov.uk/portal/planning_policy/gv/gv?pointId=4625105, supported by: Town and Country Planning Association, Garden City Principles, <https://www.tcpa.org.uk/garden-city-principles> and TDC, Spatial Approaches Topic Paper, August 2017, <https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Local%20plan%202033/Technical%20Assessment%20documents%20published%20in%202017/Spatial-approaches-topic-paper-garden-village-consultation.pdf> and TDC, Statement of Community Involvement, September 2015, <https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Consultation%20and%20how%20to%20get%20involved/Community-involv.pdf> and TDC, Duty to Cooperate Statement Update, August 2015 <https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Local%20plan%202033/Technical%20Assessment%20documents%20published%20in%202017/Duty-to-cooperate-statement-update-2017.pdf> plus Further Technical Assessment Documents available at <https://www.tandridge.gov.uk/Planning-and-building/Planning-strategies-and-policies/Local-Plan-2033-emerging-planning-policies/Local-Plan-2033-Evidence-base-and-technical-studies>

One must bear in mind that the proposed garden village plans that are under consideration by TDC are those presented by developers and not by the council itself.¹⁴¹ The council has said that it sincerely believes that the infrastructure benefits associated with a garden village will far outweigh any other criticism that more new homes might bring. The chosen developer will be required to provide new schools, a new health centre, in addition to many other infrastructure improvements such as roads to compliment the development, as well as an element of employment. It is also expected that infrastructure improvements will also take the strain off the district as a whole.

In formulating a coherent and robust local plan, **TDC must make bold but sound decisions if it wishes to maintain control.** TDC is aiming to submit their local plan sometime during Summer 2018 (Regulation 19), with Final Submission also expected next year (Regulation 22), followed by an Independent Examination (Regulation 24), which will likely be in 2019. **By combining housing into a garden village, sustainable infrastructure improvements will all be paid for by the chosen developer, which would not otherwise be financially achievable.**

Developers, Section 106, CIL and the New Homes Bonus

The failure to build enough new homes that people on ordinary incomes can afford should be laid at the feet of developers.¹⁴² In England today, the 10 largest developers plan and build around 60% of all new private homes, meaning that the market is ultimately “developer-driven”. But as profit-driven corporations, they are not very good at building affordable homes.

When a developer receives planning permission, they are required by the local authority to make a number of the homes they build officially affordable (the percentage of which, depending on the size of the development and the number of new homes to be provided, varies across the UK from between 30% and 50%). Quite obviously, the less affordable housing a developer builds, the more profit they might make. **A perfectly legitimate way of building fewer affordable homes is through a “viability assessment”.** The developer can deploy a viability assessment **which allows them to go back to the local authority to say that the amount of affordable housing previously promised is no longer possible.** Developers often blame changes to their costs or lower than anticipated realised house prices, with the developers’ case strengthened by a change to the NPPF¹⁴³ which states that developers have a right to make “competitive returns”. This is generally accepted within the industry to be a margin on cost of 20% in order to give the developer (or more likely their financiers) some comfort that, if things don’t quite go as planned and returns don’t meet expectations, the project is still unlikely to actually lose money.¹⁴⁴

But what is more worrying is that the public cannot scrutinise viability assessments as they are deemed commercially sensitive and are therefore kept private. One high profile development at Battersea Power Station in London saw the number of affordable homes cut from 15% to 9% of the 4,239 total as the developer argued that due to a slowing market since the land was originally purchased and increasing costs during the build, the development was unviable for it to make a competitive return. Surely, **this is a reflection of a system that is currently in favour of developers where they can offset some of the risk by passing it onto the relevant local authority.** This has to change, in our view.

¹⁴¹ TDC, Garden Villages Consultation, August 2017, http://consult.tandridge.gov.uk/portal/planning_policy/gv/gv?pointId=4625105, and <https://www.tandridge.gov.uk/Planning-and-building/Planning-strategies-and-policies/Local-Plan-2033-emerging-planning-policies/Local-Plan-Garden-Villages-Consultation/Information-submitted-to-the-council-by-site-promoters>

¹⁴² Government Response to the Communities and Local Government Select Committee Report: Capacity in the Homebuilding Industry, October 2017, <https://www.parliament.uk/documents/commons-committees/communities-and-local-government/Capacity-in-the-homebuilding-industry-government-response-CM9517.pdf>

¹⁴³ DCLG, Viability – a general overview, March 2014, <https://www.gov.uk/guidance/viability>

¹⁴⁴ Development, Viability and Planning, Michael Beaman, April 2016, <http://www.regenerate.co.uk/Viability%20&%20Planning.pdf>

As an aside, another practice that is being employed by developers in huge numbers is the practice of “land-banking”, whereby planning permissions granted exceed the actual number of completions, i.e. the land is banked for future development. Philip Hammond criticised land-banking in his recent Autumn budget and an urgent review has been launched.

A recent study suggests that the generally-accepted threshold of 35% for affordable housing should be applied to all private developments with a higher threshold of 50% applied on all public land.¹⁴⁵ Indeed, developers had been nervously awaiting a change in policy for London after Sadiq Khan, the Mayor, hinted last month that he wanted 65% of all new homes built in the capital to be affordable (Berkeley Homes’ and other prominent house-builders’ share prices fell as investors took fright). Instead, the Mayor announced plans to **make 50% of developments across London affordable. However, under current NPPF rules, we very much doubt he will be able to enforce this.**

Planning agreements are between a land-owner, developer and local planning authority under Section 106 (S106) of the Town and Country Planning Act 1990.¹⁴⁶ Typically, they are used to ensure the provision of a proportion of affordable housing on a proposed development or a financial contribution that is related to that development. The Community Infrastructure Levy (CIL) is a more recent planning charge whereby a local authority (which has a CIL schedule in place¹⁴⁷) can charge a developer a fixed amount to be spent on associated infrastructure. Where a local authority has a CIL schedule, a S106 cannot be used to deal with any of the matters covered by the CIL. **Since CIL cannot deal with affordable housing, this continues to be covered (for the time being) by S106.** CIL schedules are expressed as pounds per square metre of development, levied on the net internal area of development and different authorities can set different rates by reference to geography, type of development, size of development or intended number of dwellings.

In addition to S106 and CIL, new developments also attract a New Homes Bonus (NHB), which is paid by central Government to the local authority by way of matching the council tax which is raised on each new home built (currently) for a period of six years.¹⁴⁸ There is also an extra payment for providing affordable homes (at a flat rate of £350 each per annum currently). However, **2017-18 marks the year that NHB will be cut to five years of payments** (and to four years for 2018-19) **plus the introduction of a base-line housing growth of 0.4% will be introduced** (i.e. housing growth up to this level will no longer be rewarded as the NHB is said to reward “additional” new housing and not just “normal growth”).

These changes were announced as part of the Local Government Finance Settlement¹⁴⁹ following a Government consultation on the relative success of NHB.¹⁵⁰ Rather ironically, the consultation was entitled, “Sharpening the Incentive”, however some local authorities will receive no additional New Homes Bonuses for 2017/18 as a result of the introduction of the 0.4% baseline growth figure. **Whilst the UK Housing Review Briefing paper published in June 2014¹⁵¹ concluded that the NHB had had little impact on housing supply at that point, as central Government grants** (known as the Revenue Support Grant or RSG) **to local authorities are further reduced or cut to zero, so the incentive to build more new homes increases.**

¹⁴⁵ Institute for Public Policy Research, Priced Out, November 2017, <https://www.ippr.org/files/2017-11/priced-out-england-november-2017.pdf>

¹⁴⁶ Town and Country Planning Act 1990, <https://www.legislation.gov.uk/ukpga/1990/8/contents>

¹⁴⁷ TDC, <https://www.tandridge.gov.uk/Planning-and-building/Planning-strategies-and-policies/Current-and-adopted-planning-policies/Community-Infrastructure-Levy>

¹⁴⁸ The New Homes Bonus, July 2017, <http://researchbriefings.files.parliament.uk/documents/SN05724/SN05724.pdf>

¹⁴⁹ Local Government Finance Settlement, <https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2017-to-2018>

¹⁵⁰ DCLG, New Homes Bonus: Sharpening the Incentive, December 2015, <https://www.gov.uk/government/consultations/new-homes-bonus-sharpening-the-incentive-technical-consultation>

¹⁵¹ UK Housing Review Briefing, June 2014, <http://www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/UKHR%20Briefing%202014%20bookmarked.pdf>

Financing Local Services in the Future

Bringing all this together, TDC's report to the Resources Committee¹⁵² earlier this year shows that the RSG from central Government reduces to zero for 2016/17 (which will actually be partially offset by a transitional payment of £130,500 for the year) but will be zero in future years. Reference this to the fact that the RSG (excluding business rates) received by TDC amounted to £3.7mn for 2010/11! In addition, whilst TDC received a NHB payment of £1.7mn for 2016/17¹⁵³, **changes to NHB rules mean that future payments will be significantly lower.** We note that TDC has been prudent in not including expected future new home build rates for NHB payments as part of their forecast budget but also that, as per the rule changes, **TDC will need to build 146 new homes in 2016/17 before any NHB payment kicks in.** Lastly, changes to business rates retention rules means that TDC will find itself in a position of negative RSG for 2019/20. In other words, **TDC expects it will have to pay central Government back in the order of £730,000!**¹⁵⁴

The issue is that **no-one wants to pay for local services, not even residents themselves:** if council taxes or business rates are increased, there is outrage; if parking charges are introduced, there is uproar; if refuse collections are cut or switched to bi-weekly, local authorities are accused of endangering public health by spreading disease. **But central government will no longer help and grants to local authorities have been slashed.** As with the NHS, the rising demands of an ageing population have put local governments under immense pressure. Coupled with the fact that central Government put in place restrictions on raising council tax, means that **local authorities are expected to spend 22% less on public services during 2016/17 than they did in 2009/10**¹⁵⁵ and by 2020, it is estimated that local authorities will be short of £5.8bn, half of which will be because of the rising costs of social care.¹⁵⁶ The Mayor of Liverpool (which is a unitary authority, i.e. district and county combined), is quoted as saying that the council could close all its libraries and sports centres, switch off all the street lights and stop all road repairs, street cleaning and maintenance and it still wouldn't be able to balance its budget by the end of the decade!¹⁵⁷

So all local authorities face a clear-cut choice: find new ways to raise money to maintain local services or go bust. Latest data shows that 58% of all councils already own a trading company offering all kinds of services and this is expected to rise to 100% by 2020.¹⁵⁸ Many authorities have already built up large commercial property portfolios consisting of shopping centres, business parks, offices and hotels, having spent over £1.2bn combined on real estate in 2016. The math is really rather simple. **The Public Works Loan Board (PWLb, an arm of the Treasury, a statutory body that was first established in 1793) will lend to local authorities at 2.5% (or below in some instances) but historic returns on property assets (and other investments) have yielded far more.** The Localism Act¹⁵⁹ basically opened the door for local authorities to invest however they see fit. Another motivating factor is a change in local government funding rules - from 2020, authorities will be allowed to keep 100% of their tax revenues from businesses (rather than 50% today), which gives them a strong incentive to promote growth in local economies to expand their business tax base.

¹⁵² TDC, Budget setting report for 2017/18, February 2017, <https://www.tandridge.gov.uk/Portals/0/Documents/Your-council/Jobs-and-work-experience/Budget-setting-report-for-17-18.pdf>

¹⁵³ DCLG, New Homes Bonus Final Calculations, February 2017, <https://www.gov.uk/government/publications/new-homes-bonus-final-allocations-2017-to-2018>

¹⁵⁴ TDC, Budget book 2017-18, <https://www.tandridge.gov.uk/Portals/0/Documents/Your-council/Freedom-of-info-and-data/Finance/Budget-book-2017-18.pdf>

¹⁵⁵ IFS, A time of revolution: British local government finance in the 2010s, October 2016, <https://www.ifs.org.uk/publications/8706>

¹⁵⁶ LGA, Adult Social Care Funding, October 2017, https://www.local.gov.uk/sites/default/files/documents/1.69%20Adult%20social%20care%20funding-%202017%20state%20of%20the%20nation_07_WEB.pdf

¹⁵⁷ Mayor warns Liverpool faces they are running out of money, November 2016, <http://www.liverpoolecho.co.uk/news/liverpool-news/mayor-warns-liverpool-faces-running-12181646>

¹⁵⁸ Localis, Commercial Councils, February 2016, <http://www.localis.org.uk/wp-content/uploads/2016/02/Localis-Commercial-Councils-FINAL.pdf>

¹⁵⁹ The Localism Act, November 2011, <https://www.gov.uk/government/publications/localism-act-2011-overview>

Under the role of the Treasury, local authorities have borne the brunt of the Government's commitment on balancing the books. Yet, via the PWLB, it is simultaneously encouraging these authorities to behave like risk-takers, financed via cheap public money. However, tenants can go bust, the future value of a commercial property might have fallen when a lease expires, or an outright crash in the market could see local authorities saddled with assets of little value. Since local authorities revalue their properties annually and their auditors are required to report on whether investments represent value for money, any damage will quickly become public knowledge. Herein lies the risk. **We accept that many local authorities will need to come up with innovative investment ideas in order to fund local services in the future, and that some investments might temporarily mitigate the effects of the current fiscal squeeze, but we fear that many councils may not be able to navigate their way through the next downturn** (when it eventually comes) whilst also meeting future budget requirements.

Lastly, a Word on Confirmation Bias

"What the human being is best at doing is interpreting all new information so that their prior conclusions remain intact." Warren Buffett

"For it is a habit of humanity to entrust to careless hope what they long for, and to use sovereign reason to thrust aside what they do not fancy." Thucydides

"The human understanding when it has once adopted an opinion draws all things else to support and agree with it. And though there be a greater number and weight of instances to be found on the other side, yet these it either neglects and despises, or else by some distinction sets aside and rejects." Francis Bacon

"The most difficult subjects can be explained to the most slow-witted man if he has not formed any idea of them already; but the simplest thing cannot be made clear to the most intelligent man if he is firmly persuaded that he knows already, without a shadow of doubt, what is laid before him." Leo Tolstoy

"Still the man hears what he wants to hear and disregards the rest." Paul Simon

Confirmation bias is our tendency to cherry pick information which confirms pre-existing beliefs. Two people with opposing views, when presented with the same evidence, can still come away both validated by it. Confirmation bias is pronounced in the case of ingrained, ideological or emotionally-charged views. Evaluating evidence, particularly when it is complicated or unclear, requires a great deal of mental energy and our brains prefer to take shortcuts. Accepting information which confirms our beliefs is easy and requires little mental energy and yet contradicting information causes us to shy away, grasping for a reason to discard it.

Why do we struggle to even acknowledge information which contradicts our views? Many people will deny that they are affected by confirmation bias, after all, we see ourselves as intelligent and rational people. The problem is that we are bombarded by information and our minds must find some way of decoding, storing and retrieving data and one way to do this is by developing cognitive shortcuts. In other words, **we are more likely to remember, recall and quote evidence which enforces our view and we ignore contradictory evidence** because our brains simply cannot handle it. But it has also been found that we are more likely to think in a critical manner when held accountable by others.

In Conclusion

The Government has said that that it will come down very hard on all local authorities if it thinks that a presented OAN as part of a local plan process is not a sound number¹⁶⁰ or if authorities haven't made the necessary case to show that every available avenue has been explored to reach house-building targets. If Inspectors reject TDC's local plan¹⁶¹, the district and its residents will have far less say in future planning, potentially meaning "open-season" for developers. This is not scare-mongering. If TDC does not take charge of house-building in the district, there is a very real risk that decisions will be taken away, as has been the case for 15 local authorities very recently (including Runnymede in Surrey). No-one wants that to happen.

Controversy over local planning is typified by large, powerful developers railroading unpopular proposals through the planning process, often using the threat of their right of appeal against refusal of planning permission. In contrast, local communities have no right of appeal against planning approval, even if a development would go against a locally-agreed plan. As the NPPF states, the result will be in favour of development, with planning by appeal a route commonly chosen by developers. Again, no-one wants to see more of this type of development happening.

In formulating a coherent local plan, TDC must make bold but sound decisions if it wishes to maintain control. By consulting on a garden village (Regulation 18), the council has attempted to fully engage with all local residents. In order to maintain neutrality, TDC has also commissioned East Hampshire District Council to propose a final recommendation on which of the proposed sites will be committed to development. TDC is aiming to submit their local plan during Summer 2018 (Regulation 19), with Final Submission also expected next year (Regulation 22), followed by an Independent Examination (Regulation 24), which will likely be in 2019.¹⁶²

Only then will Tandridge residents know what the Inspector may be thinking. All that said, the council is convinced that a garden village as part of the local plan will provide much needed new homes and the correct associated infrastructure by delivering a strategic development which accords with principles for long-term sustainable development, whilst also focussing on urban and semi-rural service centres for the shorter-term, thus supporting neighbourhood plans. There are many challenges to face in the future to ensure that prospective benefits materialise but TDC seem determined that developers will fulfil on their promises.

I trust that this paper answers questions posed regarding house-building in our beautiful district. I have been entirely transparent, giving links to all publications referenced and wholly welcome any comments, constructive criticism or feedback. Many thanks.

¹⁶⁰ Neighbourhood Planning Written Statement, December 2016, <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Lords/2016-12-12/HLWS345/> and Ministers Statement, July 2017, <http://www.parliament.uk/documents/commons-vote-office/July%202015/21%20July/8-Communities-and-Local-Government-Local-Plans.pdf>

¹⁶¹ POS Enterprises (Planning Officers Society), Local Plan Progress Review, December 2016, <https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/Planning-Officers-Society-Audit-Report.pdf>

¹⁶² TDC, Our Local Plan, Interim Local Development Scheme, June 2017, <https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Local%20plan%202033/Local-Plan-Local-development-scheme-2017-interim.pdf>

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