

Planning Committee

11 September 2020

Agenda item number 10

Consultation from MHCLG – Changes to the current planning system

Report by Planning Policy Officer

Summary

This Ministry of Housing, Communities and Local Government (MHCLG) consultation sets out the Government's proposals for measures to improve the effectiveness of the current planning system. The four main proposals are:

- changes to the standard method for assessing local housing need;
- securing of First Homes through developer contributions in the short term until the transition to a new system;
- supporting small and medium-sized builders by temporarily lifting the small sites threshold below which developers do not need to contribute to affordable housing;
- extending the current Permission in Principle to major development.

Recommendation

To endorse the proposed consultation response included in this report.

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1. Introduction

- 1.1. The Government is consulting on four changes to the planning system. These relate to how housing need figures are calculated, changes to affordable housing thresholds, introducing a new type of affordable housing, and extending Permission in Principle. The changes would come forward as amendments to the NPPG and it is proposed that these could be in place by the end of 2020.
- 1.2. The consultation deadline is 1 October and the documents are available at: <https://www.gov.uk/government/consultations/changes-to-the-current-planning-system>
- 1.3. Members should be aware that the Government has also published a second consultation document, called 'Planning for the Future'. This proposes significant and fundamental structural changes to the planning system. The deadline for this consultation is 29 October 2020, and a report on the proposed changes will be presented at the 9th October Planning Committee. The consultation is available at: <https://www.gov.uk/government/consultations/planning-for-the-future>
- 1.4. The following sections of this report outline the four changes and how they would affect the Broads, together with the Broads Authority's proposed responses. Appendix 1 includes all responses.

2. Changes to the standard method for assessing local housing need

- 2.1. The consultation document says, 'The standard method was first implemented in 2018 through the revised National Planning Policy Framework (NPPF) to make assessing the minimum number of homes needed in an area easier, cheaper and more transparent. In February 2019, following the technical consultation on updates to national planning policy and guidance, a short-term change was made to the standard method. At the same time, a commitment was made to review the formula to balance the need for clarity, simplicity and transparency for local communities with the Government's aspirations for the housing market'.
- 2.2. It goes on to say that, 'household projections, used in the current method, have attracted criticism for their volatility and the way in which they can result in artificially low projections in some places, where overcrowding and concealed households suppress the numbers'. The consultation document proposes a revised standard method for calculating local housing need, which will be used as the basis for plans.

2.3. The proposed changes to the methodology are as follows:

- To introduce a new element into the standard method in the form of a percentage of existing housing stock levels, which takes account of the number of homes that are already in an area. The consultation advises that this should ensure that diverse housing needs in all parts of the country are considered and should also offer the stability and predictability which has been absent when solely relying on household projections.
- To introduce an affordability adjustment that takes account of changes over time, in addition to the existing approach of considering absolute affordability. The consultation advises that this will increase the overall emphasis on affordability in the formula and ensure that the revised standard method is more responsive to changing local circumstances, so that homes are planned for where they are least affordable.

2.4. The new standard method results in a national housing need of 337,000 on the basis of currently available data. This is a higher figure than the election manifesto pledge of 300,000. Indeed, the consultation document says 'Adopted local plans, where they are in place, provide for 187,000 homes per year across England – not just significantly below our ambition for 300,000 new homes annually, but also lower than the number of homes delivered last year (241,000)'. This is the starting point for planning and not the final housing requirement. Not all homes that are planned for are built; therefore, the new standard method total is designed to provide enough land to account for the drop-off rate between permissions and completions.

2.5. Members will be aware that the standard methodology used to produce housing figures does not apply to National Parks and the Broads. For these areas, whilst the Local Planning Authority (LPA) is still required to calculate the Objectively Assessed Need (OAN) for the area, the NPPF allows it to restrict the overall scale of development in the interests of protecting the area, which has been designated due to its particular national importance. On this basis, it would appear that the proposed change would not directly affect the Authority in terms of the calculation of the housing numbers. However, the review of the Local Plan will include the need to calculate a housing figure and the exact approach would need to be researched and potentially agreed with the constituent districts. On this basis, what happens to their housing figures could potentially impact on the future housing figures for the Broads

2.6. If the proposed changes to the housing methodology were to be implemented, the main issue for the Broads Authority to be aware of will be the changes to the housing need of the constituent districts. A consultant, Litchfields, ran the calculations for the new methodology and compared it to current figures in local plans, recent delivery and current standard methodology. According to their work¹, as a quick summary, when

¹ Article can be found via the following link: <https://lichfields.uk/grow-renew-protect-planning-for-the-future/how-many-homes-the-new-standard-method/#section6>

compared to the current standard methodology, the housing need of our districts will change as follows.

- Broadland: increase by around 200 dwellings a year
- East Suffolk: increase by around 1,000 dwellings a year
- Great Yarmouth: increase by around 20 dwellings a year
- North Norfolk: increase by around 180 dwellings a year
- Norwich: reduction of around 890 dwellings a year
- South Norfolk: increase by around 1,000 dwellings a year

- 2.7. In total this would give an additional increase of 1,510 dwellings per annum in the adjacent District Council areas. Members will be aware that with a higher housing requirement comes a need to find more sites, and therefore there may be more sites nearer to the Broads boundary, as well as other impacts, including recreational pressure.
- 2.8. The key messages are that the housing need of the constituent District Councils will change, some by a very substantial amount, and there could be a consequential impact on the housing need of the Broads, which will be calculated separately from the standard methodology.
- 2.9. **The proposed response in relation to this change is as follows:**
The Broads is a protected landscape with the same level of protection as the UK National Parks. We have a good working relationship with our six constituent district council planning departments and to date we have had a cooperative approach to meeting the Broads' housing need. However, it is noted that some of the districts will see a substantial increase in their annual housing need as a result of this proposed change and this will require more sites to be found, or densities to increase. This is likely to put pressure on less suitable sites, including those closer to the Broads, where there is the potential to affect the area or its setting. This issue has the potential to affect all protected areas.

3. Securing of First Homes through developer contributions in the short term until the transition to a new system

- 3.1. The Government consulted on First Homes earlier in 2020 and this part of the consultation document provides details of what is proposed in relation to First Homes following that consultation.
- 3.2. First Homes are defined as flats and houses built within developments. The proposal is that they will be sold with a discount of at least 30 percent to local people who want to stay in the community where they live or work but are struggling to purchase a home at

the general market prices. The discount will be passed on to future buyers when First Homes are resold so more people can be helped onto the ladder.

- 3.3. The consultation document says that 'the Government intends to set out in policy that a minimum of 25 per cent of all affordable housing units secured through developer contributions should be First Homes. Where cash contributions to affordable housing are secured instead of onsite contributions, a minimum of 25 per cent of these should be used to secure First Homes'. The Government also 'intend to introduce a First Homes exception sites policy, to replace the existing entry-level exception sites policy. Exception sites are small sites brought forward outside the local plan to deliver affordable housing. Under the amended policy, we will specify that the affordable homes delivered should be First Homes for local, first-time buyers. There will be the flexibility in the policy to allow a small proportion of other affordable homes to be delivered on these sites where there is significant identified local need as well as a small proportion of market homes where this would be necessary to ensure the viability of the site overall'.
- 3.4. The Local Plan for the Broads has a policy on affordable housing (DM34). This does defer/have regard to the affordable housing policy of the relevant constituent district Council, but also seeks off site contributions for schemes of 6-9 dwellings.
- 3.5. The schemes that are permitted in the Broads tend to be small in scale and therefore it is not often that the requirement for affordable housing is triggered. But, working with the districts (who are the Housing Authority) for the Broads, if schemes do trigger requirements, we will follow national policy and guidance in place at the time.
- 3.6. There are no comments proposed relating to the principle of this proposed change.

4. Supporting small and medium-sized builders by temporarily lifting the small sites threshold below which developers do not need to contribute to affordable housing

- 4.1. Current national policy is that affordable housing contributions should not be sought on schemes of fewer than 10 dwellings. The Broads Authority has taken a slightly different approach and the adopted Local Plan has a policy which requires off-site contributions for schemes of 6-9 dwellings. This was used in the Marina Quay redevelopment scheme to provide £30,000 towards affordable housing in Great Yarmouth.
- 4.2. In a move to assist small and medium sized builders (SMEs), the consultation document says 'to support SMEs in the medium term during economic recovery from Covid-19, we are also proposing to reduce the burden of contributions on SMEs for more sites for a time-limited period'. This is because SMEs have been in decline since the last recession and to reflect the fact that smaller sites build out at a quicker rate than larger ones.
- 4.3. The Government proposes to raise the small sites threshold to up to either 40 or 50 new homes through changes to national planning policy.

4.4. How this will affect our existing policy is to be confirmed. Currently of the six constituent districts, only East Suffolk has an up to date adopted policy and the other five districts are in the process of reviewing their plans. As the Authority's policy is to defer to/have regard to their policies, it will be necessary to work with them in the consideration of the impact of any changes to the threshold. It is worth noting that the typical scheme in the Broads is below 5 units, so increasing the threshold for affordable housing from 10 to 40 or 50 units is unlikely to make a significant difference in terms of actual numbers, in that the likelihood is that we may only lose the opportunity to achieve maybe 2 or 3 units. However, if those 2 or 3 units are the only affordable housing achieved in the Broads, their loss is intrinsically significant as no affordable housing at all would be delivered. On this basis, the 'lost' units take on considerable theoretical and symbolic significance, particularly given that one of the central tenets of the consultation document is about improving and widening access to better quality housing.

4.5. **The proposed response in relation to this change is as follows:**

Development in the Broads tends to be very small in scale; mostly one or two dwellings per scheme. Sometimes they are larger; rarely are they above, say, 40 or 50 dwellings. The Local Plan was adopted in May 2019 and a justification was made for seeking off site contributions for development of 6-9 dwellings to reflect that schemes tend to be small in our area. This proposed change to the threshold would effectively mean that, for the time it was in place, the Broads Authority will probably not be able to secure any affordable housing contributions on site or off site.

5. Extending the current Permission in Principle to major development

5.1. The consultation document says 'Permission in Principle was introduced in 2017 as a new faster way of obtaining planning permission for housing-led development, which reduced the need for landowners and developers to incur significant costs to establish the principle of development for housing. This was done by giving authorities the power to grant Permission in Principle to suitable sites allocated on registers of brownfield land. Subsequently, Permission in Principle by application was introduced in 2018, for minor development (i.e. small sites that support fewer than 10 dwellings)'. It goes on to say 'Permission in Principle is designed to separate decision making on 'in principle' issues addressing land use, location, and scale of development from matters of technical detail, such as the design of buildings, tenure mix, transport and environmental matters. The aim is to give up-front certainty that the fundamental principles of development are acceptable before developers need to work up detailed plans and commission technical studies. It also ensures that the principle of development only needs to be established once'.

5.2. The consultation document proposes changes and seeks views on:

- extending the scope of the current Permission in Principle by application route to major development (excluding those subject to EIA or habitats assessments);
 - enhancing the information requirements and publicity arrangements for these applications;
 - introducing a revised fee structure, at lower cost, to incentivise their use;
 - including automatically any Permission in Principle granted onto Part 2 of the local brownfield land register; and
 - strengthening guidance to support implementation.
- 5.3. The change in fees to incentivise applicants to use this approach may see more use of the Planning in Principle approach. The Authority does not have a part 2 of the brownfield register. As with any change to NPPG, we will address this requirement as it relates to relevant schemes as we determine applications.
- 5.4. There are no comments proposed relating to the principal of this proposed change.

6. Risk implications

- 6.1. As discussed in the report, the need for the constituent district councils to allocate or permit more sites to meet the changes in housing need could result in increased pressure on land near to the Broads.
- 6.2. The changes to affordable housing thresholds could mean that no affordable homes will come forward in the time period that change is in place.

Author: Natalie Beal

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Appendix 1 – Proposed response to consultation on Changes to the Planning System.

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Questions 1 to 7

The Broads is a protected landscape with the same level of protection as the UK National Parks. We have a good working relationship with our six constituent district council planning departments and to date we have had a cooperative approach to meeting the Broads' housing need. However, it is noted that some of the districts will see a substantial increase in their annual housing need as a result of this proposed change and this will require more sites to be found, or densities to increase. This is likely to put pressure on less suitable sites, including those closer to the Broads, where there is the potential to affect the area or its setting. This issue has the potential to affect all protected areas.

Question 8

Starter Homes section refers to 'policy compliant' schemes. So, if they are not policy compliant, and come in with lower % of affordable, there is no need to do first homes? How do first homes work with starter homes?

Question 17

Development in the Broads tends to be very small in scale; mostly one or two dwellings per scheme. Sometimes they are larger; rarely are they above, say, 40 or 50 dwellings. The Local Plan was adopted in May 2019 and a justification was made for seeking off site contributions for development of 6-9 dwellings to reflect that schemes tend to be small in our area. This proposed change to the threshold would effectively mean that for the time it was in place, the Broads Authority will probably not be able to secure any affordable housing contributions on site or off site.

One of the main issues related to COVID-19 was getting homeless people off the streets. Locally, and this may be the case nationally, they went into hotels initially, which was not too complicated as all hotels had shut down and therefore did not have any guests. Rough sleepers were then moved on to other forms of accommodation including hostels and those in hostels moved onto homes. If you reduce the number of schemes that can provide affordable housing, by raising the threshold, it could be that homeless people are negatively affected. This seems a contradiction considering how important it was to get rough sleepers off the streets to protect them from COVID-19. Indeed, the other Government document out for consultation (Planning for the Future) says at paragraph 1.1 that our capacity to house the homeless is a national challenge.

Other comments

- Para 31 says that the affordability of homes is the best evidence that supply is not keeping up with demand. What about the Letwin review findings that refers to the issue of absorption rates? Could it be that supply is not keeping up with demand intentionally so the cost of houses stays high?

- Para 36 says if an average worker cannot get a mortgage for an average home in the area without additional help, then there are not enough homes in the area. Again, what about the Letwin review findings that refers to the issue of absorption rates? Could it be that houses are released at a rate to keep the cost high?
- Para 40 says: Not all homes that are planned for are built, therefore the new standard method total is designed to provide enough land to account for the drop-off rate between permissions and completions. However, the Planning for the Future document says in the last bullet point of 2.25 that 'inclusion of an appropriate buffer to ensure enough land is provided to account for the drop off rate between permissions and completions as well as offering sufficient choice to the market'. So, does the new method account for drop off rate so local plans don't need to, or are local plans to add a buffer? I think it is the former, but this could usefully be clarified in any NPPG changes.