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CPRE Lewes meeting with Maria Caulfield, 10 May 2021

Aims

1. To discuss the reasons why Lewes & Wealden District communities in her constituency are currently suffering from (a) unrealistically high housing targets) and (b) the ‘tilted balance’ imposed by the NPPF.
2. To discuss the conflict between the government’s proclaimed policies (support Brownfield-first development; ensure new homes are located so as to minimise environmental damage and climate change; all strongly supported by CPRE) and the same government’s detailed planning policies, which deliver exactly the opposite outcome (Greenfield-first development at car-dependent high-value countryside locations, to enable land speculators to maximise their profits).
3. Seek her support to change government policy to achieve the desirable outcomes that the country needs and CPRE supports.

The changes, specifically, to we want her to support

1. National and local housing targets should be based on the most up-to-date evidence available.
 2. The “affordability factor” should be removed from the “standard method” by which housing targets are calculated.
 3. The Housing Delivery Test should be abolished or changed.
 4. The requirement to review Local Plans should be aligned with the practicalities of the required Local Plan Review process.
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Why is the housing target for Lewes so high?

1.1 An initial ‘housing need’ is set centrally by Office for National Statistics (ONS). Perhaps inevitably, this sounds a good idea, but when you look at the detail appears decidedly arbitrary. For Lewes, and several other Sussex authorities, ‘natural growth’ is negative, because deaths significantly outnumber births. Clearly this is balanced by in-migration, primarily from Greater London. The ONS ‘housing need’ data for Lewes are based entirely on these projected flows. Those for other Sussex districts are heavily influenced by this hidden factor.

1.2 The current Lewes ‘need’ is set, apparently arbitrarily, at replacing natural decrease plus 500 new homes per year. In approving the Local Plan part 1 the inspector reviewed this number (then calculated by a different method, the objectively assessed housing need (OAHN), but essentially the same number), and agreed (with both the developers and the local authority) that it could not be met. After considering extensive and detailed arguments submitted over several days, the inspector set 345/year as a reasonable target that could, at a stretch and subject to conditions, be met. That stretching target has indeed, pretty well, been met.

1.3 It is of course essential that the national government ensures the provision of enough homes, and the right types of homes, to meet the national need for new housing. ONS carries out a biennial assessment of the projected need for new homes, with the outcomes of its work published two years after data collection. The latest assessment, published in Sep 2020, was based on demographic data collected in 2018. However, the Dec 2020 MHCLG instructions for assessing

housing need for use in the “standard method” ignored both the 2020 assessment (based on 2018 data) and the 2018 assessment (based on 2016 data). Instead, it insisted on the use of the 2016 assessment (based on 2014 data), even though this particular assessment is now known to have been a substantial over-estimate.

1.4 We now know that even the 2018-based ONS projections will prove an overestimate, because they do not factor in the population consequences of Brexit or the 150,000 excess deaths caused by the Covid pandemic. The Dec 2020 MHCLG decision to base targets on the incorrect 2014-based household projections is, CPRE believes, indefensible.

The affordability factor

2.1 In the ‘standard method’ the housing need, overestimated as above, is then multiplied up by an ‘affordability factor’, which is derived from the relationship between house prices and local incomes. Note that the incomes used are not the actual incomes of Lewes residents, but the (much lower) incomes of Lewes residents who also work in Lewes, or of Wealden residents who also work in Wealden.

2.2 For Lewes the ‘affordability factor’ is 1.6. This factor has been introduced subsequently to the target set in the 2016 Lewes Local Plan.

2.3 It is this ‘affordability factor’ that takes the standard methods assessed need of 500/year (as used for the initial target of 500/year in the 2016 Lewes Local Plan) to the present 800/year.

2.4 The supposed theory is that if so many houses are built, house prices will fall, so that houses will become more affordable. The application of such GCSE-level economics to house prices has been comprehensively discredited. Firstly, even if Lewes were to build 800 homes/year, this would add only 2% to the housing stock, which would not achieve any significant price impact. Secondly the consequences of the negative equity for the most recent buyers would be dire, and feed through to the national economy. Thirdly, building so many new homes that their price falls is the exact opposite of the business plan of every market housebuilder. In actual fact, as has been repeatedly demonstrated, the key determinant of house prices is the availability of finance for house purchase. Thus, for example, the principal consequence of such well-intentioned initiatives as ‘Help to Buy’ and the temporary removal of stamp duty has actually resulted in increased house prices, with the government subsidy being largely harvested by sellers receiving increased prices.

2.5 The real (and actually the intended) consequence of the ‘affordability factor’ is to divert housing targets to those parts of the country where land speculators can profit most from the windfall land value uplift that can occur when planning permission is granted for agricultural land.

Example:

In Lewes the cost of building a new 3-bed semi is approximately £150K (including 20% profit for the builder). The semi can be sold for £450K, leaving £300K to be shared between the landowner and the land speculator who gains the planning permission.

In Hartlepool the cost of building a new 3-bed semi is approximately £145K (the materials have a national price, but the labour may be marginally cheaper; it is labour from the likes of Hartlepool that builds houses in Lewes, and they are paid more for working away from home). The semi can be sold for about £175K, leaving a much smaller £30K to be shared between the landowner and the land speculator who gains planning permission.

2.6 Unsurprisingly land speculators, preferring £300K per house to £30K, lobby intensively to divert as much as possible of the new housing to the more expensive areas. The inclusion of the 'affordability factor' in the 'standard method' is their key tool for achieving this.

2.7 Note that abolishing the 'affordability factor' would also make an important contribution to the 'levelling up' agenda.

The Housing Delivery Test

3.1 The Housing Delivery Test, introduced in the 2018 revisions to the National Planning Policy Framework (NPPF) under the May government, is fundamentally unfair. The role of the Local Planning Authority (LPA) is to provide the sites required by its Local Plan. If it meets that criterion, but the housing market then fails to take up the opportunities made available, it should not be the LPA and its residents who are penalized.

3.2 If a penalty is required, it should be one that ensures the use of the allocated site, such as its compulsory purchase at existing use value for the provision of affordable housing.

3.3 Note that the combination of the 'affordability factor' (that creates unrealistic and undeliverable targets in high price areas) with the Housing Delivery Test is designed as a means to ensure that such areas will always be subject to the 'tilted balance', enabling land speculators to profit from continuous greenfield development, while ignoring sustainably located urban brownfield sites (such as Lewes North Street and Newhaven Marina), where there is no windfall land value uplift for the speculators to harvest.

3.4 The proclaimed government policy, that development should be "Brownfield first" and at sustainable locations where residents can use public transport is thus undermined, to deliver instead car-dependent housing in the countryside, against the national interest but maximizing the profits from land speculation.

The Local Plan Development Process

4.1 The 2018 revisions of the NPPF under the May government introduced a new requirement that Local Plans should be reviewed every 5 years. At first sight this seems entirely reasonable.

4.2 However, the NPPF and its associated guidance also includes a detailed prescription for the process for production of a Local Plan that cannot be completed in less than three years, and will normally, where there is controversy about site selection (inevitable here given the high targets), take 5 years or more.

4.3 In addition, if the government updates its planning policies in the course of the Local Plan development process, in particular if the update changes housing targets or requires the identification of additional development sites, then the Local Plan development process may be set back by a period of years. In practice such policy changes occur annually.

4.4 The revisions of the Local Plan will inevitably require the identification of new development sites (if only because they extend the period) and are, in effect, the creation of a new Local Plan every 5 years.

4.5 Thus any LPA in the position of Lewes, which was already two years in to its 5-year period when the 2018 NPPF changes were made, was left with insufficient time to undertake its revision

before the expiry of the 5 year time period. It was inevitably destined to fail this test, with the outcome we now see.

4.6 This effect was exacerbated by the fact that when the 2018 changes were announced, Lewes was still one year short of completing Part 2 of its Local Plan and could hardly start work on the revision of plans that had not yet received final approval.