

Medway Local Plan 2025-2041

Regulation 18 Consultation – Local Plan Consultation

REPRESENTATIONS SUBMITTED BY

THE KENT SME DEVELOPERS NETWORK

SEPTEMBER 2024



SME Developer Network
Kent

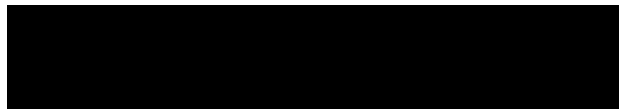
**MEDWAY COUNCIL
LOCAL PLAN 2025-2041
REGULATION 18 CONSULTATION**

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SEPTEMBER 2024



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1.0 INTRODUCTION

i) About the Kent SME Developers Network

- 1.1 These representations have been prepared by the Kent SME Developer Network (the Network) - a consortium of Small and Medium (SME) Developers who are located in or operate within Kent and Medway. The Group is currently chaired by Paul Henry, Managing Director of Esquire Developments, an SME Housebuilder based in Longfield near Dartford, Kent.
- 1.2 The Network was formed in November 2019 and presently comprises approximately 40 participants including SME Housebuilders and Developers (of varying size and scale) and Registered Providers. In addition, the Network includes representatives of Local Planning Authorities including Medway Council, Swale Borough Council, Tonbridge and Malling Borough Council, Tunbridge Wells Borough Council Dover District Council, Canterbury City Council, and Maidstone Borough Council. It is the intention that the Network grows over time to cover all of Kent including additional SME Developers and Local Planning Authorities and interested bodies.
- 1.3 The Network was set up to provide a platform for SMEs to discuss relevant planning and delivery issues associated with bringing forward smaller developments and to positively and proactively engage with Local Planning Authorities at the plan making and decision taking stages.
- 1.4 The Government has recognised the need to support existing SMEs and encourage more into the market in order to diversify the housing market from the volume housebuilders and generate choice and improve quality of homes being built. The Government has described SMEs as being of 'National Importance'. **Appendix 1** sets out the narrative behind the support and role for SME Housebuilders.
- 1.5 The Network meets on a quarterly basis to discuss and explore relevant SME related issues, including working through planning related matters. Notable attendees at past meetings including Steve Quartermain (prior to his retirement as Chief Planner at the then MHCLG) and Homes England. In addition, the Network has presented to the Kent Planning Officers Group (KPOG), has met the Deputy General for DLUHC and been party to Developer round table



discussions with the then secretary of State, Michael Gove and the then Housing Minister, Rachel Mclean in 2023.

1.6 In addition to the meetings acting as a discussion platform, the SME Network is also designed to act as a support and mentoring network, where land opportunities can be shared, or knowledge/experiences drawn from in-house teams in order to help each other and strengthen the SMEs. The Network can also act as a collective voice in the preparation of Local Plans or other consultations - such as this.

1.7 The Network comprises the following:

SME Housebuilders and Developers

- Esquire Developments
- Fernham Homes
- Wealden Homes
- Fernfield Homes
- Meridian Construction
- Aile Homes
- King and Johnstone
- Clarkmores
- Clarendon Homes
- Gillcrest Group
- A&E Property Ltd
- Country House Homes
- Classicus Estates
- Woodcroft Developments
- Provectus Developments
- Penenden Heath Developments
- Grandera Homes
- Jarvis Homes
- Aspire Designer Homes
- Kentish Projects
- Woolbro Homes
- Cooper and Cole



- Hillstone Homes
- RJC New Homes
- Wedgewood Homes
- TG Designer Homes
- Endeavour Construction Limited
- Unique Land
- Hodson Developments
- Quinn Estates
- Elivia Homes
- TB Holdings
- Thakeham Homes
- Cooper and Cole
- Pentland Homes
- Maidstone Mechanical
- Corker Brothers
- Toleman Homes

Registered Providers

- MHS
- Moat

Local Planning Authorities

- Medway Council
- Maidstone Borough Council
- Swale Borough Council
- Tunbridge Wells Borough Council
- Tonbridge and Malling Borough Council
- Dover District Council
- Folkestone District Council
- Canterbury City Council
- Ashford Borough Council
- Sevenoaks District Council
- Kent County Council

Agents

- Tetlow King Planning
- David Hicken Associates



- Stantec
- Consilium Planning
- Marrons

Others

- Homes England

1.8 The Network welcomes ongoing engagement with Medway Council and any other interested party.

1.9 For clarity, the representation contained in this response relate to the Members of the Network that are SME Housebuilders and Developers and not the Registered Providers, LPAs, Agents or Others.

ii) Content of Representations

1.10 These representations have been prepared by the Network which seek to address strategic matters and general observations relevant to SME Developers. Any site-specific matters will be addressed by individual SMEs within their own representations.

1.11 Representations were made to the previous round of Local Plan Consultation in October 2023, and are available in Appendix 2.

1.12 The representations are structured to respond to each relevant part of the consultation Document.

1.13 In summary the headline points are as follows:

- We wholly support the inclusion of a specific small-site housing policy which supports SME housebuilders within the Plan period.
- We query if the Local Plan timeframe is going to enable a 15-year plan period at the point of adoption (the plan will need to be adopted by 2025).
- We support the Council in seeking to meet its Housing Needs but consider additional allocations are required to meet that need



- The Council should not rely on such a large % of unallocated windfall provision (3,000 dwellings) and query if this is appropriate. We note that under Paragraph 70 of the NPPF, there is a need to identify at least 2,800 dwellings on small sites.
- The Regulation 18 document is extremely light on detail relating to the development allocations and supporting evidence base. This has limited the opportunity to provide meaningful comments and to help inform the next stage of the Local Plan. This is a pertinent point as the next stage of the Local Plan will be a Regulation 19 consultation - meaning the opportunity for the Council to make amendments prior to submission for Examination will be limited. Given Medway's track record of Local Plan failures, this seems an unnecessary risky strategy.
- The lack of a LAA assessing each site submitted means it is difficult to comment on the suitability of each spatial strategy.
- The Council should consider how future allocations could support SME's as part of a wider SME consortium site allocation.

2.0 RESPONSE TO THE CONSULTATION DOCUMENT

General Observations

- 2.1 The Regulation 18 Document is a progression and formalisation of the previous consultation in Autumn 2023, of 'Setting the Direction for Medway 2040'. The Reg 18 Document indicates a direction of travel of the spatial growth in the District and provides further information on proposed policies and options for a development strategy, the potential sites and broad locations that could form allocations for development. The new MCLP covers the period from 2025 to 2041. The document is supported by a proposals map which identifies a number of sites for allocation.
- 2.2 The Executive Summary of the Reg 18 identifies a housing need, based on the Government's Standard Method calculation for 1,658 dwellings per annum¹, which equates to around 28,000 new homes across the Plan period. It is acknowledged that this scale of growth will involve significant change across Medway. The Council are looking to meet their housing needs and are being positive in their approach to delivering a sound Local Plan. We **support** this approach.
- 2.3 However, taking the consultation as a whole, we feel the Regulation 18 consultation lacks the necessary supporting Evidence Base that underpins the Preferred Strategy, the allocations, and required infrastructure to support the level of growth in Medway. This is explored in greater detail below.
- 2.4 Our previous representations highlighted concerns in respect of the Setting the Direction for Medway 2040 Document for including every submitted site within the 4No. development scenarios. Although it was a useful opportunity to understand the sites submitted, there were 2 key issues which meant that it was difficult to comment:
1. No one strategy offers the ability to meet the identified level of growth required. Accordingly, a blended strategy is required. No such blended strategy was however put forward as an option.
 2. The lack of a LAA assessing the suitability of sites that underpin each strategy is a significant omission and means that it is impossible to conclude on the suitability of any

¹ The current NPPF consultation currently suggests Medway's Housing Need will be amended to 1,644 to respond to the change in calculating the standard method. We consider Medway should meet whatever the standard method calculates Medway's needs to be as per the proposed NPPF guidance

given strategy. The Local Plan acknowledges that sites are likely to not be taken forward in the next iteration. This means the overall numbers associated with each strategy is incorrect and there is further uncertainty of the suitability of each strategy.

- 2.5 This current Reg 18 document provides a 'Blended Strategy' that is to be taken forward, and therefore in some way addresses our previous first point set out above. The 'Blended Strategy' promotes a brownfield first approach supporting urban regeneration, complemented by greenfield sites in suburban and rural locations to provide for wider housing choice. As the preferred indicative approach at this stage, more details of how this strategy could look, is presented within the Proposals Maps.
- 2.6 However, as previously stated within point 2 above, the omission of a LAA assessing the suitability of the sites included for allocation within the Proposals Map remains a significant omission. The Blended Strategy provided a combination of the two previous 'Urban' or 'Rural' strategies. There is currently no evidence provided that suggests why certain urban and/or rural sites were allocated or rejected. Furthermore, of the sites that were selected, the lack of LAA assessing individual sites yields including their ability to deliver other policy requirements, such as Affordable Housing, 10% BNG, and the availability of the sites is not included within the supporting documents.
- 2.7 On this basis, it is impossible to conclude on the suitability of the 'Blended Strategy' without understanding if the proposed allocations will provide sufficient new housing to meet their requirements. Accordingly, the plan fails to be sound in this regard, as it has not been 'justified' through the Evidence Base and it has not been proven that the plan will be 'effective' i.e. that the sites identified can and will be delivered to meet the housing needs.
- 2.8 Whilst we recognise that the Reg 18 document provides significant detail on the Development Management Policies that will shape future development within Medway until 2041, it is difficult to assess the spatial strategy with this critical information and Evidence Base still missing.
- 2.9 A critical issue that the Council should consider is that the next iteration of the Local Plan will be the Regulation 19 Consultation. This means that limited changes can be made to the submission document for Examination and only changes relating to the soundness of the Plan.
- 2.10 We consider there is a substantial risk to the Council's ability to progress with a sound plan by not providing a sufficient evidence base now, with an indication on whether Medway can

meet their housing requirements and will create a scenario where it seeks to make substantial changes post the Regulation 19 Consultation.

- 2.11 Recent nearby LPA's have sought such changes (inc. Maidstone Borough and Tunbridge Wells Borough) only for the Inspectors examining those plans having queried the suitability of such changes and if they relate to 'soundness' of the plan and if not, why this change is being proposed. We previously proposed that the Council should undertake a Regulation 18b Consultation, which provides a preferred strategy that is underpinned by a proper evidence base including a completed LAA, Sustainability Appraisal and Infrastructure Delivery Plan. This would strengthen the Regulation 19 Local Plan and will potentially avoid a protracted examination or potential for re-consultation of key soundness matters. We consider a Regulation 18b consultation should be undertaken.
- 2.12 An Interim Sustainability Appraisal has been included within the Consultation and identifies the Sites that have been assessed as part of the Call for Sites as suitable and provides some clarification on sites that have been selected or rejected for allocation. However, it appears that no assessment has been undertaken to understand the potential development yields of the selected sites nor on what policy basis these sites are deemed more appropriate over others. An assessment of the Interim Sustainability Appraisal is set out below but we would expect to see a housing topic paper which clearly identifies the site selection criteria of the sites selected and how and why they achieve the wider plans objectives.
- 2.13 At present there is no LAA or Infrastructure Delivery Plan or site selection criteria paper that has been produced as part of this consultation. Therefore, it is impossible to assess if and how the spatial strategy will meet the housing requirements of Medway

Interim Sustainability Appraisal - Housing Requirement

- 2.14 The Interim Sustainability Appraisal (ISA) confirms in para 3.1.2 that the local housing need calculation for Medway is a minimum of 1,658 homes per year, in accordance with the Government's Standard Method Calculation. Over the Plan period from 2025 – 2041 (16 years), this equates to a need to deliver 26,528 homes.
- 2.15 A 5% buffer has been applied to the housing requirement to allow for market flexibility, resulting in an approximate need for 27,854 homes. The ISA states that after considering existing supply commitments and an anticipated windfall supply, this results in a required yield of 22,491 homes to be delivered through the emerging Local Plan. There is no evidence

provided to support the number of existing supply commitments or anticipated windfall supply based on previous delivery, or is this figure evidenced within the most recent Authority Monitoring Report (AMR) or Housing Land Supply Note.

- 2.16 The recent Government announcement (30 July 2024) set out the new consultation of the NPPF. The new NPPF sets out a number of significant changes from the previous December 2023 version, revoking the majority of amendments made in December 2023, and proposing significant changes to the NPPF, including but not limited to the requirement for LPA's to meet their housing need, unless hard constraints (such as Flood Risk) state otherwise, and changes to the Standard Method methodology. As such, the proposed Standard Method for Medway has marginally decreased by 1% from 1,658 dpa to 1,644 dpa (a decrease of 14dpa). This is still the subject of consultation, with the NPPF expected to be published in Autumn 2024. For the purpose of this consultation, we have assessed the spatial strategy based on the current Standard Method.
- 2.17 As part of the Government announcement, the Ministerial Statement set out the requirement for Local Planning Authorities to plan positively and are required to meet their housing needs.
- 2.18 Furthermore, a request from Gravesham Borough Council (GBC) has been submitted to Medway Council to accommodate 2,000 additional homes to assist GBC in addressing their unmet needs. Gravesham Borough is highly constrained and is therefore unable to meet their own housing needs. Medway Council have requested further information from GBC to evidence the need for 2,000 homes. Therefore, should this requirement be justified, Medway will be required to allocate additional land to accommodate an additional 2,000 homes. It is not yet known whether Tonbridge and Malling Borough Council will request for their unmet need to be met within MC.

Call for Sites

- 2.19 The ISA provides a summary of the sites that have been submitted as part of the Call for Sites process and includes a summary column on whether the site has been selected for allocation or not. In the absence of the yields of the proposed allocations, it is difficult to be certain that the proposed allocations will meet the housing requirement. On this basis, it is difficult to assess if the Plan can be found sound.
- 2.20 The Medway Call for Sites process ran between November 2022 until February 2023. A total of 447 sites have been identified by the Council through the LAA process and undergone an initial filtering process. As a result of the filtering process, a total of 359 reasonable alternative

sites for assessment were considered. The sites have the potential to accommodate new residential and employment development.

- 2.21 The Council have further categorised the sites, by identifying strategic sites. Strategic sites comprise at least 10ha and could deliver at least 500 new homes. Strategic employment sites comprise over 75ha. A total of 24 strategic sites (19 residential-led and 5 employment-led) have been identified.
- 2.22 The ISA assessed the sites against the Local Plan Objectives and Development Management Policies and rejected the unsuitable sites. A total of 15 strategic sites were selected, alongside 202 non-strategic sites selected for allocation for both residential and employment development.

Local Plan Allocations

- 2.23 The Regulation 18 Plan allocates 234 sites for development within Medway. This includes 17 sites allocated for non-residential development, land for park homes, and a care home. This equates to 217 sites for residential led development. As such, we appreciate the attempts made by the Council to identify sites within the emerging Local Plan, however insufficient evidence has been provided to support the allocations, and their ability to deliver the number of homes required to meet Medway's Standard Method or how small site allocations as required under Paragraph 70 of the NPPF have been met
- 2.24 On this basis, we have undertaken an assessment of the allocated sites based on the information provided within the Interim Sustainability Assessment. As part of our assessment, we have considered sites that are to be delivered before the start of the Plan period, sites with an unknown availability status (as per the Land Availability Assessment Interim Report, Appendix F Map of Sites – Unknown Availability, October 2023), and sites located on active employment sites. Therefore, based on the above criteria, a number of allocated sites have been discounted from the total housing land supply. A summary of the assessment is included at Appendix 3.
- 2.25 That being said, of the sites that we assess as available and suitable to be delivered within the Plan period, the Council are yet to undertake and publish an assessment of the likely yields of each site to ensure that each site is capable of delivering the yields submitted as part of the Call for Sites process. We question the yields submitted as part of the CfS, given that the submission was prior to the requirement for 10% BNG and the update of the BNG metric which is more stringent than previous assessments.

- 2.26 In addition to the housing requirement, the ISA also identifies an employment floorspace requirement of 274,663sqm that needs to be met in order to address the needs of businesses within the District. As stated above, a number of residential allocations have been proposed within high density employment areas, for example, the Medway City Estate and St Mary's Island. Emerging Policy S11: Existing Employment Provision, seeks to protect existing employment space, unless the existing site is proven to be no longer viable and there is no market interest in the site for a period of 12 months. Given the significant employment floorspace requirement, and the uncertainty of the quantum of development to be expected on the employment allocations, it is not possible to conclude if the Local Plan will result in a net decrease or increase of employment floorspace across the Plan period. As such, the significant quantum of residential development proposed on employment sites is contradictory to the Vision and Strategic Objectives of the Local Plan.
- 2.27 We have assessed the allocated sites, against the potential yield provided by the promoter through the Call for Sites process. In total, 234 sites were allocated, including 217 sites for residential-led development, providing 27,033 dwellings. Table 2.1 sets out the cumulative discounted sites by reason below.

Table 2.1: Assessment of Allocated Sites

Reason	Total Housing Supply
Allocated Sites by Reg 18	27,033 (217 Sites)
Unknown Availability	-2,194 (-57 Sites)
Built Out Prior to April 2025	-30 (-5 Sites)
Applications Withdrawn or Expired	-337 (-17 Sites)
Existing In-Use Employment Sites	-5,080 (-20 Sites)
Total Suitable and Available Allocations	19,392 (120 Sites)

- 2.28 Furthermore, it is also important to draw attention to the number of sites allocated within current retail areas. It is unclear whether the retail element of the allocation would remain with subsequent housing built on top. As this is still unclear, we have not discounted the number of sites based on loss of potential retail.
- 2.29 We also question if the submitted yield of the sites is a realistic prospect. Significant time (18 months) has passed since the sites were originally submitted to the Call for Sites process. As such, what evidence has been presented that these sites take into account the new requirement to deliver 10% BNG, alongside the other Development Management Policies. Our experience is that meeting the 10% requirement is having a substantial impact on either the layout/yield of a development or has a substantial impact on viability for off site credits. Has the evidence base taken this into consideration?

- 2.30 Whilst MC has allocated a number of sites, unfortunately, because the necessary supporting base is not present to justify their allocation, our assessment has concluded that a number of sites could not be suitable and we consider only 24,755 homes, including a windfall allowance of 3,000 homes, and 2,363 dwellings already committed over the Plan period has been identified. This would achieve only 1,547dpa.
- 2.31 On this basis, there is a substantial shortfall of 3,099 dwellings, amounting to 194 dpa and, coupled with Windfall allowance represents over 6,099 unidentified dwellings to meet the housing needs of the District. Table 2.2 sets out the housing supply at Regulation 18 consultation stage.

Table 2.2: Housing Supply Reg 18 consultation stage

Source of Housing Supply	Number of dwellings
Commitments (net)	2,363
Windfall (including suitable SHELAA sites located within boundaries – not allocated)	3,000
Local Plan draft allocations*	19,392
Total Housing Supply	24,755
<i>Dwellings per Annum</i>	<i>1,547</i>
Total Housing Requirement (with 5% buffer)	27,854
<i>Total Shortfall</i>	<i>3,099</i>

*Our Assessment of Local Plan Draft Allocations

- 2.32 We therefore urge the Council to demonstrate through sufficient evidence that the sites relied upon are indeed deliverable within the plan period and are available, suitable and achievable when tested against policy requirements and viability considerations.

Windfall Allowance

- 2.33 The ISA states that as part of meeting their housing requirement, 5,363 homes will be delivered through extant permissions and windfall development.
- 2.34 The latest AMR (December 2023) includes a windfall allowance within the projected housing delivery equivalent to 250 homes per annum from 'Year 4 – 2026/27'. Over the Plan period, this equates to c. 3,000 homes. There is no evidence to support the delivery of 250 windfall

dwellings per annum. This number is projected based on previous windfall delivery of large and small sites over the past 10 years outside of any plan-led system. The remaining 2,363 homes are therefore the existing supply commitments that are to be delivered in 2025 that have an extant permission. There is no evidence to support this number.

- 2.35 Para 72 of the NPPF states that where windfall sites form part of the anticipated supply, there should be compelling evidence provided by the Council that they will provide a reliable source of supply. Windfall allowance should be realistic, having regard to the LAA, historic windfall rates, and expected future delivery. Presently, MC rely solely on historic windfall rates and do not provide any robust evidence that the current rate of delivery is expected to continue.
- 2.36 The assessment of potential future windfall rates, outlined within the Medway AMR (December 2023, Volume 2) identified a windfall allowance of 250 dwellings per annum based on an average over the past 10 years. We consider that this is an inaccurate reflection of the true windfall history, and the use of previous windfall delivery rates are wholly misleading when considering the significantly out of date adopted Development Plan.
- 2.37 The Medway Local Plan (2003) is significantly out of date. Medway has been unable to demonstrate a 5-year housing land supply for a substantial number of years. As a result, most sites now coming forward in Medway are speculative in nature and contrary to the Development Plan but engage the tilted balance in presumption of sustainable development as set out within para 11d) of the NPPF. This would therefore constitute windfall development.
- 2.38 As such, it is not possible to assume that the current rate of delivery will continue to be delivered. On this basis, it is not accepted that an additional 3,000 homes will be delivered within the Plan period, and as such, the shortfall of delivery increases to 6,099 dwellings, equating to a need for an additional 381dpa to meet MC's requirement.
- 2.39 Notwithstanding the above, additional sites are necessary to meet the housing need requirement for Medway and reduce the reliance on windfall development. SMEs would be well placed to meet this shortfall and consideration of larger SME led site allocations should be considered.

Duty to Cooperate

- 2.40 The NPPF, which is currently out for consultation, continues to ensure that LPAs are under a Duty to Cooperate with each other, and will play a vital and increasing role in how sustainable growth is delivered and key spatial issues, including meeting housing needs, will be delivered.

2.41 As part of the Duty To Cooperate, Gravesham Borough Council has notified Medway Council of an estimated unmet housing need of 2,000 homes through responses to consultations and duty to cooperate meetings. It is unsure what evidence currently underpins this requirement and if this figure is up to date. Medway Council has requested further information from Gravesham Borough Council to demonstrate the unmet housing need.

2.42 No request or evidence has been currently presented from Tonbridge and Malling Borough Council to request housing needs are met outside their Borough boundaries. On this basis, it is not possible for Medway to address any unmet need.

Local Plan Time Period

2.43 The Plan period currently set within the Interim Sustainability Appraisal sets out that the Plan covers the period 2025 to 2041. This is a period of 16 years.

2.44 NPPF para 22 requires that during the plan making stage, strategic policies should look ahead to over a minimum 15-year period **from adoption**. As such, this would require the Plan to be adopted within the next 16 months. We question if a Plan will be in place by 2025.

2.45 The Local Plan acknowledges there are some fundamental strategic matters to resolve. This includes the highway issue of the M2 Junction, the impact of the Lower Thames Crossing as well as how the local infrastructure is to be delivered (in light of the HiF funding being withdrawn). These are all matters that need to be grappled with in combination with the allocation of development that will meet the housing and employment needs.

2.46 Given the recent central government political change, coupled with the changes to the Planning System suggested by the new Government in respect of Plan making, there may be fundamental changes in Government Policy that will affect the Plan making process. Whilst we are sympathetic towards the Council and the constant changes in Government messages are difficult to address for Local Plans, the fact is that these issues will inevitably have a knock on effect on the ability to bring forward a Local Plan to adoption in 2025 and the LPA should factor this into its consideration of the time period of the Plan and work in a buffer scenario in the event of adoption post 2025.

2.47 MC prepared an updated Local Development Scheme (LDS, February 2024) as part of the Regulation 18 consultation which sets out the timetable for the preparation of the new Local Plan. The timetable confirms that the Plan is anticipated to be adopted by or before the end

of Autumn 2026. As such, at the point of adoption there would be less than 15 years until the end date of the Plan period.

- 2.48 Notwithstanding the timescales prescribed within the LDS are optimistic, the Council's LDS already offers a timetable whereby the adoption date will not comply with NPPF Para 22.
- 2.49 On this basis, the Council should extend its plan period to accommodate the requirements of NPPF Para 22 and ensure that at point of adoption the plan period extends to a minimum of 15 years.
- 2.50 This issue has recently been tested during the Examination of Maidstone BC and Tunbridge Wells BC Local Plans respectively. In both of these instances, the Plan period was extended to reflect the minimum requirement for 15 years from date of adoption.
- 2.51 On this basis, we suggest that the Plan period is amended to reflect the LDS timeline as a minimum. However, we consider that given the optimistic timescales set within the LDS, the Plan period is needed to be extended further given the likelihood of delays of the Plan through to Adoption. We suggest that the Plan period is extended to 2042 and therefore in addition to the previous identified need for a further 3,099 dwellings allocated a further 1,658 dwellings need to be identified, totalling **4,757 dwellings**.

Specific Comments

A. Paragraph 1.2.8

- 2.52 We support Paragraph 1.2.8 and the recognition that housing delivery is more than just numbers and the right mix, choice and quality to meet the needs of the wider community are needed. SMEs are perfectly placed to meet these aspirations and therefore the more support the plan can give to SME's, the greater the opportunity that this objective can be met.

B. Vision of Medway - Paragraph 2.1.1

- 2.53 We support the broad visions as set out in paragraph 2.1.1 but note that reference to housing sits 4th on the list. Housing is the most critical part of the success of any Local Plan and includes a number of other objectives being met by it. Accordingly, we consider that housing delivery

should be placed at the top of the visions as many other facets of the Local Plan flow from its delivery, including job provision, climate change, biodiversity net gain etc.

C. Strategic Objectives - Paragraph 2.2

- 2.54 We welcome the recognition that meeting high quality energy efficient homes has on people leading healthy lives. We consider this objective could be strengthened further by reference to good design. SMEs are well placed to deliver higher quality homes both in in energy efficiency and good design and further reinforces that greater support for SMEs in the Local Plan can lead to the more effective delivery of other objectives.

D. Spatial Development Strategy – Paragraphs 2.3

- 2.55 The Spatial Development Strategy provides an overview of the preferred development strategy for Medway. The reference to the delivery of housing included within the previous Reg 18 has been removed. The Strategy is still to be supported by further evidence base work to inform the Reg 19.
- 2.56 We note that the Local Plan has been brought forward ahead of the recent central Government announcement which demonstrated a commitment to housebuilding and getting ‘Britain Building again’. This included confirmation of building at least 1.5 million more homes across the country within five years of a Labour Government. The recent announcement amended the Standard Method to increase the yearly delivery of homes to c.370,000 dpa. As such, with the emerging Local Plan being brought forward by the new Labour administration in Medway, Medway should continue to plan under the Standard Method and be ambitious and embrace the growth, in line with the central Government aims.
- 2.57 It is also noted that infrastructure delivery is high on the agenda in Medway and is seeking to resolve existing issues, not just those that may be worsened by future development. Accordingly, there is a case that the greater number of homes delivered will yield a greater capital receipt to fund and deliver these projects. Fewer homes results in fewer opportunities and will not resolve existing issues and could bring into questions the viability and deliverability of future infrastructure projects.

E. Spatial Growth Options

- 2.58 The Network does not offer comment on a preferred strategy due to the wider interests of the group. However, our previous comments identified a need for a blended strategy to show how different options can demonstrate how the housing needs could be met. We are pleased that a blended strategy has been included that seeks to make use of previously developed land first in combination with rural development to support local villages.
- 2.59 The Network observes that there are a number of brownfield opportunities within the Medway Urban Area. We also note that whilst many of these sites may fall under the 1ha threshold, this does not automatically render them as 'SME type' site. This could be because the Site may be high rise residential (and thus unlikely to fit to a traditional SME model) or these sites come with substantial viability issues (either through decontamination, demolition or existing use values). Thus, these brownfield sites pose a substantially greater risk than greenfield sites and place greater risk on that developer. The Local Plan should avoid identifying the 'most difficult sites to unlock' as SME sites as it is simply placing additional burden on SMEs to deliver at greater risk.
- 2.60 Accordingly, we consider that a qualitative exercise is undertaken when assessing these sites to determine if they are being promoted by an established/genuine SME, and if not, the suitability and ability of an SME to bring forward any given brownfield site – given the physical and financial constraints present should be assessed. As such, there appears to be a disconnect between how they have arrived at the allocations for the Blended Strategy.
- 2.61 Notwithstanding, whatever strategy is subsequently adopted by the Council, it should include the required minimum housing on small sites (2,785 dwellings) and fully support the delivery of SME sites through the specific small sites policy. If the windfall provision is seen to be met by way of this policy, then the plan should expressly identify this and that this is appropriately monitored by the Council.

F. Paragraphs 3.1.5 – 3.1.7

- 2.62 Paragraph 3.1.6 suggests that the Council has undertaken a comprehensive and iterative review of potential sources of land. As such, the allocations proposed as part of the Proposals Maps were selected based on the preferred Spatial Growth Option, and the iterative Land Availability Assessment (LAA). There has been no LAA published with this Local Plan

consultation. Therefore, we are reliant on the previous LAA prepared as part of the October 2023 consultation to provide evidence on potential yields of development. However, as previously stated, the LAA simply includes the data that was submitted for each site to the Call for Sites process. It is therefore lacking any evidence and detail as to the suitability of these sites to support the preferred strategy, does not assess the likely yields of the sites, in light of recent changes to the requirement to deliver BNG on site, and includes the use of the Brownfield Register.

- 2.63 The critical element of actually meeting housing needs is not necessarily ‘what’ the overall number is, but ‘how’ it is anticipated to meet that number. It is noted that the Local Plan seeks to rely on a significantly high proportion of windfall development to meet its housing need.
- 2.64 Although a number of sites have been allocated as part of this consultation, it is not possible to assess the current yield of the allocations to understand if the proposed allocations provide sufficient housing to meet the requirement. The Interim Sustainability Appraisal suggests that circa. 4,000 homes of Medway’s requirement is to be met through windfall development. We propose that sufficient specific allocations are made to meet the housing requirement and windfall allowance is applied over and above the allocated sites. There is no guarantee that the windfall allowance set out will come forward, and in light of the recent Government announcements for LPA’s to meet their housing requirement in full, there is a need to ensure that allocations have been identified for the number of homes required. Furthermore, this may also assist with providing sufficient housing for the lifetime of the Plan issue.
- 2.65 Such an approach would also provide for a more robust Housing Land Supply position as it would be less reliant on windfall sites coming forward and allow for more sites to go into the forward trajectory.

G. Policy T11: Small Sites and SME Housebuilders

- 2.66 As part of the Network’s objective, it has sought to introduce a policy into emerging Local Plans the seeks to support small and medium sized developments that build on the NPPF’s 1ha site requirement but expands this into a policy framework that can allow SMEs to successfully operate within the policy framework of a Local Plan.
- 2.67 Therefore, the inclusion of the Small Sites and SME Housebuilders policy is **wholly supported**.

- 2.68 In this respect, the SME policy is a policy which offers t the opportunity for SME sites to come forward, whilst also offering the LPA enhanced developments of high quality coming forward that is typically delivered by an SME – i.e. design quality or carbon efficiencies or at pace.
- 2.69 Whilst the ideal scenario would be for the same policy to be adopted by each Council (and therefore apply a level of consistency in understanding and application of the policy), we also recognise that each LPA has a specific set of circumstances that may require the policy working to be tweaked.
- 2.70 The small sites policy will allow for SMEs to operate within the Plan Led system and will allow both small and medium sites to come forward (i.e. sites up to 60 dwellings). Such a policy will allow an SME to come forward with a planning application that meets locally defined specific criteria, such as high-quality design, low carbon footprint, reduced time limits for implementation etc and a flexible approach to the delivery of Affordable Housing. On the other hand, the Council will receive higher quality developments being submitted that are in character with more rural fringe locations (remembering the SME site typology), but that those Rural Fringe locations can be supported with an appropriate amount of growth that will assist in preventing, slowing or reversing their cycle of decline.
- 2.71 Such a policy would provide for additional weight to be afforded to an SME application, and thus allow greater weight to be applied to the application in the overall planning balance. This would reduce the risk to an SME and increase certainty at the planning stages, as the SME can tailor their scheme to meet the specific criteria.
- 2.72 Crucially, the policy is designed to deliver up to 60 dwellings (and thus meet the M of ME as much as the S) but is worded in a way that seeks to ensure the development coming forward in any given location is consistent and respectful to the area that it is in i.e. a scheme of 60 dwellings may not be appropriate for a small village, but 20 may be suitable, and therefore the policy that refers up to a figure of 60 dwellings should be deemed acceptable and allows the policy to be flexible.
- 2.73 In addition, the 60 dwelling threshold is very much seen as the scale of developments where larger SME's start to compete with Volume housebuilders on sites. A volume housebuilder will tend not to drop below 60 dwelling and thus the Policy is designed to really assist SME delivery and support the delivery of bespoke high-quality development, but also directly responds to

certain SME challenges, such as how to deliver small numbers of Affordable Housing on any given site.

- 2.74 The Network recognises that other Kent LPAs are seeking to introduce a Small Sites Policy and a key aim for the policy is that there is a level of consistency in the working across a number of LPAs, in order that the interpretation and understanding of the policy is also consistent on a cross boundary level – again seeking to reduce the risk at the planning stages to an SME.
- 2.75 The importance of a planning consent is vital to the success of an SME, no matter how small (or large) that scheme is, and greater engagement is always encouraged. This works both ways and greater engagement can improve the submission material of an SME and thus also reducing risk.
- 2.76 We do request that further thought should be considered in respect of Affordable Housing and how the policy can provide a flexible approach to address Affordable Housing delivery on a site by site basis. It is well recognised that Registered Providers are rarely interested in sites unless the number of affordable homes being offered equates to at least 20 affordable dwellings. Therefore, we suggest that the policy wording is amended to seek a flexible approach to how Affordable Housing can be delivered by an SME in instances where an RP shows no viable interest, The proposed amended policy wording is set out below and is anticipated to form another bullet point in the existing list.
- *A flexible approach will be encouraged to the delivery of Affordable Housing assessed on a site-by-site basis. Where on site provision is demonstrated through evidence to be unviable or unattractive to recognised Registered Providers, the Council will permit alternative levels of Affordable housing or alternative forms of tenure, including First Homes, payment in-lieu of on-site provision or another form of recognised Affordable Product as defined in the NPPF.*
- 2.77 Further to the above, the NPPF supports the allocation of SME parcels on larger sites. Whilst the Network has reservations about this approach and the complexities this brings both in commercial terms and logistics, we do consider that larger allocations that are SME led should be considered. An SME consortium led site would allow for additional support for SME Developers (as the site would be designed and marketed with the consortium led approach in mind) and would help deliver at pace with a number of outlets coming out of a single site, as opposed to one large volume developer was a single outlet.

H. Paragraphs 6.11.4 to 6.11.5

- 2.78 We note the planning housing target of c.28,000 dwellings from 2025 – 2041. As required by Paragraph 70 of the NPPF, 10% of the housing target should be made up of small sites on 1ha or less. This equates to a figure of 2,800 dwellings required to be identified on small sites.
- 2.79 This is a large target, but with collaborative working with the SME Network, the right sites and opportunities can be located. Crucially this means that in assessing sites in the LAA, that these sites are not ‘screened out’ at this stage and accordingly a qualitative exercise needs to be undertaken at this point in the Evidence Base analysis.
- 2.80 This is a critical issue and is the primary reason why the Network considers insufficient small sites are allocated in Local Plans. It is because the SA process and the LAA process, through a ‘tick box’ exercise of proximity of services and facilities, often renders smaller sites in ‘less sustainable’ (note not unsustainable) locations to be discounted at this early stage. From that point onwards, it is extremely difficult to promote the site any further through the Local Plan.

We consider that the Council needs to take a proactive and pragmatic approach to how it is assessing small sites, recognising that the blended strategy proposed will require small amount of growth in some rural locations. Furthermore, growth in more rural locations will result in a benefit to that location, and not seen as unacceptable due to sustainability reasons. The reality is that in Medway, there are very few locations which are deemed wholly unsustainable to the extent that they cannot access day to day services within short trips – whether that be by public transport or the private car. The Council should therefore be open minded when it comes to small sites in rural areas – which are typically being promoted by SMEs.

- 2.81 Furthermore, the NPPF Para 70 recognises that small and medium sized sites make an important contribution to meeting the housing requirement of an area and are often built-out quickly. Therefore, it is important to allocate small and medium sized sites within a Local Plan that complement the delivery of strategic sites delivered by volume housebuilders.
- 2.82 Based on our assessment of allocations included within the Proposals Maps, and the Interim Sustainability Appraisal, 99 small sites that are available to be delivered within the Plan period. In addition, a number of the allocations are located on existing employment land. In line with

the above, these sites have been discounted. Furthermore, sites that are already built out, expired, or withdrawn have also been discounted. On this basis, the current allocations provide 1,899 dwellings across the Plan period. A significant shortfall of 886 dwelling on the requirement for 2,785 dwellings across the Plan period.

2.83 Therefore, insufficient small site allocations have been included within the Regulation 18 to meet the requirement of Para 70 of the NPPF. Despite this, the Council are proactive in seeking to support SME delivery through the inclusion of the Small Sites Policy which encompasses slightly larger sites that deliver up to 60 dwellings, and therefore achieve the aims of the NPPF.

2.84 As such, we recommend that the Council's starting place in identifying sites to meet its housing needs should start with the 2,785 dwelling being allocated on small sites, and then subsequent allocations on larger sites. The assessment is included within Appendix 4.

H. Evidence Base

2.85 The Viability Assessment included as part of the Evidence Base comprises the previous 2021 Viability Assessment with a new front cover that dates the assessment as July 2024. This therefore includes the HiF funding which was subsequently withdrawn and is no longer available.

2.86 As mentioned previously, the Infrastructure Delivery Plan is still missing from the evidence base. As such, without the HiF funding, the Local Plan is essentially planning blindfolded, without an understanding of infrastructure and costs

Summary

2.87 We support MC in the allocation of sites for housing development as part of a 'Blended Strategy' approach, blending regeneration and greenfield development, with a brownfield first focus complemented with a range of sites in suburban and rural areas.

2.88 The Plan period needs to be reviewed and extended to ensure that from adoption the Plan period exceeds 15 years.

2.89 Our assessment sets out that we consider that based on the sites allocated, Medway will not meet their Standard Method housing requirement, and therefore additional sites need to be allocated to meet this need.



- 2.90 The recent Government announcement identified a requirement for all Local Authorities to meet their Standard Method within their Local Plan, unless there are hard constraints, such as flood risk, which mean that meeting their Standard Method would not be possible.
- 2.91 Overall, more sites need to be identified to meet Medway's housing need. This includes a range of different types and sizes of sites to ensure that both Medway's need is met, and small sites are allocated to meet Para 70 of the NPPF.

APPENDICES

APPENDIX 1
The Role of SMEs



THE ROLE OF SMEs

- 1.1 This statement set out the importance currently being placed by Central Government on the role of Small to Medium Enterprises (SMEs) in the housebuilding Industry and demonstrates the vital role SME Housebuilders will play in complementing volume housebuilders to deliver the Council's housing requirements and in turn the national housing target.

A. The Government's Position on SME'S

i) Building More Homes – July 2016

- 1.2 The Government has made it clear that it is committed to increase housebuilding to deliver 300,000 homes per year by the mid 2020's. The target figure of 300,000 homes per year comes from a recommendation in the House of Lords Economic Affairs Committee report, 'Building More Homes', published in July 2016¹. The figure takes into account estimated population change but also to address the backlog created by the failure to build enough homes over many years. All the main political parties have accepted the 300,000 dwelling per annum figure.
- 1.3 Statistics monitoring completions across the UK (gov.uk) confirm Housebuilding has not achieved this level of growth since 1977-78 (314,090 dwellings – Live_Table 109) and in 2017-18² only 222,194 dwellings (Live_Table 122) were completed. Whilst this is an increase since 2012-13 (124,722 completed dwellings), this is still well short of the 300,000 dwelling target.

ii) Home Builders Federation – January 2017

- 1.4 In January 2017, the Home Builders Federation prepared a research paper titled 'Reversing the decline of small housebuilders: Reinvigorating entrepreneurialism and building more homes'³. This document highlighted a number of facts, inter alia:
- In 1988, small builders were responsible for 4 in 10 new build homes (40%). Today it is just 12%.
 - In 1988, 12,000 SMEs were building houses. In 2017, this figure was only 2,500 SMEs.

¹ <https://publications.parliament.uk/pa/ld201617/ldselect/ldeconaf/20/20.pdf>

² 2018-19 data is not yet complete.

³ https://www.hbf.co.uk/documents/6879/HBF_SME_Report_2017_Web.pdf



- The average permissioned housing scheme has increase in size by 17% since 2007, suggesting many allocated sites are out of reach for smaller companies.
- Small sites are consistently efficient in their delivery.
- Delay and risk during the planning stage has influenced lender attitudes to housebuilding meaning terms SMEs borrow on are restricting growth opportunities.
- In 2007-2009, 33% of small companies ceased building homes.
- Returning to 2007 home builder levels could see housing supply boosted by 25,000 dwellings per year.

1.5 The HBF report attributes the reasons for the decline in SMEs has been for two principal reasons:

1. A long-term trend following landmark planning legislation in 1990 which tipped the balance of control significantly further away from entrepreneurial home builders to LPAs; and,
2. The above long-term trend compounded by the Global Financial crisis in the late 2000s when the availability of development finance became a concern.

1.6 The report continues that *'the above effects are further compounded by the availability of suitable housing sites and the constant struggle of securing an implementable planning consent through the planning process beset by delays and bureaucracy. These delays and associated costs have tangible impacts on SMEs and their ability to grow. Whilst larger companies can mitigate risk across a number of sites, small firms encountering delays on one or two sites will be the difference between a year of growth and a year of contraction'*.

iii) White Paper – February 2017

1.7 The release of the Government's White Paper in February 2017 titled 'Fixing our Broken Housing Market'⁴ only reinforced the concerns about the lack of SMEs building Houses. The Report identified 3 main problems and described the housing market as 'broken', blaming the supply shortage, *"for too long, we haven't built enough homes"*. The three problems were identified as:

1. Not enough local authorities planning for the homes they need;
2. House building is simply too slow; and,

4

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/590464/Fixing_our_broken_housing_market_-_print_ready_version.pdf



3. The construction industry is too reliant on a small number of big players. (our emphasis)
- 1.8 The white paper outlined the Government's plans to change ('fix') the market. It called for *'a new approach to house building that included: building homes based on need; building homes faster; diversifying the house building market; and by making it more affordable for people to buy homes.'* (our emphasis)
- 1.9 The White Paper was clear that the Government intends to open the housing market to smaller builders and those who embrace innovative and efficient methods.

iv) House of Lords Debate – January 2018

- 1.10 On 11 January 2018, the House of Lords debated 'Housebuilding in the UK'⁵ and noted the performance of the UK's major house builders. The debate acknowledged the 2017 HBF report and focussed on the HBF suggestion that part of the practice of local authorities focusing on larger sites with a very high number of units may be counterproductive. The debate acknowledged *'that while it may be efficient in strong market areas, it is inefficient in weaker market areas. While the NPPF has been lauded for increasing the number of planning consents, it is argued that the number of sites permissioned, in areas of need, remains short of where it needs to be.'*

v) Revised NPPF – July 2018

- 1.11 The manifestation of the above discussions set about the introduction of a new approach within the revised NPPF 2018⁶, which sought to encourage the use of smaller sites and the requirement that 10% of the housing requirement on sites no larger than 1ha should be identified. The 10% target and 1ha was amended from the consultation version suggestion 10% of 'allocations' and only 0.5ha sites. The increase acknowledged the greater variety of sites SMEs are attracted to.

⁵ <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/LLN-2018-0001#fullreport>

⁶

<https://webarchive.nationalarchives.gov.uk/20181206183454/https://www.gov.uk/government/publications/national-planning-policy-framework--2>



vi) Letwin Independent Review of Housing Build Out Rates – October 2018

- 1.12 In October 2018, Sir Oliver Letwin issued his final ‘Independent Review of Build Out’⁷ report and recommendations on how to close the significant gap between the number of housing completions and the amount of land allocated or permissioned on large sites in areas of high housing demand.
- 1.13 Whilst the main body of the report focussed on the perceived issue of land banking, Sir Oliver Letwin identified that the *‘build out rate’ on small sites is intrinsically likely to be quicker than on large sites; (to take the limiting case, a site with just one house will take only as long as required to build one unit).’*

vii) Homes England Strategic Plan 2018-2023 – October 2018

- 1.14 In October 2018, Homes England released its 5-yr ‘*Strategic Plan 2018-2023*’⁸ plan to detail how it will improve housing affordability, helping more people access better homes in areas where they are needed most. The plan outlines their ambitious new mission and the steps that they will take, in partnership with all parts of the housing industry sector, to respond to the long-term housing challenges facing the country.
- 1.15 The Strategic Plan goes to some lengths identifying the decline in SME housebuilders and the result being the house building market is increasingly made up of a small number of house builders, meaning there is insufficient diversity, competition and capacity. The report continues:

There are a number of barriers preventing smaller builders from delivering a greater number of homes including: a lack of development finance; a land market weighted in favour of larger builders; and a complex planning system.

This is why we’ll create a more resilient and competitive market by supporting smaller builders and new entrants. In addition, Homes England

7

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752124/Letwin_review_web_version.pdf

⁸ <https://www.gov.uk/government/publications/homes-england-strategic-plan-201819-to-202223>

will work with house builders to promote better design and higher quality homes.

- 1.16 Driving Market Resilience has therefore been identified as a key priority for homes England. This includes access to finance but crucially where HE own sites which are too large to be developed by smaller builders, they will look for opportunities to create smaller parcels which better suit their capacity. They will achieve this improving opportunities for smaller builders to access land, and introduce simpler tender and legal documents on smaller sites to make the bidding process easier.
- 1.17 Furthermore, the strategic report looks beyond the immediate 5-yr plan and identifies a longer term priority to explore opportunities for, inter alia, removing the planning burdens faced by smaller builders on more complex sites.

viii) House of Commons Briefing Paper – December 2018

- 1.18 On 12 December 2018, a House of Commons Briefing Paper titled '*Tackling the Under-Supply of Housing in England*'⁹ was released. The report addressed all facets of factors influencing the delivery of new homes and addressed in detail 'Support for SME Developers'.
- 1.19 The Briefing paper recognised the barriers to delivery and the impact that competition for land has on SMEs. The report states that '*While there is sufficient land to build on, land is scarce in economic terms as its supply is inherently limited and fixed. This leads, it is argued, to developers having to undergo 'fierce' competition for land "while remaining uncertain as to what planning permission they will be able to secure."* The price of land is certainly viewed as a barrier to housebuilding. The gain in value that planning permission offers is said to encourage strategic land trading, rather than development, resulting in the most profitable beneficiaries of residential development being the landowner, not the developer. High land prices can, in turn, force down the quality and size of new homes and present difficulties for small and medium sized enterprises (SMEs) when seeking to compete for sites to develop.' (our emphasis)
- 1.20 The Briefing Paper further acknowledged the over reliance on a small number of developers and considered that '*This concentration of market power is felt to inhibit competition and can exacerbate the impact of market shocks when all the large firms simultaneously reduce output*'.

⁹ <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7671#fullreport>



- 1.21 The briefing paper recognised that housebuilding requires considerable up-front investment, meaning that *‘in most cases, new housing developers need access to finance. For the housebuilding industry, a particular concern is access to finance for SME developers. The Aldermore Group, a bank specialising in finance to small businesses, have stated: ...smaller developers continue to struggle with access to finance, with a recent industry survey showing that more than 50,000 construction and real estate firms have begun the year in ‘significant’ financial distress...unless more is done by lenders to increase funding to smaller regional developers, the potential for the industry to reach... [the Government’s house building target]...will be less likely.’*
- 1.22 Problems accessing finance can have an impact on house builders’ ability to produce high quality housing, as well as on the overall capacity of the house building industry. As far back as the Budget 2014 a commitment was made to support SME access to finance with the government creating a £500 million Builders Finance Fund to provide loans to developers to unlock 15,000 housing units stalled due to difficulty in accessing finance. In July 2015, the then Housing Minister announced that the Fund would be extended. The Spending Review and Autumn Statement 2015 further extended the £1 billion Fund to 2020/22. In October 2016 the launch of a £3 billion Home Building Fund under which builders, including SME builders, can obtain loan finance to assist with development costs and infrastructure work was established.
- 1.23 The Autumn Budget 2017 announced a further £1.5 billion for this Fund “providing loans specifically targeted at supporting SMEs who cannot access the finance they need to build. The 2017 Budget also said: “The government will explore options with industry to create £8 billion worth of new guarantees to support housebuilding, including SMEs and purpose built rented housing.
- 1.24 The briefing continues that SME developers are less able to withstand market shocks. This is illustrated by the fact that their share of total housing starts declined after each of the last two house price crashes (as quantified in the 2017 HBF report). A factor that would reduce risk and improve confidence in the development process is house price stability.

ix) Revised NPPF - February 2019

- 1.25 In February 2019, the latest version of the NPPF¹⁰ was released. This continues the March 2018 version in respect of the desire to encourage smaller sites to come forward in the planned system. Paragraph 68 of the NPPF 2019 states:

68. Small and medium sized sites can make an important contribution to meeting the housing requirement of an area, and are often built-out relatively quickly. To promote the development of a good mix of sites local planning authorities should:
- a) identify, through the development plan and brownfield registers, land to accommodate at least 10% of their housing requirement on sites no larger than one hectare; unless it can be shown, through the preparation of relevant plan policies, that there are strong reasons why this 10% target cannot be achieved;
 - b) use tools such as area-wide design assessments and Local Development Orders to help bring small and medium sized sites forward;
 - c) support the development of windfall sites through their policies and decisions – giving great weight to the benefits of using suitable sites within existing settlements for homes; and
 - d) work with developers to encourage the sub-division of large sites where this could help to speed up the delivery of homes.

- 1.26 The NPPF makes it clear that that small and medium sized sites can make an important contribution to meeting housing requirements in an area. To this end and to encourage small and medium sites, para 68 (a) seeks that 10% of small sites no larger than 1ha should be identified.
- 1.27 WDC needs to respond to this guidance in a proactive way. As detailed above, due to the competition for SMEs to enter the market it is likely that sites being promoted by SMEs will fall into Rural Service Centres or smaller villages away from the main urban areas or areas perceived as having the greatest accessibility. In this respect, paragraphs 77 and 78 (Rural Housing) of the NPPF complement paragraph 68 insofar that they recognise that planning policies need to be responsive to local circumstances and support housing development that reflects local needs. Para 77 continues that to support opportunities for affordable housing,

¹⁰

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/810197/NPPF_Feb_2019_revised.pdf



some market housing should be considered to facilitate this. Para 78 further supports that housing should be located where it will enhance or maintain the vitality of rural communities. Policies should identify opportunities for villages to grow and thrive.

- 1.28 Small and Medium sized sites can make a valuable contribution to these locations principally because the approach of SMEs is more flexible than a volume housebuilder and therefore can at a scale and quality that reflect the characteristics of village locations.

x) Speech by Minister of State for Housing, Esther McVey – September 2019

- 1.29 Most recently, in September 2019, the Minister of State for Housing, Esther McVey gave a speech¹¹ at the convention for the residential property sector. Alongside reaffirming the commitment to 300,000 homes per annum, reference was made to improving the quality of housing and posed the following point *'and what about the jobs and the careers to build all these homes, we need to think about that. We need to be opening up this house building to SME's, bringing them onboard, bringing it to communities, bringing it to the self-build and bringing in modern methods of construction.'*

xi) Statement of Minister of State for Levelling Up, Housing and Communities – July 2023

- 1.30 In July 2024, the SoS spoke to the long-term plan for housing. Within this statement, the SoS committed to a new era of regeneration, inner-city densification and housing delivery across England, with transformational plans to supply beautiful, safe decent homes in places with high-growth potential in partnership with local authorities.
- 1.31 In addition to targeted action in a few high-potential areas, the government's plan delivers a package of reforms to unleash building on underused sites in high-demand regions. As part of the package of reforms, the SoS states that development should proceed on sites that are adopted in a Local Plan with full input from the local community, unless there are strong reasons why it cannot. Local Councils should be pragmatic in agreeing changed to developments where conditions mean that the original plan may no longer be viable, rather than losing the development wholesale or seeing development mothballed.

¹¹ <https://www.gov.uk/government/speeches/resi-convention-2019>



- 1.32 Furthermore, the SoS encouraged the better use of small pockets of brownfield land by being more permission, so more homes can be built more quickly, where and how it makes sense, giving more confidence and certainty to SME builders.

xii) Revised NPPF – December 2024

- 1.33 In December 2023, the NPPF was further revised¹². This continued the previous iterations of the NPPF in respect of the vision to encourage smaller sites to come forward through the plan-making system. The updated para 70 continues to make clear that small and medium sized sites can make an important contribution to meeting housing needs in an area. Para 70 goes on to seek that 10% of small sites are no larger than 1ha should be identified. The revised NPPF adds another requirement for:

“e) work with developers to encourage the sub-division of large sites where this could help to speed up the delivery of homes.”

- 1.34 It is recognised that the delivery of smaller sites can address the immediate housing crisis in the short term. It is understood that smaller sites can come forward quickly, developed by local SMEs with a vested interest in delivering the site within a short timeframe. The larger strategic sites take significant time to be promoted through the Plan-making stage, as well as through the application stage, ensuring the infrastructure requirements to support large scale developments are fully considered before development can commence.

B. Pace of Delivery of an SME

- 1.35 SME's help diversify the market and deliver choice and quality, but they can also deliver at a quicker pace than larger sites. This means that by supporting SME's into the housing market, LPAs can strengthen its Housing Delivery and ensure a steady supply of deliverable sites.
- 1.36 Typically, Esquire Developments aim to take no more than 6 months from receipt of detailed consent to start on site.
- 1.37 The SME business model is usually set up differently to volume housebuilders. SME's are more flexible in matters such as design and landowner negotiations. In addition, SME's also

¹² https://assets.publishing.service.gov.uk/media/65a11af7e8f5ec000f1f8c46/NPPF_December_2023.pdf



try to limit their financial risk/exposure. As a result, there are a number of factors that that affect an SME's approach to delivering a site. This includes:

1. Cash Flow

- SMEs tend not to land bank as a return on their financial exposure/risk is critical to maintaining a profitable business. In this respect Cash Flow is critical and due to the time lag involved in the return of funds from a development (i.e. once homes begin to be sold), it is essential SMEs seek to reduce the time taken from the point of receiving a planning permission to the point of the sale of a house. This means once an implementable planning consent is secured, SMEs commence as quickly as possible to start on site. Larger PLCs can better carry this risk through multiple sites and numerous pipeline of completions - whereas SME's will have fewer outlets and therefore less regular returns in this respect.

2. Infrastructure Requirements

- Infrastructure requirements on small to medium sized sites are less onerous. This means discussions/contracts with utility providers are less complicated and time taken to implement the required infrastructure is less allowing this element of the build to be quicker.

3. Land Negotiations

- Often small and medium sized sites have fewer legal complications. This includes fewer land registry titles and fewer landowners and as a result fewer negotiations/legal complications that larger sites or larger PLC companies require. This often makes the 'land deal' more straightforward and thus quicker.

4. Flexibility in Product and Process

- Due to an SME's flexible approach to design quality and that standard house types tend not to be adopted, SME's have the ability to be more flexible when it comes to product choices. This not only allows the SME to offer a variety of product or specifically address local characteristics/design requirements, but it also means the SME can respond quickly to any delays or changes to the supply. This is mainly due to the decision makers being involved in the process and being 'hands-on'. As a result, there is a less hierarchal structure and decisions can be made quickly and efficiently – again reducing time.

5. Working relationships



- SMEs tend to work with a close number of trusted consultants and suppliers who also tend to be SMEs. This not only ensures quality of service and product but allows for open communication when it comes to availability of supplies and delivery of products. This means any potential delays are anticipated and the ability to successfully work through solutions. In addition, the sale of the dwellings tends to be on a more bespoke basis meaning the dialogue and communication between SME and Buyer is also on an open and communicative basis.

6. Sales Rates

- Once construction has commenced, completion rates, which follows sales rates matches the market demand and therefore an SME can build out at the same pace as larger volume housebuilders who adopt the same approach.

1.38 Whilst there is little literature addressing the delivery of small sites, there is a significant amount relating to the delivery of large-scale sites. Nathaniel Litchfield & Partners (NLP) produced a research paper titled ‘Start to Finish – How quickly do large-scale housing sites deliver? (November 2016)’¹³. The report recognised that *‘Large-scale sites can be an attractive proposition for plan-makers. With just one allocation of several thousand homes, a district can – at least on paper – meet a significant proportion of its housing requirement over a sustained period..... But large-scale sites are not a silver bullet. Their scale, complexity and (in some cases) up-front infrastructure costs means they are not always easy to kick start. And once up and running, there is a need to be realistic about how quickly they can deliver new homes’*.

1.39 The report continues that *‘past decades have seen too many large-scale developments failing to deliver as quickly as expected, and gaps in housing land supply have opened up as a result’*. NLP suggest that if authorities’ Local Plans and five-year land assessments are placing reliance on large-scale developments, including Garden Towns and Villages, to meet housing need, then *“the assumptions they use about when and how quickly such sites will deliver new homes will need to be properly justified.”*

xiii) **Revised NPPF – July 2021**

1.40 The NPPF was revised in July 2021¹⁴ to accommodate a number of changes. This included a change in emphasis to good design and how good design was fundamental to what the

¹³ <https://lichfields.uk/media/1728/start-to-finish.pdf>

¹⁴ <https://www.gov.uk/government/publications/national-planning-policy-framework-2>

planning and development process should achieve. Furthermore more, it confirmed development that is not well designed, should be refused and conversely, significant weight should be given to developments which reflect local design policies and/or promote high levels of sustainability or help raise the standard of design more generally in an area. SME's as well placed in this regard to meet these challenges successfully.

- 1.41 The updated NPPF also amended the numbering of paragraph 68 to paragraph 69, but made no text changes to the 2019 version.

xiv) The Bacon Review (August 2021)

- 1.42 In August 2021, the Prime Ministers Independent Review into scaling up self build and custom housebuilding was published¹⁵. Led by Richard Bacon MP. Whilst primarily dealing with recommendations to government on how to support growth in all parts of the custom and self build market, helping to boost capacity and overall housing supply in our housing market, the review touched on the plight of smaller building firms.
- 1.43 The report outlined how smaller firms now account for only 12% of new housing stock and *'have been largely squeezed out by very big companies who can afford the time and cost involved in negotiating a path through the complex thickets of the planning system'*.
- 1.44 The review continues that *the SME sector has nearly been destroyed as a direct consequence of a regulatory environment which is both exceptionally complex and fraught with risk, so that the gaining of planning consents requires both very deep pockets and the ability to bear significant risks over very long periods of time.*

xv) Meeting Housing Demand, House of Lords Select Committee (January 2022)

- 1.45 In January 2022, the House of Lords Select Committee released its report 'Meeting Housing Demand'¹⁶. A series of recommendations to Government about addressing housing demand. This included recommendations on the planning system as well as the role of SMEs (Chapter 4). The report confirmed:

¹⁵ <https://www.gov.uk/government/publications/independent-review-into-scaling-up-self-build-and-custom-housebuilding-report>

¹⁶ <https://committees.parliament.uk/work/1328/meeting-the-uks-housing-demand/publications/reports-responses/>



'In this report, we call on the Government to take action and remove the administrative and other blockers which, at present, make increasing the number of homes built much more difficult. We recognise that these challenges play out differently across the country as a whole. London and the South East face different challenges to other regions, as do those at different ends of the affordability scale.'

Small and Medium-sized Enterprises (SMEs)

The role of SMEs in the housebuilding industry has collapsed: in 1988, SME housebuilders built 39% of new homes; now they build just 10%. If housing demand is to be met, SMEs should be supported through reduced planning risk, making more small sites available, and increased access to finance. We also provide options for a fast-track planning process for SMEs to reduce delays and planning risk.

1.46 In terms of summary of conditions, in respect of SME's the report made the following:

SMEs

12. The role of SMEs in the housebuilding industry has seen a sharp decline: in 1988, SME housebuilders built 39% of new homes, by 2020 this had dropped to 10%. The Government should encourage SME housebuilders in order to diversify the market and maintain competition. (Paragraph 103)

13. Local authorities should support SME housebuilders to navigate the planning process. One focus of the Government's planning reforms should be to reduce planning risk by making decisions more predictable and reducing delays, which will benefit SMEs. The Government should work with local planning authorities to create a fast-track planning process for SMEs. (Paragraph 104)

14. Wider adoption of the 'master developer' model, where larger sites are built out by a number of different housebuilders, would help SME housebuilders bid for more secure developments. The Government should require local planning authorities and Homes England to increase the percentage of homes on larger sites each year which are built by SME housebuilders. (Paragraph 108)

15. Access to finance is one of the key barriers for SME housebuilders. The Government should work with lenders to encourage them to provide more support to SME housebuilders on commercial terms. (Paragraph 112)



- 1.47 In March 2022, the Government published its response to the report¹⁷. In response to matters relating to SME's, the Government responded in the following ways:

'We agree with the Committee that there remain some specific barriers to increasing housing supply. To alleviate these, we are continuing to drive up the supply of good quality new homes that people need and want, including by diversifying the market and supporting SMEs through the Government's Levelling Up Home Building Fund'

The Government wants to increase competition in the housebuilding market, supporting SME housebuilders to deliver the choice of housing consumers need and want in this country. We agree with the Committee's report that SMEs have a vital role in making the housing market more diverse, competitive and resilient, and we are committed to ensuring the right support is in place. SMEs have a vital role in training and retaining their workforce, including delivering apprenticeships.

As stated in the Committee's report (p. 43), Government is aware that historically the three main barriers SMEs identify as facing are planning, land and finance. We have put in place a package of measures, including financial initiatives to help SMEs grow and develop, such as the Home Building Fund and the ENABLE Build Guarantee scheme. The Home Building Fund will see up to £3 billion of funding or short-term development loans provided to SMEs, custom builders and developers using modern methods of construction. It has supported many new sector entrants, with two thirds of the SMEs who have utilised funding existing for less than three years. We have committed 91% of the initial £2.5 billion development finance allocated to the Home Building Fund, and 94% of contracted transactions are with SMEs, two-thirds of which had existed for less than three years when accessing the fund. Home Building Fund development finance is now expected to support close to 70,000 homes once fully committed.

Funding has contributed to interventions like the Housing Accelerator Fund, a lending alliance between Homes England and United Trust Bank which provides SMEs with development finance at up to 70% Loan to Gross Development Value,

¹⁷ <https://committees.parliament.uk/publications/9234/documents/159940/default/>



and the Housing Delivery Fund, set up with Barclays, which provides £1 billion of loan finance to help support small and medium sized developers, speeding up the delivery of thousands of new homes across England.

To build on the success of the Home Building Fund, we have now launched a £1.5 billion Levelling Up Home Building Fund. This will provide loans to small and medium sized builders and developers to deliver 42,000 homes, with the vast majority going outside London and the South East.

We welcome the Committee's suggestions on planning and land. The Government is considering how to best take forward proposals around changes to the planning system, including how they align with and support our wider mission to level-up the country and regenerate left-behind places. Within this, we are exploring further options to support prompt and faster build-out of sites as part of our proposed changes. These changes will support diversification by providing small builders with more speed and certainty in the planning process.

xvi) Levelling Up and Regeneration Bill: Reforms to National Planning Policy (Dec 2022) Consultation

- 1.48 In December 2022, the Government consulted on the 'Levelling-up and Regeneration Bill: reforms to national planning policy'¹⁸. This proposed a suite of amendments to the NPPF. Specifically, in relation to SME'S, the consultation made the following statement:

More small sites for small builders

10. Small sites play an important role in delivering gentle density in urban areas, creating much needed affordable housing, and supporting small and medium size (SME) builders. Paragraph 69 of the existing National Planning Policy Framework sets out that local planning authorities should identify land to accommodate at least 10% of their housing requirement on sites no larger than one hectare; unless it can be shown, through the preparation of relevant plan policies, that there are strong reasons why this 10% target cannot be achieved. The Framework also asks local planning authorities to use tools

¹⁸ <https://www.gov.uk/government/consultations/levelling-up-and-regeneration-bill-reforms-to-national-planning-policy/levelling-up-and-regeneration-bill-reforms-to-national-planning-policy#chapter-4--planning-for-housing>



such as area-wide design assessments and Local Development Orders to help bring small and medium sized sites forward; and to support the development of windfall sites through their policies and decisions. Local planning authorities are asked to work with developers to encourage the sub-division of large sites where this could help to speed up the delivery of homes.

11. We have heard views that these existing policies are not effective enough in supporting the government's housing objectives, and that they should be strengthened to support development on small sites, especially those that will deliver high levels of affordable housing. The government is therefore inviting comments on whether paragraph 69 of the existing Framework could be strengthened to encourage greater use of small sites, particularly in urban areas, to speed up the delivery of housing (including affordable housing), give greater confidence and certainty to SME builders and diversify the house building market. We are seeking initial views, ahead of consultation as part of a fuller review of national planning policy next year. Alongside this, the government has developed a package of existing support available for SME builders, including the Levelling Up Home Building Fund which provides development finance and Homes England's Dynamic Purchasing System which disposes of parcels of land.

1.49 Two important questions were asked as part of the consultation:

Q.24 Do you have views on the effectiveness of the existing small sites policy in the National Planning Policy Framework (set out in paragraph 69 of the existing Framework)?

Q.25 How, if at all, do you think the policy could be strengthened to encourage greater use of small sites, especially those that will deliver high levels of affordable housing?

1.50 The outcome of the Consultation is pending and further review of the planning system to support SMEs is expected.

C. Conclusion



- 1.51 The role of SMEs has been fully recognised by Central Government (both in the house of Commons and House of Lords) and the wider Industry (HBF, NLP) in how important their role is to helping deliver the 300,000 homes per annum target. Constraints to SMEs have been identified, including that the plan-led system is orientated away from encouraging SMEs into the market and access to finance.
- 1.52 The 2019 NPPF has provision within it to specifically address this issue with a clear direction to Local Planning Authorities that 10% of all its housing requirements should be on sites that are 1ha or less i.e. approx. 35 dwellings and under per site. This is aimed at SME developers who deliver at or around this scale.
- 1.53 Most recently the Governments response to the House of Lords report 2022 confirms their commitment to supporting SMEs and recognising their role in meeting housing demand. The most recent consultation to the NPPF in 2022 however acknowledged that the NPPF as drafted is not having the desired effect for SMEs and that this specific matter will be addressed in due course.

The Kent SME Developers Network

May 2024